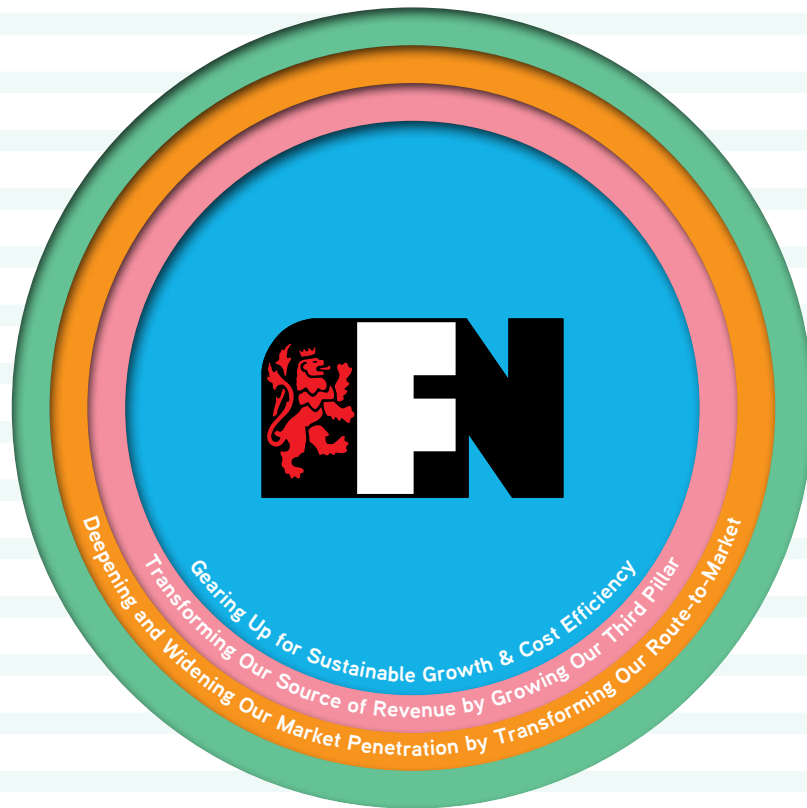


FRASER & NEAVE HOLDINGS BHD
(4205-V)

TRANSFORMING



FOR A
**SUSTAINABLE
FUTURE**

ANNUAL REPORT 2016

Transforming F&N for A Sustainable Future



With 133 years of heritage under our belt, Fraser & Neave Holdings Bhd has become a household name - a formidable enterprise in the Food & Beverage industry in Malaysia and Thailand with a broad portfolio of iconic brands, many of which are No. 1 in their respective categories.

Our stability rests on a strong foundation the Group has built over the years. But times change, and we are changing with it. Today, we are creating a better F&N of tomorrow, an organisation that is able to enhance our value for our stakeholders – our shareholders, employees, consumers, trade partners and communities as well as protect our planet for the future generation.



Leveraging on the strengths of our heritage, people and brand, we are realigning our organisation with our growth strategies to be better positioned to face future challenges and capture opportunities as One. A united organisation that aspires to become the No. 1 Total Beverage Player in Malaysia and the region.

1.

Deepening and Widening Our Market Penetration by Transforming Our Route-to-Market

We already have the widest route-to-market. But we are combining our Soft Drinks and Dairies businesses in Malaysia to give us even greater product access to the outlets we serve and greater operational efficiencies. Whereas before different teams served the two markets, now a unified team will extend the full complement of our Soft Drinks and Dairies portfolios to all F&N outlets. This means more business for our distributors, more products for our customers, and better efficiencies for us.



DAIRIES
MALAYSIA

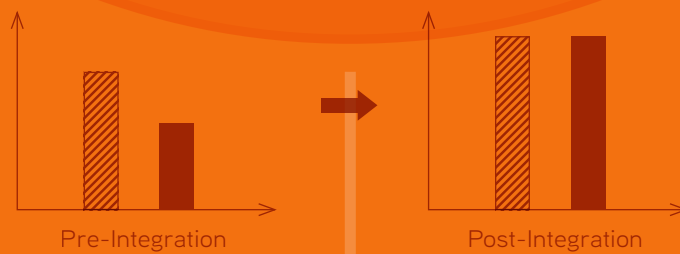
SOFT DRINKS
MALAYSIA



Deepening and Widening Our Market Penetration by Transforming Our Route-to-Market
Gearing Up for Sustainable Growth & Cost Efficiency
Transforming Our Source of Revenue by Growing Our Third Pillar

Outlets Penetration

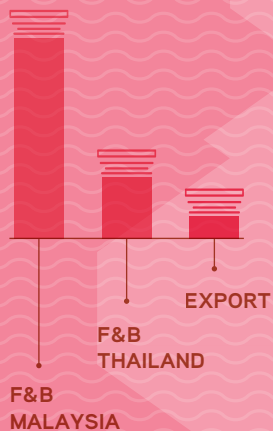
Soft Drinks Dairies



2.

Transforming Our Source of Revenue by Growing Our Third Pillar

10 YEARS AGO



TODAY



Starting off as a Malaysian-based company, Fraser & Neave Holdings Bhd's business was focused on this country for over 100 years. Then, nine years ago, we spread our wings to Thailand. With the dedication and commitment of the team, this business has grown so fast it now represents the Group's second pillar, contributing to almost half our operating profit. Our next pillar of revenue will be the export business. Along with our transformation, we are growing our presence globally, notably the halal market.

FUTURE



F&B
MALAYSIA

F&B
THAILAND

EXPORT

3.

Gearing Up for Sustainable Growth & Cost Efficiency

AMPLIFICATION OF CONTINUOUS IMPROVEMENT CULTURE PARTICULARLY IN MANUFACTURING

We have increased our production line efficiency by 10%, and reduced our energy consumption by 10%.

Our far-reaching transformation is based on one key fundamental – being efficient in all that we do.

To ensure sustainable growth and cost leadership, we are building our capacity and enhancing cost efficiencies across the organisation. Essentially, Fraser & Neave Holdings Bhd aims to become one of the lowest-cost and lowest carbon footprint producers in the industry.

CAPTURING ECONOMIES OF SCALE FROM THE PROCUREMENT of key raw materials and packaging materials.

RM180 MILLION WAREHOUSE IN SHAH ALAM TO MEET GROWTH PROJECTIONS OF CORE PRODUCTS

In operating our own warehouse, we will save RM10 million annually leveraging on cost efficiencies.

PET LINE AUTOMATION IN SHAH ALAM PLANT TO REDUCE OUR CARBON FOOTPRINT

Estimated to be completed within 2017.

**AN ASEPTIC
COLD-FILLING
PRODUCTION
LINE**

to facilitate product expansion and environment commitment with 40% reduction on resin packaging material.

A NEW FILLING AND PACKAGING LINE FOR EVAPORATED MILK at our Rojana plant in Thailand which costs 300 million Baht.

RM30 MILLION ON A NEW UHT LINE AT OUR KUCHING PLANT to meet the growing demands in this region.



Gearing Up for Sustainable Growth & Cost Efficiency

BY ENHANCING OUR PRODUCTION AND WAREHOUSING CAPACITY IN THE DIFFERENT REGIONS, we stand to optimise our logistics movement thus reduce our carbon footprint.

UPGRADING OF MINERAL WATER PLANT IN BENTONG WITH A NEW 600 BPM WATER LINE, expansion of the warehouse, production building and infrastructure.

RM45 MILLION ON A NEW POLYETHYLENE TEREPHTHALATE (PET) MANUFACTURING LINE AT OUR SHAH ALAM FACILITY TO MEET THE GROWING DEMAND FOR READY-TO-DRINK BEVERAGES IN THE COUNTRY

The new PET line will boost the Group's PET output by 40 per cent with an estimated 108 million additional bottles a year.

WELCOME



Welcome to the F&N Annual Report, which sets out our business performance in 2016.

We operate in the fast-moving beverages and dairies market which, by its nature, requires us to be disciplined, innovative and highly responsive to the changing environment. Our success comes from maintaining our market-leading positions through continuous innovation, sharing a strong set of values, and working together with a common passion for beverages and dairies.

**TENGGU SYARIF BENDAHARA PERLIS SYED
BADARUDIN JAMALULLAIL IBNI ALMARHUM
TUANKU SYED PUTRA JAMALULLAIL**

Chairman

OUR VISION

To become the leading total beverage company in Malaysia and the region

OUR MISSION

To be a world-class multinational enterprise providing superior returns to our shareholders, excellent value for our customers and a rewarding career for our employees

Navigation icons



Tells you where you can find more information in the Annual Report



Tells you where you can find more information online

Feature in this Annual Report



Softcopy version of F&NHB Annual Report 2016



Contact Us

Follow the steps below to scan the QR code reader in 3 easy steps

1



Download the "QR Code Reader" on App Store or Google Play

2



Run the QR Code Reader app and point your camera to the QR Code

3



Get access to the softcopy of our Annual Report and our contact information

The softcopy version of F&NHB Annual Report 2016 is available from our website. We also welcome your feedback to make sure we are covering the things that matter to you. Go to www.fn.com.my or scan the code above with your smartphone.

OUR BRANDS



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YEARS OF HERITAGE

24

WELL-LOVED BRANDS

80,000

OUTLETS ACROSS MALAYSIA

120,000

OUTLETS ACROSS THAILAND

The background of the entire page is a light green color with a repeating pattern of the F&N logo. Each logo is a stylized representation of a beverage can, tilted at an angle, and contains the letters 'F&N' in a circular emblem.

"LIFE IS
SHORT.
EAT
DESSERT
FIRST."

- JACQUES TORRES

Whatever the occasion, our collection of recipes are sure to add colour and taste, and keep your friends and family coming back for more! Try it for yourself to feel the magic.



CREATING
PURE
ENJOYMENT,
PURE
GOODNESS
MOMENTS

7

DESSERT RECIPES
-Detachable booklet-

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Five-Year Statistics
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Business Review by CEO



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Sustainability



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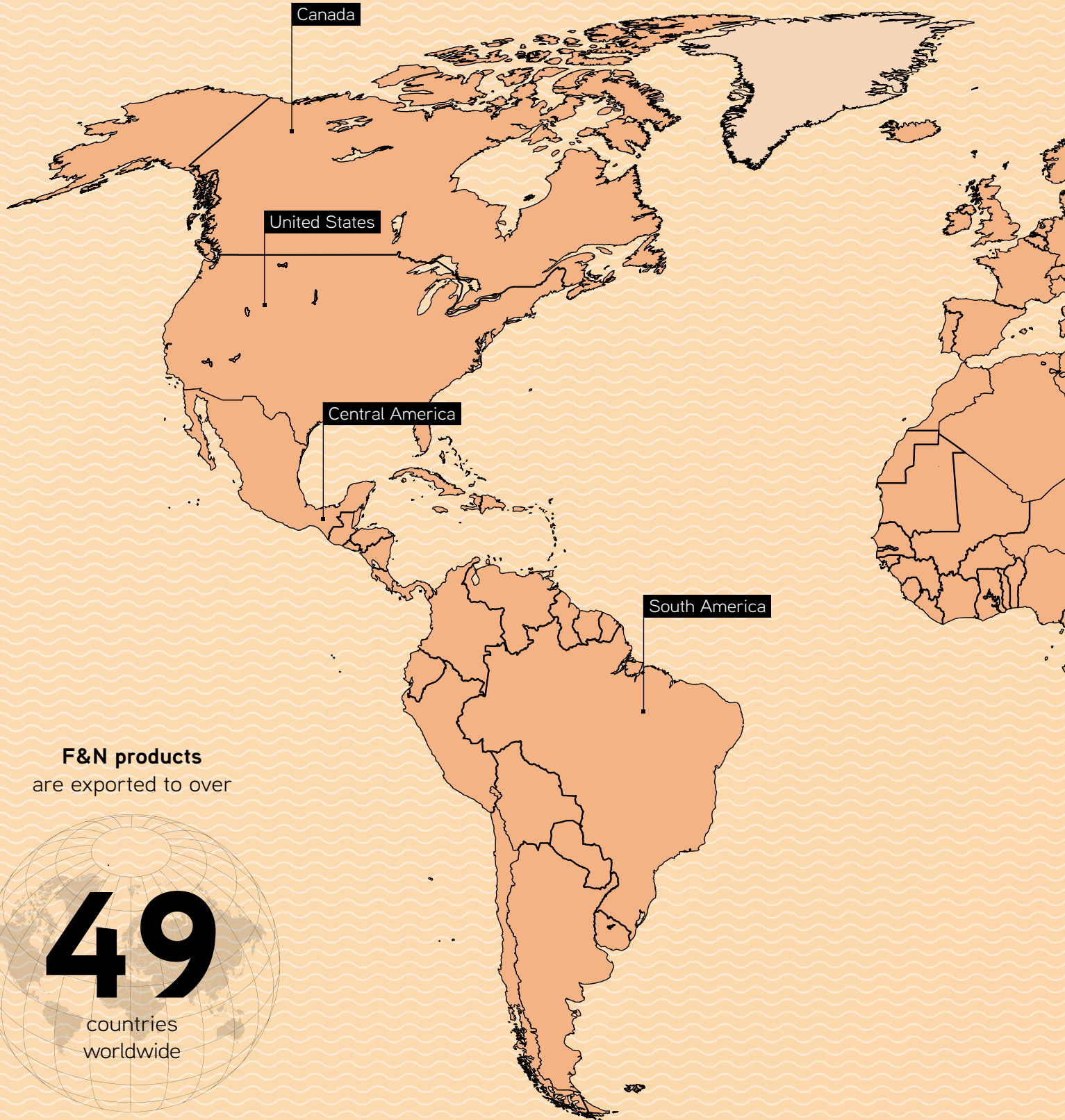
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•
Notice of Annual General Meeting

•
Proxy Form

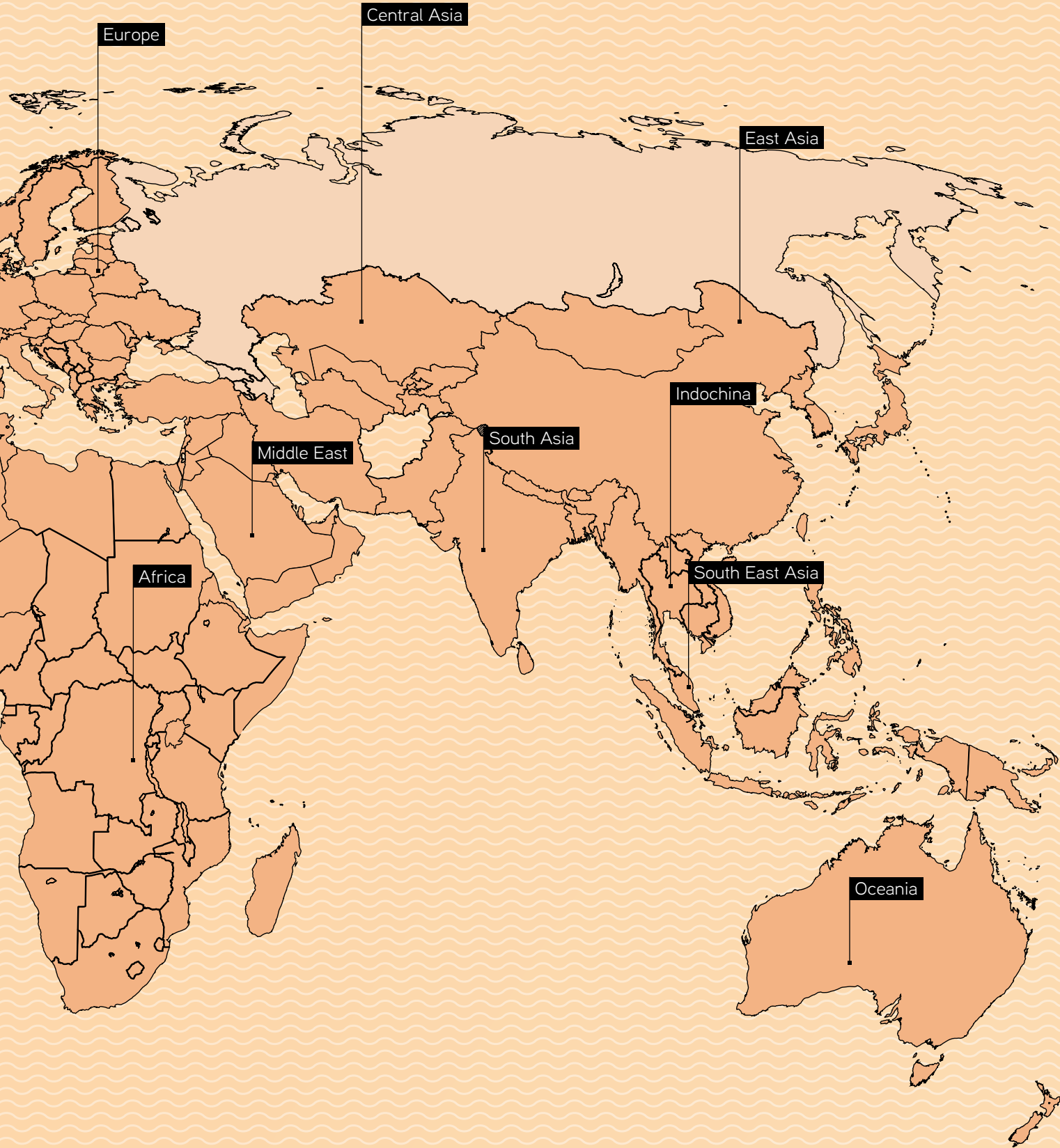
OUR EXPORTS



F&N products
are exported to over



OUR EXPORTS



FIVE-YEAR STATISTICS GROUP FINANCIALS

Year ended 30 September		2016	2015	2014	2013	2012
Results (RM million)						
Revenue		4,167.6	4,107.6*	3,851.0*	3,533.5*	3,191.5*
Profit before tax (PBT)		442.9	333.8	315.5	307.8#	228.9#
Attributable profits		385.4	280.1	259.4	259.5#	272.6#
Dividend						
Per share						
- Earnings - basic	(sen)	105.3	76.5	71.0	71.4#	75.5#
- Earnings - diluted	(sen)	104.8	76.4	70.9	71.1#	75.0#
- Dividend - net	(sen)	57.5**	57.5	55.0	60.0	58.0
- Dividend - cover	(times)	1.8	1.3	1.3	1.2	1.3
Statement of Financial Position (RM million)						
Share capital		366.8	366.6	366.0	364.7	363.0
Shareholders' equity		1,989.0	1,876.8	1,688.6	1,648.4#	1,553.6#
Total assets		3,205.9	3,022.6*	2,734.0	2,721.5#	2,619.0#
Long term borrowings		374.7	300.0	300.0	150.0	-
Net assets per share	(RM)	5.43	5.12	4.62	4.52#	4.28#
Ratio						
PBT on revenue	(%)	10.6	8.1*	8.2*	8.7#&*	7.2#&*
Return on shareholders' equity	(%)	19.4	14.9	15.4	15.7#	17.5#
Net debt to equity ratio	(%)	-	-	-	1.8#	12.6#

Adjustments pursuant to the adoption of MFRS 11 *Joint Arrangements* and MFRS 119 *Employee Benefits*.

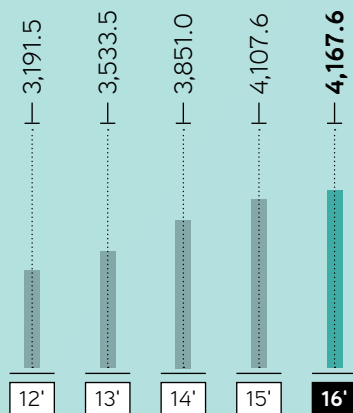
* Being reclassification to conform with current year's presentation.

** Included proposed dividend of 30.5 sen, which will only be recognised in the financial statements upon shareholders' approval.

FIVE-YEAR STATISTICS GROUP FINANCIALS - CHARTS

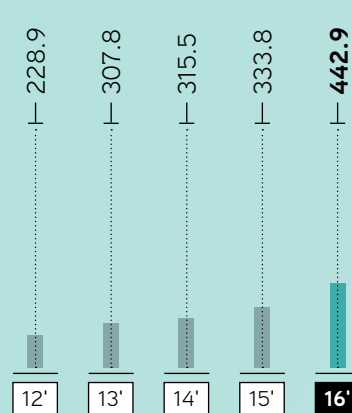
REVENUE

(RM million)



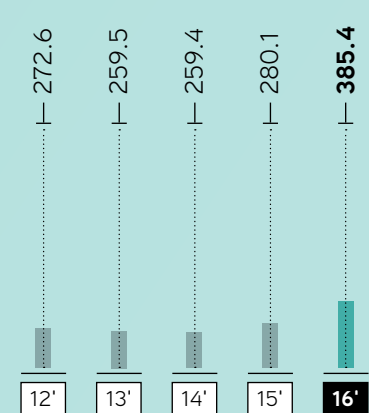
PBT

(RM million)



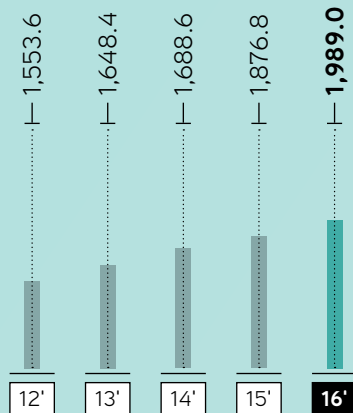
ATTRIBUTABLE PROFITS

(RM million)



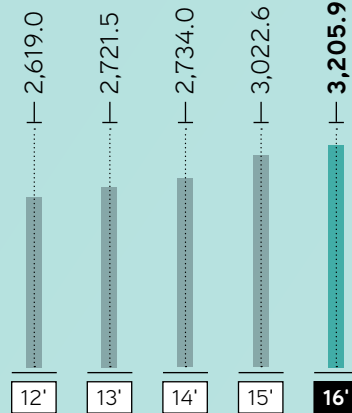
SHAREHOLDERS' EQUITY

(RM million)



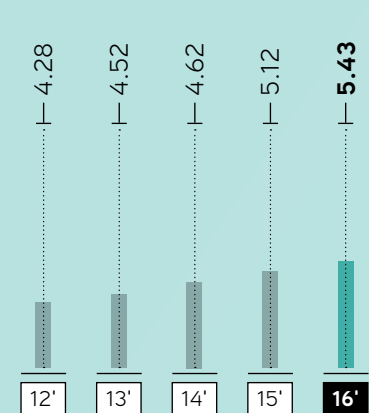
TOTAL ASSETS

(RM million)



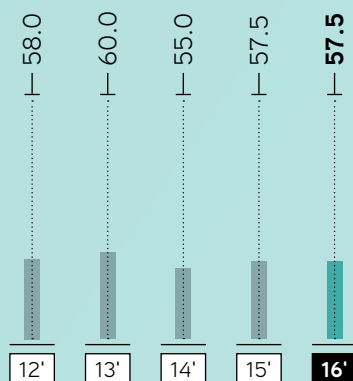
NET ASSETS PER SHARE

(RM)



NET DIVIDEND

(sen)



2016 AT A GLANCE

GROUP PROFIT BEFORE TAX

RM
442.9
million +32.7%

DIVIDEND FOR THE YEAR

57.5
sen per share

F&B THAILAND ACHIEVED RECORD PROFIT GROWTH

+79.7%



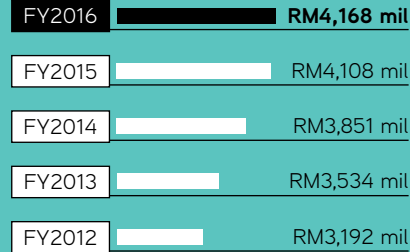
2016 Frost & Sullivan Malaysia
"BEVERAGES COMPANY OF THE YEAR"
in Ready-to-drink Industry



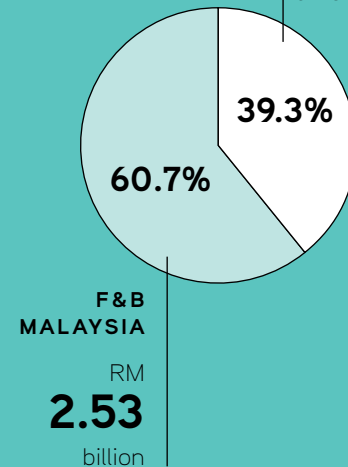
Integrated the
ROUTE-TO-MARKET OF SOFT DRINKS AND DAIRIES BUSINESS
in Malaysia

GROUP REVENUE

RM
4.17
billion +1.5%



F&B THAILAND
RM
1.64
billion



ASEAN BUSINESS AWARDS MALAYSIA 2016 (ABAM)
in ASEAN Excellence
– International category

RM
45.0
million
new PET line in Shah Alam, operational in October 2016



GROUP PROFIT AFTER TAX

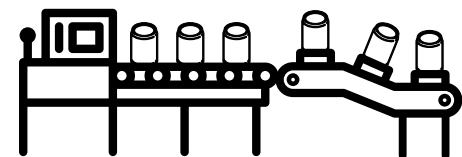
RM
385.4
million +37.6%

BASIC EARNINGS PER SHARE

105.3
sen per share +28.8 sen

MORE THAN RM300 MILLION IN CAPITAL EXPENDITURE

allocated over a two-year period



300
million Baht
evaporated milk processing, filling and packaging line in Rojana, operational in February 2016

HOW WE ARE BUILDING A GREAT PLATFORM FOR GROWTH



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Corporate Structure

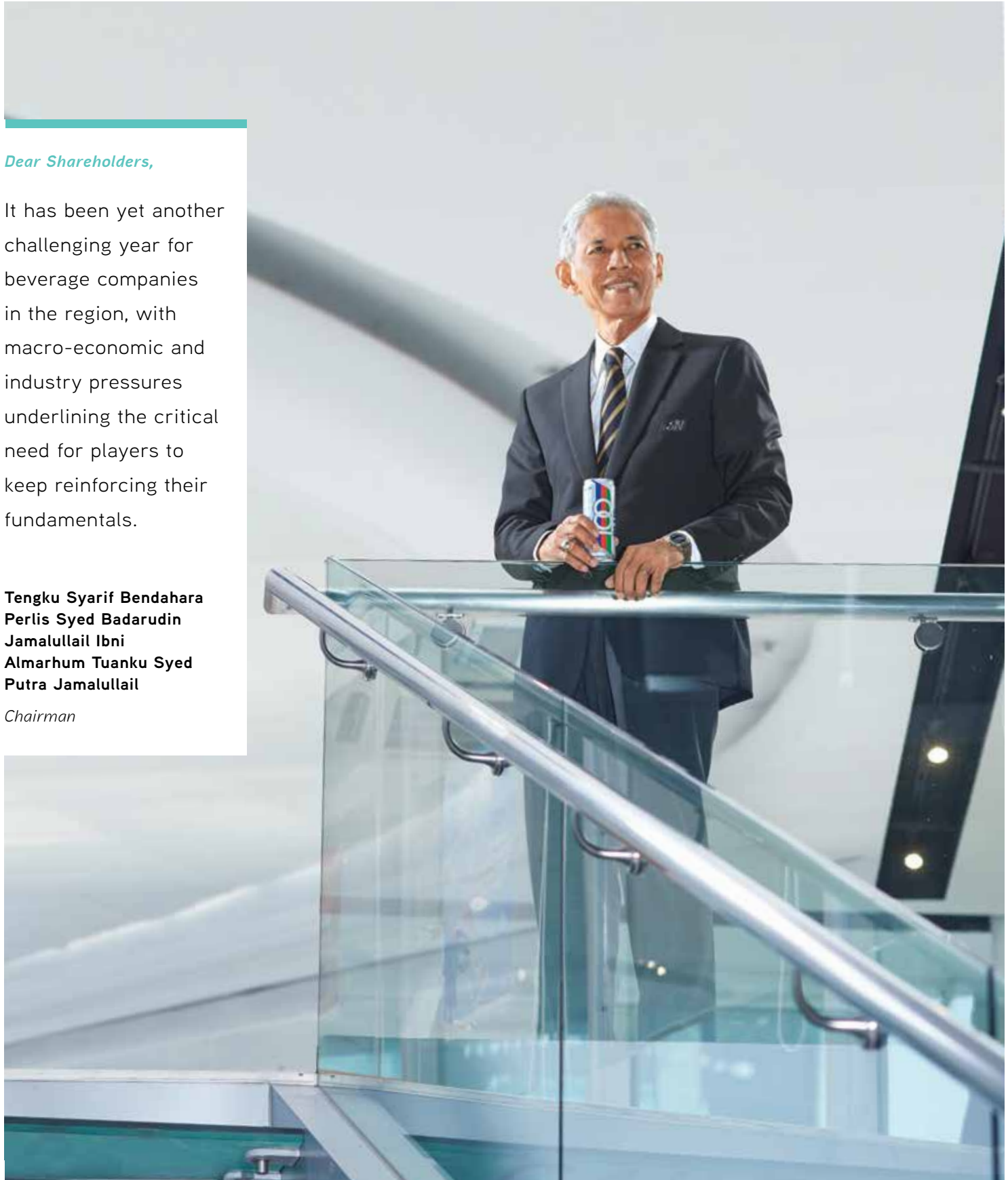
CHAIRMAN'S STATEMENT

Dear Shareholders,

It has been yet another challenging year for beverage companies in the region, with macro-economic and industry pressures underlining the critical need for players to keep reinforcing their fundamentals.

**Tengku Syarif Bendahara
Perlis Syed Badarudin
Jamalullail Ibni
Almarhum Tuanku Syed
Putra Jamalullail**

Chairman



CHAIRMAN'S STATEMENT

"Meanwhile, operational and cost synergies derived from our transformation initiatives, boosted by lower prices of commodities, contributed to a 32.7 per cent hike in profit before tax from RM333.8 million to RM442.9 million."

This is precisely what Fraser & Neave Holdings Bhd (F&NHB or the Group) has been doing throughout our 133-year history, resulting in a progressively stronger organisation able to withstand external headwinds and maintain our competitive edge.

The financial year that has just ended (FY2016) was no exception. It saw the Group embark on a five-year transformation journey that will help us not just survive the tough market but transition into one of the most asset-efficient and profitable beverages companies in the region. Already, we are witnessing some early wins from changes that have been instituted which, together with continued emphasis on effective marketing and strong performance of our brands, allowed us to pull together a creditable financial scorecard.

PERFORMANCE REVIEW

Sales of existing and newly-launched products continued to be robust, leading to a 1.5 per cent increase in Group

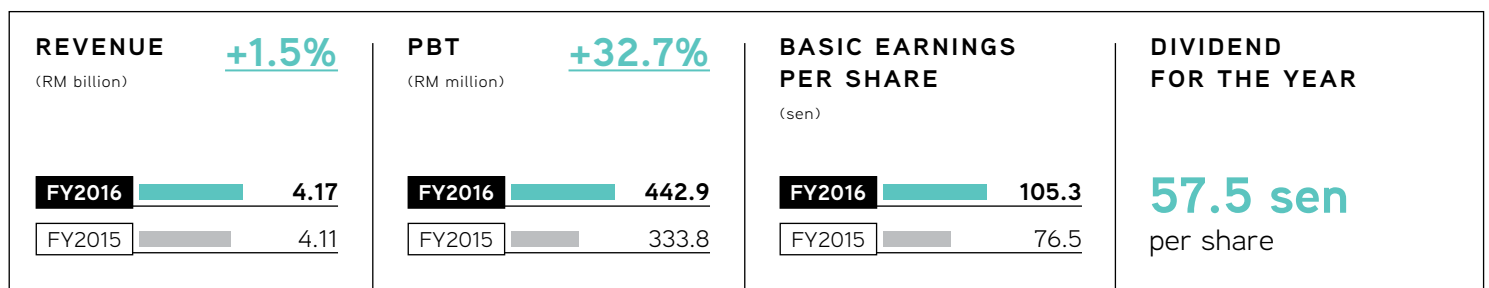


revenue from RM4.11 billion in FY2015 to RM4.17 billion. Meanwhile, operational and cost synergies derived from our transformation initiatives, boosted by lower prices of commodities, contributed to a 32.7 per cent hike in profit before tax (PBT) from RM333.8 million to RM442.9 million.

F&NHB's financial stability, and market confidence in the Group, was reflected in our share price which grew steadily from about RM18.30 at end September

2015 to RM24.06 at the end of FY2016. I am also pleased to share that our basic earnings per share increased from 76.5 sen to 105.3 sen.

Further adding value to our shareholders, we are recommending a final single tier dividend of 30.5 sen per share which, if approved at our Annual General Meeting, will amount to a total dividend for the year of 57.5 sen per share, matching that in FY2015.



CHAIRMAN'S STATEMENT

GEARING UP FOR THE FUTURE

A key transformation initiative was to reorganise our business operations to be more market-centric and enhance customers' ease of doing business with us. This has seen us integrate the Soft Drinks and Dairies Malaysia segments into Food and Beverages Malaysia (F&B Malaysia) while our Thai business now falls under Food and Beverages Thailand (F&B Thailand). Internally, the reorganisation has allowed us to streamline our operations, reducing duplication of functions and optimising value from our assets and resources.

Supporting our Vision 2020, we will be investing significantly to expand the Group, both in terms of capacity and our international presence. During the year, we announced over RM300 million in capital expenditure that will give us greater capacity for economies of scale; minimise our cost structure; enhance our innovative and competitive abilities; and reduce our carbon footprint.

At the same time, we are building our export capacity by strengthening our export team and focusing more intently on halal markets. This has been aided by elevating our halal commitment with a Group Halal Council, through which we have enhanced our halal framework, terms of reference and roles. We will also be working more closely with the Halal Development Corporation, MATRADE and MITI to reach out to new halal markets.

"We announced over RM300 million in capital expenditure that will give us greater capacity for economies of scale; minimise our cost structure; enhance our innovative and competitive abilities; and reduce our carbon footprint."

CORPORATE GOVERNANCE

Corporate governance remains one of the Board's key concerns, and I am pleased to note the Group has continued to abide with all governance guidelines issued by regulators in the countries where we are based. Our governance structures are not static, but evolve along with the external business environment and our responses to it. Accordingly, during the financial year, we developed a new Group Chart of Authority (COA) aligning our restructured business units with authority limits based on their scope and functions. We also introduced a new Group Procurement Policy to ensure consistency and transparency across the entire organisation.

The Group has always maintained a high level of transparency, and was rewarded for our efforts when we were commended by the Asian Corporate Governance Association (ACGA) in its CG Watch 2016 for disclosure on the sugar content of our products.

Our commitment to operating at the highest level of integrity, transparency and professionalism has strengthened the Group's inherent value, and has drawn numerous industry accolades. This year, we were honoured by three prestigious awards that reflect the quality of our people, our principles and our business. These were: the ASEAN Business Awards Malaysia 2016 in ASEAN Excellence – International category by the ASEAN Business Advisory Council (ASEAN-BAC) Malaysia; the Malaysian Beverages Company of the Year 2016 in the Ready-To-Drink Industry from Frost & Sullivan; and the CIO Asia Award 2016 in the Performance category.

CHAIRMAN'S STATEMENT

CORPORATE RESPONSIBILITY

Over the years, we have invested considerably in developing drinks that are healthier without compromising on taste, as we consider this part of our social contract. As a result, the total sugar index of our beverages has decreased by 28 per cent since FY2004. This financial year, we added F&N Magnolia UHT Milk, F&N Magnolia Kids UHT Milk and F&N NutriSoy Lite to our portfolio of more nutritious beverages.

In line with our commitment to promoting a healthier lifestyle, we continue to play a major role in various sporting activities. In FY2016, we pledged sponsorships worth RM3 million to the 29th SEA Games and 9th ASEAN Para Games through the 100PLUS brand. We further reinforce our corporate citizenry by supporting less fortunate communities; and during the year we donated RM200,000 to the Spastic Children's Association of Selangor & Federal Territory's Redevelopment Programme and RM300,000 to Media Prima's charity fund 'Tabung Bersamamu'.

The same sense of corporate responsibility has guided us in developing and nurturing our employees with innovative Human Resources practices, policies and strategies. Our efforts have not gone unnoticed, as F&NHB was named one of Asia's Best Employer Brand 2016 by the Employer Branding Institute.

In addition to supporting the career progression of our employees, we also inspire their children to perform well academically and in co-curricular activities by presenting the F&N Chairman's Award to those who achieve outstanding results. Since the award was institutionalised in 2003, we have given out over RM3 million under the programme, and the total pay-out this year, at RM367,000, is our highest ever.

Further underpinning our commitment to corporate responsibility (CR), we make a conscious effort to minimise the environmental impact of our operations. Our environmental and other CR initiatives are outlined in greater detail in the Corporate Sustainability section of this annual report.

ACKNOWLEDGEMENTS

I feel fortunate to have on the Board a group of exemplary directors whom I would like to thank for their sound leadership and wise counsel. This year, we bid farewell to Datuk Chin Kwai Yoong who was an Independent Non-Executive Director since 2013. On behalf of my colleagues, I would like to record our appreciation for his valuable contributions to the Group, and wish him the best in his future undertakings. At the same time, we welcome Mr. David Siew Kah Toong who brings with him a wealth of experience as a new Independent Non-Executive Director.

The Board has been working closely with Management on the Group's transformation and, during a Board Strategy Retreat that took place in May this year, we developed a roadmap charting F&NHB's future growth to entrench our sustainability. I would like to express my gratitude to the Management for guiding the Group seamlessly into this new phase of transformation; and all our employees for taking the ongoing changes well in their stride.

My thanks further extend to our business partners, suppliers and distributors who have been instrumental to the Group's long and successful journey to date, and with whom we will continue to collaborate to achieve our vision.

Tengku Syarif Bendahara Perlis Syed Badarudin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail
Chairman



BOARD OF DIRECTORS

From left to right:

Y.Bhg. Dato' Dr. Mohd Shahar bin Sidek
Y.Bhg. Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani
David Siew Kah Toong

Y.Bhg. Dato' Jorgen Bornhoft
Lee Kong Yip
Hui Choon Kit



BOARD OF DIRECTORS

From left to right:

Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo
Y.A.M. Tengku Syarif Bendahara Perlis Syed Badarudin
Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail

Anthony Cheong Fook Seng
Y.Bhg. Dato' Anwarrudin bin Ahamad Osman
Lee Meng Tat



PROFILE OF BOARD OF DIRECTORS

BOARD COMPOSITION

Independent
Non-Executive Directors

4 out of 11
36.4%

Non-Independent
Non-Executive Directors

7 out of 11
63.6%

COMMITTEE MEMBER KEY

- A** Audit Committee
- B** Risk Management Committee
- E** Group Executive Committee
- N** Nominating Committee
- R** Remuneration Committee
- S** Share Buy-Back Committee



**Y.A.M. Tengku Syarif Bendahara Perlis Syed Badarudin
Jamalullail ibni Almarhum Tuanku Syed Putra Jamalullail**
Independent Non-Executive Director
Chairman of Board
Chairman of Remuneration Committee
Chairman of Share Buy-Back Committee

N

Malaysian / age 71

Qualification & Experience

Tengku Syed Badarudin Jamalullail graduated from Cambridge University in 1968 with a Master of Arts degree in Law & History. From 1968 to 1978, he was employed and held various executive positions in Fraser & Neave (Malaya) Sdn Bhd. Currently, Tengku Syed is involved in his family business and is a Director of Hwang Capital (Malaysia) Berhad. Tengku Syed is also a board member of Yayasan Tuanku Syed Putra, a charitable foundation and the President of Tuanku Syed Putra Dialysis Centre, Perlis.

Tengku Syed was appointed to the Board on 24 February 1987 and on 27 February 2001 was appointed as its Chairman. He was appointed as an Independent Non-Executive Director of Fraser and Neave, Limited on 8 January 2014 and was subsequently appointed as its Lead Independent Director on 7 May 2015. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company.

PROFILE OF BOARD OF DIRECTORS



Y.Bhg. Dato' Anwarudin bin Ahamad Osman

*Independent Non-Executive Director
Chairman of Nominating Committee*

A R S

Malaysian / age 73

Qualification & Experience

Dato' Anwarudin bin Ahamad Osman graduated from the University of Malaya in 1966 with a Bachelor of Arts degree.

Upon graduation, Dato' Anwarudin joined the Malaysian Civil Service in 1966 and served in the Ministry of Defence. In May 1975, he joined Petronas and served in various capacities until his retirement on 1 September 1998 as Managing Director/Chief Executive Officer of Petronas Dagangan Berhad.

During the 23 years in Petronas, Dato' Anwarudin held various senior positions. He was the General Manager of Corporate Planning Division in 1984, General Manager, Human Resources Management Division in 1985 before heading the International Marketing Division of Petronas responsible for sales of crude and products and processing of crude. He was a member of the Asean Council On Petroleum ("ASCOPE") technical committee for several years and spoke at the ASCOPE oil marketing management seminars and local seminars on prospects of Bumiputera in the marketing and distribution industry, represented Malaysia in the OPEC/NON-OPEC dialogues from 1989 to 1991.

Currently, Dato' Anwarudin holds directorship positions in KKB Engineering Bhd and in several non-listed companies. He is the Chairman of Perisai Petroleum Teknologi Bhd and Executive Vice-Chairman of Yasmin Engineering (M) Sdn Bhd.

Dato' Anwarudin was appointed to the Board on 20 January 2005. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company.



Anthony Cheong Fook Seng

Non-Independent Non-Executive Director

E B

Singaporean / age 62

Qualification & Experience

Mr. Anthony Cheong Fook Seng is a member of the Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants.

Mr. Anthony Cheong has worked in the Audit & Corporate Advisory Services Division of Ernst & Young till 1989 when he joined CarnaudMetalbox Asia Ltd as Internal Audit Manager, later on assuming the position of Company Secretary. He joined the Fraser and Neave, Limited ("FNL") Group in Times Publishing Ltd as Corporate General Manager (Group Finance) and Company Secretary in 2001. He was appointed the Group Company Secretary of the FNL Group on 1 October 2002 and was a director from 1 February 2005 to 31 January 2008. He represents the FNL Group on the Boards of a number of listed and unlisted subsidiaries.

Mr. Anthony Cheong was appointed to the Board on 1 October 2002. Except for his position as the Group Company Secretary of FNL, a major shareholder of the Company, he does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company.

PROFILE OF BOARD OF DIRECTORS



David Siew Kah Toong
Independent Non-Executive Director
Chairman of Audit Committee

Malaysian / age 62

Qualification & Experience

Mr. David Siew Kah Toong is a member of the Malaysian Institute of Accountants ("MIA"), the Malaysian Institute of Certified Public Accountants ("MICPA") and CPA Australia. He is presently a member of the Practice Review Committee of the MIA and the Public Practice, Technical and Financial Statement Review Committees of MICPA. He had previously served as a Board member of the Financial Reporting Foundation for two terms and was a member of the Developing Nations Committee of the International Federal of Accountants for a term.

Mr. David Siew joined Sekhar & Tan, Chartered Accountants, as its Managing Partner at the beginning of 2009. Prior to that, he served as the Managing Partner of BDO, one of the leading accounting firms in Malaysia. He has many years of experience in auditing, financial reporting and corporate advisory and had served as the audit engagement partner on many public listed companies. He continued to serve a portfolio of clients including public listed companies in Sekhar & Tan in auditing and corporate advisory matters.

Mr. David Siew was also involved in the role of Special Administrator for several public listed companies pursuant to the Pengurusan Danaharta Nasional Berhad Act 1998 and successfully restructured them for re-listing. He had served for four years as the Finance Director of Malaysian Mosaics Berhad where he was involved in the reorganisation of the Group, restructuring of banking and financing arrangements and mergers and acquisitions besides improving the financing reporting systems.

He is an Independent Non-Executive Director of Tan Chong Motor Holdings Berhad, the Chairman of the Risk Management Committee and a member of the Audit Committee and Nominating Committee. He is also an Independent Non-Executive Director of Wing Tai Malaysia Berhad where he serves on the Audit Committee and the Remuneration Committee.

Mr. David Siew was appointed to the Board on 23 February 2016. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company.



Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo
Independent Non-Executive Director

A

Malaysian / age 44

Qualification & Experience

Dato' Johan Tazrin bin Hamid Ngo has a Bachelor of Arts (Honours) degree in Business Economics from Reading University, UK. He is also an Associate Member of the Society of Investment Professionals ("ASIP"), UK (CFA Institute) and European Association of Financial Analysts ("EFFAS").

Currently, Dato' Johan is the Managing Director and the Chief Investment Officer of Amara Investment Management Sdn Bhd ("AMARA"), a fund management company incorporated in Malaysia and licensed by the Securities Commission. Dato' Johan established the company in 1997 as a joint venture between K&N Kenanga Berhad and Rothschild Asset Management Intl B.V before taking the company private in 2007 in a management buy-out exercise. Prior to this, he was a Portfolio Manager with Coutts & Co. (London) Ltd managing Asian Equities and Japan. Dato' Johan has more than 22 years of experience in investment management overseeing Asian equities & fixed income.

Dato' Johan was appointed to the Board on 23 January 2013. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company.

PROFILE OF BOARD OF DIRECTORS



Y.Bhg. Dato' Jorgen Bornhoft
Non-Independent Non-Executive Director

E B

Danish / age 74

Qualification & Experience

Dato' Jorgen Bornhoft holds a degree in Accountancy and Finance (Bachelor of Commerce) from Copenhagen Business School.

Dato' Bornhoft joined Carlsberg Brewery Malaysia Berhad ("Carlsberg Malaysia") in 1991 as its Chief Executive Officer and assumed the position of Managing Director from 1995 to 2002, after which he was the Chairman from 2002 to 2005. Dato' Bornhoft re-joined the Board of Carlsberg Malaysia as a Non-Executive Director from 2006 to 2007. He also assumed the position as the Chief Executive Officer of Carlsberg Asia Pte Ltd in Singapore from January 2003 to June 2004. Prior to joining Carlsberg Malaysia, he was the Vice-President of Carlsberg International A/S, Denmark responsible for foreign subsidiaries and new projects.

Dato' Bornhoft was appointed as an Independent Non-Executive Director of Hap Seng Consolidated Berhad on 24 January 2005 and later became its Chairman on 1 February 2007. He also sits on the Board of Hap Seng Plantations Holdings Berhad as an Independent Non-Executive Director. He is the Vice-Chairman of International Beverage Holdings Limited.

Dato' Bornhoft was appointed to the Board on 7 May 2013. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company except that he is a nominee director of Fraser and Neave, Limited, a major shareholder of the Company.



Lee Kong Yip
Non-Independent Non-Executive Director
Chairman of Risk Management Committee

E R S

Malaysian / age 72

Qualification & Experience

Mr. Lee Kong Yip graduated from the University of Malaya with a Bachelor in Economics (Hons) degree majoring in statistics in 1969. He completed the Executive Programme in the Graduate School of Business Administration in the University of California Berkeley, USA in 1988.

From 1969 to 1994, Mr. Lee held various executive positions in Oversea-Chinese Banking Corporation Limited and its finance subsidiary, Oversea-Chinese Finance Company Berhad. In 1995, he was appointed as the Executive Vice-President and director of OCBC Bank (Malaysia) Berhad, a post he held until his retirement in April 2000. He was a director of Overseas Assurance Corporation (Malaysia) Berhad, Overseas Assurance Corporation (Holdings) Berhad, Great Eastern Life Assurance (Malaysia) Berhad, Great Eastern Capital (Malaysia) Sdn Bhd and The Great Eastern General Insurance Company Sdn Bhd before his retirement in the first half of 2016. On 1 July 2016, he was appointed as a director of Great Eastern Takaful Berhad.

Mr. Lee was appointed to the Board on 10 May 2000. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company except that he is a nominee director of Fraser and Neave, Limited, a major shareholder of the Company.

PROFILE OF BOARD OF DIRECTORS



Y.Bhg. Dato' Dr. Mohd Shahar bin Sidek
Non-Independent Non-Executive Director

B

Malaysian / age 69

Qualification & Experience

Dato' Dr. Mohd Shahar bin Sidek graduated from the University of Malaya with a Bachelor of Economics (Accounting) Hons degree in 1971. Upon graduation, he joined the Federal Treasury of Malaysia as Assistant Secretary. In 1980, he was transferred to INTAN as a lecturer where he completed his Masters in Economics (Public Administration) degree at the University of Malaya in the same year. He pursued his Ph.D. in Public Finance at the Temple University, USA and completed it in 1989.

Upon completion of his doctorate in Finance, Dato' Dr. Mohd Shahar joined the Penang State as its State Financial Officer in 1991 and held the position until 1994. He was promoted as the Director General of Biro Tata Negara in 1994. In 1997, he was posted to the Federal Treasury of Malaysia as Secretary for Supply and Procurement Division and was transferred to MAMPU as Deputy Director General in 1999. He was promoted as Director General of the Road Transport Department in the Ministry of Transport in 2000 until his retirement in April 2003.

Dato' Dr. Mohd Shahar was appointed to the Board on 30 September 2003. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company except that he is a nominee director of Permodalan Nasional Berhad, a major shareholder of the Company.



