



**FRASER & NEAVE
HOLDINGS BHD**
(4205-V)



TRANSFORMATION IN ACTION

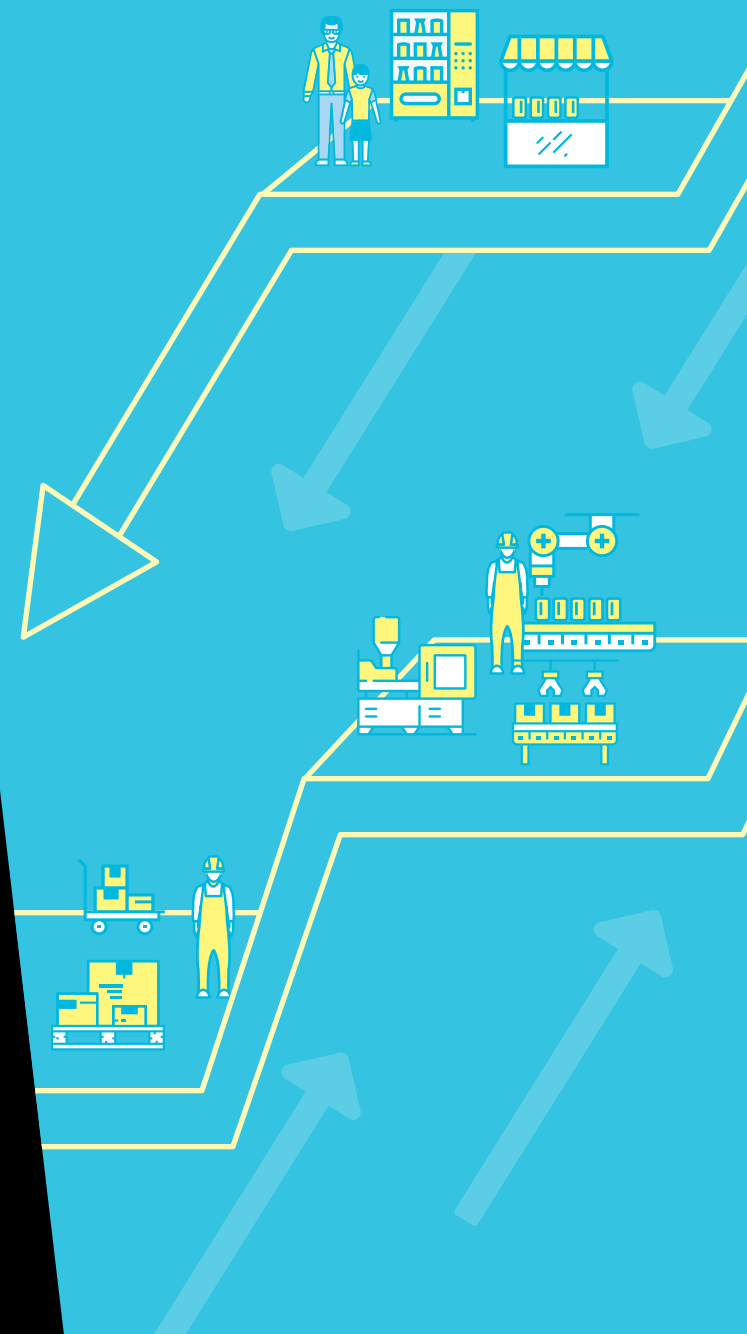
OPTIMISING THE VALUE CHAIN

Annual Report 2017

COST OPTIMISATION

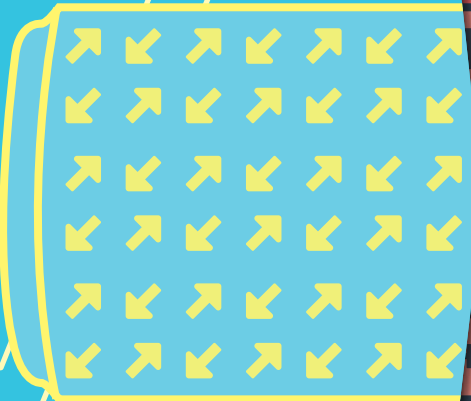
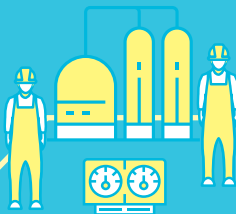
REDUCING COSTS

We look continuously to capture cost savings throughout our operations, from our manufacturing to our logistics and distribution. This includes streamlining and simplifying our processes while optimising space and resources.



In transforming F&NHB for a sustainable future, we started with optimising our resources productivity and cost effectiveness to build a more competitive organisation.

Improvement in our cost structure and overall functional efficiency and effectiveness from various transformation initiatives have delivered sustainable financial benefits for the Group.

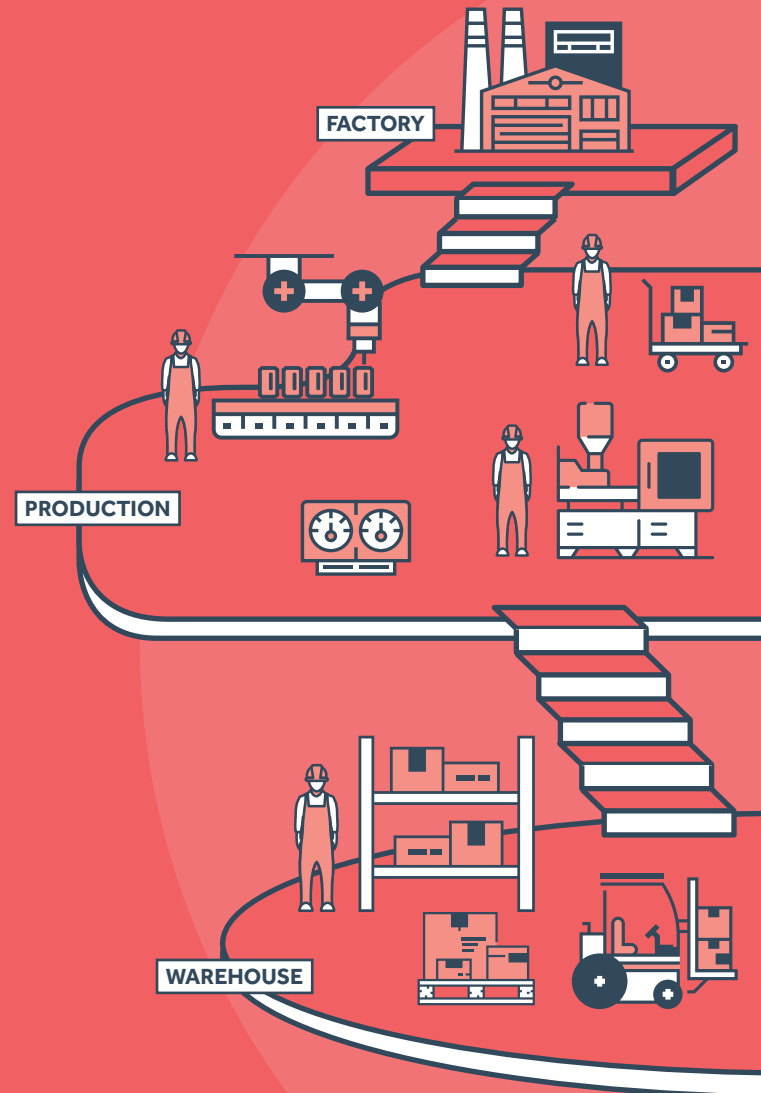


ENHANCING EFFICIENCIES

We invest in the best technologies to increase our manufacturing efficiencies, and are increasing our production capacity to create greater cost efficiency through economies of scale, in-sourcing production and shortening our route to the different markets we serve.



CAPTURING VALUE ALONG THE SUPPLY CHAIN



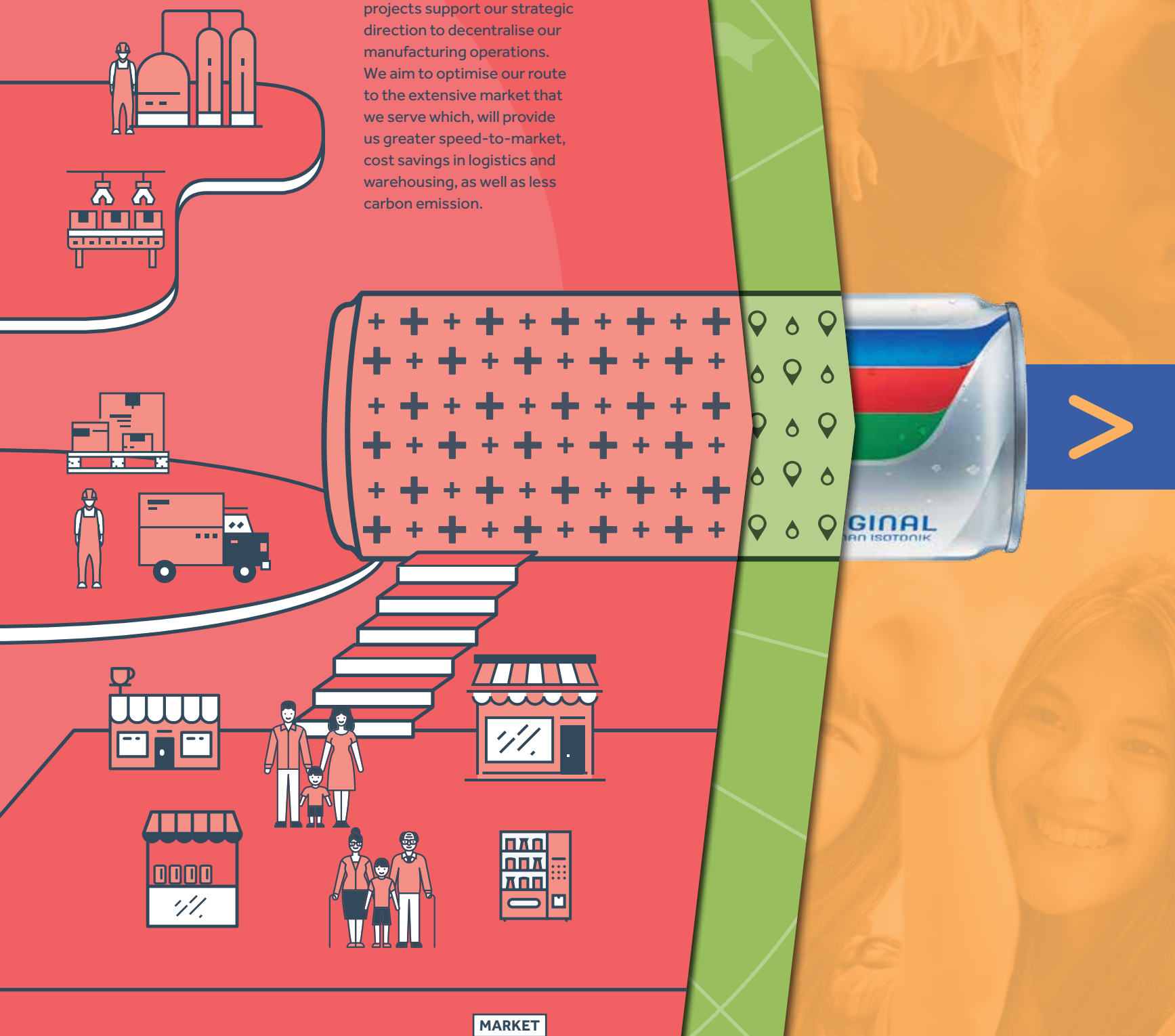
HARMONISATION

Meanwhile, our route-to-market has been transformed via a distributor harmonisation programme, merging the distribution networks of our soft drinks and dairy products into one. This creates a triple win of better efficiencies for us, greater volume of trade for our distributors, and greater ease of doing business for our customers.

Leveraging on the combined strengths of our soft drinks and dairy business in Malaysia; we now have the nation's widest route-to-market and widest manufacturing footprint among food and beverage producers, which delivered greater operational efficiency in distribution, logistics and warehousing for the Group.

DECENTRALISATION

F&NHB's capital expenditure projects support our strategic direction to decentralise our manufacturing operations. We aim to optimise our route to the extensive market that we serve which, will provide us greater speed-to-market, cost savings in logistics and warehousing, as well as less carbon emission.



FUELLING EXPORT GROWTH



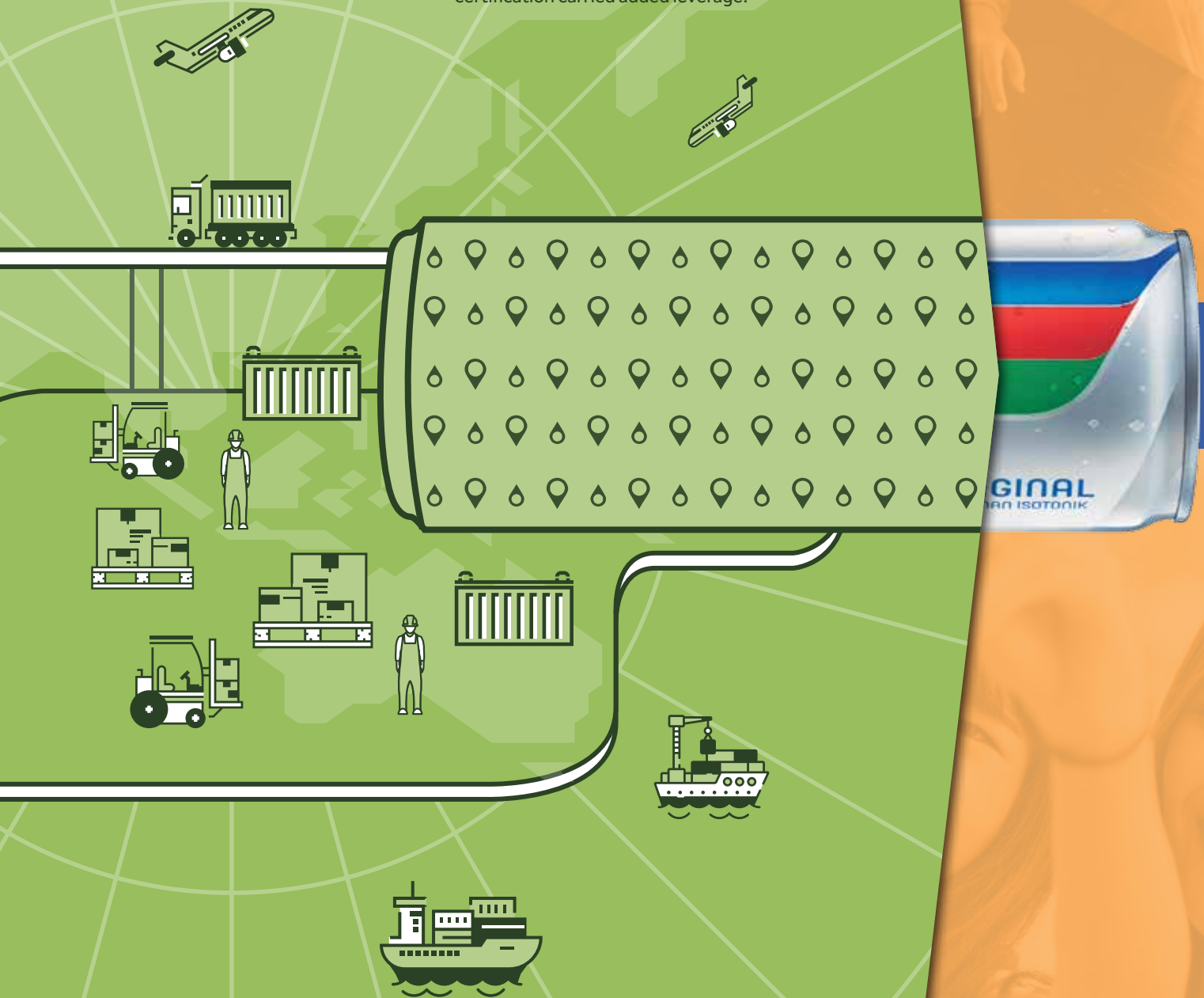
CAPACITY AND CAPABILITY EXPANSION

F&NHB is gearing for growth with RM 500 million invested in capital expenditure projects over a three-year period to elevate our production capacity and cost competitiveness. Going forward, the Group will place greater emphasis on innovation and customising our product and packaging to cater to specific needs of our diverse local and international customers.

F&NHB Group has benefitted from our geographical diversity over the past couple of years, which affirmed the vital role of Exports in the Group's growth strategy. Therefore, the Group will be prioritising on capacity and capability building to fuel our Exports business for long-term growth.

HALAL NETWORK

F&NHB supports the development of Malaysia as a global commercial and halal hub. This year, the Group has further expanded our export market network in the global Muslim market where our halal certification carried added leverage.



F&N CANNED MILK



BORNEO SPRINGS



F&N NUTRISOY



SUNKIST



IDEAL®



RANGER

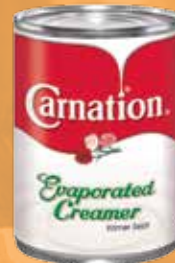


OUR BRAND PORTFOLIO

F&N FUN FLAVOURS



CARNATION®



GOLD COIN



F&N SEASONS



EST COLA



20

WELL-LOVED BRANDS



TRUSTED BY GENERATIONS OVER

134 YEARS



OUTLETS ACROSS MALAYSIA

80,000



OUTLETS ACROSS THAILAND

153,000

100PLUS
F&N SEASONS
F&N NUTRISOY
OISHI
F&N CONDENSED & EVAPORATED MILK
CARNATION®
BEAR BRAND
MARKET LEADING POSITIONS IN RESPECTIVE CATEGORIES



7

NEW PRODUCTS IN FY2017

F&N MAGNOLIA

F&N FRUIT TREE

OISHI



CAP JUNJUNG®



100PLUS



F&N ICE MOUNTAIN

FARMHOUSE

TEAPOT



BEAR BRAND



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 consumers and a rewarding career for our employees



WELCOME TO F&NHB'S ANNUAL REPORT FOR THE FINANCIAL YEAR 2017.

I am pleased to share a commendable scorecard for Fraser & Neave Holdings Bhd ("F&NHB") within a tough operating landscape. Our success is driven by the same principle that has kept us relevant over the past 134 years: a willingness to embrace short-term pitfalls for long-term sustainability.

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

Chairman

Feature in this Annual Report

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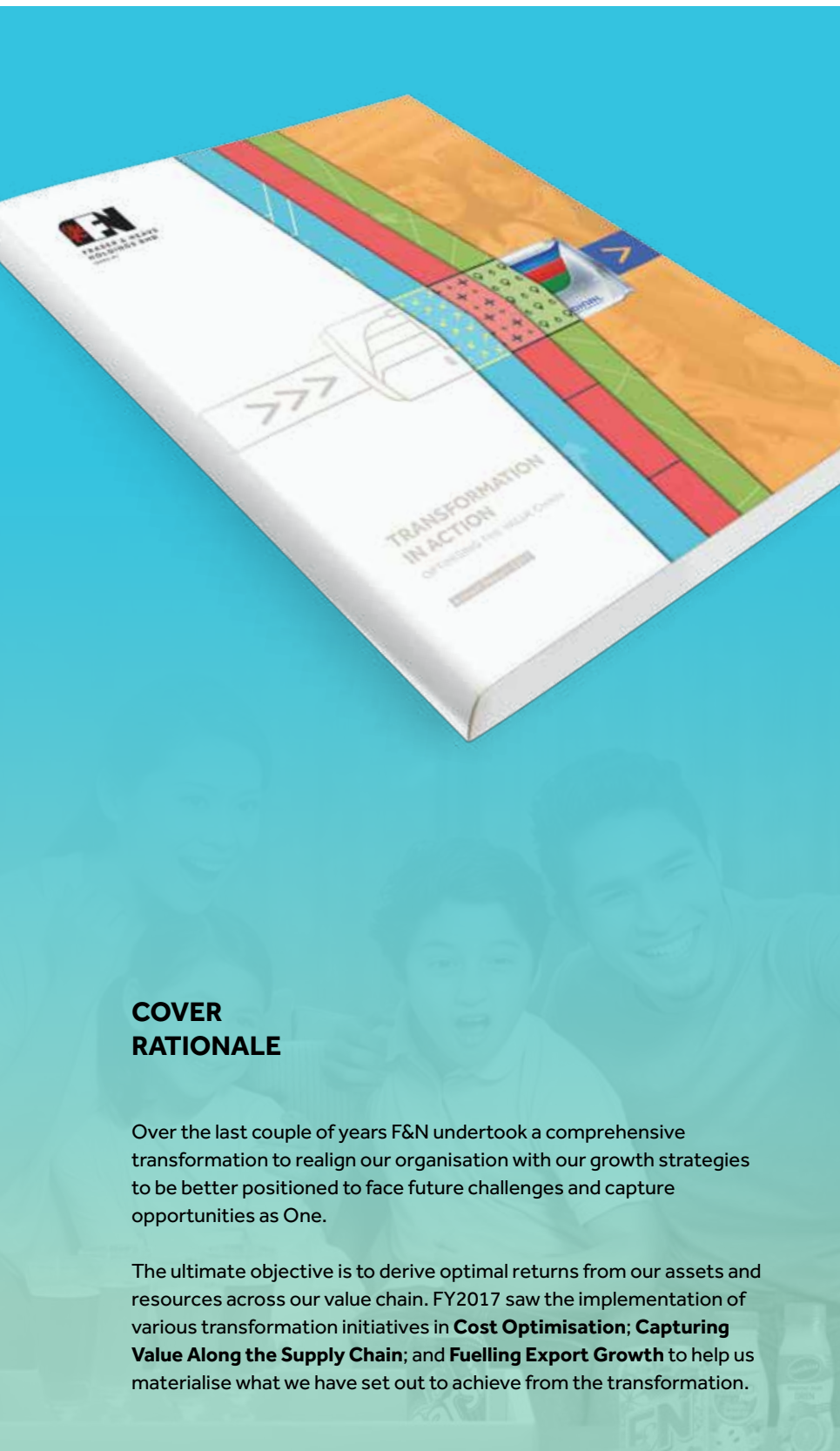


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COVER RATIONALE

Over the last couple of years F&N undertook a comprehensive transformation to realign our organisation with our growth strategies to be better positioned to face future challenges and capture opportunities as One.

The ultimate objective is to derive optimal returns from our assets and resources across our value chain. FY2017 saw the implementation of various transformation initiatives in **Cost Optimisation; Capturing Value Along the Supply Chain;** and **Fuelling Export Growth** to help us materialise what we have set out to achieve from the transformation.



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Annual Report 2017

The full version
of F&NHB Annual
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website.



Contact Us

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Thank you

We would like to extend our appreciation to the four individuals quoted in this Annual Report for sharing their thoughts on how they have contributed or benefitted from our transformation.



Ms. Nicholle Ooi

Managing Director
Soongifa Trading (B'worth) Sdn Bhd



Mr. Lai Sak Coon

Managing Director
Eonsave Cash & Carry Sdn Bhd



Mr. Soh Swee Hock

First Vice President, Export/Business Development
Fraser & Neave Holdings Bhd



Mr. Lee Chin Peng

First Vice President, Information Technology
Fraser & Neave Holdings Bhd

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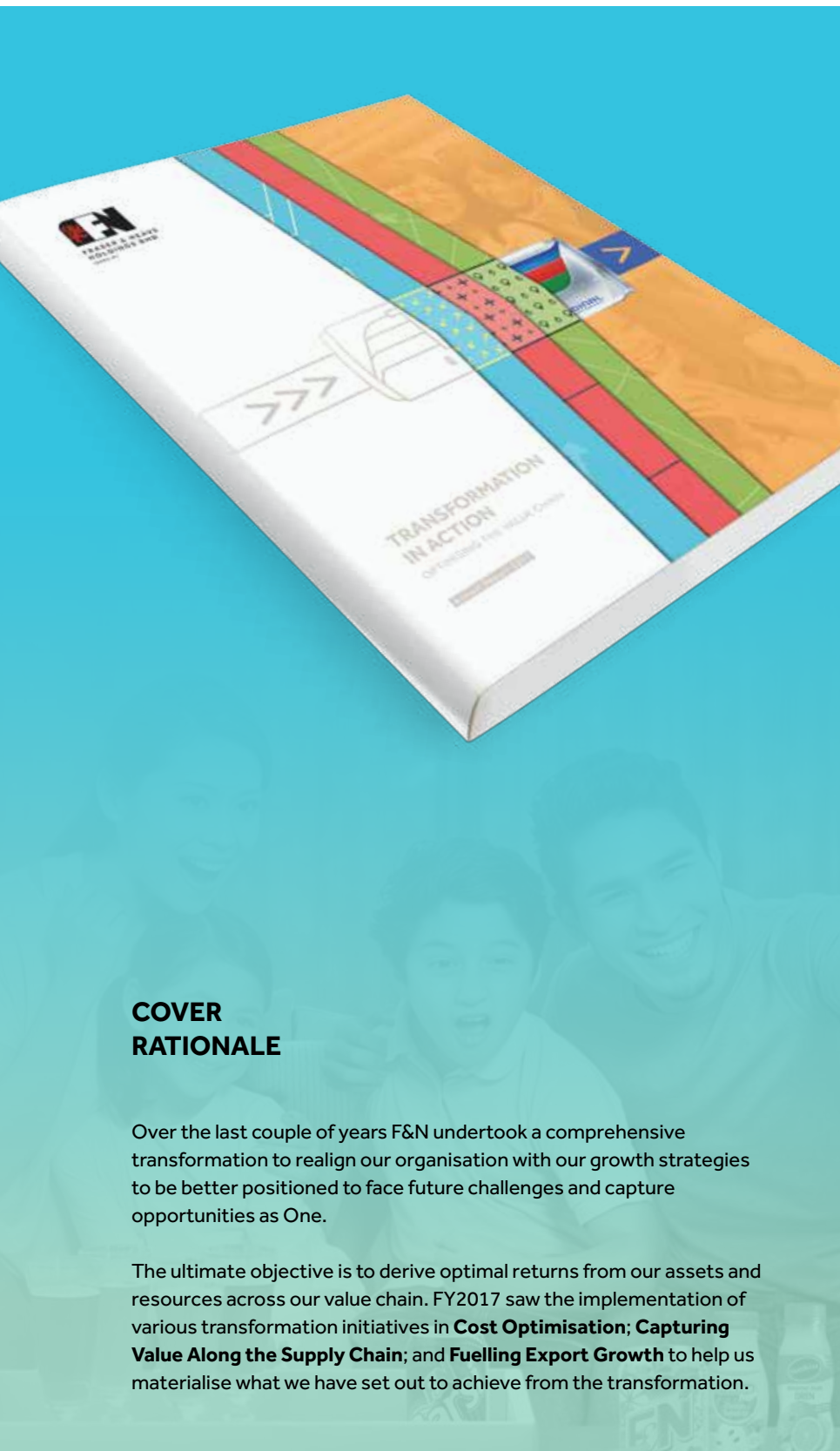


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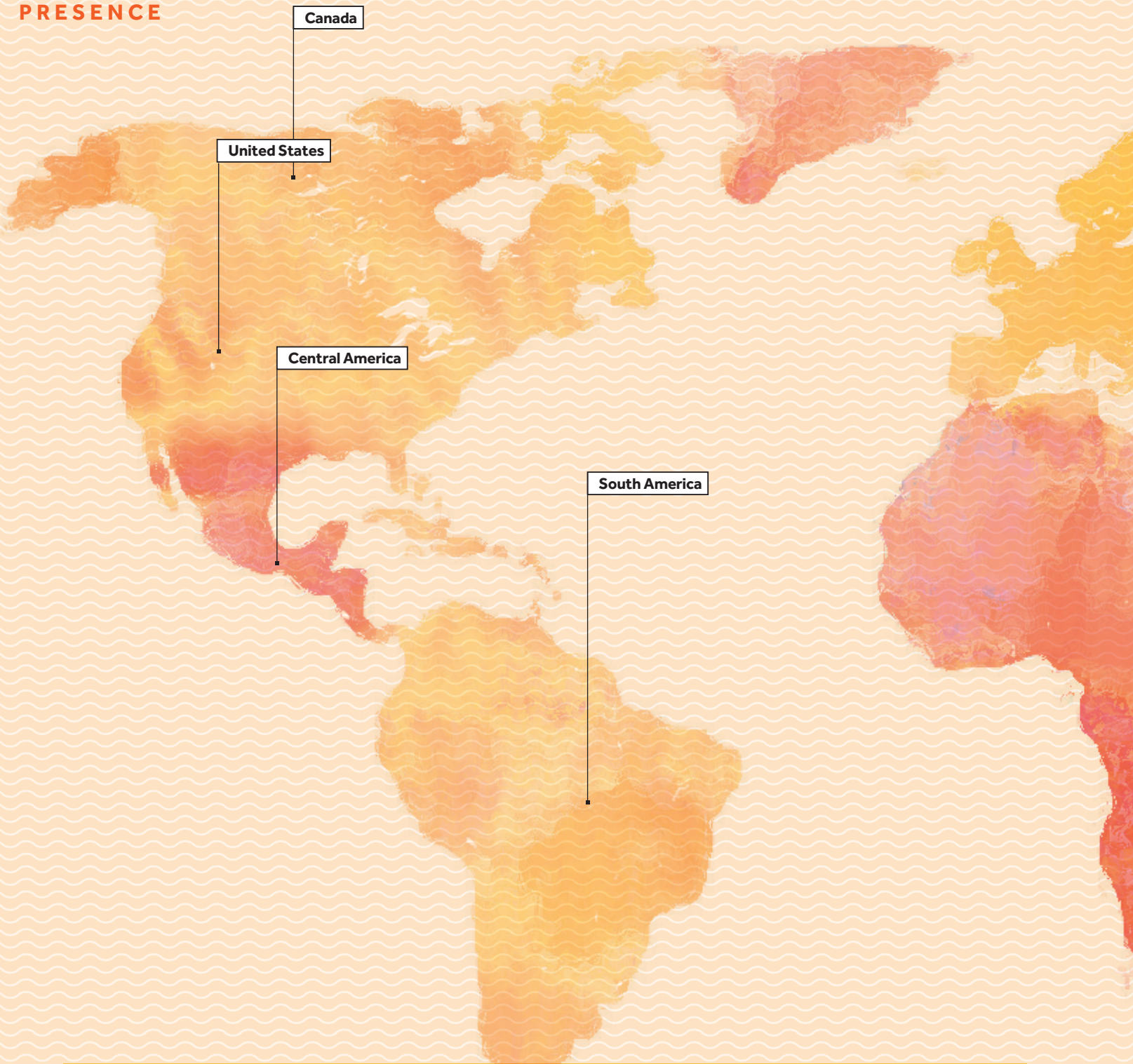
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OUR GLOBAL PRESENCE



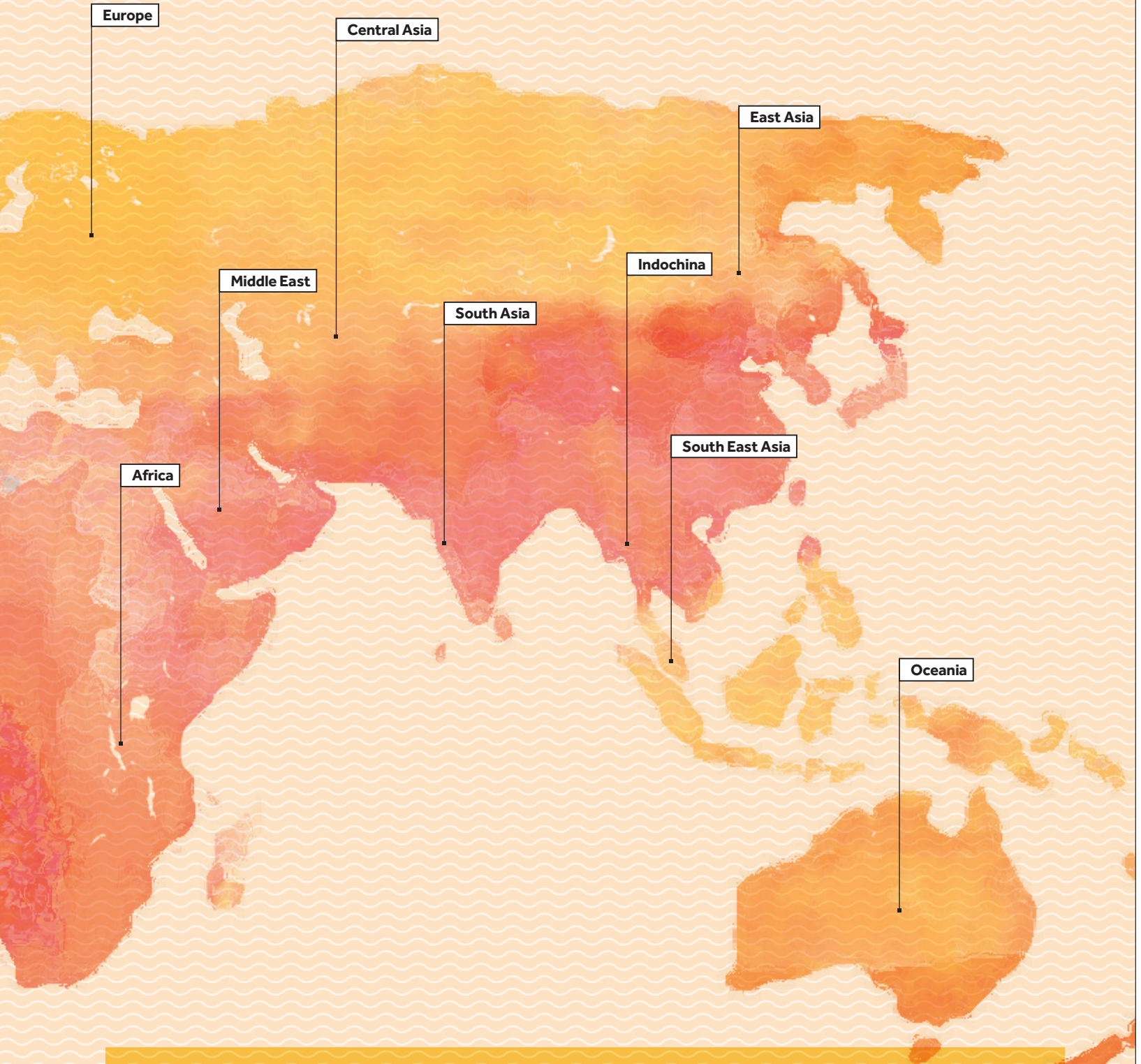
F&N products
are exported to over

55

countries worldwide



Introduced
bag-in-box (BIB)
format this year



100PLUS and F&N SEASONS
now available in:

- Ghana
- Pakistan
- Iran
- Saudi Arabia
- Japan



Top 3 key exported products:

- Condensed milk in can
- Pouch pack (2.5kg)
- Bag-in-box (20kg BIB) format

FIVE-YEAR STATISTICS GROUP FINANCIAL HIGHLIGHTS

Year ended 30 September	2017	2016	2015	2014	2013
Results (RM million)					
Revenue	4,101.4	4,167.6	4,107.6*	3,851.0*	3,533.5*
Profit before tax (PBT)	353.7	442.9	333.8	315.5	307.8 [#]
Profit for the year	323.3	385.4	280.1	259.4	259.5 [#]
Dividend					
Per share					
- Earnings - basic (sen)	88.3	105.3	76.5	71.0	71.4 [#]
- Earnings - diluted (sen)	88.0	104.8	76.4	70.9	71.1 [#]
- Dividend - net (sen)	57.5 ^{**}	57.5	57.5	55.0	60.0
- Dividend - cover (times)	1.5	1.8	1.3	1.3	1.2
Statement of Financial Position (RM million)					
Share capital	816.8	366.8	366.6	366.0	364.7
Shareholders' equity	2,132.6	1,989.0	1,876.8	1,688.6	1,648.4 [#]
Total assets	3,231.5	3,205.9	3,022.6*	2,734.0	2,721.5 [#]
Total loans and borrowings	379.1	404.6	300.0	350.0	390.0
Net assets per share (RM)	5.82	5.43	5.12	4.62	4.52 [#]
Ratio (%)					
PBT on revenue	8.6	10.6	8.1*	8.2*	8.7 ^{#&*}
Return on shareholders' equity	15.2	19.4	14.9	15.4	15.7 [#]
Debt equity ratio	17.8	20.3	16.0	20.7	23.7
Net debt to equity ratio	-	-	-	-	1.8 [#]

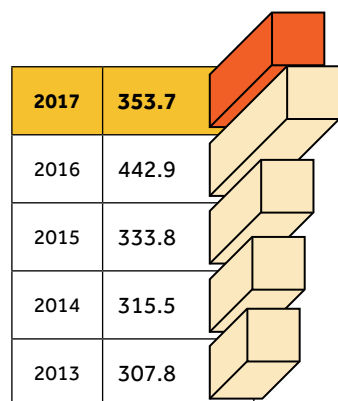
[#] Adjustments pursuant to the adoption of MFRS 11 *Joint Arrangements* and MFRS 119 *Employee Benefits*.

