



F&N's enduring legacy is embedded within the fabric of Malaysian lives. Through the years, we have met our consumers' needs by offering them quality products that fit every lifestyle and occasion.

We will continue to remain relevant by transforming F&N to become the No. 1 total beverage company in the region by 2020. We have laid the groundwork for a rewarding future by delighting our consumers with more choices, differentiated packaging as well as enhancing our products in an ever changing consumer environment.

To steer the company to greater heights, we will incorporate innovation in every aspect of our business. To make the organisation more efficient, we will continuously identify and strengthen levers to improve operational efficiency, streamline processes and instil sustainable practices every way we can.

We are confident that with our heritage, our people and our brands, we will continue to grow and prosper. We are excited for the future and we are ready for any challenges that may arise.



**The Future is Now
and We Are**

READY  F
to Forge Ahead

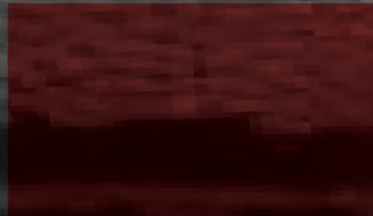


Our Story

Our journey began back in 1883 with the production of carbonated soft drinks. Today, the F&N brand is one of the oldest, most recognised and established food and beverage companies in the region.

Along the way, we have succeeded in changing times by evolving and adapting to market trends and connecting to your evolving lifestyle without straying from our original ideals and values. From healthier choices to differentiated packaging, we continue to delight our consumers with our diverse portfolio of well-loved products.

This year, we proudly celebrate our 135th anniversary, a journey that is filled with accomplishments, tradition, innovation and success. Backed by our heritage, our people and our brands, our journey continues as we remain on track to be Future Ready.





1883



OUR HERITAGE

OUR PEOPLE

OUR BRANDS



REJUVENATED OUR PRODUCTS

Differentiated packaging. Reformulated recipes. Healthier choices. There's something for everyone and for every occasion.





Offering
healthier
options



Differentiated
packaging formats



Growing into
adjacent categories





REFRESHED OUR IDEAS

From the synergy and harmonisation of our distribution to accelerating our exports business, we are ready for future challenges.



Route-to-market

transformed via a distributor harmonisation programme



New recipes and food applications to meet specific needs of export markets

Portfolio

optimisation





REVITALISED OUR ORGANISATION

We have improved efficiency, addressed capacity and capability building, shorten our route to the different markets we serve and leveraged on technology. We are now stronger and faster.



RM500 million

invested to increase production capacity and broaden capability



Enhanced employee-driven innovations



In-sourcing to improve cost-efficiency

Cold-aseptic filling PET line facilitates new offerings and packaging formats





FORGINGAHEAD
for the future...



ANNUAL
REPORT

20
18

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

WE CREATE VALUE THROUGH 6 CAPITALS:

- Financial Capital
- Human Capital
- Social and Relationship Capital
- Intellectual Capital
- Manufactured Capital
- Natural Capital

ASSURANCE

- Internal controls and management assurance
- Compliance and internal audit reviews
- External audit by KPMG PLT on financial information
- Board approval assisted by the Board Committees

REGULATIONS COMPLIED

- Main Market Listing Requirements of Bursa Malaysia Securities Berhad
- Companies Act 2016
- Malaysian Code on Corporate Governance
- International Integrated Reporting Framework
- Malaysian Financial Reporting Standards (MFRS)

OUR STAKEHOLDERS:

- Shareholders & Investors
- Employees
- Distributors & Trade Customers
- Consumers
- Communities
- Regulators
- Suppliers

DIRECTORS' APPROVAL

The Board acknowledges and approves its responsibility to ensure the integrity of the Annual Report. In the Board's opinion, the report addresses all material issues and matters and fairly presents the Group's performance for the financial year 2018.

WELCOME TO FRASER & NEAVE HOLDINGS BHD'S ANNUAL REPORT FOR THE FINANCIAL YEAR 2018



ANNUAL REPORT

Provides a comprehensive assessment of the Group's performance and financial statements for 2018.



SUSTAINABILITY REPORT

Delivers a balanced report on our efforts to create value for stakeholders and conducting business in a responsible manner. The report complies with the Global Reporting Initiative (GRI) Standards and Bursa Malaysia Securities Berhad Main Market Listing Requirements in relation to Sustainability Statements in Annual Reports.

ABOUT OUR REPORT

For this financial year 2018, Fraser & Neave Holdings Bhd has incorporated some elements of integrated reporting approach. We trust that transparency and well-balanced reporting is the way to understanding the Group's process and businesses. Through the changes we have instituted into our reports this year, and aligning with the principles of integrated reporting, we hope to provide a clear account of what we believe value creation means for our stakeholders.



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



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



Get access to the soft copy of our reports, video and contact information



Soft copy version of F&NHB Annual Report 2018

The full version of F&NHB Annual Report 2018 is available from our website.



Contact Us

Overview of Fraser & Neave Holdings Bhd



VISION

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



MISSION

To provide superior returns to our shareholders, excellent value for our customers and a rewarding career for our employees

WHO WE ARE

Fraser & Neave Holdings Bhd (F&NHB) is amongst the region's oldest and most established food and beverage companies with its brands enjoying the distinction of being a market leader and household name in many categories. Listed on Main Market of Bursa Malaysia Securities Berhad, the Group has an annual turnover in excess of RM4 billion from its core business in the manufacture, sale and marketing of beverages and dairy products.

Our products have satisfied the tastes and appetites of generations and we will continue to deepen the connection with our consumers and offer excitement and enjoyment in tandem with our promise of 'Pure Enjoyment, Pure Goodness'.

OUR STORY

Founded by John Fraser and David Chalmers Neave in 1883, from whom our instantly recognisable initials 'F&N' are derived, the F&N brand is today synonymous with high quality and halal-compliant product that is trusted by generations.

F&N is one of the largest beverage manufacturers and distributors in the region with leading brands such as 100PLUS, F&N Fun Flavours, F&N SEASONS, F&N NutriSoy, F&N ICE MOUNTAIN, OYOSHI, Rangers and est COLA. Deeply entwined into the nation's fabric, F&N beverages have been a part of almost every celebration and occasion, creating enjoyment and treasured memories over the last century.