Y.Bhg. Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani
Non-Independent Non-Executive Director

S

Malaysian / age 56

Qualification & Experience

Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani holds a Ph.D. in Law from the School of Oriental and African Studies, University of London and a Masters in Law degree from Queen Mary College, University of London. He read law at the University of Buckingham, United Kingdom.

Datuk Dr. Nik also holds a Post-Graduate Diploma in Syariah Law and Practice (with Distinction) from the International Islamic University of Malaysia. He is a Barrister of Lincoln's Inn and an Advocate & Solicitor of the High Court of Malaya. He was called to the Bar of England and Wales in 1985 and to the Malaysian Bar in 1986. He was a Visiting Fulbright Scholar, Harvard Law School from 1996 to 1997, and was formerly the Acting Dean/Deputy Dean of the Faculty of Laws, International Islamic University Malaysia. He is also a Fellow of the Financial Services Institute of Australasia (FINSIA).

Datuk Dr. Nik is the chairman of Al Rajhi Banking & Investment Corporation (M) Berhad, Tanjung Offshore Berhad and Chin Hin Group Berhad, and a director of UMW Holdings Berhad, MSIG Insurance (M) Bhd and Ranhill Holdings Berhad. He was a director of Manulife Holdings Berhad until January 2016. Currently, Datuk Dr. Nik is a practising lawyer with Zaid Ibrahim & Co. Prior to joining Zaid Ibrahim & Co., Datuk Dr. Nik was with Baker & McKenzie (International Lawyers), Singapore.

Datuk Dr. Nik was appointed to the Board on 7 November 2006. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company except that he is a nominee director of Permodalan Nasional Berhad, a major shareholder of the Company.

PROFILE OF BOARD OF DIRECTORS



Lee Meng Tat

*Non-Independent Non-Executive Director
Chairman of Group Executive Committee*



Singaporean / age 53

Qualification & Experience

Mr. Lee Meng Tat holds a Bachelor of Engineering (Mechanical) degree from National University of Singapore and a Master of Business Administration degree from Imperial College, London. He also attended the Advanced Management Program at Harvard Business School.

Mr. Lee is the Chief Executive Officer, Non-Alcoholic Beverages of the Fraser and Neave, Limited ("FNL") Group. He has extensive experience in consumer-focused industries, having carved out a 27-year in several fields, including banking, tourism and beverages. Prior to rejoining the FNL Group on 1 May 2015, Mr. Lee was the Chief Executive Officer of Wildlife Reserves Singapore, where he was responsible for the management of world-class leisure attractions in Singapore, namely the Jurong Bird Park, Night Safari, River Safari and Singapore Zoo. Mr. Lee has previously served 12 years with the FNL Group where his last role was Chief Corporate Development Officer for the FNL Group's F&B division and he also sat on the boards of several F&B subsidiaries of the FNL Group. Mr. Lee has also held various senior positions within the FNL Group, including Regional Director of China in Asia Pacific Breweries Limited and Chief Executive Officer of Heineken-APB (China) Management Services Co Ltd, formerly subsidiaries of the FNL Group.

Currently, he is a director of Viet Nam Dairy Products Joint Stock Company, which is listed on the Hochiminh Stock Exchange.

Mr. Lee was appointed to the Board on 1 October 2015. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company except that he is a nominee director of FNL, a major shareholder of the Company.



Hui Choon Kit

Non-Independent Non-Executive Director



Singaporean / age 52

Qualification & Experience

Mr. Hui Choon Kit holds a Bachelor of Business degree from Curtin University, Australia and a Master of Business Administration degree from Nanyang Technological University and is a member of the Institute of Singapore Chartered Accountants.

He is currently the Chief Financial Officer of the Fraser and Neave, Limited ("FNL") Group and is responsible for the Group's corporate finance, treasury, accounting, taxation, information technology, investor relations, risk management and sustainability functions.

Mr. Hui joined the FNL Group in February 2000 as Senior Manager, Business Development and has held a number of other positions. Prior to joining the FNL Group, he worked as a corporate finance banker based in Singapore and Thailand, covering the Asia-Pacific region. He commenced his career as an accountant and financial consultant with Ernst & Young.

Mr. Hui was appointed to the Board on 6 August 2014. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company except that he is a nominee director of FNL, a major shareholder of the Company.

Note: None of the above Directors have committed any offences which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

MANAGEMENT TEAM



From left to right

Soon Wing Chong - Senior Vice President, Corporate Finance / **Lee Lay Yeap** - Business Capability & Strategy Manager
Mayeen Wong - Company Secretary / **Lee Chin Peng** - First Vice President, Information Technology
Kelleigh Foo - Risk Management Manager / **Lim Yew Hoe** - Chief Executive Officer
Timothy Ooi - Head, Group Legal Counsel / **Karn Chitaravimol** - Managing Director, Dairies Thailand

MANAGEMENT TEAM



From left to right

David Hoong - *First Vice President, Human Capital* / **Cheah Hong Chong** - *General Manager, Property Division*
Soh Swee Hock - *First Vice President, Export* / **Karen Tan** - *Head, Communications & Corporate Affairs*
Lai Ming Kong - *Senior Vice President, Domestic Commercial Operations*
Tan Hock Beng - *Senior Vice President, Supply Chain, Business Control & Business Development*
Waradej Patpitak - *First Vice President, Manufacturing*

PROFILE OF CHIEF EXECUTIVE OFFICER



Lim Yew Hoe

Singaporean, age 50

Mr. Lim Yew Hoe holds a Bachelor of Science (Estate Management) degree from the National University of Singapore and a MBA (Banking & Finance) from Nanyang Technological University.

He began his career with Civil Aviation Authority of Singapore by taking up various roles in research and performance standards/horticulture and estate management. He joined the Asia Pacific Breweries Limited (now known as Heineken Asia MTN Pte Ltd) group in 1997 as a Project Manager and had held a number of senior positions within the group. Prior to joining Fraser & Neave Holdings Bhd as its Chief Executive Officer on 1 December

2014, he was the Managing Director of Asia Pacific Brewery (Hanoi) Limited.

Mr. Lim does not hold any shares in the Company, its subsidiaries or associated companies and any directorship in public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not committed any offences which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

PROFILE OF KEY SENIOR MANAGEMENT



Cheah Hong Chong
*General Manager,
Property*

Malaysian, age 63

Mr. Cheah Hong Chong holds a BSc (Hons), MPhil (Cantab), MBA MIEM, PE.

Mr. Cheah was appointed as General Manager, Property Division of the F&NHB Group on 24 October 2005. He has over 35 years of experience in the fields of Engineering Design, Construction, Property Development and Project Management.

He does not hold any directorship in public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not committed any offences, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

PROFILE OF KEY SENIOR MANAGEMENT



David Hoong Cheong Wai
First Vice President,
Human Capital

Malaysian, age 56

Mr. David Hoong Cheong Wai holds a Bachelor Degree of Arts majoring in business administration and industry psychology.

Mr. David Hoong was appointed as the Head, Group Human Capital of the F&NHB Group on 5 August 2013 and was subsequently re-designated as First Vice President, Human Capital.

Mr. David Hoong has over 28 years of human resource ("HR") management experience in the manufacturing environment. He covers the full scope of HR functions and has worked in large organisations of various industries. Prior to joining the F&NHB

Group, he was the HR Vice President of Unisem (M) Berhad, a semiconductor manufacturer in Malaysia with over 3,500 employees and a registered in-house workers union.

He does not hold any directorship in public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not committed any offences, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



Karn Chitaravimol
Managing Director,
Dairies Thailand

Thai, age 63

Mr. Karn Chitaravimol holds a Master of Business Administration ("MBA") degree majoring in marketing.

Mr. Karn was appointed as the Managing Director of F&N Dairies (Thailand) Limited, a wholly owned subsidiary of F&NHB, on 1 July 2013. He has more than 36 years of working experience in the industry of FMCG and had held various senior positions in companies such as Warner-Lambert Co. Ltd, Thai-Scott Paper Co. Ltd, Berli Jucker Public Company Limited and TCC Land Industrial and Logistics. Prior to joining the F&NHB Group, Mr. Karn was with Thai Beverage Public Company Limited from January 2009 to June 2013, acted as its Managing

Director before assuming the role of Senior Vice President, Non-Alcohol Beverage Business in July 2011.

He does not hold any directorship in public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not committed any offences, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

PROFILE OF KEY SENIOR MANAGEMENT



Lai Ming Kong
Senior Vice President,
Domestic Commercial Operations

Malaysian, age 46

Mr. Lai Ming Kong holds a Bachelor Degree of Economics majoring in Business Administration.

Mr. Lai was appointed as Senior Vice President, Domestic Commercial Operations of the F&NHB Group on 1 September 2015. He has over 21 years of hands-on experience in Sales & Marketing across fast-moving consumer goods ("FMCG") industry. He is a proven transformational leader, who had turned around three FMCG commercial operations over the past five years as

Vice President of Consumer Goods Division in the DKSH Group.

He does not hold any directorship in public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not committed any offences, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



Soh Swee Hock
First Vice President,
Export

Malaysian, age 54

Mr. Soh Swee Hock holds a Master in Business Administration majoring in corporate finance.

Mr. Soh was appointed as the First Vice President, Export Division of the F&NHB Group on 1 October 2015. He joined the F&NHB Group in January 2010 as Senior Manager, Projects.

Mr. Soh joined IBM Malaysia in 1988, and his last position was Planning Analyst. In 1992, he joined the Lion Group of Malaysia as Senior Business Analyst and had held various management positions within the Lion Group of which his last appointment was General Manager, China Investment Division in

June 2004. In July 2004, he joined Asia Pacific Breweries Limited as Assistant General Manager (Projects), and his last appointment was General Manager (Business Development, China) in June 2009.

He does not hold any directorship in public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not committed any offences, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



Soon Wing Chong
Senior Vice President,
Corporate Finance

Malaysian, age 54

Mr. Soon Wing Chong holds a Degree in Bachelor of Arts (majoring in Accountancy) from the University of Stirling, Scotland, UK. He is a member of MICPA.

Mr. Soon joined the F&NHB Group as the Chief Financial Officer on 3 August 2012 and was re-designated as the Senior Vice President, Corporate Finance on 16 August 2016. He has over 25 years' experience in finance in various industries. He started his first career at KPMG and subsequently progressed further with Inchcape Eastern Agencies, DHL Worldwide Express, Western Digital

and Dutch Lady Industries. Prior to joining the F&NHB Group, he was the Chief Financial Officer of Hong Leong Industries Berhad.

He does not hold any directorship in public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not committed any offences, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

PROFILE OF KEY SENIOR MANAGEMENT



Tan Hock Beng
Senior Vice President,
Supply Chain, Business Control
& Business Development

Malaysian, age 57

Mr. Tan Hock Beng holds a Certified Public Accountant qualification from the Malaysian Institute of Certified Public Accountants ("MICPA") and is also a Chartered Accountant of the Malaysian Institute of Accountants ("MIA").

Mr. Tan joined the Fraser & Neave Holdings Bhd ("F&NHB") Group in 2001 as Group Corporate Planning & Business Development Manager, and was seconded to F&N Dairies (Thailand) Limited as Deputy Country Head & Chief Financial Officer for 5 years before returning to Malaysia in July 2011 as the Managing Director of F&N Dairies (Malaysia) Sdn Bhd. He was re-designated on 16 August 2016 as Senior Vice President, Supply Chain, Business Control & Business Development following the integration of the beverages & dairies businesses in the Malaysian operations of F&NHB Group.

Mr. Tan worked for 16 years in various finance and audit positions at the Malaysian operations of British American Tobacco Group, including a 3-year secondment at its headquarter in London. Prior to joining the F&NHB Group, he was the Group Financial Controller of a public listed conglomerate, Hong Leong Financial Services Bhd.

He does not hold any directorship in public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not committed any offences, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



Waradej Patpitak
First Vice President,
Manufacturing

Thai, age 52

Mr. Waradej Patpitak holds a Bachelor of Science (Biotechnology).

Mr. Waradej was appointed as the Head of Manufacturing of the F&NHB Group on 1 October 2009 and was subsequently re-designated as First Vice President, Manufacturing.

He has over 29 years of experience in the fields of food manufacturing industry. Prior to joining the F&NHB Group, Mr. Waradej started his first career at United Winery from 1987 to 1989, and subsequently progressed with the Nestle Group from 1989 to 2009 in

various senior management positions of its manufacturing operations.

He does not hold any directorship in public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not committed any offences, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Independent Non-Executive Chairman

- 1 Y.A.M. Tengku Syarif Bendahara Perlis Syed Badarudin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail

Independent Non-Executive Directors

- 1 Y.Bhg. Dato' Anwarrudin bin Ahamad Osman
- 2 Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo
- 3 David Siew Kah Toong
(appointed on 23 February 2016)

Non-Independent Non-Executive Directors

- 1 Y.Bhg. Dato' Dr. Mohd Shahr bin Sidek
- 2 Y.Bhg. Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani
- 3 Anthony Cheong Fook Seng
- 4 Y.Bhg. Dato' Jorgen Bornhoft
- 5 Lee Kong Yip
- 6 Hui Choon Kit
- 7 Lee Meng Tat

COMPANY SECRETARIES

- 1 Soon Wing Chong *MICPA 3508*
- 2 Mayeen Wong May Fun
MAICSA 7018697

GROUP EXECUTIVE COMMITTEE

Chairman

Lee Meng Tat

Members

- 1 Y.Bhg. Dato' Jorgen Bornhoft
- 2 Anthony Cheong Fook Seng
- 3 Lee Kong Yip
- 4 Hui Choon Kit

RISK MANAGEMENT COMMITTEE

Chairman

Lee Kong Yip

Members

- 1 Anthony Cheong Fook Seng
- 2 Y.Bhg. Dato' Jorgen Bornhoft
- 3 Y.Bhg. Dato' Dr. Mohd Shahr bin Sidek

AUDIT COMMITTEE

Chairman

David Siew Kah Toong
(appointed on 23 February 2016)

Members

- 1 Y.Bhg. Dato' Anwarrudin bin Ahamad Osman
- 2 Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo
- 3 Hui Choon Kit

NOMINATING COMMITTEE

Chairman

Y.Bhg. Dato' Anwarrudin bin Ahamad Osman

Members

- 1 Y.A.M. Tengku Syarif Bendahara Perlis Syed Badarudin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail
- 2 Lee Meng Tat

REMUNERATION COMMITTEE

Chairman

Y.A.M. Tengku Syarif Bendahara Perlis Syed Badarudin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail

Members

- 1 Lee Kong Yip
- 2 Y.Bhg. Dato' Anwarrudin bin Ahamad Osman
- 3 Lee Meng Tat

SHARE BUY-BACK COMMITTEE

Chairman

Y.A.M. Tengku Syarif Bendahara Perlis Syed Badarudin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail

Members

- 1 Lee Kong Yip
- 2 Y.Bhg. Dato' Anwarrudin bin Ahamad Osman
- 3 Y.Bhg. Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani

REGISTERED OFFICE

Level 3A, F&N Point
No. 3, Jalan Metro Pudu 1
Fraser Business Park, Off Jalan Yew
55100 Kuala Lumpur, Malaysia
Telephone No.: 603-9235 2288
Facsimile No.: 603-9222 3779

AUDITORS

KPMG
KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Telephone No.: 603-2783 9299
Facsimile No.: 603-2783 9222

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
Deutsche Bank (Malaysia) Berhad

STOCK EXCHANGE

Bursa Malaysia Securities Berhad
Main Market

Stock Name

F&N

Stock Code

3689

Stock Sector

Consumer Products

CORPORATE STRUCTURE

As at 30 September 2016



* in the process of member's voluntary winding up or liquidation

shall be dissolved in accordance with Section 272(5) of the Companies Act, 1965 on 19 December 2016

2016 HIGHLIGHTS

NEW PRODUCTS

1 F&N Magnolia UHT



2 F&N Magnolia Barista



3 F&N Magnolia Kids



4 TEAPOT squeezable tube



100PLUS - OFFICIAL ISOTONIC BEVERAGE OF THE 29TH SEA GAMES AND 9TH ASEAN PARA GAMES



Latest 100PLUS brand ambassadors

- Goh V Shem, Tan Wee Kiong (Men Doubles)
- Chan Peng Soon, Goh Liu Ying (Mixed Doubles)
- Goh Jin Wei (Women Singles)



RANGERS - proud sponsor of the OneSilat World Championship series



LATEST ADDITION TO OISHI FAMILY

OISHI LYCHEE



F&N NUTRISOY LESS SWEET IS RE-INTRODUCED AS F&N NUTRISOY LITE



Farah Ann, national gymnast inspired

> 4,000 primary school students in Kuala Lumpur, Ipoh and Penang through 'Magnolia Goes to School Programme'



May Ratchanok, the world no. 2 women's badminton single player - new face of F&N Magnolia Gingko Plus in Thailand

HOW WE ARE PERFORMING ACROSS ALL OUR MARKETS



02

BUSINESS REVIEW

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Business Review by CEO

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Awards & Recognition in 2016

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Marketing Highlights

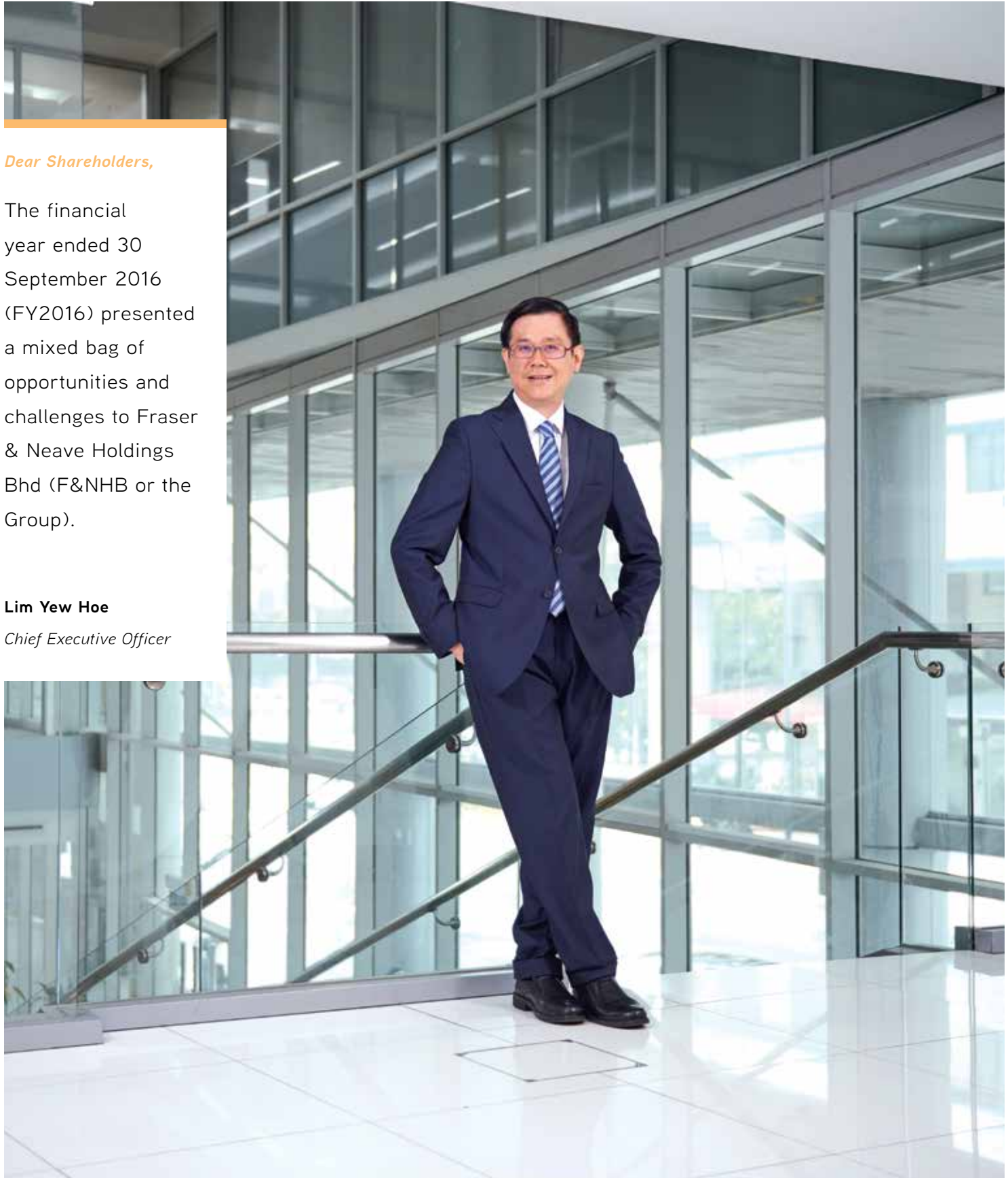
BUSINESS REVIEW BY CEO

Dear Shareholders,

The financial year ended 30 September 2016 (FY2016) presented a mixed bag of opportunities and challenges to Fraser & Neave Holdings Bhd (F&NHB or the Group).

Lim Yew Hoe

Chief Executive Officer



BUSINESS REVIEW BY CEO

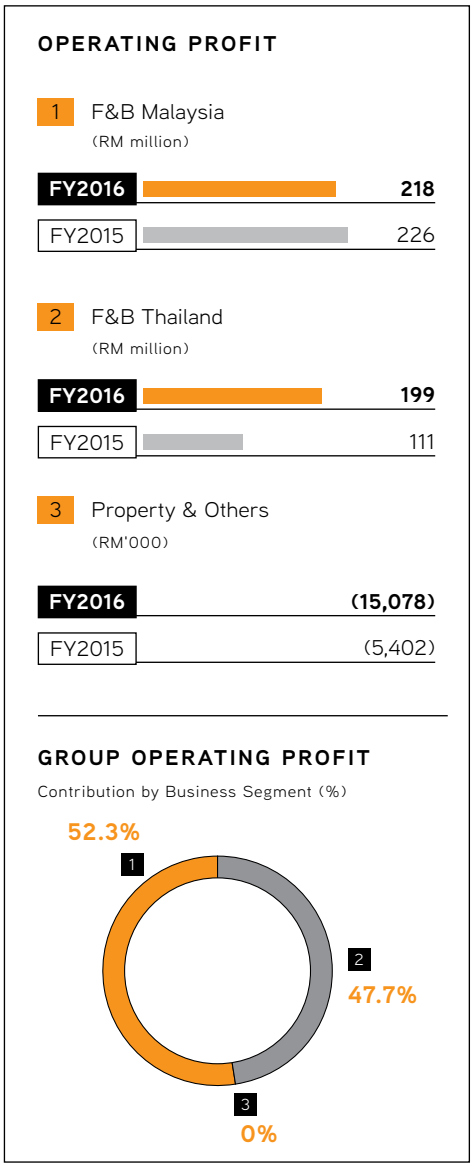
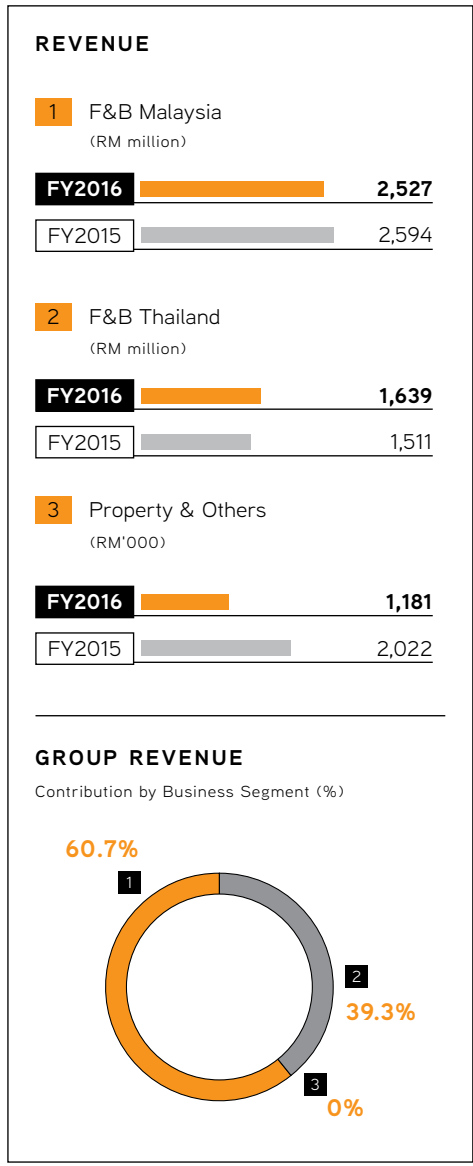
Within a generally soft economic landscape, the Group capitalised on the low commodity prices to invest in a major transformation for F&NHB and build our capability for future growth. This, together with our 133-year heritage and ongoing efforts to further strengthen our portfolio of market leading brands, enabled us to withstand macro-economic pressures as well as intense competition to further enhance our market share and report 32.7 per cent growth in our profit before tax (PBT).



Throughout FY2016, we embarked on various initiatives under a transformation journey to boost our sustainability and progress towards our vision of becoming the 'No. 1 Total Beverage Company in Malaysia by 2020'. Much focus was trained on an internal reorganisation as part of this transformation, which encompassed streamlining of our operations. The journey has just begun, and as in any major transformation programme, the full impacts will be felt a couple of years down the road.

FINANCIAL & SEGMENTAL REVIEW

Reflecting the macro-environment, our financial outcomes were also mixed with an overall weaker performance in Malaysia buffered by exceptionally robust results in Thailand where, once again, we were able to celebrate record-topping revenue that exceeded the RM1.5 billion mark. Combining both country performances, our Group revenue grew 1.5 per cent from RM4.11 billion to RM4.17 billion while PBT, as noted earlier, surged by 32.7 per cent from RM333.8 million to RM442.9 million.



BUSINESS REVIEW BY CEO

As a result of the internal reorganisation, our operating businesses are now aligned according to products and services, namely Food and Beverages Malaysia (F&B Malaysia) which encompasses both Soft Drinks and Dairies Malaysia; Food and Beverages Thailand (F&B Thailand, previously known as Dairies Thailand); Property and Others segments.

For F&B Malaysia, impacted by the weak consumer sentiment, revenue declined marginally while operating profit was correspondingly lower by 3.3 per cent from RM226.3 million to RM218.8 million. Excluding the absence of contribution from Red Bull, operating profit would have grown 11.8 per cent aided by favourable milk-based global commodity prices and manufacturing efficiencies. This was offset by higher professional fees incurred for the commercial realignment, higher warehousing costs and staff restructuring costs, and forex losses.

F&B Thailand, meanwhile, enjoyed another stellar performance resulting from a combination of the well-received 9th Anniversary celebration consumer promotion, new product launches and growth of major brands. Revenue grew 8.5 per cent to RM1,639.2 million while operating profit jumped substantially by 79.7 per cent to RM199.5 million on the back of higher revenue, better product margins and effective advertising. This was propelled by effective branding, and successful consumer and trade programmes.

"We embarked on various initiatives under a transformation journey to boost our sustainability and progress towards our vision of becoming the 'No. 1 Total Beverage Company in Malaysia by 2020'."

BRAND PERFORMANCE

In Malaysia, despite the tough operating environment, our core brands, namely 100PLUS, F&N SEASONS, F&N NutriSoy and F&N Sweetened Condensed and Evaporated Milk maintained pole positions in their respective categories.

100PLUS was recognised once again as one of Malaysia's top beverage brands, securing its sixth Putra Brand Award in the Non-alcoholic Beverage category. 100PLUS continues to support sports development and pledged RM3 million in full support of the 29th Southeast Asian Games (SEA Games) and 9th ASEAN Para Games as the official Silver Sponsor. We are extremely proud of the achievement of our long time Brand Ambassador Dato' Lee Chong Wei, and our newly appointed 100PLUS brand ambassadors, comprise of men's double pair, Goh V Shem and Tan Wee Kiong, and mixed doubles duo Chan Peng Soon and Goh Liu Ying who took home three silver medals at the 2016 Rio Olympics.

In the ready-to-drink (RTD) tea segment, F&N SEASONS reinforced its No. 1 position while OISHI, as a fairly newcomer in the market, grew by double digit in FY2016 and has become the largest green tea brand in Malaysia.

F&N NutriSoy maintained its leadership in the soya segment with a third of total market share.

Dairies brands in Malaysia also maintained their market leadership from effective sales and marketing efforts, along with introductions like F&N Magnolia UHT and F&N Magnolia Barista. Meanwhile, Farmhouse Pasteurised Milk enjoy its fifth year of hitting double digit year-on-year growth.

In Thailand, where CARNATION and TEAPOT are already leaders in the canned milk segment, we were gratified to see their volume grew by double digit, outstripping industry growth of 3.3 per cent. This, too, in the face of greater competition.

With our condensed and evaporated milk brands commanding more than 50 per cent of the market share, our current focus is to grow our ready-to-drink (RTD) brands. This saw us launch our first UHT milk in Thailand, the premium F&N Magnolia Gingko Plus, in the previous financial year. Encouraged by the positive response from consumers we also introduced F&N Magnolia Kids UHT Milk in July 2016. Today both brands combined to garner 3 per cent market share within first year.

BUSINESS REVIEW BY CEO

Our Thai business was also able to leverage on excellent branding among hawkers, successful new product launches, and an expanded network that allowed for increased distribution reach to bring in strong sales volume and turnover.

OPERATIONAL REVIEW

Transformation Towards Sustainability

A key undertaking was the reorganisation of the Group's operating businesses in Malaysia which saw us integrate what was formerly the Soft Drinks and Dairies business units in Malaysia into F&B Malaysia. This has led to greater efficiencies in functions that were previously managed separately.

We are now also able to leverage on a combined route-to-market, thus ensuring that all outlets served within our network have access to the full range of our products. This is expected to result in a marked increase in sales in the coming years, affording us a sustainable edge over our competitors.

In the domain of logistics, the process of integration encompasses a manufacturing roadmap that involves decentralisation of manufacturing operations. Although this may seem incongruous, decentralisation is critical for greater time, cost and environmental efficiencies. With our combined scale, by enhancing our production and warehousing capacity in the different regions, we stand to minimise our transport requirements thus reduce our carbon footprint. We expect to derive substantial savings from our new projects in the years to come.



Refer to section on Capacity Enhancement & Decentralisation, page 47

With the reorganisation, a new Group Procurement Policy was introduced in June 2016, to ensure consistency, accountability, transparency and efficiency across the board, while allowing us to leverage on economies of scale. Already, we have reaped significant savings from the procurement of key raw materials and packaging materials; and equipment supplies (including working closely with the wider Thai Beverage Group Technical and Procurement team).



WE ARE NOW ALSO ABLE TO LEVERAGE ON A COMBINED ROUTE-TO-MARKET, THUS ENSURING THAT ALL OUTLETS SERVED WITHIN OUR NETWORK HAVE ACCESS TO THE FULL RANGE OF OUR PRODUCTS



WITH OUR COMBINED SCALE, BY ENHANCING OUR PRODUCTION AND WAREHOUSING CAPACITY IN THE DIFFERENT REGIONS, WE STAND TO MINIMISE OUR TRANSPORT REQUIREMENTS THUS REDUCE OUR CARBON FOOTPRINT

BUSINESS REVIEW BY CEO



100PLUS, F&N SEASONS, F&N NUTRISOY AND F&N SWEETENED CONDENSED AND EVAPORATED MILK MAINTAINED POLE POSITIONS IN THEIR RESPECTIVE CATEGORIES IN MALAYSIA



CARNATION AND TEAPOT ARE ALREADY LEADERS IN THE CANNED MILK SEGMENT, WE WERE GRATIFIED TO SEE THEIR VOLUME GREW BY DOUBLE DIGIT, OUTSTRIPPING INDUSTRY GROWTH OF 3.3%

At the same time, our finance team is working towards cash-pooling our foreign currency and Ringgit accounts, optimising interest earnings and improving liquidity. By centralising the management of funds across the Group, we seek to minimise external borrowings and increase our interest income. Through the consolidation of our foreign currency accounts, meanwhile, we will enjoy sizeable foreign exchange (forex) conversion cost savings and reduced currency fluctuation risk.

BEST-IN-CLASS MANUFACTURING

As a result of the continuous improvement culture that we are reinforcing via our transformation, we have also been able to further elevate our manufacturing efficiencies in Malaysia to truly best-in-class standards. This has been made possible through greater exchange of knowledge and best practices among colleagues.

Our achievements included:

- 10 per cent increase in production line efficiency
- 10 per cent reduction in energy consumption
- More than 50 per cent reduction in consumer product complaints
- RM5 million in savings from material loss reduction
- RM2 million in savings from reduction in external service maintenance

Growing Exports

As part of our transformation in Malaysia, we are gearing up to establish a greater presence in the export markets, and achieved early success in this regard both by deepening our footprint in existing markets and making forays into new ones. We will build on the early momentum where export from Malaysia grew by more than 30 per cent in FY2016.

Inclusive of recent businesses in the United States and West Africa, the Group now has a footprint to 49 countries globally.

Going forward, we will intensify the efforts to position TEAPOT as the export brand instead of co-packing for overseas customers with their own brands. As such, greater focus will be placed on differentiated packaging formats for different international market segments; build stronger relationships with recurrent high-volume customers; and seeding new markets for TEAPOT which we believe have the potential to be a universal international brand for condensed milk. While keeping a keen eye on the potential for export anywhere in the globe, we aim to leverage on our halal status to tap more fully into Muslim nations.

For our Thai export operations, TEAPOT is already widely distributed in both Cambodia and Laos and ranks among the top canned milk brands in these two countries. We will continue to deepen and widen our distribution reach and build TEAPOT brand in these Indochina markets.

Review and Value Addition

In light of the soft property market, we took the opportunity to re-evaluate our projects and re-align them with current and expected demands. Together with our joint venture partner Fraser Centrepoint Limited, we are reviewing our development concepts for Section 13, Petaling Jaya to ensure its relevancy and marketability. Applying the same principles, our Property Unit is revising the development plan for a three-acre landbank in Jalan Tebrau, Johor Bahru. Meanwhile, planning has commenced on a 60-acre site in Kajang, Selangor for landed and high-rise residential development. The entire development will be phased out over a period of five to eight years upon approval of the development plan.

BUSINESS REVIEW BY CEO

GOING FORWARD

Capacity Enhancement & Decentralisation

To support our expansion plans, we allocated more than RM300 million in capital expenditure over a two-year period (up to 31 September 2017) to increase our production and warehousing capacity. The projects also support our strategic direction to decentralise our manufacturing operations in order to optimise logistic efficiencies, reduce costs and cut our carbon emissions. In effect, these investments will catapult F&NHB into one of the lowest-cost and lowest carbon footprint producers in the industry, with one of the widest range of product offerings.

Among the projects, two were completed during the financial year under review while the others are still being developed.

In FY2016, we completed a new filling and packaging line for evaporated milk at our dairies manufacturing plant in Rojana, Thailand. The production line, costing 300 million Baht, has been operational since February 2016. In June 2016, we also completed a RM45 million polyethylene terephthalate (PET) manufacturing line at our Shah Alam facility, which is set to boost our PET output by 40 per cent with an estimated 108 million additional bottles a year.

Meanwhile, we are building a RM180 million integrated warehouse in Shah Alam which will enable us to reap savings of RM10 million annually on logistics and distribution costs. The warehouse will also house a Cold Aseptic filling line to facilitate the Group's extension into new offerings and packaging formats. The Cold Aseptic filling line will reduce our resin packaging material usage by 40 per cent. This will be the first-of-its-kind warehouse-cum-production facility in

Shah Alam. The entire project is expected to be completed in December 2018.

We are also investing in East Malaysia, to meet the growing demands of our consumers in this region. In November 2015, construction of a RM30 million UHT line commenced in Kuching, Sarawak. The line will be the first of its kind in the state, and is expected to be fully commissioned by December 2016. The quantity of UHT products to be transported from our Shah Alam plant to East Malaysia will greatly reduce, rendering another win for carbon footprint reduction in addition to logistics cost savings.

In Sabah, we have invested RM26 million on a 21.33-acre site in Kota Kinabalu Industrial Park (KKIP) which was handed over on 26 August 2016. The planning for the plant is in progress and Phase 1 of the plant is expected to be operational within the next three years.



BUSINESS REVIEW BY CEO

In addition, there are plans for a RM40 million expansion of our mineral water plant in Bentong Pahang that will include a new 600 bpm line; and extension and enhancement of the warehouse, production building and infrastructure. The new line will create an additional 8.5 million cartons of capacity to our water business, and enable us to strengthen our position in the drinking water segment in Malaysia. We would also take the opportunity to light-weight our PET water bottle. This project is expected to be completed by the third quarter of 2017.

Innovation: The Name of the Game

As the beverages industry becomes increasingly crowded and competitive, we are placing greater emphasis on innovation to provide us with a differentiating edge. We believe there is much potential for innovative marketing, packaging and applications to create further inroads for our brands both locally and overseas.

We strengthened our product portfolio this year by expanding our healthier product range and offering new packaging:

- In Thailand, F&N Magnolia Kids UHT Milk was launched following the encouraging response to F&N Magnolia Gingko UHT Milk. Tapping into a new, rapidly-growing Kids segment, the F&N Magnolia Kids UHT Milk is fortified with additional eye-health benefit from the nutrient of Goji berry & Lutein.
- "TEAPOT squeezable tube" is our well-loved condensed milk in a new packaging that caters to modern lifestyle of our Thai consumers.



- F&N Magnolia Barista Milk is specially formulated with superior quality milk for baristas in both Thailand and Malaysia. The carefully balanced combination of the milk's rich taste and creamy texture complements various artisanal blends to create more aromatic coffee.
- F&N Magnolia UHT Milk, an all-natural with no preservatives ready-to-drink milk was introduced in January 2016 in Malaysia.

We are proud of our success in making TEAPOT and CARNATION synonymous with street teas and coffees in Thailand, and hope to emulate the same strategic thinking in our other markets. In terms of product packaging, there is scope to develop new designs for existing products that are more convenient for use and therefore more attractive to customers.

We will also continue to innovate on new product formulations to introduce drinks that are healthier yet just as tasty. This would enable us to meet growing demand by consumers for less calorific and more nutritious beverages. More launches in 2017, that is for sure.

Managing Our Risks

The Group faces a number of risks, which are not static but change with the operating environment and market conditions. We have a dedicated Risk Management Committee that meets regularly to discuss emerging risks and the corresponding mitigation measures. Among the key current risks we face are those to do with the price of commodities, forex losses and increasing market competition in the face of soft consumer sentiment.

BUSINESS REVIEW BY CEO

"While market competition and consumer sentiment are beyond our sphere of influence, **we have been able to successfully manage these risks by our geographical and product diversity.**"

To manage fluctuating prices of commodities as well as forex movements, we employ hedging policies. Typically, at least 60 per cent of our forex requirements are hedged, while exports serve as additional natural hedge to cushion the impact of depreciating local currencies.

While market competition and consumer sentiment are beyond our sphere of influence, we have been able to successfully manage these risks by our geographical and product diversity.

These efforts are strengthened by strategic marketing and advertising activity. Our current transformation is, in fact, integral to our risk management as the objective is to optimise operational and cost efficiencies to enable us to continue to deliver quality products at affordable prices.

At the same time, to ensure a seamless transition of our ongoing transformation process, we have also put in place the required systems and measures to ensure minimal impact on our business and to our distribution network.

Going forward, we recognise the possibility of certain market disruption if the Government proceeds with its proposal to impose a sugar tax on sweetened beverages. However, we believe we are in a better position than many other beverage manufacturers to override this challenge given our focus in recent years on offering healthier options which has seen us reduce our sugar index by 28 per cent since FY2004. As it stands, our best-selling brand, 100PLUS, already contains relatively low sugar content (100PLUS contains some 40 per cent lower sugar than a typical carbonated soft drink (CSD) beverage), while all our new launches have been formulated with consumers' growing demand for healthier product in mind.

Outlook for FY2017

We expect FY2017 to continue to be challenging, as both the local and global economies look set to remain soft, and there are indications of an increase in commodity prices worsened by the depreciating Ringgit. Challenges, however, have become part of the new norm, and with the ongoing



AT LEAST 60% OF OUR FOREX REQUIREMENTS ARE HEDGED, WHILE EXPORTS SERVE AS ADDITIONAL NATURAL HEDGE

transformation programme to create a leaner, more resource and asset-efficient organisation, we are confident of achieving sustainable growth in both revenue and profit as we closely monitor the changing market dynamics and adapt tactically and strategically to maintain our competitive edge.

While FY2016 could be labelled as our year of transformation, FY2017 will be a year of value capture. More specifically, we will intensify our cost and revenue efficiencies to further entrench the Group's sustainability and create added shareholder value. We see great value to be tapped in the export business, and this will definitely feature more prominently on our radar in FY2017 and the years to come.

Yours sincerely,

LIM YEW HOE
Chief Executive Officer

AWARDS & RECOGNITION IN 2016

ENVIRONMENTAL

- Green Industry Award 2016 (Anugerah Industri Hijau 2016) by the Ministry of Natural Resources and Environment, Malaysia (F&N Kuching Plant)
- CSR-DIW Award 2016 by the Ministry of Industry, Thailand (Dairies Thailand)
- Carbon Footprint Organization Certification, The Federation of Thai Industries (Dairies Thailand)
- Thailand Kaizen Award 2016 by Technology Promotion Association (Thailand-Japan) (Dairies Thailand)
- 3Rs Award and 3Rs+ Award by Department of Industrial Works, Thailand (Dairies Thailand)

MARKETPLACE

- ASEAN Business Awards Malaysia 2016 in ASEAN Excellence by the ASEAN Business Advisory Council (ASEAN-BAC) Malaysia (Fraser & Neave Holdings Bhd)
- FDA Quality Award 2016 by Thai Food & Drug Administration (Dairies Thailand)
- Thailand Quality Prize 2016 by Technology Promotion Association (Thailand-Japan) (Dairies Thailand)
- 2016 Frost & Sullivan Malaysia Beverages Company of the Year in Ready-To-Drink Industry (Fraser & Neave Holdings Bhd)
- BrandLaureate Industry Brand ICON Award 2016 for FMCG – Soft Drinks and Dairies category (Fraser & Neave Holdings Bhd)

WORKPLACE

- 2016 Excellent Establishment of Labour Relation and Welfare Award 2015 (National Level) by the Department of Labour Protection and Welfare, Ministry of Labour (Dairies Thailand)
- National Occupational Safety and Health Award 2016 by the Minister of Labour, Thailand (Dairies Thailand)
- 2016 Gold Class II Award by Malaysian Society for Occupational Safety and Health (MSOSH) (F&N Pulau Indah Plant)
- CIO Asia Award 2016 in the Performance category (Fraser & Neave Holdings Bhd)
- Malaysia Best Employer Brand Awards 2016 (Fraser & Neave Holdings Bhd)

BRANDS

- 2016 Putra Brands Award, Gold Award in the Beverage-Non-alcoholic category (100PLUS)



AWARDS & RECOGNITION IN 2016



Mr. Lim Yew Hoe, Chief Executive Officer receiving the prestigious ASEAN Business Awards Malaysia (2016) in ASEAN Excellence – International category on behalf of Fraser & Neave Holdings Bhd



Representing Fraser & Neave Holdings Bhd, Mr. Lai Ming Kong, Senior Vice President, Domestic Commercial Operations receiving the Beverages Company of the Year in the Ready-to-Drink industry from Frost & Sullivan Malaysia



Mr. Somchai Khwahan, Acting Head of Manufacturing, F&N Dairies Thailand receiving fourth-consecutive FDA Quality from Dr. Piyas Sakolsatayadorn, Thailand's Public Health Minister



Fraser & Neave Holdings Bhd bagging the CIO Asia award 2016 in the Performance Category for its enterprise business intelligence system



F&N Dairies Thailand bagging the National Occupational Safety and Health Award 2016



F&N Beverages Manufacturing bags the inaugural Green Industry Award for its Kuching Plant

MARKETING HIGHLIGHTS

**GROUP BRANDING**

A key campaign in Malaysia during the year, involving many of our key brands, was 'Syukur Selalu' campaign, which ran during the Ramadan and Syawal period in collaboration with Media Prima Television Networks. The campaign, which sought to inspire Malaysians to share and contribute during the festive season, saw us embark on a nationwide charity drive to help less fortunate communities. We donated a total of RM300,000 to Media Prima's charity fund 'Tabung Bersamamu'.

Through the campaign, we introduced a special 'Syukur Selalu' packaging for our products. A special 'F&N Syukur Selalu' video was presented on social media featuring celebrity brand ambassadors, Janna Nick and Hafidz Roshdi.

Our other initiatives under this campaign were a Raya music video jointly developed by F&N and local artists, Dayang Nurfaizah and Black, a Ramadan mini-series by F&N Fun Flavours, a specially-produced telemovie titled 'Kau, Aku, Kita Raya' featuring 100PLUS and a special segment to promote healthy eating on 'Sembang Sahur' with F&N NutriSoy. F&N SEASONS not only

contributed products to Chef Fikri to cook on the Ramadan cooking show, 'Apa Nak Makan Ni', but also distributed the food for breaking of fast.

In addition, various on-ground activities were held such as meet-and-greet sessions with fans at Bazaar Syukur Selalu and Jom Masjid.

In Thailand, F&N Dairies Thailand celebrated its 9th anniversary with a consumer promotion campaign to reward its consumers with 9 million baht worth of prizes through weekly lucky draws held from February to May 2016.

MARKETING HIGHLIGHTS



100PLUS reinforced its sports branding by embracing national badminton aces Goh V Shem, Tan Wee Kiong (Men Doubles), Chan Peng Soon, Goh Liu Ying (Mixed Doubles) and Goh Jin Wei as new ambassadors. The sponsorships were well rewarded by the team's sterling performance at the Rio Olympics journey, together with Dato' Lee Chong Wei, where they won three silvers, doing the nation, and 100PLUS, proud.

Taking the brand further in the regional sporting arena, 100PLUS has pledged RM3 million to be the official Silver Sponsor - Official Isotonic Beverage of the 29th Southeast Asian Games (SEA Games) and 9th ASEAN Para Games, otherwise known as Kuala Lumpur 2017. In sync with the theme of 'Rising Together', 100PLUS believes in nurturing all local sportsmen, providing the platform for our national stars.

Leveraging on the Olympics, 100PLUS partnered with ASTRO to run various campaigns offering attractive prize of all-expense paid tickets to the games.



MARKETING HIGHLIGHTS

Eight lucky purchasers of the Olympics Limited Edition 'Thirst for Victory' Gold packaging got free tickets to all the badminton matches; while 10 grand prize winners of the 'Dahagakan Bola' contest, run from April to June in conjunction with the 2016 UEFA Europa League, were presented with tickets to watch football matches in Rio live. The campaign was supported with store display, nationwide roadshows and campus activation. 100PLUS also launched Limited Edition Glass Bottles of 100PLUS Original featuring football greats, Pelé and Oscar, as collectors' items. In addition, the winning team of the 100PLUS Outrunner night race, held for the second year in Putrajaya and which attracted more than 10,000 participants, also received all-expense-paid trips to Rio. Not to be left out, the second and third teams were given holiday packages for four worth RM4,000 and RM3,000 respectively.



In conjunction with the Chinese New Year, the brand launched limited edition 100PLUS Gold Cans of 'Fook' and 'Hei' to encourage the sharing of prosperity and happiness with loved ones. 100PLUS also ran a Drink for Gold contest to reward loyal consumers with Gold wafers. The campaign was supported by advertisements and on-ground activation that included carnivals across the regions.



F&N NUTRISOY

In March, F&N NutriSoy made its debut in a revamped look that is more modern, trendy and refreshing. To highlight the 'new look with the same great taste' a nation-wide contest was held, supported by TV, print, online and outdoors ads as well as in-store activation. F&N NutriSoy Less Sweet was also renamed F&N NutriSoy Lite to convey more clearly its low-fat content. From March to May 2016, F&N NutriSoy also led a campaign around the idea of 'Live Healthy, Live Well for you & your family'. The campaign, which included other nutritious F&N products such as OISHI, F&N SEASONS Tea, F&N SEASONS NutriWell and Fruit Tree, was rolled out through a national F&N contest offering a grand prize of RM50,000 cash. It garnered over 50,000 entries with a total of 932 winners and RM245,000 worth of prizes won.



Earlier, from October to November 2015, F&N NutriSoy ran an integrated communication programme to promote F&N NutriSoy as a healthy 'tummy filler' in between meals.

MARKETING HIGHLIGHTS



F&N MAGNOLIA

In January 2016, F&N Magnolia introduced to the Malaysian market F&N Magnolia UHT in Full Cream, Low Fat and Chocolate Milk variants, available in 1 litre and 200ml packs. The launch campaign featured national gymnast Farah Ann in TV, radio and print ads where the brand ambassador emphasised the importance of drinking milk daily for a healthy body and mind. This was further supported by a school programme that saw Farah Ann inspire over 4,000 primary school students in Kuala Lumpur, Ipoh and Penang to strive for greatness. Her message was that greatness starts from within, which means having a healthy body and mind to achieve dreams. In addition to free sampling at the schools, F&N Magnolia also offered free samplings at key retail outlets, highway toll booths and R&R stations.