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

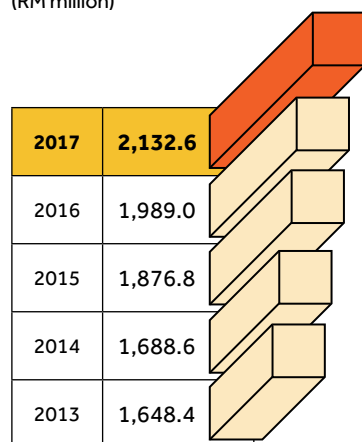
** Included proposed dividend of 30.5 sen, which will only be recognised in the financial statements upon shareholders' approval.

FIVE-YEAR STATISTICS GROUP FINANCIAL HIGHLIGHTS - CHARTS

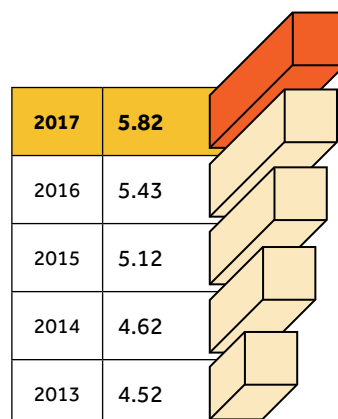
PBT
(RM million)



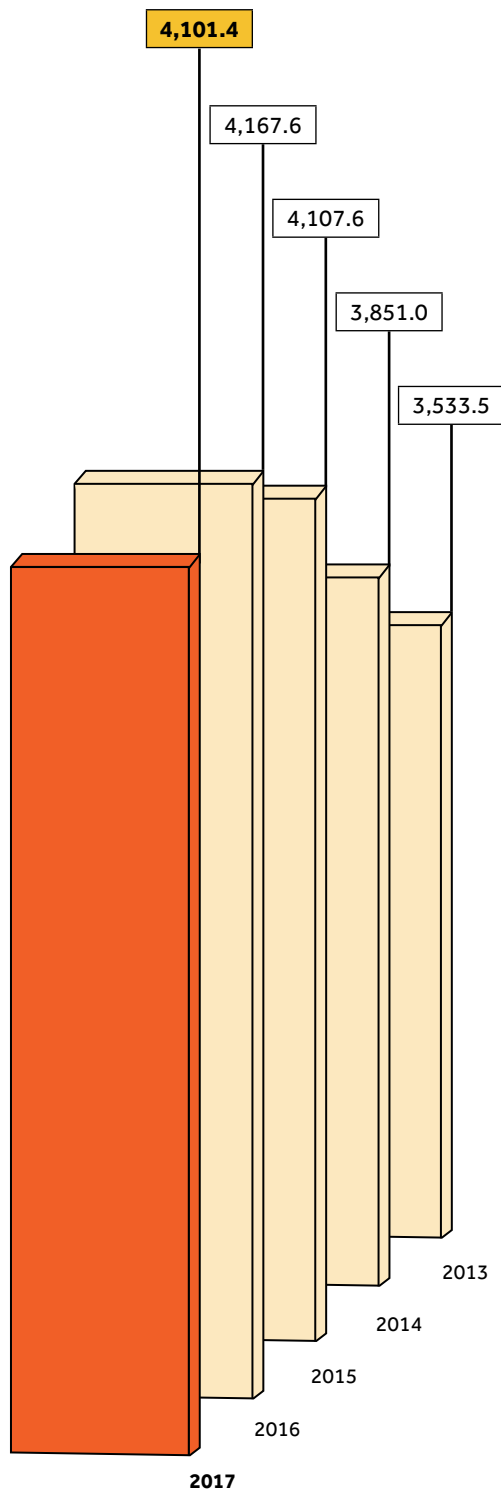
Shareholders' Equity
(RM million)



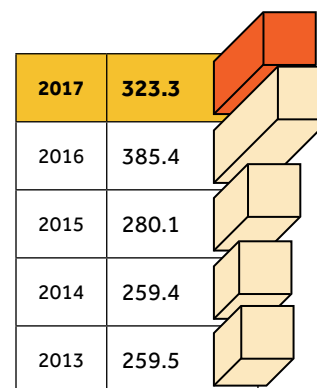
Net Assets Per Share
(RM)



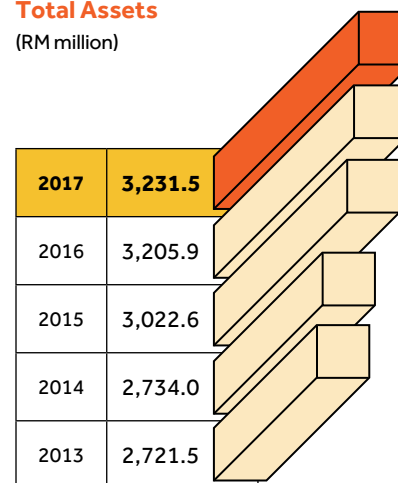
Revenue
(RM million)



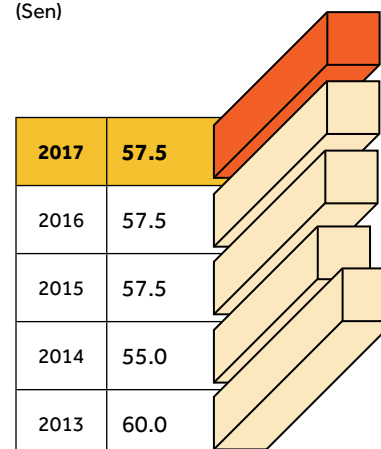
Profit for the Year
(RM million)



Total Assets
(RM million)



Net Dividend
(Sen)



2017 At A Glance

FINANCIAL HIGHLIGHTS

Group revenue



**RM 4.1
billion**



Group profit before tax

**RM 353.7
million**

Group profit
for the year



**RM 323.3
million**



Basic earnings per share

88.3
sen per share

Dividend for the year



57.5
sen per share



Completed
RM

31.5
million

UHT Kuching line officially
launched on 14 March 2017



F&B Thailand
achieved top-line and
bottom-line growth
in an overall market that
contracted

5%



Export revenue
of dairy products
from Malaysia

+26%

HIGHLIGHTS

AWARDS



F&N Dairies Thailand
received the **Diamond
Thailand Kaizen Award**

from the Technology Promotion
Association (Thailand-Japan)
for the best employee-driven
productivity enhancement
project in Thailand

100PLUS

is one of the top brands
in the "Beverage – Non-
alcoholic" category

**"The Putra Marketer
of the Year"**

award accorded to
100PLUS Marketing Team

in 2017 Putra Brand Awards



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Profile of
Chief Executive Officer

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Profile of
Key Senior Management



PRESENTS

THE

INSIDE

STORIES

“

Our target is to achieve RM 500 million in sales by 2020, and going by our current performance, as well as the support of management, we are on the right track to exceed this target.

Mr. Soh Swee Hock,
First Vice President, Export/Business Development
Fraser & Neave Holdings Bhd



Mr. Soh Swee Hock

First Vice President, Export/Business Development
Fraser & Neave Holdings Bhd

Part of F&NHB's transformation is to grow Exports into our third strategic business pillar, the other two being Food & Beverages Malaysia Domestic and Food & Beverages Thailand. In order to do this, we have grown the team, from only two sales staff to seven. There has also been a shift in mindset in the Exports division. As opposed to focusing on trading volume, as we did before, we are now operating more entrepreneurially, with a keen eye on margin and long-term business development. This has led to a more dynamic and aggressive approach, in which we make a real effort to understand our customers' needs and develop new recipes, food applications as well as differentiated packaging to meet their specific needs. As an example, we have developed 20kg bag-in-box for condensed milk, to cater to industrial customers.

This year, we have continued our double-digit growth momentum and increased our export markets to 55 countries worldwide. Our target is to achieve RM 500 million in sales by 2020, and going by our current performance, as well as the support of management, we are on the right track to exceed this target.



*Scan the QR code
to view this inside story.*

CHAIRMAN'S STATEMENT

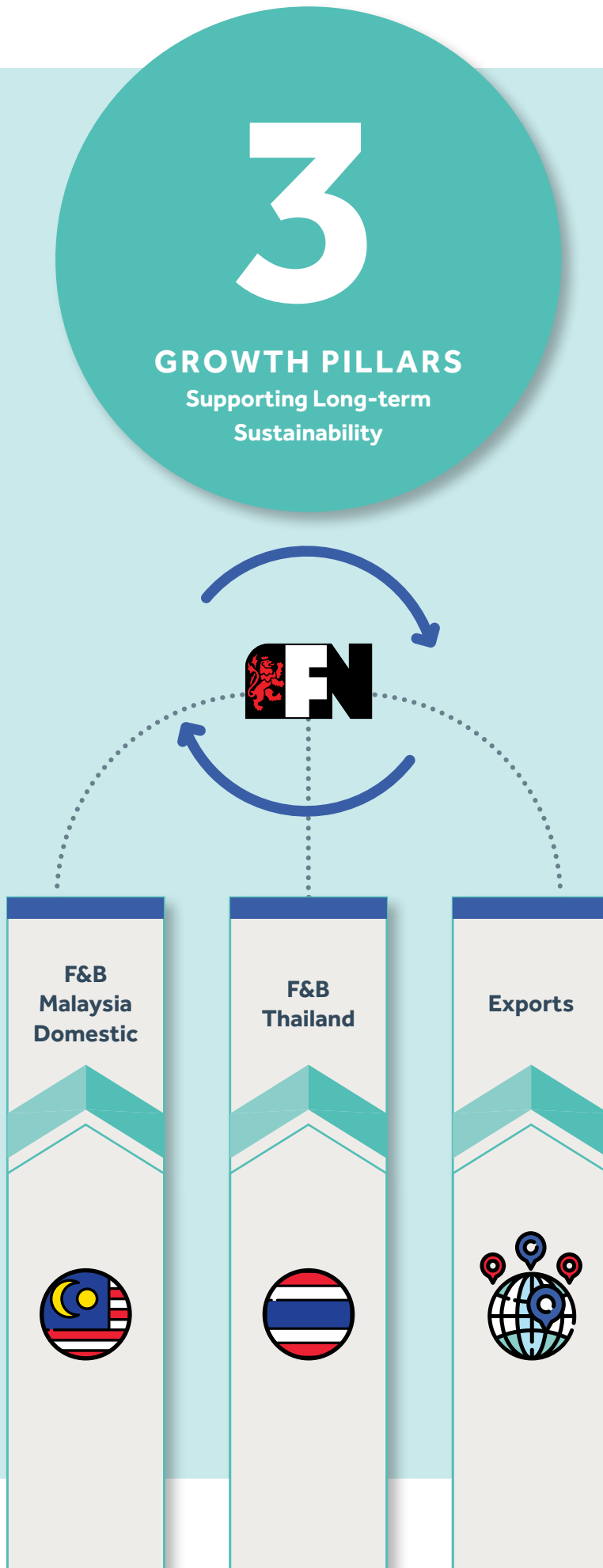
Chairman

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

Dear Shareholders,

Undeterred by a tough macro-environment marked with increasing competition and input costs compounded by the prolonged weak consumer sentiment, we surged ahead with the business transformation we had embarked on since October 2015. During the financial year 2017 (FY2017), we made structural changes critical to our long-term success. As a result, Fraser & Neave Holdings Bhd (F&NHB or the Group) is today a leaner, more efficient organisation to move the Group to the next level of our journey in creating sustainable growth.





CREATING VALUE FOR SHAREHOLDERS

Our transformation reflects the same principle that has enabled F&NHB to weather many storms during our 134-year history, and which will see us through many more in the future. This is our willingness to embrace short-term impact for long-term sustainability.

During this period of consolidation, the Group's top-line eased 1.6 per cent to RM 4.1 billion while higher input costs and a one-off restructuring cost resulted in a 20.1 per cent decline in profit before tax to RM 353.7 million compared to the same period last year. Excluding the one-off items, the Group's profit before tax contracted, by 2.3 per cent to RM 406.4 million from RM 416.2 million in FY2016. What this means is that through the various transformational programmes, the upswing in commodity prices have been largely absorbed. In the long term, we are confident that the changes implemented will enhance our financial performance and add to our already substantial shareholder value.

An investor who held on to his F&NHB shares over the last 10 years to date would enjoy a return on investment (ROI) of more than 290 per cent. This stems from a steady increase in our share price – from RM 8.05 in October 2007 to RM 24.66 as at 29 September 2017 – as well as the dividends we have been declaring over the same period.

For the FY2017, 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 FY2016.

THREE GROWTH PILLARS SUPPORTING SUSTAINABILITY

To ensure we stay focused in our journey of transformation, we have grouped our businesses into three independent growth pillars—Food & Beverages Malaysia Domestic (F&B Malaysia Domestic), Food & Beverages Thailand (F&B Thailand) and Exports – each tasked with profitable growth to support a sustainable F&NHB.

Growth in F&B Malaysia Domestic is being driven by the transformation initiatives to extract synergies from commercial alignment and enhanced operational efficiency, as well as significant capital expenditure (capex) to increase capacity and decentralise our operations. Since 2015, we have allocated more than RM 500 million to capex projects over a period of

three years. At the same time, we have put our property developments on hold as we believe the current economic landscape does not warrant their development and sale.

For F&B Thailand, while we are gratified with the successes achieved in just 10 years since the acquisition, there is greater scope for expansion; and the team is leveraging opportunities available through innovative initiatives. The culture of innovation in our Thai operations is so eminent this financial year that the team received the Diamond Thailand Kaizen Award from the Technology Promotion Association (Thailand-Japan) for the best employee-driven productivity enhancement project in the country.

To grow our Exports, we have enlarged our team and nurtured an entrepreneurial approach towards international business

development. Having established close links with the Malaysia External Trade Development Corporation (MATRADE), we are able to leverage the agency's global footprint, especially in the halal market where we have a natural advantage as our operations are halal certified.

I am very pleased with the strong double-digit growth in the Exports business. Amidst the challenging economic and market landscape in the domestic front, our investments in capability and capacity expansion to transform the Exports business into a growth pillar for the Group have proven to be profitable and timely.

Going forward, we are confident that through the transformation programme we will be able to maximise growth opportunities for exports from Malaysia to surpass its RM 500 million sales target ahead of 2020.

Group Revenue (RM billion)



SUSTAINABILITY REPORTING

The Board sees sustainability as being integral to good governance and a way for us to help preserve our planet for the future generation, and is therefore taking the lead in F&NHB's sustainability journey. The Group Executive Committee takes on the role of a Steering Committee at the Board level, providing strategic counsel to F&NHB's Sustainability Management Committee (SMC) on sustainability matters for the Group.

”

"We are confident that through the transformation programme, we will be able to maximise growth opportunities for exports from Malaysia to surpass its RM 500 million sales target ahead of 2020."

To ensure alignment of the Board and management on sustainability, all Board members attended a materiality workshop last August to understand best practices in sustainability as well as the Global Reporting Initiative (GRI) reporting guidelines. The workshop output has served as a framework for our management approach and reporting process on the Group's key economic, environmental and social (EES) material aspects.

While we have been reporting on the Group's sustainability practices in the past, the Board is pleased to present our first GRI G4 Sustainability Report this year.

BUILDING TRUST WITH STAKEHOLDERS

Through both our Annual Report and Sustainability Report, we seek to create greater transparency of the Group's actions to strengthen the trust our stakeholders have in us. Consumers' trust in our products is particularly important as our unique legacy is embedded within the socio-economic fabric of generations of Malaysians.

To maintain their trust, we place great emphasis on quality and relevance, and invest substantially in Research and Development (R&D) to develop products that meet shifting consumer expectations. In recent years, this has meant innovating to offer products that are delicious yet cater to the healthier lifestyles. During the year, we were extremely pleased when four products – F&N Magnolia Lo-Fat Hi-Cal Milk, FARMHOUSE Fresh Milk, 100PLUS ACTIVE and 100PLUS Original – attained the Healthier Choice logo launched by the Ministry of Health. We aim to offer healthier choices in each of our product categories by 2020.

It gives me great pleasure to share that our efforts to build trust with stakeholders have been recognised. In September 2017, F&NHB was one of 20 finalists of the PwC Malaysia Building Trust Awards (BTA).



1st GRI G4
Sustainability Report



F&N Dairies
Manufacturing Malaysia:
Energy Management Gold
Standard from the ASEAN
Energy Management Scheme



F&N Dairies Thailand:
Prime Minister's Industrial
Award 2017 for Environmental
Quality Conservation

Basic Earnings
per Share

88.3 sen

Dividend for
the Year

57.5 sen
per share

Dividend
Payout Ratio

65%

Group Profit Before Tax (RM million)



RESPONSIBILITY TO THE COMMUNITY AND PLANET



15th Chairman's Award:
RM 286,600 awarded to
130 children of our employees
for academic and extra-
curricular excellence



100PLUS team recognised as
Putra Marketer of the Year
from the Putra Brand Award's
Board of Governors

F&NHB has a strong track record of giving back to the community in ways that are meaningful. We have always been a staunch supporter of sporting events in the country, and this year contributed to the nation's spectacular hosting and performance by Malaysian sports men and women in the SEA Games where 100PLUS was the Official Isotonic Drink. We also expanded our school recycling programme by taking it to Kuching and Seberang Prai for the first time while attracting the participation of more schools in Shah Alam and Penang island.

Our recycling initiatives are part of a broader commitment to addressing environmental issues such as climate change. We have always sought to minimise our environmental footprint through energy efficiency and reduced raw material consumption, hence also waste production; and have been recognised for our efforts. This year, I'm proud to share, F&N Dairies Manufacturing Malaysia was presented the Energy Management Gold Standard from the ASEAN Energy Management Scheme while F&N Dairies Thailand received the Prime Minister's Industrial Award 2017 for Environmental Quality Conservation from the Ministry of Industry and the Thai Government.

Within the Group itself, we continue to engage our most important stakeholders – our employees – through regular communication and the provision of training and development opportunities that support our employees' professional ambitions. Reinforcing our employee relations, we presented our 15th Chairman's Award this year, distributing RM 286,600 in cash to 130 children of our employees who have shown exemplary achievements in their academic and extra-curricular activities. We take pride in them and hope that with a little motivation from the company, they will be encouraged to strive harder for future successes.

Our community and environment initiatives are outlined in greater detail in the Sustainability Report.





ACKNOWLEDGEMENTS

F&NHB's transformation has placed added pressure on various parties; yet everyone has risen to the occasion, ensuring the success of the ongoing programme.

In May, my colleagues on the Board took time off from their schedules to attend a two-day annual strategic retreat during which they were thoroughly engaged in all critical strategy discussions, decision and vision-making processes. They have shown themselves to be perhaps the most visionary Board in F&NHB's history, and I would like to express my gratitude to all our Directors for helping to shape a more sustainable F&NHB.

I would like to say a special thank you for the dedicated services of Dato' Dr. Mohd Shahar bin Sidek, Dato' Anwarudin bin Ahamad Osman, Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani, and Mr. Anthony Cheong Fook Seng who have served the Board for 14 years, 12 years, 11 years and 15 years respectively, and who will be retiring at our upcoming Annual General Meeting (AGM). On behalf of the rest of the Board, we wish you the best in future undertakings.

The Board would like to thank the management team and assure them of our continued support. We have full confidence in their ability to further strengthen the Group's sustainability as we strive to achieve our goals.

At the same time, we recognise the commitment of all our employees to F&NHB, and would like to extend our heartfelt gratitude for their hard work. The marketing team of 100PLUS deserves special mention, having won the Putra Marketer of the Year from the Putra Brand Award's Board of Governors. Kudos to the team – we look forward to many more successes to come!

Last but not least, I would like to record my appreciation to our many business partners, suppliers and distributors for their unstinting support to the Group this year.

F&NHB's performance is the result of the actions of all our stakeholders, and we are committed to creating sustainable value and sharing our successes with you.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Independent Non-Executive Chairman

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

Independent Non-Executive Directors

- Y.Bhg. Dato' Anwarrudin bin Ahamad Osman
- Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo
- David Siew Kah Toong

Non-Independent

Non-Executive Directors

- Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani
- Y.Bhg. Dato' Dr. Mohd Shahr bin Sidek
- Y.Bhg. Dato' Jorgen Bornhoft
- Lee Kong Yip
- Lee Meng Tat
- Hui Choon Kit
- Anthony Cheong Fook Seng

COMPANY SECRETARY

- Mayeen Wong May Fun
MAICSA 7018697

GROUP EXECUTIVE COMMITTEE

Chairman

Lee Meng Tat

Members

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

RISK MANAGEMENT COMMITTEE

Chairman

Lee Kong Yip

Members

- Y.Bhg. Dato' Jorgen Bornhoft
- Y.Bhg. Dato' Dr. Mohd Shahr bin Sidek
- Hui Choon Kit

AUDIT COMMITTEE

Chairman

David Siew Kah Toong

Members

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

NOMINATING COMMITTEE

Chairman

Y.Bhg. Dato' Anwarrudin bin Ahamad Osman

Members

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

REMUNERATION COMMITTEE

Chairman

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

Members

- Y.Bhg. Dato' Anwarrudin bin Ahamad Osman
- Lee Kong Yip
- 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

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

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 PLT

Level 10, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

SHARE REGISTRAR

Tricor Investor & Issuing House 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 November 2017



Food & Beverages Malaysia



Food & Beverages Thailand



Property



Others



* in the process of member's voluntary winding up

PROFILE OF BOARD OF DIRECTORS

Board Composition



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

1



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 72

Tengku Syed Badarudin Jamalullail graduated from Cambridge University in 1968 with a Master of Arts degree in Law & History.

From 1968 to 1978, Tengku Syed was employed and held various executive positions in Fraser & Neave (Malaya) Sdn Bhd. Currently, he is involved in his family business and is a board member of Yayasan Tuanku Syed Putra, a charitable foundation and the President of Tuanku Syed Putra Dialysis Centre, Perlis. He was a Director of Hwang Capital (Malaysia) Berhad.

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.

Y.Bhg. Dato' Anwarudin bin Ahamad Osman

*Independent Non-Executive Director
Chairman of Nominating Committee*

A R S



Malaysian Age 74

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.

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.

2



3

David Siew Kah Toong

*Independent Non-Executive Director
Chairman of Audit Committee*



Malaysian Age 63

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.

He 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 Audit Committee, and a member of the Risk Management Committee and Nominating Committee. He was an Independent Non-Executive Director of Wing Tai Malaysia Berhad (now known as Wing Tai Malaysia Sdn Bhd) where he served as the Chairman of the Audit Committee and a member of 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 45

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.

4



5

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

E R S



Malaysian

Age 73

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.

Lee Meng Tat

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

N R



Singaporean Age 54

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 Programme 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 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.

6



7

Anthony Cheong Fook Seng

Non-Independent Non-Executive Director

E



Singaporean Age 63

Mr. Anthony Cheong Fook Seng is an Associate of the Institute of Chartered Accountants in England and Wales and a Fellow of the Institute of Singapore Chartered Accountants and Singapore Institute of Directors.

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 represented the FNL Group on the Boards of a number of listed and unlisted subsidiaries before his retirement as the Group Company Secretary of FNL on 30 September 2017.

Mr. Anthony Cheong was appointed to the Board on 1 October 2002. 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.

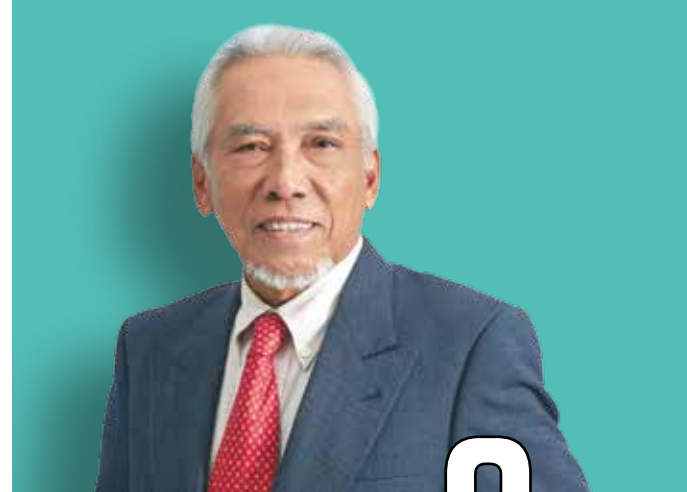
Y.Bhg. Dato' Jorgen Bornhoft*Non-Independent Non-Executive Director***E B****Danish****Age 75**

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 also the President of the Malaysian International Chamber of Commerce and Industry from 1996 to 1999.

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.

**8****9****Y.Bhg. Dato' Dr. Mohd Shahar bin Sidek***Non-Independent Non-Executive Director***B****Malaysian****Age 70**

Dato' Dr. Mohd Shahar bin Sidek graduated from the University of Malaya with a Bachelor of Economics (Accounting) Hons degree in 1971.

Upon graduation, Dato' Dr. Mohd Shahar 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 substantial shareholder of the Company.

Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani

Non-Independent Non-Executive Director

S



Malaysian

Age 57

Datuk Seri 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 Seri 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 Seri Dr. Nik is the chairman of T7 Global Berhad (formerly known as Tanjung Offshore Berhad) and Chin Hin Group Berhad, and a director of MSIG Insurance (M) Bhd and Ranhill Holdings Berhad. He was the Chairman of Al Rajhi Banking & Investment Corporation (M) Berhad, a director of UMW Holdings Berhad and a director of Manulife Holdings Berhad. Currently, Datuk Seri Dr. Nik is a practising lawyer with Zaid Ibrahim & Co. Prior to joining Zaid Ibrahim & Co., Datuk Seri Dr. Nik was with Baker & McKenzie (International Lawyers), Singapore.

Datuk Seri 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 substantial shareholder of the Company.

10



11

Hui Choon Kit

Non-Independent Non-Executive Director

A E B



Singaporean

Age 53

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.

Mr. Hui 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, investor relations, risk management, sustainability, and corporate secretarial 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.

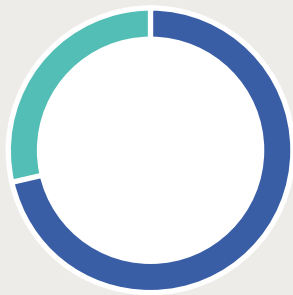
Mr. Hui was appointed to the Board on 6 August 2014. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company except that he is a nominee director of FNL, a major shareholder of the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

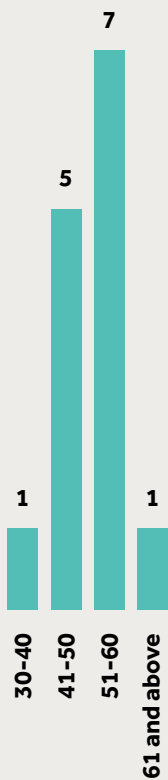
MANAGEMENT TEAM

Gender



● Male 10
● Female 4

Age Group



From Left to Right

Tan Hock Beng

Senior Vice President, Finance & Procurement / Chief Financial Officer

Lai Ming Kong

Senior Vice President, Domestic Commercial Operations

Mayeen Wong

Company Secretary

Karn Chitaravimol

Managing Director, F&N Dairies (Thailand) Limited

Kelleigh Foo

Senior Manager, Risk Management



From Left to Right

David Hoong
First Vice President, Human Capital

Lim Yew Hoe
Chief Executive Officer

Timothy Ooi
Head, Group Legal Counsel

Karen Tan
Head, Communications & Corporate Affairs

Graham Lim
Vice President, Marketing

Lee Lay Yeon
Senior Manager, Business Capability & Strategy

Soh Swee Hock
First Vice President,
Export/Business Development

Woradej Patpitak
First Vice President, Manufacturing

Lee Chin Peng
First Vice President, Information Technology

PROFILE OF CHIEF EXECUTIVE OFFICER

Lim Yew Hoe

Chief Executive Officer

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

Mr. Lim was appointed the Chief Executive Officer of Fraser & Neave Holdings Bhd ("F&NHB") Group on 1 December 2014. Prior to joining F&NHB Group, he spent 17 years at Asia Pacific Breweries Limited (now known as Heineken Asia MTN Pte Ltd). He held various positions within the group and he last served as Managing Director of Asia Pacific Brewery (Hanoi) Limited in November 2014.

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

Lai Ming Kong

Senior Vice President, Domestic Commercial Operations

Mr. Lai Ming Kong holds a Bachelor Degree of Economics majoring in Business Administration from University Malaya, Malaysia.

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.



Singaporean Age 51



Malaysian Age 47

Tan Hock Beng

Senior Vice President, Finance & Procurement/Chief Financial Officer

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

Mr. Tan joined the 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 five 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 and was subsequently appointed as Senior Vice President, Finance & Procurement/Chief Financial Officer on 1 February 2017.

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, England. 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.

Karn Chitaravimol

Managing Director, F&N Dairies (Thailand) Limited

Mr. Karn Chitaravimol holds a Master of Business Administration degree majoring in marketing from Oklahoma State University Stillwater, Oklahoma, United States of America.

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 fast-moving consumer goods 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.



Malaysian

Age 58



Thai

Age 64

Woradej Patpitak

First Vice President, Manufacturing

Mr. Woradej Patpitak holds a Bachelor of Science (Biotechnology) from Kasetsart University, Bangkok, Thailand.

Mr. Woradej 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 30 years of experience in the fields of food manufacturing industry. Prior to joining the F&NHB Group, Mr. Woradej started his first career as Production Executive 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.

Soh Swee Hock

First Vice President, Export/Business Development

Mr. Soh Swee Hock holds a Master in Business Administration majoring in corporate finance from State University of New York, Buffalo, United States of America.

Mr. Soh was appointed as the First Vice President, Export Division of the F&NHB Group on 1 October 2015 and was subsequently re-designated on 1 October 2017 as First Vice President, Export/Business Development. 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.



Thai

Age 53



Malaysian

Age 55

David Hoong Cheong Wai

First Vice President, Human Capital

Mr. David Hoong Cheong Wai holds a Bachelor Degree of Arts majoring in business administration and industry psychology from Wilfrid Laurier University, Waterloo Ontario, Canada.

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 29 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.

Lee Chin Peng

First Vice President, Information Technology

Mr. Lee Chin Peng holds a Master of Science in Communications Software Management degree from Information Communication Institute of Singapore and a Bachelor of Electrical Engineering (2nd Upper Honours) from Nanyang Technological University, Singapore.

Mr. Lee was appointed as the First Vice President, Information Technology ("IT") of F&NHB on 6 June 2016. He has more than 26 years of working experience in IT and had held various senior positions in companies such as Wildlife Reserves Singapore and Times Publishing Limited. Mr. Lee has won several awards, such as "Overall Technical Excellence Award" from Nanyang Technological University and Information Communication Institute of Singapore, and Singapore Defence Technology Prize Award in 1996.

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.



Malaysian

Age 57



Singaporean

Age 51

2017 Brand Highlights

OUR NEW PRODUCTS

100PLUS ACTIVE



F&N NutriSoy Fresh



TEAPOT

TEAPOT Evaporated Filled Milk,
TEAPOT Gold Sweetened Creamer,
TEAPOT Kopi & Teh Tarik



BEAR BRAND

BEAR BRAND Sterilised Milk Hi Folate,
BEAR BRAND Gold Goji Berry



Our new brand ambassadors

Khairul Hafiz Jantan
– **100PLUS**

"Mew" Nittha Jirayungyurn
– **BEAR BRAND Gold**



100PLUS

proud sponsor of **KL2017**
29th SEA Games and
9th ASEAN Para Games



100PLUS
now available at

261
McDonald's Malaysia's
outlets nationwide

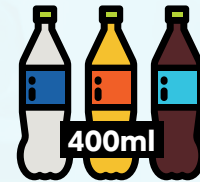
HIGHLIGHTS



Rumah Malaysia

is the **Biggest Dome
Structure & Biggest Can
Replica** in the Malaysia
Book of Records

INNOVATIONS



Introduced a new pack size

400ml PET bottle for
100PLUS, F&N Fun Flavours
and est Cola



Introduced a smaller packaging

140ml for CARNATION®
Evaporated Milk in
Thailand



**BUSINESS
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Addressing Our Risks
& Opportunities

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Dessert Recipes



PRESENTS

THE

INSIDE

STORIES

“

The F&N management team has been working closely with me at every step of transformation. I am grateful to the guidance provided by F&N, in terms of managing my sales team, warehousing and logistics.

Ms. Nicholle Ooi,
Managing Director
Soongifa Trading (B'worth) Sdn Bhd



Ms. Nicholle Ooi

Managing Director
Soongifa Trading (B'worth) Sdn Bhd

I started distributing F&N and Gold Coin brand of products to on-premise outlets in Butterworth in 2009. Prior to the harmonisation of distribution, I was asked if I was interested in becoming a mega distributor of the full range of F&N products – both beverages and dairies. Of course, I said yes.

Thanks to this programme, my operations has grown tremendously. From 15 support staff, I now have 60 staff, helping with warehouse and logistics, admin, accounts and HR. I have also invested in a warehouse with an area of 15,000 sq ft dedicated exclusively to F&N products.

The F&N management team has been working closely with me at every step of transformation. I am grateful to the guidance provided by F&N, in terms of managing my sales team, warehousing and logistics.

So, if you ask if the transformation has been good for me, I would say a big YES!