F&N is also the undisputed leader in the Sweetened Condensed Milk and Evaporated Milk market in Malaysia and Thailand. Millions of consumers from all walks of life enjoy their daily treasured moments with a cup of milk tea (teh tarik) or coffee, cakes or confectionery made with F&N's broad range of dairy products under the F&N, TEAPOT, CARNATION®, Cap Junjung® and IDEAL® brands, as well as liquid milk and juice products under F&N Magnolia, FARMHOUSE and F&N Fruit Tree brands.

Our product is exported to 68 countries across the globe and we will continue to extend the breadth and depth of our export footprint while focusing intently on halal markets leveraging our halal hub accreditation.

OUR PRODUCT CATEGORIES



BUSINESS OPERATIONS



Headquartered in Kuala Lumpur, Malaysia, with operations in **Malaysia, Brunei, Thailand** and **Indochina**

BUSINESS SEGMENTS & KEY HIGHLIGHTS

Food & Beverages Malaysia

Revenue: **RM2.3 billion**

Operating Profit: **RM166.7 million**

Food & Beverages Thailand

Revenue: **RM1.8 billion**

Operating Profit: **RM258.0 million**

▶ **MARKET CAPITALISATION** as at 30 November 2018:

RM12.2 billion

▶ **TOTAL ASSETS:** **RM3,345.3 million**

▶ **GROUP REVENUE:** **RM4.1 billion**

▶ **SHARE CAPITAL:** **RM816.8 million**

▶ **TRUSTED BY GENERATIONS FOR:** **135 years**

▶ **WORK FORCE:** **2,799**

▶ **EXPORT MARKET:** **68 countries worldwide**



What's inside this report



57th

ANNUAL GENERAL MEETING

venue:
Ballroom 1, First Floor
Sime Darby Convention Centre
1A, Jalan Bukit Kiara 1
60000 Kuala Lumpur

date:
Wednesday, 23 January 2019

time:
10:00 a.m.

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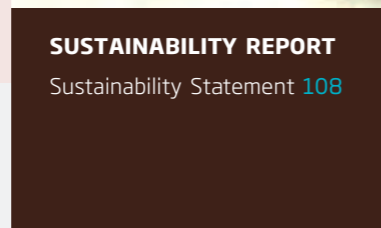
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OUR BRANDS



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.



MALAYSIA

- 01 Malaysia Enterprise Innovation Award 2018** from Asia IoT Business Platform (F&NHB)
- 02 Brand Laureate World Halal Best Brands 2018 - Best Brands in FMCG - Dairy Products** from The Brand Laureate (F&NHB)
- 03 QUDAL - Quality Medal 2018/2019 - Soft Drink** by ICERTIAS - Internal Certification Association (F&NHB)
- 04 Putra Brand Awards 2018 - Gold, Beverage - Non-alcoholic** by the Association of Accredited Advertising Agents Malaysia (4As) (100PLUS)
- 05 Selangor Excellence Business Awards 2017 - Emerging E-Commerce Marketplace** from Selangor Malay Chamber of Commerce (FNBM)
- 06 Malaysia Best Employer Brand Awards 2018** from Employer Branding Institute (F&NHB)
- 07 Graduates' Choice Award 2018 - Top 5 Best Employer Brands in FMCG** (F&NHB)
- 08 Human Resources HR Excellence Awards - Bronze in Excellence in HR Innovation** from Human Resources Magazine (F&NHB)
- 09 OSH Gold Class II Award** from The Malaysia Society for Occupational Safety and Health (F&NHB)
- 10 Prime Minister's Hibiscus Award** Exceptional Performance (FNDM)
- 11 2018 ARC Awards - Bronze** in Food & Beverage (F&NHB)

THAILAND

- 01 FDA Quality Award 2018** from Thailand Food & Drug Administration for 6 consecutive years (FNNT)
- 02 Thailand Quality Prize 2018** by Technology Promotion Association (Thailand-Japan) (FNNT)
- 03 Excellent Establishment of Labour Relation and Welfare 2018** from Thailand Ministry of Labour for 6 consecutive years (FNNT)
- 04 Thailand Kaizen Award 2018** from Technology Promotion Association (Thailand-Japan) (FNNT)
- 05 CSR-DIW Continuous Award 2018** from Thailand Ministry of Industry (FNNT)
- 06 Green Industrial Level 4: Green Culture** from Thailand Ministry of Industry (FNNT)