In conjunction with World Milk Day in June 2016, F&N Magnolia ran a five-day 'Goodness Made For Life's Greatness' roadshow at three prominent shopping malls to extol the nutritional benefits of

milk, and gave away free 1L F&N Magnolia Milk packs to consumers in exchange for any empty milk carton.



MARKETING HIGHLIGHTS

In August 2016, F&N Magnolia Barista Milk, a specially formulated milk for baristas was launched. The milk, boasts the perfect balance of rich taste and creamy texture while also providing superior frothing to facilitate coffee art. To gain greater awareness amongst hotels, restaurants and cafes, F&N Magnolia Barista Milk made the rounds at coffee expos, barista competitions and latte art workshops.

In Thailand, a key highlight during the year was the launch of F&N Magnolia Kids, fortified with Goji berry and lutein to enhance good vision and provide children with the nutritious benefits of milk. To build awareness of the first ready-to-drink milk targeted at children in this market, celebrity mom Bow and her daughter Mali are engaged as brand ambassadors. The product launch was supported with TV commercials, out-of-home advertising as well as online ads, complemented by extensive sampling in schools and stores nationwide.



Meanwhile, sales of F&N Magnolia Gingko Plus UHT stepped up with the introduction in June 2016 of a new brand ambassador – world No. 2 women's badminton single player May Ratchanok Intanon. TV ads feature May stressing the nutritional aspects of the milk, and particularly its brain nourishing as well physical strength building properties derived from the addition of ginkgo extract, vitamin B12 and calcium. The campaign is being supported by massive in-store sampling.

MARKETING HIGHLIGHTS



This year, OISHI celebrated Chinese New Year with a new flavour – OISHI lychee – which comes in three sizes: 380ml, 300ml and 250ml tetra. The new flavour introduction was accompanied by an integrated ad campaign supplemented by in-store sampling. Along with the launch of OISHI Lychee, the 250ml tetra pack was introduced for the Original, Honey Lemon and Genmai flavours.

OISHI also made its presence felt again at the annual Bon Odori held in Shah Alam, Penang and Johor Bahru in July 2016. At the Bon Odori events, which is the largest Japanese cultural event in Malaysia and attracts large crowds of Japanese expatriates as well as Malaysians interested in Japanese culture, OISHI's very own Neko cat made



an appearance while promoters offered sampling to visitors.

Strengthening its links with the Japanese community, OISHI collaborated with the Japan Foundation Kuala Lumpur in the Japanese Film Festival that took place at GSC cinemas in the Klang Valley, Penang,

Kota Kinabalu and Kuching throughout September 2016. Several fun activities were organised including a mystery gift contest and a Facebook short story contest.



FARMHOUSE

From 21 November to 31 December 2015, Farmhouse held a cross promotion of its UHT milk with a major breakfast cereal brand. By purchasing two Farmhouse UHT 1L packs, consumers were entitled to a free packet of the breakfast cereal. To generate awareness of the freshness and creaminess of the premium milk which is 100% sourced from Australia, Farmhouse ensured visibility on out-of-home and print media, complemented by in-store POS and sampling.



In conjunction with World Milk Day 2016, Farmhouse organised a roadshow from 20 May to 5 June during which purchasers of Farmhouse Pasteurised Milk got free Farmhouse UHT Milk.

MARKETING HIGHLIGHTS



F&N FUN FLAVOURS

F&N and local rock band Bunkface joined forces to spread cheer and inspire youth to express themselves through the 'Ceria Xpresi Berinspirasi' campaign. As part of the campaign, F&N launched its very first 360° music video 'Warnai Dunia', composed by Bunkface. The song later hit the airwaves and digital platforms such as Spotify and iTunes. It was also performed at Bunkface's 10th Anniversary Concert in Kuala Lumpur. The integrated campaign encompassed TV commercials, social media engagement, point-of-sale materials and on-ground virtual reality activation.



F&N SEASONS TEA

F&N SEASONS Tea continued with its popular #JanjiChillax campaign which encourages Malaysians to take a break and relax. Its message of being cheerful and optimistic was reinforced via various digital and sampling activities. A #JanjiChillax website was added to the brand's Facebook and YouTube channels, while popular comedian Nabil continued to be the face of the campaign, lending his unique brand of humour to capture the hearts and minds of Malaysians.



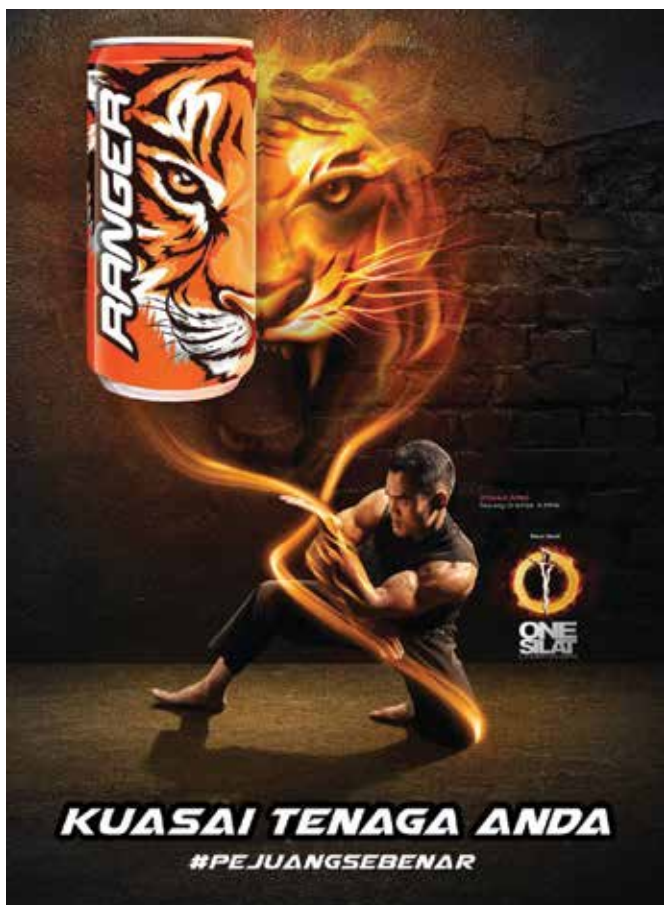
MARKETING HIGHLIGHTS



RANGER

RANGER is quickly making its mark as the energy drink in town by tie-ing up with various sporting events. It is currently the official sponsor of the OneSilat World Championship Series, taking place at the National Squash Centre in Bukit Jalil from 20 August to 25 December. In addition to providing beverages for the proponents, RANGER is also promoting local silat champions Eddey Kalai (SEA Games and Commonwealth bronze medalist for Boxing), Asuad Khalid (World Muay Thai Series '15 champion), Naimul and Dhiaul Amal.

RANGER was also appointed as the official energy drink sponsor of the Petronas Cub Prix Championship 2016, a national-level underbone racing series for 115cc to 130cc motorcycles. The tournament serves to unravel Malaysian motorcycle racing talents.



EST COLA

To create more buzz as a relatively new player in the Cola market, est Cola tied up with Pavilion shopping mall in its KL Christmas 2016, that enabled shoppers to create 'estimewa' moments via an interactive photo booth with 3D optical illusion street art at the entrance of the mall. Shoppers were encouraged to share their photos on est Cola Malaysia's Facebook page for a chance to win exclusive prizes.

est Cola also participated in a couple of food truck events in the Klang Valley. On 4 June 2016, it was the main beverages sponsor of the Kuala Lumpur Food Truck Parade which went down in the Malaysian Book of Records as the largest food truck gathering in Malaysia with 111 food trucks and about 25,000 visitors. This was followed by MBPJ's 10th anniversary celebration on 27-28 August 2016 at which 22 food trucks and about 12,000 visitors were present.

MARKETING HIGHLIGHTS


**F&N CONDENSED &
EVAPORATED MILK**

F&N teamed up with Fizo Omar and Mawar Karim to strengthen treasured taste moments during Ramadan with the 'Aroma Kasih Sayang' campaign. The brand ambassadors demonstrated several delicious and easy-to-cook recipes using F&N condensed and evaporated milk, including Ayam Masak Merah Lasagna, Stir-Fry Satay and Jagung Milkshake. Five minisodes were released on F&N Dairies YouTube channel featuring the celebrity couple. The campaign also rewarded consumers with savings on F&N condensed milk.



Targeting a younger audience, F&N later teamed up with Taylor's University School of Hospitality, Tourism & Culinary Arts to organise a 'bake-off' challenge. The challenge saw 12 pairs of students create unique entremets and a multi-

layered mousse-based cake using F&N Full Cream Sweetened Condensed Milk and Evaporated Creamer. The winning duo walked away with RM2,000 cash, trophies and a set of culinary knives.



MARKETING HIGHLIGHTS



CARNATION

In Malaysia, CARNATION presented an exclusive cooking showcase featuring its ambassador, celebrity chef Soo Wincci, at TESCO Mutiara Damansara on 25 May 2016. Soo Wincci prepared 12 dishes using CARNATION® Evaporated Creamer including Puffy Omelette Pizza and Apple Pie Wonton. The campaign also gave 10 loyal customers a chance

to tour Korea with Soo Wincci through the CARNATION® Go Gourmet Korea contest. Other prizes included Samsung smart phones and limited edition merchandise.

'Perfect Harmony' communication programme was launched for CARNATION in Thailand, promoting the

use of CARNATION SBC with CARNATION Extra to deliver superior taste in food and beverages. The brand further entrenched its footing in coffee shops, restaurants and among street operators, where it is used in both food and beverage preparations, through exclusive programme with Makro, and other activities that enhance in-house usage.



MARKETING HIGHLIGHTS



TEAPOT

TEAPOT rolled out a 'Tradition in a TEAPOT' campaign in Malaysia with the tagline 'Trusted Heritage, Smarter Choice' with the introduction of a refreshed look. To reassure consumers that they can always rely on TEAPOT's heritage of providing Malaysians with creamy and delightful moments, the brand ran a contest that offered exciting prizes including stays at renowned heritage-themed hotels in Malaysia and a year's supply of TEAPOT Sweetened/Evaporated Creamer.

In Thailand, there was much focus on engaging more actively with consumers with the TEAPOT brand. On 15 June 2016, a TEAPOT Happy Society Facebook page was launched to elevate the brand's image among young adults and families with various activities from games to exclusive workshops conducted by celebrity chefs.



This was followed, in August 2016, by a new communication campaign revolving around the concept of 'Inspiration', which urges consumers to create their own dishes using TEAPOT. The message that it is as 'simply delicious as you wish' is being driven home by new brand ambassador Shakrit Yamnam, the Jamie Oliver of Thailand known for his simple yet delicious recipes. Accompanying the campaign, the team undertook extensive on-ground sampling targeted at working adults and university students, showcasing different applications of TEAPOT at different times during the day. In the morning, it will be served with deep-fired dough sticks; in the afternoon, spread on toasted bread; and in the evening, mixed with snow ice.

Along with the campaign, TEAPOT also launched a new innovative packaging, in the form of 180ml squeezable tubes, making the condensed milk easier and more convenient to use.

MARKETING HIGHLIGHTS



IDEAL Full Cream Evaporated Milk continued to team up with celebrity masterchef Dato' Fazley Yaakob to share sweet gourmet creations in conjunction with the Ramadan and Hari Raya season. A series of cooking showcases was held across the Klang Valley at which Dato' Fazley demonstrated the creation of irresistible desserts such as Banana and Peach Crumble with Vanilla Sauce and Creamy Corn Pudding with Desiccated Coconut.



2016 HIGHLIGHTS

SUSTAINABILITY 3 PILLARS

1 Environmental



2 Economic



3 Social



'WINNING AS ONE'

In Thailand, the 'Winning As One' Convention that promotes innovation and creativity has resulted in an average savings of 12 million Baht annually



A total of **RM367,000** given to 180 employees' children in F&N Chairman's Award 2016



200 STUDENTS FROM MONFORT BOYS TOWN EMPOWERED WITH INTERNATIONALLY-RECOGNISED ICDL CERTIFICATION SINCE 2010



F&N donated **RM200,000** to SCAS&FT for new Spastic Redevelopment Building



F&N Group Bowling Tournament 2015

brought together 180 bowlers across the Group



EMPLOYEES IN THAILAND ENCOURAGED TO

"STOP SMOKING"

IN A PROGRAMME IN CONJUNCTION WITH WORLD NO TOBACCO DAY



44 CHILDREN FROM RUMAH ILHAM UNDERGO 2 YEARS LEADERSHIP PROGRAMME BY F&N & LEADERONOMICS



F&N volunteers

SPREAD FESTIVE CHEER

to 46 senior citizen and 95 children

HOW WE ARE CREATING SUSTAINABLE VALUE



03

CORPORATE SUSTAINABILITY

p.66 - p.88

p.66
Sustainability

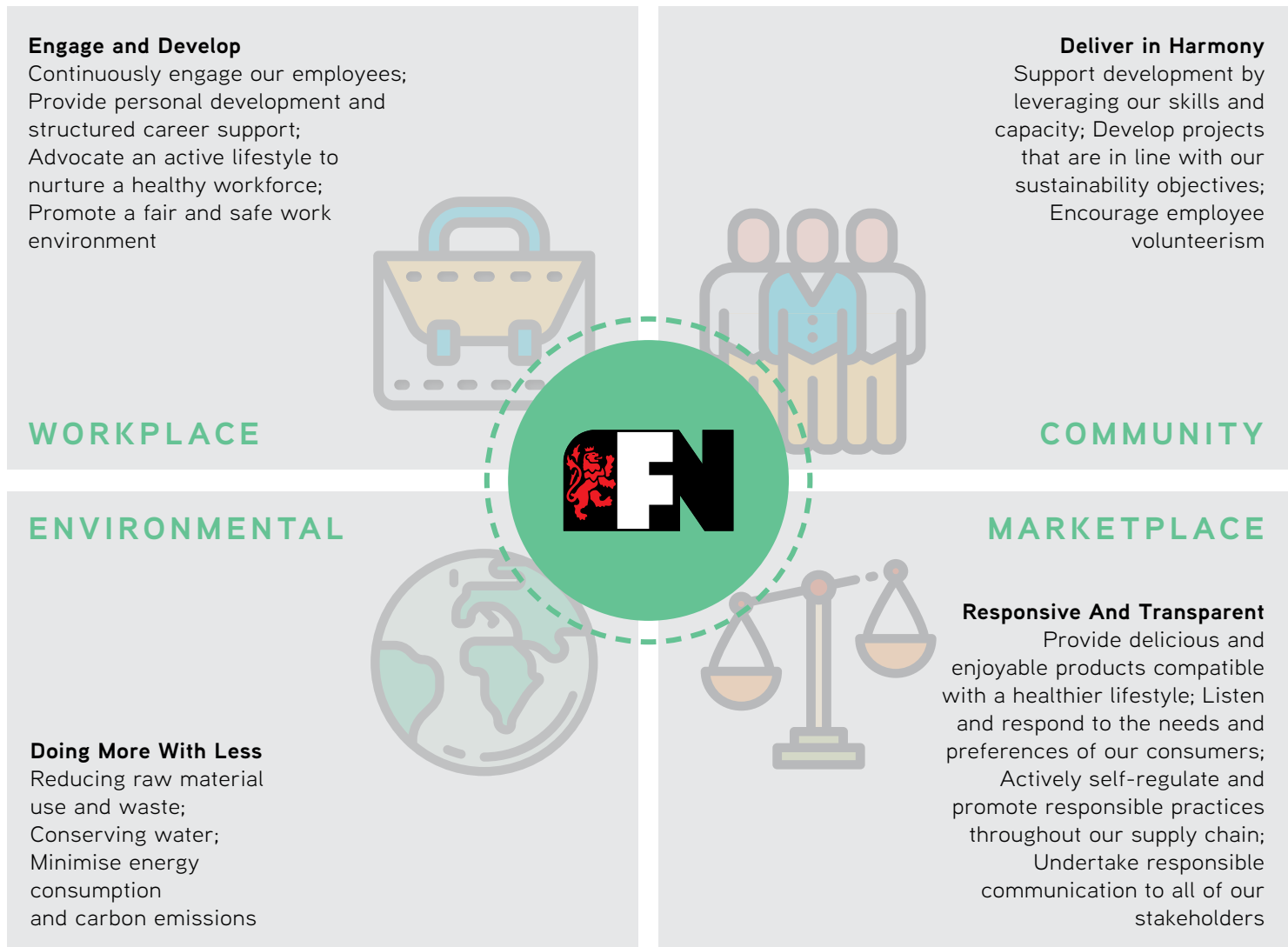
p.67
Our Environmental Impact

p.74
Our Economic Impact

p.78
Our Social Impact

SUSTAINABILITY

To date, our sustainability efforts have been guided by four principles that ensure we meet our various corporate responsibilities, namely: to engage and develop our employees; support the socio-economic development of the communities where we operate; conserve the use of raw materials and energy to protect and preserve the environment; and be responsive and transparent in relation to our consumers, suppliers and other stakeholders.



Sustaining a business, however, is an ongoing process. Our operating environment, regulatory requirements, customer preferences and expectations are continuously changing. This year, although we have not changed our sustainability priorities or approach, we will be reporting on our initiatives in a different format.

By categorising our initiatives under their Economic, Environmental and Social impacts, we are making a start in following the latest sustainability reporting guide by Bursa Malaysia Berhad. In the coming years, we aim to satisfy even more recommendations by Bursa Malaysia. This entails conducting a materiality analysis, which we plan to undertake in the coming year.

We believe the changes we aim to institute in our sustainability reporting will enable us to meet one of our key objectives, namely to provide our stakeholders with a clear account of how we are creating added value for them through non-financial means.

SUSTAINABILITY



OUR ENVIRONMENTAL IMPACT



As a responsible manufacturer, we make a conscious effort to ensure all the processes we are involved in along the entire value chain of our operations has minimal impact on the environment. This encompasses the sourcing of ingredients and materials to production and manufacturing, bottling/canning, packaging, distribution and logistics as well as end of product life management. The well-being of the environment is, moreover, essential to the sustainability of our business as we depend on the long-term availability of basic raw materials.

We are committed to minimising as far as possible our environmental footprint through continuous improvement in:

- 1 Reducing raw material use and waste
- 2 Conserving water
- 3 Minimising energy consumption hence carbon emissions

SUSTAINABILITY: ENVIRONMENTAL

WASTE MANAGEMENT

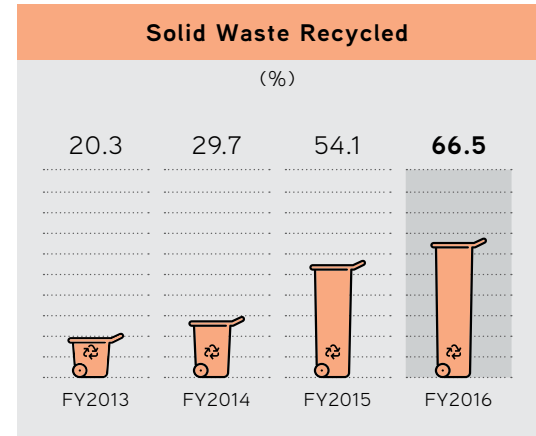
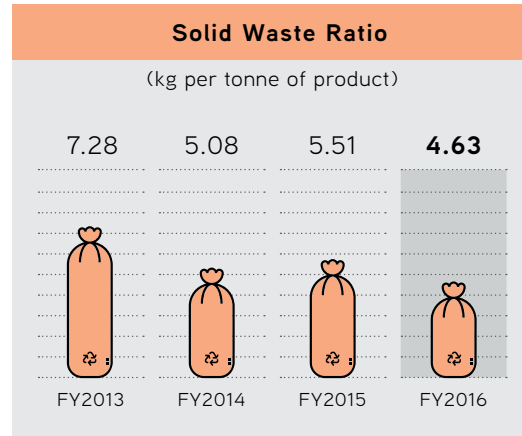
The nature of our business is such that we inevitably generate a large quantity of waste during manufacturing as well as packaging in our aim to provide convenience to our consumers. The company's priority is to reduce the amount of waste produced through operational efficiencies, and then to recycle as much of the waste generated through an effective solid waste recycling programme.

At the Dairies Malaysia manufacturing plant, there was a concerted drive to recycle paper bags, stretch films and cut back cans. In future, the plant aims to convert sludge cake into raw material for the production of organic fertilisers.

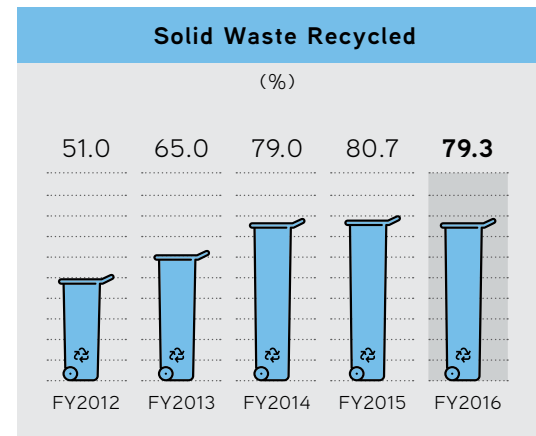
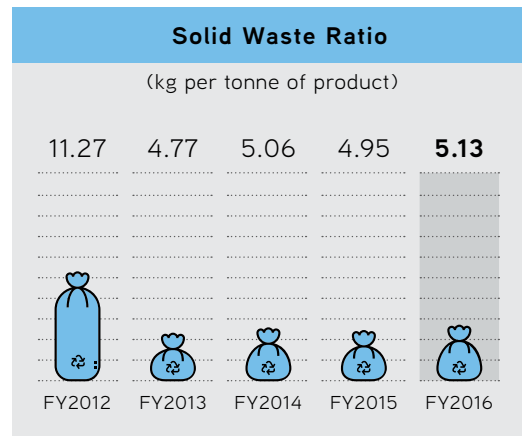
In Thailand, the slight increase in solid waste is due to the installation and commissioning of new production and packing lines this year. Under its Recycle, Reuse, Reduce (3R) project, Dairies Thailand Manufacturing plant has successfully recycled more than 75 per cent of its solid waste for the past 3 years.

F&N Beverages Manufacturing made good progress in solid waste reduction this year. Sludge generation decreased by 40 per cent from operational improvement in Industrial Effluent Treatment System (IETS) and total waste dropped by 274 tonnes.

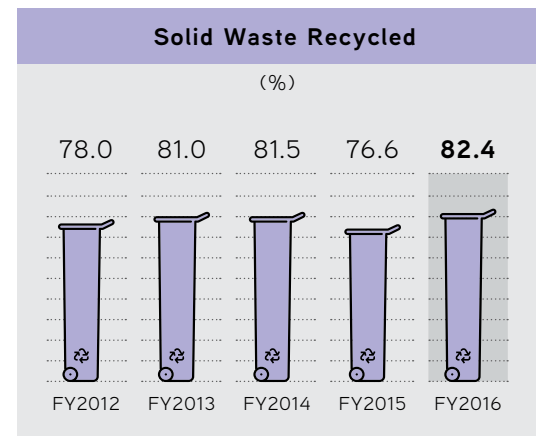
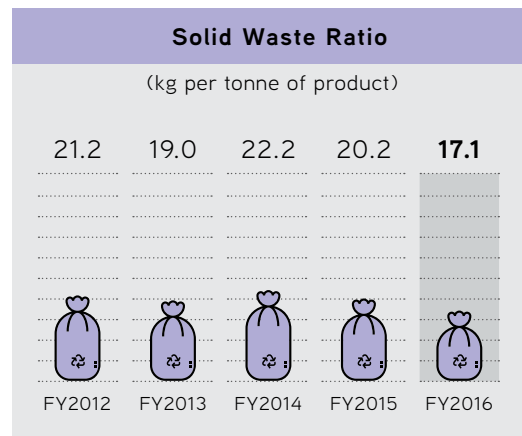
F&N DAIRIES MALAYSIA MANUFACTURING PLANT



F&N DAIRIES THAILAND MANUFACTURING PLANT



F&N BEVERAGES MANUFACTURING PLANT



SUSTAINABILITY: ENVIRONMENTAL

RECYCLING PROGRAMMES

As a manufacturer of bottled and canned drinks, F&NHB believes the one area in which we can make a significant and meaningful contribution to the environment is by creating greater awareness among the public of the need to recycle. This has been a focus of our community programmes for the last 10 years.

Two school recycling programmes that we have been running have gained in momentum, with greater participation and increasing volumes of recyclables collected every year. We have targeted school children in this initiative as we believe creating a recycling mindset among the young will have greatest impact on the Malaysian landscape in the long term as they are still forming life-long habits and behaviours.



Top schools were awarded for their effort in the recent Kempen Kitar Semula F&N & MBSA 2016.



NURTURING A GENERATION OF YOUNG ECOWARRIORS WITH F&N KEMPEN KITAR SEMULA

248,515 KG OF RECYCLABLE ITEMS COLLECTED IN 2016, ↑15% FROM LAST YEAR

PARTICIPATION FROM 126 SCHOOLS IN SHAH ALAM AND PENANG

- 23 PER-SCHOOLS
- 57 PRIMARY SCHOOLS
- 46 SECONDARY SCHOOLS

Our school recycling programme began in 2007 in Shah Alam, in partnership with the Shah Alam City Council. We were thrilled to be able to celebrate its 10th anniversary in FY2016 with a record volume of 121,321.20 kg recyclables collected, which added to a cumulative volume over the years of over 1 million kg of recyclable waste collected through the campaign. This year, a total of 36 schools took part in the five-month programme which ended on 21 September 2016, comprising five kindergartens, 16 primary schools and 15 secondary schools. Organised hand-in-hand with the Selangor Education Department and Tetra Pak (Malaysia) Sdn Bhd, children in the Kempen Kitar Semula F&N & MBSA collected aluminum cans, plastic bottles, paper and Tetra Pak materials from their homes and surroundings. They even got the local community involved by going door-to-door to collect recyclables. This has led to some of the participating schools becoming a recycling centre within their areas.

On the footsteps of the Shah Alam programme, we began a similar initiative in Penang which entered its fifth year. The four-month campaign drew the participation of 90 schools – 18 pre-schools, 41 primary schools and 31 secondary schools – and saw a record collection of 127,193.71kg of recyclables. It was also supported by the Penang Education Department and Tetra Pak (Malaysia).

Given the success of these two programmes, we are now looking to expand this recycling campaign throughout Malaysia, and are engaging with the relevant municipal councils to be able to do so. Our hope is to nurture a generation of ecowarriors - young Malaysians who will drive a 5R change, getting the whole nation to Reduce, Reuse, Recycle, Rethink and Reinvent.

SUSTAINABILITY: ENVIRONMENTAL

SUSTAINABLE PACKAGING

F&N seeks continuously to use more environmentally-friendly packaging solutions while maintaining the integrity of our products. Various initiatives are ongoing to optimise packaging materials through innovation and technical feasibility, resulting in a significant reduction in our packaging over the years.

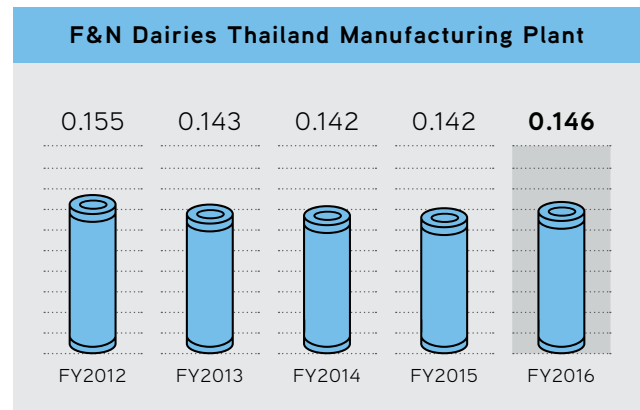
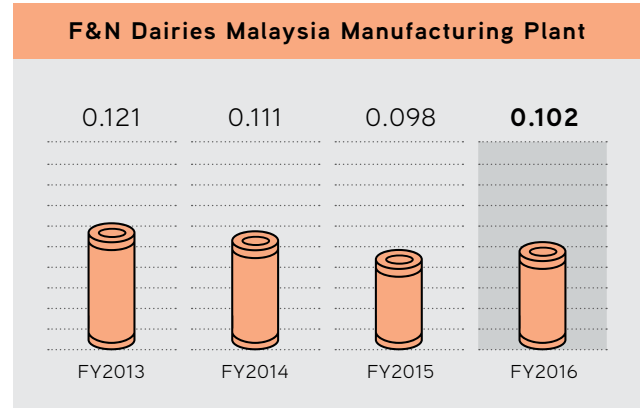
Our packaging ratio reflects the volume of packaging material used per tonne of product. At F&N Dairies Malaysia Manufacturing Plant, there was a slight increase in packaging material used in FY2016 due to increased exports which require more packaging material compared to products targeted at the local market.

In Thailand, packaging content was slightly higher than previous financial year due to greater production of high-packaging items. However, total packaging material weight was reduced by 2,196.29 tonnes mainly from a decrease in tin plates usage.

We saw a slight decrease in PET material usage per litre of product, resulting from increased sales of larger packs. This reflects a change in consumer preference as seen in the take-up of our products.

PACKAGING RATIO

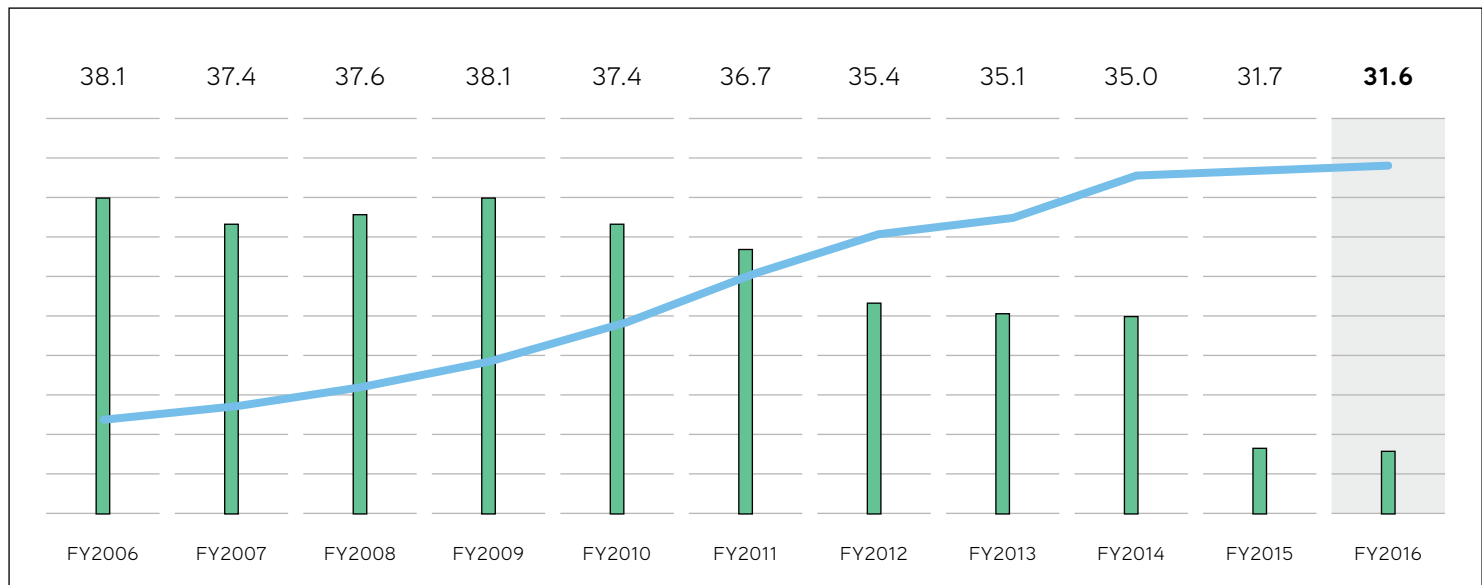
(tonne of packaging material/tonne of product)



PACKAGING RATIO FOR TOTAL PET BEVERAGES

Total PET material (gram)/ Total PET Products (liter)

Total PET Usage (Green bar) Total Pet Product (Blue line)



SUSTAINABILITY: ENVIRONMENTAL

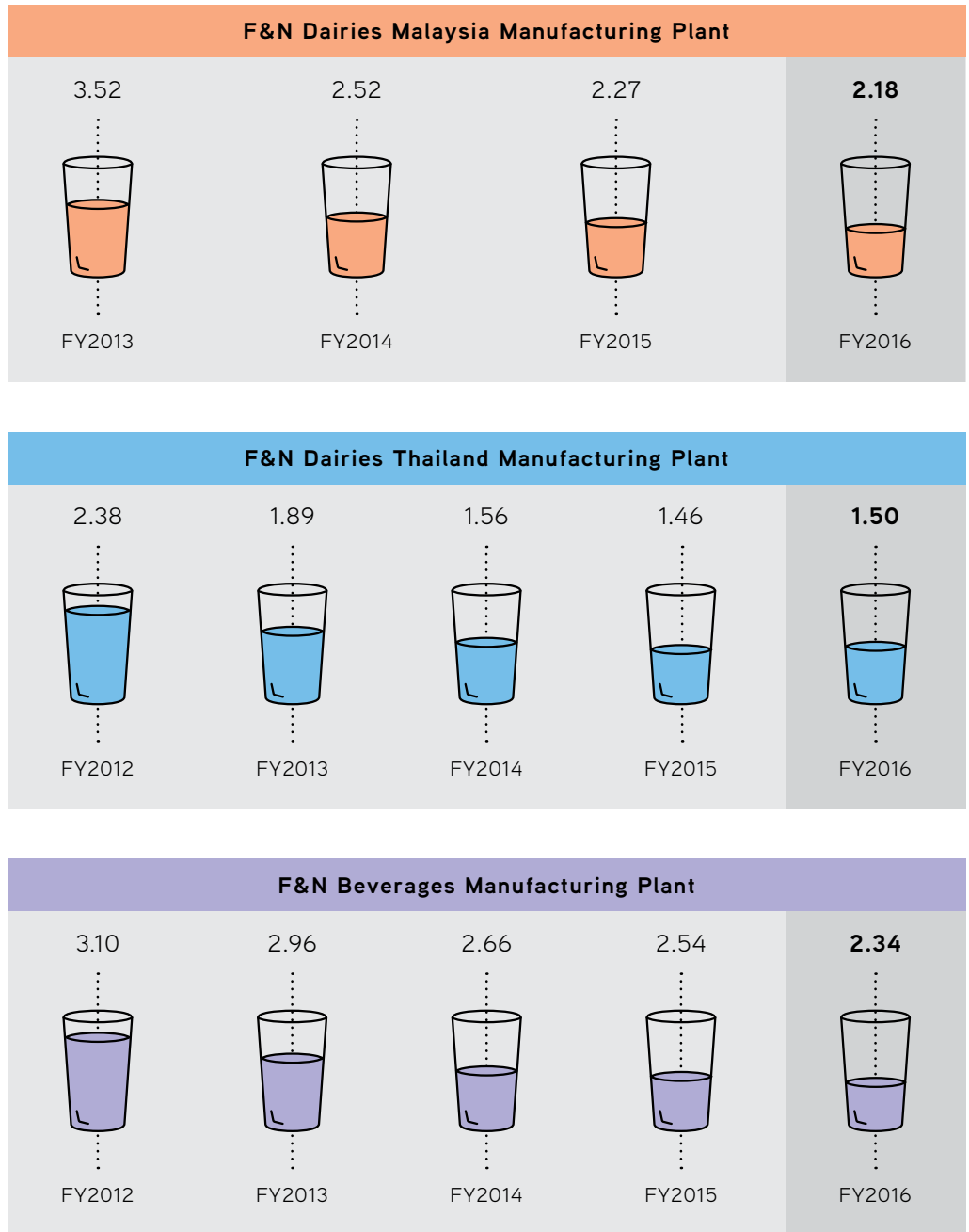
OPTIMISING WATER USAGE

Water usage in F&N Dairies Malaysia and F&N Beverages Manufacturing has been decreasing since FY2012. Water from the industrial effluent treatment system is used for gardening, and the manufacturing unit is exploring other ways of recycling effluent water for facilities use.

Water usage in our dairies manufacturing plant in Thailand has decreased by approximately 10 per cent every year since Rojana Plant was commissioned in FY2010. The only exception was FY2012, when there were massive floods. This year, the plant embarked on the first phase of a project to recover water evaporated from its chiller which captured about 80m³ per day of water. However, overall water consumption increased marginally in FY2016 as several new manufacturing projects were implemented.

In F&N Beverages manufacturing plant, monitoring the Total Dissolved Solids (TDS) in the cooling tower water contributed to water usage reduction by an estimated 23,048 m³/year at the beverages manufacturing plant. Meanwhile beverages manufacturing also achieved 94,752 m³/year in water savings via a retort water recovery process.

WATER RATIO
(m³/tonne)



SUSTAINABILITY: ENVIRONMENTAL

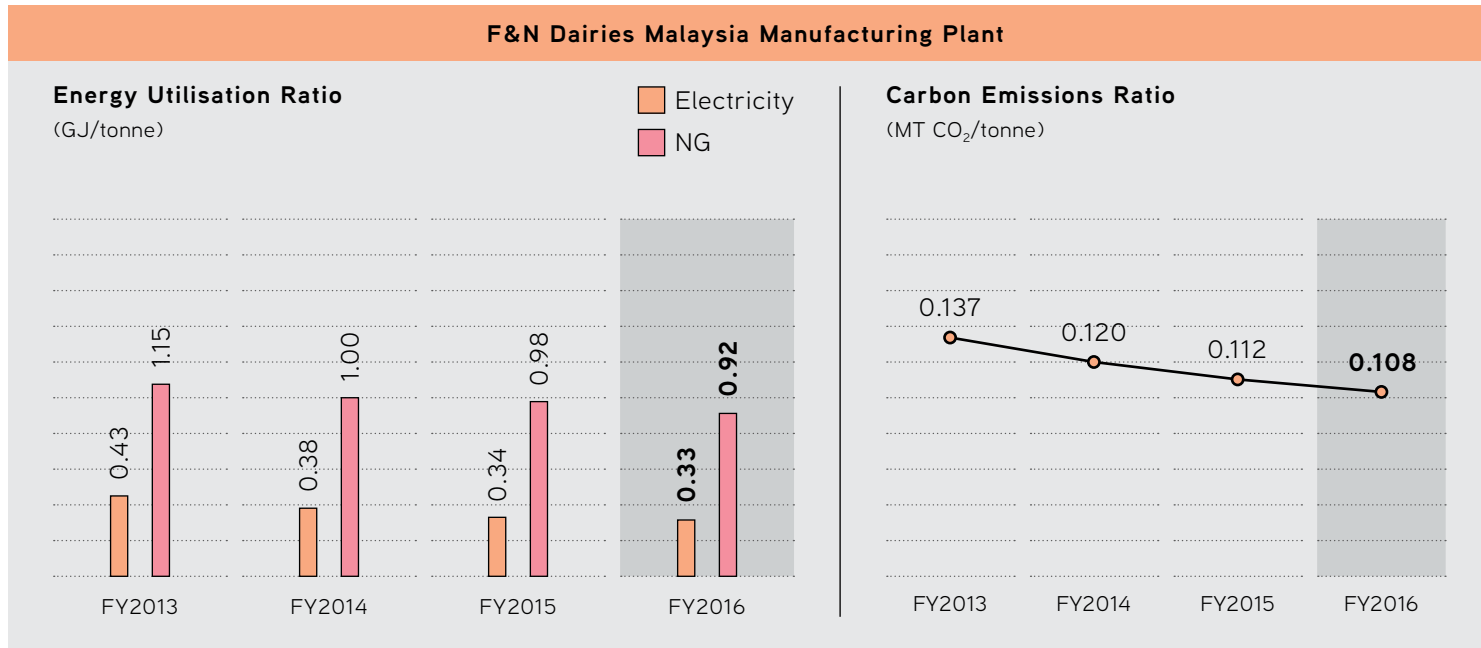
ENERGY CONSUMPTION & CARBON FOOTPRINT

At Dairies Malaysia Manufacturing Plant, both the electricity ratio and natural gas ratio continued to decrease from continuous monitoring of energy usage and the implementation of an Energy Management System to reduce the consumption of machines and equipment such as the compressors and boiler. Greater emphasis on the ISO 14001 and OHSAS 18001 Management System also helped to reinforce a culture of energy conservation.

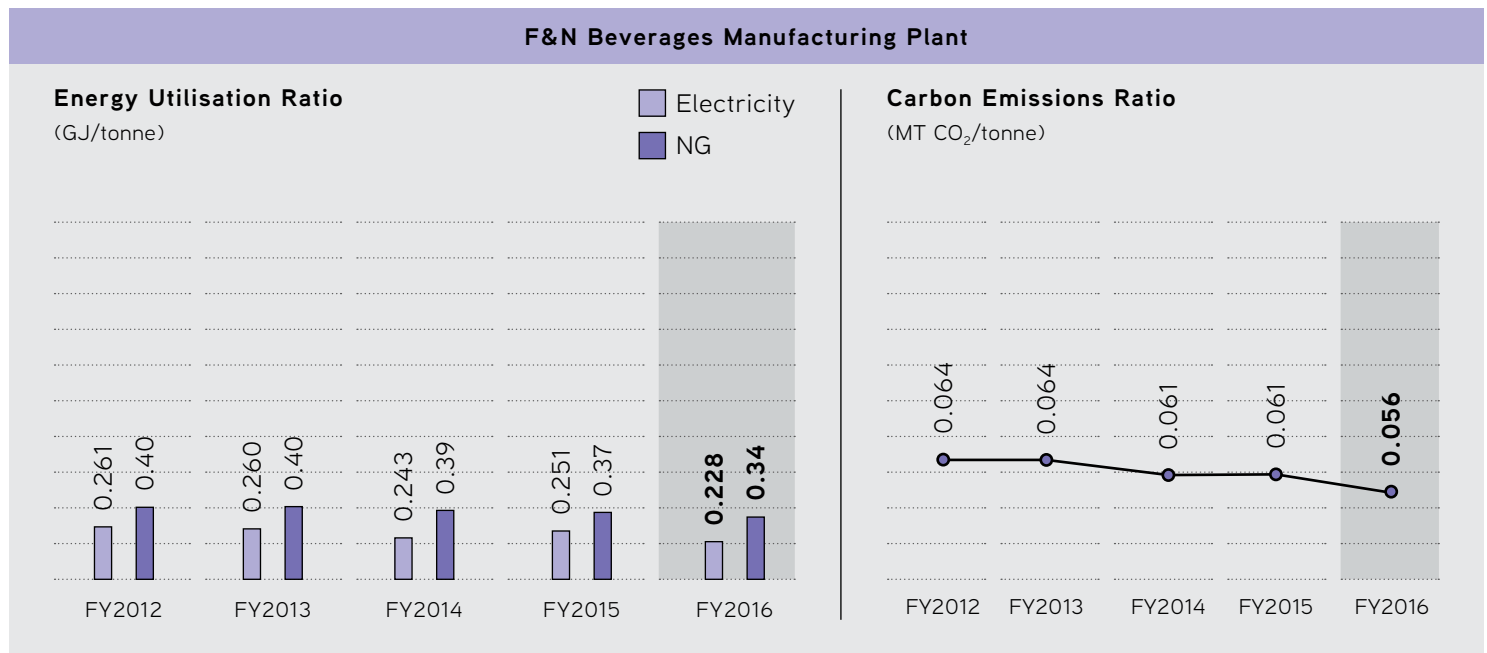
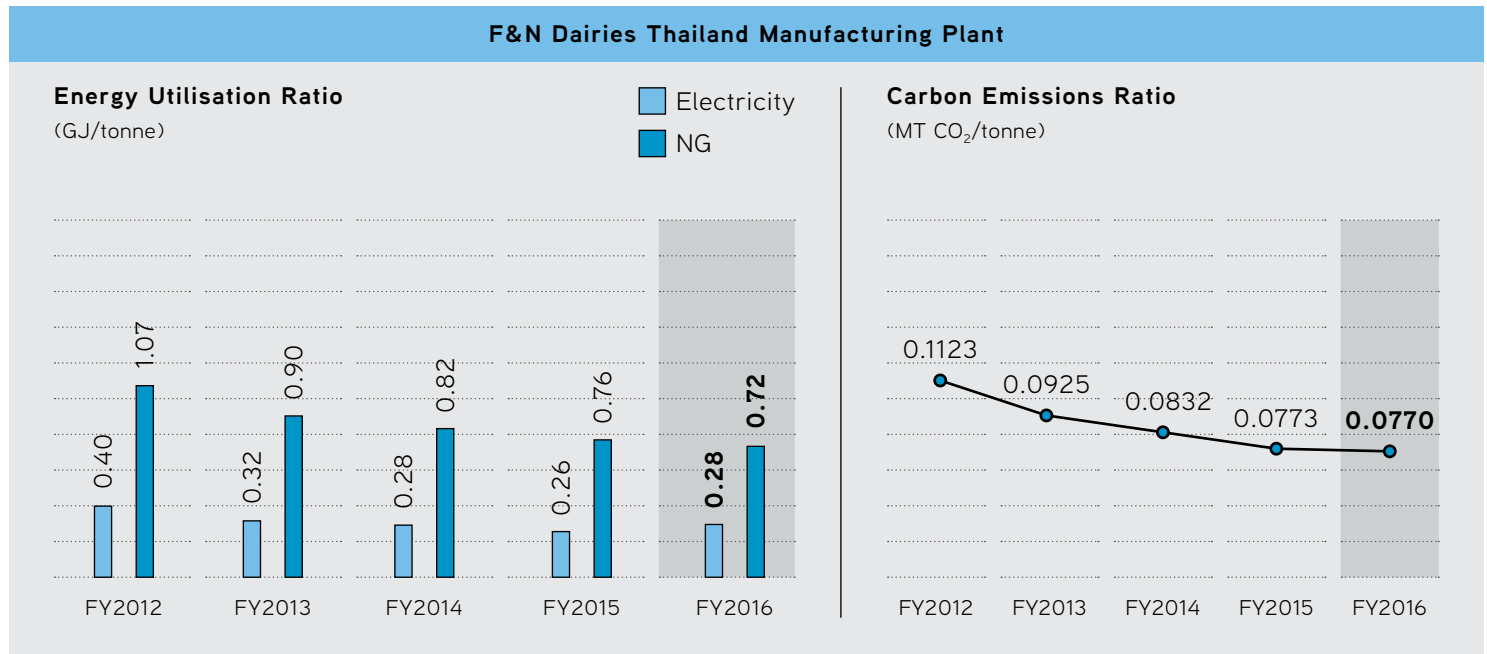
In Thailand, energy usage and CO₂ emissions have been decreasing approximately 7.5 per cent and 7.3 per cent respectively every year, as a result of continuous improvement programmes and an efficient energy management system. During the year, high bay lamps were replaced with LED highbays, which halved electricity consumption in some areas of the plant. The plant's carbon footprint was also measured, and stood at 24,193.95 tonnes of carbon dioxide equivalent (CO₂e).

In F&N Beverages Manufacturing, greater energy efficiencies were created from centralising the cooling system for production which led to savings of 1,000,000 kWh per year; and improving the conveyor system based on production speed at Production Line 4, which reduced consumption by 11,020 kWh during the year.

Several other energy saving initiatives are in the pipeline. These include the use of energy efficient lighting; customising the compressed air pressure of production lines according to need; installing inverters at the IETS blowers to optimise energy usage; minimising heat loss at certain utility and production areas by insulation; and installing actuators at the steam header to control steam consumption.



SUSTAINABILITY: ENVIRONMENTAL



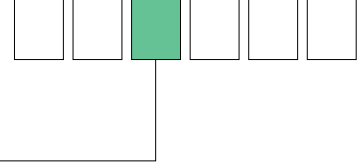
SUSTAINABILITY



OUR ECONOMIC IMPACT



In addition to creating value for our shareholders, and providing employment to over 2,800-strong workforce, our business has a positive economic impact on an entire value chain of suppliers, distributors and commercial end-users, such as hawkers, convenience stores and restaurant operators. We also support the development of Malaysia as a global halal hub, as all our operations and products are halal-compliant. In addition, we contribute in a meaningful way to various programmes that empower the less-fortunate segments of community.



SUSTAINABILITY: ECONOMIC



TEAPOT van visiting an outlet in Thailand

SUPPORTING DISTRIBUTORS AND SMALL BUSINESSES

Our loyal network of distributors, is a source of pride for the Group, with some having worked with us for as long as three generations. Just as they are critical to our operations, we support and provide training to our distributors where necessary, and engage with them to keep them abreast of our business performance and plans, inclusive of new product development. In Malaysia, we engage about more than 100 distributors serving 80,000 retail food shops and hawkers, while Thailand has a 200-strong distributor sales force covering 120,000 outlets in the country.

Various initiatives are carried out in support of hawkers and stall owners, who make up a significant percentage of our consumers. In recent years, we have been educating them to offer 'teh tarik kahwin' – in which F&N Evaporated Creamer is combined with F&N Sweetened Creamer to cater to consumers' demand for less-sweet beverages.