*Scan the QR code
to view this inside story.*

MANAGEMENT DISCUSSION & ANALYSIS

Chief Executive Officer

Lim Yew Hoe

Dear Shareholders,

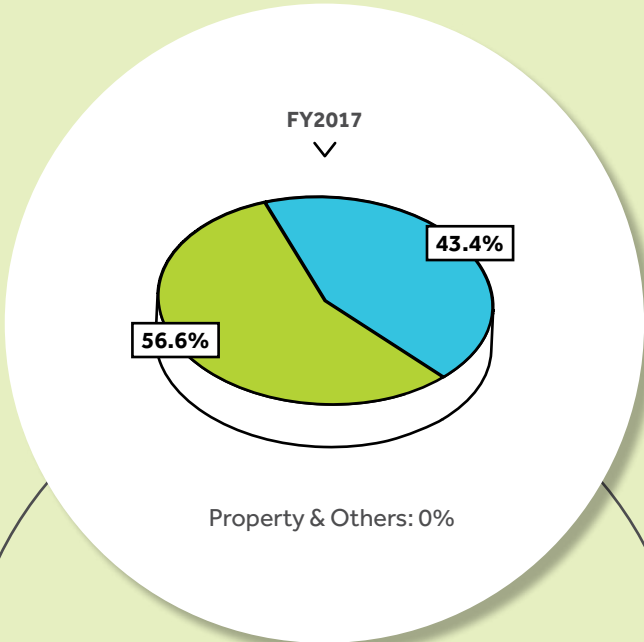
The financial year ended 30 September 2017 shows yet again the discipline and decisiveness of Fraser & Neave Holdings Bhd (F&NHB or the Group) in taking comprehensive actions to ensure long-term sustainability of performance amidst prolonged challenging circumstances. Once again, the Group's resilience, built on our geographical and product diversity as well as our 134-year heritage, has enabled us to make considerable progress towards our vision to be the No. 1 total beverage company in the region by 2020.

FY2017 was defined by various macro-economic factors, intense price competition and higher commodity costs, which combined to create a challenging environment for the Group. This is particularly so for Food & Beverages Malaysia domestic operations. Nevertheless, it is what we have done amidst these difficult circumstances that counts more for the future. Specifically, this financial year marked a major milestone for the Group as we completed one of the biggest business transformation programmes in F&N's history.

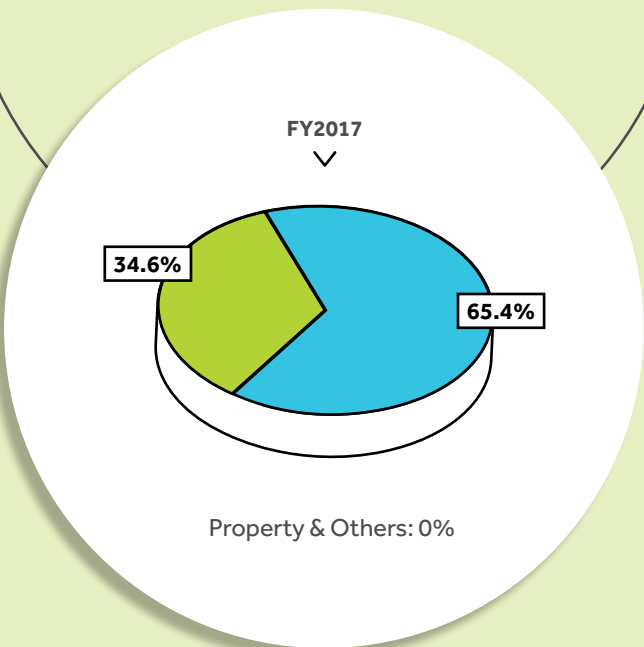


Group Revenue

Contribution by Business Segment (%)



■ F&B Malaysia ■ F&B Thailand



Group Operating Profit

Contribution by Business Segment (%)

The Group now has three independent growth pillars – Food & Beverages Malaysia Domestic (F&B Malaysia Domestic), Food & Beverages Thailand (F&B Thailand) and Exports – each with its own long-term strategies and short-term priorities to support a sustainable F&NHB. While F&B Malaysia Domestic focused on completing its transformation, and capturing synergistic values from the various cost optimisation and efficiency improvement initiatives, F&B Thailand expanded its coverage and created stronger consumer allegiance through innovative applications and brand building. In the meantime, our Exports team redoubled its efforts to grow sales in the international market.

Effective trade and marketing execution by F&B Thailand resulted in continued top and bottom-line growth, despite general market contraction of 5 per cent. The Exports business, meanwhile, achieved strong double-digit growth for the third consecutive year. Strong performances by these two business pillars cushioned the impact of short-term costs resulting from F&B Malaysia Domestic's transformation, and even enabled the Group to absorb most of the commodity price increases seen during the year.

More significantly, as a result of our transformation, we are today a leaner and more effective organisation. Essentially, we have strengthened F&NHB at a fundamental level to be more competitive with greater capacity to meet external challenges.



While F&B Malaysia Domestic focused on completing its transformation, and capturing synergistic values from the various cost optimisation and efficiency improvement initiatives, F&B Thailand expanded its coverage and created stronger consumer allegiance through innovative applications and brand building. In the meantime, our Exports team redoubled its efforts to grow sales in the international market.

FINANCIAL & SEGMENTAL REVIEW

Soft consumer sentiment and intense competition, especially in Malaysia, led to 1.6 per cent lower revenue for the Group at RM 4.10 billion from RM 4.17 billion last year.

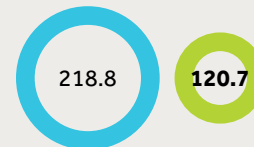
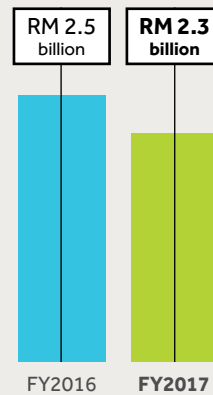
Operationally, we were most impacted by rising costs of commodities, especially that of sugar in Malaysia. Resin and tinplate prices also increased, though by smaller amounts. As such, the Group recorded a 20.4 per cent contraction in operating profit to RM 345.1 million. However, excluding the cost of restructuring and other one-off items, operating profit was marginally lower, from RM 406.6 million in FY2016 to RM 397.8 million, thanks to more prudent control on non-commodity-related costs and Group wide efficiency improvements.

Segmentally, F&B Malaysia (Combined Domestic and Exports) saw an 8.2 per cent decline in revenue in FY2017 to RM 2.3 billion. This was not unexpected as we made a conscious "Blue Ocean" decision to stay away from value destruction price discounts in the face of intense price competition and soft consumer sentiment, which was particularly pronounced during the festive seasons when sales were subdued compared to previous years. Instead, we remain focused on completing our transformation programme, unwavering in our drive to build long-term sustainability.

Corresponding to lower sales, F&B Malaysia's operating profit declined by 44.8 per cent to RM 120.7 million. Excluding one-off items such as restructuring cost, the decrease in operating profit narrowed to 21.7 per cent from RM 216.5 million to RM 169.6 million. Profit erosion due to high input costs was offset by lower discounts, lower advertising and promotional spending, as well as lower overheads.

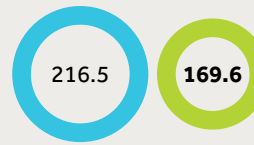
F&B Malaysia

REVENUE



FY2016 FY2017

OPERATING PROFIT (RM million)



FY2016 FY2017

OPERATING PROFIT (EXCLUDING ONE-OFF ITEMS) (RM million)

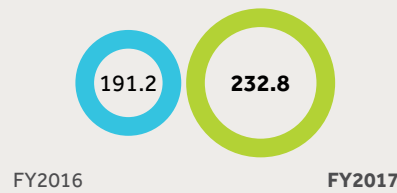
F&B Thailand

REVENUE



FY2016 FY2017

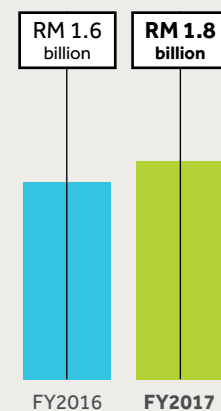
OPERATING PROFIT (RM million)



FY2016 FY2017

OPERATING PROFIT (EXCLUDING ONE-OFF ITEMS) (RM million)

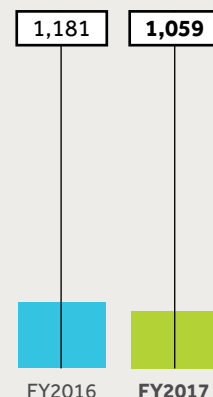
REVENUE



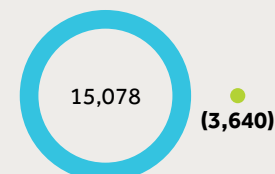
FY2016 FY2017

Property & Others

REVENUE (RM '000)

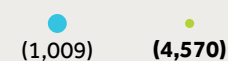


FY2016 FY2017



FY2016 FY2017

OPERATING PROFIT (RM '000)



FY2016 FY2017

OPERATING PROFIT (EXCLUDING ONE-OFF ITEMS) (RM '000)

Consumer spending was also soft in Thailand amidst a sluggish economic landscape exacerbated by the passing of King Bhumibol Adulyadej in October 2016. Adding to this, rural consumers, especially in the north, were affected by severe drought in the first half of the year.

Nevertheless, F&B Thailand registered an 8.7 per cent increase in revenue to RM 1.8 billion. This was mainly contributed by double-digit growth in exports to Indochina, the successful launch of two new BEAR BRAND milk products and an innovative squeezable TEAPOT sweetened condensed milk tube, aided by favourable Thai Baht - Ringgit exchange rate.

F&B Thailand's operating profit rose 14.3 per cent to RM 228.0 million from RM 199.5 million in FY2016. Excluding one-off items, operating profit grew by 21.8 per cent to RM 232.8 million.



>2,500 key activities re-organised to improve overall functional efficiency



Process & product innovation ideas from employees **deliver cost savings or cost avoidance of RM 10 million per annum**



"Operationally, we were most impacted by rising costs of commodities, especially that of sugar in Malaysia."

OPERATIONS REVIEW

Improving Cost Efficiencies

During the year, we further enhanced the Group's efficiency and effectiveness via structural changes to our operations in Malaysia to streamline and simplify processes while optimising space and resources. More than 2,500 key processes were re-organised to improve overall functional efficiency and effectiveness. This has allowed for significant reduction in manpower requirement. Savings in overhead costs and improved efficiency in our process and product innovations have delivered sustainable financial benefits of more than RM 40 million per year.

Employees were encouraged to find ways to improve the way we do things through process and product innovation. At the "Excel as One" and "Winning as One" conventions, which we have been organising for the last three and ten years in Malaysia and Thailand respectively, various teams presented ideas they had converted into action to enhance our productivity, cost savings and/or product quality. This year, the 40 participating teams presented innovations that either improve productivity, deliver cost savings or cost avoidance to the tune of RM 10 million per annum.

One of the innovations in F&B Thailand received the Diamond Thailand Kaizen Award from the Technology Promotion Association (Thailand-Japan) for the best employee-driven productivity enhancement project in the country.



For more details about these innovations, please read our Sustainability Report.

Supporting employee innovation, we invest continually in the latest technologies to enhance our operational efficiencies. This is reflected in our substantial capital expenditure outlay, based on the Smart Capex principle. Aside from capability and capacity expansion, we seek new capex projects that will also enhance our cost efficiency through economies of scale, in-sourcing production and shortening our route to the different markets we serve.

Technology was a major component of our transformation programme and will continue to be a key enabler to enhance efficiencies in our system and processes. Today, we are leveraging on data analytics to predict market demand more accurately, and adjust our production volume accordingly. This has enabled us to bring down our inventory days significantly, saving us millions of ringgit a year.



Extracting Value from Route-to-Market Synergies

While continuing to deepen and widen our market penetration, we have transformed our route-to-market in Malaysia via a harmonisation programme. From having different sets of distributors to manage our dairy or soft drink products in the past, we now have a unified team of distributors that distribute the entire portfolio. Greater operational and route efficiencies from this exercise are expected to result in significant increase in sales along with greater volume of trade for some of our distributors.

To ensure a seamless transition for the more than 80,000 outlets that we serve nationwide, we worked very closely with our distributors at every step of this harmonisation journey, ensuring their readiness to manage greater logistics and warehousing needs, as well as larger sales teams. The exercise has greatly benefitted our retailers in terms of ease of doing business. With the harmonisation, they can place their orders for all F&N products with just one distributor, reducing their paperwork while enhancing their resource management.

In Thailand, the team increased its distribution network with the engagement of three new distributors in the south and north-east of the country as well as Bangkok. This brings its total number of distributors to 21 covering 135,000 outlets nationwide.

F&B Thailand also achieved enhanced visibility through the engagement of more hawkers nationwide. Using a comprehensive database of hawkers developed in-house, our distributors now service 40,000 hawkers, branded with TEAPOT and CARNATION® merchandise. Similar efforts to gain the loyalty of restaurants and food chains are ongoing.



Brand Performance

Despite cautious consumer spending and intensified competition, F&B Malaysia remained steadfast in our marketing and branding initiatives across a wide platform to offer consumers the right products at the right occasions. 100PLUS, OISHI, F&N SEASONS and F&N NutriSoy maintained leading positions in their respective categories in Malaysia while we reinforced our undisputed leadership in the condensed and evaporated milk segment with our stable of dairy products, namely F&N, Gold Coin, TEAPOT, CARNATION®, Cap Junjung® and IDEAL®.

The year was particularly exciting for 100PLUS, which gained exceptional mileage from being the Official Isotonic Beverage of the 29th SEA Games. The brand was entered into the Malaysia Book of Records for having the country's Biggest Dome Structure and the Biggest Can Replica (of a 100PLUS can).

We also signed a deal with McDonald's that saw 100PLUS being offered at all its 261 fast-food outlets nationwide. This partnership, which brings 100PLUS to more than 160 million McDonald's customers a year, is a positive step in positioning the isotonic beverage as a refreshing and healthier beverage for everyone.



Improved ease of doing business for our retailers with one harmonised team of distributors for our entire product portfolio



TEAPOT doubled market share in sweetened beverage creamer category



Export to halal core markets (Middle East & North Africa) grew >30%

In Thailand, BEAR BRAND and CARNATION® maintained their No. 1 positions in their respective categories through effective marketing and trade activities. CARNATION® was bolstered by the launch of the 140ml cans catering primarily to home users. Within three months of the launch, the small cans had gained 3 per cent share of the market. TEAPOT, meanwhile, managed to double its sweetened beverage creamer market share with the introduction of the squeezable tube. F&B Thailand also grew 13 per cent in Cambodia and Laos with a successful TEAPOT marketing campaign which increased its coverage to 12,000 hawkers.

Always a Healthier Choice

As a responsible corporate citizen, we place much emphasis on developing products that are good for health. This has seen us work constantly to reduce the sugar content of our drinks while adding vitamins and minerals to boost their nutritional value.

During the year, we further reduced the sugar index in our portfolio, which is now 24 per cent lower compared to FY2007, and expanded our healthier product range with four new products – 100PLUS ACTIVE and F&N NutriSoy Fresh in Malaysia; and BEAR BRAND Sterilised Milk Hi Folate and BEAR BRAND Gold Goji Berry in Thailand.

100PLUS ACTIVE is non-carbonated, catering to those who engage actively in sports and find it easier to quench their thirst with a non-carbonated isotonic drink. F&N NutriSoy Fresh, our pasteurised fresh soya milk is high in calcium containing all the goodness of nine essential amino acids. BEAR BRAND Sterilised Milk Hi Folate, fortified with high folate and iron content enhances blood circulation, while BEAR BRAND Gold Goji Berry is enriched with vitamin A for better eyesight.

We are proud to share that four of our products - 100PLUS, 100PLUS ACTIVE, FARMHOUSE Fresh and F&N Magnolia Lo-Fat Hi-Cal Milk – have been awarded the Healthier Choice logo in Malaysia. The endorsement was introduced by the Ministry of Health (MoH) in April 2017 to help consumers make healthier purchasing and dietary decisions.

In delivering our promise of "Pure Enjoyment, Pure Goodness", we aim to increase the number of healthier products in our portfolio and target to offer a healthier option for every beverage category we are in by 2020.

EXPORTS

We are growing Exports into our third business pillar, with an enlarged team focused on understanding our target markets and catering specifically to customers' discerning needs. From concentrating on ASEAN and Greater China, we have made early progress into two halal core markets – the Middle East and North Africa – where our halal certification added further leverage. Export volume to these markets grew by more than 30 per cent in FY2017.

Condensed milk continued to dominate the Exports business, with sales enhanced by differentiated packaging sizes catering to the specific needs of a diverse customer base, from individual consumers to industrial users. In FY2017, export of dairy products from Malaysia grew by 26 per cent. Meanwhile, we have established a pipeline to supply 100PLUS and F&N SEASONS to Ghana, Pakistan, Iran, Saudi Arabia and Japan.

Our Exports team is providing added value to our customers by working with them on developing new and innovative product applications. The intention is to develop long-term partnerships and establish F&N and TEAPOT as strong export brands. We have already established TEAPOT with partners in China and Mexico.

Overall, we increased our export markets to 55 countries, adding Angola, Bahrain, India, Iraq, Mexico and Yemen to the list. On current form, exports from Malaysia should surpass its target of RM 500 million sales ahead of the 2020 deadline. This will be supported by increased production capacity and the establishment of export regional offices which will strengthen our route-to-market capabilities as well as our understanding of the local market.





CAPACITY EXPANSION

We followed through with capital expenditure projects announced earlier to increase our production and warehousing capacity, broaden our capabilities, and shorten our route to the different markets we serve. Our objective is to maximise returns from investment, and I believe we are making good headway across the board.

During the year, we added a new Polyethylene Terephthalate (PET) line in the Shah Alam plant; and a RM 31.5 million Ultra-High Temperature (UHT) processing line in Kuching which was officially opened on 14 March 2017. This first-of-its-kind UHT line in Sarawak, will allow the Group to capture increasing demand in East Malaysia with an estimated capacity of over 3.4 million cases a year and create an estimated annual savings of RM 2.8 million by reducing our need to transport products from Peninsula Malaysia.

Two other major projects are ongoing – a mineral water plant expansion in Bentong, Pahang, which is expected to be completed in FY2018; and a cold aseptic PET line and warehouse in Shah Alam. The cold aseptic filling line will be operational beginning 2018 and reduce our resin packaging material usage by 40 per cent while the new warehouse, to be completed in FY2019, is expected to provide significant savings on warehousing cost.

We also plan to invest another RM 200 million worth of manufacturing equipment to further elevate our product innovation and cost competitiveness. Among others, these comprise:

	<p>Combi blow, mould and filling machine in Shah Alam</p>		<p>Gable top filling machine in PakChong, Thailand</p>
<p>600 bottles per minute water line in Shah Alam</p>		<p>Sweetened condensed milk pouch and tube filling line in Rojana, Thailand</p>	

PEOPLE DEVELOPMENT

We recognise that our people are our most valued asset, and have always sought to provide them with continuous development opportunities to fully realise their inherent potential. As a leaner organisation following our transformation, it is even more crucial that our people have the skills and competencies to help us realise our ambitions.

During the year, we invested over RM 2.2 million on training and development, which includes Level 1 of the Operational Engineering Certificate for 25 employees from Malaysia and Thailand, and the ASEAN Management Development Programme under Thai Beverage Group, participated by four members of our management team in June.

We are also encouraging greater knowledge sharing within the Group, with functional group leaders delivering talks to those from other divisions. The idea is to create greater organisational cohesion and for employees to understand how their individual roles support our overall performance. During the year, 58 sessions were held on topics ranging from cyber risk and halal operations to personal development, financial planning and cardiopulmonary resuscitation (CPR), attracting more than 1,800 participants.



We believe employee engagement sessions such as these serve to engender a high level of work satisfaction, hence productivity. To better understand our employees' needs and expectations, and identify key priority areas, we also conducted a biennial employee engagement survey which achieved a high response rate of 99 per cent.

The emphasis placed on creating transparency within the organisation through open communication and regular engagement resulted in a high level of understanding among employees of the necessity of our transformation. Indeed, it is with our employees' full support that we have managed to achieve commendable performance during the year, and are now in a stronger position to take the F&N heritage well into the future.

GOING FORWARD

Although we expect the economic landscape in Malaysia to continue to be challenging, we are optimistic of a rebound in our performance as our capital expenditure projects come to fruition, providing us scope to expand our business. The distributor harmonisation programme should also deliver cross-selling benefits as a larger number of our products reach a growing network of outlets.

Meanwhile, our leaner operating structure will go a long way towards helping us remain competitive in an environment of narrowed margins. Having completed the transformation in Malaysia, the Group will be able to extract synergies and value from improved organisational efficiency and operational savings from the new financial year onwards. Naturally, when we are more cost competitive we will be able to participate more actively in the value segment of the market and gain market share. This is a virtuous cycle that will start to deliver benefits from FY2018.

We will be bold in setting new targets as we deliver greater choice of healthier products to consumers. As an example,

although we had reached an optimal level of sugar for rehydration in 100PLUS, we will push the innovation bar higher by investing more time and effort into further reducing the sugar content without compromising on its rehydrating properties.

The focus in Thailand will be to continue to innovate to further grow. There is scope to grow both F&B Thailand's coverage within the country, as well as develop new product applications and packaging to generate a higher volume of sales. Given the huge success of the squeezable tube for sweetened condensed milk, F&B Thailand is looking at using the format for more innovative products. The business will also look at adjacent product categories and consolidate its positions including in Cambodia and Laos.

As a Group, we will capitalise on the momentum generated by the Exports pillar to further expand the breadth and depth of our international footprint. F&NHB will also place greater emphasis on innovation to drive profitability and boost capabilities that translate into revenue growth.

In managing our risks, which change with the operating environment and market condition, the Group has a dedicated Risk Management Board Committee that meets regularly to discuss emerging risks and mitigation measures. Details on how we are managing our current key risks is outlined in the "Addressing Our Risks & Opportunities" section of this report.

While FY2017 saw the completion of F&N's business transformation to optimise our value chain, the Group will focus on continually refining the way we work to materialise the full benefits of our transformation programme.

As we step into FY2018 as a leaner and stronger organisation, we are now on the right footing to focus on growth opportunities. FY2018 promises to be exciting as we look forward to launching several new products and leverage on the added capacity and capability from the completion of capital expenditure projects to fuel future growth.

Lim Yew Hoe

Chief Executive Officer



Scan the QR code to view the "Up Close with CEO" video.

"FY2018 promises to be exciting as we look forward to launching several new products and leverage on the added capacity and capability from the completion of capital expenditure projects to fuel future growth."

ADDRESSING OUR RISKS & OPPORTUNITIES



RISKS

Commodity prices

HOW DOES IT AFFECT US?

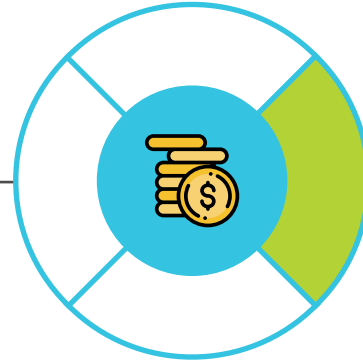
Commodities are influenced by global and local supply and demand, weather conditions as well as regulatory changes imposed by the government. As such, any significant increase in prices of commodities could materially affect the cost of our products.

HOW ARE WE MANAGING IT?

Commodities price risk is managed through forward purchase of key commodities, active monitoring of commodities price trends, and vigilant sales forecasting and production planning.

In addition, we also source from multiple suppliers around the globe as listed in our approved vendors list to enable us to respond swiftly in the event of shortage in supply and/or increase in price.

We also hedge our purchases using our enlarged and collective purchasing capability.



RISKS

Foreign currency exchange exposure

HOW DOES IT AFFECT US?

In times of foreign currency market volatility, the Group is exposed to the risk of fluctuations in foreign exchange rates against the local currency due to:

- Importation of materials for production;
- Exports of goods are traded in foreign currency; and
- Overseas operations are valued in foreign currencies.

HOW ARE WE MANAGING IT?

The Group is guided by the Group Treasury Policy which outlines the policy in hedging the identified and committed foreign exchange exposure.

Typically, at least 60 per cent of our foreign exchange requirements are hedged to manage the exposure to foreign currencies movements.

Exports serve as additional natural hedge to cushion the impact of depreciating local currencies.



RISKS

Exposure to food safety risk

HOW DOES IT AFFECT US?

As a player in the food and beverage industry, the Group is exposed to the risks associated with product quality and standards as product safety and quality are of paramount importance to the Group.

The exposure in product quality and standards may bring serious ramifications in terms of financial impact as well as reputational impact.

HOW ARE WE MANAGING IT?

- Quality assurance cycle begins with suppliers' pre-qualification and approval, source or origin of raw materials, manufacturing facilities and procedures, up to the distribution and storage of our products.
- Comprehensive policies and procedures established on processing, packaging and storage, equipment and plant sanitization as well as employee personal hygiene to prevent contamination.
- Compliance with stringent quality systems in place such as ISO22000, Food Safety System Certification 22000 and HACCP Certification by Ministry of Health.
- Contingency plans on product traceability and product recall/withdrawal should such circumstances arise.



RISKS

Increasing awareness associated with excessive sugar consumption

HOW DOES IT AFFECT US?

Consumers are becoming more informed on possible health effects associated with excessive sugar consumption. While adapting to the recently implemented and/or impending policy changes on sugar tax within the region, the challenge faced by the Group today is how do we move beyond sugar reduction.

Should we fail to address the shift in the consumer trends nimbly and effectively, it may result in financial as well as reputational impact in the longer term.

HOW ARE WE MANAGING IT?

- Continuous improvement on the offerings of healthier choice products in our innovations roadmap with target to offer a healthy option in every product category that we are in by 2020.
- Prioritise R&D on developing new products and further improve existing products to meet consumers' demand for healthier choices such as low-sugar, non-sugar added and mid-calorie beverages, without compromising on taste.
- Proactively decrease our sugar index (amount of sugar contained per millilitre of all our beverages).
- Introduce new pack size as part of our portion control commitment.
- Promote sports and active lifestyles through programmes that target schools and communities.

AWARDS & RECOGNITION

Over the years, the F&N brand has garnered many accolades and awards that have recognised the strengths of its brand and its achievements in the marketplace.

ENVIRONMENTAL

- 1 The Prime Minister's Industrial Award 2017 for Environmental Quality Conservation from the Ministry of Industry and Thailand Government (F&N Dairies Thailand)
- 2 Thailand Kaizen Award 2017: Diamond Level from the Technology Promotion Association (Thailand-Japan) (F&N Dairies Thailand)
- 3 CSR-DIW Continuous Award 2017 from the Ministry of Industry, Thailand (F&N Dairies Thailand)
- 4 Green Industry Level 4 (GI4): Green Culture from the Department of Industrial Works, Ministry of Industry, Thailand (F&N Dairies Thailand)
- 5 Energy Management Gold Standard from ASEAN Energy Management Scheme (F&N Dairies Manufacturing Malaysia)



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MARKETPLACE

- 6 **FDA Quality Award 2017** from Thai Food & Drug Administration, given to the best Food Manufacturers in Thailand (F&N Dairies Thailand)
- 7 **Top 20 Finalists of PwC's The Building Trust Awards 2017** (Fraser & Neave Holdings Bhd)
- 8 **Product of the Year Award 2017/2018** in the Green Tea and Isotonic Category (OISHI Green Tea and 100PLUS ACTIVE)
- 9 **Best Isotonic Drink and Best Condensed Creamer** in the Giant Malaysia Family Choice Award 2017 (100PLUS and F&N Sweetened Condensed Creamer)
- 10 **2016 YouTube Ads Awards Malaysia** in the FMCG category for the brand video with Bunkface (F&N Fun Flavours)
- 11 100PLUS is one of the top brands in the "Beverage – Non Alcoholic" category of the **2017 Putra Brand Awards**.
- 12 **"The Putra Marketer of the Year"** award to the 100PLUS Marketing Team

WORKPLACE

- 13 **Gold Class II Award** from the Malaysian Society for Occupational Safety and Health (MSOSH) (F&N Dairies Manufacturing Malaysia)
- 14 **Thailand Labour Management Excellence Award 2017** from the Ministry of Labour, Thailand (F&N Dairies Thailand)
- 15 **National Safety Award 2017:** Diamond Level for 5 consecutive years from the Ministry of Labour, Thailand (Dairies Thailand)

MARKETING HIGHLIGHTS

A definite highlight of the year for the country, as well as for F&N, was Malaysia's sterling performance at the 29th SEA Games and 9th ASEAN Para Games (or KL2017). As the Official Isotonic Beverage, 100PLUS gained much mileage from the event, grabbing almost as much spotlight as the athletes. While KL2017 definitely ramped up 100PLUS visibility, we supplemented this with various on-ground activations, TV commercials, campaigns, contests and events to promote not just 100PLUS but also other brands in our portfolio and new products launched.



KL 2017

As one of the most devoted corporate sponsors of local sports and sporting personalities, Malaysia's sweep of 145 golds at KL2017 was almost as sweet a victory for us as it was for the nation. 100PLUS was there with our athletes, and our guest athletes, at all the events – our limited edition 100PLUS KL2017 drinks featuring Rimau the mascot being consumed by the hundreds every day during the Games. Fans were also able to buy the limited edition cans and merchandise at 7-Eleven and myNEWS.com outlets nation-wide, as well as at the Games venues.



Malaysian sprinter
Khairul Hafiz Jantan is
**our latest
100PLUS brand
ambassador.**



100PLUS' involvement with KL2017 began with the 100-day countdown on 19 May 2017 when the non-carbonated 100PLUS ACTIVE was introduced, formulated specifically for athletes. Not only can the beverage be consumed more quickly being non-carbonated, the new packaging is easier to grip after a sweaty game or workout because of the grooves on the bottles. This was followed by sponsorship of the KL2017 Torch Run, the last leg of which was in Selangor and involved a stop at the F&N plant in Shah Alam. About 600 runners took part in the event on 5 August 2017, including F&N officials and Malaysian sprinter Khairul Hafiz Jantan, whose appointment as the latest 100PLUS brand ambassador was announced.



Rumah Malaysia is the Biggest Dome Structure and Biggest 100PLUS Can Replica in the Malaysia Book of Records.

At the Bukit Jalil sports complex where most of the Games events were held, F&N built an iconic two-domed Rumah Malaysia – one featuring 100PLUS and the other Team Malaysia – with a giant 100PLUS can next to it. The innovative space was used primarily by fans who got to follow Games events on a giant screen. A number of fun activities and press events were also organised. Although only a temporary structure, Rumah Malaysia has made a permanent mark in the country's history with an entry into the Malaysia Book of Records for the Biggest Dome Structure and Biggest Can Replica of 100PLUS can.

To celebrate the nation's resounding success at KL2017, another giant 100PLUS can – coloured gold – was unveiled at the end of the Games by Youth and Sports Minister Y.B. Khairy Jamaluddin. The symbolic act was accompanied by the launch of special edition "KITA JUARA" (We Are the Champions) cans for sale.





100PLUS

100PLUS gained further ground in the Malaysian landscape through various other sports and non-sports related marketing activities and events.

In the sporting arena, 100PLUS ACTIVE was an official sponsor of the All Malaysia Badminton Team Championship – for social badminton players – held at Quill City Mall in Kuala Lumpur. The badminton link was further strengthened when Malaysian star shuttler Datuk Lee Chong Wei took home his second Sportsman of the Year title at the Sportswriters Association of Malaysia (SAM)-100PLUS 2016 Awards held on 2 March 2017. At the same ceremony, Mohamad Ridzuan Mohamad Puzi was named the Best Paralympic Athlete; Nur Dhabitah Sabri was crowned Best Young Athlete; the National Silat Federation (PESAKA) received the Dynamic Sports Association Award; and Megat Syafique Syazwan Mohd Khairul of Bukit Jalil Sports School bagged the Best Player in the Education Ministry Football League for 2016.

A major non-sporting promotion was run in conjunction with Chinese New Year (CNY), with the Prosper for Gold contest




100PLUS is now available at 261 McDonald's Malaysia's outlets nationwide.



encouraging consumers to purchase 500ml or 1.5L 100PLUS beverages in exchange for the chance to win RM 775,000 worth of gold items. Consumers also received exclusive limited edition golden bowls, mugs and 1.5 litre 100PLUS beverages with the purchase of 24-can cartons of 100PLUS. In addition, 100PLUS teamed up with

Astro to arrange for TVB celebrities to visit 14 homes where they presented the families 100PLUS gift packs while spreading festive cheer. 100PLUS also participated in Astro's CNY carnivals in Selangor, Penang and Batu Pahat from 7-21 January. These attracted more than 20,000 visitors. Limited Edition 100PLUS Original Gold Cans, Gold 1.5L Bottles, golden bowls and golden mugs made the CNY season more festive.

Meanwhile, a marketing collaboration was achieved in July 2017 when McDonald's Malaysia made 100PLUS available throughout its 261 outlets nationwide. This takes further 100PLUS' evolution from a rehydrating sports drink to one that is enjoyed as a healthier choice of beverage.

Driving further sales, a new pack size of 400ml PET bottle priced at RM 1.50 was introduced in September 2017.





F&N MAGNOLIA

F&N Magnolia strengthened its branding as a favourite milk drink among kids with a "Be Who You Want To Be" campaign which was tied up with "Smurfs: The Lost Village" movie. During the March-April 2017 campaign, F&N Magnolia organised in-store roadshows and sampling as well as fun booth activities for children at various hypermarkets across the country. A special "Smurfs Roadshow" was also held at the Ikano Power Centre in Kuala Lumpur.

FARMHOUSE

FARMHOUSE

To encourage more Malaysians to enjoy the goodness of fresh Australian milk, FARMHOUSE ended the calendar year 2016 with a two-month "FARMHOUSE Soft-Serve Ice-Cream Roadshow" offering a free FARMHOUSE Ice Cream for every FARMHOUSE purchase.

From February - June 2017, FARMHOUSE ran a "FARMHOUSE Drink, Indulge & Win" campaign with Bens, Jaya Grocer, Village Grocer and AEON supermarkets. As part of the campaign, consumers who bought two FARMHOUSE 1L packs stood a chance to win attractive prizes. The campaign resulted in all four retailers enjoying double digit growth in FARMHOUSE sales.

From March - April 2017, FARMHOUSE intensified the campaign by taking part in AEON's Australia Fair, offering consumers one 1L carton of FARMHOUSE Chocolate free for every purchase of two FARMHOUSE milk products. While promoting the milk, the campaign also created greater awareness of FARMHOUSE being an Australian milk.



A total of **3,200** packs of chocolate milk were given away during the promotion.





F&N NUTRISOY

During the year, we launched our latest pasteurised fresh soya milk, F&N NutriSoy Fresh, along with a lite version, F&N NutriSoy Fresh Soya Milk Lite in Malaysia.

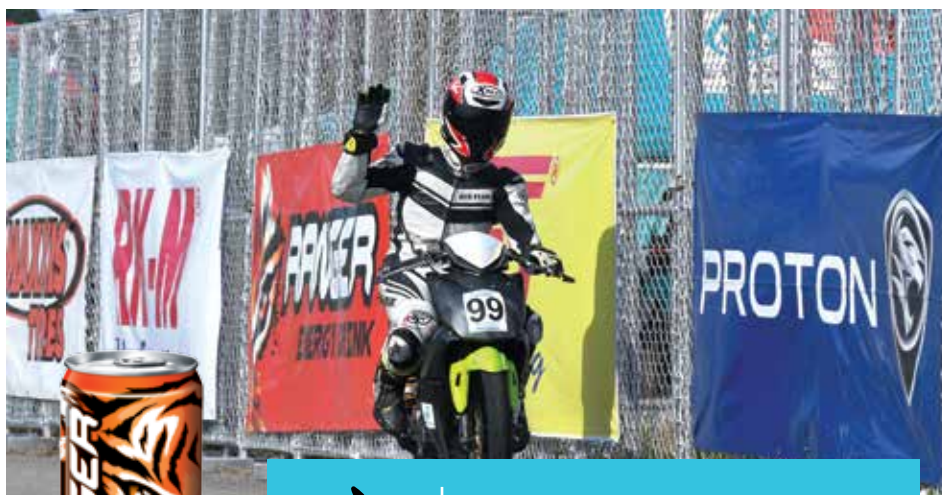
Pasteurisation involves heating the drink to not less than 73°C for 15 seconds, and then immediately reducing the temperature to below 4°C. The moderately high temperature kills microbes, prolonging the beverage's shelf life up to 35 days, while retaining soya's natural nutrients. Containing nine essential amino acids (building blocks of protein) and being low in Glycaemic Index, the drink helps to build tissue while slowing down the release of glucose into the bloodstream. Its high calcium content, meanwhile, promotes the development of strong bones and teeth.