OUR GLOBAL PRESENCE

2

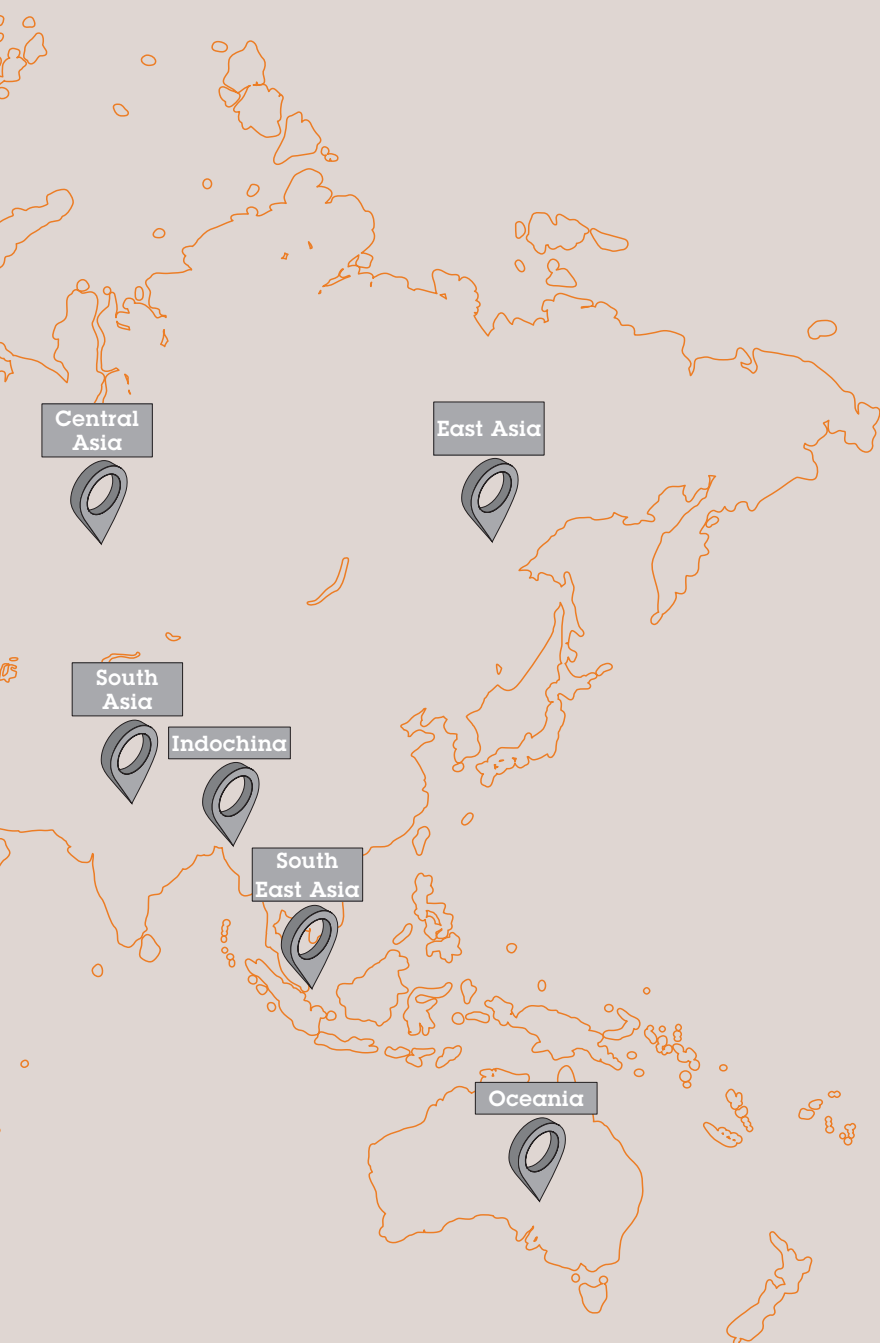


EXPORT MARKET: ▼

68 countries worldwide

CONTRIBUTION OF
TOTAL EXPORTS
FY2018

16% GROUP REVENUE	GROUP OPERATING PROFIT	14%
--------------------------	------------------------	------------



EXPORT HIGHLIGHTS:



Top exported products:
Condensed Milk and Evaporated Milk



Differentiation in packaging format catering to the different needs of our consumers:

Stick pack
2.5kg pouch
20kg bag-in-box (BIB)



Secured key distributor in Middle East and North Africa region

Opened new markets:
Kuwait, Oman, Qatar and more



Exports continue to grow, on track to surpass the Group's RM800 million export sales target by 2020

EXPORT GROWTH FY2018



15% F&B MALAYSIA

F&B THAILAND

8%



CHAIRMAN'S STATEMENT

Dear Shareholders and Stakeholders,

Our transformation over the past three years has been a remarkable albeit challenging journey. We have welcomed many structural changes and paradigm shifts in the way we approach our short-term priorities and long-term growth objectives. It was disruptive, particularly for our operations in Malaysia, but we have witnessed some positive improvements in our efficiency as well as our performance.



▼ Profit before tax improved by **19.5 per cent**

Profit after tax surged **19.1 per cent**

4



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

In FY2018, we continue our journey to strengthen Fraser & Neave Holdings Bhd ('F&NHB' or 'the Group') by identifying internal growth drivers, preparing ourselves to be even more resilient to market uncertainties and business challenges. In short, we have prepared ourselves to seize tomorrow's opportunities.

FINANCIAL PERFORMANCE: POISED FOR GROWTH

To some extent, we had largely anticipated the increasingly competitive market environment together with weakening currency, rising cost of operations, and volatile commodity prices. This is precisely why major steps were taken to reinforce our fundamental strengths.

In FY2018, we continue to exercise prudence through various cost optimisation and portfolio rationalisation initiatives. We deployed innovative technologies to boost productivity and operational capability. Additionally, our product innovations continued to draw positive response in both local and export markets.

As a result, the Group's profit before tax improved by 19.5 per cent to RM422.7 million from RM353.7 million while profit after tax surged 19.1 per cent to RM385.1 million for the year under review compared to FY2017. Excluding restructuring cost and one-off items, profit before tax would be RM419.5 million, an increase of 3.2 per cent over the previous year.

Despite a portfolio rationalisation exercise for Food & Beverages Malaysia (F&B Malaysia), improved performance of our brands and export business, coupled with Food & Beverages Thailand's (F&B Thailand) stable performance helped the Group conclude our financial year ended 30 September 2018 with a marginally higher revenue at RM4.11 billion compared to RM4.10 billion last year. Exports from Malaysia continue the year-on-year double-digit growth in FY2018, signaling that we are well on track to surpass RM500 million goal in 2020.

Moving forward, we will continue to sharpen our focus on ensuring continuous and sustainable growth in our three growth pillars - F&B Malaysia, F&B Thailand and Exports.

For details, refer to Group Segmental Analysis on page 61 and Business Review on pages 72 to 81.

SHAREHOLDER'S WEALTH

In the long term, we remain confident of our growth trajectory, stemming from the various incremental and transformational changes that we have implemented over the last three years.

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 300 per cent. This is contributed by a steady increase in our share price - from RM9.05 in October 2008 to RM33.32 as at 30 November 2018. I am also pleased to report that our basic earnings per share has increased from 88.3 sen to 104.9 sen in FY2018.

Considering the profit performance and our short-term capital expenditure commitments, the Board is recommending a final single tier dividend of 30.5 sen per share for FY2018. If approved at our Annual General Meeting, total dividends for the year will amount to 57.5 sen per share, consistent with the pay-out in FY2017.

VALUE CREATION FOR ALL

The process of transformation has led us to reinforce our commitment to multiple stakeholders and deliver meaningful value to them.