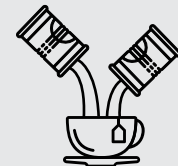
HALAL COMMITMENT

F&NHB does not merely support the halal economy, but is committed to being recognised as a leader in halal-only F&B. Towards this end, this year we established a Group Halal Council to further embed the Halalan Toyyiban regulations and compliance in our products and services, our workplace practices and our engagement with consumers and society at large.

During the year, various programmes were organised to create halal culture at the workplace such as Halal Assurance System Awareness, based on JAKIM's MPPHM (3rd Version) 2014, Halal MUI Training, Halal Programme and Workshops and the Certificate Of Professional Halal Executive training.



OVER 200 STUDENTS GAINED INTERNATIONALLY-RECOGNISED IC DL CERTIFICATION SINCE 2010



F&N 'KAHWIN' CONCEPT

ADVOCATING A LESS-SWEET YET CREAMIER CHOICE BY COMBINING F&N SWEETENED CREAMER AND F&N EVAPORATED CREAMER FOR THEIR LOCAL FAVOURITES SUCH AS TEH TARIK

SUSTAINABILITY: ECONOMIC



Children from Rumah Ilham presenting their ideas in the F&N/Leaderonomic Student Leadership Programme



SOCIAL INVESTMENT

In terms of empowering marginalised communities, our focus has been on **Education and Nation Building**; supplementing their educational resources; motivating youth to aspire for success; and making significant donations to help promote a more equitable society.

- We provide youth from the Montfort Boys Town the opportunity to be International Computer Driving Licence (ICDL) certified to enhance their employment prospects. On 18 March 2016, F&NHB celebrated our fifth ICDL graduation ceremony with 48 new graduates, adding to over 200 students who have benefitted from the programme.
- Since 2011, the Group has been supporting the Kassim Chin Humanity Foundation (KCHF) via the Empowering Lives Through Education (E.L.I.T.E) programme,

under which free kindergarten and tuition classes are given to over 600 underprivileged children up to the age of 20 in Pangsapuri Enggang, Puchong. We fund the upkeep of the centre and provide F&N milk products to the children. In 2014, we enriched the programme by setting up an e-Learning Centre equipped with educational software. To date, we have invested over RM360,000 in the programme, benefitting more than 300 children.

- In partnership with Leaderonomics, we have been organising leadership programmes for children at Rumah Ilham, an orphanage we have adopted since 2008. This year, 44 boys from the home completed the Rumah Ilham Leaderonomics Club Y2 programme 2016, which comprised 30-hour sessions, a three-day team building camp and a final project. Under the programme, the children themselves organised a day-long teambuilding and motivational talk for 50 Orang Asli children from Masjid Al-Hidayah Sungai Penchala, with guidance from F&NHB employees and Leaderonomics.




OVER 600 UNDERPRIVILEGED CHILDREN GAIN ACCESS TO FREE KINDERGARTEN AND TUITION CLASSES UNDER THE F&N E.L.I.T.E PROGRAMME WITH KASSIM CHIN HUMANITY FOUNDATION



AFTER UNDERGOING 2 YEARS LEADERSHIP PROGRAMME BY F&N & LEADERONOMICS, 44 RUMAH ILHAM CHILDREN GIVE BACK TO SOCIETY BY ORGANISING A TEAMBUILDING EVENT FOR 50 ORANG ASLI CHILDREN

SUSTAINABILITY: ECONOMIC




**RM500,000
 DONATED**
 TO MEDIA
 PRIMA'S TABUNG
 BERSAMAMU
 AND SPASTIC
 CHILDREN'S
 ASSOCIATION
 OF SELANGOR
 AND FEDERAL
 TERRITORY
 (SCAS&FT)

- Further motivating children to strive for excellence, national gymnast Farah Ann shared her journey to success with about 4,000 primary school students in Kuala Lumpur, Ipoh and Penang, inspiring them to achieve their dreams. In addition, we organised a 'bake-off' for students at Taylor's University School of Hospitality, Tourism & Culinary Arts at the university grounds, inspiring excellence in baking.
- We partnered Media Prima Television Networks to inspire acts of kindness through the 'Syukur Selalu' campaign, held from 8 June to 31 July 2016 in conjunction with Ramadan. This saw special 'Syukur Selalu' packaging for all products, and a nationwide charity drive. We also donated a total of RM300,000 to Media Prima's charity fund Tabung Bersamamu.
- F&NHB, donated RM200,000 to the Spastic Children's Association of Selangor and Federal Territory (SCAS&FT) to help develop a new building as to be able to accommodate more children, expand its services and provide more effective rehabilitation services, including research and development for cerebral palsy.



SUSTAINABILITY



OUR SOCIAL IMPACT



As a responsible corporate citizen we have an implicit social contract with the people whose lives we impact. This includes our employees, our consumers and society at large. We respect the rights of our employees and provide a stimulating work environment that enables them to realise their full potential. We ensure our products are safe and meet consumers' expectations. And, in line with our commitment to supporting healthy lifestyles, we promote sporting activities at the recreational to competitive levels.

SUSTAINABILITY: SOCIAL



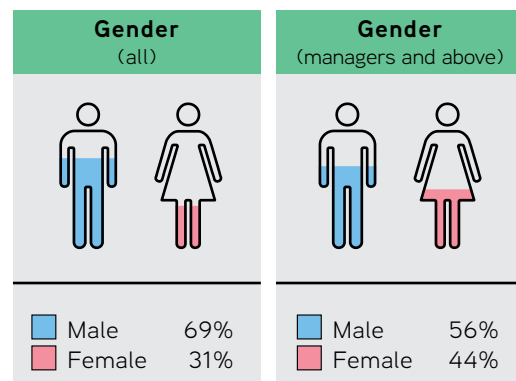
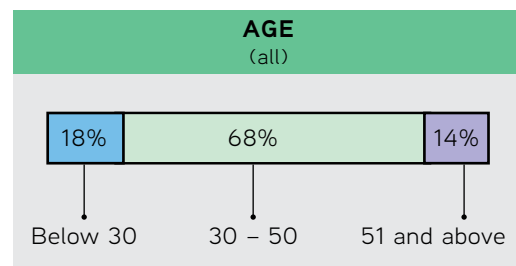
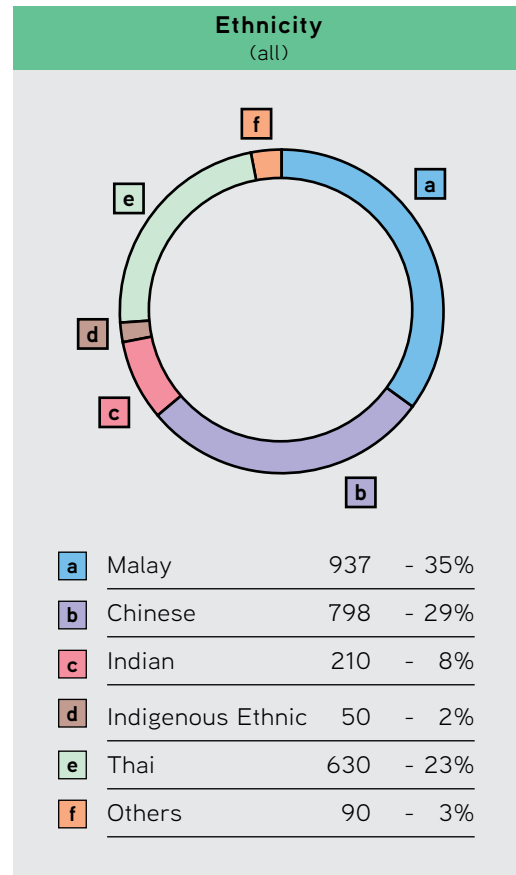
WORKPLACE CONTRACT

In F&N, we believe our people are the foundation of our business. We recognise the importance of diversity in terms of cultural background and age, as well as having a good gender balance, to enrich the workplace with fresh perspectives that help us meet our business objectives. The cultural and age make-up of our workforce in Malaysia and Thailand are representative of the national compositions. In terms of gender, while the total number of female employees stands at 30.8 per cent, our positive approach to gender equity can be seen by females representing 43.5 per cent of total managerial positions.

To promote cohesiveness and a sense of belonging, we engage continuously with our employees. Meanwhile, their safety and well-being are given top priority and are managed by our sturdy occupational safety and health framework.

Our commitment to employees has led the Group being recognised as the Best Employer Brand in Malaysia 2016 by the Employer Branding Institute.

Workforce Statistics



SUSTAINABILITY: SOCIAL



Themed 'War Against Waste', the Excel As One Convention focused predominantly on efforts to boost sustainability

People Development

- The Group extended the '7 Habits of Highly Effective People' programme to more employees across all business units. A total of 149 employees have attended the training programme in Malaysia, and more employees to be engaged in the coming year.
- A total of 428 employees attended various technical and soft skills training spread over in 98 programmes. The Group achieved a total of 1,380 training man-days equal to 11,040 training hours, which works out to be an average of five hours per employee.
- Three senior management members attended the National University of Singapore (NUS)' Executive Development Programme. Two senior management members also attended an executive coaching workshop; while more than 150 managers underwent cognitive and leadership assessments aimed at identifying development opportunities for their career development.

Innovation & Creativity

At F&NHB, there is much focus on thinking innovatively and developing creative strategies to enhance our efficiencies in every sphere of the workplace – leading to improved quality, productivity and technical competencies, environmental sustainability and cost efficiency.

In Thailand, employees are engaged in an annual Winning As One Convention, where they are encouraged to present creative ideas to improve productivity, quality, cost-efficiencies, product delivery, work safety and ethics, as well as to protect the environment. This year's convention, themed 'Straight to World-class 2020', saw the participants focus on areas such as Small Group Activity, Quality Control Circle, Kaizen, Suggestions, the 5S System and Total Productive Maintenance. The convention also provided employees a platform to share best practices with their colleagues from F&B Malaysia and Thai Beverage. To date, the convention has resulted in an average savings of 12 million Baht annually.

In Malaysia, the second Excel As One (EAO) Convention was held on 22 September 2016 at the Setia City Convention Centre. This year, the scope was also extended to include not only Innovative & Creative Cycle (ICC) projects but Kaizen projects and Best Suggestions schemes. A total of 21 ICC, 13 Kaizen and 2 Best Suggestion projects and ideas were presented with a combined cost savings of close to RM5 million per annum. Themed, 'War Against Waste', the EAO's main focus was sustainability as F&N edges closer towards achieving World Class Manufacturing standards.

SUSTAINABILITY: SOCIAL

Safety at Work

To protect the safety of our workforce, initiatives to increase awareness of safety at work include regular talks and quizzes. A number of employees are certified in first aid, while training sessions on cardiopulmonary resuscitation (CPR) are conducted. Regular fire drills are also executed at the different offices and manufacturing facilities of the Group.

In Thailand, an Emergency Plan Exercise for Fire Fighting & Evacuation, Chemical Leakage, Dust Explosion, Boiler Explosion, Ammonia Leakage, Gas Leakage (N2, LPG, NG), Radiation and Water Flooding was conducted at the plant. Fire risk assessments are conducted on a weekly basis, and a fire protection exhibition is on permanent display in the factory. A monthly SHE newsletter was also launched.



F&N Pulau Indah plant was awarded the Gold Class II by the Malaysian Society for Occupational Safety and Health (MSOSH)



Dairies Thailand received the forth-consecutive Labour Relation and Welfare Award 2016 (National Level) from the Department of Labour Protection and Welfare



Safety Programme conducted at F&N Dairies Thailand's Rojana Plant

Safety programmes held across the Group during the year included:

- Occupational First Aid & CPR Training
- Domestic Inquiry Procedure
- Exploring ISO 14001:2015 & ISO 45001:2016 Environmental, Occupational Health & Safety (Integrated) Management System
- Radiation Protection For Officers RSH300
- RSH 100 Radiation and Safety
- Safety and Health Officer Programme
- Strategies for Managing Difficult Domestic Inquiries
- War Against Cybercrime
- Drink Don't Drive campaign
- SHE Week Exhibition
- Safety Occupational Health, Environmental and Energy Week

Safety Awards and Recognition:

- F&N Dairies Manufacturing plant in Pulau Indah was awarded the Gold Class II by the Malaysian Society for Occupational Safety and Health (MSOSH) following an audit by the regulator.
- F&N Dairies Thailand received the Labour Relation and Welfare Award 2016 (National Level) from the Department of Labour Protection and Welfare. This is the fourth consecutive year F&B Thailand has received the award.
- F&N Dairies Thailand received the National Occupational Safety and Health Award 2016 from the Ministry of Labour, Thailand on 30 June 2016 in recognition of its safety, occupational health and environment management, leadership and employee participation, as well as health and safety related CSR efforts.
- F&N Dairies Thailand passed the OHSAS 18001 and ISO 14001 audits by SGS with no non-compliance. The certificate is valid till February 2017.

SUSTAINABILITY: SOCIAL



Proud recipients of Long Service Awards



TO DATE, MORE THAN
RM3 MILLION
DISBURSED TO 2,295
CHILDREN OF EMPLOYEES
UNDER F&N CHAIRMAN'S
AWARD



MORE THAN 400
EMPLOYEES ATTENDED
A TOTAL OF 98 TECHNICAL
AND SOFT SKILLS TRAINING
IN FY2016

Employee Engagement

The Group keep employees abreast of important corporate developments and changes to policies through CEO Townhall sessions, management briefings as well as employee newsletters and circulars. This year, more than 2,000 employees came together in a special Blue Sky Connect event to commemorate F&B Malaysia's new journey as one family. In addition, our CEO has informal chats about the work environment with employees at his *Teh Tarik* sessions. Other forms of communication include the Group intranet portal and memo boards.

To promote cohesiveness and forge a greater sense of belonging amongst employees, the Group organises various activities ranging from the social to recreational, team building and volunteering opportunities. Among the highly anticipated events are our Annual Dinners – with three separate function held in Peninsula Malaysia, East

Malaysia and Thailand; the Long Service Award, and F&N Chairman's Award.

This year, a total of 133 employees in Malaysia who have served the Group between five and 35 years were honoured in the inaugural group-wide Service Award ceremony. Together, they had contributed 1,745 years of service to the Company.

The F&N Chairman's Award has been institutionalised since 2003, when F&N celebrated our 120th anniversary. The awards are presented by our Chairman himself to children of employees who attain excellent academic and co-curricular achievements. Each child receives between RM300 and RM5,000 in cash. This year, a total of RM367,000 was given to 180 outstanding achievers. To date, F&NHB has disbursed more than RM3 million to 2,295 children.

SUSTAINABILITY: SOCIAL



Twenty-two golfers had a fun day out at the F&N Chairman's Cup 2016



F&N employees showed off their bowling skills during the F&N Group Bowling Tournament 2015



Yoga session at F&N Rojana plant, a sport activity under Happy Workplace Project



F&N GROUP BOWLING TOURNAMENT 2015 BROUGHT TOGETHER 180 BOWLERS ACROSS THE GROUP

Other employee engagement events held during the year are outlined below:

Recreational	F&N Group Bowling Tournament 2015 – CEO's Cup brought together 180 bowlers from across the Group
	148 players took part in F&N Badminton Tournament
	F&N Chairman's Cup (Golf)
	Family Days
Health & Well-being	More than 150 employees attended the talk on Genetic Disorders and Lifestyle Diseases
	Vaccination Programme - 381 staff received free annual seasonal influenza vaccine
	Happy Workplace Project: <ul style="list-style-type: none"> • Football League • Ta-Kraw League • Volleyball • Yoga • Badminton
	80 desk-bound employees in Thailand received advice on how to work ergonomically under the Prevention of Office Syndrome Programme
	Employees in Thailand encouraged to "Stop Smoking" in a programme in conjunction with World No Tobacco Day



ALL SMILES...Winners snap a selfie with F&NHB Chief Executive Officer, Mr. Lim Yew Hoe

SUSTAINABILITY: SOCIAL

PRODUCT STEWARDSHIP

We believe we have a responsibility to offer wholesome yet tasty beverages in line with our brand promise, 'Pure Goodness, Pure Enjoyment'. This is reflected in the F&N Nutrition Charter, which stipulates clear guidelines for the entire value chain of beverage production and consumption, from new product development to the provision of accurate nutritional information of our products, and advocating a healthy lifestyle among consumers and employees.

New, healthier offerings

During the year, we introduced three new products that enable consumers to enjoy great taste with the added benefit of great nutrition.

- F&N Magnolia Kids UHT milk is specially formulated to enhance the optimal physical and mental development of toddlers. Supplemented with goji berry and lutein antioxidants, it also promotes improved eye health.
- F&N Magnolia UHT Milk comes in a range of all-natural products packed with essential nutrients, while containing no preservatives.
- F&N NutriSoy Lite offers all the goodness of soy protein in a formulation that is low in fat, less sweet and contains zero cholesterol, preservatives or colouring.

Over the years, we have undertaken various initiatives to encourage more consumers to drink milk, which is a bountiful source of nutrition for everyone. Targeting the young, we launched the 'Magnolia Goes To School' programme in 2016, through which we speak to school children across the country about the benefits of drinking milk.

In conjunction with World Milk Day, we intensify our effort with a 'Goodness Made For Life's Greatness' campaign in malls across Petaling Jaya, Penang and Johor Baru. The five-day campaign, beginning 1 June, doubled as a recycling drive as we rewarded consumers with free one litre packs of F&N Magnolia UHT milk in exchange for any empty milk pack. Milk tasting booths were set up, and we also extended milk aid to 10 children's homes and an Orang Asli shelter in a bid to nourish underprivileged communities.

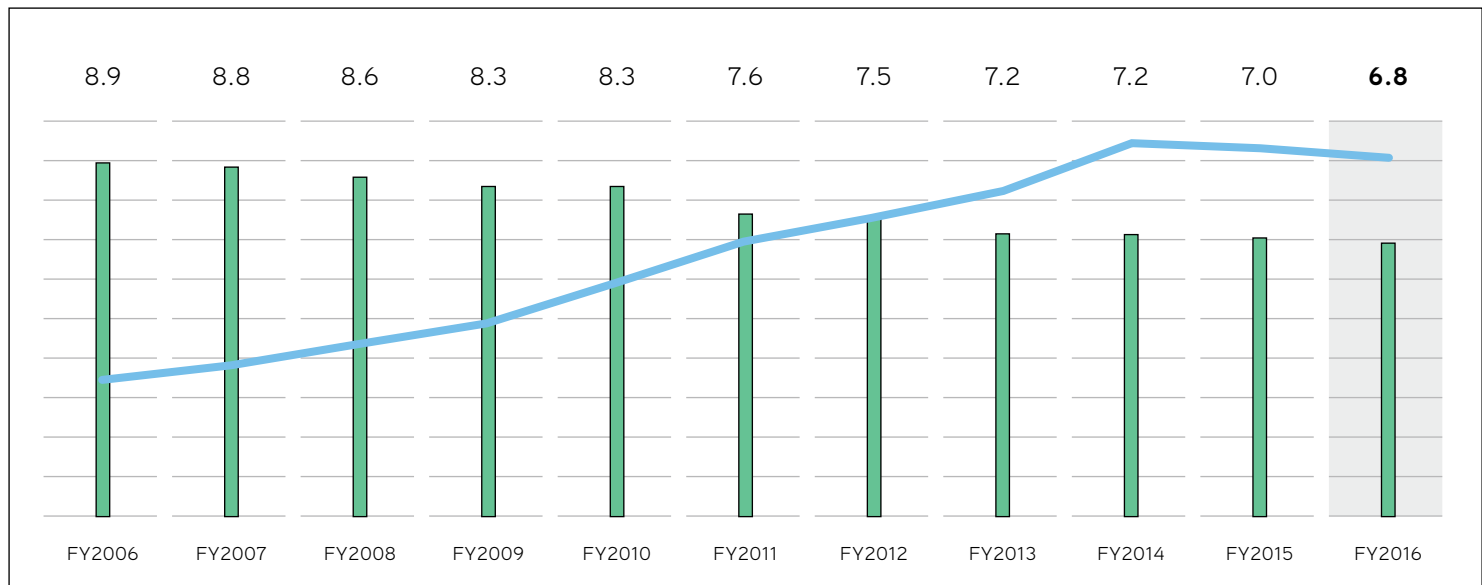
In line with general health awareness of our consumers, we have been focusing on reducing the sugar content of our drinks. Our sugar index, which measures the amount of sugar contained per millilitre of all our beverages, has been steadily declining over the years. In FY2016, our sugar index measured 6.8g/100ml, which is 28 per cent lower than the FY2004 baseline. This was achieved with the introduction of two more low-sugar beverages, namely 100PLUS Berry which contains 42 per cent less sugar than a regular carbonated sugar drink, and zero-sugar Club Soda Water.



SUGAR INDEX OF OUR TOTAL BEVERAGES HAS BEEN **REDUCED BY 28%** SINCE 2004

SUGAR INDEX: TOTAL BEVERAGE

■ Sugar Index (g/100ml) — Total Beverage (ml)



SUSTAINABILITY: SOCIAL



F&N joins leading food & beverage companies in the Pledge on Responsible Advertising to Children

Safe Products

We constantly reinforce stringent procedures in our manufacturing and packaging processes, and employees attend food handler programmes to be aware of the need for hygienic behaviours in the handling of food. During the year, three food handler sessions were held at different locations from December 2015 to August 2016.

As a mark of the quality of our products, F&B Thailand received its fourth consecutive FDA Quality Award from the Office of the Food and Drug Administration (FDA). This was in addition to being awarded the Gold and Silver at the 2016 Thailand Quality Prize in the Junior Manufacturing QCC and Task Achieving QCC categories respectively for innovative solutions in productivity and quality.

RESPONSIBLE COMMUNICATION

In F&N, we believe it is our responsibility to be honest and open in all our marketing and advertising communication. Underlining this commitment, we are a signatory to the Responsible Advertising to Children Pledge. This means we will only advertise products targeting children under 12 that meet specific nutritional criteria based on accepted scientific evidence and/or applicable national and international dietary guidelines. The pledge is promoted by the Ministry of Health, Malaysian Advertisers Association and Federation of Malaysian Manufacturers Food Manufacturing Group.

In addition, we ensure all product and nutritional information printed on our packaging is accurate. Information provided includes energy per serving size, nutrition tips as well as product endorsements from the authorities. To enable our consumers to make informed food and beverage choices, we also provide other nutritional details such as Recommended Daily Allowances (RDA) and the functions of various nutritional components.

Responsible Supply Chain Practice

All our new products follow a stringent and regulated process throughout their entire lifecycle, ie from the time they are conceptualized till they are commercialised. The nutritional value and other relevant information of each product are thoroughly reviewed before being approved by an internal cross-functional team comprising personnel from Research & Development and Scientific and Regulatory Affairs, plus a dietician. Following this, the data is sent to the government authorities for their verification and endorsement.

Supplier engagement

The Group makes an effort to ensure our suppliers maintain high standards of food safety while also leaving a minimal environmental impact. We conduct regular audits on our suppliers, and joined the Supplier Ethical Data Exchange (SEDEX) to further strengthen our ethical practices in the supply chain.



Dairies Thailand was awarded the Gold and Silver at the 2016 Thailand Quality Prize in the Junior Manufacturing QCC and Task Achieving QCC categories respectively for innovative solutions in productivity and quality

SUSTAINABILITY: SOCIAL

COMMUNITY OUTREACH PROGRAMMES

The spirit of volunteerism is very strong in F&NHB, as the Group has a track record of going out into the community to put smiles on the faces of the less-fortunate community, particularly during festive celebrations. These programmes create added meaning and enhance the job satisfaction of our employees while also bringing joy to the recipients of their actions.



F&N volunteer helping a little one try on a shirt during the Deepavali Shopping Programme



During the visit to Persatuan Kanak-Kanak Cacat Klang, F&N volunteer took the time to play games with the children



F&N VOLUNTEERS
SPREAD FESTIVE CHEER TO
46 SENIOR CITIZENS
AND 95 CHILDREN



From left: Dato' Anwarudin bin Ahamad Osman, Member of F&NHB's Board of Directors, Y.A.M. Tengku Syed Badarudin Jamalullail, F&NHB Chairman and Ms. Karen Tan, Head of Communications and Corporate Affairs distribute new baju raya and duit raya to the children

During the year, our volunteers spread some happiness to:

- 46 residents at the Home of the Aged (C.W.S) Simee who were given new hairdos before the Lunar New Year. F&NHB also donated cash to the home and distributed 'ang pows' as well as goodie bags to the residents.
- 58 children from Rumah Khadijah Anak-anak Yatim Puteri and Rumah Siti Khadijah Anak-anak Tahfiz Putera, who were treated to a buka puasa feast by F&NHB at the Concorde Hotel Shah Alam. Our Chairman also presented them with Hari Raya clothes and 'duit raya'.
- 37 children from Sri Sai Home, who were taken for a shopping spree at Ajuntha Textiles, Klang where they got to pick out outfits for Deepavali. They were then treated to a vegetarian lunch.
- 71 physically and mentally-challenged children from the Persatuan Penjagaan Kanak-Kanak Cacat Klang Selangor (PPKKCKS). Our volunteers brought the children gifts – including F&N products, played games with them, sang and danced with the children and spruced up the home grounds. With funds collected on their own, the team also purchased essential electrical items and stationery for the home and treated the children to a meal.
- In Thailand, on 14 July 2016, 50 employees from the Rojana Plant joined the local community in Phra Nakhon Sri Ayutthaya Province to carry out a Big Cleaning Day and Candle Festival Parade at a temple in conjunction with the Buddhist Lent Day (Wan Khao Phansa).

SUSTAINABILITY: SOCIAL



Badminton icon, Dato' Lee Chong Wei mingled with young fans at the 100PLUS Badminton Team Championship 2016

SPECIAL FEATURE

Championing Sports, Nurturing Champions

Our best-selling product, 100PLUS, is the isotonic drink of choice among sporting personalities and the general public. To further entrench its market leadership, we play a major role in numerous sporting events which do not just serve as a branding platform, but also contribute to a more physically active, and therefore healthier nation, while helping to unravel future champions.

100PLUS is the title sponsor of the 100PLUS Badminton Team Championship and 100PLUS Malaysian Junior Open (for golf). This year, winners of the badminton tournament were offered the attractive prize of a full-expense paid trip to Brazil. Adding even more excitement, Malaysia's badminton ace, and one of our brand ambassadors - Dato' Lee Chong Wei - gave away the prizes. Meanwhile, the 100PLUS Malaysian Junior Open held at the Templer Park Country Club (TPCC) from 15-17 August 2016, attracted the participation of 100 rising golf stars from across the region. This was the 11th edition of the Malaysian Golf Association (MGA) event.



100PLUS is the proud title sponsor of 100PLUS Malaysian Junior Open

Other 100PLUS sponsorships included the 2016 EurAsia Cup, and the Purple League. The EurAsia Cup, held from 15-17 January 2016 at the Glenmarie Golf & Country Club, saw 24 golfing greats from Asia and Europe compete to win the grand prize of US\$3.6 million. The Purple League, meanwhile, entered its second season on 6 November 2015, showcasing action-packed matches from a number of top-10 ranked badminton players from around the world, including Dato' Lee Chong Wei.

SUSTAINABILITY: SOCIAL



We can further look forward to another exciting sporting event in 2017 to be sponsored by 100PLUS, the 29th SEA GAMES and 9th ASEAN Para Games (also known as Kuala Lumpur 2017). We have pledged RM3 million in support of the event which will have added significance as it will take place from 19-31 August 2017, coinciding with the country's 60th Merdeka celebrations.

In terms of unravelling talent, 100PLUS is sponsoring the Million Dollar Feet nationwide search for two outstanding young Malaysian football talents, who will get the once-in-a-lifetime opportunity to win a place at a renowned European club. The competition by Brickfields Asia College will hold tryouts led by Head Coach and former Liverpool Captain, Steve MacMahon in Penang, Kuantan, Kuching, Johor Bahru and Kuala Lumpur. Two of the very best will be get an all-expense paid trip to the UK where they will audition for a premier European club.

Meanwhile, to motivate more Malaysians to run, we organised the second 100PLUS Outrunner night race which attracted the participation of more than 10,000 runners. Held in Presint 2, Putrajaya, it featured a 6km Fun Run and Team Challenge, as well as 10km and 15km races for the Men's and Women's open categories, and a 15km race for veterans.

100PLUS also recognises top Malaysian sporting talents and sports journalists via the annual Sportswriters Association of Malaysia Awards (also known as the SAM – 100PLUS Award), which it has been supporting since 2003. In addition, the brand leverages on national sporting stars while giving them extra publicity mileage by signing them on as ambassadors. This year we signed on national badminton men's doubles pair of Goh V Shem and Tan Wee Kiong, mixed doubles duo of Chan Peng Soon and Goh Liu Ying and women's junior singles player, Goh Jin Wei.

They join World No. 1 Dato' Lee Chong Wei to build 100PLUS' prominence as the game's top supporter globally. Making Malaysia proud, Dato' Lee, Peng Soon and Liu Ying, and V Shem and Wee Kiong recently took home the silver medals at the 2016 Rio Olympics. To acknowledge their spectacular performance, 100PLUS presented incentive payments of RM50,000 as well as a lifetime supply of 100PLUS to each player.

100PLUS is not the only health drink in our portfolio, and other brands that offer nutritional benefits that would enhance the performance of sporting personalities are also contributing to our sports branding. In Thailand, F&N Magnolia Ginkgo Plus named May Ratchanok Intanon as its brand ambassador. The 21-year old recently ranked No.1 in the world for female badminton players and is the first female player to capture three Superseries titles – in India, Malaysia and Singapore – in three consecutive weeks.

RANGER, our new energy drink, is currently supporting the inaugural OneSilat World Championships Series, being held at the Nicol David Arena, National Squash Centre in Bukit Jalil, from 20 August to 25 December 2016. While the championship is reinvigorating the Malaysian sport on the global scene, RANGER hopes to also promote local silat champions such as Naimul Amal and Eddey Kalai who will be aiming to do Malaysia proud at the competition.

HOW WE ARE CREATING AND MAINTAINING THE RIGHT CULTURE



04

CORPORATE GOVERNANCE

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STATEMENT ON CORPORATE GOVERNANCE

Fraser & Neave Holdings Bhd ("F&NHB" or "Company") recognises the importance of strong corporate governance, and has in place sound policies, business practices and internal controls to help safeguard its assets and shareholders' interests while building a sustainable business. The Company is guided by the principles of the Malaysian Code on Corporate Governance 2012 ("CG Code") and the Corporate Governance Guide issued by Bursa Malaysia Bhd in its corporate governance practices, and continues to strive towards achieving a high standard of corporate governance.

This statement describes how the Company has applied the principles and complied with the recommendations of the CG Code during the financial year under review.

PRINCIPLE 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions Reserved for the Board and Delegated to Board Committees and Management

The Board provides entrepreneurial leadership, sets strategic directions and oversees the business affairs of the Group and management effectiveness. The Group has two sets of Charts of Authority ("COA") i.e. Board COA and Management COA, which set out matters reserved for Board approval and matters delegated to Board Committees and management. The delegation of authority to the Board Committees and the Chief Executive Officer ("CEO") including senior management are set out in the terms of reference ("TOR") of the Board Committees, the Board COA and the Management COA respectively.

The Board has established six Board Committees namely the Group Executive Committee, Audit Committee, Nominating Committee, Remuneration Committee, Risk Management Committee and Share Buy-Back Committee, all of which operate within their respective TORs, which are available for reference at the Company's website at www.fn.com.my. The Board Committees review matters within their TORs and make recommendations to the Board for approval. The Board is kept apprised of the activities of the Board Committees through circulation of the minutes of the Board Committees meetings and update by the respective chairmen of the Board Committees at meetings.

1.2 Clear Roles and Responsibilities

The Board is guided by a Board Charter which sets out the duties and responsibilities of the Board. The Board Charter further defines the respective roles of the Chairman of the Board, the CEO and the Non-Executive Directors. The Board Charter is available for reference at the Company's website at www.fn.com.my.

As set out in the Board Charter, the Board assumes among others, the following responsibilities:

- review, adopt and monitor the implementation by management of the strategic and financial plans of the Group.
- oversee and evaluate the conduct of the businesses of the Group to ensure that the business is properly managed and management's performance can be assessed.
- approve, review and monitor the risk management strategy, internal controls and reporting systems of the Group, evaluate their effectiveness and identify and rectify significant deficiencies.
- establish a succession plan for senior management and ensure that all candidates appointed to senior management positions are of sufficient calibre.
- oversee the development and implementation of a shareholder communication policy for the Company to ensure effective communication with its shareholders and other stakeholders.
- review and monitor the adequacy, effectiveness and integrity of the management information systems and internal control systems of the Group including systems for ensuring compliance with applicable laws, regulations, rules, directives and guidelines.

STATEMENT ON CORPORATE GOVERNANCE

The Board COA clearly sets out the key matters reserved for the Board's deliberation and decision to ensure the direction and control of the Group's businesses are in its hands. The key matters reserved for the Board for decision include the following:

- adoption of the Company's strategic plans and approval of annual business plan and budget;
- approval of financial statements, including accounting policies of the Group;
- declaration of interim dividends and recommendation of final dividends;
- acceptance of banking facilities and approval of debt programmes and derivatives instruments;
- issuance of corporate guarantee;
- group funding and restructuring proposals;
- capital expenditures and acquisition and disposal of businesses beyond the authority limit of the Group Executive Committee;
- revaluation of fixed assets; and
- sale and acquisition of land, properties and equities;

In the financial year 2016, the Board carried out the following activities:

- reviewed and approved the last quarter financial results and audited financial statements for the financial year 2015;
- reviewed and approved quarterly financial results for the financial year 2016 for announcement to Bursa Securities;
- approved interim dividend and recommended final dividend for shareholder approval;
- approved audit and non-audit fees;
- approved Audit Committee Report, Statement on Corporate Governance, Nominating Committee Report and Statement on Risk Management and Internal Control for disclosure in annual report;
- reviewed and approved revision to the Board Charter and TORs of the Board Committees;
- received minutes of the Board Committees meetings on a quarterly basis;
- reviewed and recommended the appointment of new auditors of the Company, KPMG in place of the retiring auditors, Ernst & Young;
- approved the Circular to Shareholders in relation to recurrent related party transactions and Statement on Share Buy-Back;
- approved the respective policies on independence of Directors and yearly confirmation by Independent Directors, fraud control and related party transactions;
- approved press release relating to financial results;
- received presentation materials for analyst briefings;
- received quarterly update on movement of staff in middle and senior management level;
- approved revisions to the Board COA and Management COA, Whistle Blowing Policy and Enterprise-Wide Risk Management Policy;
- received update on ongoing projects;
- approved the Company's strategies and plans;
- approved annual business plan, budget and capital expenditures;
- approved sustainability milestones of the Group;
- noted the analysis of corporate governance disclosure in FY2014 annual report conducted by Bursa Securities;
- received update on tax that impacts the businesses of the Group;
- noted the succession planning for senior management; and
- reviewed the evaluation results of the Board, Board Committees, Directors Self/Peer and Independent Directors for the financial year 2016.

1.3 Formalised Ethical Standards

The Group has in place a Code of Business Ethics and Conduct which sets out the standards and ethical conduct expected of all employees in the course of their employment with the Group. Directors, officers and employees are required to observe and maintain high standards of integrity in carrying out their roles and responsibilities and to comply with laws and regulations and the Group's policies.

STATEMENT ON CORPORATE GOVERNANCE

Business partners of the Group share the responsibilities in applying the fundamental principles of integrity, respect and excellence in all aspects of the Group business practices. They are refrained from all improper conduct, dishonest or unethical behaviour in their business dealings with all parties including employees of the Group. In addition, they are also committed to compliance with all laws and regulations of the countries where they have business dealings and the code of conduct of the Group.

The Group also has a Whistle-Blowing Policy with a well-defined process to provide an independent feedback channel through which staff may, in confidence and in good faith, raise concerns about possible improprieties in matters of financial reporting or other matters.

The Board has put in place a Fraud Control Policy to protect the revenues, assets and reputation of the Group from loss or damage due to fraud.

More details of the Code of Business Ethics and Conduct, Whistle-Blowing Policy and Fraud Control Policy are set out in the Statement on Risk Management and Internal Control.

1.4 Strategies Promoting Sustainability

The Board is responsible for formulating on-going programmes to promote sustainability, where attention is given to environmental, social and governance aspects of business which underpins sustainability.

Details of the corporate sustainability programmes of the Group are presented in the Corporate Sustainability section of the Annual Report.

1.5 Access to Information and Advice

The Board's rights to all information pertaining to the Group and independent access to senior management for information and clarification in furtherance of its duties are set out in the Board Charter. Besides, the Board Charter also provides for the Directors, either as a group or individually to seek and obtain independent professional advice where necessary, at the Company's expense, to discharge their duties effectively.

Directors have unrestricted access to senior management for information or updates regarding the Group. Senior management will provide Directors with the required information or updates either personally or at meetings.

A formal agenda together with meeting papers are forwarded to all Directors seven days before Board and Board Committees meetings for Directors to be prepared to deal with matters arising from such meetings and to enable them to make informed decisions. The Board believes that effective deliberation and decision making process are highly dependent on the quality of information furnished by management.

Management team and external advisers are normally invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda.

1.6 Qualified Company Secretaries

The Board is supported by two qualified Company Secretaries who are members of professional bodies. The Company Secretaries advise the Board on updates relating to new statutory and regulatory requirements of the relevant acts, rules and regulations. Besides, they also facilitate compliance with the Listing Requirements of Bursa Securities and the relevant acts and regulations, promote high standards of corporate governance, facilitate communication between the Board and management and act as secretaries to the Board Committees and subsidiaries of the Company.

The Company Secretaries organise and attend all meetings of the Board and Board Committees and ensure meetings are properly convened, minutes of meetings and records of resolutions passed are maintained accordingly at the registered office.

1.7 Periodic Review and Publication of Board Charter on Corporate Website

The role, composition and responsibilities of the Board embodying the principles of the CG Code are set out in the Board Charter, which is available for reference at the Company's website at www.fn.com.my. To ensure the continuous relevance of the Charter, the Board conducts regular review of the Charter when necessary. The Charter was last reviewed on 2 August 2016.

STATEMENT ON CORPORATE GOVERNANCE

PRINCIPLE 2 : STRENGTHEN COMPOSITION

2.1 Nominating Committee

The Board has established a Nominating Committee ("NomCom") to assist the Board in ensuring the existence of the right mix of skills, knowledge, experience, qualities, gender, nationality and age that are relevant and contribute to the effective functioning of the Board. A summary of the activities of the NomCom is set out in the NomCom Report.

2.2 Criteria for Recruitment and Annual Assessment of Directors

The NomCom is responsible for assessing and recommending appointment to the Board and Board Committees and reviewing the annual assessment of Directors. The criteria to be used in the recruitment and assessment processes are set out in the NomCom Report.

The Board acknowledges the importance of Board diversity including diversity in gender, nationality and age, to the effective functioning of the Board. Currently, all the Directors are male, and female representation will be considered when vacancies arise and suitable candidates are identified. In terms of nationality diversity, 45.5 per cent each of the Directors is Malay and Chinese with 9 per cent Danish. 27.3 per cent of the Directors are between the ages of 40 to 55 and the remaining 72.7 per cent are above 55 years old.

2.3 Formal and Transparent Remuneration Policies and Procedures for Directors

The Board has established a Remuneration Committee ("RemCom") to assist the Board in establishing formal and transparent remuneration policies and procedures to attract and retain Directors. The RemCom comprising four members, who are Non-Executive Directors, is also entrusted with the role of determining and recommending suitable policies in respect of salary packages for Executive Directors, CEO and senior executives. The current salary packages comprise a combination of basic salary and a variable performance incentive to attract and retain talent in a competitive environment. There was no change in the remuneration policies and practices during the financial year.

The remuneration for Non-Executive Directors is based on a standard fixed fee, with the Chairman receiving a double amount in recognition of his additional responsibilities. An additional fee is also paid to Non-Executive Directors sitting on Board Committees and where applicable, the boards of subsidiaries that are not wholly owned. A fixed meeting allowance is paid for attendance at meetings of the Board and Board Committees as well as general meetings. The Chairman of the Board is entitled to a company car and driver.

Fees payable to the Company's Directors are subject to yearly approval by shareholders at the Company's Annual General Meeting ("AGM"). The aggregate Directors' remuneration paid or payable to the Directors of the Company and its subsidiaries that are not wholly owned, for the financial year ended 30 September 2016 is disclosed in the financial statements.

PRINCIPLE 3 : REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independent Directors

The Board recognises the importance of independence and objectivity in its decision-making process. The Independent Directors who are professionals of high calibre and integrity and possess in-depth knowledge of the Group's business, bring their independent and objective views and judgement to Board deliberations.

The Board has put in place a policy on independence of Directors to specify the considerations taken into account by the Board to assess the independence of each Independent Directors. The policy sets out the test of independence that will be used to determine the independence of Directors and the disclosure of information in the Company's annual report. Independent Directors will provide the Board with an annual confirmation of their independence based on the criteria set out in the policy. The Board will assess the independence of Directors upon appointment and annually and will re-assess determinations of independence when any new interests or relationships are disclosed by Directors.

STATEMENT ON CORPORATE GOVERNANCE

During the financial year, the Board through the NomCom engaged an external consultant to perform a self/peer evaluation of all Directors including the Independent Directors and was satisfied that the Independent Directors continued to exercise independent and objective judgement and acted in the interest of the Company and its stakeholders.

3.2 Tenure of Independent Directors

The Board recognises that an extended time on the Board could appear to impair a Director's independence. At the same time, long service creates familiarity and cultivates extensive experience with the business, which is helpful in oversight. The Board aims to balance the qualities of familiarity and maintaining a Director's independence. Therefore, the Board does not consider that length of service on the Board itself impairs a Director's ability to act independently and objectively and in the best interests of the Company. Nevertheless, the Board takes cognisance of the recommendations of the CG Code regarding tenure of Independent Directors and will seek approval of the shareholders for retention of Independent Directors who have served for a cumulative term of more than nine years.

3.3 Shareholders' Approval for Retention of Independent Directors

In line with the CG Code and premised on the evaluation results, the Board recommended the retention of two Independent Directors namely, Y.A.M. Tengku Syed Badarudin Jamalullail and Y.Bhg. Dato' Anwarrudin bin Ahamad Osman in view that they both continue to be able to exercise independent and objective judgement, have detailed knowledge of the Company's business, have proven commitment, experience and competency to effectively advise and oversee the management and are independent of the substantial shareholders and management of the Company and free from any business or other relationship which could interfere with the exercise of independent and objective judgement or the ability to act in the best interests of the Company. Justifications for retaining Y.A.M. Tengku Syed as the Independent Non-Executive Chairman and Dato' Anwarrudin as the Senior Independent Non-Executive Director of the Company are set out in the notice of annual general meeting.

3.4 Separation of Positions of Chairman and Chief Executive Officer

The positions of the Chairman of the Board and the CEO are held by different individuals and their roles are clearly defined in the Board Charter.

Y.A.M. Tengku Syed Badarudin Jamalullail is the Chairman of the Board, and he is responsible for ensuring the Board's effectiveness and conduct, promoting constructive and respectful relations between Directors, and between the Board and management, and ensuring a smooth, open and constructive dialogue between the Board and shareholders.

Mr. Lim Yew Hoe is the CEO of the Company who is responsible for the day-to-day management of the Group, organisational effectiveness and implementation of Board policies, strategies and decisions. The CEO together with the management team manages the business of the Group in accordance with the strategic plans, instructions and directions of the Board.

3.5 Board Composition

The Company's Articles of Association provides for the Board to compose of a maximum of 11 Directors. The present Board comprises 11 Directors whose varied skills and vast experience are relevant to the business operations of the Group. An Independent Non-Executive Chairman heads the Board who ensures the Board's effectiveness and conduct.

The mix of Directors on the Board is broadly balanced to reflect the interests of major shareholders, management and minority shareholders. Of the 11 Directors, seven are nominees of the two largest shareholders and four are independent, and they are all Non-Executive Directors. The Board composition is unique in including the presence of two nominees Directors of Permodalan Nasional Berhad who whilst they are considered as Non-Independent Directors bring strong checks and balances to the Board deliberations. This ensures the exercise of independent judgment of the Board as a whole, in discharging its duties. This composition meets the requirements of the Listing Requirements of Bursa Securities which stipulate that at least two Directors or one-third of the Board, whichever is the higher, must be Independent Directors. The Board Charter provides that in the event the Chairman of the Board is not an Independent Director, the Board must comprise a majority of Independent Directors.

STATEMENT ON CORPORATE GOVERNANCE

PRINCIPLE 4 : FOSTER COMMITMENT

4.1 Time Commitment and Protocol for Accepting New Directorships

The Directors are aware of the time commitment expected from them to attend to matters of the Group in general, including attendance at meetings of the Board and Board Committees and other types of meeting. Meetings for each financial year are scheduled in advance for Directors to plan their schedule ahead.

The Board is satisfied with the level of time commitment given by the Directors in the discharge of their roles and responsibilities as the Directors of the Company as evidenced by their attendance at the respective meetings set out below:

Directors	Board	Board Committees					AGM
		Group EXCO	Audit	Nominating	Risk Management	Remuneration	
Y.A.M. Tengku Syed Badarudin Jamalullail	7/8			5/5		3/3	1/1
Y.Bhg. Dato' Anwarudin bin Ahamad Osman	8/8		5/5	5/5		3/3	1/1
Anthony Cheong Fook Seng	8/8	4/4			4/4		1/1
Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo	8/8		5/5				1/1
Y.Bhg. Dato' Jorgen Bornhoft	8/8	4/4			4/4		1/1
Lee Kong Yip	8/8	4/4			4/4	2/3	1/1
Y.Bhg. Dato' Dr. Mohd Shahar bin Sidek	8/8				4/4		1/1
Y.Bhg. Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani	8/8						1/1
Lee Meng Tat	8/8	4/4		5/5		3/3	1/1
Hui Choon Kit	7/8	4/4	5/5				1/1
David Siew Kah Toong (appointed on 23 February 2016)	5/5		2/2				N/A
Y.Bhg. Datuk Chin Kwai Yoong (retired on 21 January 2016)	1/2		2/2	2/3		1/1	0/1

Under the existing practice, Directors will inform the Board immediately after accepting new directorships in other companies so long their number of directorships in public listed companies is in compliance with the Listing Requirements of Bursa Securities.

4.2 Directors' Training

In compliance with the Listing Requirements of Bursa Securities, all members of the Board have attended the required training programmes as prescribed by Bursa Securities.

From time to time, the Directors attend training to keep abreast with current developments as well as the new statutory and regulatory requirements. In addition to this, the Group, in collaboration with external training providers, also organises internal training programmes for the Directors.