The launch in November was accompanied by 360° marketing inclusive of TV commercials, press ads, media events, celebrity interviews, in-store sampling and digital campaigns. Among the activities organised were special sampling sessions for editors of 20 publications, and the creation of a Soy Chat segment within "Malaysia Hari Ini", "Wanita Hari Ini", "Living Delight" and "Nona TV" shows in which dieticians and food scientists talked about the importance of soya protein.




F&N NutriSoy Fresh is our latest pasteurised fresh soya milk in Malaysia.



RANGER

RANGER continued to sponsor various sporting events, with a particular emphasis on silat. It was the Official Energy Drink Sponsor of the inaugural OneSilat World Championships Series which saw 80 exponents from 17 countries compete in Bukit Jalil from 20 August to 25 December 2016. While seeking to support a sport that is part of Malaysia's heritage, RANGER also sponsored the Malaysian Cub Prix and various golf as well as extreme cycling events.



RANGER is the proud sponsor of OneSilat World Championships Series.



OISHI

OISHI further strengthened its market position via a series of events and promotions, beginning in October 2016 with the introduction of new 1.5L packs for OISHI Lychee, which had been introduced the previous financial year. This was followed by the introduction of sleek cans in November 2016.

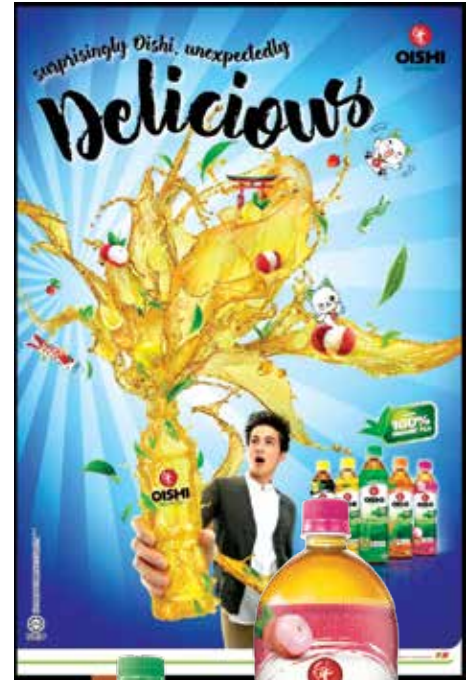
The brand then reinforced its nutritional value via a "So OISHI So Delicious" campaign, run in November and December 2016, with the release of TV and digital media ads as well as editorials in English, Bahasa Malaysia and Chinese magazines. In February 2017, OISHI collaborated with (Astro channel) Animax on "A Brush with Creativity" contest, in which more than 100 school and university

students developed ad storyboards for OISHI. The winning storyboard was later brought to life on Animax, while the winner got to go on an Anime Tour in Japan.

Continuing its partnership with Animax, OISHI hosted the popular Anime X Over carnival. At the event, held at Sunway Pyramid Convention Centre on 7-8 April 2017, anime and superheroes enthusiasts enjoyed an Ani-song concert, cosplay competition, gamers competition, doujin booth by anime collectors and more.

In addition, OISHI was the official beverage sponsor of Japan Expo Malaysia (JEMY), organised from 28-30 July 2017 at Pavilion and Fahrenheit 88. A total of 30,000 cans of OISHI was given out to the visitors.

The year also saw OISHI organise an OISHIMON Challenge at the Escape Room in Berjaya Times Square; and hold joint promotions with third parties such as Happy Bunch and 50grams florists, advertising platform Cube Crate, and home delivery service Dah Makan.





F&N FUN FLAVOURS

F&N Fun Flavours ran two key campaigns during the year, targeting different consumer segments. The first, "Rasa Buah Luar Biasa" campaign, held from March to May 2017, targeted consumers – aged 15 to 19 years – and focused on the fun and taste element of F&N Fruity Range. The second campaign, "Sejuta Kemeriahan Semarakkan Raya" contest, was held in conjunction with Hari Raya from 1 May - 9 July 2017, where RM 1,000 packets were given to 1,000 winners over a period of 10 weeks. To stand a chance to win the prize money, Malaysians only had to purchase five units of F&N Fun Flavours 1.5L bottles. Close to 30,000 entries were received.



30,000 entries received for "Sejuta Kemeriahan Semarakkan Raya" contest.



EST COLA

est Cola got hipper during the year by becoming the official beverage sponsor of the Malaysian leg of popular South Korean boy band Got7's "Flight Log-Turbulence Tour" on 4 December 2016. The band, which has a huge following around the world, is also est Cola's brand ambassador in Thailand. Pre-event and post-event contests were held to maximise engagement with the seven talented members of the band. To further drive sales, a new pack size of 400ml PET bottle was also introduced for est Cola and F&N Fun Flavours.






 "Be Together, Be Refreshed" campaign spreads the message that "Every SEASONS is better with friends".



This year, F&N SEASONS launched a new branding campaign – "Be Together, Be Refreshed" – which spread the message that "Every SEASONS is better with friends". It also celebrated togetherness, and in particular marriage partnerships, via a "Bila Suami Masuk Dapur" cooking competition that saw the husbands from four celebrity couples prepare meals, aided by instructions from their wives. Entertaining videos of the competition, organised in collaboration with Kool FM radio station, were aired on social media, garnering many likes.

In conjunction with Hari Raya, the brand worked closely with ambassador Fattah Amin to introduce new recipes using F&N SEASONS teas. In an event held at Nu Sentral, the popular actor prepared #TumYumxTehLemonAis and #LaicixTehPicAis in front of a gathering of fans. Five quiz winners took home the drinks prepared by Fattah, while winners of a digital contest got to berbuka puasa with him later at Melur & Thyme. Everyone left with F&N SEASONS goody bags, and smiles on their faces having spent the evening with the charming celebrity.

The second event revolved around a "Guess the Ramadan & Raya Dish Facebook" contest. Each week from 25 May - 11 June 2017, the recipe of an unnamed dish was released on Facebook and participants were required to guess the dish. Sixty winners were selected, and invited to bring a friend each to berbuka puasa with Fattah at "Rumah Tamu Datin Halijah" in Sentul. Along with the contest, F&N SEASONS released videos demonstrating how to make the four dishes featured, namely "Rendang Pedas Ayam", "Ayam Percik", "Sayur Lodeh" and "Daging Dendeng", each of which had been paired with an F&N SEASONS Tea. The videos garnered more than 60,000 views.



F&N CONDENSED & EVAPORATED MILK

This year, F&N introduced the Gold Standard for "teh tarik" – the ultimate cup of milky pulled tea made with just the right amounts of tea dust, F&N Sweetened Condensed Milk and F&N Evaporated Milk, called "Teh Tarik Ori". It released a video in which "Teh Tarik" Master, "Hang Tarik", shares the recipe. "Hang Tarik" was also there in person demonstrating how to make "Teh Tarik Ori" at a session organised in Mydin in May 2017.

Building on a growing portfolio of recipes that use the canned milks, F&N continued to work with brand ambassador Fizo Omar to showcase three special recipes guaranteed to enhance Raya spreads at the end of Ramadan. Fizo went on a roadshow that stopped at five venues in four states demonstrating how easy the delectable dishes are to make.

The highlight of the brand's Ramadan offerings, however, was the "F&N Pandu Pulang MPV" Contest that gave away a new Nissan Grand Livina, motorcycles and petrol cards. The contest was held from 1 November 2016 till 31 January 2017.



Make your very own F&N Gold Standard Teh Tarik Ori

- 1 Combine about 2 teaspoons of F&N Sweetened Condensed Milk and F&N Evaporated Milk into 2.5g of tea dust and piping hot water.
- 2 Pull the milk tea three times for a smooth and creamy froth.



TEAPOT



A new TEAPOT Condensed Milk series was launched in Malaysia, comprising TEAPOT Evaporated Filled Milk, TEAPOT Gold Sweetened Creamer and TEAPOT Kopi & Teh Tarik. The new evaporated milk has a slightly salty profile, formulated to create the perfect blend for white coffee or milk tea. The sweetened creamer, fortified with Vitamins A, B1 and D3, makes for a smarter choice for families. TEAPOT Kopi & Teh Tarik, meanwhile, is targeted at coffee shops, cafes and restaurants, and comes in 500g packaging.

In Thailand, TEAPOT launched a sweetened milk product in user-friendly squeezable laminated tubes. The launch was accompanied by a "TEAPOT Squeeze! Squeeze! for everyone and everywhere" marketing campaign on traditional and online media, together with nationwide sampling. The buzz created helped to double TEAPOT's market share in Thailand. The brand's 110% growth was exceptional given that the market on the whole shrunk by 3%.



3 new variants introduced in Malaysia

- 1 TEAPOT Evaporated Filled Milk
- 2 TEAPOT Gold Sweetened Creamer
- 3 TEAPOT Kopi & Teh Tarik





CARNATION®

In Thailand, where CARNATION® enjoys the highest brand satisfaction among restaurant owners, bakers, confectioners, etc, the team launched a smaller, 140ml packaging for CARNATION® Evaporated Milk targeting housewives. The milk was promoted as an easy-to-use ingredient that enhances everyday recipes. Omelette samplings were conducted at 100 locations nationwide reaching out to 80,000 consumers, mainly women. Within 10 months of the launch, CARNATION® had gained 3% of the total market share and 1.8% of the home market.

To maintain its pole position with operators, a new CARNATION® Aroi Club Facebook was launched in October 2016 to share easy yet delicious recipes (using CARNATION®) as well as to promote popular restaurants and coffee shops that use CARNATION® products. Through contests, fans get the opportunity to dine with brand ambassador and celebrity chef, M.L. Parson Swasti. Within 10 months, CARNATION® Aroi Club FB had garnered 116,000 followers.

Offline, the brand organised a Makro Loyalty Campaign, Distributors Loyalty Campaign and Wholesalers Lucky Draw targeting both operators and home consumers. Various product samplings were held at supermarkets and hypermarkets, while CARNATION® decorations were presented to restaurants and coffee shops.




CARNATION®
Aroi Club FB garnered
116,000 followers
within 10 months.





Ideal

Susu Sejat Penuh Krim

IDEAL®

In conjunction with Ramadan, IDEAL® teamed up with Chef Marina Mustafa to share even more exciting recipe ideas using the evaporated milk. At cooking workshops held in Giant Stadium Shah Alam, Mydin USJ Subang and AEON Big Wangsa Maju, Chef Marina demonstrated how to make Tom Yam Seafood Risotto and Tepung Dadar Coconut Caramel.



BEAR BRAND

Two new BEAR BRAND products were launched in Thailand during the financial year - BEAR BRAND Sterilised Milk Hi Folate and BEAR BRAND Gold Goji Berry.

The former, with high folate and iron content, enhances blood circulation and is targeted at women above the age of 30 years old. The BEAR BRAND Sterilised Milk Hi Folate campaign included TV commercials, on-line advertising, special in-store displays and trial promotions.

BEAR BRAND Gold Goji Berry was launched in Siam Paragon mall in Bangkok by a new brand ambassador, "Mew" Nittha Jirayungyurn. The actress gave tips on how to stay healthy, smart and strong emphasising the "7 benefits" of BEAR BRAND Gold. BEAR BRAND Gold Goji Berry is enriched with vitamin A for better eyesight, and is targeted at women aged 25-35 years old. The launch was accompanied by ads on traditional and online channels, sampling and promotional trials.



Dessert Recipes

1

SEAFOOD TOM YUM RISOTTO



Ingredients

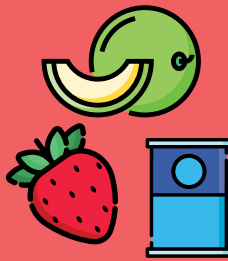
- 3 tbsp** Butter
- 800g** Mixed seafood
- 3 tbsp** Olive oil
- 1 no** Onion, chopped
- 3 cloves** Garlic, chopped
- 2 nos** Kaffir lime leaves
- 1 cup** Mushrooms, sliced
- 1 cup** Arborio rice (or any short grain rice)
- 1 cube** Tom Yum stock
- 2 ½ cups** Fish stock
- ½ can** IDEAL® Full Cream Evaporated Milk
- 1 tbsp** Fish sauce
- 1 tbsp** Bird's eye chili, finely chopped
- 3 tbsp** Cilantro, finely chopped
- ½ cup** Parmesan cheese





Methods

- 1 Saute the mixed seafood with butter until opaque and set aside.
- 2 Saute the onions, garlic, mushroom and kaffir lime leaves with olive oil until fragrant.
- 3 Add the rice and saute until well coated with other ingredients for 2 mins.
- 4 Put in the Tom Yum stock cube and ½ cup of the fish stock. Once absorbed by the rice, add another ½ cup of fish stock. Continue adding ½ cup of the stock each time the liquid is absorbed until all used up.
- 5 Add ¼ can of IDEAL® Full Cream Evaporated Milk into the rice and stir till absorbed. Add in the final ¼ can of IDEAL® Full Cream Evaporated Milk and stir until al dente for about 5 mins.
- 6 Season with fish sauce and put in the cooked seafood. Stir well.
- 7 Remove from heat and stir in half of the cilantro.
- 8 Sprinkle with cilantro, bird's eye chillies and cheese before serving.



Ingredients

- | | |
|----------------|------------------------------------|
| 1 ½ cup | Magnolia Pasteurised Full Fat Milk |
| 6 tbsp | TEAPOT Sweetened Beverage Creamer |
| ½ cup | TEAPOT Extra Evaporated Creamer |
| ¼ cup | Strawberry |
| ¼ cup | Japanese melon, scooped |



Methods

- 1 Mix Magnolia Pasteurised Full Fat Milk with 4 tablespoons of TEAPOT Sweetened Beverage Creamer and TEAPOT Extra Evaporated Creamer, stir well.
- 2 Pour the mixture into an ice tray and put in a freezer for at least 5 hours or over the night.
- 3 Put milk ice cubes into an ice shaver or a mixer. Serve with fresh fruits like strawberries and Japanese melon, and pour TEAPOT Sweetened Beverage Creamer over before serving.

BINGSU

2

3

HONEY TOAST RICE BERRY



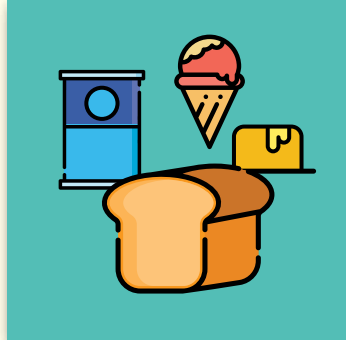
Ingredients

150g	Bread flour
120g	Rice berry flour
45g	Sugar
4g	Grounded salt
1 no	Egg (size no.2)
15g	Milk powder
90g	TEAPOT Extra Evaporated Creamer
50g	Melted butter
4g	Dried yeast
1 tsp	Baking powder
5 scoops	Ice cream
	TEAPOT Extra Evaporated Creamer, Honey and Whipped Cream for decoration



Tangzhong Ingredients

25g	Bread flour
½ cup	Water



Methods

- 1 Make Tangzhong (flour paste) by mixing bread flour with water and stir with medium heat until thickens so that it makes trails when stir. Let it cool down and weigh for 92 g.
- 2 Sift bread flour and rice berry flour together twice. Mix with milk powder, yeast, baking powder, salt and sugar.
- 3 Mix TEAPOT Extra Evaporated Creamer, egg and melted butter together. Add Tangzhong and stir until well combined. Slowly add the flour mixture and knead until thickened (about 30 minutes so it becomes elastic.) Put the dough in a buttered bowl and cover with damp cloth. Rest at 50°C for 1 hour.
- 4 Separate the dough into 120g each. Knead and shape into a ball. Put 3-4 balls in a greased mold (up to the size of the mold.) Cover with damp cloth and rest at 50°C for 1 hour or until the dough rises double in size. Bake at 170°C using top and bottom heat for 25-30 minutes. Take out from the oven and let the loaf cool down.
- 5 Slice the loaf and put butter in between each slice. Bake at 210°C for 5 minutes or until butter melt. Arrange in a plate, serve with ice cream, TEAPOT Extra Evaporated Creamer, honey and decorate with whipped cream.



Ingredients

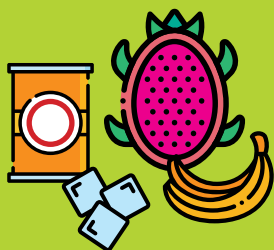
350g / ½ no	Dragon fruit (red)
100g / ½ no	Ripe banana
100g / 4 tbsp	F&N Sweetened Creamer
1 glass	Ice cubes



Methods

- 1 Put dragon fruit, banana, F&N Sweetened Creamer and ice cubes in a blender and blend until smooth
- 2 Chill in refrigerator and serve cold.

Tips: Top with granola crunch or any fruits of your choice and enjoy!



DRAGON FRUIT BANANA SMOOTHIE

4





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“

F&N's transformation has been very beneficial for us at Econsave as we now deal with one single F&N company for both soft drinks and dairy products.

Mr. Lai Sak Coon
Managing Director
Econsave Cash & Carry Sdn Bhd



Mr. Lai Sak Coon

Managing Director
Eonsave Cash & Carry Sdn Bhd

F&N's transformation has been very beneficial for us at Eonsave as we now deal with one single F&N company for both soft drinks and dairy products. This allows Eonsave to work with F&N at a more efficient and faster pace. With the unified invoicing system, it simplifies the billing, account, logistic and supply chain processes and also improves the efficiency of overall business with F&N. During this transformation, we have full support from F&N for a smooth and successful transition during the changeover period. Overall, I would say this transformation is a win-win situation for both Eonsave and F&N, to bring both our businesses to another level.



*Scan the QR code
to view this inside story.*

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.

For the financial year under review, 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 Berhad 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 the Board's approval and matters delegated to the Board Committees and management. The delegation of authority to the Board Committees, the Chief Executive Officer ("CEO") and 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 minutes of meetings of the Board Committees and update on meeting deliberations and outcomes 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, the Non-Executive Directors and the Senior Independent Director. 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:

- promote together with senior management, good corporate governance culture within the Group, which reinforces ethical, prudent and professional behaviour;
- review, adopt and monitor the implementation by management of the strategic and financial plans of the Group;
- ensure that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- 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;
- ensure the integrity of the Company's financial and non-financial reporting;
- 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;
- 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;
- set the Group's risk appetite and risk tolerance in alignment with the Group's vision and mission;
- approve strategy for cyber risk management, including policies and procedures governing cyber risk;
- ensure that senior management has the necessary skills and experience, and there are measures in place to provide for orderly succession of the Board and senior management; and
- oversee the development and implementation of a shareholder communication policy for the Company to ensure effective communication with its shareholders and other stakeholders.

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 and 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;
- foreign exchange covers/translation policy;
- revaluation of fixed assets;
- sale and acquisition of land, properties and equities;
- trademark and licence agreements; and
- cash and non-cash donations and provision of financial assistance to staff that exceed the authority limits of the CEO and Group Executive Committee.

In the financial year 2017, the Board carried out the following activities:

- reviewed and approved the last quarter financial results and audited financial statements for the financial year 2016;
- reviewed and approved quarterly financial results for the financial year 2017 for announcement to Bursa Securities;
- approved interim dividend and recommended final dividend for shareholders' approval;
- approved audit and non-audit fees;
- approved Audit Committee Report, Statement on Corporate Governance, Nominating Committee Report, Statement on Risk Management and Internal Control, Statement on Directors' responsibility for preparation of financial statements and Sustainability Report for disclosure in annual report;
- reviewed and recommended amendments to the Company's Articles of Association for shareholders' approval;
- 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 re-appointment of KPMG PLT as the auditors of the Company;
- approved Circular to Shareholders on recurrent related party transactions and Statement on Share Buy-Back;
- 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 the respective policies on Capital Expenditure and Business Acquisition, Treasury and Board Diversity;
- approved revisions to Business Continuity Management Framework, Risk Appetite and Risk Tolerance Statements, Board COA and Management COA, Fraud Control Policy, Code of Business Ethic and Conduct and Whistleblowing Policy;

- received update on operations and ongoing projects;
- approved the Company's strategies and plans;
- approved annual business plan, budget, capital expenditures and change in business model;
- received update on 2017 Malaysian Budget;
- received treasury reports on a quarterly basis;
- reviewed the evaluation results of the Board, Board Committees, Directors Self/Peer and Independent Directors for the financial year 2017;
- reviewed via the Group Executive Committee the sustainability roadmap of the F&NHB Group, the sustainability reporting framework based on Global Reporting Initiative and the sustainability project timeline; and noted the establishment of a Sustainability Management Committee;
- received summary of dealings in the Company's shares notified by principal officers;
- reviewed the corporate governance practices of the Company, considering the Malaysian Code on Corporate Governance issued on 26 April 2017;
- recommended the appointment of three directors for shareholders' approval at annual general meeting; and
- received monthly performance management report.

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.

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 Whistleblowing 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 and other matters. Besides, a Fraud Control Policy is in place 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, Whistleblowing Policy and Fraud Control Policy are set out in the Statement on Risk Management and Internal Control. The said code and policies are published on the Company's website.

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. Group Executive Committee has been tasked to provide oversight and approve strategic initiatives and policies for the sustainability agenda of the Company and report to the Board regularly.

Details of the corporate sustainability of the Group are presented in the Sustainability 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 provides 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.

During the financial year, one of the Company Secretaries, Mr. Soon Wing Chong resigned on his own accord.

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 3 August 2017.

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 directors will be considered when vacancies arise and suitable candidates are identified. In terms of nationality diversity, 63.6% of the Board are Malaysians and 36.4% are foreigners. 36% of the Directors are between the ages of 45 to 60 and the remaining 64% are above 60 years old.

In pursuit of gender diversity agenda, the Board will be proposing the appointment of two female directors for shareholders' approval at the forthcoming annual general meeting of the Company.

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, Chief Executive Officer 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 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. The aggregate Directors' remuneration paid or payable to the Directors of the Company and its subsidiaries for the financial year ended 30 September 2017 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 Company has a Policy on Independence of Directors, which specifies the considerations taken into account by the Board to assess the independence of each Independent Director. 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 through

the NomCom 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.

During the financial year, the Board through the NomCom engaged an external consultant, Aon Hewitt Singapore 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 may 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 maintain 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 cognizance of the recommendations of the CG Code regarding tenure of Independent Directors and will seek shareholders' approval 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

During the financial year, the Board had assessed two Independent Directors who have served the Board for more than nine years namely, Y.A.M. Tengku Syed Badarudin Jamalullail and Y.Bhg. Dato' Anwarudin bin Ahamad Osman, and was of the view that they both continue to be able to exercise independent and objective judgement and are able to act in the best interests of the Company. Nevertheless, to continue to strive towards achieving a high standard of corporate governance, the Board will re-designate Tengku Syed as a Non-Independent Non-Executive Director, to hold office as the Non-Independent Non-Executive Chairman of the Company. Dato' Anwarudin on the other hand has expressed his intention not to seek re-appointment upon retiring at the conclusion of the 56th annual general meeting of the Company.

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 the controlling shareholder and substantial and minority shareholders. Of the 11 Directors, five are the nominees of the controlling shareholder, Fraser and Neave, Limited; two are the nominees of a substantial shareholder, Permodalan Nasional Berhad ("PNB"); and four are independent. All 11 Directors are Non-Executive Directors. The Board composition is unique in including the

presence of two nominee Directors of PNB whose views should be counted together with the other Independent Directors as PNB and/or its nominee Directors have no financial and/or business relationships with the Group. Besides, they bring strong checks and balances to Board deliberations. This ensures the exercise of independent judgment of the Board as a whole, in discharging its duties.

The current Board 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.

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 Committees						
	Board	Audit	Nominating	Remuneration	Group EXCO	Risk Management	AGM
Y.A.M. Tengku Syed Badarudin Jamalullail	8/8		4/4	3/3			1/1
Y.Bhg. Dato' Anwarudin bin Ahamad Osman	8/8	3/4	4/4	3/3			1/1
Anthony Cheong Fook Seng	8/8				4/4	2/2*	1/1
Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo	8/8	4/4					1/1
Y.Bhg. Dato' Jorgen Bornhoft	8/8				4/4	4/4	1/1
Lee Kong Yip	8/8			3/3	4/4	4/4	1/1
Y.Bhg. Dato' Dr. Mohd Sharar bin Sidek	8/8					4/4	1/1
Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani	6/8						1/1
Lee Meng Tat	7/8		4/4	3/3	4/4		1/1
Hui Choon Kit	8/8	4/4			4/4	2/2*	1/1
David Siew Kah Toong	8/8	4/4					1/1

* Mr. Hui Choon Kit was appointed as a member of the Risk Management Committee in place of Mr. Anthony Cheong with effect from 8 February 2017.

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.

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 2017:

Directors	Training/seminar attended
1. Y.A.M. Tengku Syed Badarudin Jamalullail	<ul style="list-style-type: none"> • Bursa Malaysia Securities Berhad Listing Requirements Updates 2016 and the Proposed Malaysian Code on Corporate Governance 2016 • ASEAN@50 Conference: <ul style="list-style-type: none"> > ASEAN – Where It Is, Where It Will, Can and Should Be; and > Navigating ASEAN Economic Community: A Business Experience • 30% Club Business Leaders Roundtable Meeting • Directors' Continuing Education Programme 2017 on Cybersecurity, Companies Act, 2016 and the Malaysian Code on Corporate Governance 2017
2. Y.Bhg. Dato' Anwarudin bin Ahamad Osman	<ul style="list-style-type: none"> • Directors' Continuing Education Programme 2017 on Cybersecurity, Companies Act, 2016 and the Malaysian Code on Corporate Governance 2017
3. Anthony Cheong Fook Seng	<ul style="list-style-type: none"> • Singapore Directorship Report • Driving Value – Risk Transparency and Culture • Launch of Board Guide • Audit Committee Seminar • Introduction to Public Sector Accruals Accounting • Leading Practice in Succession Planning for Board • Singapore Institute of Directors' Annual Conference
4. Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo	<ul style="list-style-type: none"> • Maybank Investment Bank's Oil and Gas Day 2017: Up Close and Personal With Dr. Jeff Brown and Ms. Vandana Hari • New Economy Conference: The Edge for Tomorrow • Invest Malaysia • Directors' Continuing Education Programme 2017 on Cybersecurity, Companies Act, 2016 and the Malaysian Code on Corporate Governance 2017 • Capital Market Director Programme: <ul style="list-style-type: none"> > Module 1 – Directors as Gatekeepers of Market Participants; > Module 2A – Business Challenges and Regulatory Expectations; > Module 2B – Business Challenges and Regulatory Expectations; > Module 3 – Risk Oversight and Compliance: Action Plan for Board of Directors; and > Module 4 – Current and Emerging Regulatory Issues in the Capital Market

Directors	Training/seminar attended
5. Y.Bhg. Dato' Jorgen Bornhoft	<ul style="list-style-type: none"> • Global Markets and Macroeconomics • Health Is Wealth • The Launch of the Malaysian Code on Corporate Governance • ASEAN@50 Conference: <ul style="list-style-type: none"> > ASEAN – Where It Is, Where It Will, Can and Should Be; and > Navigating ASEAN Economic Community: A Business Experience • Directors' Continuing Education Programme 2017 on Cybersecurity, Companies Act, 2016 and the Malaysian Code on Corporate Governance 2017 • Investment Insights – China Musing: The Case for Asia and China • The Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience
6. Lee Kong Yip	<ul style="list-style-type: none"> • Board Educational Series: <ul style="list-style-type: none"> > Project Asset Liability Management/Investment Management/Fund Transfer Pricing; and > 2017 Strategic Asset Allocation • Sustainability Forum for Directors/CEOs: <ul style="list-style-type: none"> > The Velocity of Global Change; and > Sustainability – The New Business Model • ACCA Malaysia Sustainability Reporting Awards 2016 • Board Educational Series: <ul style="list-style-type: none"> > Companies Act, 2016; > Customer Due Diligence Training; > Key Financial Aspects of the Insurance Business: Takaful; and > Criterial of Individual Target Capital Level Determination • Taxation of Takaful Business Under the Income Tax Act 1967 • Fundamental Certificate in Takaful Training – Fundamentals of Shariah • GE International Financial Reporting Standards Training Session for Audit Committee members of Singapore, Malaysia and Indonesia • Fundamental Certificate in Takaful Training – Fundamentals of Takaful • Board Educational Series: <ul style="list-style-type: none"> > Directors and Officers Liability Insurance; and > Progress Update of Great Eastern Malaysia: Implementation of IFRS 9 on Financial Instruments • Directors' Continuing Education Programme 2017 on Cybersecurity, Companies Act, 2016 and the Malaysian Code on Corporate Governance 2017 • Fraud Risk Management Workshop
7. Y.Bhg. Dato' Dr. Mohd Shahar bin Sidek	<ul style="list-style-type: none"> • Directors' Continuing Education Programme 2017 on Cybersecurity, Companies Act, 2016 and the Malaysian Code on Corporate Governance 2017
8. Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani	<ul style="list-style-type: none"> • International Investment Fund Forum 2017 • Value Creation and Business Partnering • Capital Market Director Programme • Directors' Continuing Education Programme 2017 on Cybersecurity, Companies Act, 2016 and the Malaysian Code on Corporate Governance 2017
9. Lee Meng Tat	<ul style="list-style-type: none"> • Cyber Fraud for Board • Directors' Continuing Education Programme 2017 on Cybersecurity, Companies Act, 2016 and the Malaysian Code on Corporate Governance 2017

Directors	Training/seminar attended
10. Hui Choon Kit	<ul style="list-style-type: none"> • Finance and Accounting Seminar • GST Seminar • Directors' Continuing Education Programme 2017 on Cybersecurity, Companies Act, 2016 and the Malaysian Code on Corporate Governance 2017 • Singapore Financial Reporting Standards 115/116 Training
11. David Siew Kah Toong	<ul style="list-style-type: none"> • Corporate Governance Breakfast Series with Directors: The Cybersecurity Threat and How Board Should Mitigate the Risks • 2017 Budget Seminar • New Companies Act, 2016: A Snapshot of Changes • National GST Conference 2017 • National Tax Conference 2017 • Directors' Continuing Education Programme 2017 on Cybersecurity, Companies Act, 2016 and the Malaysian Code on Corporate Governance 2017 • Fraud Risk Management Workshop • Advocacy Session on Corporate Disclosure for Directors of Listed Issuers

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, 2016 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, implementation of new accounting policies and practices, significant matters highlighted including financial reporting issues, significant adjustments made by management, significant and unusual events or transactions, and how these matters are addressed.

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. During the financial year, the Audit Committee had met with the external auditors once without the presence of the CEO and senior management.

The Audit Committee conducts an annual assessment of the external auditor. 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 2017, the Audit Committee had conducted an evaluation of the external auditors, KPMG PLT. In facilitating the assessment of KPMG PLT, 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 PLT 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 non-audit fees incurred and the non-audit services provided by KPMG PLT during the financial year are set out in the Audited Financial Statements and Audit Committee Report.

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 Group 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.

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, TORs of Board Committees and relevant policies of the Group. 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. Annual general meeting ("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 28 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

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.

At the AGM held on 19 January 2017, all resolutions were voted by poll using a wireless handheld device.

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' Anwarudin bin Ahamad Osman (through the Company Secretary at 03-9235 2288 or cosec@fn.com.my).

NOMINATING COMMITTEE REPORT

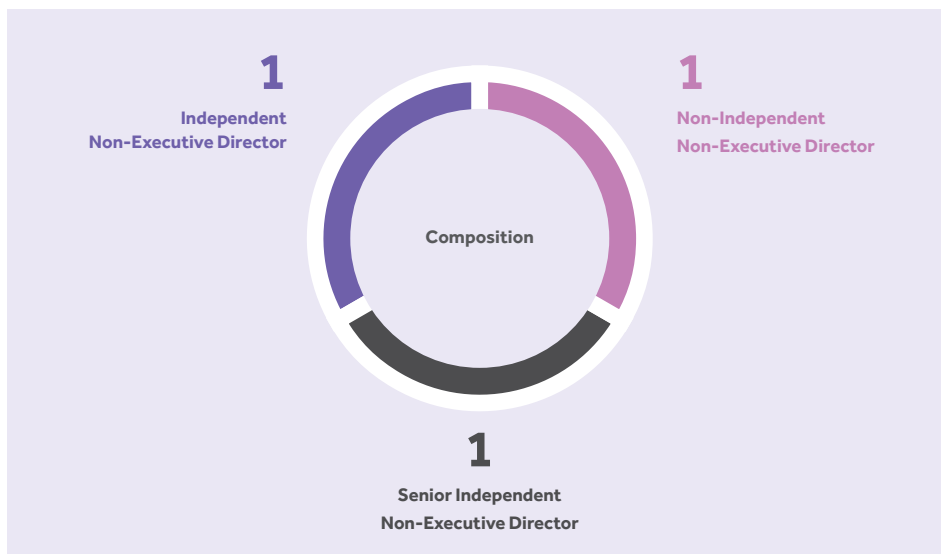
COMPOSITION

Chairman

Y.Bhg. Dato' Anwarrudin bin Ahamad Osman, *Senior Independent Non-Executive Director*

Members

- Y.A.M. Tengku Syed Badarudin Jamalullail, *Independent Non-Executive Director*
- Lee Meng Tat, *Non-Independent Non-Executive Director*



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 Nominating Committee ("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 Malaysia Securities Berhad. 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 appointed by the Board are subject to re-election at the 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. With the Companies Act, 2016 came into force on 31 January 2017, such requirement is no longer applicable.

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.

The annual Board evaluation is based on Board composition, Board role and functioning, information management, corporate social responsibility, managing company's performance, Board priorities, Chief Executive Officer 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. The effectiveness of the Audit Committee and its members along with independence of Directors are also assessed.

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 casual vacancy, and who are to be re-appointed pursuant to the relevant laws before making recommendation to the Board for re-election and re-appointment. If applicable, the NomCom also reviews the evaluation results of the Independent Directors who have served for a cumulative period of nine years and makes recommendation to the Board for retention.

In addition to the above, the NomCom also reviews the term of office and performance of the Audit Committee and its members annually to determine that the Audit Committee and its members have carried out their duties in accordance with the Terms of Reference of Audit Committee.