On one hand, we seek to maintain our leadership position in the market and continue to reward our shareholders with strong returns. On the other hand, we remain committed to creating sustainable value for our consumers, customers, employees and the local communities where we operate.

During the year, we introduced product solutions that cater to consumers' fast-changing lifestyles. For instance, the entire range of our flagship brand, 100PLUS has been reformulated and received Healthier Choice Logo certification by Malaysia's Ministry of Health (MOH) while 100PLUS ACTIVE in powder sachet was launched for people who are constantly on the move.

Over the years, we have invested considerably in R&D efforts and recipes that reduce the amount of sugar in our products without compromising on taste, to meet consumer's aspiration towards a healthier lifestyle. As a result, the total sugar index of our beverages has decreased by 34 per cent since FY2004.

CHAIRMAN'S STATEMENT

Our people are our most important driver of growth. We believe in empowering them through an inclusive approach to building a dynamic organisation, with focus on talent development and retention while catalysing growth from within the organisation.

Global Values were rolled out this year to cultivate a unifying culture in the ThaiBev/F&N Group, which set out to embed the principles of Collaboration, Creating Values, and Caring for Stakeholders in each of our employee.

Efforts in nurturing our employees have not gone unnoticed, as F&NHB was awarded with the Human Resource Excellence Bronze Award in 2018 by Human Resources Magazine and named as one of Malaysia's Best Employer Brands 2018 by the Employer Branding Institute.

The annual Chairman's Award continues to reward children of our employees who attain excellent academic and co-curricular achievements. This serves as an employee appreciation initiative, and a motivation for their children to strive for excellence. A total of RM285,300 was awarded to 139 recipients this year. Since its inception in 2003, F&NHB has disbursed nearly RM3.8 million to 2,139 children under the Chairman's Award.

At F&NHB, we believe that sustainable business growth occurs when our communities grow alongside us. In each market that we operate, we enhance social well-being through several programmes that focus on strengthening vulnerable communities; promoting environmental awareness; spreading festive joy and promoting healthy lifestyles and nutrition.

We continue to play a key role in major sporting activities such as the 19th Sukan Malaysia and the AFF Suzuki Cup 2018 while being the hydration partner at more than 1,000 sports events this year.

For details, refer to 'Delivering Value' section in our Sustainability Report.



During the year, we have been recognised by many industry awards and accolades. I take pride in sharing that for the sixth consecutive year, the Ministry of Public Health Thailand has presented us the FDA Quality Award 2018.



SUSTAINABILITY AT THE CORE

Our approach to sustainability and long-term commitment drives our strategic decisions to innovate and deliver healthier, more sustainably produced products, and create meaningful value to the various stakeholders.

This year, we invested approximately RM90.5 million in a cold-aseptic filling PET line that uses 40 per cent less plastic resin for every PET bottle. We are also looking at improving the post consumption habits of our consumers by inculcating 5R (Reduce, Reuse, Recycle, Rethink, and Reinvent) behaviour amongst students. Last year, we worked with 364 schools across Malaysia, covering diverse age groups ranging from pre-school to secondary level in our School Recycling Programme. We believe that such efforts will positively shape responsible citizens of the future.

Our 2020 Sustainability Targets act as a directional guide to creating long-term environmental and social equity. Though it is work-in-progress for us, I am pleased that we have made good advancement this year, particularly in managing our eco-efficiency.

On 13 November 2017, our dairy manufacturing plant in Pulau Indah received the Prime Minister's Hibiscus Award for exceptional environmental performance. The recognition not only testifies our sustainability efforts, but also our commitment to creating positive impact.

The Sustainability and Risk Management Committee was also formalised to steer the Group's sustainability agenda to ensure sustainability is integrated with strategy, risk management, and operations in driving long-term value.

For details, refer to Sustainability Statement from pages 108 to 113.

CORPORATE GOVERNANCE AT ITS BEST

Further to the introduction of the new Malaysian Code of Corporate Governance in 2017, the new Companies Act 2016 and the enhancements in the corporate governance disclosure framework under Bursa Malaysia Securities Berhad Listing Requirements, we have embedded the new principles and amendments to improve the overall Board leadership and effectiveness, including the quality of audits, risk management and internal controls.

At F&NHB, we continuously seek opportunities to improve and strengthen our governance mechanisms across the Group. This is also made possible through active engagement with and amongst the Board members, who provide regular feedback and help achieve greater clarity on the business direction and growth aspirations.

In our endeavour to improve the quality as well as diversity of the Board, in 2018, we welcomed two female board members. We are also working to improve the diversity of skills and professional backgrounds on the board by increasing the number of independent directors.

For details, refer to Governance section on page 84.

AWARDS AND RECOGNITION

During the year, we have been recognised by many industry awards and accolades. I take pride in sharing that for the sixth consecutive year, the Ministry of Public Health Thailand has presented us the FDA Quality Award 2018, which reinforces our steadfast commitment to deliver quality products and customer excellence.

We also bagged QUDAL Award by ICERTIAS for the highest quality soft drinks in 2018, as voted by 1,200 consumers in Malaysia. Another feather in the cap during the year was our recognition in the category of Best Brands in FMCG - Dairy Products at the Brand Laureate World Halal Best Brands Awards 2018. The jewel in the crown is 100PLUS, which took home its 7th Putra Brand Gold Award this year.

In Malaysia, our dairy manufacturing team won the OSH Gold Class II award from The Malaysia Society for Occupational Safety and Health, which speaks of our best-in-class safety and health standards. We also won the Malaysian Enterprise Innovation Award 2018 for our technology adoption and product innovations.

These awards not only affirm our competitiveness, but also put greater responsibility on us to continue our efforts to achieve new benchmarks of performance and excellence.

For more industry awards, refer to page 1.

ACKNOWLEDGEMENTS

Consistently, the F&NHB teams have demonstrated their leadership in championing both transformation and growth journeys. Under the strategic direction of the Board and Senior Management, I am confident that the teams will further strengthen our position as a sustainable business and a responsible corporate citizen.

I take this opportunity to acknowledge the valuable contributions of our board members and welcome our four new Non-Executive Directors, namely Datuk Mohd Anwar bin Yahya, Puan Aida binti Md Daud, Puan Faridah binti Abdul Kadir and Datuk Kamaruddin bin Taib.