STATEMENT ON CORPORATE GOVERNANCE

The Board had via the Nominating Committee evaluated the training needs of Directors, and identified the training topics required by the Directors. Set out below are the training programmes attended by the Directors during the financial year 2016:

Directors	Training/seminar attended
1. Y.A.M. Tengku Syed Badarudin Jamalullail	<ul style="list-style-type: none"> • Corporate Governance Series: Board Reward & Recognition • Corporate Governance Series: Future of Auditor Reporting – The Game Changer for Boardroom • Nominating Committee Programme Part 2 – Effective Board Evaluations • Corporate Governance Breakfast Series: The Strategy, The Leadership, The Stakeholders and The Board • Directors' Continuing Education Programme 2016 on Sustainability
2. Y.Bhg. Dato' Anwarrudin bin Ahamad Osman	<ul style="list-style-type: none"> • Corporate Governance Breakfast Series: Future of Auditor Reporting – The Game Changer for Boardroom • Directors' Training on Proposed New Companies Bills • Directors' Continuing Education Programme 2016 on Sustainability
3. Anthony Cheong Fook Seng	<ul style="list-style-type: none"> • Noble Group: The Saga and Its Lessons • Singapore Board of Directors Survey 2015 • Cooking The Books – The Malaysian Recipe on Financial Fraud • ACRA: SGX – SID Audit Committee Seminar • SID: Launch of The Board Risk Committee Guide & ASEAN Corporate Governance • The Profile of Audit Committees of Listed Companies in Singapore • SID: Black Swans – Predicting The Unpredictable • SID: The Secrets and Art of Cyber Security • Directors' Continuing Education Programme 2016 on Sustainability
4. Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo	<ul style="list-style-type: none"> • Maybank Investment Bank's Plantation Conference • Maybank Kim Eng's Healthcare Conference • CIMB 8th Annual Malaysia Corporate Day • Maybank Kim Eng's SME Corporate Day • Corporate Governance Breakfast Series: Improving Board Risk Oversight Effectiveness • Maybank Regional Oil & Gas Conference 2016 – The Situation, The Adversities, The Opportunities • Corporate Governance Breakfast Series for Directors: Future of Auditor Reporting – The Game Changer for Boardroom • Directors' Continuing Education Programme 2016 on Sustainability
5. Y.Bhg. Dato' Jorgen Bornhoft	<ul style="list-style-type: none"> • Amendments to MFRS 141: Agriculture – Bearer Plants Sustainability Reporting • MFRS 15: Revenue from Contracts with Customers – Property Division • Coaching & Techniques for Breakthrough Results • Sustainability Engagement Series for Directors/CEO • Corporate Governance Breakfast Series for Directors: Future of Auditor Reporting – The Game Changer for Boardroom • Directors' Continuing Education Programme 2016 on Sustainability • Companies Bill 2015 vis-à-vis Malaysian Companies Law
6. Lee Kong Yip	<ul style="list-style-type: none"> • Great Eastern Takaful Berhad In-House Orientation & Education Programme for Directors • Directors' Continuing Education Programme 2016 on Sustainability • Board Education Series

STATEMENT ON CORPORATE GOVERNANCE

Directors	Training/seminar attended
7. Y.Bhg. Dato' Dr. Mohd Shahar bin Sidek	<ul style="list-style-type: none"> • Qualified Risk Director Program - Practical Enterprise Risk Management ("ERM") Board Oversight and ERM Implementation Issues (Black Belt) • International Forum on the World's Economic Outlook: Challenges and Opportunities for Malaysian Companies • Directors' Continuing Education Programme 2016 on Sustainability • How Effective Boards Engage in Succession Planning for the CEO & Top Management
8. Y.Bhg. Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani	<ul style="list-style-type: none"> • 7th International Conference on Financial Crime & Terrorism Financing 2015 – The Changing Regulatory Landscape • FIDE Forum on Directors' Remuneration Report 2015 • Investment Account Platform • International Forum on the World's Economic Outlook: Challenges & Opportunities for Malaysian Companies • How Effective Boards Engage in Succession Planning for the CEO & Top Management
9. Lee Meng Tat	<ul style="list-style-type: none"> • Coaching & Techniques for Breakthrough Results • Sustainability Engagement Series for Directors/CEO • Directors' Continuing Education Programme 2016 on Sustainability
10. Hui Choon Kit	<ul style="list-style-type: none"> • Corporate Governance Breakfast Series for Directors: Future of Auditor Reporting – The Game Changer for Boardroom • KPMG Finance & Accounting Seminar • Coaching & Techniques for Breakthrough Results • Directors' Continuing Education Programme 2016 on Sustainability
11. David Siew Kah Toong <i>(appointed on 23 February 2016)</i>	<ul style="list-style-type: none"> • Corporate Governance Breakfast Series: The Strategy, The Leadership, The Stakeholders and The Board • National GST Conference • Sustainability Engagement Series for Directors/CEO • Changing SMP's Business Model • National Tax Conference 2016 • Corporate Governance Statement Workshop: The Interplay between Corporate Governance, Non-Financial Information & Investment Decisions

Note: Y.Bhg. Datuk Chin Kwai Yoong who retired at the Company's last Annual General Meeting on 21 January 2016 did not participate in any training programme for directors during the period 1 October 2015 to 21 January 2016.

STATEMENT ON CORPORATE GOVERNANCE

PRINCIPLE 5 : UPHOLD INTEGRITY IN FINANCIAL REPORTING**5.1 Compliance of Financial Statements with Applicable Financial Reporting Standards**

The Board is responsible for ensuring that financial statements are prepared in accordance with the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Company and the Group.

The Board recognises that an effective Audit Committee is necessary in ensuring the Company's financial statements are reliable source of financial information. To assist the Board in this matter, the Audit Committee is entrusted with the responsibility to review the quarterly reports and annual financial statements focusing particularly on compliance with applicable financial reporting standards and other legal requirements, changes in major accounting policies and practices, significant adjustments arising from audit and significant and unusual events.

5.2 Assessment of External Auditors

The Board maintains a transparent and professional relationship with the external auditors through the Audit Committee. Under the existing practice, the Audit Committee invites external auditors to attend all meetings of the Audit Committee. In addition, the Audit Committee will also have private meeting(s) with the external auditors without the presence of the CEO and senior management to enable exchange of views on issues requiring attention.

The Audit Committee conducts an annual assessment of the external auditors. Areas of assessment include technical competencies, adequacy of specialist support and partners/director accessibility and time commitment, independence and objectivity, audit scope and planning, audit and non-audit fees and audit communications to the Audit Committee. Feedback based on the assessment areas is obtained from the Audit Committee, the CEO and senior management. In support of the assessment on independence, the external auditors provide the Audit Committee with a written

assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. Premised on the assessment result, the Audit Committee makes recommendation for re-appointment of external auditors accordingly. For the financial year 2016, the Audit Committee had conducted an evaluation of the external auditors, KPMG. In facilitating the assessment of KPMG, assessment forms were sent to the Audit Committee, CEO and senior management for their feedback. Following review of the assessment results at meeting, the Audit Committee recommended the re-appointment of KPMG for shareholder approval at the coming Annual General Meeting.

The Audit Committee ensures that the external auditors are independent of the activities they audit, and reviews the contracts for provision of non-audit services by the external auditors. Details of the fees incurred and the non-audit services provided by KPMG during the financial year are set out in the Audit Committee Report and Audited Financial Statements.

PRINCIPLE 6 : RECOGNISE AND MANAGE RISK**6.1 Sound Risk Management Framework**

In recognising the importance of risk management and internal controls, the Board has through the Risk Management Committee, established a group risk management framework which is designed to provide consistency in the management of risks across the Group. The key features of the group risk management framework are set out in the Statement on Risk Management and Internal Control.

6.2 Internal Audit Function

An Internal Audit function reporting directly to the Audit Committee is currently managed by the Head of Internal Audit of Fraser and Neave, Limited who is a Chartered Accountant of Singapore and a member of the Institute of Internal Auditors, Singapore. More details on the Internal Audit function and its activities are set out in the Audit Committee Report.

STATEMENT ON CORPORATE GOVERNANCE

PRINCIPLE 7 : TIMELY AND HIGH QUALITY

DISCLOSURE

7.1 Corporate Disclosure

The Company observes the Corporate Disclosure Guide issued by Bursa Securities as well as the disclosure requirements of the Listing Requirements of Bursa Securities. The Company also acknowledges the importance of timely and equal dissemination of material information to the shareholders, investors and public at large. The Company holds two briefing sessions in each financial year for fund managers, investment analysts and media in conjunction with announcement of half-yearly and yearly financial results to Bursa Securities.

7.2 Leveraging on Information Technology for Effective Dissemination of Information

The Company maintains a corporate website at www.fn.com.my which provides information relating to among others, annual reports, quarterly financial reports, analysts briefing materials, corporate information, announcements, Board Charter and TORs of Board Committees. Shareholders and the public can also direct their queries through the email contacts provided in the corporate website.

PRINCIPLE 8 : STRENGTHEN RELATIONSHIP

BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encouraging Shareholder Participation at General Meetings

The Board recognises the need for and the importance of effective communication with shareholders. AGM is especially important for individual shareholders as it is the principal forum for dialogue with the Board. Notice of AGM and annual report are sent to the shareholders at least 21 days ahead of the AGM date to encourage shareholders to attend the AGM. During the AGM, the Board and management take questions from the shareholders present.

8.2 Poll Voting at General Meetings

In line with the revised Listing Requirements of Bursa Securities, all resolutions put to general meetings will be voted by poll. An independent scrutineer will be appointed to validate the votes cast at general meetings. Decision for each resolution and the name of the independent scrutineer will be announced to Bursa Securities on the same day.

8.3 Communication and Engagement with Shareholders

In addition to shareholder participation at general meetings, the Board also encourages other channel of communication with shareholders. For this purpose, shareholders and other stakeholders may convey their concerns relating to the Company to the Senior Independent Director, Y.Bhg. Dato' Anwarrudin bin Ahamad Osman (through the Company Secretaries at the contact details set out in the corporation information section of this Annual Report).

NOMINATING COMMITTEE REPORT

The Nominating Committee ("NomCom") was established in May 2001, and currently comprises three members who are exclusively Non-Executive Directors, with the majority of them being Independent Directors. The Senior Independent Director chairs the NomCom. The composition of the NomCom is set out below:

Chairman

Y.Bhg. Dato' Anwarudin bin Ahmad Osman,
Senior Independent Non-Executive Director

Members

① Y.A.M. Tengku Syed Badarudin Jamalullail,
Independent Non-Executive Director

② Lee Meng Tat,
Non-Independent Non-Executive Director

③ Y.Bhg. Datuk Chin Kwai Yoong,
Independent Non-Executive Director (ceased as a member on 21 January 2016)

NOMINATION, ELECTION AND SELECTION OF DIRECTORS

Procedures relating to appointment and re-election of Directors are contained in the Company's Articles of Association. When assessing the suitability of Directors for appointment to the Board, the NomCom will take into consideration the skills, knowledge, expertise and experience, professionalism, integrity, competencies, commitment, contribution, performance, gender, nationality and age of the candidates.

When a vacancy on the Board arises, the NomCom will meet to agree on the profile of the position to be filled and the search process, which includes soliciting recommendations from existing Directors and/or engaging external search for candidates. The NomCom will then shortlist candidates, and conduct interviews together with the other Directors. An invitation will be extended to the selected candidate to join the Board, and upon acceptance, the Board will approve the appointment and make the necessary announcement to Bursa Securities. An induction programme will be organised for all newly appointed Directors which includes briefings and presentations by senior management, sharing of past minutes of meetings and company policies along with plant visits.

New Directors are subject to re-election at the annual general meeting ("AGM") following their first appointment. In addition, one-third of the Directors are required by rotation to submit themselves for re-election by shareholders at every AGM of the Company.

Directors over 70 years of age are required to submit themselves for re-appointment annually at AGM of the Company in accordance with Section 129(6) of the Companies Act, 1965.

BOARD AND BOARD COMMITTEES EVALUATION AND INDIVIDUAL DIRECTORS SELF/PEER EVALUATION

The Board is kept abreast of developments in the area of Board performance assessment. A formal evaluation process is in place to assess the effectiveness of the Board as a whole. The evaluation of the Board and Board Committees, Directors Self/Peer and Independent Directors are facilitated by the NomCom annually. An external consulting firm is engaged to carry out the evaluation to ensure that the process remains robust and thorough. Evaluation results of the Board and Board Committees are respectively presented to the NomCom and Board at meetings where evaluation results of the Directors are sent to the Board Chairman and the respective Directors. The NomCom reviews the evaluation results of the Directors who are due for retirement by rotation and re-appointment pursuant to Section 129(6) of the Companies Act, 1965 and retention of Independent Directors who have served for a cumulative period of nine years before making recommendation to the Board for re-election, re-appointment and retention.

The Board evaluation is based on Board composition, Board role and functioning, information management, corporate social responsibility, managing company's performance, Board priorities, CEO performance and succession planning, Director development and management and risk management. The Board Committees are assessed based on structure, responsibilities, right mix of capabilities, experiences and skills and process while the Individual Directors' self/peer assessments are based on objectivity, participation, independence, integrity, knowledge and abilities and personal commitment. Besides, the effectiveness of the Audit Committee and its members along with independence of Directors are also assessed.

NOMINATING COMMITTEE REPORT

SUMMARY OF ACTIVITIES UNDERTAKEN BY THE NOMCOM DURING THE FINANCIAL YEAR 2016

The NomCom held five meetings in the financial year 2016 and discussed inter-alia the following matters:

- a) Reviewed and recommended a policy on independence of Directors for approval by the Board.
- b) Reviewed its terms of reference.
- c) Reviewed and approved the standard appointment letters for both Independent and Non-Independent Director.
- d) Discussed and agreed on the profile for an Independent Director to be appointed in place of Y.Bhg. Datuk Chin Kwai Yoong who retired at the AGM and the search process. Shortlisted candidate(s) to fill the position and conducted interview together with other Board members to assess the suitability of the candidate.
- e) Conducted induction programme for newly appointed Independent Director, Mr. David Siew Kah Toong.
- f) Evaluated training needs of Directors, reviewed training programmes for Directors and conducted training need analysis for Directors.
- g) Reviewed and approved the appointment of external consulting firm to conduct an annual evaluation of the Board, Board Committees, Directors Self/Peer and Independent Directors. Reviewed the questionnaires for the said evaluation.
- h) Reviewed the results of the above said annual evaluation presented by external consultant and proposed action plans to be taken.
- i) Reviewed the annual evaluation results of its own performance.
- j) Conducted a review of the term of office and performance of the Audit Committee and its members, and was satisfied with their performance.
- k) Reviewed the required mix of skills, knowledge and experience which non-executive directors should bring to the Board and diversity in gender, nationality, age, culture and socio-economic background.
- l) Assessed the desirable number of Independent Directors on the Board, and was satisfied with the current number of Independent Directors as the nominee directors of Permodalan Nasional Berhad, who whilst they are considered as Non-Independent Directors bring strong checks and balances to Board deliberation and ensure the exercise of independent judgement of the Board as a whole, in discharging its duties.
- m) Reviewed and recommended re-election of Directors who are due for retirement by rotation, re-appointment of Directors pursuant to Section 129(6) of the Companies Act, 1965 and retention of Independent Directors who have served for a cumulative period of nine years for shareholder approval at the coming AGM.

AUDIT COMMITTEE REPORT

The Board is pleased to present the following report on the Audit Committee and its activities for the financial year ended 30 September 2016.

AUDIT COMMITTEE COMPOSITION AND MEETINGS

The Audit Committee, is chaired by Mr. David Siew Kah Toong with effect from 23 February 2016 after the former Chairman, Y.Bhg Datuk Chin Kwai Yoong, retired on 21 January 2016. The Audit Committee comprises four Non-Executive Directors, a majority of whom are independent, which is in line with the Main Market Listing Requirements ("Listing Requirements") of Bursa Securities Malaysia Berhad ("Bursa Securities").

The names of the members of the Audit Committee and the record of their attendance at meetings during the financial year are as follows:-

Names	Date of meeting				
	3.11.2015	20.01.2016	2.2.2016	4.5.2016	2.8.2016
Independent and Non-Executive Directors					
Mr. David Siew Kah Toong <i>(appointed as Chairman on 23 February 2016)</i>				☑	☑
Y.Bhg Dato' Anwarudin bin Ahmad Osman	☑	☑	☑	☑	☑
Y.Bhg Dato' Johan Tazrin bin Hamid Ngo	☑	☑	☑	☑	☑
Y.Bhg Datuk Chin Kwai Yoong <i>(ceased as Chairman on 21 January 2016)</i>	☑	☑			
Non-Independent and Non-Executive Director					
Mr. Hui Choon Kit	☑	☑	☑	☑	☑

☑ - Attendance at meetings

At the invitation of the Audit Committee, the Chief Executive Officer, relevant Senior Management personnel, external and internal auditors attended the Audit Committee meetings and presented their reports on financial results, audit and other matters for the information and/ or approval of the Audit Committee. The Chairman of the Audit Committee thereafter tabled the recommendations of the Audit Committee to the Board and apprised the Board of relevant issues.

Throughout the year, there was continuous engagement between members of the Audit Committee and Senior Management on matters impacting the Group. This included the conduct of quarterly pre-Audit Committee meetings chaired by the Audit Committee Chairman and attended by the external and internal auditors as well as the Chief Executive Officer and Chief Financial Officer focusing on items related to financial management and internal controls.

TERMS OF REFERENCE

The Audit Committee is responsible among others, to review and monitor the integrity of the Group's reporting process, system of internal control, audit process as well as compliance with legal, regulatory and taxation matters for the Group. The terms of reference of the Audit Committee, which is annually reviewed, is made available on the Company's corporate website at www.fn.com.my.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES

During the financial year, the Audit Committee discharged its functions and carried out its duties as set out in its terms of reference. The summary of key activities undertaken by the Audit Committee during the financial year is provided below:

Financial reporting and compliance

The Audit Committee reviewed the quarterly and annual consolidated financial statements and announcements of the Group, before submission to the Board. In doing so, there was focus on changes in major accounting policies and practices as well as adjustments/ issues affecting the audit to ascertain compliance with applicable financial reporting standards, the Listing Requirements of Bursa Securities and other statutory requirements. The external auditors' annual and interim audit reports as well as the accompanying management reports and responses by Management were also reviewed by the Audit Committee as part of their oversight over the accounting, auditing and financial reporting practices and procedures of the Group.

Internal control

Based on reports presented by the Management, external and internal auditors during the Audit Committee meetings, the Audit Committee assessed the adequacy of the internal control system of the Group. The Audit Committee was updated that there were no whistle blowing allegations during the financial year.

External audit

At the Annual General Meeting held on 21 January 2016, the shareholders had approved the appointment of KPMG as auditors of the Company in place of Ernst & Young.

The Audit Committee had conducted an evaluation of the external auditors, KPMG for the financial year 2015/2016, encompassing technical competencies, adequacy of specialist support and partners/director accessibility and time commitment, independence and objectivity, audit scope and planning, audit and non-audit fees and audit communications to the Audit Committee. On the basis of the evaluation by the Audit Committee, a recommendation was made to the Board to re-appoint KPMG for the ensuing financial year. The re-appointment will be put to the shareholders for approval at the forthcoming Annual General Meeting.

Apart from conducting the annual statutory audit, the auditors were also required to review the Condensed Interim Financial Statements for each of the three quarters ended 30 June 2016 in accordance with the relevant Malaysian financial reporting standards and Bursa Securities Listing Requirements.

Through the statutory audit and the quarterly reviews, the Audit Committee regularly engages with the auditors, including at least one meeting without the presence of management, to ensure that the reviews and audits were robust, effective and consistent with professional auditing standards. During the financial year 2015/2016, the Audit Committee had one meeting with the auditors without the presence of management. The Audit Committee is pleased to report that there was no significant matter of disagreement between the auditors and management.

To reinforce the independence and objectivity of the auditors, the Audit Committee was apprised of all non-audit services that the auditors may be called upon to perform. This was so in those circumstances where the auditors were best qualified and suitable to provide the required services given their comprehensive knowledge of the Group's business operations, systems and processes. During the financial year, the amount incurred in respect of non-audit related fees amounted to RM186,675 (FY2014/15 RM584,000) and comprised the following assignments:

- review of the Quarterly Announcements;
- review of the Statement of Risk Management and Internal Control;
- agreed-upon procedures in relation to the compliance with conditions stipulated in the investment promotion certificate.

Other activities by the Audit Committee included a review and discussion of the annual audit plan to ensure that time allocated to audit the areas of high risks as highlighted in the Group's risk matrices are adequately dealt with and the level of resources and experiences assigned to the examination were appropriate and right.

Consistent with its examination, the auditors performed review procedures to obtain reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. They reported that they did not note any instance indicating existence of fraud that might result in a material misstatement in the financial statements. The auditors performed a limited assurance review of the Statement of Risk Management and Internal Control as required under the Bursa Securities Listing Requirements.

AUDIT COMMITTEE REPORT

GROUP INTERNAL AUDIT

Group internal audit activities were performed by a team of professional internal auditors managed by the Head of Internal Audit of Fraser and Neave, Limited since 1 September 2015. This move was made to streamline the internal audit arrangements of the Fraser and Neave, Limited Group which included the Company to facilitate the deployment and utilisation of the Group's internal audit resources and methodologies.

The Audit Committee continually evaluated the Group Internal Audit function to ensure its activities are performed independently and with impartiality and due professional care. The annual internal audit plan was approved by the Audit Committee to ascertain the extent of its scope and coverage of the Group's activities, including the adequacy of Group Internal Audit's staffing strategies in supporting the plan's completion. Following the completion of audit reviews conducted, the audit reports and the corresponding key findings, audit recommendations and agreed action plans taken by Management were deliberated upon by the Audit Committee.

In accordance with the annual internal audit plan which had been approved by the Audit Committee, Group Internal Audit conducted regular reviews of the governance and internal controls processes within the Group. The audits were performed using a risk based approach and is consistent with the Group's established framework in designing, implementing and monitoring of its control systems. Group Internal Audit had regular interactions with the Chairman of the Audit Committee, Senior Management and including the external auditors and Risk Management when necessary.

The ambit of the Group Internal Audit function is defined in the Internal Audit Charter which is annually reviewed and tabled to the Audit Committee. During the financial year the key activities carried out by Group Internal Audit, included the following:

- Performed periodic audits of key subsidiaries and regional office operations within the Group to test on the appropriateness of control design and implementation as well as compliance to existing policies and procedures. This included the conduct of the following audits:
 - sales activities covering order processing, cooler and chiller management, distributor management and market returns management;
 - marketing activities encompassing appointment and performance evaluation of media/advertising agencies, budget planning and marketing spend;
 - financial management including financial reporting, fixed assets management, credit management and collections;

- logistics and distribution, covering finished goods management, transporters as well as warehouse security and safety;
- plant operations covering raw, packaging and work-in-progress materials management, production and quality control management and repair and maintenance of plant facilities; and
- information technology for areas of cyber risk, disaster recovery plan and back up management.

- Followed up on the status of implementation of audit recommendations represented by responsible management teams and reporting to the Audit Committee on a quarterly basis.

The operational costs incurred by Group Internal Audit for the financial year 2015/2016 amounted to about RM2.9 million.

OTHER MATTERS

The related party transactions entered into by the Group were reviewed by the Audit Committee to ensure that they were conducted on the Group's normal commercial terms and adequate internal procedures had been deployed in the Group in relation to such transactions; for monitoring compliance with the Listing Requirements of Bursa Securities and to ascertain that the transactions entered into were not prejudicial to the interest of the non-controlling shareholders. The Audit Committee were also apprised of recurrent related party transactions, particularly towards monitoring that amounts transacted were within the approved shareholders' mandate obtained.

As at the date of this report, the Audit Committee had also reviewed the "agreed-upon procedures" performed by Group Internal Audit in relation to the allocation of share grants under the Restricted Share Grant Plan at the end of the financial year. This was to ensure the actual and target key performance indicators were computed accurately based on the audited and approved budget figures to support the allocation of share grants to employees.

The Statement on Corporate Governance, Statement on Risk Management and Internal Control and the Audit Committee Report for inclusion in this Annual Report were reviewed by the Audit Committee prior to Board's approval.

The Audit Committee also reviewed the declaration of interim dividend and recommendation of final dividend, the press release relating to financial results, its revised Terms of Reference and a policy on related party transactions prior to the respective Board and/ or shareholder approvals. The Audit Committee conducted an evaluation of its own performance for financial year 2015/2016, and reviewed the evaluation result.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

This Statement on Risk Management and Internal Control is intended to provide our stakeholders and readers of this Annual Report with sufficient and meaningful information about the adequacy and current state of Fraser & Neave Holdings Bhd ("F&NHB" or the "Group")'s system of risk management and internal control.

INTRODUCTION

This Statement has been prepared in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers ("Guidelines") issued on 31 December 2012. These Guidelines provide guidance for companies complying with paragraph 15.26 (b) of the Listing Requirements of Bursa Securities and Principle 6 of the Malaysian Code on Corporate Governance that was issued in 2012.

BOARD'S RESPONSIBILITY AND ACCOUNTABILITY

F&NHB recognises that effective risk management and a sound system of internal control are fundamental to good corporate governance. The Board of Directors ("Board") acknowledges its responsibility to maintain a sound risk management and internal control system to address all key risks which the Group considers relevant and material to its operations while Management plays an integral role in assisting the design and implementation of the Board's policies on risks and controls.

In view of the inherent limitations in any such system, the Board recognises that the system of risk management and internal control are designed to manage and mitigate risks rather than eliminate the risks which may hinder the achievement of the Group's objectives and would therefore provide only reasonable and not absolute assurances against material misstatements or losses.

For the purposes of this Statement, associated companies have been excluded from the Group.

RISK MANAGEMENT

The Group adopts the Group Risk Management Framework ("GRMF") which is designed to manage risks in an integrated, systematic and consistent manner. The GRMF provides for the identification and management of risks using a top-down and bottom-up approach, and is embedded in the corporate culture, processes and structures of the Group. The main features of the Group's risk management system are described in the following sections.

Roles and Responsibilities

The Board regards risk management as an integral part of the operations and processes of the Group is assisted by the Risk Management Committee ("RMC") to:

- provide oversight of the Group's significant risks;
- ensure that Management maintains a sound system of risk management and internal control to safeguard shareholders' interests and the Group's assets; and
- determine the nature and extent of significant risks which the Group is willing to take in achieving its strategic objectives.

The terms of reference ("TOR") of the RMC states, amongst others, that the RMC also maintains a close relationship with the Audit Committee to minimise and/or prevent any overlapping of functions with the Audit Committee, which include the review of the adequacy and effectiveness of internal control system, including financial, operational, compliance and information technology controls.

During the financial year, RMC had held 4 meetings on a quarterly basis to review the implementation of the risk management framework as well as to deliberate on the business risks and the mitigating controls to address the risks identified. In addition, the RMC also provides oversight of the Group's insurance and business continuity management programmes.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The responsibility for day to day risk management resides with the Management of each subsidiary where they are the risk owners and are accountable for the risks identified and assessed. In managing the risks of the Group, Management works closely with the risk coordinators to ascertain that there is on-going monitoring and review of risks and related controls and that action plans are developed and implemented to manage these risks. The Management Risk Committee, chaired by the Chief Executive Officer ("CEO") and supported by the Functional Heads, Business Unit Head, and the Head of Departments, meets on a quarterly basis to share insights and ensure that the management of risks faced by their subsidiaries are conducted within the boundaries set by the GRMF, prior to escalation to the RMC.

The Enterprise Risk Management ("ERM") Process

The GRMF encompasses the risk management methodology and approach to facilitate risk identification, assessment, reporting as well as review and mitigation, as described below:

Risk identification and assessment

- The ERM process begins with the business strategies and objectives setting and/or review prior to the commencement of every financial year, which is also aligned to the Group's mission and vision. Subsequently, risks arising from the business strategies and objectives to be pursued are identified.
- A consistent approach in determining the risk likelihood and risk impact is adopted across the Group to reflect the risk appetite approved by the Board.
- Risks identified are assessed to determine their impact on the relevant business strategies/ objectives and their likelihood of occurrence. The outcome of the risk assessment process at respective functional or business unit levels will then be consolidated at the Group level in a Corporate Risk Scorecard which enables subsidiaries within the Group to report risks and risk status using a common platform.







Risk reporting and review

Annual Review

- Risk appetite statements, which set out the nature and extent of risks that the Group is willing to accept or retain in pursuit of its goals and objectives, are reviewed by the RMC annually.
- Impact parameters, upon which the risk ratings are measured against the likelihood, are reviewed and updated annually.

Quarterly Review

- On a quarterly basis, the risk profiles of the key subsidiaries are tabled to the Management Risk Committee and the RMC in a heat map, which set out the priority and focus for risk mitigation strategies based on risk ratings at gross and net levels. The risks identified are reported under the following categories:

1	—		Corporate & Strategic
2	—		Compliance
3	—		Reputational
4	—		Operational
5	—		Financial
6	—		Information Technology

- Key Risk Indicators ("KRIs"), presented in the form of Key Risk Dashboard, are also established to monitor risks and mitigating measures for risks that are material to the Group and included as part of the quarterly risk reporting.
- Changes to risk profiles and emerging risks are also identified and promptly brought to the attention of the Board and Board Committees.

Assurance received from Management

At the end of the financial year, the Board receives assurance from the CEO and Chief Financial Officer ("CFO") that the risk management and internal control system in place for the Group is adequate and effective to address risks which the Group considers relevant and material to its operations through the ERM Validation Report and Comfort Matrix.

The ERM Validation Report summarises the risk management activities conducted and implementation of GRMF during the financial year whilst the Comfort Matrix sets out the key financial, compliance, operational and information technology risks of the Group and presented against how strategies, policies, people, processes, systems, mechanisms and reporting processes that have been put in place, address these risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Both ERM Validation Report and Comfort Matrix are tabled at the RMC and Audit Committee meetings respectively prior to recommendations to the Board on an annual basis.

In addition, the risk management process in the Group is reviewed on a periodic basis by Internal Audit, according to its annual audit plan approved by the Audit Committee.

INTERNAL CONTROL

The following areas of governance contained clearly defined corporate values, code of business ethics and conduct as well as comprehensive policies and procedures to assist Management in ensuring that a sound system of internal control is maintained in the Group.

Code of Business Ethics & Conduct, Whistle-Blowing and Fraud Control Policies

A framework which consists of Code of Business Ethics & Conduct, Whistle-Blowing Policy and Fraud Control Policy sets the expectation in upholding integrity and ethical values within the Group and they are made available to all staff in the Group's intranet.

Code of Business Ethics & Conduct ("the Code") prescribes the values and principles committed by F&NHB and expects employees in F&NHB to act with integrity, respect and excellence. It defines expected behaviour for employees in dealing with key stakeholders in the Company, workplace, marketplace, and external stakeholders such as customers and suppliers. Provisions in the Code include (but are not limited to) the following:

- Protection of Company's assets.
- Confidential information.
- Accuracy and completeness of accounting records and reports.
- Discrimination and harassment.
- Product quality.
- Anti-competitive behaviour.
- Conflict of interest.

Whistle-Blowing Policy enables the businesses within the Group to respond nimbly to concerns raised notwithstanding changes in the environment and to ensure that the corporate culture of integrity, transparency and accountability are upheld across the Group. The policy encourages and provides a channel to

employees to report in good faith and in confidence, without fear of reprisals, of concerns about possible improprieties. Allegations of improprieties which are reported via the whistle-blowing channel such as a dedicated hotline and email account are appropriately followed up and the outcome(s) will be reported at the Audit Committee meetings.

Fraud Control Policy defines a process focussing on the prevention, detection and management of fraud and applies to any irregularity, or suspected irregularity, involving employees as well as shareholders, consultants, vendors, contractors, external agencies and employees of such agencies, and/or any other parties with a business relationship with F&NHB. The Group adopts a "zero tolerance" stance towards fraud. Where fraud is suspected, investigations will be conducted and where fraud has been established, appropriate actions will be taken in line with existing policies and procedures.

Board and Board Committees

Board and Board Committees provide oversight function and ascertain the adequacy of the internal control framework in the Group. Further details on the structures of the Board and its committees are provided under Corporate Information as well as the Corporate Governance Statement and Audit Committee Report.

Delegation of Authority

The authority limits aligned to the Group's organisational requirements in areas such as procurement, contracting, human resources and financial management are encapsulated in a Chart of Authority. The Chart of Authority provides guidance on the division of responsibilities between the Board and Management and is periodically reviewed and updated to reflect changes in the business, operational and organisational environment.

Annual Business Plans and Performance

The Annual Business Plan sets the targets and objectives of the Group and is supplemented by strategic initiatives and activities as well as key performance indicators to support and track the achievement of the Group's targets and objectives. Frequent engagements between the Board and the CEO/ Management via Group Executive Committee meetings and management reports provide a platform for performance to be periodically monitored and followed up.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Policies and Procedures

The Group has set in place standard operating procedures covering critical and significant facets of the Group's business processes and are primarily geared towards the prevention of assets and data loss and other major aspects of the Group's business operations. These areas include financial management, occupational safety procedures, information technology, social media, human capital management, productivity benchmarks, product quality assurance, compliance with regulatory standards and disciplines, among other matters. The procedures are also subject to review as processes change or when new business requirements need to be met. Compliance with these procedures is an essential element of the internal control framework.

Human Capital

Talent plays a pivotal role in achieving the business objectives of the Group. Hence, a process has been put in place to assess talent for career development and succession planning. Roles and responsibilities are clearly defined in the job description for each position. In addition, continuous improvement approach is implemented in the areas of operational efficiencies as well as manpower productivity. To ensure the performance evaluation process is carried out in a systematic manner, Performance Management System which provides rating criteria for the assessment of employees' performance based on agreed Key Result Areas and competencies defined is deployed.

Information Systems

The Group operates on an information system platform which enables transactions to be captured, compiled and reported in accordance with the business requirements. The information system provides management with data, analysis, variations, exceptions and other input relevant to the Group's performance. Employees within the Group are guided by the Information Technology policies and procedures such as IT Security Policy, Access Management and End User Policy.

Business Continuity Management

The Board is cognizant of the importance of business continuity management ("BCM") in strengthening the Group's resilience in response to the evolving business environment and enhancement of shareholders' values. F&NHB has in place the

following components within the BCM Framework to enable the Group's operations to be prepared in the event of emergencies:

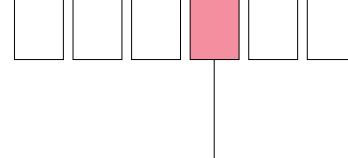
- business impact analysis;
- development of BCM strategies and plans;
- business recovery procedures;
- business continuity testing and exercise; and
- monitoring and evaluation of the overall effectiveness of BCM.

Audit Committee and Group Internal Audit

Group Internal Audit performs periodic audits of subsidiaries within the Group in accordance with an annual internal audit plan, which is formulated through a comprehensive risk-based methodology and approved by the Audit Committee. The audits are designed to test the appropriateness of control design and implementation as well as compliance with the existing policies and procedures. Based on the audits performed, areas of improvement on control design and implementation are highlighted, on a quarterly basis, to the Audit Committee and Management to implement internal audit recommendations. Status of implementation of agreed audit recommendations is tracked until completion and quarterly updates are provided to the Audit Committee and Management. Further details on the activities of the Audit Committee and Group Internal Audit are set out in the Audit Committee Report.

CONCLUSION

The Board, or through the RMC and Audit Committee, has undertaken review of the adequacy and effectiveness of risk management and internal control system in accordance with the Terms of Reference during the year under review. The Board is of the view that the Group's overall risk management and internal control system is sound and adequate in all material aspects, and has received the same assurance from both the CEO and CFO of the Group. The Board ensures that the risk management process in identifying, evaluating and managing significant risks is operating adequately and effectively throughout the financial year up to the date of approval of this Statement. It is in the Board's opinion that the Group's system of internal control during the year under review is adequate and effective to safeguard the Group's assets and the interests of shareholders and stakeholders.



STATEMENT ON DIRECTORS' RESPONSIBILITY

FOR PREPARATION OF FINANCIAL STATEMENTS

As required under the Companies Act 1965 ("Act"), the Directors on page 120 of this Annual Report have made a statement expressing an opinion on the financial statements. The Board is of the opinion that the financial statements have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 30 September 2016 and of their financial performance and cash flows for the financial year then ended.

In preparing these financial statements, and other than as disclosed in the notes to the financial statements, the Directors have reviewed the accounting policies and practices to ensure that they were consistently applied throughout the financial year. In cases where judgement and estimates were made, they were based on reasonableness and prudence.

Additionally, the Directors have relied on the system of internal controls to ensure that the information generated for the preparation of the financial statements from the underlying accounting records is accurate and reliable.

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with the Bursa Securities Main Market Listing Requirements:

1. Utilisation of Proceeds

Commercial Paper ("CP") and Medium Term Note ("MTN") Programme respectively with a nominal value of RM750 million for each Programme

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

The Issuer had on 26 September 2013 and 7 October 2013, successfully issued RM150 million each in nominal value of MTN pursuant to the MTN Programme for the purposes of refinancing the Group's existing private debt securities.

These MTNs have tenure of five (5) years and will mature on 26 September 2018 and 5 October 2018 respectively. They bear interest at rates of 4.38% and 4.24% per annum respectively and payable semi-annually in arrears.

2. Audit and Non-Audit Fees

The respective fees are disclosed in the Audited Financial Statements set out in this Annual Report. Non-audit fees are also disclosed in Audit Committee Report.

3. Material Contracts

There were no material contracts (not being contracts entered into in the ordinary course of business) of the Company and/or its subsidiaries involving the interest of Directors and major shareholders during the financial year.

4. Recurrent Related Party Transactions of a Revenue or Trading Nature

At the 54th Annual General Meeting of Fraser & Neave Holdings Bhd ("F&NHB" or "Company") held on 21 January 2016, the Company had obtained shareholder mandate to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties which are necessary for the day-to-day operation of the F&NHB Group.

Pursuant to the Listing Requirements of Bursa Securities, the details of the recurrent related party transactions entered into during the financial year ended 30 September 2016 are as follows:

Mandated Related Parties	Relationship	Type of Transaction	Actual Value Transacted RM'000
Fraser and Neave, Limited ("F&N Ltd") Group	F&N Ltd is the holding company of F&NHB	Purchase of concentrates and/or raw materials from the F&N Ltd Group	224,288
		Purchase of finished products from the F&N Ltd Group	24,146
		Sale of finished products and/or raw materials to the F&N Ltd Group	249,195
		Payment of royalties to the F&N Ltd Group for use of trademarks, trade names and brand names of F&N Ltd	57,069
		Payment of fees to the F&N Ltd Group for corporate services, corporate research and development services and technical services	3,779

ADDITIONAL COMPLIANCE INFORMATION

4. Recurrent Related Party Transactions of a Revenue or Trading Nature (Continued)

Mandated Related Parties	Relationship	Type of Transaction	Actual Value Transacted RM'000
Fraser and Neave, Limited ("F&N Ltd") Group	F&N Ltd is the holding company of F&NHB	Receipt of rental from the F&N Ltd Group	436
		Receipt of corporate services fees and staff costs from the F&N Ltd Group	0
		Purchase of training and other related materials from the F&N Ltd Group	1
Berli Jucker Public Company Limited ("BJC") Group	BJC's ultimate parent company is TCC Holding Co. Ltd., which is under the control of Khun Charoen and Khunying Wanna, the ultimate major shareholders of ThaiBev and the Company. Hence, BJC Group is deemed person connected to the said ultimate major shareholders	Purchase of raw materials (eg. cans, etc) from the BJC Group	49,466
		Payment of network monitoring & professional fees to the BJC Group	318
		Receipt of marketing services from the BJC Group	0
Thai Beverage Public Company Limited ("ThaiBev") Group	ThaiBev is deemed a major shareholder of the Company by virtue of its indirect substantial interest in F&N Ltd held through its indirect wholly owned subsidiary, Interbev Investments Limited	Sale of finished products to the ThaiBev Group	628
		Purchase of finished products from the ThaiBev Group	4
		Receipt of tetrapak co-packing services from the ThaiBev Group	4,612
		Purchase of raw materials from the ThaiBev Group	3,047
		Receipt of marketing services from the ThaiBev Group	79
Frasers Centrepoint Limited ("FCL") Group	FCL is a subsidiary of TCC Assets Limited, which in turn is under the control of Khun Charoen and Khunying Wanna, the ultimate major shareholders of ThaiBev and the Company. Hence, FCL Group is deemed person connected to the said ultimate major shareholders	Receipt of corporate services fees and staff costs from the FCL Group	548
		Sale of finished goods to the FCL Group	4
		Payment of corporate services fees and staff costs to the FCL Group	351

ADDITIONAL COMPLIANCE INFORMATION

4. Recurrent Related Party Transactions of a Revenue or Trading Nature (Continued)

Mandated Related Parties	Relationship	Type of Transaction	Actual Value Transacted RM'000
Southeast Group Co. Ltd. ("Southeast") Group	Southeast is under the control of Khun Charoen and Khunying Wanna, the ultimate major shareholders of ThaiBev and the Company. Hence, Southeast Group is deemed person connected to the said ultimate major shareholders	Payment of insurance premium to the Southeast Group	3,423
TCC Land Co. Ltd. ("TCC Land") Group	TCC Land is under the control of Khun Charoen and Khunying Wanna, the ultimate major shareholders of ThaiBev and the Company. Hence, TCC Land Group is deemed person connected to the said ultimate major shareholders	Sale of finished goods to the TCC Land Group	4,072
TCC Holding Co. Ltd. ("TCCH") Group	TCCH is under the control of Khun Charoen and Khunying Wanna, the ultimate major shareholders of ThaiBev and the Company. Hence, TCCH Group is deemed person connected to the said ultimate major shareholders	Payment of management fees to the TCCH Group	2,011
		Purchase of stationery and office supplies from the TCCH Group	26
Univentures Public Company Limited ("Univentures") Group	Univentures is a subsidiary of Adelfos Company Limited, which in turn is under the control of Khun Charoen and Khunying Wanna, the ultimate major shareholders of ThaiBev and the Company. Hence, Univentures Group is deemed person connected to the said ultimate major shareholders	Receipt of training services from the Univentures Group	0

HOW WE ARE DELIVERING RESULTS FOR SHAREHOLDERS



05

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Independent Auditors' Report

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2016.

Principal activities

The principal activity of the Company is investment holding and its subsidiaries are primarily engaged in the manufacture and sale of soft drinks, dairy products, property development activities and the provision of management services.

There have been no significant changes in the nature of these principal activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year	385,370	98,443
Equity holders of the Company	385,372	98,443
Non-controlling interests	(2)	-
	385,370	98,443

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid:

- (a) a final ordinary dividend of 35.5 sen per ordinary share totalling RM130,122,000 in respect of the financial year ended 30 September 2015 on 4 February 2016; and
- (b) an interim ordinary dividend of 27 sen per ordinary share totalling RM98,966,000 in respect of the financial year ended 30 September 2016 on 15 June 2016.

At the forthcoming Annual General Meeting, the Directors are recommending for shareholders' approval, a final single tier dividend of 30.5 sen per share in respect of the current financial year ended 30 September 2016 (excluding treasury shares). The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 September 2017.

DIRECTORS' REPORT

Directors

The Directors of the Company in office since the date of the last report and at the date of this report are:

Tengku Syed Badarudin Jamalullail (Chairman)
 Dato' Anwarrudin bin Ahamad Osman
 Dato' Dr. Mohd Shahar bin Sidek
 Dato' Johan Tazrin bin Hamid Ngo
 Dato' Jorgen Bornhoft
 Datuk Dr. Nik Norzrul Thani bin N. Hassan Thani
 Anthony Cheong Fook Seng
 Hui Choon Kit
 Lee Kong Yip
 Lee Meng Tat
 David Siew Kah Toong (Appointed on 23 February 2016)
 Datuk Chin Kwai Yoong (Retired on 21 January 2016)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share grants granted pursuant to the immediate holding company's Restricted Share Plan ("RSP") and Performance Share Plan ("PSP").

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than emoluments received or due and receivable by the directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Directors' interests

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares, RSP and PSP in the Company and its related corporations during the financial year were as follows:

Companies in which Directors held interest	Number of ordinary shares			As at 30.9.2016
	As at 1.10.2015	Acquired	Sold	
Fraser & Neave Holdings Bhd				
Tengku Syed Badarudin Jamalullail				
- direct interest	2,062,000	-	-	2,062,000
Fraser and Neave, Limited ("F&NL")				
Anthony Cheong Fook Seng				
- direct interest	241,386	89,288	-	330,674
Hui Choon Kit				
- direct interest	244,519	89,038	-	333,557

DIRECTORS' REPORT

Directors' interests (cont'd.)

Companies in which Directors held interest	As at 1.10.2015	Number of share grants *			As at 30.9.2016
		Awarded	Achievement factor	Vested	
F&NL					
Anthony Cheong Fook Seng					
- RSP - Year 3	23,463	-	-	(23,463)	-
- RSP - Year 4	44,850	-	-	(22,425)	22,425
- RSP - Year 5	42,360	-	12,240	(27,300)	27,300
- RSP - Year 6	33,000	-	-	-	33,000
- RSP - Year 7	-	36,000	-	-	36,000
- PSP - Year 4	22,937	-	(6,837)	(16,100)	-
- PSP - Year 5	10,199	-	-	-	10,199
- PSP - Year 6	8,000	-	-	-	8,000
- PSP - Year 7	-	10,000	-	-	10,000
Hui Choon Kit					
- RSP - Year 3	23,463	-	-	(23,463)	-
- RSP - Year 4	38,450	-	-	(19,225)	19,225
- RSP - Year 5	50,455	-	14,645	(32,550)	32,550
- RSP - Year 6	43,000	-	-	-	43,000
- RSP - Year 7	-	48,000	-	-	48,000
- PSP - Year 4	19,661	-	(5,861)	(13,800)	-
- PSP - Year 5	12,148	-	-	-	12,148
- PSP - Year 6	10,000	-	-	-	10,000
- PSP - Year 7	-	13,000	-	-	13,000
Lee Meng Tat					
- RSP - Year 7	-	40,000	-	-	40,000
- PSP - Year 7	-	11,000	-	-	11,000

* Under the RSP and PSP, F&NL grants a base number of conditional share awards (the "Base Award") to eligible participants annually. The Base Award represents the right to receive fully paid ordinary shares of F&NL, their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance conditions are met.

Depending on the level of achievement of the pre-determined targets over a two-year performance period for the RSP and three-year performance period for the PSP, an achievement factor will be applied to the relevant Base Award to determine the actual number of RSP shares and PSP shares to be awarded at the end of the respective performance periods. The achievement factor ranges from 0% to 150% for the RSP and 0% to 200% for the PSP. Accordingly, the actual number of RSP shares to be awarded pursuant to the RSP will range from 0% to 150% and the actual number of PSP shares to be awarded pursuant to the PSP will range from 0% to 200% of the relevant Base Award (the "Final Award").

DIRECTORS' REPORT

Directors' interests (cont'd.)

At the end of the two-year performance period, 50% of the number of shares under the RSP Final Award will be released to the participants upon vesting. The balance will be released equally over the subsequent two years upon fulfilment of service requirements. All the shares under the PSP Final Award will be released to the participants at the end of the three-year performance period upon vesting.

Senior management participants are required to hold a minimum number of shares that are released to them under the RSP and PSP for the duration of their employment or tenure with F&NL.

Issue of shares

During the financial year, the Company has issued 131,700 ordinary shares of RM1.00 each pursuant to the exercise of share options under the Employee Shares Option Scheme ("ESOS") at the exercise price of RM14.52 each.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

Treasury shares

There were no repurchase of treasury shares during the financial year. As at 30 September 2016, the Company held 237,100 (2015: 237,100) treasury shares under Section 67A of the Companies Act, 1965.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to ESOS and Share Grant Plan.

(a) ESOS

The ESOS which is governed by its by-laws was approved by the shareholders at the Extraordinary General Meeting held on 5 April 2007. The ESOS is effective 1 October 2007.

Details of all the options to subscribe for ordinary shares of RM1.00 each in the share capital of the Company granted to executives pursuant to the ESOS are as follows:

Offer date	Balance as at 1.10.2015	Options exercised	Options lapsed	Balance as at 30.9.2016	Exercise price/ adjusted exercise price w.e.f. 13.12.2010	Vesting period
	← No. of options →				RM	
22.11.2010	131,700	(131,700)	-	-	14.52	22.8.2013 - 21.10.2015

The main features of the Company's ESOS are disclosed in Note 26(c) to the financial statements. There were no options granted during the financial year and all options have been exercised during the financial year.

DIRECTORS' REPORT

Options granted over unissued shares (cont'd.)

(b) Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") (collectively the Share Grant Plan ("SGP"))

The SGP which is governed by its by-laws, was approved by Bursa Malaysia Securities Berhad on 20 December 2011 and subsequently approved by the shareholders at the Extraordinary General Meeting held on 13 January 2012.

The first grant of RSP was made in March 2012. There were no grants made under the PSP. The details of the shares awarded under the RSP are as follows:

Offer date	Balance as at 1.10.2015/ grant date	Adjustment for achievement factor	No. of options		Balance as at 30.9.2016	Vesting period
			Shares vested	Shares lapsed		
RSP 2012	15.3.2012	43,225	-	(43,225)	-	31.12.2013 - 31.12.2015
RSP 2013	7.2.2013	170,750	-	(85,800)	(675)	31.12.2014 - 31.12.2016
RSP 2014	12.8.2014	574,200	31,000	(302,600)	(2,900)	31.12.2015 - 31.12.2017
RSP 2015	15.1.2015	546,700	-	-	(29,100)	31.12.2016 - 31.12.2018
RSP 2016	5.1.2016	596,500	-	-	-	31.12.2017 - 31.12.2019
		1,931,375	31,000	(431,625)	(32,675)	1,498,075

The main features of the Company's RSP and PSP are disclosed in Note 26(d) to the financial statements.

The Directors do not participate in both the ESOS and SGP.

Other statutory information

(a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment of receivables and satisfied themselves that all known bad debts had been written off and that adequate allowance for impairment had been made for receivables; and
- (ii) to ascertain that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

- (i) the amount written off for bad debts or the amount of the allowance for impairment of receivables in respect of these financial statements inadequate to any substantial extent; and
- (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT

Other statutory information (cont'd.)

- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 September 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

Holding companies

The immediate holding company is Fraser and Neave, Limited, a corporation incorporated in the Republic of Singapore whilst the ultimate holding company is TCC Assets Limited, a corporation incorporated in British Virgin Islands.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 3 November 2016.

Tengku Syed Badarudin Jamalullail

Lee Meng Tat

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the accompanying financial statements set out on pages 121 to 217 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 September 2016 and of their financial performance and the cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 41, on page 218 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

Tengku Syed Badarudin Jamalullail

Lee Meng Tat

Kuala Lumpur
3 November 2016

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Soon Wing Chong, the officer primarily responsible for the financial management of Fraser & Neave Holdings Bhd, do solemnly and sincerely declare that the financial statements set out on pages 121 to 218 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 3 November 2016.