SUMMARY OF ACTIVITIES UNDERTAKEN BY NOMCOM DURING FINANCIAL YEAR 2017

The NomCom held four meetings in the financial year 2017 and discussed inter-alia the following matters:

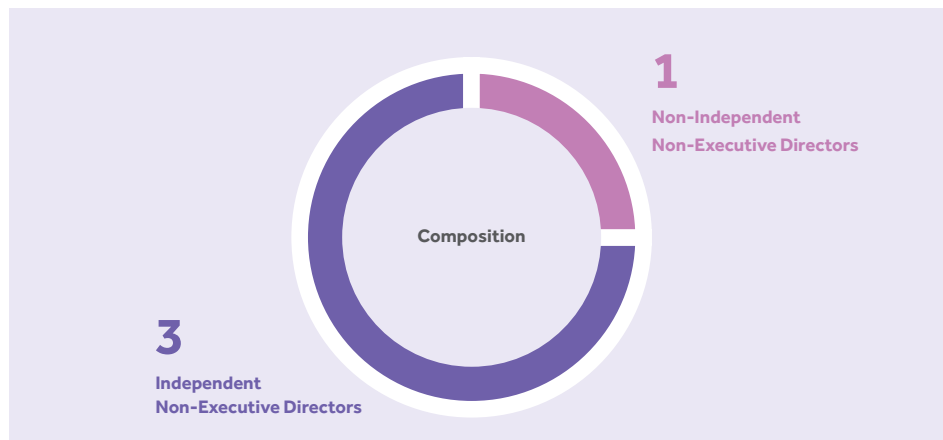
- a) Assessed the independence of Independent Directors, namely Y.A.M. Tengku Syed Badarudin Jamalullail, Y.Bhg. Dato' Anwarrudin bin Ahamad Osman, Mr. David Siew Kah Toong and Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo and reviewed their yearly confirmation on independence. The NomCom was of the view that the said Independent Directors are 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.
- b) Reviewed and recommended re-election of Directors who are due for retirement by rotation and casual vacancy, 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 shareholders' approval at the annual general meeting held on 19 January 2017.
- c) Reviewed and recommended the NomCom Report for the financial year 2016 for inclusion in annual report.
- d) Evaluated training needs of Directors and noted the training programmes attended by Directors.
- e) Reviewed and approved the appointment of an external consulting firm, Aon Hewitt Consulting, Singapore to conduct an evaluation of the Board, Board Committees, Directors Self/Peer and Independent Directors for financial year 2017, and the relevant evaluation questionnaires.
- f) Reviewed and shortlisted candidates to fill casual vacancies of Directors and conducted interviews to assess the suitability of the candidates for appointment. Following interviews, recommended Y.Bhg. Datuk Mohd Anwar bin Yahya and Puan Faridah binti Abdul Kadir for appointment as Independent Non-Executive Directors and Puan Aida binti Md Daud as a Non-Independent Non-Executive Director of the Company.
- g) Reviewed and noted the results of the evaluation of the Board and Board Committees for the financial year 2017 presented by external consultant and proposed action plans to be taken.
- h) Reviewed the NomCom's evaluation results for financial year 2017.
- i) Reviewed the effectiveness of the Audit Committee and its members and was satisfied with the performance of the AuditCom and its members. Also reviewed and noted the term of office of the Audit Committee and its members.
- j) Reviewed and recommended the terms of reference of NomCom for approval by the Board.
- k) Reviewed the required mix of skills, knowledge, experience and other qualities which non-executive directors should bring to the Board along with diversity in gender, nationality, age, culture and socio-economic background.
- l) Reviewed the new key practices of the Malaysian Code on Corporate Governance issued on 26 April 2017, and recommended the application of the key practices to the Board for consideration and decision. NomCom discussed at length the suggested practice of having a majority of Independent Directors on the Board of the Company and opined that the F&NHB Board is unique in including the presence of two nominee directors of Permodalan Nasional Berhad ("PNB"), whose views should be counted together with the other Independent Directors as PNB and its nominee directors have no financial and business relationships with the Company. The nominee directors of PNB bring strong check and balances to Board deliberations.

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 2017.

AUDIT COMMITTEE COMPOSITION AND MEETINGS

The Audit Committee, is chaired by Mr. David Siew Kah Toong. 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			
	3.11.2016	7.2.2017	2.5.2017	2.8.2017
Independent and Non-Executive Director				
Mr. David Siew Kah Toong <i>(appointed as Chairman on 23 February 2016)</i>	✓	✓	✓	✓
Y. Bhg Dato' Anwarrudin bin Ahamad Osman	✓	✓	✓	-
Y. Bhg Dato' Johan Tazrin bin Hamid Ngo	✓	✓	✓	✓
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.

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 19 January 2017, the shareholders had approved the re-appointment of KPMG PLT as auditors of the Company.

The Audit Committee had conducted an evaluation of the external auditors, KPMG PLT for the financial year 2016/2017, 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 PLT 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 appointed to review the Condensed Interim Financial Statements for each of the three quarters ended 30 June 2017 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 2016/2017, 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 RM 213,000 (FY2015/16 RM 186,675) and comprised the following assignments:

- Quarterly Review;
- Review of the supplementary financial information on the breakdown of realised and unrealised retained earnings;
- Review of the Directors' Statement of Risk Management and Internal Control; and
- Transfer Pricing engagement for Borneo Springs Sdn Bhd ("BSSB") covering the financial years ended 30 September 2015 and 2016.

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.

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, market returns management and customer master file management;
 - marketing activities encompassing appointment and performance evaluation of media/advertising agencies, budget planning and marketing spend;
 - procurement activities covering pre-qualification, sourcing, selection, approval and performance evaluation of suppliers, monitoring of purchase orders and vendor master file management.
 - 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;
 - property function covering management of leases, building facilities and security, carpark operations, and project management of property development activities;
 - human capital management covering human resources administration (recruitment, termination, transfers, resignation and appraisal), payroll processing, segregation of duties, industrial relations and employees relations management; and

- risk management and legal functions covering the implementation of the enterprise risk management framework, insurance claims and legal documents management process.

- 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 2016/2017 amounted to about RM 2.7 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 2016/2017, 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") and its subsidiaries (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. The 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 is designed to manage and mitigate risks rather than eliminate 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 and joint ventures 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 and 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 state, 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 quarterly meetings 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, cyber risk management, and Business Continuity Management programmes.

The responsibility for day to day risk management resides with the Management of each function/business unit 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 its 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 as well as Head of Departments meets quarterly 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 the financial year, which are 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 based on the risk parameters 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.

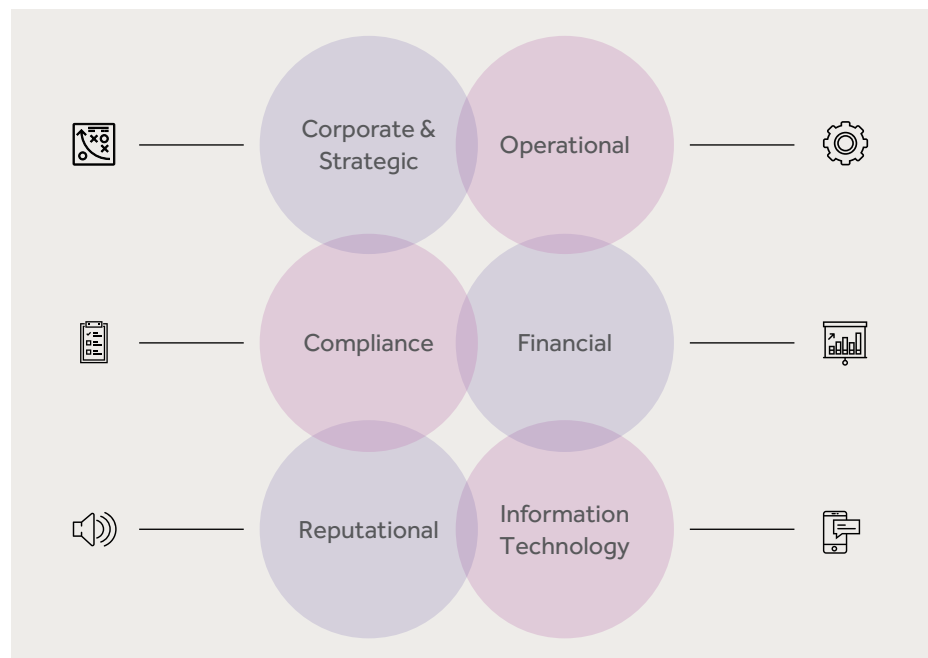
Risk reporting and review

Annual Review

- Risk appetite and risk tolerance 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 and approved by the Board 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, based on risk ratings at gross and net levels. This enables Management to focus on the mitigation strategies for the higher risks areas. The risks identified are reported under the following categories:



- Key Risk Indicators ("KRIs"), presented in the form of Key Risk Indicator Report, 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 the strategies, policies, people, processes, systems, mechanisms and reporting processes that have been put in place, in addressing these risks.

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, Whistleblowing and Fraud Control Policies

A framework which consists of Code of Business Ethics & Conduct, Whistleblowing Policy and Fraud Control Policy sets out the expectations of the Board in upholding integrity and ethical values within the Group. The documents 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; and
- Conflict of interest.

Whistleblowing 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 whistleblowing channels 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.

The Code, Whistleblowing and Fraud Control Policies are available for reference at the Company's website at www.fn.com.my.

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 Statement on Corporate Governance 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 the 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.

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 protection of assets and critical data as well as 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.

The Framework and the BCM plans developed are reviewed on an annual basis to ensure that it is up-to-date and remains relevant to the business environment.

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, 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 TOR 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 the Audited Financial Statements

As required under the Companies Act 2016 in Malaysia ("the Act"), the Directors on page 88 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, the requirements of the Act and the Bursa Malaysia Securities Berhad Listing Requirements so as to give a true and fair view of the financial position of the Group and of the Company as of 30 September 2017 and of their financial performance and cash flows for the financial year then ended.

In preparing these financial statements, the Directors ensured that:

- appropriate accounting policies have been adopted and applied consistently;
- the going concern basis used in preparation of the financial statements are appropriate; and
- where judgements and estimates are made, they are reasonable and prudent.

The Act also requires the Directors to keep such accounting and other records that will enable them to sufficiently explain the transactions and financial position of the Group and of the Company, and to prepare true and fair financial statements and any documents required to be attached thereto, as well as to keep such records in such manner as to enable them to be conveniently and properly audited.

The Directors have also relied on the accounting and internal control systems to ensure that the assets of the Group and of the Company are safeguarded against loss from unauthorised use or disposition and the information generated for the preparation of the financial statements are true and fair and are free from material misstatement.

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 RM 750 million for each Programme

A wholly owned subsidiary of the Company, F&N Capital Sdn Bhd ("Issuer") is able to issue up to RM 750 million in nominal value of each of the CP and the MTN programmes respectively, which are unconditionally and irrevocably guaranteed by the Company. The CP Programme has a tenure of seven (7) years from the first issue date of the CP under the CP Programme whilst the MTN Programme has a 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 RM 150 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 a 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 are payable semi-annually in arrears.

As at 30 September 2017, the unutilised CP/MTN facility available for use amounted to RM 1,200,000,000 (2016: RM 1,200,000,000).

2. Audit and Non-Audit Fees

The respective fees are disclosed in the Audit Committee Report and Audited Financial Statements set out in this Annual Report. Non-audit fees are 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 55th Annual General Meeting of Fraser & Neave Holdings Bhd ("F&NHB" or "Company") held on 19 January 2017, the Company had obtained shareholders' 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 2017 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	165,609
		Purchase of finished products from the F&N Ltd Group	16,705
		Sale of finished products and/or raw materials to the F&N Ltd Group	276,433

Mandated Related Parties	Relationship	Type of Transaction	Actual Value Transacted RM'000
Fraser and Neave, Limited ("F&N Ltd") Group (continued)	F&N Ltd is the holding company of F&NHB	Payment of royalties to the F&N Ltd Group for use of trademarks, trade names and brand names of F&N Ltd	52,203
		Payment of fees to the F&N Ltd Group for corporate services, corporate research and development services and technical services	3,176
		Receipt of rental from the F&N Ltd Group	350
		Receipt of corporate services fees and staff costs from the F&N Ltd Group	62
Berli Jucker Public Company Limited ("BJC") Group	BJC's ultimate parent company is TCC Corporation Limited, which is under the control of Tan Sri Charoen and Puan Sri 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 from the BJC Group	27,525
		Payment of network monitoring & professional fees to the BJC Group	279
		Sale of finished products to the BJC Group	50,367
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 Investment Limited	Sale of finished products to the ThaiBev Group	984
		Receipt of tetrapak co-packing services from the ThaiBev Group	5,293
		Purchase of raw materials from the ThaiBev Group	3,089
		Receipt of marketing services from the ThaiBev Group	41,095
Frasers Centrepoint Limited ("FCL") Group	FCL is a subsidiary of TCC Assets Limited, which in turn is under the control of Tan Sri Charoen and Puan Sri 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	192
		Sale of finished goods to the FCL Group	2
		Payment of corporate services fees and staff costs to the FCL Group	0
Southeast Group Co. Ltd. ("Southeast") Group	Southeast is under the control of Tan Sri Charoen and Puan Sri 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	2,757
		Sale of finished products to the Southeast Group	6
TCC Land Co. Ltd. ("TCC Land") Group	TCC Land is under the control of Tan Sri Charoen and Puan Sri 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	843
TCC Corporation Limited ("TCC Corporation") Group	TCC Corporation is under the control of Tan Sri Charoen and Puan Sri Wanna, the ultimate major shareholders of ThaiBev and the Company. Hence, TCC Corporation Group is deemed person connected to the said ultimate major shareholders	Payment of management fees to the TCC Corporation Group	2,488
		Purchase of stationery and office supplies from the TCC Corporation Group	28
		Sale of finished products to the TCC Corporation Group	48
		Purchase of raw materials from the TCC Corporation Group	31,450



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Independent Auditors'
Report



PRESENTS

THE



STORIES

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Now we are leading in the transformation
by searching for more effective and
efficient digital solutions to help our
businesses reduce cost and improve sales.

Mr. Lee Chin Peng

First Vice President, Information Technology
Fraser & Neave Holdings Bhd



Mr. Lee Chin Peng

First Vice President, Information Technology
Fraser & Neave Holdings Bhd

Prior to the transformation, IT played more of a supporting role in F&NHB. Now we are leading in the transformation by searching for more effective and efficient digital solutions to help our businesses reduce cost and improve sales. The most significant change has been the automation of distributors' claims which reduces the human resources needed for manual processing and does away with the need for manual accounting accruals and reversals. Further aiding our distributors, we have collaborated with ThaiBev to roll out the next-gen handheld system which will provide capabilities such as market watch, focus SKUs, pre-sales, van-sales and enhanced asset tracking.

We are also enhancing our sales forecasting and production scheduling with the introduction of Weekly Stock Coverage reports and KPIs.

We can see clear evidence of a change in the company's mindset following our CEO's focus on digitisation. The IT Department is getting swamped by requests from various departments to simplify and automate their processes. To cope, we have to prioritise the projects and complete those with high financial or business benefits first.

Transformation is a journey and we need to continuously evolve so that we can be ahead of our competitors and disrupt ourselves instead of being disrupted.

DIRECTORS' REPORT

for the financial year ended 30 September 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 September 2017.

Principal activities

The Company is principally engaged in investment holding activity whilst the principal activities of the subsidiaries are as stated in Note 38 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Holding companies

Fraser and Neave, Limited ("F&NL"), a corporation incorporated in the Republic of Singapore is the immediate holding company whilst TCC Assets Limited, a corporation incorporated in the British Virgin Islands is regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 38 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	323,377	324,803
Non-controlling interests	(30)	-
	323,347	324,803

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except for the transfer of RM449,991,000 from the share premium account to the share capital account as disclosed in Note 26(a) to the financial statements.

Dividends

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

- i) In respect of the financial year ended 30 September 2016 as reported in the Directors' Report of that financial year:
 - a final ordinary dividend of 30.5 sen per ordinary share totalling RM111,795,000 declared on 23 December 2016 and paid on 6 February 2017; and
- ii) In respect of the financial year ended 30 September 2017:
 - an interim ordinary dividend of 27.0 sen per ordinary share totalling RM98,966,000 declared on 3 May 2017 and paid on 15 June 2017.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 30 September 2017 is 30.5 sen per ordinary share totalling RM111,795,000, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company. 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 2018.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Tengku Syed Badarudin Jamalullail (Chairman)	Anthony Cheong Fook Seng
Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani	David Siew Kah Toong
Dato' Anwarrudin bin Ahamad Osman	Hui Choon Kit
Dato' Dr. Mohd Shahar bin Sidek	Lee Kong Yip
Dato' Johan Tazrin bin Hamid Ngo	Lee Meng Tat
Dato' Jorgen Bornhoft	

The Directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are:

Subsidiaries	Lim Yew Hoe	Hui Choon Kit	Anthony Cheong Fook Seng	Tan Hock Beng	Karn Chitaravimol	Lai Ming Kong	Woradej Patpitak	Lau Cheng Yew	Wong May Fun	Lai Kah Shen	Goh Teong Hoe	Aisha Alkaff	Cheah Hong Chong	Soon Wing Chong	Lim Ee Seng
F&N Beverages Marketing Sdn Bhd	✓			✓ (iii)						✓				✓ (vii)	
F&N Dairies (Malaysia) Sdn Bhd	✓			✓ (iii)						✓				✓ (vii)	
F&N Beverages Manufacturing Sdn Bhd	✓	✓ (i)	✓ (ii)	✓ (iii)										✓ (vii)	
F&N Dairies Manufacturing Sdn Bhd	✓			✓			✓ (iii)							✓ (vii)	
F&N Dairies (Thailand) Limited	✓			✓	✓									✓ (vii)	
F&N Dairies Distribution (Singapore) Pte Ltd	✓			✓		✓ (iv)								✓ (vii)	
F&N Marketing (B) Sdn Bhd	✓											✓			
Lion Share Management Limited	✓			✓										✓ (vii)	
Fraser & Neave (Malaya) Sdn Bhd	✓	✓ (i)	✓ (ii)	✓ (iii)										✓ (vii)	
F&N Capital Sdn Bhd	✓			✓ (iii)										✓ (vii)	
F&N Properties Sdn Bhd	✓							✓ (v)					✓ (vi)	✓ (vii)	
Greenclipper Corporation Sdn Bhd	✓								✓ (iii)					✓ (vii)	
Letricia Corporation Sdn Bhd	✓										✓				
Utas Mutiara Sdn Bhd	✓			✓ (iii)										✓ (vii)	
Elsinburg Holdings Sdn Bhd	✓								✓ (iii)					✓ (vii)	
Nuvak Company Sdn Bhd	✓								✓ (iii)					✓ (vii)	
Premier Milk (Malaya) Sdn Berhad	✓			✓						✓				✓ (vii)	
Tropical League Sdn Bhd	✓							✓ (v)					✓ (vi)	✓ (vii)	
Wimanis Sdn Bhd	✓	✓ (i)	✓ (ii)											✓ (vii)	✓ (viii)
Borneo Springs Sdn Bhd	✓			✓ (iii)										✓ (vii)	

(i) appointed on 22 September 2017

(ii) resigned on 22 September 2017

(iii) appointed on 31 March 2017

(iv) appointed on 1 April 2017

(v) appointed on 1 October 2017

(vi) resigned on 1 October 2017

(vii) resigned on 31 March 2017

(viii) resigned on 15 November 2016

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiaries and made a part hereof.

Directors' interests in shares

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

Companies in which Directors held interest	Number of ordinary shares			At 30.9.2017
	At 1.10.2016	Acquired	Sold	
Fraser & Neave Holdings Bhd				
Tengku Syed Badarudin Jamalullail				
- direct interest	2,062,000	-	-	2,062,000
F&NL				
Anthony Cheong Fook Seng				
- direct interest	330,674	62,975	-	393,649
Hui Choon Kit				
- direct interest	333,557	69,500	-	403,057

Companies in which Directors held interest	Number of share grants *				At 30.9.2017
	At 1.10.2016	Awarded	Achievement factor	Vested	
F&NL					
Anthony Cheong Fook Seng					
- RSP - Year 4	22,425	-	-	(22,425)	-
- RSP - Year 5	27,300	-	-	(13,650)	13,650
- RSP - Year 6	33,000	-	2,000	(17,500)	17,500
- RSP - Year 7	36,000	-	-	-	36,000
- RSP - Year 8	-	31,000	-	-	31,000
- PSP - Year 5	10,199	-	(799)	(9,400)	-
- PSP - Year 6	8,000	-	-	-	8,000
- PSP - Year 7	10,000	-	-	-	10,000
- PSP - Year 8	-	9,000	-	-	9,000
Hui Choon Kit					
- RSP - Year 4	19,225	-	-	(19,225)	-
- RSP - Year 5	32,550	-	-	(16,275)	16,275
- RSP - Year 6	43,000	-	2,600	(22,800)	22,800
- RSP - Year 7	48,000	-	-	-	48,000
- RSP - Year 8	-	35,000	-	-	35,000
- PSP - Year 5	12,148	-	(948)	(11,200)	-
- PSP - Year 6	10,000	-	-	-	10,000
- PSP - Year 7	13,000	-	-	-	13,000
- PSP - Year 8	-	11,000	-	-	11,000
Lee Meng Tat					
- RSP - Year 7	40,000	-	-	-	40,000
- RSP - Year 8	-	35,000	-	-	35,000
- PSP - Year 7	11,000	-	-	-	11,000
- PSP - Year 8	-	11,000	-	-	11,000

Directors' interests in shares (continued)

* 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").

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.

None of the other Directors holding office at the end of the financial year had any interest in shares, RSP and PSP of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than those fees and other benefits included in the aggregate amount of remuneration 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.

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 RSP and PSP.

Issue of shares

There were no changes in the issued and paid-up capital of the Company during the financial year.

Treasury shares

There were no repurchase of treasury shares during the financial year. As at 30 September 2017, the Company held 237,100 (2016: 237,100) treasury shares under Section 127 of the Companies Act 2016.

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

The Company's 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 SGP is valid for 10 years from 15 March 2012 to 14 March 2022.

RSP and PSP (collectively the Share Grant Plan ("SGP")) (continued)

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:

	Date of offer	← Number of share grants →		Shares vested	Shares lapsed	At 30.9.2017	Vesting period
		At 1.10.2016/ grant date	Adjustment for achievement factor				
RSP 2013	7.2.2013	84,275	-	(82,375)	(1,900)	-	31.12.2014 – 31.12.2016
RSP 2014	12.8.2014	299,700	-	(146,075)	(29,375)	124,250	31.12.2015 – 31.12.2017
RSP 2015	15.1.2015	517,600	(27,300)	(244,050)	(37,250)	209,000	31.12.2016 – 31.12.2018
RSP 2016	5.1.2016	596,500	-	-	(120,000)	476,500	31.12.2017 – 31.12.2019
RSP 2017	22.12.2016	557,100	-	-	(63,900)	493,200	31.12.2018 – 31.12.2020
		2,055,175	(27,300)	(472,500)	(252,425)	1,302,950	

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

The Directors do not participate in SGP.

Indemnity and insurance costs

Throughout the financial year, the Company had in force a Directors and Officers insurance policy essentially covering the acts of Directors and Officers. The policy has a limit of liability of RM20,000,000. Premiums paid amounted to RM28,710.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent; or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

Other statutory information (continued)

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, other than the restructuring costs of the Group as disclosed in Note 5(b), the financial performance of the Group and of the Company for the financial year ended 30 September 2017 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 that financial year and the date of this report.

Auditors

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

The auditors' remuneration is disclosed in Note 7(a) to the financial statements.

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

Tengku Syed Badarudin Jamalullail
Director

Lee Meng Tat
Director

Kuala Lumpur

7 November 2017

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 89 to 177 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 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 2017 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 40 on page 178 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
 Director

Lee Meng Tat
 Director

Kuala Lumpur

7 November 2017

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Tan Hock Beng**, 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 89 to 178 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Tan Hock Beng NRIC: 591116-04-6009** at Kuala Lumpur in the Federal Territory on 7 November 2017.

Tan Hock Beng

Before me:

Commissioner for Oaths
 Kuala Lumpur

STATEMENTS OF PROFIT OR LOSS

for the financial year ended 30 September 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	4	4,101,374	4,167,567	314,641	110,707
Cost of sales		(2,732,883)	(2,683,553)	-	-
Gross profit		1,368,491	1,484,014	314,641	110,707
Other income	5(a)	20,106	38,834	7,521	18,540
Operating expenses					
Distribution expenses		(407,301)	(420,550)	-	-
Marketing expenses		(434,144)	(497,432)	-	-
Administrative expenses		(133,010)	(150,760)	(3,215)	(2,891)
Other expenses	5(b)	(69,076)	(20,732)	(5,388)	(33,212)
		(1,043,531)	(1,089,474)	(8,603)	(36,103)
Operating profit		345,066	433,374	313,559	93,144
Finance income	6(a)	14,776	15,791	14,017	11,309
Finance costs	6(b)	(15,305)	(14,356)	-	-
Net finance (costs)/income		(529)	1,435	14,017	11,309
Share of results of a joint venture, net of tax	16	(2,083)	(1,614)	-	-
Share of results of an associate, net of tax	17	11,259	9,742	-	-
Profit before tax		353,713	442,937	327,576	104,453
Tax expense	8	(30,366)	(57,567)	(2,773)	(6,010)
Profit for the year		323,347	385,370	324,803	98,443
Profit attributable to:					
Owners of the Company		323,377	385,372	324,803	98,443
Non-controlling interests		(30)	(2)	-	-
		323,347	385,370	324,803	98,443
Basic earnings per ordinary share (sen)	9(a)	88.3	105.3		
Diluted earnings per ordinary share (sen)	9(b)	88.0	104.8		

The notes on pages 99 to 178 are an integral part of these financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

for the financial year ended 30 September 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the year		323,347	385,370	324,803	98,443
Other comprehensive income, net of tax					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Remeasurement of defined benefit liability	10	596	(1,514)	-	-
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operations	10	30,176	(8,912)	-	-
Exchange differences on settlement of a net investment	10	-	(33,117)	-	-
	10	30,176	(42,029)	-	-
		30,772	(43,543)	-	-
Total comprehensive income for the year		354,119	341,827	324,803	98,443
Attributable to:					
Owners of the Company		354,149	341,829	324,803	98,443
Non-controlling interests		(30)	(2)	-	-
		354,119	341,827	324,803	98,443

The notes on pages 99 to 178 are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

as at 30 September 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	1,193,851	1,112,752	-	-
Investment properties	13	49,315	49,286	-	-
Properties held for development	14	56,047	55,317	-	-
Investments in subsidiaries	15	-	-	931,423	931,687
Investment in a joint venture	16	89,822	84,303	153,955	146,353
Investment in an associate	17	83,768	78,730	68,727	68,727
Intangible assets	18	122,218	125,111	-	-
Deferred tax assets	29	25,726	32,034	-	-
		1,620,747	1,537,533	1,154,105	1,146,767
Current assets					
Inventories	19	540,716	517,329	-	-
Trade and other receivables	20	620,185	542,949	186,206	66,522
Current tax assets		25,280	14,248	-	-
Derivative financial assets	21	137	260	-	-
Cash and short-term deposits	22	424,433	593,554	52,998	72,037
		1,610,751	1,668,340	239,204	138,559
Total assets		3,231,498	3,205,873	1,393,309	1,285,326

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Equity					
Share capital	23	816,770	366,779	816,770	366,779
Treasury shares	24	(1,716)	(1,716)	(1,716)	(1,716)
Shares held by SGP Trust	25	(12,079)	(12,060)	(12,079)	(12,060)
Reserves	26	1,329,583	1,635,957	588,278	923,998
Equity attributable to owners of the Company		2,132,558	1,988,960	1,391,253	1,277,001
Non-controlling interests		172	202	-	-
Total equity		2,132,730	1,989,162	1,391,253	1,277,001
Liabilities					
Non-current liabilities					
Loans and borrowings	27	181,639	374,712	-	-
Provision for retirement benefits	28	38,070	41,937	-	-
Deferred tax liabilities	29	29,944	32,638	-	-
		249,653	449,287	-	-
Current liabilities					
Trade and other payables	30	636,090	730,894	1,433	7,985
Loans and borrowings	27	197,458	29,885	-	-
Current tax liabilities		14,020	6,555	623	340
Derivative financial liabilities	21	1,547	90	-	-
		849,115	767,424	2,056	8,325
Total liabilities		1,098,768	1,216,711	2,056	8,325
Total equity and liabilities		3,231,498	3,205,873	1,393,309	1,285,326

The notes on pages 99 to 178 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 September 2017

Group	Note	← Attributable to owners of the Company →											Total equity RM'000
		← 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	
At 1 October 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
Remeasurement of defined benefit liability	10	-	-	-	-	-	-	-	-	596	596	-	596
Exchange differences on translation of foreign operations	10	-	-	-	-	-	30,176	-	-	-	30,176	-	30,176
Total other comprehensive income for the year	10	-	-	-	-	-	30,176	-	-	596	30,772	-	30,772
Profit for the year		-	-	-	-	-	-	-	-	323,377	323,377	(30)	323,347
Total comprehensive income for the year		-	-	-	-	-	30,176	-	-	323,973	354,149	(30)	354,119
<i>Contributions by and distributions to owners of the Company</i>													
- Shares granted under SGP		-	-	-	-	-	-	9,216	-	-	9,216	-	9,216
- Shares vested under SGP		-	-	-	8,987	(1,295)	-	(7,692)	-	-	-	-	-
- Purchase of shares by SGP Trust		-	-	-	(9,006)	-	-	-	-	-	(9,006)	-	(9,006)
- Dividends to owners of the Company	11	-	-	-	-	-	-	-	-	(210,761)	(210,761)	-	(210,761)
- Transition to no-par value regime on 31 January 2017		449,991	(449,991)	-	-	-	-	-	-	-	-	-	-
Total transactions with owners of the Company		449,991	(449,991)	-	(19)	(1,295)	-	1,524	-	(210,761)	(210,551)	-	(210,551)
At 30 September 2017		816,770	-	(1,716)	(12,079)	(2,092)	85,910	16,940	9,934	1,218,891	2,132,558	172	2,132,730

Group (continued)	Note	← Attributable to owners of the Company →											Total equity RM'000
		← 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	Non- controlling interests RM'000	
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 of defined benefit liability	10	-	-	-	-	-	-	-	-	(1,514)	(1,514)	-	(1,514)
Exchange differences on translation of foreign operations	10	-	-	-	-	-	(8,912)	-	-	-	(8,912)	-	(8,912)
Exchange differences on settlement of a net investment	10	-	-	-	-	-	(33,117)	-	-	-	(33,117)	-	(33,117)
Total 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
<i>Contributions by and distributions to owners of the Company</i>													
- Shares granted under SGP		-	-	-	-	-	-	9,576	-	-	9,576	-	9,576
- Shares exercised under Employee Shares Option Scheme ("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 to owners of the Company	11	-	-	-	-	-	-	-	-	(229,088)	(229,088)	-	(229,088)
Total transactions with owners of the Company		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

Company	Note	Attributable to owners of the Company								
		Non-distributable					Distributable			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		
At 1 October 2016		366,779	449,991	(1,716)	(12,060)	(797)	15,416	459,388	1,277,001	
Profit and total comprehensive income for the year		-	-	-	-	-	-	324,803	324,803	
<i>Contributions by and distributions to owners of the Company</i>										
- Shares granted under SGP		-	-	-	-	-	9,216	-	9,216	
- Shares vested under SGP		-	-	-	8,987	(1,295)	(7,692)	-	-	
- Purchase of shares by SGP Trust		-	-	-	(9,006)	-	-	-	(9,006)	
- Dividends to owners of the Company	11	-	-	-	-	-	-	(210,761)	(210,761)	
- Transition to no-par value regime on 31 January 2017		449,991	(449,991)	-	-	-	-	-	-	
Total transactions with owners of the Company		449,991	(449,991)	-	(19)	(1,295)	1,524	(210,761)	(210,551)	
At 30 September 2017		816,770	-	(1,716)	(12,079)	(2,092)	16,940	573,430	1,391,253	

Company (continued)	Note	Attributable to owners 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	
At 1 October 2015		366,647	447,904	(1,716)	(7,733)	(190)	13,285	590,033	1,408,230
Profit and total comprehensive income for the year		-	-	-	-	-	-	98,443	98,443
<i>Contributions by and distributions to owners of the Company</i>									
- 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 to owners of the Company	11	-	-	-	-	-	-	(229,088)	(229,088)
Total transactions with owners of the Company		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

The notes on pages 99 to 178 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 30 September 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities					
Profit before tax		353,713	442,937	327,576	104,453
<i>Adjustments for:</i>					
Amortisation of intangible assets	18	5,265	6,533	-	-
Bad debts recovered	7(a)	(24)	(53)	-	-
Change in fair value of investment properties	13	(29)	(108)	-	-
Depreciation of property, plant and equipment	12	86,460	90,342	-	-
Dividend income	4	-	-	(314,641)	(110,707)
Finance income	6(a)	(14,776)	(15,791)	(14,017)	(11,309)
Finance costs	6(b)	15,305	14,356	-	-
Impairment loss:					
- Investments in subsidiaries	7(a)	-	-	264	-
- Plant and equipment	12	2,999	1,901	-	-
- Trade receivables	20	816	758	-	-
Plant and equipment written off	7(a)	1,444	1,190	-	-
Investment in a subsidiary written off	7(a)	-	-	-	75
Intangible assets written off	7(a)	-	17	-	-
Inventories written down	19	3,351	6,683	-	-
Inventories written off	19	6,266	10,525	-	-
Net loss on disposal of plant and equipment	7(a)	678	161	-	-
Net fair value loss on derivatives	7(a)	1,580	5,531	-	-
Net unrealised foreign exchange (gain)/loss	7(a)	(1,424)	337	(1,694)	32,672
Reversal of impairment loss:					
- Plant and equipment	12	(2,505)	(518)	-	-
- Trade receivables	20	(296)	(649)	-	-
Reversal of inventories written down	19	(146)	(3,908)	-	-
Reversal of provision for legal claims	30(d)	(5,749)	-	(5,749)	-
Retirement benefits (income)/expense	28	(1,440)	3,107	-	-
Share-based payment expense	7(a)	9,216	9,576	-	-
Share of results of a joint venture	16	2,083	1,614	-	-
Share of results of an associate	17	(11,259)	(9,742)	-	-
Operating profit/(loss) before changes in working capital		451,528	564,799	(8,261)	15,184
<i>Changes in working capital:</i>					
(Increase)/Decrease in inventories		(32,858)	12,146	-	-
Additions in property development costs	14	(730)	(26)	-	-
(Increase)/Decrease in trade and other receivables		(78,437)	5,154	(116,070)	129,869
(Decrease)/Increase in trade and other payables		(87,138)	(32,968)	891	(267)
Cash generated from/(used in) operations		252,365	549,105	(123,440)	144,786

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities (continued)					
Retirement benefits paid	28	(2,075)	(1,288)	-	-
Income tax paid		(38,019)	(60,728)	(2,490)	(5,777)
Income tax refunded		7,708	1,317	-	-
Net cash generated from/(used in) operating activities		219,979	488,406	(125,930)	139,009
Cash flows from investing activities					
Dividends received		6,221	13,920	314,641	121,205
Investment in a subsidiary		-	-	-	(500)
Interest received		9,879	9,298	14,017	11,309
Loan to a joint venture		(2,000)	-	(2,000)	-
Proceeds from disposal of plant and equipment		1,252	541	-	-
Purchase of property, plant and equipment	12	(155,356)	(149,675)	-	-
Purchase of intangible assets	18	(291)	(163)	-	-
Net cash (used in)/generated from investing activities		(140,295)	(126,079)	326,658	132,014
Cash flows from financing activities					
Interest paid		(15,798)	(13,610)	-	-
Payment of dividends	11	(210,761)	(229,088)	(210,761)	(229,088)
Proceeds from exercise of ESOS		-	1,912	-	1,912
Purchase of shares by SGP Trust	25	(9,006)	(12,072)	(9,006)	(12,072)
(Repayment of)/Proceeds from borrowings		(25,500)	104,597	-	-
Net cash used in financing activities		(261,065)	(148,261)	(219,767)	(239,248)
Net (decrease)/increase in cash and cash equivalents		(181,381)	214,066	(19,039)	31,775
Effects of foreign exchange rate changes on cash and cash equivalents		12,260	(29,655)	-	-
Cash and cash equivalents at 1 October 2016/2015		593,554	409,143	72,037	40,262
Cash and cash equivalents at 30 September	22	424,433	593,554	52,998	72,037

The notes on pages 99 to 178 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 F&NL, which is incorporated in Republic of 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 and dairy products, property development activities and the provision of management services. There has been no significant change 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 7 November 2017.