Last but not the least, in conjunction with the 135th anniversary of F&N, I would like to express my sincere gratitude to our many partners in growth - our business associates, distributors and employees who have walked with us to positively contribute, leading F&N to where it is today and where it aspires to be in the future.

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



BUSINESS HIGHLIGHTS 2018

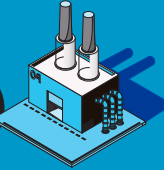
8

20 brands in **13** categories



8 cutting-edge plants

Beverage: Shah Alam, Kuching, Kota Kinabalu
Dairy: Pulau Indah, Rojana, Pak Chong
Mineral Water: Bentong, Matang



RM 4 billion annual turnover

Extensive network coverage with **>210,000** Outlets in Malaysia and Thailand

Food and beverage powerhouse in the ASEAN region with market-leading brands



100% Halal-certified products

Export to over

68 Countries Worldwide



135 years in Business/Operation

HAWKERS COVERAGE
42,000 Thailand

12,800 Cambodia & Laos

MARKET LEADING POSITIONS IN RESPECTIVE CATEGORIES:



MALAYSIA

No. 1 in Carbonated Soft Drink (100PLUS)
in Ready-to-drink Tea (OYOSHI, F&N SEASONS)
in Sweetened Condensed Milk (F&N)



THAILAND

No. 1 in Total Condensed Milk (FNDT)



20 Products with Healthier Choice Logo



13 New Products





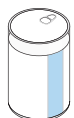
OUR MANUFACTURING CAPABILITY



DAIRY PLANTS

▶ PULAU INDAH
ROJANA
PAK CHONG

>36 million
cases per year



BEVERAGE PLANTS

▶ SHAH ALAM
KUCHING
KOTA KINABALU

>75 million
cases per year



MINERAL WATER PLANTS

▶ BENTONG
MATANG

>9 million
cases per year

- Fully integrated green plants
- Certified environmental management standards, food safety management, Halal, GMP and HACCP
- Recognised with numerous awards for exceptional product quality, productivity and energy management

GROUP FINANCIAL HIGHLIGHTS 2018



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

KEY MILESTONES

1883	The Singapore and Straits Aerated Water Company was founded by our founding fathers, John Fraser and David Chalmers Neave.
1898	The Singapore and Straits Aerated Water Company went public under its present name, Fraser and Neave, Limited on 27 January 1898.
1913	By this year, F&N had branches across the peninsula, including Kuala Lumpur, Melaka, Seremban, Ipoh and Penang.
1962	The Kuala Lumpur plant commenced its operations.
1965	The first F&N soft drinks plant in East Malaysia was opened in Kuching.
1983	F&N celebrated its 100 th anniversary and introduced the iconic 100PLUS brand to the market, which soon became the No.1 Isotonic Drink in Malaysia and Singapore.
1989	F&N restructured its dairy operations under F&N Dairies (Malaysia) Sdn Bhd.
1996	Soft drinks plant relocated to Shah Alam on 23 March 1996. The Group's glass, dairies and soft drinks operation in Malaysia were incorporated under the umbrella of Fraser & Neave Holdings Bhd.
2004	F&N's property division started construction on Fraser Business Park in Sungai Besi, Kuala Lumpur, Malaysia.
2007	F&N Dairies (Thailand) Limited was established.
2011	The official opening of F&N Dairies manufacturing plant in Rojana, Thailand.
2012	F&N Dairies Manufacturing plant in Petaling Jaya ceased operations after 52 years, making way for the Section 13, Petaling Jaya property development project.
2013	The official opening of F&N Dairies manufacturing plant in Pulau Indah, Malaysia.
2015	The Group embarked on an organisational exercise to align the operations.
2017	The official launch of first-of-its-kind UHT Line at F&N Beverages manufacturing plant in Kuching, Malaysia.
2018	Celebrating 135 th anniversary of F&N. The official launch of Cold-Aseptic Filling PET line at F&N Beverages manufacturing plant in Shah Alam, Malaysia.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Mr. Lee Meng Tat

Mr. David Siew Kah Toong

Mr. Lee Kong Yip

Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo

Y.Bhg. Dato' Jorgen Bornhoft

Mr. Hui Choon Kit

Puan Aida binti Md Daud

Puan Faridah binti Abdul Kadir

Y.Bhg. Datuk Mohd Anwar bin Yahya

Y.Bhg. Datuk Kamaruddin bin Taib

COMPANY SECRETARY

Mr. Timothy Ooi Aik Tuan
LS0010357

GROUP EXECUTIVE COMMITTEE

Chairman

Mr. Lee Meng Tat

Members

Mr. Lee Kong Yip

Y.Bhg. Dato' Jorgen Bornhoft

Mr. Hui Choon Kit

SUSTAINABILITY & RISK MANAGEMENT COMMITTEE

Chairman

Mr. Lee Kong Yip

Members

Y.Bhg. Dato' Jorgen Bornhoft

Mr. Hui Choon Kit

Puan Aida binti Md Daud

AUDIT COMMITTEE

Chairman

Mr. David Siew Kah Toong

Members

Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo

Mr. Hui Choon Kit

Y.Bhg. Datuk Mohd Anwar bin Yahya

NOMINATING COMMITTEE

Chairman

Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo

Members

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

Mr. Lee Meng Tat

Mr. David Siew Kah Toong

Puan Faridah binti Abdul Kadir

REMUNERATION COMMITTEE

Chairman

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

Members

Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo

Mr. Lee Meng Tat

Mr. David Siew Kah Toong

Puan Faridah binti Abdul Kadir

SHARE BUY-BACK COMMITTEE

Chairman

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

Members

Mr. Lee Kong Yip

Puan Aida binti Md Daud

Y.Bhg. Datuk Mohd Anwar bin Yahya

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
E-mail: is.enquiry@my.tricorglobal.com
Website: www.tricorglobal.com

Customer Service Centre:

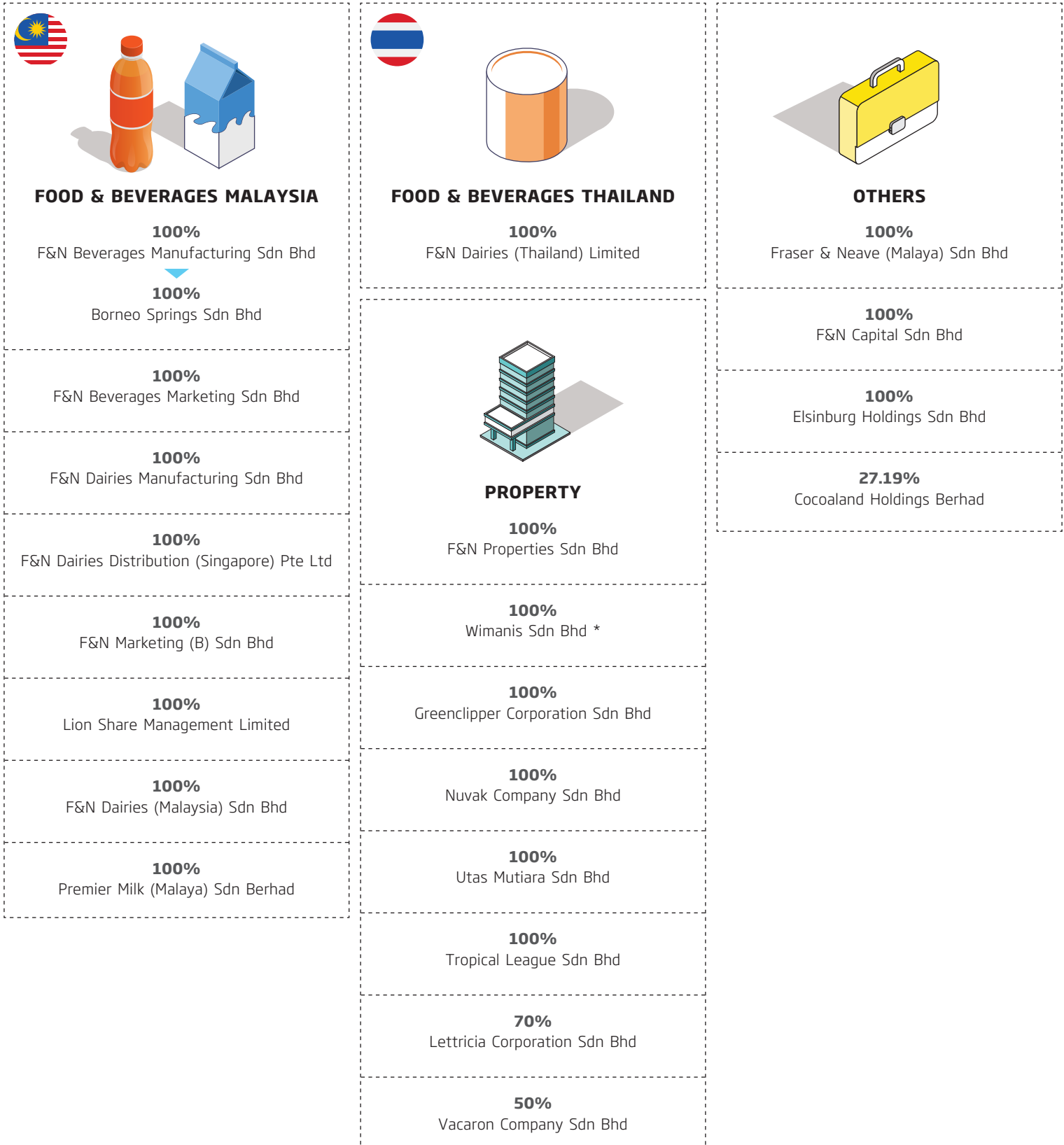
Unit G-3, Ground Floor, Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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 & Services



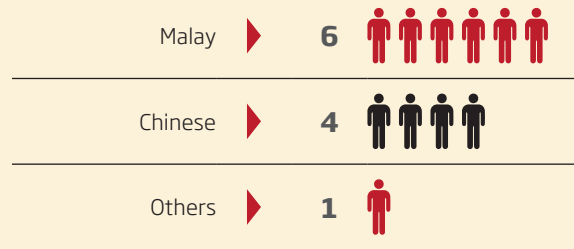
* in the process of member's voluntary winding up.

BOARD COMPOSITION

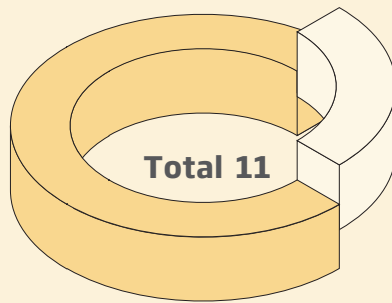
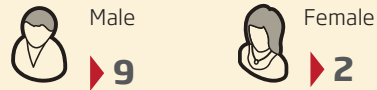
Composition





Ethnicity

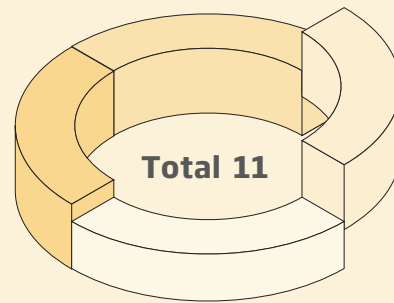






Gender



 Male  Female

Age Group







 Below 55 years  61-70 years
 55-60 years  Above 70 years

PROFILE OF BOARD OF DIRECTORS



01

**Y.A.M. Tengku Syarif Bendahara Perlis
Syed Badarudin Jamalullail Ibni
Almarhum Tuanku Syed Putra Jamalullail**
*Chairman of Board,
Non-Independent Non-Executive Director*

 Age 73 years	 Nationality Malaysian	 Date of Appointment 24 February 1987	 Number of Board Meetings Attended 7/7
---	--	---	--

QUALIFICATION(S)

- Master of Arts degree in Law & History, Cambridge University, United Kingdom

MEMBERSHIP(S) OF BOARD COMMITTEES

- Remuneration Committee (Chairman)
- Share Buy-Back Committee (Chairman)
- Nominating Committee

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)

- Fraser and Neave, Limited, Singapore

PRESENT APPOINTMENT(S)