Soon Wing Chong

Before me:

Commissioner for Oaths
Wern Li Morsingh (W 605)
Kuala Lumpur

STATEMENTS OF PROFIT OR LOSS

For the financial year ended 30 September 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	4	4,167,567	4,107,606	110,707	224,910
Cost of sales		(2,683,553)	(2,802,508)	-	-
Gross profit		1,484,014	1,305,098	110,707	224,910
Other income	5(a)	38,834	12,852	18,540	36,586
Operating expenses					
Distribution expenses		(420,550)	(384,927)	-	-
Marketing expenses		(497,432)	(451,366)	-	-
Administrative expenses		(150,760)	(134,464)	(2,891)	(3,715)
Other expenses	5(b)	(20,732)	(15,205)	(33,212)	(3,568)
		(1,089,474)	(985,962)	(36,103)	(7,283)
Operating profit		433,374	331,988	93,144	254,213
Finance income	6(a)	15,791	13,389	11,309	11,346
Finance costs	6(b)	(14,356)	(16,241)	-	-
		434,809	329,136	104,453	265,559
Share of results of a joint venture	16	(1,614)	(3,362)	-	-
Share of results of an associate	17	9,742	8,055	-	-
Profit before tax	7	442,937	333,829	104,453	265,559
Income tax expense	8	(57,567)	(53,757)	(6,010)	(1,037)
Profit for the year		385,370	280,072	98,443	264,522
Profit attributable to:					
Equity holders of the Company		385,372	280,074	98,443	264,522
Non-controlling interests		(2)	(2)	-	-
		385,370	280,072	98,443	264,522
Basic earnings per share attributable to equity holders of the Company (sen)	9(a)	105.3	76.5		
Diluted earnings per share attributable to equity holders of the Company (sen)	9(b)	104.8	76.4		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

For the financial year ended 30 September 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit for the year		385,370	280,072	98,443	264,522
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>					
Remeasurement (losses)/gains on defined benefit plans		(1,514)	748	-	-
	10	(1,514)	748	-	-
<i>Items that are or may be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of foreign operations		(8,912)	101,450	-	-
Exchange differences on settlement of a net investment		(33,117)	-	-	-
	10	(42,029)	101,450	-	-
Other comprehensive income for the year, net of tax		(43,543)	102,198	-	-
Total comprehensive income for the year, net of tax		341,827	382,270	98,443	264,522
Attributable to:					
Equity holders of the Company		341,829	382,272	98,443	264,522
Non-controlling interests		(2)	(2)	-	-
		341,827	382,270	98,443	264,522

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 30 September 2016

	Note	Group	
		30 September 2016 RM'000	30 September 2015 RM'000
Assets			
Non-current assets			
Property, plant and equipment	12	1,112,752	1,064,821
Investment properties	13	49,286	50,763
Properties held for development	14	55,317	55,291
Investment in a joint venture	16	84,303	80,196
Investment in an associate	17	78,730	72,410
Intangible assets	18	125,111	131,155
Deferred tax assets	29	32,034	49,330
		1,537,533	1,503,966
Current assets			
Inventories	19	517,329	542,775
Receivables	20(a)	542,949	557,892
Tax recoverable		14,248	14
Derivative financial assets	21	260	5,713
Cash and short term deposits	22	593,554	412,209
		1,668,340	1,518,603
Total assets		3,205,873	3,022,569
Equity			
Share capital	23	366,779	366,647
Treasury shares	24	(1,716)	(1,716)
Shares held by SGP Trust	25	(12,060)	(7,733)
Reserves	26	1,635,957	1,519,605
Equity attributable to equity holders of the Company		1,988,960	1,876,803
Non-controlling interests		202	204
Total equity		1,989,162	1,877,007

STATEMENTS OF FINANCIAL POSITION

As at 30 September 2016 (cont'd.)

	Note	Group	
		30 September 2016 RM'000	30 September 2015 RM'000
Non-current liabilities			
Borrowings	27	374,712	300,000
Provision for retirement benefits	28	41,937	37,937
Deferred tax liabilities	29	32,638	32,682
		449,287	370,619
Current liabilities			
Payables	30(a)	723,440	754,854
Provisions	30(b)	7,454	7,925
Borrowings	27	29,885	-
Tax payable		6,555	12,164
Derivative financial liabilities	21	90	-
		767,424	774,943
Total liabilities		1,216,711	1,145,562
Total equity and liabilities		3,205,873	3,022,569

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 30 September 2016 (cont'd.)

	Note	Company	
		30 September 2016 RM'000	30 September 2015 RM'000
Assets			
Non-current assets			
Investments in subsidiaries	15	931,687	931,262
Investment in a joint venture	16	146,353	140,632
Investment in an associate	17	68,727	68,727
Receivables	20(b)	-	200,840
		1,146,767	1,341,461
Current assets			
Receivables	20(a)	66,522	35,311
Cash and short term deposits	22	72,037	40,262
		138,559	75,573
Total assets		1,285,326	1,417,034
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital	23	366,779	366,647
Treasury shares	24	(1,716)	(1,716)
Shares held by SGP Trust	25	(12,060)	(7,733)
Reserves	26	923,998	1,051,032
Total equity		1,277,001	1,408,230
Current liabilities			
Payables	30(a)	531	772
Provisions	30(b)	7,454	7,925
Tax payable		340	107
		8,325	8,804
Total equity and liabilities		1,285,326	1,417,034

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 September 2016

Note	Attributable to equity holders of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Shares held by SGP Trust	Loss on purchase of shares	Foreign exchange reserve	Share-based payment reserve	Legal reserve	Retained earnings	Total	Non-distributable		
	(Note 23)	(Note 26)	(Note 24)	(Note 25)	(Note 26)	(Note 26)	(Note 26)	(Note 26)	(Note 26)	(Note 26)	Total	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group													
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	
Remeasurement losses on defined benefit plans	-	-	-	-	-	-	-	-	(1,514)	(1,514)	-	(1,514)	
Exchange differences on:													
- translation of foreign operations	-	-	-	-	-	(8,912)	-	-	-	(8,912)	-	(8,912)	
- settlement of a net investment	-	-	-	-	-	(33,117)	-	-	-	(33,117)	-	(33,117)	
Other comprehensive income for the year	10	-	-	-	-	(42,029)	-	-	(1,514)	(43,543)	-	(43,543)	
Profit for the year		-	-	-	-	-	-	-	385,372	385,372	(2)	385,370	
Total comprehensive income for the year		-	-	-	-	(42,029)	-	-	383,858	341,829	(2)	341,827	
Transaction with owners													
Shares granted under SGP		-	-	-	-	-	9,576	-	-	9,576	-	9,576	
Shares exercised under ESOS		132	2,087	-	-	-	(307)	-	-	1,912	-	1,912	
Shares vested under SGP		-	-	-	7,745	(607)	(7,138)	-	-	-	-	-	
Purchase of shares by SGP Trust		-	-	-	(12,072)	-	-	-	-	(12,072)	-	(12,072)	
Dividends	11	-	-	-	-	-	-	-	(229,088)	(229,088)	-	(229,088)	
Total transactions with owners		132	2,087	-	(4,327)	(607)	2,131	-	(229,088)	(229,672)	-	(229,672)	
At 30 September 2016		366,779	449,991	(1,716)	(12,060)	(797)	55,734	15,416	9,934	1,105,679	1,988,960	202	1,989,162

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 September 2016 (cont'd.)

Note	Attributable to equity holders of the Company											
	Non-distributable							Distributable				
	Share capital (Note 23) RM'000	Share premium (Note 26) RM'000	Treasury shares (Note 24) RM'000	Shares held by SGP Trust (Note 25) RM'000	Loss on purchase of shares for SGP (Note 26) RM'000	Foreign exchange reserve (Note 26) RM'000	Share-based payment reserve (Note 26) RM'000	Legal reserve (Note 26) RM'000	Retained earnings (Note 26) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group												
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
Remeasurement gains on defined benefit plans	-	-	-	-	-	-	-	-	748	748	-	748
Exchange differences on:												
- translation of foreign operations	-	-	-	-	-	101,450	-	-	-	101,450	-	101,450
Other comprehensive income for the year 10	-	-	-	-	-	101,450	-	-	748	102,198	-	102,198
Profit for the year	-	-	-	-	-	-	-	-	280,074	280,074	(2)	280,072
Total comprehensive income for the year	-	-	-	-	-	101,450	-	-	280,822	382,272	(2)	382,270
Transaction with owners												
Shares granted under SGP	-	-	-	-	-	-	10,340	-	-	10,340	-	10,340
Shares exercised under ESOS	619	9,698	-	-	-	-	(1,427)	-	-	8,890	-	8,890
Shares vested under SGP	-	-	-	4,200	(190)	-	(4,010)	-	-	-	-	-
Purchase of shares by SGP Trust	-	-	-	(11,933)	-	-	-	-	-	(11,933)	-	(11,933)
Dividends 11	-	-	-	-	-	-	-	-	(201,379)	(201,379)	-	(201,379)
Total transactions with owners	619	9,698	-	(7,733)	(190)	-	4,903	-	(201,379)	(194,082)	-	(194,082)
At 30 September 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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 September 2016 (cont'd.)

Note	Attributable to equity holders of the Company								Total equity RM'000
	Share capital (Note 23) RM'000	Share premium (Note 26) RM'000	Treasury shares (Note 24) RM'000	Shares held by SGP Trust (Note 25) RM'000	Loss on purchase of shares for SGP (Note 26) RM'000	Share-based payment reserve (Note 26) RM'000	Retained earnings (Note 26) RM'000		
Company									
At 1 October 2015	366,647	447,904	(1,716)	(7,733)	(190)	13,285	590,033	1,408,230	
Total comprehensive income for the year	-	-	-	-	-	-	98,443	98,443	
Transaction with owners									
Shares granted under SGP	-	-	-	-	-	9,576	-	9,576	
Shares exercised under ESOS	132	2,087	-	-	-	(307)	-	1,912	
Shares vested under SGP	-	-	-	7,745	(607)	(7,138)	-	-	
Purchase of shares by SGP Trust	-	-	-	(12,072)	-	-	-	(12,072)	
Dividends	11	-	-	-	-	-	(229,088)	(229,088)	
Total transactions with owners	132	2,087	-	(4,327)	(607)	2,131	(229,088)	(229,672)	
At 30 September 2016	366,779	449,991	(1,716)	(12,060)	(797)	15,416	459,388	1,277,001	

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 September 2016 (cont'd.)

Note	Attributable to equity holders of the Company								Total equity RM'000
	Share capital (Note 23) RM'000	Share premium (Note 26) RM'000	Treasury shares (Note 24) RM'000	Shares held by SGP Trust (Note 25) RM'000	Loss on purchase of shares for SGP (Note 26) RM'000	Share-based payment reserve (Note 26) RM'000	Retained earnings (Note 26) RM'000	Non-distributable	
Company									
At 1 October 2014	366,028	438,206	(1,716)	-	-	8,382	526,890		1,337,790
Total comprehensive income for the year	-	-	-	-	-	-	264,522		264,522
Transaction with owners									
Shares granted under SGP	-	-	-	-	-	10,340	-		10,340
Shares exercised under ESOS	619	9,698	-	-	-	(1,427)	-		8,890
Shares vested under SGP	-	-	-	4,200	(190)	(4,010)	-		-
Purchase of shares by SGP Trust	-	-	-	(11,933)	-	-	-		(11,933)
Dividends	11	-	-	-	-	-	(201,379)		(201,379)
Total transactions with owners	619	9,698	-	(7,733)	(190)	4,903	(201,379)		(194,082)
At 30 September 2015	366,647	447,904	(1,716)	(7,733)	(190)	13,285	590,033		1,408,230

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 30 September 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities					
Profit before tax		442,937	333,829	104,453	265,559
Adjustments for:					
Amortisation of intangible assets	18	6,533	6,410	-	-
Bad debts recovered	7(a)	(53)	(526)	-	-
Change in fair value of investment properties	13	(108)	6,321	-	-
Depreciation of property, plant and equipment	12	90,342	86,698	-	-
Dividend income	4	-	-	(110,707)	(224,910)
Finance income	6(a)	(15,791)	(13,389)	(11,309)	(11,346)
Finance costs	6(b)	14,356	16,241	-	-
Impairment loss on plant and equipment	12	1,901	1,991	-	-
Impairment loss on trade receivables	20	758	1,493	-	-
Intangible assets written off	7(a)	17	-	-	-
Inventories written down	19	6,683	6,624	-	-
Inventories written off	19	10,525	12,813	-	-
Investment in a subsidiary written off	15	-	-	75	-
Loss on disposal of plant and equipment	7(a)	161	602	-	-
Net fair value loss/(gain) on derivatives	7(a)	5,531	(4,408)	-	-
Net unrealised foreign exchange loss/(gain)	7(a)	337	2,271	32,672	(34,081)
Plant and equipment written off	7(a)	1,190	1,685	-	-
Retirement benefits expense	28	3,107	4,039	-	-
Reversal of impairment loss on trade receivables	20	(649)	(465)	-	-
Reversal of impairment loss on plant and equipment	12	(518)	(2,185)	-	-
Reversal of impairment loss on investment in a subsidiary	7(a)	-	-	-	(252)
Reversal of inventories written down	19	(3,908)	(907)	-	-
Share-based payment transactions expense		9,576	10,340	-	-
Share of results of a joint venture	16	1,614	3,362	-	-
Share of results of an associate	17	(9,742)	(8,055)	-	-
Operating profit/(loss) before changes in working capital		564,799	464,784	15,184	(5,030)
Changes in working capital:					
Decrease/(increase) in inventories		12,146	(170,592)	-	-
Additions in property development costs	14	(26)	(637)	-	-
(Decrease)/increase in trade and other payables		(32,968)	143,682	(267)	242
Decrease/(increase) in trade and other receivables		5,154	(54,823)	129,869	(7,735)
Cash generated from/(used in) operations		549,105	382,414	144,786	(12,523)

STATEMENTS OF CASH FLOWS

For the financial year ended 30 September 2016 (cont'd.)

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities (cont'd.)					
Benefits paid for retirement benefits	28	(1,288)	(2,566)	-	-
Income tax paid		(60,728)	(44,874)	(5,777)	(1,150)
Income tax refunded		1,317	2,777	-	-
Net cash from/(used in) operating activities		488,406	337,751	139,009	(13,673)
Cash flows from investing activities					
Dividends received		13,920	3,500	121,205	214,412
Investment in a subsidiary	15	-	-	(500)	(3)
Interest received		9,298	7,788	11,309	11,346
Loan to a joint venture		-	(6,700)	-	(6,700)
Proceeds from disposal of plant and equipment		541	906	-	-
Purchase of property, plant and equipment	12	(149,675)	(72,280)	-	-
Purchase of intangible assets	18	(163)	(258)	-	-
Proceeds from capital repayment scheme in a subsidiary		-	-	-	24,000
Placement of deposits with licensed bank		-	(3,066)	-	-
Net cash (used in)/from investing activities		(126,079)	(70,110)	132,014	243,055
Cash flows from financing activities					
Interest paid		(13,610)	(16,260)	-	-
Payment of dividends	11	(229,088)	(201,379)	(229,088)	(201,379)
Proceeds from exercise of ESOS		1,912	8,890	1,912	8,890
Purchase of shares by SGP Trust	25	(12,072)	(11,933)	(12,072)	(11,933)
Proceeds/(repayment) of borrowings		104,597	(50,000)	-	-
Net cash used in financing activities		(148,261)	(270,682)	(239,248)	(204,422)
Net increase/(decrease) in cash and cash equivalents					
		214,066	(3,041)	31,775	24,960
Effects of foreign exchange rate changes on cash and cash equivalents					
		(29,655)	46,797	-	-
Cash and cash equivalents at beginning of financial year					
		409,143	365,387	40,262	15,302
Cash and cash equivalents at end of financial year	22	593,554	409,143	72,037	40,262

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

1. Corporate information

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 registered office of the Company is located at Level 3A, F&N Point, No. 3, Jalan Metro Pudu 1, Fraser Business Park, Off Jalan Yew, 55100 Kuala Lumpur.

The immediate holding company is Fraser and Neave, Limited, which is incorporated in Singapore and is listed on the Singapore Exchange. The ultimate holding company is TCC Assets Limited, which is incorporated in the British Virgin Islands.

The principal activity of the Company is investment holding and its subsidiaries are primarily engaged in the manufacture and sale of soft drinks, dairy products and property development activities and the provision of management services. There have been no significant changes in the nature of these principal activities during the financial year. Information on the Group's structure is provided in Notes 16, 17 and 38. Information on other related party relationships of the Group is provided in Note 32.

The financial statements were authorised for issue in accordance with a resolution of the Directors on 3 November 2016.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company for the financial year ended 30 September 2016 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000"), except when otherwise indicated.

2.2 Changes in accounting policies and effects arising from adoption of new/revised and amendments to MFRSs

The accounting policies adopted by the Group and the Company are consistent with those of the previous financial year.

2.3 MFRSs and Amendments to MFRSs 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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)**2.3 MFRSs and Amendments to MFRSs issued but not yet effective (cont'd.)****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

- Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*
- MFRS 15 *Revenue from Contracts with Customers*
- Clarifications to MFRS 15 *Revenue from Contracts with Customers*

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. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. 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 may result in change in accounting policy. The Group will assess the financial impact of adopting MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)**2.3 MFRSs and Amendments to MFRSs issued but not yet effective (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 will assess the financial impact that may arise from the adoption of MFRS 16.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

- Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its investment with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full except when there are indications of impairment, unrealised losses are not eliminated.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)

2.4 Basis of consolidation (cont'd.)

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2.5 Business combinations and goodwill

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.10(a).

2.6 Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.7 Investment in associate and joint venture

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)**2.7 Investment in associate and joint venture (cont'd.)**

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate or the joint venture.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or a joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associate are prepared as of a different reporting date from that of the Group. The share of results of an associate refers to Cocoland Holdings Berhad and is derived from the sum total of its unaudited quarterly results recognised by the Group for the four quarters ended 30 June 2016. Where necessary, adjustments are made to bring the accounting policies of the associate in line with those of the Group.

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies of the joint venture in line with those of the Group.

After application of the equity method, the Group applies MFRS 139 *Financial Instruments: Recognition and Measurement* to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)

2.8 Fair value measurements

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 34.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)**2.9 Investment properties**

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use.

2.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually and whenever there is an indication that the intangible assets may be impaired, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)**2.10 Intangible assets (cont'd.)****(a) Goodwill**

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash generating units that are expected to benefit from the synergies of the combination.

The cash generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash generating unit may be impaired, by comparing the carrying amount of the cash generating unit, including the allocated goodwill, with the recoverable amount of the cash generating unit. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash generating unit and part of the operation within that cash generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operations disposed of and the portion of the cash generating unit retained.

(b) Brand

Brand is stated at cost less any impairment loss. The useful life of the brand is estimated to be indefinite because based on the current market share of the brand, management believes there is no foreseeable limit to the period over which the brand is expected to generate net cash flows to the Group.

Brands are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash generating unit level. Such brands are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of a brand are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the brand is derecognised.

(c) Computer software

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their expected useful lives at rates between 12.5% to 33.3%.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)**2.11 Property, plant and equipment and depreciation**

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment comprises its purchase price and any directly attributable costs in bringing the property, plant and equipment to working condition for its intended use. Dismantlement, removal or restoration costs are included as part of the cost of fixed assets if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit or loss.

Freehold land has an indefinite useful life and therefore is not depreciated. Assets under construction are not depreciated as these assets are not yet available for use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Leasehold land	Lease term (ranging from 27 to 91 years)
Buildings	2% to 6.67%
Plant and machinery	6.7% to 33%
Motor vehicles	10% to 20%
Postmix, coolers and vending machines	14.3%
Furniture, fittings and computer equipment	8.3% to 33.3%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.12 Properties held for development

Properties held for development consist of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Properties held for development are classified within non-current assets and are stated at lower of cost less any accumulated impairment losses and net realisable value.

Properties held for development are reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Cost of raw materials and packaging materials comprise cost of purchase and are stated on a weighted average cost or standard cost basis (which approximates average actual cost).
- Cost of finished goods includes raw materials, labour and an appropriate proportion of production overheads and are stated on a weighted average cost or standard cost basis (which approximates average actual cost).
- Engineering inventories comprise cost of purchase and are stated on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.15 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

A lease where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item is classified as an operating lease. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)**2.15 Leases (cont'd.)****(b) As lessor**

Leases where the Group retains substantially all the risks and rewards of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.16 Taxes**(a) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in the profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)**2.16 Taxes (cont'd.)****(b) Deferred tax (cont'd.)**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the profit or loss is recognised outside the profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

(c) Sales tax and Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of sales tax and GST except:

- where the sales tax and GST incurred in a purchase of assets or services are not recoverable from the taxation authority, in which case the sales tax and GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax and GST included.

The net amount of sales tax and GST recoverable from, or payable to, the taxation authority is included as part of other current assets or liabilities in the statements of financial position.

2.17 Employee benefits**(a) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

(b) Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)**2.17 Employee benefits (cont'd.)****(b) Defined contribution plan (cont'd.)**

A Thailand company in the Group and its employees have jointly established a provident fund. The employees and the Thailand company contribute to the fund on a monthly basis. The fund's assets are held in a separate trust fund.

Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(c) Defined benefit plan

Certain subsidiaries of the Group operate unfunded defined benefit plan for its employees. The plan pays a lump sum amount (instead of a pension) at retirement. The schemes do not hold any physical assets but instead the Group makes provision to cover the estimated retirement benefits liabilities.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

(d) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)**2.17 Employee benefits (cont'd.)****(e) Share-based compensation plans**

Eligible employees of the Group receive remuneration in the form of share options and share awards as consideration for services rendered.

(i) Equity-settled transactions

The fair value of the employee services received in exchange for the grant of the options or share awards is recognised as an expense in the profit or loss with a corresponding increase in the share-based payment reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options or share awards on the date of grant. Non-market vesting conditions are included in assumptions about the number of options or share awards that are expected to become exercisable or vest on the vesting date. The impact of the revision of original estimates, if any, is recognised in the profit or loss, with a corresponding adjustment to equity over the remaining vesting period.

When the options are exercised and new ordinary shares issued, the proceeds received (net of any directly attributable transaction costs) and the corresponding share-based payment reserve are credited to share capital.

When the share awards are vested and new ordinary shares issued, the corresponding share-based payment reserve are credited to share capital.

The fair value of options or share awards granted to employees of subsidiaries are recharged by the Company to the subsidiaries.

(ii) Cash-settled transactions

The cost of a cash-settled share-based payment transaction is measured initially at fair value at the grant date. This fair value is recognised in profit or loss over the vesting period with recognition of a corresponding liability. Until the liability is settled, it is remeasured at each reporting date with changes in fair value recognised in profit or loss.

2.18 Revenue and income recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Sale of goods

Revenue from the sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold.

Revenue from sale of goods includes excise duties but excludes GST and is after deduction of any trade discounts, incentives, vendor allowances and returns.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)**2.18 Revenue and income recognition (cont'd.)****(b) Sale of properties**

Revenue from sale of completed properties and sale of properties under development are recognised when the risks and rewards of ownership have been transferred to the purchaser either through the transfer of legal title or equitable interest in the properties, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

(c) Finance income

Finance income is recognised on an accrual basis using the effective interest method.

(d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(e) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.19 Foreign currency**(a) Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)**2.19 Foreign currency (cont'd.)****(c) Foreign operations**

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.20 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in the profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit or loss.

Goodwill is tested for impairment annually as at 30 September and when circumstances indicate that the carrying amount may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 September at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)**2.21 Financial assets**

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition and, where allowed and appropriate, re-evaluate this designation at each financial year end.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in the profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in the profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)**2.21 Financial assets (cont'd.)****(c) Available-for-sale financial assets**

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the profit or loss as a reclassification adjustment when the financial asset is derecognised. Finance income calculated using the effective interest method is recognised in the profit or loss. Dividends on an available-for-sale equity instrument are recognised in the profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

(d) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- the recognition of an asset to be received and the liability to pay for it on the trade date; and
- derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)**2.21 Financial assets (cont'd.)**Derecognition (cont'd.)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.22 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)

2.22 Impairment of financial assets (cont'd.)

(b) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in the profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.23 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables, loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)**2.23 Financial liabilities (cont'd.)****(c) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.24 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in the profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

2.25 Interest-bearing borrowings and borrowing costs

Interest-bearing bank loans, Medium Term Notes ("MTN") and Commercial Papers ("CP") are recorded at the amount of proceeds received.

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining another qualifying asset. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of that borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)

2.26 Cash and cash equivalents

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand, short-term deposits and short-term highly liquid investments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks and short term deposits with a maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.27 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2.28 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared or when they are approved by shareholders in the annual general meeting.

2.29 Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented in the reserve for own shares.

When treasury shares are distributed as share dividends, the cost of treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

2.30 Trust for SGP

The Company has established a trust for its SGP and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's share from the open market for the purposes of this trust.

The shares purchased are measured and carried at the cost of purchase on initial recognition and subsequently. The SGP Trust is consolidated into Group's consolidated financial statements as a deduction from equity and classified as "Shares held by SGP Trust".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

2. Summary of significant accounting policies (cont'd.)**2.31 Current versus non-current classification**

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classified all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.32 Segment reporting

For management purposes, the Group's operating businesses are organised according to products and services, namely Food and Beverages Malaysia, Food and Beverages Thailand, Property and Others which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge.

2.33 Earnings per ordinary shares

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3. Significant accounting estimates and judgements

Estimates and assumptions concerning the future are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Judgements made in applying accounting policies

Management is of the opinion that the instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

3. Significant accounting estimates and judgements (cont'd.)**3.2 Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. Terminal value of approximately RM140,000,000 (2015: RM127,000,000), calculated based on the long term sustainable growth rate for the industry at 0% (2015: 1%) for goodwill and 1% (2015: 1%) for brand, which has been used to determine income for the future years.

(b) Depreciation of plant and machinery

Plant and machinery are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these plant and machinery to be within 3 to 15 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. A 10% difference in the average useful lives of these assets from management's estimates would result in approximately 4% (2015: 5%) variance in profit for the year.

(c) Valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The Group engaged an independent valuation specialist to assess fair value at the reporting date for investment properties. For certain investment property, an investment approach was used as there is a lack of comparable market data because of the nature of the properties. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 13.

(d) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a loan or receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and of the Company's loans and receivables at the reporting date are disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

3. Significant accounting estimates and judgements (cont'd.)**3.2 Key sources of estimation uncertainty (cont'd.)****(e) Income taxes**

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made. The carrying amounts of tax recoverable, tax payable and deferred tax at reporting date are disclosed in the statement of financial position.

(f) Provision for retirement benefits

The provision for retirement benefits are determined and assessed based on actuarial valuations using the Projected Unit Credit Method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about the assumptions used are disclosed in Note 28.

(g) Provision for potential claims

The Group determines whether a present obligation from potential claims that may exist at the reporting date by taking into account all available evidences. Management and external legal counsel have studied the potential claims and believe that adequate provision has been made to cover any material exposure arising from the potential claims as disclosed in Note 40.

(h) Share-based payments

Estimating fair value for share-based payment transaction requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The Group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in the profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a binomial model for ESOS and a Monte-Carlo valuation model for SGP. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 26.

(i) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 34 for further disclosures.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

4. Revenue

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sale of goods	4,166,386	4,105,585	-	-
Dividend income				
- from subsidiaries	-	-	107,285	210,912
- from an associate	-	-	3,422	13,998
Others	1,181	2,021	-	-
	4,167,567	4,107,606	110,707	224,910

5. Other income and other expenses

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) Other income				
Fair value gain on derivatives	260	5,713	-	-
Reversal of impairment loss on investment in a subsidiary	-	-	-	252
Change in fair value of investment properties (Note 13)	108	-	-	-
Realised foreign exchange gain	22,234	2,598	18,018	-
Unrealised foreign exchange gain	986	-	445	36,257
Insurance claim	3,771	-	-	-
Refund of withholding tax	8,376	730	-	-
Gain on disposal of plant and equipment	212	32	-	-
Sale of scrapped items	1,755	1,721	-	-
Rental income	370	1,445	-	-
Others	762	613	77	77
	38,834	12,852	18,540	36,586
(b) Other expenses				
Fair value loss on derivatives	5,791	1,305	-	-
Change in fair value of investment properties (Note 13)	-	6,321	-	-
Plant and equipment written off	1,190	1,685	-	-
Realised foreign exchange loss	2,684	154	-	1,392
Unrealised foreign exchange loss	1,323	2,271	33,117	2,176
Corporate service fees	2,220	1,865	-	-
Employee restructuring costs	3,492	-	-	-
Loss on disposal of plant and equipment	373	634	-	-
Others	3,659	970	95	-
	20,732	15,205	33,212	3,568

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

6. Finance income and finance costs

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) Finance income				
Bank deposits	10,070	8,027	2,740	819
Subsidiaries	-	-	2,848	4,935
Joint venture	5,721	5,362	5,721	5,592
	15,791	13,389	11,309	11,346
(b) Finance costs				
Bank borrowings	(14,223)	(15,922)	-	-
Security deposits by customers	(133)	(319)	-	-
	(14,356)	(16,241)	-	-

7. Profit before tax

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) This is arrived at after charging/(crediting):				
Amortisation of intangible assets (Note 18)	6,533	6,410	-	-
Auditors' remuneration				
- Statutory audits	638	718	80	80
- Other services	187	584	175	223
Bad debts recovered	(53)	(526)	-	-
Depreciation of property, plant and equipment (Note 12)	90,342	86,698	-	-
Impairment loss on plant and equipment (Note 12)	1,901	1,991	-	-
Impairment loss on trade receivables (Note 20)	758	1,493	-	-
Intangible assets written off	17	-	-	-
Inventories written down (Note 19)	6,683	6,624	-	-
Inventories written off (Note 19)	10,525	12,813	-	-
Loss on disposal of plant and equipment	161	602	-	-
Net fair value loss/(gain) on derivatives	5,531	(4,408)	-	-
Net unrealised foreign exchange loss/(gain)	337	2,271	32,672	(34,081)
Net realised foreign exchange (gain)/loss	(19,550)	(2,444)	(18,018)	1,392
Plant and equipment written off	1,190	1,685	-	-
Rental expense:				
- Premises	29,559	17,413	-	-
- Equipment	7,246	7,585	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

7. Profit before tax (cont'd.)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) This is arrived at after charging/(crediting) (cont'd.):				
Rental income:				
- Premises	(1,213)	(1,872)	-	-
Retirement benefits expense (Note 28)	3,107	4,039	-	-
Reversal of impairment loss on trade receivables (Note 20)	(649)	(465)	-	-
Reversal of impairment loss on plant and equipment (Note 12)	(518)	(2,185)	-	-
Reversal of impairment loss on investment in a subsidiary	-	-	-	(252)
Reversal of inventories written down (Note 19)	(3,908)	(907)	-	-
Royalties:				
- Holding company	4,614	3,912	-	-
- Related companies	52,455	50,892	-	-
- Third parties	73,827	73,251	-	-
Staff costs (excluding compensation of key management personnel)				
- Salary, allowances and bonus	226,781	211,874	-	-
- Contributions to defined contribution plan	26,280	23,622	-	-
- Share-based payment expense	9,100	9,754	-	-

(b) Directors' remuneration

The details of remuneration receivable by Directors of the Company during the year are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-Executive Directors				
- Fees	1,250	1,292	1,250	1,292

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

Remuneration (RM)	Non-Executive Directors	
	2016	2015
0 - 50,000	1	-
50,001 - 100,000	3	2
100,001 - 150,000	7	8
150,001 - 200,000	1	1

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

8. Income tax expense

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current income tax:				
- Malaysian income tax	42,284	41,458	5,951	1,037
- Foreign tax	2,314	1,098	-	-
- (Over)/underprovision in prior years				
- Malaysian income tax	(4,954)	-	59	-
- Foreign tax	(91)	(82)	-	-
	39,553	42,474	6,010	1,037
Deferred tax (Note 29):				
- Origination of temporary differences	19,028	12,349	-	-
- Overprovision in prior years	(1,014)	(1,658)	-	-
- Effect of reduction in tax rate	-	592	-	-
	18,014	11,283	-	-
	57,567	53,757	6,010	1,037
Deferred tax related to items recognised in other comprehensive income (Note 29):				
Net actuarial gains and losses	(833)	195	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

8. Income tax expense (cont'd.)

Reconciliations 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 and of the Company are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax	442,937	333,829	104,453	265,559
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	106,305	83,457	25,069	66,390
Different tax rates in other countries	(9,507)	(6,727)	-	-
Effect of changes in income tax rate on deferred tax	-	588	-	-
Income not subject to tax				
- tax incentives/exemption	(48,659)	(30,787)	(31,117)	(66,035)
Expenses not deductible for tax purposes	8,789	10,625	8,007	682
Deferred tax recognised at different tax rates	-	(694)	-	-
Utilisation of previously unrecognised tax losses, capital allowances and reinvestment allowances	(1)	(1,727)	-	-
Deferred tax assets not recognised	4,558	1,142	-	-
(Over)/underprovision in prior years				
- Income tax	(5,045)	(82)	59	-
- Deferred tax	(1,014)	(1,658)	-	-
Share of results of a joint venture	387	841	-	-
Share of results of an associate	(2,338)	(2,014)	-	-
Others	4,092	793	3,992	-
Total income tax expense	57,567	53,757	6,010	1,037
Effective income tax rate	13%	16%	6%	0%

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated taxable income for the year. Tax for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The computation of deferred tax as at 30 September 2016 has reflected these changes.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

8. Income tax expense (cont'd.)

Tax savings during the financial year arising from:

	Group	
	2016 RM'000	2015 RM'000
Utilisation of previously unrecognised tax losses	-	225
Utilisation of previously unabsorbed capital allowances	1	977
Utilisation of previously unabsorbed investment tax allowances	-	525
	1	1,727

Details of deferred tax asset not recognised are stated in Note 29 to the financial statements.

9. Earnings per share**(a) Basic earnings per share**

Basic earnings per share amounts are calculated by dividing the profit for the year, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2016 RM'000	2015 RM'000
Profit net of tax, attributable to equity holders of the Company	385,372	280,074

	No. of shares	
	2016 '000	2015 '000
Weighted average number of ordinary shares net of treasury shares	366,077	366,164
Basic earnings per share (sen)	105.3	76.5

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

9. Earnings per share (cont'd.)**(b) Diluted earnings per share**

Diluted earnings per share amounts are calculated by dividing the profit for the year, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for the dilutive effects of potential ordinary shares, i.e. share options granted pursuant to the ESOS and RSP vested pursuant to the SGP.

	Group	
	2016 RM'000	2015 RM'000
Profit net of tax, attributable to equity holders of the Company	385,372	280,074

There were no changes to the Group's profit, net of tax, arising from the dilutive effect of the share options granted pursuant to the ESOS and RSP vested pursuant to the SGP.

	No. of shares	
	2016 '000	2015 '000
Weighted average number of ordinary shares net of treasury shares	366,077	366,164
Adjustment for share options granted pursuant to the ESOS and RSP vested pursuant to the SGP	1,498	187
Adjusted weighted average number of ordinary shares net of treasury shares	367,575	366,351
Diluted earnings per share (sen)	104.8	76.4

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements except for those transactions disclosed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

10. Other comprehensive income

	2016			2015		
	Before tax RM'000	Tax benefit RM'000	Net of tax RM'000	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
Items that will not be reclassified to profit or loss in subsequent periods						
Remeasurement (losses)/gains on defined benefit plans	(2,347)	833	(1,514)	943	(195)	748
Items that are or may be reclassified to profit or loss in subsequent periods						
Exchange differences on translation of foreign operations	(8,912)	-	(8,912)	101,450	-	101,450
Exchange differences on settlement of a net investment	(33,117)	-	(33,117)	-	-	-
	(42,029)	-	(42,029)	101,450	-	101,450

11. Dividends

Dividends recognised by the Company:

	Date of payment	Sen per share	Total amount RM'000
2016			
Final 2015 ordinary	4 February 2016	35.5	130,122
Interim 2016 ordinary	15 June 2016	27.0	98,966
Total amount			229,088
2015			
Final 2014 ordinary	26 February 2015	33.0	120,801
Interim 2015 ordinary	12 June 2015	22.0	80,578
Total amount			201,379

At the forthcoming Annual General Meeting, the Directors are recommending for shareholders' approval, a final single tier dividend of 30.5 sen per share in respect of the current financial year ended 30 September 2016 (excluding treasury shares). The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 September 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

12. Property, plant and equipment

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Asset under construction RM'000	Others* RM'000	Total RM'000
Cost							
At 1 October 2014	93,196	53,471	482,729	733,095	16,416	324,494	1,703,401
Additions	-	-	459	1,060	40,822	29,939	72,280
Transfer to intangible assets (Note 18)	-	-	-	-	(1,870)	-	(1,870)
Disposals	-	-	-	(3,346)	-	(19,642)	(22,988)
Written off	-	-	-	(2,098)	-	(10,571)	(12,669)
Reclassification	-	-	946	20,317	(22,092)	829	-
Exchange differences	3,810	-	29,915	41,980	1,157	4,684	81,546
At 30 September 2015 and 1 October 2015	97,006	53,471	514,049	791,008	34,433	329,733	1,819,700
Additions	-	-	434	629	127,327	21,285	149,675
Transfer to intangible assets (Note 18)	-	-	-	-	(343)	-	(343)
Transfer from investment properties (Note 13)	-	-	1,585	-	-	-	1,585
Disposals	-	-	(34)	(4,989)	-	(15,028)	(20,051)
Written off	-	-	-	(716)	-	(9,721)	(10,437)
Reclassification	(1,390)	-	6,337	26,903	(34,045)	2,195	-
Exchange differences	(689)	-	(5,288)	(7,631)	493	(722)	(13,837)
At 30 September 2016	94,927	53,471	517,083	805,204	127,865	327,742	1,926,292
Accumulated depreciation and impairment loss							
At 1 October 2014	(2,216)	(10,727)	(68,140)	(396,307)	-	(197,092)	(674,482)
Depreciation for the year (Note 7(a))	-	(800)	(11,554)	(42,656)	-	(31,688)	(86,698)
Disposals	-	-	-	3,346	-	18,134	21,480
Written off	-	-	-	2,098	-	8,886	10,984
Impairment loss recognised in profit or loss (Note 7(a))	-	-	-	(735)	-	(1,256)	(1,991)
Impairment loss reversed in profit or loss (Note 7(a))	-	-	-	634	-	1,551	2,185
Exchange differences	-	-	(4,023)	(19,703)	-	(2,631)	(26,357)
At 30 September 2015 and 1 October 2015	(2,216)	(11,527)	(83,717)	(453,323)	-	(204,096)	(754,879)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

12. Property, plant and equipment (cont'd.)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Asset under construction RM'000	Others* RM'000	Total RM'000
Accumulated depreciation and impairment loss (cont'd.)							
At 30 September 2015 and 1 October 2015	(2,216)	(11,527)	(83,717)	(453,323)	-	(204,096)	(754,879)
Depreciation for the year (Note 7(a))	-	(800)	(11,139)	(46,194)	-	(32,209)	(90,342)
Disposals	-	-	7	4,933	-	14,409	19,349
Written off	-	-	-	661	-	8,586	9,247
Impairment loss recognised in profit or loss (Note 7(a))	-	-	(13)	(1,452)	-	(436)	(1,901)
Impairment loss reversed in profit or loss (Note 7(a))	-	-	-	448	-	70	518
Exchange differences	-	-	684	3,344	-	440	4,468
At 30 September 2016	(2,216)	(12,327)	(94,178)	(491,583)	-	(213,236)	(813,540)
Net carrying amount:							
At 1 October 2014	90,980	42,744	414,589	336,788	16,416	127,402	1,028,919
At 30 September 2015 / 1 October 2015	94,790	41,944	430,332	337,685	34,433	125,637	1,064,821
At 30 September 2016	92,711	41,144	422,905	313,621	127,865	114,506	1,112,752

* Comprises motor vehicles, postmix, coolers, vending machines, furniture, fittings and computer equipment.

Impairment/reversal of impairment loss of plant and equipment

An impairment loss of RM1,901,000 (2015: RM1,991,000), representing the write-down of plant and equipment to its recoverable amount and was recognised in "cost of sales" line item of the income statement for the financial year ended 30 September 2016. The reversal of the impairment loss of the plant and equipment of RM518,000 (2015: RM2,185,000) was made during the financial year as those plant and equipment were repaired and refurbished. The carrying amounts of the assets are increased to its recoverable amount of RM518,000 (2015: RM2,185,000).

Leasehold land

The carrying amounts of long leasehold land and short leasehold land as at 30 September 2016 are RM40,505,000 (2015: RM41,258,000) and RM639,000 (2015: RM686,000), respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

13. Investment properties

	Group	
	2016 RM'000	2015 RM'000
At fair value		
At 1 October	50,763	57,084
Change in fair value recognised in profit or loss		
- Unrealised (Note 5 (a))	108	(6,321)
Transfer to property, plant and equipment (Note 12)	(1,585)	-
At 30 September	49,286	50,763
Included in the above are:		
At fair value		
Buildings	49,286	50,763

The Group's investment properties comprise two commercial properties and a car park located at Kuala Lumpur which are at their highest and best use. Management determined that the investment properties consist of these two classes of assets based on the nature, characteristics and risks of each property.

The rental income and operating expenses in respect of investment properties are as below:

	Group	
	2016 RM'000	2015 RM'000
Rental income derived from investment properties	2,293	2,168
Direct operating expenses (including repairs and maintenance) generating rental income	(1,290)	(1,153)
Direct operating expenses (including repairs and maintenance) that did not generate rental income	(518)	(557)
Net profit arising from investment properties carried at fair value	485	458

As at 30 September 2016 and 2015, the fair values of the properties are based on valuations performed by an accredited independent valuer, Henry Butcher Malaysia Sdn Bhd and discounted cash flows method.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fair value information

Fair value of investment properties are categorised as follows:

	2016 Level 3 RM'000	2015 Level 3 RM'000
Buildings	49,286	50,763

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

13. Investment properties (cont'd.)

Description of valuation techniques used and key inputs:

Properties	Valuation technique	Significant unobservable inputs	Range and rate	
			2016	2015
Commercial properties	Investment approach	Estimated rental value per square feet per month (RM)		
		- 1 st to 5 th year	3.95 - 5.50	3.95 - 5.50
		- 6 th year onwards	3.95 - 5.50	3.95 - 5.50
		Capitalisation rate		
		- 1 st to 5 th year	7%	7%
		- 6 th year onwards	7.25%	7.25%
		Void factor		
		- 1 st to 5 th year	10%	10%
		- 6 th year onwards	5%	5%
		Capital expenditure reserve	3%	3%
	Discounted cash flows	Discount factor	8.10%	8.70%
Car park	Direct comparison approach	Value per car park per bay	RM30,000	RM30,000

Increase/(decrease) in estimated rental value would result in higher/(lower) fair value of the investment properties. Increases/(decreases) in the capitalisation rate, void factor, capital expenditure reserve and discount factor would result in lower/(higher) fair value.

14. Properties held for development

	Group	
	2016 RM'000	2015 RM'000
At cost		
At 1 October	55,291	54,654
Cost incurred during the year	26	637
At 30 September	55,317	55,291
Properties held for development comprise:		
- Freehold land	49,783	49,783
- Development costs	5,534	5,508
	55,317	55,291

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

15. Investments in subsidiaries

	Company	
	2016 RM'000	2015 RM'000
At cost		
Unquoted shares:		
- Ordinary shares	373,201	372,776
- Redeemable non-cumulative convertible preference shares ("RNCCPS")	565,404	565,404
	938,605	938,180
Less: Impairment loss	(6,918)	(6,918)
	931,687	931,262

The details of the subsidiaries are set out in Note 38.

During the year, the following events took place:

- A wholly owned subsidiary of the Company, F&N Capital Sdn Bhd had increased its issued and paid up capital from RM2 to RM500,000 by issuing 499,998 ordinary shares of RM1 each.
- A wholly owned subsidiary of the Company, Four Eights Sdn Bhd had held a final meeting on 19 September 2016 pursuant to its members' voluntary winding up. Four Eights Sdn Bhd shall be dissolved in accordance with Section 272(5) of the Companies Act, 1965 on 19 December 2016. Correspondingly, the issued and paid up capital of RM74,810 had been written off.

The Company subscribed for the entire RNCCPS in the following subsidiaries:

Subsidiaries	Issue price RM	Number of shares	2016 RM'000	2015 RM'000
Lion Share Management Limited	3,505	21,000	73,604	73,604
Utas Mutiara Sdn Bhd	1,000	17,700	17,700	17,700
Greenclipper Corporation Sdn Bhd	1,000	7,000	7,000	7,000
F&N Properties Sdn Bhd	1,000	57,000	57,000	57,000
Nuvak Company Sdn Bhd	1,000	28,100	28,100	28,100
F&N Dairies Manufacturing Sdn Bhd	1,000	382,000	382,000	382,000
		512,800	565,404	565,404

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

16. Investment in a joint venture

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost				
Unquoted shares	500	500	500	500
Share of post-acquisition reserves	(6,758)	(5,144)	-	-
	(6,258)	(4,644)	500	500
Shareholder's loan	124,820	124,820	124,820	124,820
Interest on shareholder's loan	21,033	15,312	21,033	15,312
	139,595	135,488	146,353	140,632
Less: Unrealised profit	(55,292)	(55,292)	-	-
	84,303	80,196	146,353	140,632

The joint venture is incorporated in Malaysia and the details are as follows:

Name of joint venture	Principal activity / Nature of relationship	Effective ownership interest and voting interest	
		2016 %	2015 %
Vacaron Company Sdn Bhd ("VCSB") (Financial year end: 30 September)	Property development / Strategic to the property development activities of the Group	50.00	50.00

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

	Group	
	2016 RM'000	2015 RM'000
Assets and liabilities:		
Current assets	278,341	270,400
Non-current assets	2,306	3,195
Current liabilities	(293,181)	(282,902)
Net liabilities	(12,534)	(9,307)
Cash and cash equivalents	309	6,318
Income and expenses:		
Revenue	-	-
Loss for the year	(3,227)	(6,724)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

16. Investment in a joint venture (cont'd.)

	Group	
	2016 RM'000	2015 RM'000
Reconciliation of net liabilities to carrying amount as at 30 September		
Group's share of net liabilities	(6,267)	(4,653)
Goodwill	9	9
Shareholder's loan	124,820	124,820
Interest on shareholder's loan	21,033	15,312
Elimination of unrealised profit	(55,292)	(55,292)
Carrying amount in the statement of financial position	84,303	80,196
Group's share of loss for the year	(1,614)	(3,362)

The joint venture had no other contingent liabilities or capital commitments as at 30 September 2016 and 2015. VCSB cannot distribute its profits without the consent from the two venture partners.

Shareholder's loan

On 11 November 2011, the Company entered into a conditional subscription cum shareholders' agreement ("SSA") with FCL Centrepont Pte Ltd ("FCLC") to form a joint venture, via VCSB for the purpose of carrying out a proposed mixed development on the land held under PN 3679 for Lot No. 35 and PN 3681 for Lot No. 37, Seksyen 13, Bandar Petaling Jaya ("PJ"), Daerah Petaling, Selangor ("Land").

The Company and FCLC have both granted shareholder's loans to VCSB in the financial year pursuant to the SSA. The loans are unsecured, bears interest at KLIBOR + 1.25% (2015: KLIBOR + 1.25%) per annum, not repayable within the next 12 months and is denominated in RM.