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 2017 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 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 MFRSs 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 2017

- Amendments to MFRS 107 *Disclosure Initiative*
- Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*
- Annual Improvements to MFRSs 2014-2016 Cycle

2. Summary of significant accounting policies (continued)

2.3 MFRSs and amendments to MFRSs issued but not yet effective (continued)

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

- MFRS 9 *Financial Instruments*
- MFRS 15 *Revenue from Contracts with Customers*
- Clarifications to MFRS 15 *Revenue from Contracts with Customers*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4 *Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts* *
- Amendments to MFRS 140 *Transfer of Investment Property*
- Annual Improvements to MFRSs 2014-2016 Cycle

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

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*

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

- MFRS 17 *Insurance Contracts* *

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

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

* *not applicable*

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

MFRS 9 *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

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 Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

2. Summary of significant accounting policies (continued)

2.3 MFRSs and amendments to MFRSs issued but not yet effective (continued)

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 is currently assessing 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 Group controls an investee if and only if the Group 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 Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group 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 Group obtains control over the subsidiary and ceases when the Group 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, such unrealised losses are not eliminated.

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

Transactions with non-controlling interests

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 the owners of the Company.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation (continued)

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 is 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

Business combinations 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 Investments 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.

2. Summary of significant accounting policies (continued)

2.7 Investments in associate and joint venture (continued)

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 or 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 2017. 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.

2. Summary of significant accounting policies (continued)

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 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 who 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 financial year.

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.

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.

2. Summary of significant accounting policies (continued)

2.9 Investment properties (continued)

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 financial year. 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 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 ("CGU") 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.

(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 CGU that is expected to benefit from the synergies of the combination.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired. This is determined by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU 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.

2. Summary of significant accounting policies (continued)

2.10 Intangible assets (continued)

(a) Goodwill (continued)

Where goodwill forms part of a CGU and part of the operation within that CGU 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 CGU retained.

(b) Brand

Brand is stated at cost less any accumulated impairment losses. 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.

Brand is 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 CGU level. Such brand is not amortised. The useful life of the brand 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 brand 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 20% to 33.3%.

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 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.

2. Summary of significant accounting policies (continued)

2.11 Property, plant and equipment and depreciation (continued)

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:

	Lease term (ranging from 10 to 99 years)
Leasehold land	
Buildings	1.7% to 10%
Plant and machinery	6.7% to 33%
Motor vehicles	10% to 20%
Postmix, coolers and vending machines	10% to 20%
Furniture, fittings and computer equipment	10% to 50%

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.

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. Summary of significant accounting policies (continued)

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.

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

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.

(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 basis 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.

2. Summary of significant accounting policies (continued)

2.16 Taxes (continued)

(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.

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.

2. Summary of significant accounting policies (continued)

2.16 Taxes (continued)

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

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

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the 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 GST included.

The net amount of 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's contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(c) Defined benefit plans

Certain subsidiaries of the Group operate unfunded defined benefit plans for its employees. The plans pay 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 benefit 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 reporting date, 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 plans or reductions in future contributions to the plans.

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; and
- Remeasurements of net defined benefit liability or asset.

2. Summary of significant accounting policies (continued)

2.17 Employee benefits (continued)

(c) Defined benefit plans (continued)

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.

(e) Share-based compensation plan

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 is 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.

2. Summary of significant accounting policies (continued)

2.17 Employee benefits (continued)

(e) Share-based compensation plan (continued)

(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.

(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. Summary of significant accounting policies (continued)

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 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 year 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.

(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 (CGU).

2. Summary of significant accounting policies (continued)

2.20 Impairment of non-financial assets (continued)

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.

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.

2. Summary of significant accounting policies (continued)

2.21 Financial assets (continued)

(a) Financial assets at fair value through profit or loss (continued)

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.

(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.

2. Summary of significant accounting policies (continued)

2.21 Financial assets (continued)

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.

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.

2. Summary of significant accounting policies (continued)

2.22 Impairment of financial assets (continued)

(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.

2. Summary of significant accounting policies (continued)

2.23 Financial liabilities (continued)

(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 financial 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 incurred in connection with the borrowing of funds.

2. Summary of significant accounting policies (continued)

2.26 Cash and short-term deposits

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 and the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

2.28 Share capital and 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 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 equity.

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 shares 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 maintained on the same basis. The SGP Trust is included in the Group's and the Company's financial statements as a deduction from equity and classified as "Shares held by SGP Trust".

2. Summary of significant accounting policies (continued)

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 financial year; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the financial year.

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 financial year; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the financial year.

The Group classified all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and non-current liabilities.

2.32 Segment reporting

For management purposes, the Group's operating businesses are organised according to products and services, namely Food and Beverages ("F&B") Malaysia, F&B 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 share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

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 financial year, 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 i.e. share grants granted pursuant to the SGP.

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.

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) Goodwill and brand

Goodwill and brand are tested for impairment at least on an annual basis and whenever there is indication that the goodwill or brand may be impaired. This requires an estimation of the value in use of the CGU to which the goodwill and brand are allocated. The value in use calculation is based on a discounted cash flow ("DCF") model. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The cash flows are derived from the budget for the next three to ten 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 carrying amount and key assumptions used to determine the recoverable amount for the goodwill and brand, are disclosed and further explained in Note 18.

(b) Accruals for direct marketing expenses, discounts and rebates

Direct marketing expenses are accrued on an incurred basis for programmes that are still ongoing subsequent to financial year end and where settlement have not been fully made by the reporting date.

Accruals for discounts and rebates are based on agreed trading terms and promotional activities with trade customers and distributors. These accruals are recognised under the terms of these agreements, to reflect the expected rebates, promotional activities and historical experience and require management judgement with respect to estimating the accruals. Differences between estimated and actual expense are expected to be insignificant and are recognised in profit or loss in the period such differences are determined.

The estimates for these accruals are regularly reviewed by senior management of the Group. These accruals and expenses are disclosed in Note 30 and Note 7(a) respectively.

3. Significant accounting estimates and judgements (continued)

3.2 Key sources of estimation uncertainty (continued)

(c) Valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the profit or loss. The Group engaged an independent valuation specialist to assess fair value at the reporting date for investment properties. Valuation methodologies based on investment approach and DCF were used to value the commercial properties as there was a lack of comparable market data because of the nature of the properties. Direct comparison valuation methodology was used to value the car park by reference to comparable value per car park bay in similar location. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 13.

(d) 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.

(e) 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 grant, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses Monte-Carlo valuation model for SGP. The assumptions used for estimating fair value for share-based payment transactions are disclosed in Note 26(c).

4. Revenue

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of goods	4,100,315	4,166,386	-	-
Dividend income				
- from subsidiaries	-	-	308,420	107,285
- from an associate	-	-	6,221	3,422
Others	1,059	1,181	-	-
	4,101,374	4,167,567	314,641	110,707

5. Other income and other expenses

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(a) Other income				
Fair value gain on derivatives	137	260	-	-
Change in fair value of investment properties (Note 13)	29	108	-	-
Realised foreign exchange gain	4,809	22,234	-	18,018
Unrealised foreign exchange gain	4,029	986	1,694	445
Insurance claim	-	3,771	-	-
Recovery of withholding tax	-	8,376	-	-
Gain on disposal of plant and equipment	41	212	-	-
Sale of scrapped items	1,659	1,755	-	-
Rental income	283	370	-	-
Reversal of provision for legal claims (Note 30(d))	5,749	-	5,749	-
Others	3,370	762	78	77
	20,106	38,834	7,521	18,540
(b) Other expenses				
Fair value loss on derivatives	1,717	5,791	-	-
Impairment loss on investments in subsidiaries	-	-	264	-
Plant and equipment written off	1,444	1,190	-	-
Realised foreign exchange loss	16,688	2,684	5,124	-
Unrealised foreign exchange loss	2,605	1,323	-	33,117
Corporate service fees	1,764	2,220	-	-
Restructuring costs (Note 30(d))	43,921	3,492	-	-
Loss on disposal of plant and equipment	719	373	-	-
Others	218	3,659	-	95
	69,076	20,732	5,388	33,212

6. Finance income and finance costs

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(a) Finance income				
Interest income from:				
Bank deposits	9,174	10,070	2,625	2,740
Subsidiaries	-	-	5,790	2,848
Joint venture	5,602	5,721	5,602	5,721
	14,776	15,791	14,017	11,309
(b) Finance costs				
Interest expense from:				
Bank borrowings	15,279	14,223	-	-
Others	26	133	-	-
	15,305	14,356	-	-

7. Profit before tax

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(a) Profit before tax is arrived at after charging/ (crediting):				
Direct marketing expenses	292,866	364,414	-	-
Discounts and rebates	546,091	532,491	-	-
Amortisation of intangible assets (Note 18)	5,265	6,533	-	-
Auditors' remuneration				
- Statutory audits	645	638	80	80
- Other services	213	187	178	175
Bad debts recovered	(24)	(53)	-	-
Depreciation of property, plant and equipment (Note 12)	86,460	90,342	-	-
Impairment loss:				
- Investments in subsidiaries	-	-	264	-
- Plant and equipment (Note 12)	2,999	1,901	-	-
- Trade receivables (Note 20)	816	758	-	-
Plant and equipment written off	1,444	1,190	-	-
Investment in a subsidiary written off	-	-	-	75
Intangible assets written off	-	17	-	-
Inventories written down (Note 19)	3,351	6,683	-	-
Inventories written off (Note 19)	6,266	10,525	-	-

7. Profit before tax (continued)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(a) Profit before tax is arrived at after charging/ (crediting): (continued)				
Net loss on disposal of plant and equipment	678	161	-	-
Net fair value loss on derivatives (Note 33(a))	1,580	5,531	-	-
Net unrealised foreign exchange (gain)/loss	(1,424)	337	(1,694)	32,672
Net realised foreign exchange loss/(gain)	11,879	(19,550)	5,124	(18,018)
Reversal of impairment loss:				
- Plant and equipment (Note 12)	(2,505)	(518)	-	-
- Trade receivables (Note 20)	(296)	(649)	-	-
Reversal of inventories written down (Note 19)	(146)	(3,908)	-	-
Reversal of provision for legal claims (Note 30(d))	(5,749)	-	(5,749)	-
Rental expense:				
- Premises	32,807	29,559	-	-
- Equipment	5,595	7,246	-	-
Rental income from premises	(1,149)	(1,213)	-	-
Royalties:				
- Holding company	5,156	4,614	-	-
- Related companies	47,046	52,455	-	-
- Third parties	82,948	73,827	-	-
Staff costs (including compensation of key management personnel)				
- Salary, allowances and bonus	238,214	231,814	-	-
- Contributions to defined contribution plan	26,175	26,802	-	-
- Retirement benefits (income)/expense (Note 28)	(1,440)	3,107	-	-
- Share-based payment expense	9,216	9,576	-	-
- Restructuring costs (Note 30(d))	43,921	3,492	-	-
Other directly related restructuring costs ⁽ⁱ⁾	4,467	-	-	-

(i) Included in administrative expenses.

(b) Directors' remuneration

The details of remuneration receivable by Directors of the Company during the financial year are as follows:

	Group and Company	
	2017 RM'000	2016 RM'000
Non-Executive Directors:		
Fees	1,247	1,250
Estimated money value of benefits-in-kind	32	38
Total (including benefits-in-kind)	1,279	1,288

7. Profit before tax (continued)

(b) Directors' remuneration (continued)

The number of Directors of the Company whose total remuneration during the financial year within the following bands is analysed below:

Remuneration (RM)	Non-Executive Directors	
	2017	2016
0 – 50,000	-	1
50,001 – 100,000	2	3
100,001 – 150,000	8	7
150,001 – 200,000	-	-
200,001 – 250,000	1	1

8. Tax expense

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current income tax:				
Malaysian income tax	25,103	42,284	2,813	5,951
Foreign tax	2,517	2,314	-	-
(Over)/Under provision in prior years				
- Malaysian income tax	(863)	(4,954)	(40)	59
- Foreign tax	-	(91)	-	-
	26,757	39,553	2,773	6,010
Deferred tax (Note 29):				
Origination of temporary differences	1,561	19,028	-	-
Under/(Over) provision in prior years	2,048	(1,014)	-	-
	3,609	18,014	-	-
Total income tax expense	30,366	57,567	2,773	6,010
Deferred tax related to items recognised in other comprehensive income (Note 29):				
Net actuarial gains or losses	188	(833)	-	-

8. Tax expense (continued)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax	353,713	442,937	327,576	104,453
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	84,891	106,305	78,618	25,069
Different tax rates in other countries	(10,719)	(9,507)	-	-
Income not subject to tax				
- Tax incentives/exemption	(49,968)	(48,659)	(77,300)	(31,117)
Expenses not deductible for tax purposes	9,511	8,789	1,495	8,007
Recognition of previously unrecognised tax losses	(8,618)	-	-	-
Deferred tax assets not recognised	2,789	4,558	-	-
(Over)/Under provision in prior years				
- Income tax	(863)	(5,045)	(40)	59
- Deferred tax	2,048	(1,014)	-	-
Share of results of a joint venture	500	387	-	-
Share of results of an associate	(2,702)	(2,338)	-	-
Others	3,497	4,091	-	3,992
Total income tax expense	30,366	57,567	2,773	6,010
Effective income tax rate	9%	13%	1%	6%

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated taxable income for the financial year. Tax for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The above reconciliation is prepared by aggregating separate reconciliations of each national jurisdiction.

Details of deferred tax assets not recognised are stated in Note 29 to the financial statements.

9. Earnings per ordinary share

(a) Basic earnings per ordinary share

Basic earnings per ordinary share amounts are calculated by dividing the profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2017 RM'000	2016 RM'000
Profit net of tax, attributable to owners of the Company	323,377	385,372

	Number of shares	
	2017 '000	2016 '000
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust	366,215	366,077
Basic earnings per ordinary share (sen)	88.3	105.3

(b) Diluted earnings per ordinary share

Diluted earnings per ordinary share amounts are calculated by dividing the profit for the year, net of tax, attributable to owners 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. RSP vested pursuant to the SGP.

	Group	
	2017 RM'000	2016 RM'000
Profit net of tax, attributable to owners of the Company	323,377	385,372

9. Earnings per ordinary share (continued)

(b) Diluted earnings per ordinary share (continued)

There were no changes to the Group's profit, net of tax, arising from the dilutive effect of the share grants granted pursuant to the SGP.

	Number of shares	
	2017 '000	2016 '000
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust	366,215	366,077
Adjustment pursuant to the SGP	1,303	1,498
Adjusted weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust	367,518	367,575
Diluted earnings per ordinary share (sen)	88.0	104.8

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.

10. Other comprehensive income

	← 2017 →			← 2016 →		
	Before tax RM'000	Tax expense RM'000	Net of tax RM'000	Before tax RM'000	Tax benefit RM'000	Net of tax RM'000
Group						
Items that will not be reclassified subsequently to profit or loss						
Remeasurement of defined benefit liability	784	(188)	596	(2,347)	833	(1,514)
Items that are or may be reclassified subsequently to profit or loss						
Exchange differences on translation of foreign operations	30,176	-	30,176	(8,912)	-	(8,912)
Exchange differences on settlement of a net investment	-	-	-	(33,117)	-	(33,117)
	30,176	-	30,176	(42,029)	-	(42,029)

11. Dividends

Dividends recognised by the Company:

	Date of payment	Sen per share	Total amount RM'000
2017			
Financial year ended 30 September 2016, single tier final ordinary dividend	6 February 2017	30.5	111,795
Financial year ended 30 September 2017, single tier interim ordinary dividend	15 June 2017	27.0	98,966
			210,761
2016			
Financial year ended 30 September 2015, single tier final ordinary dividend	4 February 2016	35.5	130,122
Financial year ended 30 September 2016, single tier interim ordinary dividend	15 June 2016	27.0	98,966
			229,088

The final ordinary dividend recommended by the Directors in respect of the financial year ended 30 September 2017 is 30.5 sen per ordinary share totalling RM111,795,000, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company. 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 2018.

12. Property, plant and equipment

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Assets under construction		* Others RM'000	Total RM'000
					RM'000	RM'000		
Cost:								
At 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)	
Reclassifications	(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 / 1 October 2016	94,927	53,471	517,083	805,204	127,865	327,742	1,926,292	
Additions	-	-	5,097	16,336	124,845	9,078	155,356	
Transfer to intangible assets (Note 18)	-	-	-	-	(2,081)	-	(2,081)	
Disposals	-	-	(46)	(19,618)	-	(22,357)	(42,021)	
Written off	-	-	(18)	(675)	(71)	(8,457)	(9,221)	
Reclassifications	-	26,016	3,318	94,699	(131,350)	7,317	-	
Exchange differences	1,190	-	9,636	13,357	2,469	3,171	29,823	
At 30 September 2017	96,117	79,487	535,070	909,303	121,677	316,494	2,058,148	

12. Property, plant and equipment (continued)

Group (continued)	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Assets under construction RM'000	* Others RM'000	Total RM'000
Accumulated depreciation:							
At 1 October 2015	-	(9,307)	(82,328)	(446,462)	-	(202,585)	(740,682)
Depreciation for the year (Note 7(a))	-	(800)	(11,139)	(46,194)	-	(32,209)	(90,342)
Disposals	-	-	7	4,933	-	14,391	19,331
Written off	-	-	-	661	-	8,586	9,247
Exchange differences	-	-	645	3,333	-	440	4,418
At 30 September 2016 / 1 October 2016	-	(10,107)	(92,815)	(483,729)	-	(211,377)	(798,028)
Depreciation for the year (Note 7(a))	-	(856)	(11,096)	(44,098)	-	(30,410)	(86,460)
Disposals	-	-	15	18,980	-	21,096	40,091
Written off	-	-	5	574	-	7,182	7,761
Exchange differences	-	-	(1,492)	(7,531)	-	(2,492)	(11,515)
At 30 September 2017	-	(10,963)	(105,383)	(515,804)	-	(216,001)	(848,151)
Accumulated impairment losses:							
At 1 October 2015	(2,216)	(2,220)	(1,389)	(6,861)	-	(1,511)	(14,197)
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
Disposals	-	-	-	-	-	18	18
Exchange differences	-	-	39	11	-	-	50
At 30 September 2016 / 1 October 2016	(2,216)	(2,220)	(1,363)	(7,854)	-	(1,859)	(15,512)
Impairment loss recognised in profit or loss (Note 7(a))	-	-	(2)	(497)	-	(2,500)	(2,999)
Impairment loss reversed in profit or loss (Note 7(a))	-	-	2	891	-	1,612	2,505
Written off	-	-	-	-	-	16	16
Exchange differences	-	-	(68)	(87)	-	(1)	(156)
At 30 September 2017	(2,216)	(2,220)	(1,431)	(7,547)	-	(2,732)	(16,146)
Net carrying amount:							
At 1 October 2015	94,790	41,944	430,332	337,685	34,433	125,637	1,064,821
At 30 September 2016 / 1 October 2016	92,711	41,144	422,905	313,621	127,865	114,506	1,112,752
At 30 September 2017	93,901	66,304	428,256	385,952	121,677	97,761	1,193,851

* Comprises motor vehicles, postmix, coolers, vending machines, furniture, fittings and computer equipment.

12. Property, plant and equipment (continued)

Impairment/Reversal of impairment loss on plant and equipment

An impairment loss of RM2,999,000 (2016: RM1,901,000), representing the write-down of plant and equipment to its recoverable amount, was recognised in "cost of sales" line item of the profit or loss for the financial year ended 30 September 2017. The reversal of the impairment loss in respect of the plant and equipment of RM2,505,000 (2016: RM518,000) was made during the financial year as those plant and equipment were repaired and refurbished. The carrying amounts of the plant and equipment were increased to its recoverable amount of RM2,505,000 (2016: RM518,000).

Leasehold land

The carrying amounts of long leasehold land and short leasehold land as at 30 September 2017 are RM60,535,000 (2016: RM40,505,000) and RM5,769,000 (2016: RM639,000) respectively. Short leasehold land is leasehold land with unexpired lease period of or less than 50 years.

13. Investment properties

	Group	
	2017	2016
	RM'000	RM'000
At fair value		
At 1 October 2016/2015	49,286	50,763
Change in fair value recognised in profit or loss		
- Unrealised (Note 5 (a))	29	108
Transfer to property, plant and equipment (Note 12)	-	(1,585)
At 30 September	49,315	49,286
Included in the above are:		
At fair value		
Buildings	49,315	49,286

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.

The rental income and operating expenses recognised in profit or loss in respect of the investment properties are as follows:

	Group	
	2017	2016
	RM'000	RM'000
Rental income derived from investment properties	607	591
Direct operating expenses (including repairs and maintenance) generating rental income	(795)	(898)
Direct operating expenses (including repairs and maintenance) that did not generate rental income	(553)	(518)
Net loss arising from investment properties carried at fair value	(741)	(825)

13. Investment properties (continued)

As at 30 September 2017 and 2016, the fair values of the properties are based on DCF method and valuation performed by an external and independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

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 values of investment properties are categorised as follows:

	2017 Level 3 RM'000	2016 Level 3 RM'000
Buildings	49,315	49,286

Description of valuation techniques used and key inputs used:

Properties	Valuation technique	Significant unobservable inputs	Range and rate	
			2017	2016
Commercial property 1	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%
Discount factor	7.25%	7.25%		
Commercial property 2	DCF	Discount factor	8.40%	8.10%
Car park	Direct comparison approach	Value per car park bay	RM30,000	RM30,000

Increase/(Decrease) in estimated rental value would result in higher/(lower) fair value of the investment properties assuming if all other assumptions were held constant. Increases/(Decreases) in the capitalisation rate, void factor, capital expenditure reserve and discount factor would result in lower/(higher) fair value assuming if all other assumptions were held constant.

14. Properties held for development

	Group	
	2017 RM'000	2016 RM'000
At cost		
At 1 October 2016/2015	55,317	55,291
Cost incurred	730	26
At 30 September	56,047	55,317
Properties held for development comprise:		
- Freehold land	49,783	49,783
- Development costs	6,264	5,534
	56,047	55,317

15. Investments in subsidiaries

	Company	
	2017 RM'000	2016 RM'000
At cost		
Unquoted shares:		
- Ordinary shares	373,201	373,201
- Redeemable non-cumulative convertible preference shares ("RNCCPS")	565,404	565,404
	938,605	938,605
Less: Accumulated impairment losses	(7,182)	(6,918)
	931,423	931,687

The details of the subsidiaries are set out in Note 38.

The Company subscribed to the entire RNCCPS in the following subsidiaries:

	Issue price RM	Number of shares	2017 RM'000	2016 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

16. Investment in a joint venture

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost				
Unquoted shares	500	500	500	500
Share of post-acquisition reserves	(8,841)	(6,758)	-	-
	(8,341)	(6,258)	500	500
Shareholder's loan	126,820	124,820	126,820	124,820
Interest on shareholder's loan	26,635	21,033	26,635	21,033
	145,114	139,595	153,955	146,353
Less: Unrealised profit	(55,292)	(55,292)	-	-
	89,822	84,303	153,955	146,353

The joint venture is incorporated in Malaysia and the details are as follows:

Name of joint venture	Principal activity / Nature of relationship	Effective ownership and voting interest (%)	
		2017	2016
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	
	2017 RM'000	2016 RM'000
Assets and liabilities:		
Current assets	286,919	278,341
Non-current assets	3,662	2,306
Current liabilities	(307,282)	(293,181)
Net liabilities	(16,701)	(12,534)
Income and expenses:		
Revenue	-	-
Loss for the year	(4,166)	(3,227)

16. Investment in a joint venture (continued)

	Group	
	2017 RM'000	2016 RM'000
Reconciliation of net liabilities to carrying amount as at 30 September		
Group's share of net liabilities	(8,350)	(6,267)
Goodwill	9	9
Shareholder's loan	126,820	124,820
Interest on shareholder's loan	26,635	21,033
Elimination of unrealised profit	(55,292)	(55,292)
Carrying amount in the statement of financial position	89,822	84,303
Group's share of loss for the year	(2,083)	(1,614)

The joint venture had no other contingent liabilities or capital commitments as at 30 September 2017 and 2016. 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 Centrepoint 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% (2016: 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 of 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.

17. Investment in an associate

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost				
Quoted shares	68,727	68,727	68,727	68,727
Share of post-acquisition reserves	47,585	36,326	-	-
Dividend received	(32,544)	(26,323)	-	-
	83,768	78,730	68,727	68,727
Fair value of investment in an associate for which there is published price quotation	174,192	120,690	174,192	120,690

17. Investment in an associate (continued)

The associate is incorporated in Malaysia and the details are as follows:

Name of associate	Principal activity / Nature of relationship	Effective ownership and voting interest (%)	
		2017	2016
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 2017. 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 occurred between 30 June 2017 to 30 September 2017 and 30 June 2016 to 30 September 2016 are not expected to be material.

The summarised financial information of the associate is as follows:

	Group	
	2017 RM'000	2016 RM'000
Assets and liabilities:		
Current assets	160,185	146,411
Non-current assets	116,969	126,235
Current liabilities	(27,400)	(40,360)
Non-current liabilities	(8,453)	(9,513)
	241,301	222,773
Income and expenses:		
Revenue	269,893	262,126
Profit for the year	41,408	35,833
Reconciliation of net assets to carrying amount as at 30 September		
Group's share of net assets	65,610	60,572
Goodwill	18,158	18,158
Carrying amount in the statement of financial position	83,768	78,730
Group's share of profit for the year	11,259	9,742
Capital commitments:		
Share of associate's capital commitments incurred jointly with other investors:		
- Amounts approved and contracted for purchase of property, plant and equipment	431	488
Contingencies:		
Share of associate's contingent liabilities incurred jointly with other investors:		
- Corporate guarantees issued to third parties	1,508	1,508

18. Intangible assets

	Goodwill RM'000	Brand RM'000	Computer software RM'000	Total RM'000
Group				
Cost:				
At 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 / 1 October 2016	45,929	75,370	46,016	167,315
Additions	-	-	291	291
Transfer from property, plant and equipment (Note 12)	-	-	2,081	2,081
Written off	-	-	(7,714)	(7,714)
At 30 September 2017	45,929	75,370	40,674	161,973
Accumulated amortisation and impairment losses:				
At 1 October 2015				
Accumulated amortisation	-	-	(30,787)	(30,787)
Accumulated impairment losses	(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 / 1 October 2016				
Accumulated amortisation	-	-	(36,812)	(36,812)
Accumulated impairment losses	(5,392)	-	-	(5,392)
	(5,392)	-	(36,812)	(42,204)
Amortisation for the year (Note 7(a))	-	-	(5,265)	(5,265)
Written off	-	-	7,714	7,714
At 30 September 2017				
Accumulated amortisation	-	-	(34,363)	(34,363)
Accumulated impairment losses	(5,392)	-	-	(5,392)
	(5,392)	-	(34,363)	(39,755)
Net carrying amount:				
At 1 October 2015	40,537	75,370	15,248	131,155
At 30 September 2016 / 1 October 2016	40,537	75,370	9,204	125,111
At 30 September 2017	40,537	75,370	6,311	122,218

18. Intangible assets (continued)

(a) Allocation of goodwill, brand and computer software

Goodwill, brand and computer software have been allocated to the Group's CGUs identified according to country of operation and business segment as follows:

	Goodwill RM'000	Brand RM'000	Computer software RM'000	Total RM'000
Group				
At 30 September 2017				
Dairy products				
- Malaysia	-	75,370	93	75,463
- Thailand	999	-	-	999
Soft drinks				
- Malaysia	39,538	-	3,119	42,657
Property/Others	-	-	3,099	3,099
	40,537	75,370	6,311	122,218
At 30 September 2016				
Dairy products				
- Malaysia	-	75,370	1,177	76,547
- Thailand	999	-	-	999
Soft drinks				
- Malaysia	39,538	-	2,429	41,967
Property/Others	-	-	5,598	5,598
	40,537	75,370	9,204	125,111

(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 CGU. The value in use calculations apply a DCF model using cash flow projections based on financial budgets approved by management covering three-year 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 CGUs.

The terminal growth rate used does not exceed the long-term average growth rate of the respective industry and country in which the entity operates.

18. Intangible assets (continued)

(b) Key assumptions used in value in use calculations (continued)

(i) Goodwill (continued)

Cash flows beyond these periods are extrapolated using the estimated growth rate stated in the table below.

Significant assumptions

	Compound annual growth rate	Pre-tax discount rate
At 30 September 2017		
Dairy products	4.7%	10.2%
Soft drinks	8.3%	10.2%
At 30 September 2016		
Dairy products	5.0%	10.5%
Soft drinks	11.2%	10.5%

(ii) Brand

The recoverable amount of brand has 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 10 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.

Significant assumptions

	Terminal growth rate	Annual growth rate	Pre-tax discount rate
At 30 September 2017	1.0%	1.0%	10.2%
At 30 September 2016	1.0%	6.0%	10.5%

The key assumptions represent management's assessment of future trends in Condensed Milk industry and are based on both external sources and internal sources (historical data).

18. Intangible assets (continued)

(c) Sensitivity to changes in assumptions

With regard to the assessment of value in use of these CGUs, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying values of these CGUs to differ materially from their recoverable amounts except for the changes in the prevailing operating environment, the impact of which is not expected to be significant.

19. Inventories

	Group	
	2017 RM'000	2016 RM'000
Manufactured inventories	178,220	222,346
Raw materials	322,280	253,807
Packaging materials	32,200	26,115
Other inventories	8,016	15,061
Total inventories at the lower of cost and net realisable value	540,716	517,329
Recognised in profit or loss:		
Inventories recognised as cost of sales	2,431,898	2,365,966
Inventories written down	3,351	6,683
Inventories written off	6,266	10,525
Reversal of inventories written down	(146)	(3,908)

20. Trade and other receivables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade receivables	442,278	404,988	-	-
Less: Allowance for impairment losses	(1,163)	(643)	-	-
	441,115	404,345	-	-
Other receivables				
- Prepayments	3,798	3,194	-	-
- Deposits	4,528	5,338	-	-
- Staff loans	7,392	8,650	-	-
- Sales tax refund receivable	479	6,265	-	-
- Marketing subsidies receivable	3,068	3,719	-	-
- Sundry debtors	21,006	17,578	-	-
- Other tax recoverable	14,448	10,338	-	-
- Interest	332	1,036	-	-
- Other receivables	3,602	3,404	52	447
	58,653	59,522	52	447
Amounts due from related parties				
- Subsidiaries ^(a)	-	-	186,150	66,075
- Related companies ^(b)	111,836	69,107	-	-
- Joint venture ^(b)	-	105	-	-
- Associate ^(b)	4	-	4	-
- Other related parties ^(c)	8,577	9,870	-	-
	120,417	79,082	186,154	66,075
Total trade and other receivables	620,185	542,949	186,206	66,522
The currency profile is as follows:				
- RM	371,690	341,962	185,859	66,211
- United States Dollar ("USD")	20,174	37,000	-	-
- Singapore Dollar ("SGD")	43,019	9,968	-	-
- Thai Baht ("THB")	184,188	150,703	347	311
- Others	1,114	3,316	-	-
	620,185	542,949	186,206	66,522

20. Trade and other receivables (continued)

- (a) The amounts due from subsidiaries are unsecured, receivable on demand and interest free, except for loan portion of RM183,771,000 (2016: RM62,540,000) which bears interests at KLIBOR + 1.25% (2016: KLIBOR + 1.25%) per annum.
- (b) The amounts due from related companies, a joint venture and an associate are unsecured, receivable on demand and interest free. Related companies refer to the subsidiaries or associates of TCC Assets Limited, Thai Beverage Public Company Limited and Berli Jucker Public Company Limited ("BJC").
- (c) The amounts due from other related parties are unsecured, receivable on demand and interest free. Other related parties refer to the subsidiaries or associates of Permodalan Nasional Berhad ("PNB") (Note 32(a)(ii)).
- (d) 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 venture. The Group's normal trade credit terms for trade receivables are 30 to 90 days (2016: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

Ageing analysis of trade receivables

	Group	
	2017 RM'000	2016 RM'000
Neither past due nor impaired	371,342	346,506
Ageing of trade receivables that are past due but not impaired:		
- 1 to 30 days	54,922	46,087
- 31 to 60 days	6,606	5,539
- 61 to 90 days	3,758	1,915
- 91 to 120 days	1,312	764
- More than 120 days	3,175	3,534
	69,773	57,839
Impaired	1,163	643
	442,278	404,988

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 RM69,773,000 (2016: RM57,839,000) 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.

20. Trade and other receivables (continued)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance for impairment accounts used to record the impairment are as follows:

	Group	
	2017 RM'000	2016 RM'000
At 1 October 2016/2015	643	1,515
Charge for the year (Note 7(a))	816	758
Written off	-	(981)
Reversal of impairment loss (Note 7(a))	(296)	(649)
At 30 September	1,163	643

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. These receivables are not secured by any collateral or credit enhancement.

21. Derivative financial assets/liabilities

	← 2017 →			← 2016 →		
	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	79,571	137	(1,547)	25,798	260	(90)
Derivatives, net position			(1,410)			170

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 financial year. Where necessary, the forward contracts are rolled over at maturity.

22. Cash and short-term deposits

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances:				
Local licensed banks	122,724	136,374	998	5,037
Foreign licensed banks	121,711	150,434	-	-
	244,435	286,808	998	5,037
Short-term deposits:				
Local licensed banks	126,086	180,858	52,000	67,000
Foreign licensed banks	53,912	125,888	-	-
	179,998	306,746	52,000	67,000
Cash and short-term deposits	424,433	593,554	52,998	72,037
The currency profile is as follows:				
- RM	248,809	317,141	52,998	72,037
- USD	2,175	53,631	-	-
- SGD	16,677	6,937	-	-
- THB	152,530	212,919	-	-
- Others	4,242	2,926	-	-
	424,433	593,554	52,998	72,037

The weighted average interest rates and the average maturities of deposits as at the end of the financial year were as follows:

	Weighted average interest rates (%)		Average maturities (days)	
	2017	2016	2017	2016
Group				
Local licensed banks	3.0	2.8	18	5
Foreign licensed banks	1.0	1.3	1	3
Company				
Local licensed banks	4.0	3.0	30	1

22. Cash and short-term deposits (continued)

For the purpose of statements of cash flows, cash and cash equivalents comprise the following as at the reporting date:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	244,435	286,808	998	5,037
Deposits with licensed banks with a maturity period of 3 months or less	179,998	306,746	52,000	67,000
	424,433	593,554	52,998	72,037

23. Share capital

	Group and Company			
	2017		2016	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Authorised:				
Ordinary shares of RM1.00 each	-	-	500,000	500,000
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 October 2016/2015	366,779	366,779	366,647	366,647
Shares exercised under ESOS	-	-	132	132
Transition to no-par value regime on 31 January 2017 (Note 26(a))	-	449,991	-	-
At 30 September	366,779	816,770	366,779	366,779

The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the Company.