- Board Member of Yayasan Tuanku Syed Putra, a charitable foundation
- President of Tuanku Syed Putra Dialysis Centre, Perlis

PAST DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR PAST APPOINTMENT(S)

- Director of Hwang Capital (Malaysia) Berhad
- Director of Hwang-DBS Investment Bank Berhad
- Director of Hwang Investment Management Berhad

Y.A.M. Tengku Syed Badarudin Jamalullail 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 save and except that he is an Independent Non-Executive Director of FNL, a major shareholder of the Company. He has had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

PROFILE OF BOARD OF DIRECTORS



02

Mr. Lee Meng Tat

Non-Independent Non-Executive Director

16



Age

55 years



Nationality

Singaporean



Date of Appointment

1 October 2015



Number of Board Meetings Attended

7/7

QUALIFICATION(S)

- Master of Business Administration, Imperial College, London
- Bachelor of Engineering (Mechanical), National University of Singapore
- Advanced Management Programme, Harvard Business School
- Certificate in Corporate Governance, International Directors Programme (IDP-C), INSEAD

MEMBERSHIP(S) OF BOARD COMMITTEES

- Group Executive Committee (Chairman)
- Nominating Committee
- Remuneration Committee

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)

- Director of Viet Nam Dairy Products Joint Stock Company, a company listed on the Hochiminh Stock Exchange

PRESENT APPOINTMENT(S)

- Chief Executive Officer, Non-Alcoholic Beverages of the Fraser and Neave, Limited ("FNL") Group

PAST DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR PAST APPOINTMENT(S)





- Chief Executive Officer of Wildlife Reserves Singapore
- Chief Corporate Development Officer for Foods and Beverages division of the FNL Group
- Regional Director of China in Asia Pacific Breweries Limited
- Chief Executive Officer of Heineken-APB (China) Management Services Co. Ltd.

Mr. Lee Meng Tat 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 save and except that he is a nominee director of FNL, a major shareholder of the Company. He has had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



03

Mr. David Siew Kah Toong
Independent Non-Executive Director

 Age 64 years	 Nationality Malaysian	 Date of Appointment 23 February 2016	 Number of Board Meetings Attended 7/7
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QUALIFICATION(S)

- Member of Malaysian Institute of Accountants (“MIA”)
- Member of Malaysian Institute of Certified Public Accountants (“MICPA”)
- Member of CPA Australia

MEMBERSHIP(S) OF BOARD COMMITTEES

- Audit Committee (Chairman)
- Nominating Committee
- Remuneration Committee

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)

- Director of Tan Chong Motor Holdings Berhad

PRESENT APPOINTMENT(S)

- Chairman of Audit Committee, Member of the Risk Management Committee and Nominating Committee of Tan Chong Motor Holdings Berhad
- Managing Partner of Sekhar & Tan, Chartered Accountants
- Member of the Practice Review Committee of the MIA
- Member of the Public Practice, Auditing and Accounting Technical and Financial Statement Review Committees of MICPA

PAST DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR PAST APPOINTMENT(S)

- Director, Chairman of Audit Committee and Member of Remuneration Committee of Wing Tai Malaysia Berhad (now known as Wing Tai Malaysia Sdn Bhd)
- Finance Director of Malaysian Mosaics Berhad
- Managing Partner of BDO
- Board Member of the Financial Reporting Foundation
- Member of the Developing Nations Committee of the International Federation of Accountants
- Special Administrator for several public listed companies pursuant to the Pengurusan Danaharta Nasional Berhad Act 1998

Mr. David Siew Kah Toong 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 had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

PROFILE OF BOARD OF DIRECTORS



04

Mr. Lee Kong Yip

Non-Independent Non-Executive Director

18



Age
74 years



Nationality
Malaysian



Date of Appointment
10 May 2000



Number of Board Meetings Attended
6/7

QUALIFICATION(S)

- Bachelor in Economics (Hons) degree majoring in statistics, University of Malaya
- Executive Programme, Graduate School of Business Administration, University of California Berkeley, USA

MEMBERSHIP(S) OF BOARD COMMITTEES

- Sustainability & Risk Management Committee (Chairman)
- Group Executive Committee
- Share Buy-Back Committee

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)

- Director of Great Eastern Takaful Berhad

PRESENT APPOINTMENT(S)

- Nil

PAST DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR PAST APPOINTMENT(S)




- 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
- Executive Vice-President and Director of OCBC Bank (Malaysia) Berhad

Mr. Lee Kong Yip 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 save and except that he is a nominee director of FNL, a major shareholder of the Company. He has had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



05

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

 Age 46 years	 Nationality Malaysian	 Date of Appointment 23 January 2013	 Number of Board Meetings Attended 7/7
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QUALIFICATION(S)

- Bachelor of Arts (Honours) degree in Business Economics, Reading University, United Kingdom
- Associate Member of the Society of Investment Professionals (“ASIP”), United Kingdom (CFA Institute) and European Associate of Financial Analysts (“EFFAS”)

MEMBERSHIP(S) OF BOARD COMMITTEES

- Nominating Committee (Chairman)
- Audit Committee
- Remuneration Committee

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)

- Nil

PRESENT APPOINTMENT(S)

- Managing Director and Chief Investment Officer of Amara Investment Management Sdn Bhd, a fund management company licensed by the Securities Commission

PAST DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR PAST APPOINTMENT(S)

- Portfolio Manager of Coutts & Co. (London) Ltd
- Director, Kenanga Asset Management Sdn Bhd
- Director, Kenanga Unit Trust Berhad

Dato' Johan Tazrin bin Hamid Ngo 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 had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

PROFILE OF BOARD OF DIRECTORS



06

Dato' Jorgen Bornhoft

Non-Independent Non-Executive Director

20



Age

76 years



Nationality

Danish



Date of Appointment

7 May 2013



Number of Board Meetings Attended

7/7

QUALIFICATION(S)

- Degree in Accountancy and Finance (Bachelor of Commerce), Copenhagen Business School

MEMBERSHIP(S) OF BOARD COMMITTEES

- Group Executive Committee
- Sustainability & Risk Management Committee

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)