Unrealised profit

On 18 January 2012, VCSB issued new ordinary shares of 499,998 and 500,000 to the Company and FCLC respectively. Consequent thereupon, the Company and FCLC each holds 50% equity interest in VCSB. With the announcement of the completion of the transaction in the financial year ended 30 September 2012, the Company had effectively divested 50% of its interest in the development land in PJ Section 13 and recognised a gain of approximately RM55,292,000. The remaining 50% unrealised profit RM55,292,000 will be realised upon the disposal of the land by the joint venture or the date on which the Group ceases to have joint control over the joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

17. Investment in an associate

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost				
Quoted shares	68,727	68,727	68,727	68,727
Share of post-acquisition reserves	36,326	26,584	-	-
Dividend received	(26,323)	(22,901)	-	-
	78,730	72,410	68,727	68,727
Fair value of investment in an associate for which there is published price quotation	120,690	114,314	120,690	114,314

The associate is incorporated in Malaysia and the details are as follows:

Name of associate	Principal activity / Nature of relationship	Effective ownership interest and voting interest	
		2016 %	2015 %
Cocoaland Holdings Berhad (Financial year end: 31 December)	Investment holding company, manufacturing, trading, marketing of processed and preserved foods and fruits of all kinds / Strategic supplier of the Group	27.19	27.19

The share of results of an associate is derived from the sum total of its unaudited quarterly results recognised by the Group for the four quarters ended 30 June 2016. It is impracticable to use the financial results of the associate at the same reporting date of the Group because the associate is a public listed company and its financial results has not been announced to the public. The Group has assessed and determined that the financial adjustment and the disclosure required for effects of significant transactions or events that occur between 30 June 2016 and 30 September 2016 is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

17. Investment in an associate (cont'd.)

The summarised financial information of the associate is as follows:

	Group	
	2016 RM'000	2015 RM'000
Assets and liabilities:		
Current assets	146,411	114,126
Non-current assets	126,235	134,920
Current liabilities	(40,360)	(40,617)
Non-current liabilities	(9,513)	(8,900)
	222,773	199,529
Proportion of Group's ownership:		
Net assets	60,572	54,252
Goodwill on acquisition	18,158	18,158
Carrying amount of investment	78,730	72,410
Income and expenses:		
Revenue	262,126	265,842
Profit for the year	35,833	29,626
Group's share of profit for the year	9,742	8,055
Capital commitments:		
Share of associate's capital commitments incurred jointly with other investors:		
- Amounts approved and contracted for purchase of property, plant and equipment	488	164
Contingencies:		
Share of associate's contingent liabilities incurred jointly with other investors:		
- Corporate guarantees issued to third parties	1,508	818

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

18. Intangible assets

	Goodwill RM'000	Brand RM'000	Computer software RM'000	Total RM'000
Group				
Cost:				
At 1 October 2014	45,929	75,370	44,221	165,520
Additions	-	-	258	258
Transfer from property, plant and equipment (Note 12)	-	-	1,870	1,870
Written off	-	-	(314)	(314)
At 30 September 2015 / 1 October 2015	45,929	75,370	46,035	167,334
Additions	-	-	163	163
Transfer from property, plant and equipment (Note 12)	-	-	343	343
Written off	-	-	(525)	(525)
At 30 September 2016	45,929	75,370	46,016	167,315
Accumulated amortisation and impairment loss:				
At 1 October 2014				
Accumulated amortisation	-	-	(24,691)	(24,691)
Accumulated impairment loss	(5,392)	-	-	(5,392)
	(5,392)	-	(24,691)	(30,083)
Amortisation for the year (Note 7(a))	-	-	(6,410)	(6,410)
Written off	-	-	314	314
At 30 September 2015 / 1 October 2015				
Accumulated amortisation	-	-	(30,787)	(30,787)
Accumulated impairment loss	(5,392)	-	-	(5,392)
	(5,392)	-	(30,787)	(36,179)
Amortisation for the year (Note 7(a))	-	-	(6,533)	(6,533)
Written off	-	-	508	508
At 30 September 2016				
Accumulated amortisation	-	-	(36,812)	(36,812)
Accumulated impairment loss	(5,392)	-	-	(5,392)
	(5,392)	-	(36,812)	(42,204)
Net carrying amount:				
At 1 October 2014	40,537	75,370	19,530	135,437
At 30 September 2015 / 1 October 2015	40,537	75,370	15,248	131,155
At 30 September 2016	40,537	75,370	9,204	125,111

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

18. Intangible assets (cont'd.)**(a) Allocation of goodwill, brand and computer software**

Goodwill, brand and computer software have been allocated to the Group's cash generating units identified according to country of operation and business segment as follows:

	Goodwill RM'000	Brand RM'000	Computer Software RM'000	Total RM'000
At 30 September 2016				
Dairy products				
Malaysia	-	75,370	1,177	76,547
Thailand	999	-	-	999
Soft drinks	39,538	-	2,429	41,967
Property/Others	-	-	5,598	5,598
	40,537	75,370	9,204	125,111
At 30 September 2015				
Dairy products				
Malaysia	-	75,370	3,032	78,402
Thailand	999	-	-	999
Soft drinks	39,538	-	3,464	43,002
Property/Others	-	-	8,752	8,752
	40,537	75,370	15,248	131,155

(b) Key assumptions used in value in use calculations**(i) Goodwill**

No impairment loss is required for the goodwill assessed in the current financial year as their recoverable values are in excess of their carrying values.

Goodwill is allocated for impairment testing purposes to the individual entity which is also the cash generating unit. The value in use calculations apply a discounted cash flow model using cash flow projections based on financial budgets approved by management covering 3 years period.

The discount rates applied to the cash flow projections are derived from the cost of capital plus a reasonable risk premium at the date of assessment of the respective cash generating units.

The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the cash generating units.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

18. Intangible assets (cont'd.)**(b) Key assumptions used in value in use calculations (cont'd.)****(i) Goodwill (cont'd.)**

Cash flows beyond these periods are extrapolated using the estimated growth rate stated in the table below.

Significant assumptions

	Terminal growth rate	Growth rate	Pre-tax discount rate
At 30 September 2016			
Dairy products	0.0%	6.2%	10.5%
Soft drinks	0.0%	11.2%	10.5%
At 30 September 2015			
Dairy products	1.0%	6.6%	10.2%
Soft drinks	0.0%	11.6%	10.2%

(ii) Brand

The recoverable amount of brand have been determined based on value in use. No impairment loss is required for the brand as its recoverable value is in excess of its carrying value.

Value in use is determined by discounting the future cash flows generated from the continuing use of the brand and is based on the following key assumptions:

- Cash flows are projected based on actual operating results and the 3 years business plan; and
- The discount rates applied to the cash flow projections are derived from the cost of capital of the Group plus a reasonable risk premium.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

18. Intangible assets (cont'd.)**(b) Key assumptions used in value in use calculations (cont'd.)****(ii) Brand (cont'd.)**Significant assumptions

	Terminal growth rate	Growth rate	Pre-tax discount rate
At 30 September 2016	1.0%	6.0%	10.5%
At 30 September 2015	1.0%	4.0%	10.2%

The key assumptions represent management's assessment of future trends in sweetened condensed milk industry and are based on both external sources and internal sources (historical data).

(c) Sensitivity to changes in assumptions

With regard to the assessment of value in use of these cash generating units, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying values of these cash generating units to differ materially from their recoverable amounts except for the changes in the prevailing operating environment, the impact of which is not ascertainable.

19. Inventories

	Group	
	2016 RM'000	2015 RM'000
Manufactured inventories	222,346	196,997
Raw materials	253,807	305,165
Packaging materials	26,115	26,412
Engineering and other inventories	15,061	14,201
Total inventories at the lower of cost and net realisable value	517,329	542,775
Recognised in profit or loss:		
Inventories recognised as cost of sales	2,365,966	2,491,720
Inventories written off	10,525	12,813
Inventories written down	6,683	6,624
Reversal of inventories written down	(3,908)	(907)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

20. Receivables

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) Current				
Trade receivables	404,988	431,769	-	-
Impairment loss	(643)	(1,515)	-	-
	404,345	430,254	-	-
Other receivables				
- Prepayments	3,194	3,665	-	-
- Deposits	5,338	14,443	-	-
- Staff loans	8,650	8,645	-	-
- Sales tax refund receivable	6,265	6,265	-	-
- Marketing subsidies receivable	3,719	5,937	-	-
- Sundry debtors	17,578	9,353	-	-
- Other tax recoverable	10,338	8,619	-	-
- Interest	1,036	264	-	-
- Other receivables	3,404	5,807	447	91
	59,522	62,998	447	91
Amounts due from related parties (Note 32(c))				
- Subsidiaries ⁽ⁱ⁾	-	-	66,075	24,718
- Related companies ⁽ⁱⁱ⁾	69,107	40,187	-	-
- Joint venture ⁽ⁱⁱ⁾	105	74	-	-
- Associate ⁽ⁱⁱ⁾	-	10,502	-	10,502
- Other related party ⁽ⁱⁱⁱ⁾	9,870	13,877	-	-
	79,082	64,640	66,075	35,220
	542,949	557,892	66,522	35,311
(b) Non-current				
Amount due from a subsidiary (Note 32(c)) ^(iv) :				
Principal	-	-	-	173,411
Accreted interest	-	-	-	27,429
	-	-	-	200,840
Total receivables	542,949	557,892	66,522	236,151

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

20. Receivables (cont'd.)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
The currency profile is as follows:				
- Ringgit Malaysia	341,962	360,092	66,522	35,311
- US Dollar	37,000	28,017	-	-
- Singapore Dollar	9,968	4,184	-	-
- Thai Baht	150,703	163,867	-	200,840
- Others	3,316	1,732	-	-
	542,949	557,892	66,522	236,151

- (i) These amounts due from subsidiaries are unsecured, receivable on demand and interest free.
- (ii) The amounts due from related companies, a joint venture and an associate are unsecured, interest free and are receivable on demand. Related companies refer to the subsidiaries or associates of TCC Assets Limited, Thai Beverage Public Company Limited and Berli Jucker Public Company Limited.
- (iii) The amount due from other related party is unsecured, interest free and is receivable on demand. Other related party refers to the subsidiaries or associates of Permodalan Nasional Berhad ("PNB"). PNB is a substantial shareholder of the Company.
- (iv) In 2015, the long term amount due from a subsidiary was on a zero coupon bond arrangement. The tenure of the bond was 7 years commencing 1 October 2009 and was repayable by way of a bullet repayment at the end of the tenure of the bond. The redemption value was Thai Baht 1,632,702,000, equivalent to RM186,945,000 and the effective interest rate of the bond was 2.88% per annum.
- (v) The Group has no significant concentration of credit risk that may arise from exposures to a single receivable or to groups of receivables except for the debts due from related companies and its joint ventures. The Group's normal trade credit terms for trade receivables are 30 to 90 days (2015: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

20. Receivables (cont'd.)

Ageing analysis of trade receivables

	Group	
	2016 RM'000	2015 RM'000
Neither past due nor impaired	346,506	368,650
Ageing of trade receivables that are past due but not impaired:		
1 to 30 days	46,087	53,980
31 to 60 days	5,539	6,055
61 to 90 days	1,915	970
91 to 120 days	764	352
More than 120 days	3,534	247
	57,839	61,604
Impaired	643	1,515
	404,988	431,769

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM57,839,000 (2015: RM61,604,000) that are past due at the reporting date but not impaired. Certain receivables that are past due but not impaired are secured by bank guarantees and properties. The management is confident that these receivables are recoverable as these accounts are still active.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2016 RM'000	2015 RM'000
At 1 October	1,515	5,379
Charge for the year (Note 7(a))	758	1,493
Written off	(981)	(4,898)
Reversal of impairment loss (Note 7(a))	(649)	(465)
Exchange differences	-	6
At 30 September	643	1,515

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

21. Derivative financial assets/liabilities

	2016			2015		
	Nominal value RM'000	Assets RM'000	Liabilities RM'000	Nominal value RM'000	Assets RM'000	Liabilities RM'000
Group						
Derivatives designated upon initial recognition						
- Forward exchange contracts	25,798	260	(90)	67,527	5,713	-

Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currencies of Group entities. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

22. Cash and short term deposits

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances:				
Local licensed banks	136,374	145,106	5,037	2,262
Foreign licensed banks	150,434	107,707	-	-
	286,808	252,813	5,037	2,262
Short term deposits:				
Local licensed banks	180,858	99,474	67,000	38,000
Foreign licensed banks	125,888	59,922	-	-
	306,746	159,396	67,000	38,000
Cash and short term deposits	593,554	412,209	72,037	40,262
The currency profile is as follows:				
- Ringgit Malaysia	317,141	244,580	72,037	40,262
- US Dollar	53,631	17,376	-	-
- Singapore Dollar	6,937	10,552	-	-
- Thai Baht	212,919	135,254	-	-
- Others	2,926	4,447	-	-
	593,554	412,209	72,037	40,262

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

22. Cash and short term deposits (cont'd.)

The weighted average effective interest rates and the average maturities of deposits as at the end of the reporting period were as follows:

	Weighted average interest rates		Average maturities	
	2016 %	2015 %	2016 Days	2015 Days
Group				
Local licensed banks	2.8	2.8	5	10
Foreign licensed banks	1.3	1.3	3	13
Company				
Local licensed banks	3.0	3.2	1	1

For the purpose of statements of cash flows, cash and cash equivalents comprise the following as at the reporting date:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	286,808	252,813	5,037	2,262
Short term deposits	306,746	159,396	67,000	38,000
	593,554	412,209	72,037	40,262
Deposits with licensed banks with maturity of over 3 months	-	(3,066)	-	-
Cash and cash equivalents	593,554	409,143	72,037	40,262

23. Share capital

	Group and Company			
	2016		2015	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Authorised:				
Ordinary shares of RM1.00 each	500,000	500,000	500,000	500,000
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 October	366,647	366,647	366,028	366,028
Shares exercised under ESOS	132	132	619	619
At 30 September	366,779	366,779	366,647	366,647

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

23. Share capital (cont'd.)

As at 30 September 2016, the issued and paid up capital comprises 366,778,501 (2015: 366,646,801) ordinary shares of RM1.00 each, of which 237,100 (2015: 237,100) ordinary shares are held as treasury shares.

During the financial year, the Company has issued 131,700 ordinary shares of RM1.00 each pursuant to the exercise of share options under the ESOS at the exercise price of RM14.52 each.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

24. Treasury shares

	Group and Company			
	2016		2015	
	Number of shares '000	RM'000	Number of shares '000	RM'000
At 1 October / At 30 September	237	1,716	237	1,716

The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. There were no shares repurchased during the financial year and in the previous financial year.

25. Shares held by SGP Trust

	Group and Company			
	2016		2015	
	Number of shares '000	RM'000	Number of shares '000	RM'000
At 1 October	431	7,733	-	-
Acquired during the year	581	12,072	673	11,933
Reissued pursuant to SGP	(432)	(7,745)	(242)	(4,200)
At 30 September	580	12,060	431	7,733

The Company established a trust ("SGP Trust") for its eligible executives pursuant to the SGP.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

25. Shares held by SGP Trust (cont'd.)

The SGP Trust is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase shares in the Company from the open market for the purposes of this trust. The shares purchased for the benefit of SGP holders are recorded as "Shares held by SGP Trust" in the Group's and the Company's financial position as a deduction in arriving at the shareholders' equity.

Details of the shares acquired during the financial year are as follows:

	Share price (RM)			Number of shares	Total consideration (RM)
	Lowest	Highest	Average		
At 30 September 2016	18.08	26.18	20.76	581	12,072
At 30 September 2015	15.92	18.37	17.74	673	11,933

26. Reserves

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-distributable:				
Share premium ^(a)	449,991	447,904	449,991	447,904
Legal reserve ^(b)	9,934	9,934	-	-
Foreign exchange reserve	55,734	97,763	-	-
Share-based payment reserve ^{(c) & (d)}	15,416	13,285	15,416	13,285
Loss on purchase of shares for SGP ^(e)	(797)	(190)	(797)	(190)
	530,278	568,696	464,610	460,999
Distributable:				
Retained earnings	1,105,679	950,909	459,388	590,033
Total reserves	1,635,957	1,519,605	923,998	1,051,032

(a) The movements of share premium during the financial year are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 October	447,904	438,206	447,904	438,206
Arising from issuance of new ordinary shares pursuant to ESOS	2,087	9,698	2,087	9,698
At 30 September	449,991	447,904	449,991	447,904

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

26. Reserves (cont'd.)

- (b) Non-distributable legal reserve amounting to RM9,934,000 relates to a subsidiary in Thailand. Under the provision of Thailand Civil and Commercial Code, the subsidiary is required to set aside at least 5% of its net income after accumulated deficit (if any) as a legal reserve until the reserve is not less than 10% of the registered share capital. This reserve is non-distributable as dividends.
- (c) Details of the options granted to executives pursuant to the ESOS are as follows:

The main features of the Company's ESOS are outlined below:

- The maximum number of new ordinary shares of RM1.00 each in the Company which may be issued upon the exercise of the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time throughout the duration of the ESOS.
- Eligible full-time executives of the Group and Executive Directors of the Company with at least one year service shall be eligible to participate in the ESOS.
- The allotment to an Eligible Executive shall not exceed the maximum limits for any specific job grade in any one financial year and 1,000,000 new shares of the Company during the tenure of the ESOS, subject to the limits below:
 - (i) not more than 50% of the new shares of the Company available under the ESOS shall be allocated, in aggregate, to the Directors and senior management of the Group; and
 - (ii) not more than 10% of the new shares of the Company available under the ESOS shall be allocated to any individual Eligible Executive who, either singly or collectively through persons connected to that Eligible Executive, holds 20% or more of the issued and paid-up share capital of the Company.

The option price shall be the five-day weighted average market price of the Company's shares as quoted on the main market of Bursa Securities immediately preceding the date of the offer, or the par value of the shares of the Company, whichever is the higher.

The ESOS shall be in force for a period of 10 years from the effective date (14 March 2007) for the implementation of the ESOS.

In respect of the ESOS By-Law 13.1(c), the special interim single tier dividend of RM1.10 per share which represents the entire gain from the divestment of the glass container business, amounts to a capital distribution and requires adjustments to be made to the option price of ESOS. Accordingly, the ESOS option prices were adjusted effective 13 December 2010.

The following tables illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

Offer date	Balance as at 1.10.2015	Options exercised	Balance as at 30.9.2016
Option 2011			
22.11.2010	131,700	(131,700)	-
WAEP (RM)	14.52	14.52	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

26. Reserves (cont'd.)

- (c) Details of the options granted to executives pursuant to the ESOS are as follows (cont'd.):

The fair value of share options granted as at the date of grant, was determined using the Binomial valuation model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used were as follows:

	Option 2011
Dividend yield (%)	3.76
Expected volatility (%)	22.70
Risk-free interest rate (%)	3.53
Expected life of option (years)	4.90
Share price at date of grant (RM)	14.62
Exercise share price (RM)	14.52

The expected life of the option was based on historical date and was not necessarily indicative of exercise pattern that may occur. The expected volatility reflected the assumptions that the historical volatility was indicative of future trends which may also not necessarily be the actual outcome.

- (d) Share grants under RSP and PSP

Under the RSP and PSP, the Company grants shares to eligible participants annually, referred to herein as "RSP Shares" and "PSP Shares", respectively. The grant ("Base Award") represents the right to receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance conditions are met. The Remuneration Committee that administers this scheme has absolute discretion in the granting of shares under the RSP and PSP. The RSP Base Award is conditional on the achievement of pre-determined targets set for a two-year performance period and the PSP Base Award is conditional on the achievement of pre-determined targets set for a three-year performance period. The final number of RSP Shares and PSP Shares to be awarded will be determined at the end of the relevant performance period ("Final Award").

RSP

The RSP is a share-based incentive plan for eligible participants, which was approved by shareholders at an Extraordinary General meeting held on 13 January 2012.

Information regarding the RSP:

- (i) Depending on the achievement of pre-determined targets set for a two-year performance period for the RSP, the final number of restricted shares awarded could range between 0% to 150% of the initial grant of the restricted shares.
- (ii) Based on meeting stated performance conditions over a two-year performance period, 50% of the RSP awards will vest. The balance will vest equally over the subsequent two years with fulfillment of service requirements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

26. Reserves (cont'd.)

(d) Share grants under RSP and PSP (cont'd.)

The following table illustrates the number and movements in RSP grants:

	Offer date	No. of options				Balance as at 30.9.2016	Vesting period
		Balance as at 1.10.2015/ grant date	Adjustment for achievement factor	Shares vested	Shares lapsed		
RSP 2012	15.3.2012	43,225	-	(43,225)	-	-	31.12.2013 - 31.12.2015
RSP 2013	7.2.2013	170,750	-	(85,800)	(675)	84,275	31.12.2014 - 31.12.2016
RSP 2014	12.8.2014	574,200	31,000	(302,600)	(2,900)	299,700	31.12.2015 - 31.12.2017
RSP 2015	15.1.2015	546,700	-	-	(29,100)	517,600	31.12.2016 - 31.12.2018
RSP 2016	5.1.2016	596,500	-	-	-	596,500	31.12.2017 - 31.12.2019
		1,931,375	31,000	(431,625)	(32,675)	1,498,075	

No awards were granted to Directors of the Company.

The estimated fair value of shares granted during the year ranges from RM15.36 to RM16.80. The fair value of equity-settled contingent award of shares are determined using Monte Carlo Valuation Model, which involves projection of future outcomes using statistical distributions of key random variables including share price and volatility of returns. The inputs to the model used are as follows:

	RSP			
	2016	2015	2014	2013
Dividend yield (%)	3.62	4.02	3.93	3.66
Expected volatility (%)	8.36	19.23	12.22	20.94
Risk-free interest rate (%)	2.98 - 3.52	2.94 - 3.26	3.18 - 3.49	3.03 - 3.20
Expected life of option (years)	1.99 - 3.99	1.80 - 3.80	1.39 - 3.39	1.90 - 3.90
Share price at date of grant (RM)	18.50	18.06	17.68	18.00

PSP

The PSP is a share-based incentive plan for eligible participants, which was approved by shareholders at an Extraordinary General meeting held on 13 January 2012.

Information regarding the PSP:

- (i) Depending on the achievement of pre-determined targets set for a three-year performance period for the PSP, the final number of restricted shares awarded could range between 0% to 200% of the initial grant of the restricted shares.
- (ii) PSP awards will vest based on meeting stated performance conditions over a three-year performance period.

As at 30 September 2016, no shares were granted under the PSP.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

26. Reserves (cont'd.)

- (e) Loss on purchase of shares for SGP

Upon vesting of share awards, there will be a difference between total purchase price paid by SGP Trust (Note 25) 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".

27. Borrowings

	Group	
	2016 RM'000	2015 RM'000
Current		
Unsecured:		
Term loan of Thai Baht 1,000,000,000	29,885	-
Non-current		
Unsecured:		
CP/MTN of RM1,500,000,000	300,000	300,000
Term loan of Thai Baht 1,000,000,000	74,712	-
	374,712	300,000
Total borrowings	404,597	300,000

CP/MTN - RM1,500,000,000

A wholly owned 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 Programme has tenure of seven (7) years from the first issue date of the CP under the CP Programme whilst the MTN Programme has tenure of fifteen (15) years from the first issue date of the MTN under the MTN Programme.

The Issuer had on 26 September 2013 and 7 October 2013, successfully issued RM150,000,000 each in nominal value of MTN pursuant to the MTN Programme for the purposes of refinancing the Group's existing private debt securities.

These MTN have tenure of five (5) years and will mature on 26 September 2018 and 5 October 2018 respectively. They bear interest at rates of 4.38% and 4.24% per annum respectively and payable semi-annually in arrears.

As at 30 September 2016, the unutilised CP/MTN facility available for use amounted to RM1,200,000,000 (2015: RM1,200,000,000).

Term loan of Thai Baht 1,000,000,000

On 1 December 2015, a wholly owned subsidiary of the Company, F&N Dairies (Thailand) Ltd., was granted a term loan facility of Thai 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

28. Provision for retirement benefits

	Group	
	2016	2015
	RM'000	RM'000
Movements in the net benefit liability were as follows:		
At 1 October	37,937	36,353
Recognised in profit or loss (Note 7(a)):		
Current service cost	1,360	2,314
Interest cost	1,747	1,725
	3,107	4,039
Recognised in other comprehensive income (Note 10):		
Remeasurement loss/(gain)		
- Actuarial loss/(gain) arising from:		
- demographic assumptions	(212)	-
- financial assumptions	1,963	-
- experience adjustments	596	(943)
	2,347	(943)
Others:		
Benefits paid	(1,288)	(2,566)
Exchange differences	(166)	1,054
	(1,454)	(1,512)
At 30 September	41,937	37,937
	Group	
	2016	2015
Principal actuarial assumptions used:		
Discount rate (%)	2.50 - 5.20	3.90 - 5.50
Rate of increase in salaries (%)	4.00 - 7.00	4.00 - 7.00
Mortality rate (%)	0.03 - 0.67	0.03 - 0.67
Disability rate (%)	0.00 - 0.07	0.00 - 0.07
Retirement age (years)		
- Malaysia	60	60
- Thailand	60	60

Certain subsidiaries of the Group operate unfunded defined benefit plan for its employees. The plan pays a lump sum amount (instead of a pension) at retirement. The schemes do not hold any physical assets but instead the Group makes provision to cover the estimated retirement benefits liabilities.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk and interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

28. Provision for retirement benefits (cont'd.)

A quantitative sensitivity analysis for significant assumptions as at 30 September 2016 is as shown below:

	Discount rate		Rate of increase in salaries	
	1% increase RM'000	1% decrease RM'000	1% increase RM'000	1% decrease RM'000
Group				
Impact on defined benefit obligation (income)/expense	(4,251)	4,939	4,714	(4,143)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation on profit after tax as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The average duration of the defined benefit plan obligation at the end of the reporting period is 11 years (2015: 10 years).

Based on the latest available actuarial valuation carried out in 2016, the provision for retirement benefits is considered sufficient to meet the actuarially determined value of vested benefits.

29. Deferred tax

	Group	
	2016 RM'000	2015 RM'000
At 1 October	(16,648)	(27,722)
Recognised in profit or loss (Note 8):		
- property, plant and equipment	2,614	3,607
- investment properties	13	(2,299)
- tax losses and unabsorbed capital allowances	701	(416)
- tax incentive	14,914	11,679
- retirement benefit plans	1,884	(166)
- provisions and others	(2,112)	(1,122)
	18,014	11,283
Recognised in other comprehensive income (Note 8):		
- retirement benefit plans	(833)	195
Exchange differences	71	(404)
At 30 September	604	(16,648)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

29. Deferred tax (cont'd.)

Deferred tax is provided on temporary differences between the tax bases and carrying amounts of assets and liabilities at the reporting date. The movements of deferred tax assets and liabilities during the financial year are as follows:

	Group	
	2016 RM'000	2015 RM'000
Deferred tax assets:		
At 1 October	(49,330)	(58,693)
Recognised in profit or loss	17,738	9,765
Recognised in other comprehensive income	(513)	2
Exchange differences	71	(404)
At 30 September	(32,034)	(49,330)
Deferred tax liabilities:		
At 1 October	32,682	30,971
Recognised in profit or loss	276	1,518
Recognised in other comprehensive income	(320)	193
At 30 September	32,638	32,682

The components of deferred tax assets and liabilities prior to offsetting are as follows:

Deferred tax assets		
- Tax losses and unabsorbed capital allowances	(290)	(991)
- Tax incentives	(57,129)	(72,043)
- Retirement benefit plans	(4,780)	(5,831)
- Provisions and others	(4,855)	(2,814)
	(67,054)	(81,679)
Deferred tax liabilities		
- Property, plant and equipment	66,374	63,760
- Investment properties	1,284	1,271
	67,658	65,031
Net deferred tax assets	604	(16,648)

The following deferred tax assets have not been recognised as they may not be used to offset taxable profits elsewhere in the Group:

Unutilised tax losses	43,396	20,607
Unabsorbed capital allowances	6,220	6,230
	49,616	26,837
Deferred tax benefit at 24% (2015: 24%), if recognised	11,908	6,441

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

29. Deferred tax (cont'd.)

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off and levied by the same tax authority.

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

30. Payables and provisions

(a) Payables

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Trade payables	271,165	313,196	-	-
Other payables				
- Accrued expenses	213,419	227,378	501	567
- Deposits ⁽ⁱ⁾	14,991	15,086	-	-
- Sales tax	9	100	-	-
- Staff costs	63,733	64,271	-	-
- Distributors' incentive	10,949	13,586	-	-
- Sundry creditors	35,678	33,648	-	-
- Tactical discount provision	10,351	3,500	-	-
- Interest	4,284	3,538	-	-
- Rebates	6,071	3,181	-	-
- Advance from customers	2,561	1,765	-	-
- Provision	10,073	3,345	-	-
- Other payables	7,484	9,704	-	-
	379,603	379,102	501	567
Amount due to related parties (Note 32(c))				
- Subsidiaries	-	-	-	188
- Related companies ⁽ⁱⁱ⁾	55,443	52,324	30	17
- Associate ⁽ⁱⁱⁱ⁾	393	1,159	-	-
- Other related party ⁽ⁱⁱⁱ⁾	16,836	9,073	-	-
	72,672	62,556	30	205
Total payables	723,440	754,854	531	772

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

30. Payables and provisions (cont'd.)**(a) Payables (cont'd.)**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current (cont'd.)				
The currency profile is as follows:				
- Ringgit Malaysia	446,877	478,768	501	755
- US Dollar	13,278	23,478	-	-
- Singapore Dollar	6,024	4,816	30	17
- Thai Baht	251,852	243,085	-	-
- Others	5,409	4,707	-	-
	723,440	754,854	531	772

- (i) Included in deposits are deposits received from dealers which bear interest at rate of 3.00% (2015: 3.25%) per annum.
- (ii) The amounts due to related companies and an associate are unsecured, repayable on demand and interest free. The normal trade credit terms granted to the Group for trade payables are 30 to 90 days (2015: 30 to 90 days). Related companies refer to the subsidiaries or associates of TCC Assets Limited, Thai Beverage Public Company Limited, Berli Jucker Public Company Limited and TCC Holdings Co Ltd.
- (iii) The amount due to other related party is unsecured, payable on demand and interest free. This party is related to Permodalan Nasional Berhad ("PNB").

(b) Provision for potential claims

	Group and Company	
	2016 RM'000	2015 RM'000
At 1 October	7,925	5,749
Exchange differences	(471)	2,176
At 30 September	7,454	7,925

The provision is in respect of the potential claims as disclosed in Note 40.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

31. Commitments and contingencies

Capital commitments

	Group	
	2016 RM'000	2015 RM'000
Property, plant and equipment:		
Contracted but not provided for:		
- Land	650	-
- Building	-	4,005
- Machinery and equipment	48,495	39,548
- Others	3,415	887
	52,560	44,440
Authorised but not contracted for:		
- Building	119,304	58
- Machinery and equipment	162,515	37,809
- Others	3,668	1,724
	285,487	39,591
	338,047	84,031

Lease commitments

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

Non-cancellable operating lease commitments - Group as lessee

	Group	
	2016 RM'000	2015 RM'000
Future minimum rentals payable:		
Not later than 1 year	12,276	11,617
Later than 1 year and not later than 5 years	23,797	27,647
Later than 5 years	1,063	1,170
	37,136	40,434

Contingencies

The Group had no contingent liabilities or assets of a material nature since the previous financial year except as disclosed in Note 17 and below:

	Group	
	2016 RM'000	2015 RM'000
Financial guarantees provided to certain subsidiaries of the Group	443,079	349,555

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

32. Related party disclosures

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the direct and indirect ability to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its holding companies, significant investors, subsidiaries, associate, joint venture and key management personnel.

(a) Significant related party transactions

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

	Group	
	2016 RM'000	2015 RM'000
<u>Fraser and Neave, Limited Group</u>		
Sales	249,195	193,255
Purchases	(248,434)	(215,069)
Royalties paid	(57,069)	(54,804)
Corporate charges paid	(2,220)	(1,865)
Internal audit fees paid	(1,559)	-
<u>Vacaron Company Sdn Bhd</u>		
Finance income	5,721	5,362
Shareholder's loan granted	-	6,700
<u>Cocoaland Holdings Berhad Group</u>		
Purchases	(6,948)	(5,728)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

32. Related party disclosures (cont'd.)

(a) Significant related party transactions (cont'd.)

	Group	
	2016 RM'000	2015 RM'000
<u>Other related parties:</u>		
(a) <u>Berli Jucker Public Company Limited Group</u> ⁽ⁱ⁾		
Purchases	(49,466)	(71,018)
(b) <u>Thai Beverage Public Company Limited Group</u> ⁽ⁱⁱ⁾		
Purchases	(7,663)	(6,064)
(c) <u>Permodalan Nasional Berhad Group</u> ⁽ⁱⁱⁱ⁾		
Sales	70,250	73,269
Purchases	(54,342)	(51,916)
Rental of equipment paid	(2,181)	(1,905)
<hr/>		
	Company	
	2016 RM'000	2015 RM'000
<u>Subsidiaries</u>		
Dividend income	107,285	210,912
Finance income	2,848	4,935
Management fees	(490)	(309)
<hr/>		
<u>Cocoaland Holdings Berhad</u>		
Dividend income	3,422	13,998
<hr/>		
<u>Vacaron Company Sdn Bhd</u>		
Finance income	5,721	5,592
Shareholder's loan granted	-	6,700

The sales to and purchases from related parties are made at normal market price.

- (i) These refer to companies and entities which are jointly controlled by Charoen Sirivadhanabhakdi and his spouse, Khunying Wanna Sirivadhanabhakdi, who have a deemed indirect interest in the Company, held through Fraser & Neave, Limited pursuant to Section 6A of the Companies Act, 1965.
- (ii) Permodalan Nasional Berhad ("PNB") is deemed a related party by virtue of its deemed interest in the shares of the Company through Amanahraya Trustees Berhad, representing 10.78% (2015: 17.19%) equity interest in the Company and having two nominee Directors on the Board of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

32. Related party disclosures (cont'd.)**(b) Compensation of key management personnel of the Group**

The following table summarises remuneration paid to key management personnel:

	Group	
	2016 RM'000	2015 RM'000
Salaries and allowances	3,487	4,441
Contributions to defined contribution plan	522	420
Bonus	1,546	1,115
Benefits-in-kind	216	467
Share-based payment transactions	519	586
Others	1,024	685
	7,314	7,714

(c) Related party balances**Amount due from related parties: (Note 20(a))**

<u>Related companies</u>		
Fraser and Neave, Limited Group	67,203	39,757
Thai Beverage Public Company Limited Group	888	185
Berli Jucker Public Company Limited Group	-	210
Other related parties of TCC Group	1,016	35
	69,107	40,187
<u>Joint venture</u>		
Vacaron Company Sdn Bhd	105	74
<u>Associate</u>		
Cocoaland Holdings Berhad Group	-	10,502
<u>Other related party</u>		
Permodalan Nasional Berhad Group	9,870	13,877

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

32. Related party disclosures (cont'd.)

(c) Related party balances (cont'd.)

	Group	
	2016 RM'000	2015 RM'000
Amount due to related parties: (Note 30(a))		
<u>Related companies</u>		
Fraser and Neave, Limited Group	50,728	41,973
Thai Beverage Public Company Limited Group	647	1,556
Berli Jucker Public Company Limited Group	2,417	8,668
Other related parties of TCC Group	1,651	127
	55,443	52,324
<u>Associate</u>		
Cocoaland Holdings Berhad Group	393	1,159
<u>Other related party</u>		
Permodalan Nasional Berhad Group	16,836	9,073
	Company	
	2016 RM'000	2015 RM'000
Amount due from related parties: (Note 20(a))		
<u>Subsidiaries</u>		
	66,075	225,558
<u>Associate</u>		
Cocoaland Holdings Berhad Group	-	10,502
Amount due to related parties: (Note 30(a))		
<u>Subsidiaries</u>		
	-	188
<u>Related companies</u>		
Fraser and Neave, Limited Group	30	17

Except otherwise indicated in the respective notes, the outstanding balances at the end of the financial year are unsecured, interest free and settlement occurs in cash.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

33. Financial risk management objectives and policies

Information about the extent and nature of the financial instruments, including significant terms and conditions and their exposure to foreign currency, credit, liquidity and interest rate risks is presented in their respective notes.

The Group and the Company are exposed to market risk, including primarily changes in currency exchange rates and other instruments in connection with its risk management activities. The Group does not hold nor issue derivative financial instruments for trading purposes. The Group has established processes to monitor and control hedging transactions in a timely and accurate manner.

The Group's Finance Risk Management Framework and Guidelines set the foundation for the establishment of effective risk management practices across the Group.

The Board of Directors reviews and agrees policies for managing each of these risks as summarised below. It is and has been throughout the year under review, the Group's policy that no speculative trading in derivative financial instruments shall be undertaken.

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies arising from normal trading and investment activities. Where exposures are certain, it is the Group's policy to hedge these risks as they arise. For those exposures less certain in the timing and extent, it is the Group's policy to cover 50% to 90% of anticipated exposure for a maximum period of 12 months forward. At 30 September 2016 and 2015, the outstanding foreign currency forward contracts of the Group are as follows:

	Notional value RM'000	Fair value RM'000
Currency		
2016		
USD (less than 3 months)	21,764	91
AUD (less than 3 months)	4,034	79
	25,798	170
2015		
USD (less than 9 months)	65,096	5,538
AUD (less than 3 months)	2,431	175
	67,527	5,713

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

33. Financial risk management objectives and policies (cont'd.)**(a) Foreign currency risk (cont'd.)**

The above instruments are executed with credit worthy financial institutions in Malaysia and as such credit and counterparties risks are minimal. There is no cash requirement for these contracts. Policies to mitigate or control the risk associated with foreign exchange forward contracts are consistent with those of last financial year.

The difference between the notional value and fair value of the foreign currency forward contracts amounted to RM5,531,000 (2015: RM4,408,000) was recognised in the profit or loss.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and the Company's profit after tax to a reasonably possible change in the US Dollar ("USD"), Thai Baht ("THB") and Singapore Dollar ("SGD") exchange rates against the functional currency of the Company, with all other variables held constant:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit or loss				
USD/RM				
- strengthened 10%	5,879	1,644	-	-
- weakened 10%	(5,879)	(1,644)	-	-
THB/RM				
- strengthened 10%	8,495	4,203	-	15,063
- weakened 10%	(8,495)	(4,203)	-	(15,063)
SGD/RM				
- strengthened 10%	827	744	(2)	-
- weakened 10%	(827)	(744)	2	-

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arise primarily from trade and other receivables. The receivables are monitored on an ongoing basis through the Group's management reporting procedures.

Exposure to credit risk

The Group's and the Company's exposure to credit risk arise in the event that the counterparties fail to perform their obligations. The maximum exposure to credit risk is represented by the carrying amount of each class of recognised financial assets, other than derivatives, as indicated in the statements of financial position.

It is the Group's policy to enter into financial instruments with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses on its financial assets or other financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

33. Financial risk management objectives and policies (cont'd.)**(b) Credit risk (cont'd.)**Exposure to credit risk (cont'd.)

The Company is also exposed to credit risk in respect of the unsecured financial guarantees provided to credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is RM443,079,000 (2015: RM349,555,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

Credit risk concentration profile

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified along industry, product and geographical lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigating any significant concentration of credit risk. As at the reporting date, there was no indication that any subsidiary would default on repayment.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 20. Deposits with banks and other financial institutions that are neither past due nor impaired, as disclosed in Note 22, are placed with reputable financial institutions or companies with high credit rating and no history of default.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group and the Company have no exposure to significant interest rate risk as the fixed rate debts were entered into by the Group and the Company in order to minimise fluctuations in interest rates.

A change in 100 basis points in interest rates would have increased or decreased equity by RM4,303,000 (2015: RM2,992,000) arising from interest bearing borrowings.

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arise in the general funding of the Group's and the Company's business activities. It includes the risk of being able to fund business activities in a timely manner.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

33. Financial risk management objectives and policies (cont'd.)**(d) Liquidity risk (cont'd.)**

The Group adopts a prudent approach to managing its liquidity risk. The Group maintains sufficient cash and deposits, and has available funding through diverse sources of committed and uncommitted credit facilities from various banks.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities as at the reporting date based on the contractual undiscounted repayment obligations:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	2 - 3 years RM'000	More than 3 years RM'000
Group						
2016						
Interest-bearing borrowings (Note 27)	404,597	2.35% to 4.38%	433,848	44,863	388,985	-
Payables (Note 30(a))	723,440	-	723,440	723,440	-	-
Derivative financial liabilities (Note 21)	90	-	90	90	-	-
	<u>1,128,127</u>		<u>1,157,378</u>	<u>768,393</u>	<u>388,985</u>	<u>-</u>
2015						
Interest-bearing borrowings (Note 27)	300,000	4.24% to 4.38%	341,943	16,086	175,770	150,087
Payables (Note 30(a))	754,854	-	754,854	754,854	-	-
	<u>1,054,854</u>		<u>1,096,797</u>	<u>770,940</u>	<u>175,770</u>	<u>150,087</u>
Company						
2016						
Financial guarantees	-	-	443,079	443,079	-	-
Payables (Note 30(a))	531	-	531	531	-	-
	<u>531</u>		<u>443,610</u>	<u>443,610</u>	<u>-</u>	<u>-</u>
2015						
Financial guarantees	-	-	349,555	349,555	-	-
Payables (Note 30(a))	772	-	772	772	-	-
	<u>772</u>		<u>350,327</u>	<u>350,327</u>	<u>-</u>	<u>-</u>

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34. Fair value measurement**Determination of fair value**

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date:

	Note
Trade and other receivables (current)	20(a)
Trade and other payables (current)	30(a)

The following methods and assumptions are used to estimate the fair value of each class of financial instruments, for which it is practicable to estimate that value:

Foreign currency forward contracts

The fair value of a foreign currency forward contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the reporting date applied to a contract of similar quantum and maturity profile. The fair values of foreign currency forward contracts are disclosed as below:

Fair value measurement hierarchy

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Group 2016										
Financial assets										
Quoted shares	-	-	-	-	120,690	-	-	120,690	120,690	78,730
Foreign currency forward contracts (Note 21)	-	260	-	260	-	-	-	-	260	260
	-	260	-	260	120,690	-	-	120,690	120,950	78,990
Financial liabilities										
Foreign currency forward contracts (Note 21)	-	90	-	90	-	-	-	-	90	90
Borrowings (Note 27)	-	-	-	-	-	-	390,214	390,214	390,214	404,597
	-	90	-	90	-	-	390,214	390,214	390,304	404,687

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

34. Fair value measurement (cont'd.)

Fair value measurement hierarchy (cont'd.)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Group (cont'd.)										
2015										
Financial assets										
Quoted shares	-	-	-	-	114,314	-	-	114,314	114,314	72,410
Foreign currency forward contracts (Note 21)	-	5,713	-	5,713	-	-	-	-	5,713	5,713
	-	5,713	-	5,713	114,314	-	-	114,314	120,027	78,123
Financial liabilities										
Borrowings (Note 27)	-	-	-	-	-	-	295,786	295,786	295,786	300,000
Company										
2016										
Financial assets										
Quoted shares	-	-	-	-	120,690	-	-	120,690	120,690	68,727
Financial liabilities										
Financial guarantees	-	-	-	-	-	-	16,001	16,001	16,001	-
2015										
Financial assets										
Quoted shares	-	-	-	-	114,314	-	-	114,314	114,314	68,727
Financial liabilities										
Financial guarantees	-	-	-	-	-	-	24,672	24,672	24,672	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

34. Fair value measurement (cont'd.)**Fair value information****Level 2 fair value*****Derivatives***

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2015: no transfer in either directions).

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

(a) Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Borrowings (Note 27)	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.
Financial guarantees	Discounted cash flows method based on the interest differential between what the bank would have charged without guarantee and the actual interest charged with the guarantee.

Valuation processes applied by the Group for Level 3 fair value

The Group has an established control framework in respect to the measurement of fair values of financial instruments. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the management. The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

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35. Capital management

The primary objective of the Group when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or acquire treasury shares from the market. No changes were made in the objective, policies or processes during the financial years ended 30 September 2016 and 2015.

The Group and the Company monitor and maintain a prudent level of total debt to total asset ratio to optimise shareholders' value and to ensure compliance with covenants under debt agreements.

The debt to equity ratio of the Group is as follows:

	Note	Group	
		2016 RM'000	2015 RM'000
Short term borrowings	27	29,885	-
Long term borrowings	27	374,712	300,000
Total debts		404,597	300,000
Equity attributable to equity holders of the Company		1,988,960	1,876,803
Debt equity ratio		0.20	0.16

Under the requirement of Bursa Malaysia Practice Note No.17/2005, the Company is required to maintain consolidated shareholders' equity equal to or not less than 25% of the issued and paid up capital (excluding treasury shares) and such shareholders' equity is not less than minimum issued and paid-up capital.

The Group has complied with this requirement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

36. Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Fair value through profit or loss ("FVTPL");
 - Designated upon initial recognition
- (b) Loans and receivables ("L&R"); and
- (c) Financial liabilities measured at amortised cost ("FL")

	Note	Carrying amounts RM'000	FVTPL RM'000	L&R RM'000	FL RM'000
Group					
Financial assets:					
2016					
Receivables (excluding prepayments)	20(a)	539,755	-	539,755	-
Derivative financial assets	21	260	260	-	-
Cash and short term deposits	22	593,554	-	593,554	-
		1,133,569	260	1,133,309	-
2015					
Receivables (excluding prepayments)	20(a)	554,227	-	554,227	-
Derivative financial assets	21	5,713	5,713	-	-
Cash and short term deposits	22	412,209	-	412,209	-
		972,149	5,713	966,436	-
Financial liabilities:					
2016					
Payables (excluding advances from customers)	30(a)	720,879	-	-	720,879
Derivative financial liabilities	21	90	90	-	-
Borrowings	27	404,597	-	-	404,597
		1,125,566	90	-	1,125,476
2015					
Payables (excluding advances from customers)	30(a)	753,089	-	-	753,089
Borrowings	27	300,000	-	-	300,000
		1,053,089	-	-	1,053,089

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For the financial year ended 30 September 2016

36. Categories of financial instruments (cont'd.)

	Note	Carrying amounts RM'000	FVTPL RM'000	L&R RM'000	FL RM'000
Company					
Financial assets:					
2016					
Receivables	20(a)	66,522	-	66,522	-
Cash and short term deposits	22	72,037	-	72,037	-
		138,559	-	138,559	-
2015					
Receivables	20(a)	236,151	-	236,151	-
Cash and short term deposits	22	40,262	-	40,262	-
		276,413	-	276,413	-
Financial liabilities:					
2016					
Payables	30(a)	531	-	-	531
2015					
Payables	30(a)	772	-	-	772

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36. Categories of financial instruments (cont'd.)**Net gains and losses arising from financial instruments**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net (losses)/gains on:				
Fair value through profit or loss				
- Designated upon initial recognition	(5,531)	4,408	-	-
Loans and receivables	15,033	11,896	11,309	11,346
Financial liabilities measured at amortised cost	(14,356)	(16,241)	-	-
	(4,854)	63	11,309	11,346

37. Segmental information

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. The Group operates in three geographical areas namely, Malaysia, Thailand and Singapore. Geographical segment revenue is based on geographical location of the business segment customers. Geographical segment assets are based on geographical location of the Group's assets. Inter-segment sales where applicable are based on terms determined on a commercial basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

37. Segmental information (cont'd.)

Operating segments

The following table provides an analysis at the Group's revenue, results, assets, liabilities and other information by operating segments:

Financial year ended 30 September 2016	Food and Beverages Malaysia RM'000	Food and Beverages Thailand RM'000	Property RM'000	Others RM'000	Total RM'000
Revenue					
Total revenue	2,530,827	1,650,043	5,465	116,618	4,302,953
Inter-segment	(3,674)	(10,810)	(4,753)	(116,149)	(135,386)
External	2,527,153	1,639,233	712	469	4,167,567
Results					
Operating profit	218,765	199,531	(2)	15,080	433,374
Finance income (Note a)	-	-	-	-	15,791
Finance costs (Note a)	-	-	-	-	(14,356)
Share of results of a joint venture	-	-	-	-	(1,614)
Share of results of an associate	-	-	-	-	9,742
Income tax expense (Note a)	-	-	-	-	(57,567)
Net profit for the year					385,370
Other information					
Segment assets	1,548,647	684,636	117,428	52,293	2,403,004
Investment in a joint venture	-	-	-	84,303	84,303
Investment in an associate	-	-	-	78,730	78,730
Cash and short term deposits (Note a)	-	-	-	-	593,554
Tax recoverable	14,203	-	19	26	14,248
Deferred tax assets	-	-	-	-	32,034
Total assets					3,205,873
Segment liabilities	464,084	264,834	2,030	41,973	772,921
Tax payable (Note a)	-	-	-	-	6,555
Borrowings (Note a)	-	-	-	-	404,597
Deferred tax liabilities	-	-	-	-	32,638
Total liabilities					1,216,711
Purchase of property, plant and equipment	101,049	44,971	-	3,655	149,675
Purchase of intangible assets	29	-	7	127	163

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

37. Segmental information (cont'd.)**Operating segments (cont'd.)**

Financial year ended 30 September 2016	Food and Beverages Malaysia RM'000	Food and Beverages Thailand RM'000	Property RM'000	Others RM'000	Total RM'000
Other information (cont'd.)					
Depreciation and amortisation of intangible assets	65,408	24,530	901	6,036	96,875
Plant and equipment written off	1,082	-	-	108	1,190
Impairment loss on plant and equipment	759	1,142	-	-	1,901
Reversal of impairment loss on plant and equipment	70	448	-	-	518
Impairment loss on trade receivables	758	-	-	-	758
Inventories written down	6,430	253	-	-	6,683
Inventories written off	10,466	59	-	-	10,525
Rental income from investment properties	-	-	324	-	324
Financial year ended 30 September 2015					
Revenue					
Total revenue	2,602,455	1,538,598	4,773	73,075	4,218,901
Inter-segment	(8,347)	(27,122)	(3,444)	(72,382)	(111,295)
External	2,594,108	1,511,476	1,329	693	4,107,606
Results					
Operating profit	226,329	111,061	(5,626)	224	331,988
Finance income (Note a)	-	-	-	-	13,389
Finance costs (Note a)	-	-	-	-	(16,241)
Share of results of a joint venture	-	-	-	-	(3,362)
Share of results of an associate	-	-	-	-	8,055
Income tax expense (Note a)	-	-	-	-	(53,757)
Net profit for the year					<u>280,072</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

37. Segmental information (cont'd.)

Operating segments (cont'd.)