As at 30 September 2017, the issued and paid up capital comprises 366,779,000 (2016: 366,779,000) ordinary shares of RM1.00 each, of which 237,100 (2016: 237,100) ordinary shares are held as treasury shares.

Pursuant to the Companies Act 2016 in Malaysia which came into effect on 31 January 2017, the concept of authorised share capital no longer exists.

In accordance with section 74 of the Companies Act 2016, the Company's ordinary shares no longer have a par or nominal value with effect from 31 January 2017. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

In accordance with the transitional provisions set out in section 618 of the Companies Act 2016, any amount standing to the credit of the Company's share premium account becomes part of the Company's share capital. Companies have twenty-four months upon the commencement of Companies Act 2016 to utilise the credit. During the financial year, the Company has utilised none of the credit of the share premium account which have now become part of the share capital.

24. Treasury shares

	Group and Company			
	2017		2016	
	Number of shares '000	RM'000	Number of shares '000	RM'000
At 1 October 2016/2015 / At 30 September	237	1,716	237	1,716

The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. There were no shares repurchased during the financial year and in the previous financial year.

25. Shares held by SGP Trust

	Group and Company			
	2017		2016	
	Number of shares '000	RM'000	Number of shares '000	RM'000
At 1 October 2016/2015	580	12,060	431	7,733
Acquired	361	9,006	581	12,072
Reissued pursuant to SGP	(473)	(8,987)	(432)	(7,745)
At 30 September	468	12,079	580	12,060

The Company established a trust ("SGP Trust") for its eligible executives pursuant to the SGP.

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 statements 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 '000	Total consideration RM'000
	Lowest	Highest	Average		
At 30 September 2017	23.17	25.40	24.95	361	9,006
At 30 September 2016	18.08	26.18	20.76	581	12,072

26. Reserves

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-distributable:				
Share premium ^(a)	-	449,991	-	449,991
Legal reserve ^(b)	9,934	9,934	-	-
Foreign exchange reserve	85,910	55,734	-	-
Share-based payment reserve ^(c)	16,940	15,416	16,940	15,416
Loss on purchase of shares for SGP ^(d)	(2,092)	(797)	(2,092)	(797)
	110,692	530,278	14,848	464,610
Distributable:				
Retained earnings	1,218,891	1,105,679	573,430	459,388
Total reserves	1,329,583	1,635,957	588,278	923,998

(a) The movements of share premium during the financial year are as follows:

	Group and Company	
	2017 RM'000	2016 RM'000
At 1 October 2016/2015	449,991	447,904
Arising from issuance of new ordinary shares pursuant to ESOS	-	2,087
Transition to no-par value regime on 31 January 2017 (Note 23)	(449,991)	-
At 30 September	-	449,991

(b) Non-distributable legal reserve amounting to RM9,934,000 (2016 : 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) Share grants under RSP and PSP (collectively, the "SGP")

The Company's 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 SGP is valid for 10 years from 15 March 2012 to 14 March 2022.

Under the RSP and PSP, the Company 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 the Company, their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance conditions are met. The Remuneration Committee, as administrator of the SGP, has absolute discretion in granting the Base Awards.

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").

26. Reserves (continued)

- (c) Share grants under RSP and PSP (collectively, the "SGP") (continued)

RSP

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 RSP shares awarded could range between 0% to 150% of the initial grant of the RSP Base Award.
- (ii) At the end of the two-year performance period, 50% of the RSP shares under the 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.

The following table illustrates the number and movements in RSP grants:

	← Number of share grants →					Vesting period
	At 1.10.2016/ grant date	Adjustment for achievement factor	Shares vested	Shares lapsed	At 30.9.2017	
RSP 2013 (7.2.2013)	84,275	-	(82,375)	(1,900)	-	31.12.2014 - 31.12.2016
RSP 2014 (12.8.2014)	299,700	-	(146,075)	(29,375)	124,250	31.12.2015 - 31.12.2017
RSP 2015 (15.1.2015)	517,600	(27,300)	(244,050)	(37,250)	209,000	31.12.2016 - 31.12.2018
RSP 2016 (5.1.2016)	596,500	-	-	(120,000)	476,500	31.12.2017 - 31.12.2019
RSP 2017 (22.12.2016)	557,100	-	-	(63,900)	493,200	31.12.2018 - 31.12.2020
	2,055,175	(27,300)	(472,500)	(252,425)	1,302,950	

No awards were granted to Directors of the Company.

26. Reserves (continued)

- (c) Share grants under RSP and PSP (collectively, the "SGP") (continued)

RSP (continued)

The estimated fair value of shares granted during the year ranges from RM15.66 to RM16.58. The fair value of equity-settled contingent award of shares are determined using the 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 →			
	2017	2016	2015	2014
Dividend yield (%)	3.34	3.62	4.02	3.93
Expected volatility (%)	12.67	8.36	19.23	12.22
Risk-free interest rate (%)	3.58 - 3.87	2.98 - 3.52	2.94 - 3.26	3.18 - 3.49
Expected term (years)	2.02 - 4.03	1.99 - 3.99	1.80 - 3.80	1.39 - 3.39
Share price at date of grant (RM)	22.86	18.50	18.06	17.68

PSP

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 PSP shares awarded could range between 0% to 200% of the initial grant of the PSP Base Award.
- (ii) All of the PSP shares under the Final Award will be released to the participants at the end of the three-year performance period upon vesting.

As at 30 September 2017, no shares were granted under the PSP.

- (d) 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 included in the Group's and the Company's financial statements as a deduction from equity and classified as "Loss on purchase of shares for SGP".

27. Loans and borrowings

	Group	
	2017	2016
	RM'000	RM'000
Current		
Unsecured:		
CP/MTN of RM1,500,000,000	150,000	-
Term loan of THB 1,000,000,000	47,458	29,885
	197,458	29,885
Non-current		
Unsecured:		
CP/MTN of RM1,500,000,000	150,000	300,000
Term loan of THB 1,000,000,000	31,639	74,712
	181,639	374,712
Total loans and borrowings	379,097	404,597

CP/MTN of 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 has a tenure of seven (7) years from the first issue date of the CP under the CP Programme whilst the MTN has a tenure of fifteen (15) years from the first issue date under the MTN Programme.

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

As at 30 September 2017, the unutilised CP/MTN facility available for use amounted to RM1,200,000,000 (2016: RM1,200,000,000).

Term loan of THB 1,000,000,000

On 1 December 2015, a wholly owned subsidiary of the Company, F&N Dairies (Thailand) Limited, was granted a term loan facility of THB 1,000,000,000. This term loan bears fixed interest at a rate of 2.35% per annum and are payable semi-annually in six instalments over three (3) years, commencing from May 2016 to November 2018.

28. Provision for retirement benefits

	Group	
	2017	2016
	RM'000	RM'000
Movements in the net benefit liability were as follows:		
At 1 October 2016/2015	41,937	37,937
Recognised in profit or loss (Note 7(a)):		
Current service cost	2,716	2,237
Past service cost	(5,964)	(877)
Interest cost	1,808	1,747
	(1,440)	3,107
Recognised in other comprehensive income (Note 10):		
Remeasurement gains or losses		
- Actuarial gains or losses arising from:		
- demographic assumptions	-	(212)
- financial assumptions	-	1,963
- experience adjustments	(784)	596
	(784)	2,347
Others:		
Benefits paid	(2,075)	(1,288)
Exchange differences	432	(166)
	(1,643)	(1,454)
At 30 September	38,070	41,937
Principal actuarial assumptions used:		
Discount rate (%)	2.50 - 5.20	2.50 - 5.20
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.

28. Provision for retirement benefits (continued)

A quantitative sensitivity analysis for significant assumptions as at 30 September 2017 is 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				
(Decrease)/Increase in defined benefit obligation	(3,047)	3,537	3,439	(3,018)

The sensitivity analysis above has 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 financial year.

The average duration of the defined benefit plan obligation at the end of the financial year is 11 years (2016: 11 years).

Based on the latest available actuarial valuation carried out in 2017, the provision for retirement benefits is considered sufficient to meet the actuarially determined value of vested benefits.

29. Deferred tax assets/liabilities

	Group	
	2017 RM'000	2016 RM'000
At 1 October 2016/2015	604	(16,648)
Recognised in profit or loss (Note 8):		
- property, plant and equipment	92	2,614
- investment properties	7	13
- unutilised tax losses and unabsorbed capital allowances	(8,003)	701
- unutilised tax incentive	12,690	14,914
- retirement benefit plans	(1,132)	1,884
- provisions and others	(45)	(2,112)
	3,609	18,014
Recognised in other comprehensive income (Note 8):		
- retirement benefit plans	188	(833)
Exchange differences	(183)	71
At 30 September	4,218	604

29. Deferred tax assets/liabilities (continued)

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	
	2017 RM'000	2016 RM'000
Deferred tax assets:		
At 1 October 2016/2015	(32,034)	(49,330)
Recognised in profit or loss	5,711	17,738
Recognised in other comprehensive income	780	(513)
Exchange differences	(183)	71
At 30 September	(25,726)	(32,034)
Deferred tax liabilities:		
At 1 October 2016/2015	32,638	32,682
Recognised in profit or loss	(2,102)	276
Recognised in other comprehensive income	(592)	(320)
At 30 September	29,944	32,638

The components of deferred tax assets and liabilities prior to offsetting are as follows:

	Group	
	2017 RM'000	2016 RM'000
Deferred tax assets		
- Unutilised tax losses and unabsorbed capital allowances	(8,328)	(290)
- Unutilised tax incentives	(44,439)	(57,129)
- Retirement benefit plans	(5,799)	(4,780)
- Provisions and others	(4,973)	(4,855)
	(63,539)	(67,054)
Deferred tax liabilities		
- Property, plant and equipment	66,466	66,374
- Investment properties	1,291	1,284
	67,757	67,658
Net deferred tax liabilities	4,218	604

29. Deferred tax assets/liabilities (continued)

The following deferred tax assets have not been recognised as they may not be used to offset taxable profits elsewhere in the Group:

	Group	
	2017 RM'000	2016 RM'000
Unutilised tax losses	3,251	27,537
Unabsorbed capital allowances	6,220	6,220
	9,471	33,757
At 24% (2016: 24%)	2,273	8,102

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.

30. Trade and other payables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade payables	237,266	215,976	-	-
Other payables				
- Accrued expenses	80,271	129,000	1,343	501
- Deposits ^(a)	16,802	15,004	-	-
- Staff costs	67,989	62,707	-	-
- Distributor incentives	5,662	12,770	-	-
- Sundry creditors	41,510	41,547	-	-
- Direct marketing expenses	61,828	86,813	-	-
- Discounts and rebates	22,424	47,615	-	-
- Interest	3,790	4,284	-	-
- Advance from customers	3,243	2,561	-	-
- Provisions ^(d)	7,405	10,624	-	7,454
- Other payables	34,871	29,321	-	-
	345,795	442,246	1,343	7,955

30. Trade and other payables (continued)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current (continued)				
Amounts due to related parties				
- Subsidiaries ^(b)	-	-	53	-
- Related companies ^(b)	50,072	55,443	37	30
- Joint venture ^(b)	34	-	-	-
- Associate ^(b)	936	393	-	-
- Other related parties ^(c)	1,987	16,836	-	-
	53,029	72,672	90	30
Total trade and other payables	636,090	730,894	1,433	7,985
The currency profile is as follows:				
- RM	351,478	454,331	1,398	7,955
- USD	15,715	13,278	-	-
- SGD	4,062	6,024	35	30
- THB	261,191	251,852	-	-
- Others	3,644	5,409	-	-
	636,090	730,894	1,433	7,985

- (a) Included in deposits are deposits received from dealers which bear interest at rate of 2.65% (2016: 3.00%) per annum.
- (b) The amounts due to subsidiaries, related companies, a joint venture 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 (2016: 30 to 90 days). Related companies refer to the subsidiaries or associates of TCC Assets Limited, Thai Beverage Public Company Limited, BJC and TCC Holdings Co., Ltd.
- (c) The amounts due to other related parties are unsecured, repayable on demand and interest free. These parties are related to PNB (Note 32(a)(ii)).

30. Trade and other payables (continued)

(d) The movement of the provisions during the financial year is as follows:

	Restructuring costs RM'000	Legal claims RM'000	Total RM'000
Group			
At 1 October 2016	3,170	7,454	10,624
Provision made	43,921	-	43,921
Amount utilised	(39,686)	-	(39,686)
Provision reversed	-	(5,749)	(5,749)
Exchange difference	-	(1,705)	(1,705)
At 30 September 2017	7,405	-	7,405

	Legal claims RM'000
Company	
At 1 October 2016	7,454
Provision reversed	(5,749)
Exchange difference	(1,705)
At 30 September 2017	-

Provision for restructuring costs

The provision for restructuring costs is made in respect of mutual and voluntary employee separation schemes undertaken by the Group as part of its business transformation programme. The provision made is based on management's best estimate of the amount payable as at the reporting date offered to selected employees.

Provision for legal claims

The provision in respect of the potential legal claims is disclosed in Note 39.

31. Commitments and contingencies

Capital commitments

	Group	
	2017 RM'000	2016 RM'000
Property, plant and equipment:		
Contracted but not provided for	111,079	51,910
Authorised but not contracted for	257,545	286,137
	368,624	338,047

31. Commitments and contingencies (continued)

Lease commitments

Lease commitments under non-cancellable operating leases where the Group is a lessee:

	Group	
	2017 RM'000	2016 RM'000
Future minimum rentals payable:		
Less than 1 year	13,927	12,276
Between 1 and 5 years	22,315	23,797
More than 5 years	1,052	1,063
	37,294	37,136

Contingencies

The Group and the Company have no contingent liabilities or assets of a material nature since the previous financial year except as disclosed in Note 17 and below:

	Company	
	2017 RM'000	2016 RM'000
Financial guarantees provided to banks for credit facilities granted to certain subsidiaries of the Company	393,449	433,848

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 entities 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.

32. Related party disclosures (continued)

(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	
	2017 RM'000	2016 RM'000
<u>F&NL Group</u>		
Sales	276,432	249,195
Purchases	(182,314)	(248,434)
Royalties paid	(52,202)	(57,069)
Corporate charges paid	(1,764)	(2,220)
Internal audit fees paid	(1,412)	(1,559)
<u>VCSB</u>		
Finance income	5,602	5,721
Shareholder's loan granted	(2,000)	-
<u>Cocoaland Holdings Berhad Group</u>		
Purchases	(5,809)	(6,948)
<u>Thai Beverage Public Company Limited Group ⁽ⁱ⁾</u>		
Purchases	(8,527)	(7,663)
Marketing expenses	(41,137)	(86)
<u>BJC Group ⁽ⁱ⁾</u>		
Sales	50,367	327
Purchases	(28,864)	(49,466)

32. Related party disclosures (continued)

(a) Significant related party transactions (continued)

	Group	
	2017 RM'000	2016 RM'000
<u>Other related parties of TCC Group</u> ⁽ⁱ⁾		
Sales	915	4,113
Purchases	(31,450)	(1,462)
Management fees	(2,488)	(2,011)
Insurance premium paid	(2,758)	(3,423)
<u>PNB Group</u> ⁽ⁱⁱ⁾		
Sales	59,637	70,250
Purchases	(42,185)	(54,342)
Rental of equipment paid	(2,547)	(2,181)
	Company	
	2017 RM'000	2016 RM'000
<u>Subsidiaries</u>		
Dividend income	308,420	107,285
Finance income	5,790	2,848
Management fees	(517)	(490)
<u>Cocoaland Holdings Berhad</u>		
Dividend income	6,221	3,422
<u>VCSB</u>		
Finance income	5,602	5,721
Shareholder's loan granted	(2,000)	-

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 Tan Sri Charoen Sirivadhanabhakdi and his spouse, Puan Sri Wanna Sirivadhanabhakdi, who have a deemed indirect interest in the Company, held through F&NL, pursuant to Section 8 of the Companies Act 2016.
- (ii) PNB is deemed a related party by virtue of its interest in the shares of the Company, held through AmanahRaya Trustees Berhad and having representation on the Board of Directors of the Company.

32. Related party disclosures (continued)

(b) Compensation of key management personnel of the Group

The following table summarises remuneration paid to key management personnel:

	Group	
	2017 RM'000	2016 RM'000
Salaries and remuneration	10,230	9,603
Contributions to defined contribution plan	931	916
Share-based payment transactions	863	851
	12,024	11,370

(c) Related party balances

The balances related to the above transactions are disclosed in Note 20 and 30.

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 financial risk, including primarily the effects of changes in currency exchange rates and use derivatives 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 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 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 the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

33. Financial risk management objectives and policies (continued)

(a) Foreign currency risk (continued)

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 40% to 90% of anticipated exposure for a maximum period of 12 months forward. At 30 September 2017 and 2016, the outstanding forward exchange contracts of the Group are as follows:

	Notional value RM'000	Fair value (Note 21) RM'000
Currency		
2017		
USD (within 3 to 12 months)	21,687	(620)
USD (less than 3 months)	33,798	(616)
Australian Dollar ("AUD") (less than 3 months)	5,240	(59)
Euro ("EUR") (less than 3 months)	18,846	(115)
	79,571	(1,410)
2016		
USD (less than 3 months)	21,764	91
AUD (less than 3 months)	4,034	79
	25,798	170

The above instruments were executed with creditworthy 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 the last financial year.

The fair value gain and loss on derivatives were recognised in the profit or loss as disclosed in Note 5.

33. Financial risk management objectives and policies (continued)

(a) Foreign currency risk (continued)

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 USD, THB and SGD exchange rates against the functional currency of the Company, with all other variables held constant:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit or loss:				
USD/RM				
- strengthened 10%	504	5,879	-	-
- weakened 10%	(504)	(5,879)	-	-
THB/RM				
- strengthened 10%	5,740	8,495	-	-
- weakened 10%	(5,740)	(8,495)	-	-
SGD/RM				
- strengthened 10%	4,228	827	(3)	(2)
- weakened 10%	(4,228)	(827)	3	2

A 10% weakening of the above currencies at the reporting date would have had the equal but opposite effect on the respective functional currencies of the Group entities as the amounts shown above, on the basis that all other variables remain constant.

(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 exposure to credit risk arises primarily from trade and other receivables. The Company's exposure to credit risk arises primarily from loan to subsidiaries and financial guarantees given to banks for credit facilities granted to certain subsidiaries of the Company. The credit risk is monitored on an ongoing basis through the Group's management reporting procedures.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- (i) the carrying amount of each class of recognised financial assets as indicated in the statements of financial position; and
- (ii) a nominal amount of RM393,449,000 (2016: RM433,848,000) relating to financial guarantees provided by the Company to banks for credit facilities granted to certain subsidiaries of the Company.

As at the reporting date, there was no indication that any subsidiary would default on repayment.

33. Financial risk management objectives and policies (continued)

(b) Credit risk (continued)

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.

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 has no exposure to significant interest rate risk as the fixed rate debts were entered into by the Group in order to minimise fluctuations in interest rates. However, the Company has exposure to interest rate risk from its loan to a subsidiary (Note 20(a)).

A change in 100 basis points in interest rates would have decreased or increased equity of the Company by RM1,397,000 (2016: RM475,000).

(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.

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.

33. Financial risk management objectives and policies (continued)

(d) Liquidity risk (continued)

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
Group					
2017					
Interest-bearing borrowings (Note 27)	379,097	2.35 to 4.38	393,449	211,599	181,850
Payables (excluding provisions (Note 30))	628,685	-	628,685	628,685	-
Derivative financial liabilities (Note 21)	1,547	-	1,547	1,547	-
	1,009,329		1,023,681	841,831	181,850
2016					
Interest-bearing borrowings (Note 27)	404,597	2.35 to 4.38	433,848	44,863	388,985
Payables (excluding provisions (Note 30))	720,270	-	720,270	720,270	-
Derivative financial liabilities (Note 21)	90	-	90	90	-
	1,124,957		1,154,208	765,223	388,985
Company					
2017					
Financial guarantees	-	-	393,449	393,449	-
Payables (excluding provisions (Note 30))	1,433	-	1,433	1,433	-
	1,433		394,882	394,882	-
2016					
Financial guarantees	-	-	433,848	433,848	-
Payables (excluding provisions (Note 30))	531	-	531	531	-
	531		434,379	434,379	-

34. Fair value measurement

The carrying amounts of cash and short-term deposits, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

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 statements 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	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Group										
2017										
Financial assets:										
Derivative financial assets (Note 21)	-	137	-	137	-	-	-	-	137	137
Financial liabilities:										
Derivative financial liabilities (Note 21)	-	1,547	-	1,547	-	-	-	-	1,547	1,547
Loans and borrowings (Note 27)	-	-	-	-	-	-	370,981	370,981	370,981	379,097
	-	1,547	-	1,547	-	-	370,981	370,981	372,528	380,644
2016										
Financial assets:										
Derivative financial assets (Note 21)	-	260	-	260	-	-	-	-	260	260
Financial liabilities:										
Derivative financial liabilities (Note 21)	-	90	-	90	-	-	-	-	90	90
Loans and borrowings (Note 27)	-	-	-	-	-	-	390,214	390,214	390,214	404,597
	-	90	-	90	-	-	390,214	390,214	390,304	404,687
Company										
2017										
Financial liabilities:										
Financial guarantees	-	-	-	-	-	-	6,310	6,310	6,310	-
2016										
Financial liabilities:										
Financial guarantees	-	-	-	-	-	-	16,001	16,001	16,001	-

34. Fair value measurement (continued)

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 (2016: 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.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Loans and borrowings (Note 27)	DCF method using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.
Financial guarantees	DCF 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 with respect to the measurement of fair values of financial instruments. This includes a finance team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the management. The finance team regularly reviews significant unobservable inputs and valuation adjustments.

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 2017 and 2016.

The Group and the Company monitor and maintain a prudent level of total debt to total equity 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	
		2017 RM'000	2016 RM'000
Short-term loans and borrowings	27	197,458	29,885
Long-term loans and borrowings	27	181,639	374,712
Total debts		379,097	404,597
Equity attributable to owners of the Company		2,132,558	1,988,960
Debt equity ratio		0.18	0.20

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.

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 amount RM'000	FVTPL RM'000	L&R RM'000	FL RM'000
Group					
2017					
Financial assets:					
Trade and other receivables ⁽ⁱ⁾	20	597,411	-	597,411	-
Derivative financial assets	21	137	137	-	-
Cash and short-term deposits	22	424,433	-	424,433	-
		1,021,981	137	1,021,844	-
Financial liabilities:					
Trade and other payables ⁽ⁱⁱⁱ⁾	30	617,469	-	-	617,469
Derivative financial liabilities	21	1,547	1,547	-	-
Loans and borrowings	27	379,097	-	-	379,097
		998,113	1,547	-	996,566
2016					
Financial assets:					
Trade and other receivables ⁽ⁱ⁾	20	524,079	-	524,079	-
Derivative financial assets	21	260	260	-	-
Cash and short-term deposits	22	593,554	-	593,554	-
		1,117,893	260	1,117,633	-
Financial liabilities:					
Trade and other payables ⁽ⁱⁱⁱ⁾	30	712,100	-	-	712,100
Derivative financial liabilities	21	90	90	-	-
Loans and borrowings	27	404,597	-	-	404,597
		1,116,787	90	-	1,116,697
Company					
2017					
Financial assets:					
Other receivables	20	186,206	-	186,206	-
Cash and short-term deposits	22	52,998	-	52,998	-
		239,204	-	239,204	-
Financial liabilities:					
Other payables ⁽ⁱⁱⁱ⁾	30	1,433	-	-	1,433

36. Categories of financial instruments (continued)

	Note	Carrying amount RM'000	FVTPL RM'000	L&R RM'000	FL RM'000
Company (continued)					
2016					
Financial assets:					
Other receivables	20	66,522	-	66,522	-
Cash and short-term deposits	22	72,037	-	72,037	-
		138,559	-	138,559	-
Financial liabilities:					
Other payables ⁽ⁱⁱⁱ⁾	30	531	-	-	531

Net gains or losses arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net (losses)/gains on:				
Fair value through profit or loss				
- Designated upon initial recognition	(1,580)	(5,531)	-	-
Loans and receivables	14,256	15,682	14,017	11,309
Financial liabilities measured at amortised cost	(15,305)	(14,356)	-	-
	(2,629)	(4,205)	14,017	11,309

- (i) Receivables amounting to RM22,774,000 (2016: RM18,870,000) are not regarded as financial assets. These include prepayments, deposits paid and other tax recoverable.
- (ii) Payables amounting to RM18,621,000 (2016: RM18,794,000) are not regarded as financial liabilities. These include provisions, advances from customers, provision for unconsumed annual leave and other tax payable.
- (iii) Payables amounting to RM Nil (2016: RM7,454,000) are not regarded as financial liabilities. These include provision for legal claims.

37. Segmental information

The Group's operating businesses are recognised according to products and services, namely F&B Malaysia, F&B Thailand, Property and others.

Segment performance is evaluated based on operating profit. The Group operates significantly 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.

Operating segments

The following table provides an analysis at the Group's revenue, results, assets, liabilities and other information by operating businesses:

Financial year ended 30 September 2017	F&B Malaysia RM'000	F&B Thailand RM'000	Property RM'000	Others RM'000	Total RM'000
Revenue					
Total revenue	2,318,846	1,793,005	4,864	113,713	4,230,428
Inter-segment	(5)	(11,531)	(4,131)	(113,387)	(129,054)
External	2,318,841	1,781,474	733	326	4,101,374
Results					
Operating profit	120,706	228,000	581	(4,221)	345,066
Finance income (Note a)	-	-	-	-	14,776
Finance costs (Note a)	-	-	-	-	(15,305)
Share of results of a joint venture	-	-	-	-	(2,083)
Share of results of an associate	-	-	-	-	11,259
Income tax expense (Note a)	-	-	-	-	(30,366)
Profit for the year					323,347
Other information					
Segment assets	1,698,902	748,673	117,756	17,138	2,582,469
Investment in a joint venture	-	-	-	89,822	89,822
Investment in an associate	-	-	-	83,768	83,768
Cash and short-term deposits (Note a)	-	-	-	-	424,433
Current tax assets (Note a)	-	-	-	-	25,280
Deferred tax assets (Note a)	-	-	-	-	25,726
Total assets					3,231,498

37. Segmental information (continued)

Operating segments (continued)

Financial year ended 30 September 2017	F&B Malaysia RM'000	F&B Thailand RM'000	Property RM'000	Others RM'000	Total RM'000
Other information (continued)					
Segment liabilities	386,470	282,117	1,143	5,977	675,707
Current tax liabilities (Note a)	-	-	-	-	14,020
Loans and borrowings (Note a)	-	-	-	-	379,097
Deferred tax liabilities (Note a)	-	-	-	-	29,944
Total liabilities					1,098,768
Others:					
Purchase of property, plant and equipment	(134,915)	(18,875)	(23)	(1,543)	(155,356)
Depreciation and amortisation of intangible assets	(66,759)	(23,013)	(317)	(1,636)	(91,725)

Financial year ended 30 September 2016	F&B Malaysia RM'000	F&B 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)
Profit for the year					385,370

37. Segmental information (continued)

Operating segments (continued)

Financial year ended 30 September 2016	F&B Malaysia RM'000	F&B Thailand RM'000	Property RM'000	Others RM'000	Total RM'000
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
Current tax assets (Note a)	-	-	-	-	14,248
Deferred tax assets (Note a)	-	-	-	-	32,034
Total assets					3,205,873
Segment liabilities	464,084	264,834	2,030	41,973	772,921
Current tax liabilities (Note a)	-	-	-	-	6,555
Loans and borrowings (Note a)	-	-	-	-	404,597
Deferred tax liabilities (Note a)	-	-	-	-	32,638
Total liabilities					1,216,711
Others:					
Purchase of property, plant and equipment	(101,049)	(44,971)	-	(3,655)	(149,675)
Depreciation and amortisation of intangible assets	(65,408)	(24,530)	(901)	(6,036)	(96,875)

Note a:

Group financing (including finance costs), deferred tax assets, current tax assets, cash and short-term deposits, current tax liabilities, deferred tax liabilities and loans and borrowings are managed on a group basis and are not allocated to operating segments.

37. Segmental information (continued)

Geographical segments

The following table presents the financial information by geographical segments:

	Revenue		Non-current assets	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	1,964,775	2,228,136	1,021,438	956,722
Thailand	1,512,893	1,467,729	324,623	310,374
Singapore	272,284	243,774	-	-
Vietnam	6,113	1,269	-	-
China	6,779	3,667	-	-
Others	338,530	222,992	75,370	75,370
	4,101,374	4,167,567	1,421,431	1,342,466

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	Group	
	2017 RM'000	2016 RM'000
Property, plant and equipment	1,193,851	1,112,752
Investment properties	49,315	49,286
Properties held for development	56,047	55,317
Intangible assets	122,218	125,111
	1,421,431	1,342,466

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 2017 and 2016.

38. Subsidiaries and activities

Name of company	Country of incorporation and place of business	Principal activities	Effective ownership and voting interest (%)	
			2017	2016
Subsidiaries of Fraser & Neave Holdings Bhd:				
F&N Beverages Marketing Sdn Bhd	Malaysia	Distribution of soft drinks and dairy products	100	100
F&N Beverages Manufacturing Sdn Bhd	Malaysia	Manufacturing and distribution of soft drinks	100	100
F&N Dairies Manufacturing Sdn Bhd	Malaysia	Manufacturing and distribution of dairy products	100	100
F&N Dairies (Thailand) Limited ⁽ⁱ⁾	Thailand	Manufacturing and distribution of dairy products	100	100
F&N Dairies Distribution (Singapore) Pte Ltd ⁽ⁱ⁾	Republic of Singapore	Distribution of dairy products	100	100
F&N Marketing (B) Sdn Bhd ⁽ⁱ⁾	Brunei Darussalam	Distribution of soft drinks and dairy products	100	100
Lion Share Management Limited	British Virgin Islands	Brand owner	100	100
Fraser & Neave (Malaya) Sdn Bhd	Malaysia	Trading of goods, provision of 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
Lettricia Corporation Sdn Bhd	Malaysia	Property development activities	70	70
Utas Mutiara Sdn Bhd	Malaysia	Property investment holding	100	100
Nuvak Company Sdn Bhd	Malaysia	Property development activities	100	100
F&N Dairies (Malaysia) Sdn Bhd	Malaysia	Inactive	100	100
Premier Milk (Malaya) Sdn Berhad	Malaysia	Inactive	100	100

38. Subsidiaries and activities (continued)

Name of company	Country of incorporation and place of business	Principal activities	Effective ownership and voting interest (%)	
			2017	2016
Subsidiaries of Fraser & Neave Holdings Bhd: (continued)				
Elsinburg Holdings Sdn Bhd	Malaysia	Inactive	100	100
Tropical League Sdn Bhd	Malaysia	Inactive	100	100
Wimanis Sdn Bhd	Malaysia	Inactive	100	100
F&N Foods Sdn Bhd ⁽ⁱⁱ⁾	Malaysia	Inactive	100	100
Kuala Lumpur Glass Manufacturers Company Sendirian Berhad ⁽ⁱⁱ⁾	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

(i) Audited by member firms of KPMG.

(ii) In the process of member's voluntary winding up.

During the financial year, a wholly owned subsidiary of the Company, F&N Beverages (Thailand) Limited was dissolved in accordance with Section 1270(2) of the Thai Civil and Commercial Code on 4 September 2017.

The Group concluded that Lettricia Corporation Sdn Bhd, the only subsidiary with non-controlling interest, is not material to the Group.

39. 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"), BJC and ACI International Pty Ltd ("ACI") in respect of a suit instituted by BJC O-I against the Company.

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.

No claims were filed against the Company in respect of the SMG Claims and Tax Claims. These claims were time-barred. The Company reversed the provision for legal claims during the financial year as disclosed in Note 30(d).

40. Supplementary information - breakdown of retained earnings into realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 30 September 2017 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total retained earnings of the Company and its subsidiaries				
- Realised	1,212,843	1,066,563	571,736	492,060
- Unrealised	(4,590)	96	1,694	(32,672)
	1,208,253	1,066,659	573,430	459,388
Total share of retained earnings of a joint venture				
- Realised	(10,627)	(7,852)	-	-
- Unrealised	1,786	1,094	-	-
	(8,841)	(6,758)	-	-
Total share of retained earnings of an associate				
- Realised	17,339	12,590	-	-
- Unrealised	(2,298)	(2,587)	-	-
	15,041	10,003	-	-
Consolidation adjustments	4,438	35,775	-	-
Retained earnings (Note 26)	1,218,891	1,105,679	573,430	459,388

INDEPENDENT AUDITORS' REPORT

to the members of Fraser & Neave Holdings Bhd (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fraser & Neave Holdings Bhd, which comprise the statements of financial position as at 30 September 2017 of the Group and of the Company, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 89 to 177.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 September 2017, and of their financial performance and their 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of intangible assets - goodwill and brand

Refer to Note 2.10 - Significant accounting policy on Intangible assets - goodwill and brand and Note 18 - Intangible assets - Goodwill and brand of the financial statements.

The key audit matter

As at 30 September 2017, the Group had goodwill of approximately RM41 million mainly relating to soft drinks business and dairy brand of approximately RM75 million owned by the Group.

The Group is required to assess impairment of goodwill and brand at the end of each reporting period. The recoverability of the carrying amounts of goodwill and brand are dependent upon the recoverable values (determined using the discounted cash flow model) of the cash generating units which the goodwill and brand are allocated to.

This was one of the areas that our audit focused on because there were inherent uncertainties and significant judgement involved in forecasting and discounting future cash flows to arrive at the recoverable values which may be affected by future market or economic conditions. The inherent uncertainties amongst others include appropriateness of significant assumptions used and discount rates.

Key Audit Matters (continued)

How the matter was addressed in our audit

In this area, our audit procedures included, amongst others:

- obtained the Group's impairment assessment model and assessed the value in use method used in determining the recoverable amount of the goodwill and brand;
- assessed the discount rates used by the Group by benchmarking it against other companies in the industry and external source data;
- assessed those significant and highly sensitive assumptions, such as the future prices for products and raw materials, gross profit margin, and growth rates by comparing them with internal and external sources; and
- considered the adequacy of the Group's disclosures on the impairment assessment for the cash generating units and the sensitivity of the outcome of the impairment assessment to changes in key assumptions used in the cash flows projections.

Direct marketing expenses, discounts and rebates

Refer to Note 3.2(b) – Significant accounting estimates and judgements on accruals for direct marketing expenses, discounts and rebates, Note 7(a) – Profit before tax and Note 30 – Trade and other payables of the financial statements.

The key audit matter

During the financial year, the Group incurred direct marketing expenses and discounts and rebates of approximately RM293 million and RM546 million respectively of which approximately RM62 million and RM22 million respectively were included as accrual as at financial year end. The direct marketing expenses, discounts and rebates are relating to food and beverages business, to support, promote and develop the Group's brands.

This was one of the areas that our audit focused on because of the high volume of transactions incurred during the financial year and estimation involved in determining the appropriate amount of accruals as at financial year end especially in relation to those promotion and brand support campaigns that were still ongoing subsequent to financial year end and settlements have not been fully made by the financial year end.