Financial year ended 30 September 2015	Food and Beverages Malaysia RM'000	Food and Beverages Thailand RM'000	Property RM'000	Others RM'000	Total RM'000
Other information					
Segment assets	1,540,089	688,347	118,241	61,733	2,408,410
Investment in a joint venture	-	-	-	80,196	80,196
Investment in an associate	-	-	-	72,410	72,410
Tax recoverable	-	-	14	-	14
Cash and short term deposits (Note a)	-	-	-	-	412,209
Deferred tax assets	-	-	-	-	49,330
Total assets					<u>3,022,569</u>
Segment liabilities	517,524	258,938	1,417	22,837	800,716
Tax payable (Note a)	-	-	-	-	12,164
Borrowings (Note a)	-	-	-	-	300,000
Deferred tax liabilities	-	-	-	-	32,682
Total liabilities					<u>1,145,562</u>
Purchase of property, plant and equipment	55,859	13,123	78	3,220	72,280
Purchase of intangible assets	37	-	2	219	258
Depreciation and amortisation of intangible assets	63,219	21,971	1,758	6,160	93,108
Plant and equipment written off	1,685	-	-	-	1,685
Impairment loss on plant and equipment	1,262	729	-	-	1,991
Reversal of impairment loss on plant and equipment	2,171	14	-	-	2,185
Impairment loss on trade receivables	1,493	-	-	-	1,493
Inventories written down	3,925	2,699	-	-	6,624
Inventories written off	12,748	65	-	-	12,813
Rental income from investment properties	-	-	552	-	552

Note a:

Group financing (including finance costs), cash and short term deposits, tax payable and borrowings are managed on a group basis and are not allocated to operating segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

37. Segmental information (cont'd.)**Geographical segments**

The following table presents the financial information by geographical segments:

	Revenue		Non-current assets	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	2,228,136	2,370,761	956,722	926,624
Thailand	1,467,729	1,275,801	310,374	300,036
Singapore	243,774	191,562	-	-
Vietnam	1,269	1,644	-	-
China	3,667	-	-	-
Others	222,992	267,838	75,370	75,370
	4,167,567	4,107,606	1,342,466	1,302,030

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2016 RM'000	2015 RM'000
Property, plant and equipment	1,112,752	1,064,821
Investment properties	49,286	50,763
Properties held for development	55,317	55,291
Intangible assets	125,111	131,155
	1,342,466	1,302,030

The Group has a large and diversified customer base which consists of individuals and corporations. There was no single customer that contributed 10% or more of the Group's revenue for the financial years ended 30 September 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

38. Subsidiaries and activities

Name of company	Place of incorporation	Principal activities	Effective ownership interest and voting interest (%)	
			2016	2015
Subsidiaries of Fraser & Neave Holdings Bhd				
F&N Beverages Marketing Sdn Bhd	Malaysia	Distribution of soft drinks	100	100
F&N Dairies (Malaysia) Sdn Bhd	Malaysia	Distribution of dairy products	100	100
F&N Beverages Manufacturing Sdn Bhd	Malaysia	Manufacture and distribution of soft drinks	100	100
F&N Dairies Manufacturing Sdn Bhd	Malaysia	Manufacture and distribution of dairy products	100	100
F&N Dairies (Thailand) Limited ⁽ⁱ⁾	Thailand	Manufacture and distribution of dairy products	100	100
F&N Dairies Distribution (Singapore) Pte Ltd ⁽ⁱ⁾	Singapore	Distribution of dairy products	100	100
Lion Share Management Limited	British Virgin Island	Brand owner	100	100
Fraser & Neave (Malaya) Sdn Bhd	Malaysia	Management service and property investment holdings	100	100
F&N Capital Sdn Bhd	Malaysia	Provision of financial and treasury services	100	100
F&N Properties Sdn Bhd	Malaysia	Provision of property management services	100	100
Greenclipper Corporation Sdn Bhd	Malaysia	Property development activities	100	100
Letricia Corporation Sdn Bhd	Malaysia	Property development activities	70	70
Utas Mutiara Sdn Bhd	Malaysia	Property investment holding	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

38. Subsidiaries and activities (cont'd.)

Name of company	Place of incorporation	Principal activities	Effective ownership interest and voting interest (%)	
			2016	2015
Subsidiaries of Fraser & Neave Holdings Bhd (cont'd.)				
Elsinburg Holdings Sdn Bhd	Malaysia	Inactive	100	100
F&N Foods Sdn Bhd #	Malaysia	Inactive	100	100
Four Eights Sdn Bhd	Malaysia	Inactive	-	100
F&N Marketing (B) Sdn Bhd ⁽ⁱ⁾	Brunei	Inactive	100	100
Kuala Lumpur Glass Manufacturers Company Sdn Bhd #	Malaysia	Inactive	100	100
Nuvak Company Sdn Bhd	Malaysia	Inactive	100	100
Premier Milk (Malaya) Sdn Bhd	Malaysia	Inactive	100	100
Tropical League Sdn Bhd	Malaysia	Inactive	100	100
Wimanis Sdn Bhd	Malaysia	Inactive	100	100
Subsidiary of F&N Beverages Manufacturing Sdn Bhd				
Borneo Springs Sdn Bhd	Malaysia	Manufacture and sale of mineral water	100	100
Subsidiary of F&N Beverages Marketing Sdn Bhd				
F&N Beverages(Thailand) Limited ^{(i) #}	Thailand	Inactive	100	100

(i) Audited by member firms of KPMG.

In the process of member's voluntary winding up.

The Group has concluded that Lettricia Corporation Sdn Bhd, the only subsidiary with non-controlling interest, is not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

39. Change in comparatives

The comparatives for the financial year ended 30 September 2016 have been restated as follows:

	As previously stated RM'000	Adjustments (a) RM'000	As restated RM'000
Group			
Profit or loss:			
For the financial year ended 30 September 2015			
Revenue	4,060,239	47,367	4,107,606
Marketing expenses	(403,999)	(47,367)	(451,366)
Statement of Financial Position:			
As at 30 September 2015			
Receivables	562,042	(4,150)	557,892
Derivative financial assets	-	5,713	5,713
Payables	753,291	1,563	754,854
Company			
Profit or loss:			
For the financial year ended 30 September 2015			
Administrative expenses	(5,107)	1,392	(3,715)
Other expenses	(2,176)	(1,392)	(3,568)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

40. Potential claims

On 9 January 2014, the Company entered into a settlement agreement (the "Settlement Agreement") with BJC O-I Glass Pte Ltd ("BJC O-I"), Berli Jucker Public Company Ltd ("BJC") and ACI International Pty Ltd ("ACI") in respect of a suit instituted by BJC O-I against the Company (the "Suit").

The Settlement Agreement covered all claims pleaded in the Suit and/or in connection with a share purchase agreement dated 14 May 2010 (the "Share Purchase Agreement") between BJC, ACI and the Company for the sale by the Company to BJC and ACI as purchasers of the entire issued and paid-up share capital of Malaya Glass Products Sdn Bhd ("MGP"), save and except for:

- (a) claims relating to Sichuan Malaya Glass Co Ltd ("SMG") as pleaded in the Suit ("SMG Claims"). SMG is one of the subsidiaries of MGP; and
- (b) claims relating to taxation assessment liabilities pursuant to the terms and conditions in the Share Purchase Agreement ("Tax Claims").

The Company, BJC, ACI and BJC O-I expressly agreed, consented to and acknowledged that:

- (i) ACI's right to institute fresh proceedings against the Company in respect of the Share Purchase Agreement is limited to the SMG Claims as pleaded in the Suit; and
- (ii) BJC O-I's right to institute fresh proceedings against the Company in respect of the Share Purchase Agreement is limited to the Tax Claims.

As of the date of this report, no claims in respect of the SMG Claims and Tax Claims have been filed against the Company. The Company has made adequate provision in respect of the SMG Claims and Tax Claims as disclosed in Note 30(b).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2016

41. Supplementary information - breakdown of retained earnings into realised and unrealised profits/(losses)

The breakdown of the retained earnings of the Group and of the Company as at 30 September 2016 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:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries				
- Realised	1,066,563	941,135	492,060	556,916
- Unrealised	96	56,397	(32,672)	33,117
	1,066,659	997,532	459,388	590,033
Total share of retained earnings of a joint venture				
- Realised	(7,852)	(6,672)	-	-
- Unrealised	1,094	1,528	-	-
	(6,758)	(5,144)	-	-
Total share of retained earnings of an associate				
- Realised	12,590	6,103	-	-
- Unrealised	(2,587)	(2,420)	-	-
	10,003	3,683	-	-
Consolidation adjustments	35,775	(45,162)	-	-
Retained earnings (Note 26)	1,105,679	950,909	459,388	590,033

INDEPENDENT AUDITORS' REPORT

to the members of Fraser & Neave Holdings Bhd (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Fraser & Neave Holdings Bhd, which comprise the statements of financial position as at 30 September 2016 of the Group and of the Company, and the statements of profit or loss, other comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 121 to 217.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 September 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and auditors' reports of all the subsidiaries of which we have not acted as auditors, which is indicated in Note 38 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

INDEPENDENT AUDITORS' REPORT

to the members of Fraser & Neave Holdings Bhd (Incorporated in Malaysia) (cont'd.)

Other reporting responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 41 on page 218 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other matters

The financial statements of the Group and of the Company as at and for the financial year ended 30 September 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 3 November 2015.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

Firm Number: AF 0758
Chartered Accountants

Petaling Jaya

Date: 3 November 2016

Ong Beng Seng

Approval Number: 2981/05/18(J)
Chartered Accountant



06

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Share Price Charts

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Notice of Annual General Meeting

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Proxy Form

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LIST OF PROPERTIES

As at 30 September 2016

Location	Land area (sq. ft)	Description/ Existing use of building	Tenure	Approximate age of building (Years)	Net book value as at 30 September 2016 RM'000	Date of last revaluation/ acquisition
JOHOR						
Malay Grant 598, Jalan Tampoi, Johor Bahru	59,895	Detached house/ Warehouse and office	Freehold	49	4,025	February 1990
701, Jalan Tampoi, Johor Bahru	241,022	Industrial/ Warehouse and office	Freehold	49	7,808	February 1990
Lot 15350, Lot 15351 & Lot PTB 20048, Jalan Balau 1, Jalan Dato Sulaiman, Jalan Tebrau, Mukim Bandar, District of Johor Bharu	137,337	For development of commercial property	Freehold	-	19,599	2005
PERAK						
217 Jalan Lahat, Ipoh	287,738	Industrial/ Warehouse and office	Freehold	47	6,268	October 1995
79 & 81 Jalan Tun Perak, Ipoh	51,828	Industrial/ Leased premises	Freehold/ Leasehold expiring 2066	110	363	October 1995
PULAU PINANG						
3724 (Lot 834 & 842), Sungei Nyior, Butterworth	138,848	Industrial/ Warehouse and office	Freehold	62	4,227	October 1995
3725 & 3726 (Lot 833), Sungei Nyior, Butterworth	106,450	Detached house/ Warehouse and office	Freehold	61	2,283	October 1995
KELANTAN						
Pengkalan Chepa, Industrial Estate, Kota Bahru	203,861	Industrial/ Warehouse and office	Leasehold expiring 2043	36	843	October 1995

LIST OF PROPERTIES

As at 30 September 2016

Location	Land area (sq. ft)	Description/ Existing use of building	Tenure	Approximate age of building (Years)	Net book value as at 30 September 2016 RM'000	Date of last revaluation/ acquisition
PAHANG						
Mar Lodge, Cameron Highland	90,931	Detached house/ Holiday bungalow	Leasehold expiring 2037	49	656	October 1995
Lot 7399 & 8081, Jln Mempaga, Mukim Sabai, Karak	217,065	Industrial/ Factory premise	Freehold	9	9,723	2007
KUALA LUMPUR						
No. 3, Jalan Metro Pudu , Fraser Business Park	7,208	Office premise	Freehold	9	12,628	2007
Kompleks Metro Pudu, No. 1 Jalan Metro Pudu 2, Fraser Business Park	88,057	Office premise	Freehold	7	60,922	2016
Lot 682 Seksyen 92, Fraser Business Park, Off Jalan Yew , 55100 Kuala Lumpur	40,763	Leased premise	Freehold	-	6,108	2016
MELAKA						
10 Jalan Bukit Gedong, Melaka	104,000	Industrial/ Warehouse and office	Freehold/ Leasehold expiring 2023	91	1,010	October 1995
SELANGOR						
Lot 3-1, Lion Industrial Park, Shah Alam	1,373,447	Industrial/ Factory premise and office	Freehold	19	95,183	October 1995
Lot 3-2, Lion Industrial Park, Shah Alam	558,875	Industrial/ Vacant	Freehold	-	11,679	October 1995
Lot No 56, Section 4, Phase 2B, Mukim Klang, Selangor	1,629,042	Industrial/ Factory premise	Leasehold expiring 2097	8	184,144	2008
Lot 609, Geran 24235, Mukim Hulu Semenyih, District of Hulu Langat, Selangor	2,025,573	For the development of residential property	Freehold	-	17,824	2006

OTHER INFORMATION

LIST OF PROPERTIES

As at 30 September 2016

Location	Land area (sq. ft)	Description/ Existing use of building	Tenure	Approximate age of building (Years)	Net book value as at 30 September 2016 RM'000	Date of last revaluation/ acquisition
SELANGOR (cont'd.)						
Lot 1954, Mukim Hulu Semenyih, District of Hulu Langat, Selangor	614,678	For the development of residential property	Freehold	-	6,761	2006
SARAWAK						
Lot 924, Block 4, Matang Land District	118,776	Industrial/ Factory premise	Freehold	10	8,310	2006
Lot 1581, Block 4, Matang Land District	261,338	Commercial	Leasehold expiring 2071	10	6,810	2006
Lot 4814 Block 218, Kuching North Land District, Sarawak	308,709	Industrial/ Factory premise	Leasehold expiring 2074	-	23,315	October 1995
Lot 142, Block 63, Kuching	1,540	Shop office/ Vacant	Leasehold expiring 2784	10	381	2006
SABAH						
5.5 Miles Tuaran Road, Kota Kinabalu	142,140	Industrial/ Vacant	Leasehold expiring 2062	6	1,101	October 1995
5.5 Miles Tuaran Road, Kota Kinabalu	142,578	Industrial/ Factory premise	Leasehold expiring 2062	45	5,716	October 1995
THAILAND						
90 Moo 8 Mitapap Road, Phayayen District, Amphur Pakchong, Nakhonratchasima Province 30320	125,857	Industrial/ Factory premise	Freehold	9	3,332	2007
668 Moo 4 Rojana Industrial Park Zone 2, U-thai, Phra Nakhon Si Ayutthaya 13210 Thailand	990,280	Industrial/ Factory premise	Freehold	7	154,807	2010

SHAREHOLDINGS STATISTICS

As at 30 November 2016

Authorised share capital	: RM500,000,000
Issued and paid-up share capital	: RM366,778,501
Voting issued and paid-up share capital	: RM366,541,401
Treasury shares	: 237,100 ordinary shares of RM1.00 each
Class of share	: Ordinary shares of RM1.00 each
Voting rights	: One vote for each ordinary share held

ORDINARY SHARES DISTRIBUTION SCHEDULE

Size of Shareholdings	No. of Shareholders	%	No. of Voting Shares	%
1 -99 shares	497	9.851	6,510	0.001
100 to 1,000 shares	2,248	44.559	1,434,005	0.391
1,001 to 10,000 shares	1,795	35.580	6,581,659	1.796
10,001 to 100,000 shares	404	8.008	12,619,164	3.443
100,001 to less than 5% of issued shares	98	1.943	76,705,823	20.927
5% and above of issued shares	3	0.059	269,194,240	73.442
	5,045	100.00	366,541,401	100.00

DIRECTORS' SHAREHOLDINGS

(as per Register of Directors' Shareholdings)

No.	Name of Director	Direct Shareholding		Indirect Shareholding	
		No. of Voting Shares Held	%	No. of Voting Shares Held	%
1.	Y.A.M. Tengku Syed Badarudin Jamalullail	2,062,000	0.563	-	-

None of the Directors of the Company holds any share either directly or indirectly in its subsidiaries and associated companies save and except for the interest held through the Company.

SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders)

No.	Name of Shareholders	Direct Shareholding		Indirect Shareholding	
		No. of Voting Shares Held	%	No. of Shares Held	%
1.	Fraser and Neave, Limited	203,470,910	55.511	-	-
2.	InterBev Investment Limited	-	-	203,470,910	55.511*
3.	International Beverage Holdings Limited	-	-	203,470,910	55.511*
4.	Thai Beverage Public Company Limited	-	-	203,470,910	55.511*
5.	Maxtop Management Corp.	-	-	203,470,910	55.511*
6.	Siriwana Company Limited	-	-	203,470,910	55.511*
7.	MM Group Limited	-	-	203,470,910	55.511*
8.	Shiny Treasure Holdings Limited	-	-	203,470,910	55.511*
9.	Khun Charoen Sirivadhanabhakdi	-	-	203,470,910	55.511*
10.	Khunying Wanna Sirivadhanabhakdi	-	-	203,470,910	55.511*
11.	TCC Assets Limited	-	-	203,470,910	55.511*
12.	Amanahraya Trustees Berhad - Skim Amanah Saham Bumiputera	43,381,200	11.835	-	-
13.	Employees Provident Fund Board	27,090,030	7.391	-	-
		273,942,140	74.737		

* Indirect interest in the Company is held through Fraser and Neave, Limited pursuant to Section 6A of the Companies Act, 1965.

OTHER INFORMATION

SHAREHOLDINGS STATISTICS

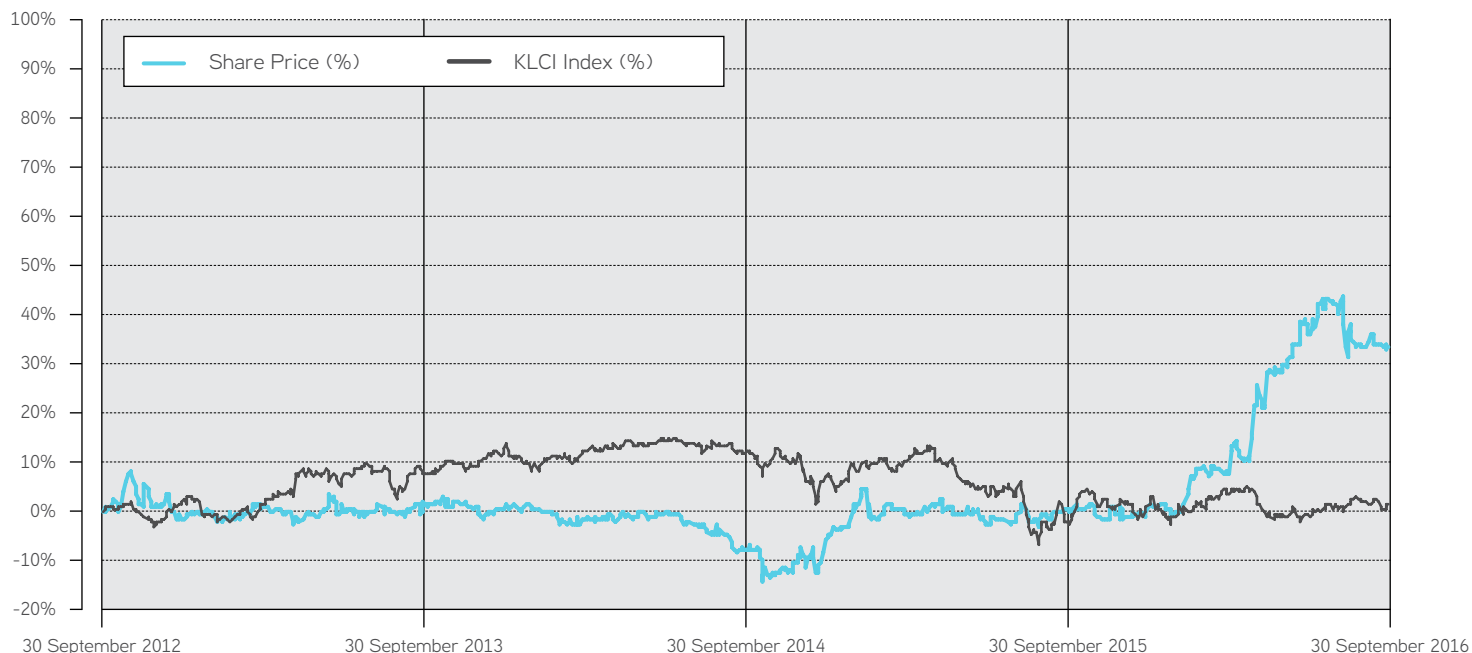
As at 30 November 2016

30 LARGEST SHAREHOLDERS

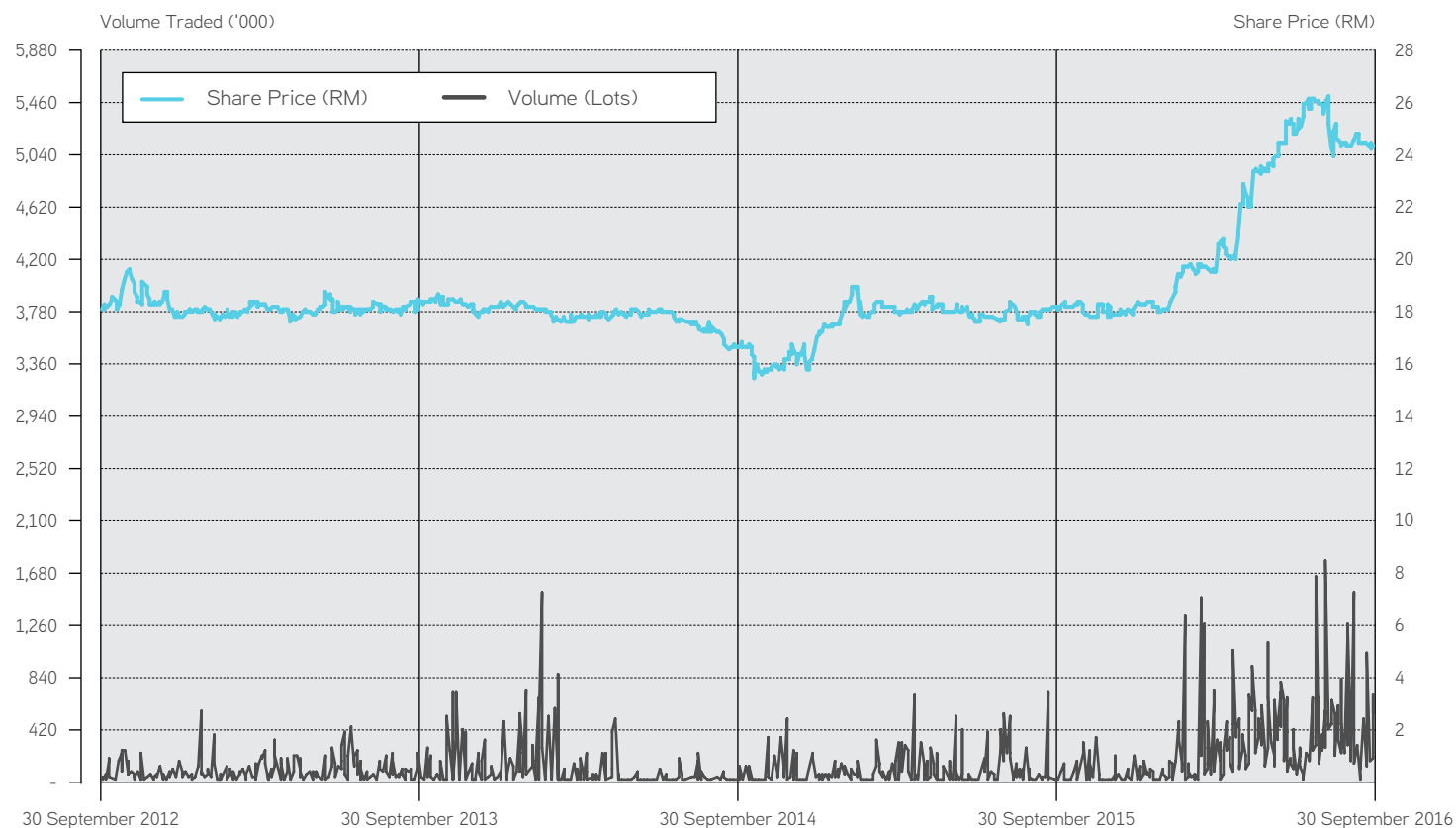
No.	Name of Shareholders	Shareholdings	% of Voting Shares
1.	Fraser and Neave, Limited	203,470,910	55.511
2.	Amanahraya Trustees Berhad – Amanah Saham Bumiputera	42,983,500	11.727
3.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	22,739,830	6.204
4.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	9,770,000	2.665
5.	Amanahraya Trustees Berhad – Amanah Saham Malaysia	7,198,100	1.964
6.	Maybank Nominees (Tempatan) Sdn Bhd – Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	6,468,700	1.765
7.	Amanahraya Trustees Berhad – AS 1Malaysia	6,100,000	1.664
8.	Amanahraya Trustees Berhad – Amanah Saham Didik	4,210,000	1.149
9.	Permodalan Nasional Berhad	4,000,000	1.091
10.	Amanahraya Trustees Berhad – Amanah Saham Bumiputera 2	3,500,000	0.955
11.	Amanahraya Trustees Berhad – Amanah Saham Wawasan 2020	3,205,100	0.874
12.	Amanahraya Trustees Berhad – Public Islamic Select Enterprises Fund	2,045,800	0.558
13.	Cimsec Nominees (Tempatan) Sdn Bhd – CIMB Bank for Syed Badarudin Jamalullail (PBCL-0G0077)	2,000,000	0.546
14.	Amanahraya Trustees Berhad – Public Ittikal Sequel Fund	1,976,000	0.539
15.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (Affin-HWG)	1,919,700	0.524
16.	DB (Malaysia) Nominee (Asing) Sdn Bhd – Exempt AN for Bank of Singapore Limited	1,000,000	0.273
17.	Amanahraya Trustees Berhad – Public Islamic Optimal Growth Fund	857,400	0.234
18.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (Aberdeen)	830,000	0.226
19.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (AM INV)	690,000	0.188
20.	Citigroup Nominees (Tempatan) Sdn Bhd – Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	680,000	0.186
21.	Key Development Sdn. Berhad	600,000	0.164
22.	HSBC Nominees (Tempatan) Sdn Bhd – HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	560,500	0.153
23.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (Par 2)	559,500	0.153
24.	Cartaban Nominees (Tempatan) Sdn Bhd – icapital.biz Berhad	517,600	0.141
25.	AMSEC Nominees (Tempatan) Sdn Bhd – Exempt AN for MTrustee Berhad (F&N SGP)	509,725	0.139
26.	Amanahraya Trustees Berhad – Public Dividend Select Fund	500,800	0.137
27.	Chinchoo Investment Sdn. Berhad	500,000	0.136
28.	Citigroup Nominees (Asing) Sdn Bhd – Exempt AN for Citibank New York (Norges Bank 14)	500,000	0.136
29.	Gan Teng Siew Realty Sdn. Berhad	500,000	0.136
30.	HSBC Nominees (Tempatan) Sdn Bhd – HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFF HWG6939-403)	489,900	0.134
	Total	330,883,065	90.272

SHARE PRICE CHARTS

FRASER & NEAVE HOLDINGS BHD'S SHARE PRICE AND BURSA MALAYSIA'S COMPOSITE INDEX



FRASER & NEAVE HOLDINGS BHD'S SHARE PRICE AND VOLUME TRADED



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 55th Annual General Meeting of Fraser & Neave Holdings Bhd ("Company") will be held at Banyan, Casuarina, Dillenia & Eugenia, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Thursday, 19 January 2017 at 10:00 a.m. for the following purposes:

Ordinary Business

- | | |
|--|-------------------|
| 1. To receive the Audited Financial Statements for the financial year ended 30 September 2016 together with the Reports of the Directors and Auditors thereon. | Refer to Note (1) |
| 2. To approve the payment of a final single tier dividend of 30.5 sen per share for the financial year ended 30 September 2016. | Resolution 1 |
| 3. To re-elect Y.Bhg. Dato' Dr. Mohd Shahar bin Sidek who retires in accordance with Article 97 of the Company's Articles of Association, as a Director. | Resolution 2 |
| 4. To re-elect Mr. Anthony Cheong Fook Seng who retires in accordance with Article 97 of the Company's Articles of Association, as a Director. | Resolution 3 |
| 5. To re-elect Mr. David Siew Kah Toong who retires in accordance with Article 103 of the Company's Articles of Association, as a Director. | Resolution 4 |
| 6. To pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965:

"THAT Y.A.M. Tengku Syed Badarudin Jamalullail who is retiring at the conclusion of the 55 th Annual General Meeting of the Company pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next annual general meeting." | Resolution 5 |
| "THAT Y.Bhg. Dato' Anwarrudin bin Ahamad Osman who is retiring at the conclusion of the 55 th Annual General Meeting of the Company pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next annual general meeting." | Resolution 6 |
| "THAT Y.Bhg. Dato' Jorgen Bornhoft who is retiring at the conclusion of the 55 th Annual General Meeting of the Company pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next annual general meeting." | Resolution 7 |
| "THAT Mr. Lee Kong Yip who is retiring at the conclusion of the 55 th Annual General Meeting of the Company pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next annual general meeting." | Resolution 8 |
| 7. To approve Directors' fees of RM1,400,000 for the financial year ending 30 September 2017 payable monthly in arrears after each month of completed service of the Directors during the financial year. | Resolution 9 |
| 8. To re-appoint Messrs KPMG, the retiring auditors, as the auditors of the Company for the financial year ending 30 September 2017 and to authorise the Directors to fix their remuneration. | Resolution 10 |

NOTICE OF ANNUAL GENERAL MEETING

Special Business

9. ORDINARY RESOLUTION - PROPOSED RENEWAL OF SHARE BUY-BACK

"**THAT** subject always to the Companies Act, 1965 ("Act"), the provisions of the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant authorities, the Board of Directors of the Company be and is hereby unconditionally and generally authorised, to the extent permitted by the law, to make purchases of ordinary shares of RM1.00 each ("F&N Shares") in the Company's issued and paid-up ordinary share capital from time to time through Bursa Securities, subject further to the following:

- (i) the maximum number of ordinary shares which may be purchased and held by the Company does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company at any point in time ("Proposed Share Buy-Back");
- (ii) the maximum funds to be allocated by the Company for the Proposed Share Buy-Back shall not exceed the Company's total retained profits and/or share premium account at the time of purchase of the Proposed Share Buy-Back;
- (iii) the approval conferred by this resolution will commence immediately upon the passing of this resolution and will expire at the conclusion of the next annual general meeting ("AGM") of the Company, following the passing of this resolution or the expiration of the period within which the next AGM is required by law to be held unless earlier revoked or varied by ordinary resolution passed by shareholders of the Company at a general meeting but not as to prejudice the completion of purchase by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Act, the rules and regulations made pursuant thereto and the guidelines issued by Bursa Securities and/or any other relevant authority; and
- (iv) upon completion of the purchase(s) of the F&N Shares or any part thereof by the Company, the Directors be and are hereby authorised to cancel all the F&N Shares so purchased, retain all the F&N Shares as treasury shares for future re-sale or retain part thereof as treasury shares and cancelling the balance or distribute all or part of the F&N Shares as dividends to shareholders, and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of MMLR and any other relevant authority for the time being in force

AND THAT authority be and is hereby unconditionally and generally given to the Directors to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into of all agreements, arrangements and guarantees with any party or parties) to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the shares bought back) in accordance with the Act, the provisions of the Memorandum and Articles of Association of the Company, the MMLR and all other relevant governmental and/or regulatory authorities."

Resolution 11

NOTICE OF ANNUAL GENERAL MEETING

10. ORDINARY RESOLUTION

- PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries ("F&N Group") to enter into any of the category of recurrent transactions of a revenue or trading nature falling within the types of transactions set out in Sections 2.4.1 and 2.4.2, Part B of the Statement/Circular to Shareholders dated 27 December 2016 with the related parties mentioned therein, provided that such transactions are necessary for the day-to-day operations and they are carried out in the ordinary course of business on normal commercial terms which are consistent with the F&N Group's normal business practices and policies, and on terms not more favourable to the related parties than those extended to the other customers of the F&N Group, and not to the detriment of the minority shareholders **AND THAT** such approval shall be in force until:

- (i) the conclusion of the next annual general meeting of the Company ("AGM"), at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (iii) revoked or varied by the Company in a general meeting,

whichever is the earlier **AND THAT** the Directors of the Company and each of them be authorised to do all such acts and things (including, without limitation, to execute all such documents) as they may consider necessary, expedient or in the interests of the Company to give effect to this resolution."

Resolution 12

11. ORDINARY RESOLUTION

- RETENTION OF INDEPENDENT NON-EXECUTIVE CHAIRMAN

"**THAT** pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, Y.A.M. Tengku Syed Badarudin Jamalullail be and is hereby retained as the Independent Non-Executive Chairman of the Company until the conclusion of the next annual general meeting."

Resolution 13

12. ORDINARY RESOLUTION

- RETENTION OF SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

"**THAT** pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, Y.Bhg. Dato' Anwarrudin bin Ahamad Osman be and is hereby retained as the Senior Independent Non-Executive Director of the Company until the conclusion of the next annual general meeting."

Resolution 14

13. SPECIAL RESOLUTION

- PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"**THAT** the proposed amendments to the Articles of Association of the Company ("Proposed Amendments") as set out in Appendix I attached to the Annual Report be and are hereby approved and adopted **AND THAT** any one of the Directors or the Secretaries of the Company be and is hereby authorised to do all acts and things which are necessary to give effect to the Proposed Amendments."

Resolution 15

14. To transact any other business which due notice shall have been given.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the 55th Annual General Meeting of the Company, the proposed payment of a final single tier dividend of 30.5 sen per share for the financial year ended 30 September 2016 will be paid to shareholders on 6 February 2017. The entitlement date for the proposed dividend shall be on 24 January 2017.

A depositor shall qualify for the entitlement to the dividend only in respect of:

- a) Shares transferred to the depositor's securities account before 4:00 p.m. on 24 January 2017 in respect of ordinary transfer; and
- b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board
SOON WING CHONG
MAYEEN WONG MAY FUN
Company Secretaries

Kuala Lumpur, Malaysia
27 December 2016

Notes:

- (1) Item 1 of the agenda is intended for discussion only as under Section 169(1) of the Companies Act, 1965, the Audited Financial Statements do not require formal approval of shareholders. As such, this item will not be put forward for voting.
- (2) A member entitled to attend and vote at the above meeting may appoint a proxy or proxies (but not more than two) to attend and vote on his behalf and such proxy or proxies need not be a member or members of the Company.
- (3) Where there are two proxies appointed, the number of shares to be represented by each proxy must be stated.
- (4) In the case of a corporation, the form of proxy must be executed under seal or under the hand of its attorney duly authorised.
- (5) Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Each appointment of proxy by an exempt authorised nominee shall be by a separate instrument of proxy which shall specify the proportion of shareholding to be represented by each proxy.
- (6) The instrument appointing a proxy or proxies must be deposited with the Company Secretaries at the registered office of the Company at Level 3A, F&N Point, No. 3, Jalan Metro Pudu 1, Fraser Business Park, Off Jalan Yew, 55100 Kuala Lumpur, Malaysia not less than 48 hours before the meeting.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

A. FOR ORDINARY BUSINESS

Re-Appointment of Directors pursuant to Section 129 of the Companies Act, 1965

In line with Recommendation 3.1 of the Malaysian Code on Corporate Governance 2012, the Board (save for the interested directors) had undertaken an assessment of the independence of all Independent Directors including the Independent Directors who are due for re-appointment. Based on the assessment, the Board is of the opinion that the Independent Directors constantly provide independent and objective judgement in all Board and Board Committee deliberation.

B. FOR SPECIAL BUSINESS

i) **Proposed Renewal of Share Buy-Back**

Resolution 11, if passed, will provide the Company with the authority to buy-back its shares and will allow the Company a further option to utilise its financial resources more efficiently. Additionally, it is intended to stabilise the supply and demand as well as the price of the Company's shares. Please refer to Part A of the Statement/Circular to Shareholders dated 27 December 2016 for more details.

ii) **Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

Resolution 12, if passed, will enable the Company and/or its subsidiaries ("F&N Group") to enter into recurrent transactions with the related parties provided that such transactions are carried out in the ordinary course of business on normal commercial terms which are consistent with the F&N Group's normal business practices and policies and on terms not more favourable to the related parties than those extended to the other customers of the F&N Group, and not to the detriment of the minority shareholders. Please refer to Part B of the Statement/Circular to Shareholders dated 27 December 2016 for more details.

iii) **Retention of Independent Non-Executive Chairman**

At the last annual general meeting on 21 January 2016, the shareholders of the Company had approved the retention of Y.A.M. Tengku Syed Badarudin Jamalullail as the Independent Non-Executive Chairman of the Company until the conclusion of this annual general meeting.

The Board of Directors had through the Nominating Committee, undertaken an assessment of the independence of Tengku Syed as part of the annual board evaluation. Based on the assessment, the Board recommends that Tengku Syed continues to act as the Independent Non-Executive Chairman of the Company on the following basis:

- a) he continues to be able to exercise independent and objective judgement and to act in the best interest of the Company;
- b) he has detailed knowledge of the business of the Company and has proven commitment, experience and competency to effectively advise and oversee the management of the Company;
- c) he is independent of the substantial shareholders and management of the Company and free from any business or other relationship which could interfere with the exercise of independent and objective judgement or the ability to act in the best interests of the Company;
- d) he has attended 16 out of the 17 meetings of the Board and Board Committees which he sits on, and has actively participated in the deliberations of the Board and Board Committees;
- e) he possesses good standing in business community; and
- f) he has met the independence guidelines set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

NOTICE OF ANNUAL GENERAL MEETING

The Board has considered that Tengku Syed is also the Lead Independent Non-Executive Director of Fraser and Neave, Limited, the holding company of the Company, but opines that Tengku Syed's directorships in both companies will not influence his independent judgement.

iv) Retention of Senior Independent Non-Executive Director

At the last annual general meeting on 21 January 2016, the shareholders of the Company had approved the retention of Y.Bhg. Dato' Anwarrudin bin Ahamad Osman as the Senior Independent Non-Executive Director of the Company until the conclusion of this annual general meeting.

The Board of Directors had through the Nominating Committee, undertaken an assessment of the independence of Dato' Anwarrudin as part of the annual board evaluation. Based on the assessment, the Board recommends that Dato' Anwarrudin continues to act as an Independent Non-Executive Director of the Company on the following basis:

- a) he continues to be able to exercise independent and objective judgement and to act in the best interests of the Company;
- b) he has contributed sufficient time and efforts in his capacity as an Independent Non-Executive Director, and has attended all meetings of the Board and Board Committees which he sits on for informed and balanced decision making;
- c) he is independent of the substantial shareholders and management of the Company and free from any business or other relationship which could interfere with the exercise of independent and objective judgement or the ability to act in the best interests of the Company; and
- d) he has met the independence guidelines set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

v) Proposed Amendments to Articles of Association of the Company

Resolution 15, if passed will bring the Articles of Association of the Company to be in line with the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, allow deposit of proxy forms at such place within Malaysia other than the Company's registered office, and allow the use of consistent term in the Articles of Association of the Company. Details of the Proposed Amendments are set out in Appendix I attached to the Annual Report.

Members Entitled to Attend 55th Annual General Meeting

For the purpose of determining a member who shall be entitled to attend the 55th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 60(3) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 10 January 2017. Only a depositor whose name appears on the Record of Depositors as at 10 January 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

APPENDIX I PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION OF THE COMPANY

Article No.	Existing Provisions	Revised Provisions
69	<p>How resolutions decided</p> <p>At all general meetings a resolution put to the vote of the meeting shall be decided <u>on a show of hands, unless before or upon the declaration of the result of the show of hands a poll be demanded in writing by the chairman (being a person entitled to vote) or by at least two members, present in person or proxy and entitled to vote or by the holder or holders in person or proxy of at least one tenth part of the issued share capital of the Company, and unless a poll be so demanded a declaration by the chairman of the meeting that a resolution has been carried, or has been carried unanimously or by a particular majority, or lost, or not carried by a particular majority, shall be conclusive and an entry to that effect in the minute book of the Company shall be conclusive evidence thereof without proof of the number or proportion of the votes recorded in favour of or against such resolution.</u></p>	<p>How resolutions decided</p> <p>At all general meetings, a resolution put to the vote of the meeting shall be decided by poll.</p> <p><u>The poll may be conducted manually using voting slips or electronically using various forms of electronic voting devices. Such votes shall be counted by the poll administrator, and validated by the scrutineer, as may be appointed by the Company for the purpose of determining the outcome of the resolutions to be decided on poll.</u></p>
70	<p>Poll to be taken as chairman shall direct</p> <p><u>If a poll be demanded in manner aforesaid it shall be taken at such time and place and in such manner as the chairman shall direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.</u></p>	<p>Poll to be taken as chairman shall direct</p> <p>A poll shall be taken at such time and place and in such manner as the chairman shall direct, and the result of the poll shall be the resolution of the meeting.</p>
71	<p>No poll in certain cases</p> <p>No poll shall be <u>demanded</u> on the election of a chairman of a meeting or on any question of adjournment.</p>	<p>No poll in certain cases</p> <p>No poll shall be taken on the election of a chairman of a meeting or on any question of adjournment.</p>
72	<p>Chairman to have casting vote</p> <p>In the case of an equality of votes <u>either on a show of hands or at a poll</u>, the chairman of any meeting shall be entitled to a further or casting vote.</p>	<p>Chairman to have casting vote</p> <p>In the case of an equality of votes, the chairman of any meeting shall be entitled to a further or casting vote.</p>
73	<p><u>Business to be continued if poll demanded</u></p> <p><u>The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.</u></p>	Deleted
74 (b)	<p>Rights and votes of members</p> <p><u>On show of hands every member who is present in person or by proxy shall have one vote. In case of a poll every member holding ordinary shares who is present in person or by proxy shall have one vote for every ordinary share held by him. In these Articles, the shares held or represented by a member present in person or by proxy shall, in relation to shares of a Depositor, be the number of shares entered against his name in the latest Record of Depositors made available to the Company.</u></p>	<p>Rights and votes of members</p> <p>Every member holding ordinary shares who is present in person or by proxy shall have one vote for every ordinary share held by him. In these Articles, the shares held or represented by a member present in person or by proxy shall, in relation to shares of a Depositor, be the number of shares entered against his name in the latest Record of Depositors made available to the Company.</p>

APPENDIX I PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION OF THE COMPANY

Article No.	Existing Provisions	Revised Provisions
78	<p>How instrument to be executed</p> <p>The instrument appointing a proxy shall be in writing under the hands of the appointer or of his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney. <u>An instrument appointment a proxy to vote at a meeting shall be deemed to include the power to demand a poll on behalf of the appointer.</u></p>	<p>How instrument to be executed</p> <p>The instrument appointing a proxy shall be in writing under the hands of the appointer or of his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.</p>
79	<p>Instrument to be left at Company's office</p> <p>The instrument appointing a proxy shall be left at the Office at least forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote; otherwise the person so named shall not be entitled to vote in respect thereof.</p>	<p>Instrument to be left at Company's office</p> <p>The instrument appointing a proxy shall be left at the Office <u>or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting,</u> at least forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote; otherwise the person so named shall not be entitled to vote in respect thereof.</p>
90	<p>Provisions for appointing and removing alternate Director</p> <p>(d) An alternate Director may be repaid by the Company such expenses as might properly be repaid to him if he were a Director and he shall be entitled to receive from the Company such proportion (if any) of the <u>remuneration</u> otherwise payable to his appointer as such appointer may by notice in writing to the Company from time to time direct, but save as aforesaid he shall not in respect of such appointment be entitled to receive any <u>remuneration</u> from the Company.</p>	<p>Provisions for appointing and removing alternate Director</p> <p>An alternate Director may be repaid by the Company such expenses as might properly be repaid to him if he were a Director and he shall be entitled to receive from the Company such proportion (if any) of the <u>fees</u> otherwise payable to his appointer as such appointer may by notice in writing to the Company from time to time direct, but save as aforesaid he shall not in respect of such appointment be entitled to receive any <u>fees</u> from the Company.</p>
135	<p>Presentation of accounts</p> <p>The Directors shall from time to time in accordance with the provisions of the Statutes cause to be prepared and to be laid before the Company in general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as may be necessary. <u>The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the Directors' and auditors reports shall not exceed four months.</u></p>	<p>Presentation of accounts</p> <p>The Directors shall from time to time in accordance with the provisions of the Statutes cause to be prepared and to be laid before the Company in general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as may be necessary.</p>

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I/We _____ I.C. No./Company No. _____
 (full name in block letters)
 of _____
 (full address)
 being a member/members of Fraser & Neave Holdings Bhd, hereby appoint _____
 (full name in block letters)
 _____ I.C. No. _____ of

 (full address)

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf as indicated below, at the 55th Annual General Meeting of the Company to be held at **Banyan, Casuarina, Dillenia & Eugenia, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Thursday, 19 January 2017 at 10:00 a.m.** or at any adjournment thereof:

Ordinary Resolutions	No.	For	Against
To approve the payment of a final single tier dividend of 30.5 sen per share for the financial year ended 30 September 2016.	1		
To re-elect Y.Bhg. Dato' Dr. Mohd Shahar bin Sidek who retires in accordance with Article 97 of the Company's Articles of Association, as a Director.	2		
To re-elect Mr. Anthony Cheong Fook Seng who retires in accordance with Article 97 of the Company's Articles of Association, as a Director.	3		
To re-elect Mr. David Siew Kah Toong who retires in accordance with Article 103 of the Company's Articles of Association, as a Director.	4		
To re-appoint Y.A.M. Tengku Syed Badarudin Jamalullail as a Director pursuant to Section 129(6) of the Companies Act, 1965.	5		
To re-appoint Y.Bhg. Dato' Anwarrudin bin Ahamad Osman as a Director pursuant to Section 129(6) of the Companies Act, 1965.	6		
To re-appoint Y.Bhg. Dato' Jorgen Bornhoft as a Director pursuant to Section 129(6) of the Companies Act, 1965.	7		
To re-appoint Mr. Lee Kong Yip as a Director pursuant to Section 129(6) of the Companies Act, 1965.	8		
To approve Directors' fees of RM1,400,000 for the financial year ending 30 September 2017 payable monthly in arrears after each month of completed service of the Directors during the financial year.	9		
To re-appoint Messrs KPMG, the retiring auditors, as the auditors of the Company for financial year ending 30 September 2017, and to authorise the Directors to fix the auditors' remuneration.	10		
To approve the Proposed Renewal of Share Buy-Back.	11		
To approve the Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature.	12		
To approve the retention of Y.A.M. Tengku Syed Badarudin Jamalullail as the Independent Non-Executive Chairman of the Company.	13		
To approve the retention of Y.Bhg. Dato' Anwarrudin bin Ahamad Osman as the Senior Independent Non-Executive Director of the Company.	14		
Special Resolution			
To approve the proposed amendments to the Articles of Association of the Company as set out in Appendix I attached to the Annual Report.	15		

Please indicate with an "X" in the spaces above how you wish your vote to be cast. If no specific direction as to voting is given, your proxy will vote or abstain at his/her discretion.

Dated this _____ day of _____ 20_____

Number of shares held	
CDS Account No.	

 Signature(s)/Common Seal of Shareholder(s)

Notes:

- (1) A member entitled to attend and vote at the above meeting may appoint a proxy or proxies (but not more than two) to attend and vote on his/her behalf and such proxy or proxies need not be a member or members of the Company.
- (2) Where there are two proxies appointed, the number of shares to be represented by each proxy must be stated.
- (3) In the case of a corporation, the form of proxy must be executed under seal or under the hand of its attorney duly authorised.
- (4) Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Each appointment of proxy by an exempt authorised nominee shall be by a separate instrument of proxy which shall specify the proportion of shareholding to be represented by each proxy.
- (5) The instrument appointing a proxy or proxies must be deposited with the Company Secretaries at the registered office of the Company at Level 3A, F&N Point, No. 3, Jalan Metro Pudu 1, Fraser Business Park, Off Jalan Yew, 55100 Kuala Lumpur, Malaysia not less than 48 hours before the meeting.
- (6) By submitting the duly executed proxy form, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purpose of the annual general meeting and any adjournment thereof.

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**AFFIX
STAMP**

Company Secretaries
FRASER & NEAVE HOLDINGS BHD 4205-V
Level 3A, F&N Point, No. 3, Jalan Metro Pudu 1
Fraser Business Park, Off Jalan Yew
55100 Kuala Lumpur
Malaysia

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Fraser & Neave Holdings Bhd

F&N Point, No. 3, Jalan Metro Pudu 1, Fraser Business Park,
Off Jalan Yew, 55100 Kuala Lumpur, Malaysia

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