How the matter was addressed in our audit

In this area, our audit procedures included, amongst others:

- tested the operating effectiveness of controls over the payment and accrual process;
- performed substantive procedures and checked samples of expenses to supplier's claim;
- checked accruals to samples of supporting contracts and documents with the suppliers and customers to assess adequacy of the accruals; and
- checked samples of suppliers' claims received subsequent to financial year end to the accruals as at financial year end to assess whether there were accruals appropriately accounted for in the current period.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information other than the Financial Statements and Auditors' Report thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

Information other than the Financial Statements and Auditors' Report thereon (continued)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 38 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 40 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with 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 ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter(s)

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya
7 November 2017

Ong Beng Seng
Approval Number: 2981/05/18 (J)
Chartered Accountant



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Statement
Accompanying Notice of
Annual General Meeting

*

Proxy Form

LIST OF PROPERTIES

Location	Land area (sq. ft)	Description/ Existing use of building	Tenure	Approximate age of building (years)	Net book value as at 30 September 2017 RM'000	Date of last revaluation/ acquisition
JOHOR						
Lot 6, Jalan Tampoi, 81200 Johor Bahru.	59,895	Detached house/Vacant	Freehold	50	1,191	February 1990
Batu 4 3/4, Jalan Tampoi, 81200 Johor Bahru.	241,022	Industrial/ Warehouse and office	Freehold	50	10,535	February 1990
Lot 47261, Jalan Balau 1, Jalan Dato Sulaiman, Jalan Tebrau, Mukim Bandar, Johor Bahru.	137,337	For the development of commercial property	Freehold	-	19,599	2005
PERAK						
No. 217, Jalan Lahat, 30200 Ipoh, Perak.	287,738	Industrial/ Warehouse and office	Freehold	48	6,017	October 1995
No. 79 & 81, Jalan Tun Perak, Ipoh, Perak.	51,828	Industrial/ Leased premises	Freehold/ Leasehold expiring 2066	111	363	October 1995
PULAU PINANG						
No. 3724, Jalan Sungai Nyior, 12100 Butterworth, Pulau Pinang.	138,848	Industrial/ Warehouse and office	Freehold	63	4,172	October 1995
No. 3725 & 3726 (Lot 3633), Jalan Sungai Nyior, 12100 Butterworth, Pulau Pinang.	106,450	Detached house/ Warehouse and office	Freehold	62	2,277	October 1995
KELANTAN						
Lot 9 & 10, Pengkalan Chepa, Industrial Estate, 16100 Kota Bharu, Kelantan.	203,861	Industrial/ Warehouse and office	Leasehold expiring 2043	37	799	October 1995

Location	Land area (sq. ft)	Description/ Existing use of building	Tenure	Approximate age of building (years)	Net book value as at 30 September 2017 RM'000	Date of last revaluation/ acquisition
PAHANG						
Mar Lodge, Tanah Rata, Cameron Highland, Pahang.	90,931	Detached house/Holiday bungalow	Leasehold expiring 2037	50	772	October 1995
Lot 7399 & 8081, Jalan Mempaga, Mukim Sabai, 28600 Karak, Pahang.	217,065	Industrial/Factory	Freehold	10	14,618	2007
KUALA LUMPUR						
No. 3, Jalan Metro Pudu 1, Fraser Business Park, Off Jalan Yew, 55100 Kuala Lumpur.	7,208	Office	Freehold	10	12,319	2007
Kompleks Metro Pudu, No. 1, Jalan Metro Pudu 2, Fraser Business Park, Off Jalan Yew, 55100 Kuala Lumpur.	87,847	Office	Freehold	8	60,648	2017
Lot 682 Seksyen 92, Fraser Business Park, Off Jalan Yew, 55100 Kuala Lumpur.	40,763	Leased premise	Freehold	-	6,138	2017
MELAKA						
No. 10, Jalan Bukit Gedong, 75050 Melaka.	104,000	Industrial/Warehouse and office	Freehold/Leasehold expiring 2023	92	937	October 1995
SELANGOR						
No. 1 Jalan Bukit Belimbing 26/38, Persiaran Kuala Selangor, Section 26, 40400 Shah Alam, Selangor.	1,373,447	Industrial/Factory and office	Freehold	20	96,133	October 1995
Lot 3-2 (PT 16869), Lion Industrial Park, Shah Alam, Selangor.	558,875	Industrial/Vacant	Freehold	-	11,679	October 1995
Lot 56, Jalan Sungai Pinang 4/5 Selangor Halal Hub, Taman Perindustrian Pulau Indah Fasa 2, 42920 Pulau Indah, Selangor.	1,629,042	Industrial/Factory	Leasehold expiring 2097	9	180,347	2008

Location	Land area (sq. ft)	Description/ Existing use of building	Tenure	Approximate age of building (years)	Net book value as at 30 September 2017 RM'000	Date of last revaluation/ acquisition
SELANGOR (continued)						
Lot 609, Mukim Hulu Semenyih, District of Hulu Langat, Selangor.	2,025,573	For the development of residential property	Freehold	-	17,824	2006
Lot 1954, Mukim Hulu Semenyih, District of Hulu Langat, Selangor.	614,678	For the development of residential property	Freehold	-	6,762	2006
SARAWAK						
No. 94, Batu 11, Jalan Matang, 93050 Kuching, Sarawak.	118,776	Industrial/ Factory	Freehold	11	8,211	2006
Lot 1581, Block 4, Matang Land District, Sarawak.	261,338	Commercial	Leasehold expiring 2071	11	6,651	2006
3½ Mile, Jalan Penrissen, 93250 Kuching, Sarawak.	308,709	Industrial/ Factory	Leasehold expiring 2074	-	22,605	October 1995
Lot 142, Section 63, Kuching, Sarawak.	1,540	Shop office/ Vacant	Leasehold expiring 2784	11	377	2006
SABAH						
5½ Mile, Jalan Tuaran, Inanam, 88450 Kota Kinabalu, Sabah.	142,140	Industrial/ Office	Leasehold expiring 2062	7	1,356	October 1995
5½ Mile, Jalan Tuaran, Inanam, 88450 Kota Kinabalu, Sabah.	142,578	Industrial/ Factory	Leasehold expiring 2062	46	5,588	October 1995
Lot 808, Kota Kinabalu Industrial Park, Sabah.	929,135	Industrial park land	Leasehold expiring 2096	-	25,961	2017
THAILAND						
90 Moo 8 Mittraparp Road, Phayayen District, Amphur Pakchong, Nakornratchasima Province 30320 Thailand.	125,857	Industrial/ Factory	Freehold	10	3,529	2007
668 Moo 4 Rojana Industrial Park Zone 2, U-thai, Phra Nakhon Si Ayutthaya 13210 Thailand.	990,280	Industrial/ Factory	Freehold	8	160,151	2010

SHAREHOLDINGS STATISTICS

as at 30 November 2017

Issued shares	: 366,778,501
Voting issued shares	: 366,541,401
Treasury shares	: 237,100
Class of share	: Ordinary shares
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	499	10.307	6,517	0.001
100 to 1,000 shares	2,152	44.453	1,364,519	0.372
1,001 to 10,000 shares	1,710	35.323	6,299,847	1.718
10,001 to 100,000 shares	380	7.849	12,087,383	3.297
100,001 to less than 5% of issued shares	97	2.003	75,581,495	20.620
5% and above of issued shares	3	0.061	271,201,640	73.989
	4,841	100.00	366,541,401	100.000

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.	Tan Sri Charoen Sirivadhanabhakdi	-	-	203,470,910	55.511*
10.	Puan Sri Wanna Sirivadhanabhakdi	-	-	203,470,910	55.511*
11.	TCC Assets Limited	-	-	203,470,910	55.511*
12.	Amanahraya Trustees Berhad - Skim Amanah Saham Bumiputera	27,384,000	7.471	-	-
13.	Employees Provident Fund Board	45,595,530	12.439	-	-
		276,450,440	75.421		

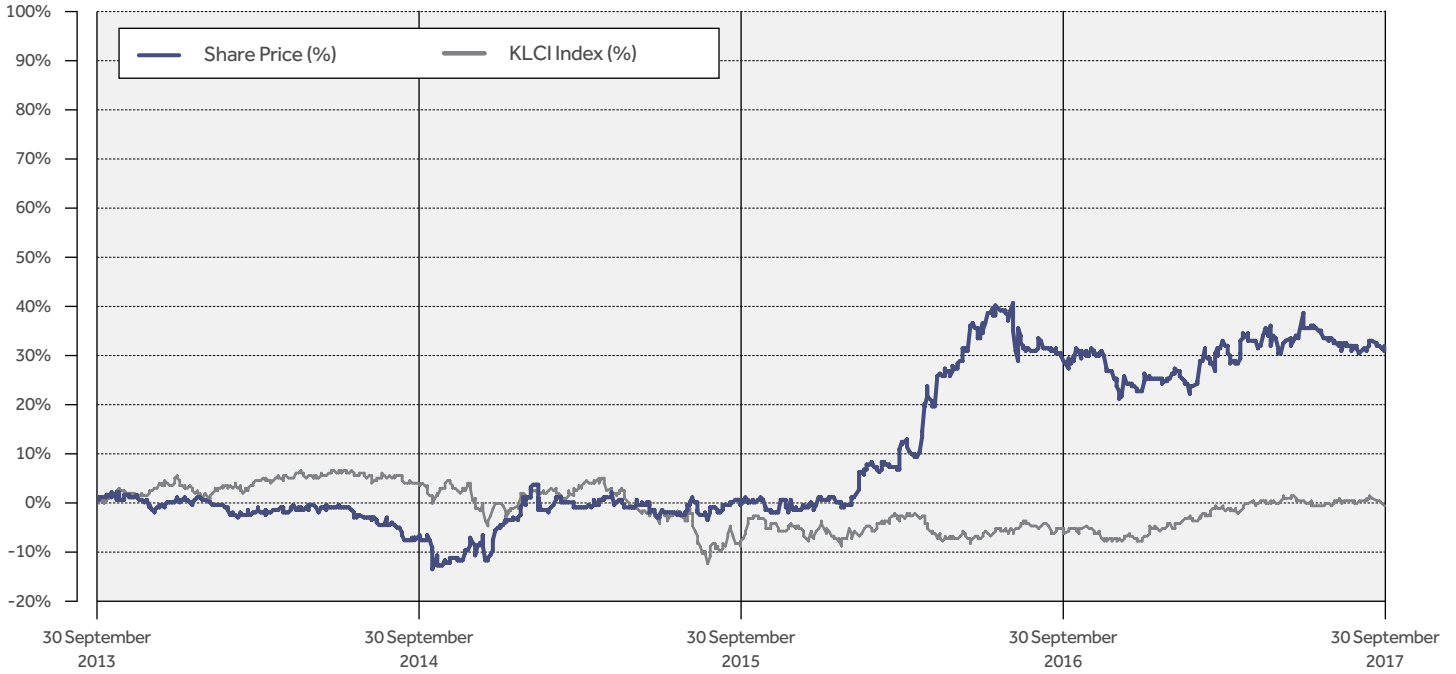
* Indirect interest in the Company is held through Fraser and Neave, Limited pursuant to Section 8 of the Companies Act, 2016.

30 Largest Shareholders

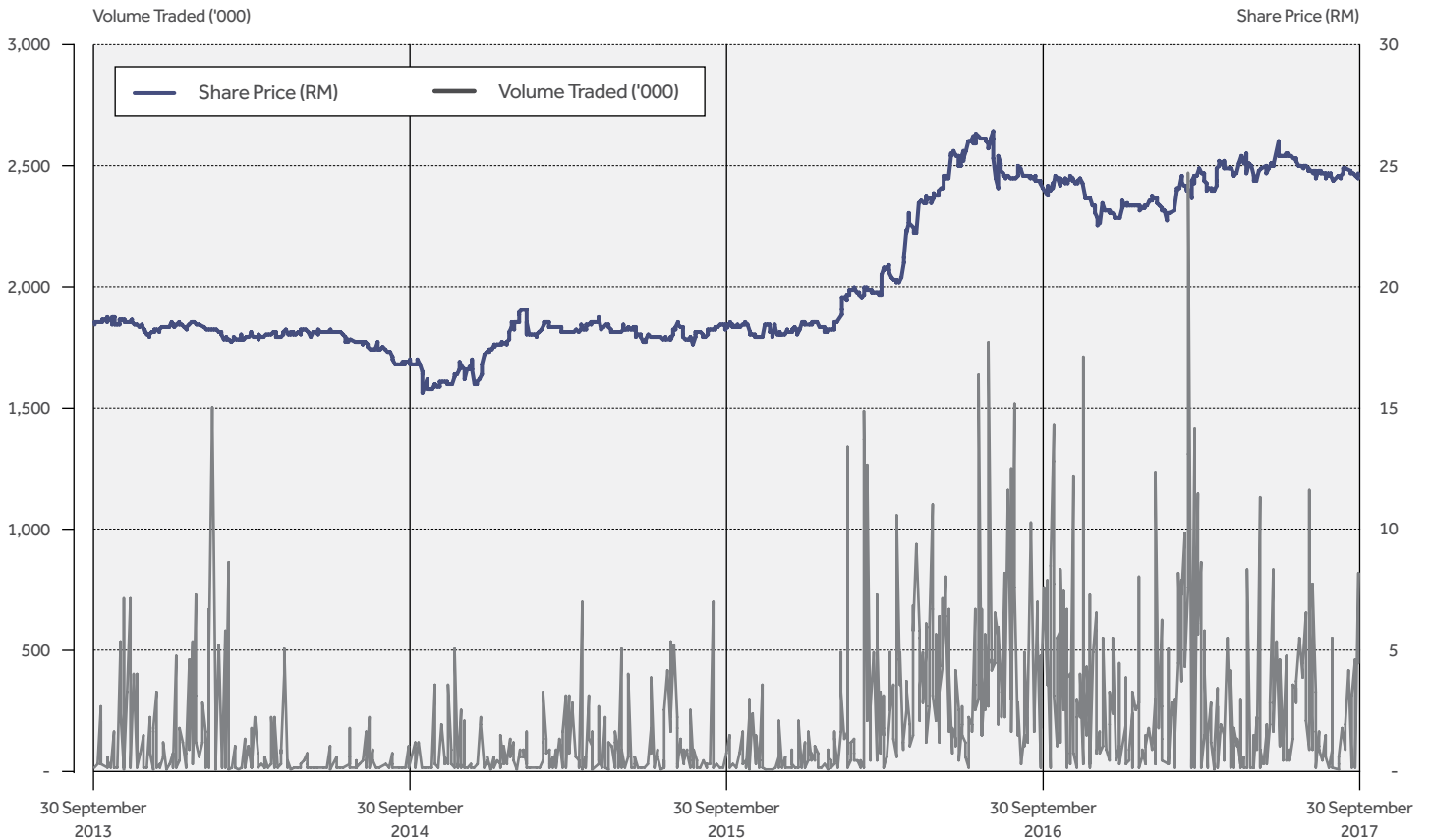
No.	Name of Shareholders	Shareholdings	% of Voting Shares
1.	Fraser and Neave, Limited	203,470,910	55.511
2.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	39,846,730	10.871
3.	Amanahraya Trustees Berhad – Amanah Saham Bumiputera	27,884,000	7.607
4.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	9,770,000	2.665
5.	Maybank Nominees (Tempatan) Sdn Bhd – Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	7,101,600	1.937
6.	Amanahraya Trustees Berhad – Amanah Saham Malaysia	5,750,000	1.568
7.	Kumpulan Wang Persaraan (Diperbadankan)	3,275,200	0.893
8.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (Affin-HWG)	2,972,200	0.810
9.	Amanahraya Trustees Berhad – Amanah Saham Bumiputera 2	2,500,000	0.682
10.	Permodalan Nasional Berhad	2,250,000	0.613
11.	Amanahraya Trustees Berhad – Amanah Saham Wawasan 2020	2,000,000	0.545
12.	Amanahraya Trustees Berhad – Public Ittikal Sequel Fund	1,878,100	0.512
13.	Amanahraya Trustees Berhad – Amanah Saham Didik	1,750,000	0.477
14.	Cimsec Nominees (Tempatan) Sdn Bhd – CIMB Bank for Syed Badarudin Jamalullail (PBCL-0G0077)	1,700,000	0.463
15.	Citigroup Nominees (Asing) Sdn Bhd – Exempt AN for Citibank New York (Norges Bank 9)	1,396,948	0.381
16.	Amanahraya Trustees Berhad – Public Islamic Select Enterprises Fund	1,354,800	0.369
17.	HSBC Nominees (Asing) Sdn Bhd – JPMCB NA for Vanguard Total International Stock Index Fund	1,347,199	0.367
18.	Amanahraya Trustees Berhad – Public Islamic Optimal Growth Fund	1,162,100	0.317
19.	Amanahraya Trustees Berhad – Public Islamic Dividend Fund	1,082,100	0.295
20.	HSBC Nominees (Tempatan) Sdn Bhd – HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	1,024,400	0.279
21.	Amanahraya Trustees Berhad – Public Islamic Equity Fund	1,000,100	0.272
22.	Amanahraya Trustees Berhad – AS 1Malaysia	1,000,000	0.272
23.	Pertubuhan Keselamatan Sosial	994,800	0.271
24.	Affin Hwang Investment Bank Berhad – Exempt AN CLR for Amanahraya Trustees Berhad (101)	786,200	0.214
25.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (Am Inv)	782,500	0.213
26.	Maybank Nominees (Tempatan) Sdn Bhd – National Trust Fund (IFM Maybank)	710,100	0.193
27.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (Aberdeen)	710,000	0.193
28.	Valuecap Sdn Bhd	708,300	0.193
29.	HSBC Nominees (Asing) Sdn Bhd – BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	704,800	0.192
30.	CIMB Group Nominees (Tempatan) Sdn Bhd – CIMB Commerce Trustee Berhad (Kenanga Growth Fund)	677,300	0.184
	Total	327,590,387	89.373

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 56th Annual General Meeting of Fraser & Neave Holdings Bhd ("Company") will be held at the Ballroom 1, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Wednesday, 24 January 2018 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 2017 together with the Reports of the Directors and Auditors thereon. **Refer to Explanatory Note (i)**

2. To approve the payment of a final single tier dividend of 30.5 sen per share for the financial year ended 30 September 2017. **Resolution 1**

3. To re-elect Mr. Hui Choon Kit who retires in accordance with Article 97 of the Company's Articles of Association, as a Director. **Resolution 2**

Note: Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani who retires in accordance with Article 97 of the Company's Articles of Association, has expressed his intention not to seek re-election.

4. To re-appoint the following Directors of the Company:
 - "**THAT** Y.A.M. Tengku Syed Badarudin Jamalullail who is retiring at the conclusion of the 56th Annual General Meeting of the Company, be and is hereby re-appointed as a Director of the Company." **Resolution 3**

 - "**THAT** Y.Bhg. Dato' Jorgen Bornhoft who is retiring at the conclusion of the 56th Annual General Meeting of the Company, be and is hereby re-appointed as a Director of the Company." **Resolution 4**

 - "**THAT** Mr. Lee Kong Yip who is retiring at the conclusion of the 56th Annual General Meeting of the Company, be and is hereby re-appointed as a Director of the Company." **Resolution 5**

Note: Y.Bhg. Dato' Anwarrudin bin Ahamad Osman who retires at the conclusion of the 56th Annual General Meeting of the Company, has expressed his intention not to seek re-appointment.

5. To appoint the following Directors:
 - "**THAT** Y.Bhg. Datuk Mohd Anwar bin Yahya, who has consented to act as a Director and made a declaration that he is not disqualified from being appointed or holding office as a Director pursuant to Section 201 of the Companies Act, 2016, be and is hereby appointed as a Director of the Company and designated as Independent Non-Executive Director with immediate effect." **Resolution 6**

 - "**THAT** Puan Faridah binti Abdul Kadir, who has consented to act as a Director and made a declaration that she is not disqualified from being appointed or holding office as a Director pursuant to Section 201 of the Companies Act, 2016, be and is hereby appointed as a Director of the Company and designated as Independent Non-Executive Director with immediate effect." **Resolution 7**

"THAT Puan Aida binti Md Daud, who has consented to act as a Director and made a declaration that she is not disqualified from being appointed or holding office as a Director pursuant to Section 201 of the Companies Act, 2016, be and is hereby appointed as a Director of the Company and designated as Non-Independent Non-Executive Director with immediate effect."

Resolution 8

Note: Y.Bhg. Dato' Dr. Mohd Shahar bin Sidek will resign as a Director on 24 January 2018 in line with the practice of Permodalan Nasional Berhad ("PNB"), a substantial shareholder of the Company, of limiting the appointment of nominee directors on the boards of its investee companies to a maximum tenure of nine years. A representative of PNB, Puan Aida binti Md Daud will be appointed in place of Y.Bhg. Dato' Dr. Mohd Shahar bin Sidek.

6. To approve the payment of Directors' fees and remuneration of up to an amount of RM1,700,000 for a period of 16 months from 1 October 2017 to the next Annual General Meeting of the Company to be held in January 2019, payable monthly in arrears after each month of completed service of the Directors.
7. To re-appoint Messrs KPMG PLT, the retiring auditors, as the auditors of the Company for the financial year ending 30 September 2018 and to authorise the Directors to fix their remuneration.

Resolution 9

Resolution 10

Special Business

8. ORDINARY RESOLUTION - PROPOSED RENEWAL OF SHARE BUY-BACK

"THAT subject always to the Companies Act, 2016 ("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 ("F&N Shares") in the Company's issued shares 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 shares 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 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

9. 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 26 December 2017 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 ("AGM") of the Company, 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 340(2) of the Companies Act, 2016 (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); 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

10. To transact any other business which due notice shall have been given.

NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the 56th 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 2017 will be paid to shareholders on 9 February 2018. The entitlement date for the proposed dividend shall be on 29 January 2018.

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 29 January 2018 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
MAYEEN WONG MAY FUN
Company Secretary

Kuala Lumpur, Malaysia
26 December 2017

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 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 Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the meeting.

EXPLANATORY NOTES:**A. FOR ORDINARY BUSINESS****i) Audited Financial Statements**

Item 1 of the agenda is intended for discussion only as under Section 340(1) of the Companies Act, 2016, the Audited Financial Statements do not require formal approval of shareholders. As such, this item will not be put forward for voting.

ii) Re-Appointment of Directors (Resolutions 3, 4 and 5)

At the last annual general meeting ("AGM") on 19 January 2017, the shareholders of the Company had approved the re-appointment of Y.A.M. Tengku Syed Badarudin Jamalullail, Y.Bhg. Dato' Anwarrudin bin Ahamad Osman, Y.Bhg. Dato' Jorgen Bornhoft and Mr. Lee Kong Yip, who are above the age of 70 years, as Directors of the Company to hold office until the conclusion of the AGM on 24 January 2018 ("this AGM") pursuant to Section 129(6) of the Companies Act, 1965.

In line with the Companies Act, 2016 which came into force on 31 January 2017, shareholders' approval at AGM for continuation in office by a director over 70 years of age is no longer applicable. Accordingly, Resolutions 3, 4 and 5 if passed, will approve the continuation of the Directors in office for Y.A.M. Tengku Syed, Y.Bhg. Dato' Jorgen Bornhoft and Mr. Lee Kong Yip from the date of this AGM onwards without limitation in age tenure other than the requirement for retirement by rotation in accordance with the Company's Articles of Association.

Shareholders had also at the last AGM approved the retention of Y.A.M. Tengku Syed as the Independent Non-Executive Chairman of the Company until the conclusion of this AGM. Upon the shareholders' approval for the re-appointment of Y.A.M. Tengku Syed as a Director at this AGM under Resolution 3, Y.A.M. Tengku Syed will be re-designated as a Non-Independent Non-Executive Director, to hold office as the Non-Independent Non-Executive Chairman of the Company.

iii) Appointment of Directors (Resolutions 6, 7 and 8)

To fill the casual vacancies arising from the decisions of Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani and Y.Bhg. Dato' Anwarrudin bin Ahamad Osman not to seek re-election and re-appointment as Directors and the resignation of Y.Bhg. Dato' Dr. Mohd Shahar bin Sidek as a Director upon the conclusion of this AGM, the Board has through the Nominating Committee reviewed and evaluated the proposed appointment of Y.Bhg. Datuk Mohd Anwar bin Yahya and Puan Faridah binti Abdul Kadir as Independent Non-Executive Directors and Puan Aida binti Md Daud as a Non-Independent Non-Executive Director of the Company. Premised on the evaluation, the Board recommends that shareholders approve the proposed appointment of aforesaid Directors. The profiles of the candidates are set out in the Statement Accompanying Notice of Annual General Meeting.

The notice of nomination for the appointment of Y.Bhg. Datuk Mohd Anwar bin Yahya and Puan Faridah binti Abdul Kadir served by the Board of the Company is attached hereto as Appendix I whereas the notice of nomination from a substantial shareholder of the Company, Permodalan Nasional Berhad for the appointment of Puan Aida binti Md Daud is attached hereto as Appendix II.

iv) Directors' Fees and Remuneration (Resolution 9)

Section 230(1) of the Companies Act, 2016 provides that fees of directors and any benefits payable to the directors including any compensation for loss of employment of a director or former director of a public company or of a listed company and its subsidiaries shall be approved at a general meeting.

The Company is therefore seeking shareholders' approval for payment of Directors' fees and remuneration for a period of 16 months from 1 October 2017 to the next AGM of the Company to be held in January 2019.

The basis of the Directors' fees and meeting allowances proposed for the 16 month-period is the same as the previous financial year ended 30 September 2017.

In determining the estimated Directors' fees and remuneration of up to RM1.7 million, the Board has considered various factors including the impending changes to the Board and Board Committees, the number of scheduled and ad-hoc meetings of the Board and Board Committees and the annual general meeting along with the benefits of a company car and driver for the Chairman of the Board.

Resolution 9, if passed, will facilitate the payment of Directors' fees and remuneration on a monthly basis and/or as and when required. The Board is of the view that Directors should be paid such fees and meeting allowances upon them discharging their responsibilities and rendering their services to the Company.

B. FOR SPECIAL BUSINESS

i) Proposed Renewal of Share Buy-Back (Resolution 11)

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 26 December 2017 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)

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 26 December 2017 for more details.

Retirement of Director

Mr. Anthony Cheong Fook Seng has indicated his intention to retire from the Board of the Company following his retirement from the employment as the Group Company Secretary of Fraser and Neave, Limited, the holding company of the Company. His retirement from the Board will take effect upon the conclusion of the forthcoming annual general meeting of the Company on 24 January 2018.

Members Entitled to Attend 56th Annual General Meeting

For the purpose of determining a member who shall be entitled to attend the 56th 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 11 January 2018. Only a depositor whose name appears on the Record of Depositors as at 11 January 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

INDIVIDUALS STANDING FOR APPOINTMENT AS DIRECTORS

1) Y.BHG. DATUK MOHD ANWAR BIN YAHYA

Malaysian, Age 63, Male
Independent Non-Executive Director

Y.Bhg. Datuk Mohd Anwar bin Yahya holds a Bachelor of Science (Honours) degree in Economics and Accountancy from the University of Hull, United Kingdom. He is a Chartered Accountant from the Institute of Chartered Accountant England & Wales, a member of the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants.

Datuk Anwar was a Partner of PricewaterhouseCoopers ("PwC") from 1993 to 2015 and held various positions with the firm. He started off in the Management Consulting practice and then moved on to head the Valuations, Corporate Finance and eventually Capital Projects and Infrastructure practice.

Prior to joining PwC, he was the CEO of Permodalan Kelantan Berhad, holding company of SEDC Kelantan Group for six years from 1985 to 1990. Before joining Permodalan Kelantan Berhad, he was a Finance Manager of Lembaga Kemajuan Kelantan Selatan, a regional development agency for three years.

He is currently a board member of Maybank Islamic Berhad and Usains Holding Sdn Bhd; and a partner in Maybridge Consulting PLT.

Datuk Anwar does not hold any shares in Fraser & Neave Holdings Bhd ("Company") and its subsidiaries. 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.

2) PUAN FARIDAH BINTI ABDUL KADIR

Malaysian, Age 57, Female
Independent Non-Executive Director

Puan Faridah binti Abdul Kadir holds an Economics (Accounting & Finance) degree from the London School of Economics, United Kingdom and a Master of Business Administration from Cranfield School Management, United Kingdom.

She began her executive career in 1983 at Permata Chartered Merchant Bank where she served until 1988. After which she joined The Industrialization Fund for Developing Countries, Denmark ("IFU") and was involved in all aspects of IFU's joint venture projects in the ASEAN region including Maldives. She was promoted to the post of Regional Representative of IFU in 1995. Subsequently in 1997, she was appointed as the Advisor of IFU for their Malaysian projects only, a position which she held until 2007. Throughout her career with IFU, Puan Faridah had served on the boards of IFU's various project companies in various industries in the region on a non-executive capacity. She was also on the Board of the Malaysian Danish Business Council, ISS Facility Services Sdn Bhd and Danfoss Industries Sdn Bhd.

She is currently an Independent Director of Fibertex Personal Care Sdn Bhd. She is involved in her family business and holds directorships in Kay and Ef Sdn Bhd, Kay and Ef Trading Sdn Bhd and Fatimah Hashim Holdings Sdn Bhd. As part of her effort to contribute to the society, Puan Faridah serves on the Board of Trustees of Yayasan Kadir & Fatimah, a charitable foundation and as a Council Member of the Society for the Severely Mentally Handicapped Selangor.

Other than holding 4,000 shares in Fraser & Neave Holdings Bhd ("Company"), she does not hold any shares in the Company's subsidiaries. She 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. She has not committed any offences which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

3) PUAN AIDA BINTI MD DAUD

Malaysian, Age 57, Female
Non-Independent Non-Executive Director

Puan Aida binti Md Daud graduated from the Institut Teknologi MARA with a Diploma in Public Administration in 1981. She also holds a Bachelor of Science in Business Administration (Finance and Law) from Portland State University, USA and then attained a Master in Business Administration from Strathclyde University, Scotland.

Puan Aida is presently the Senior Vice President of Human Capital Division of Permodalan Nasional Berhad. She has over 30 years of experience in research, company and industry analysis as well as human capital management and talent development including 22 years in management role.

She joined Permodalan Nasional Berhad in 1981 and held various positions. She began her career as an analyst involved in company analysis and corporate finance. In 1984, she was attached with a stockbroking firm in Melbourne, Australia where she also completed a certificate course from the Financial Securities Institute of Australasia or FINSIA (formerly known as Securities Institute, Australia).

In 1998, after more than 15 years in investment, she moved to human resource, focusing on training and development. In 2012, she also assumed the human resource management role before being appointed to the Head of Human Capital Division in 2014.

She joined FINSIA as an Affiliate Member in 1998 and became a Senior Associate Member in 2005. She has been a certified member of Financial Planning Association of Malaysia since 2003 and a member of its Board of Governors since 2007.

Puan Aida does not hold any shares in Fraser & Neave Holdings Bhd ("Company") and its subsidiaries. She 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 she is a representative of Permodalan Nasional Berhad, a major shareholder of the Company, to be appointed to the Board of the Company. She has not committed any offences which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



F&N Point
No. 3, Jalan Metro Pudu 1
Fraser Business Park, Off Jalan Yew
55100 Kuala Lumpur, Malaysia
Tel : 603-9235 2288 Fax : 603-9222 7878

FRASER & NEAVE HOLDINGS BHD

(Company No.: 4205-V)

7 November 2017

Ms. Mayeen Wong May Fun
Company Secretary
Fraser & Neave Holdings Bhd
Level 3A, F&N Point
No. 3, Jalan Metro Pudu 1
Fraser Business Park, Off Jalan Yew
55100 Kuala Lumpur

Dear Madam,

Nomination of Directors for appointment to the Board of Directors of Fraser & Neave Holdings Bhd ("FNHB")

On behalf of the Board, I hereby give notice of our intention to nominate Y.Bhg. Datuk Mohd Anwar bin Yahya and Puan Faridah binti Abdul Kadir for appointment to the Board of FNHB, to be designated as Independent Non-Executive Directors, and seek shareholders' approval for their appointment at the forthcoming Annual General Meeting ("AGM") of FNHB.

We propose that the appointment of Y.Bhg. Datuk Mohd Anwar bin Yahya and Puan Faridah binti Abdul Kadir as Directors of FNHB to take effect from 24 January 2018 upon shareholders' approval at the AGM.

Please arrange for this notice to be circulated to the shareholders of FNHB.

Thank you.

Yours faithfully,

**For and on behalf of the Board of
Fraser & Neave Holdings Bhd**

A handwritten signature in black ink, appearing to read 'Syarif Bendahara Perlis', written over a circular stamp or seal.

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



Permodalan Nasional Berhad
(38218-X)

October 16, 2017

YAM Tengku Syarif Bendahara Perlis Syed Badarudin Jamalullail
Ibni Almarhum Tuanku Syed Putra Jamalullail
Chairman
Fraser & Neave Holdings Berhad
Level 8, F&N Point
No. 3 Jalan Metro Pudu 1
Fraser Business Park
Off Jalan Yew
55100 Kuala Lumpur

YAM Tengku,

NOMINATION OF NOMINEE DIRECTOR OF PNB ON THE BOARD OF FRASER & NEAVE HOLDINGS BERHAD ("F&N BERHAD")

We refer to the above matter.

We wish to inform that the Board of Directors of PNB has agreed to nominate Puan Aida binti Md Daud as a Nominee Director of PNB on the Board of Directors of F&N Berhad.

We hope that the appointment will be considered favourably by the Board of F&N Berhad. A brief profile of Puan Aida is attached herewith, for the information and consideration of the Board of F&N Berhad.

Thank you and warm regards.

Yours sincerely,
PERMODALAN NASIONAL BERHAD

A handwritten signature in black ink, appearing to be 'A. Rahman Ahmad', written over a vertical line.

DATO' ABDUL RAHMAN AHMAD
President & Group Chief Executive

CC: Ms. Mayeen Wong, Company Secretary



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 56th Annual General Meeting of the Company ("AGM") to be held at the **Ballroom 1, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Wednesday, 24 January 2018 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 2017.	1		
To re-elect Mr. Hui Choon Kit who retires in accordance with Article 97 of the Company's Articles of Association, as a Director.	2		
To re-appoint Y.A.M. Tengku Syed Badarudin Jamalullail who retires at the conclusion of the 56 th AGM, as a Director.	3		
To re-appoint Y.Bhg. Dato' Jorgen Bornhoft who retires at the conclusion of the 56 th AGM, as a Director.	4		
To re-appoint Mr. Lee Kong Yip who retires at the conclusion of the 56 th AGM, as a Director.	5		
To appoint Y.Bhg. Datuk Mohd Anwar bin Yahya as a Director, to be designated as Independent Non-Executive Director.	6		
To appoint Puan Faridah binti Abdul Kadir as a Director, to be designated as Independent Non-Executive Director.	7		
To appoint Puan Aida binti Md Daud as a Director, to be designated as Non-Independent Non-Executive Director.	8		
To approve the payment of Directors' fees and remuneration of up to an amount of RM1,700,000 for a period of 16 months from 1 October 2017 to the next AGM of the Company to be held in January 2019, payable monthly in arrears after each month of completed service of the Directors.	9		
To re-appoint Messrs KPMG PLT, the retiring auditors, as the auditors of the Company for the financial year ending 30 September 2018 and to authorise the Directors to fix their 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		

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/Common Seal of Shareholder

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 Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 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**

The Company Secretary
FRASER & NEAVE HOLDINGS BHD (4205-V)
C/O TRICOR INVESTOR & ISSUING HOUSE 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

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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

Tel : (603) 9235 2288 Fax : (603) 9222 7878

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