- Chairman of Hap Seng Consolidated Berhad
- Director of Hap Seng Plantations Holdings Berhad

PRESENT APPOINTMENT(S)

- Vice-Chairman of International Beverage Holdings Limited

PAST DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR PAST APPOINTMENT(S)

- Chairman, Managing Director, Director and Chief Executive Officer of Carlsberg Brewery Malaysia Berhad
- Chief Executive Officer of Carlsberg Asia Pte Ltd, Singapore
- Vice-President of Carlsberg International A/S, Denmark
- President of the Malaysian International Chamber of Commerce and Industry

Dato' Jorgen Bornhoft 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 save and except that he is a nominee director of FNL, a major shareholder of the Company. He has had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



07

Mr. Hui Choon Kit
Non-Independent Non-Executive Director

 Age 54 years	 Nationality Singaporean	 Date of Appointment 6 August 2014	 Number of Board Meetings Attended 7/7
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QUALIFICATION(S)

- Master of Business Administration degree, Nanyang Technological University
- Bachelor of Business degree, Curtin University, Australia
- Member of the Institute of Singapore Chartered Accountants

MEMBERSHIP(S) OF BOARD COMMITTEES

- Group Executive Committee
- Audit Committee
- Sustainability & Risk Management Committee

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)

- Nil

PRESENT APPOINTMENT(S)

- Chief Financial Officer and Company Secretary of the Fraser and Neave, Limited (“FNL”) Group

PAST DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR PAST APPOINTMENT(S)

- Senior Manager, Business Development of the FNL Group
- Corporate Finance Banker in Singapore and Thailand
- Accountant and Financial Consultant in Ernst & Young

Mr. Hui Choon Kit 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 save and except that he is a nominee director of FNL, a major shareholder of the Company. He has had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

PROFILE OF BOARD OF DIRECTORS



08

Puan Aida binti Md Daud

Independent Non-Executive Director

22



Age

58 years



Nationality

Malaysian



Date of Appointment

24 January 2018



Number of Board Meetings Attended

6/6

QUALIFICATION(S)

- Master in Business Administration, Strathclyde University, Scotland
- Bachelor of Science in Business Administration (Finance and Law), Portland State University, United States of America
- Senior Associate Member of the Financial Securities Institute of Australia
- Certified Member of Financial Planning Association of Malaysia
- Diploma in Public Administration, Institute Teknologi MARA

MEMBERSHIP(S) OF BOARD COMMITTEES

- Sustainability & Risk Management Committee
- Share Buy-Back Committee

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)

- Nil

PRESENT APPOINTMENT(S)

- Senior Vice President of Human Capital Division of Permodalan Nasional Berhad ("PNB")
- Member of the Board of Governors of Financial Planning Association of Malaysia

PAST DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR PAST APPOINTMENT(S)





- Head of Human Resource Operations & Administration Department, PNB
- Head of Human Capital Planning & Development Department, PNB
- Chief Executive Officer, PNB Investment Institute Sdn Berhad
- Head of Corporate Services Department, PNB
- Research and Corporate Services Analyst, PNB
- Represented PNB on the board of Cerebos Malaysia Sdn Bhd, Kim Fashion Knitwear (Malaysia) Sdn Berhad, Malaysian Nasional Reinsurance Berhad, Amalgamated Industries Steel Berhad and Lion Corporation Berhad

Puan Aida binti Md Daud 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 save and except that she was a nominee director of PNB, a substantial shareholder of the Company during the financial year, prior to her re-designation as an Independent Non-Executive Director of the Company effective from 10 December 2018 following her cessation as a nominee director of PNB. Following her re-designation, she continues to serve on the Board of the Company in her personal capacity. She has had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



09

Puan Faridah binti Abdul Kadir
Independent Non-Executive Director

 Age 58 years	 Nationality Malaysian	 Date of Appointment 24 January 2018	 Number of Board Meetings Attended 6/6
---	--	--	--

QUALIFICATION(S)

- Master of Business Administration, Cranfield School Management, United Kingdom
- Economics (Accounting & Finance) degree, London School of Economics, United Kingdom

MEMBERSHIP(S) OF BOARD COMMITTEES

- Nominating Committee
- Remuneration Committee

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)

- Nil

PRESENT APPOINTMENT(S)

- Board Member of Trustees of Yayasan Kadir & Fatimah
- Council Member of the Society for the Severely Mentally Handicapped Selangor
- Director of Fibertex Personal Care Sdn Bhd, Kay & Ef Sdn Bhd, Kay and Ef Trading Sdn Bhd and Fatimah Hashim Holdings Sdn Bhd

PAST DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR PAST APPOINTMENT(S)

- Board Member of the Malaysian Danish Business Council, ISS Facility Services Sdn Bhd and Danfoss Industries Sdn Bhd
- Regional Representative of The Industrialisation Fund for Developing Countries, Denmark ("IFU")
- Advisor of IFU (Malaysian projects)
- Executive of Permata Chartered Merchant Bank

Puan Faridah binti Abdul Kadir 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 had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

PROFILE OF BOARD OF DIRECTORS



10

Datuk Mohd Anwar bin Yahya
Independent Non-Executive Director

24

**Age**

64 years

**Nationality**

Malaysian

**Date of Appointment**

24 January 2018

**Number of Board Meetings Attended**

6/6

QUALIFICATION(S)

- Bachelor of Science (Honours) degree in Economics and Accountancy, University Hull, United Kingdom
- Chartered Accountant, Institute of Chartered Accountant England & Wales
- Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants

MEMBERSHIP(S) OF BOARD COMMITTEES

- Audit Committee
- Share Buy-Back Committee

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)

- Director of Maybank Islamic Berhad
- Director of FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad)

PRESENT APPOINTMENT(S)

- Partner of Sage 3 Sdn Bhd
- Director of Usains Holding Sdn Bhd

PAST DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR PAST APPOINTMENT(S)


- Partner of PricewaterhouseCoopers
- Partner of Maybridge Consulting PLT
- Chief Executive Officer of Permodalan Kelantan Berhad
- Finance Manager of Lembaga Kemajuan Kelantan Selatan

Datuk Mohd Anwar bin Yahya 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 had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



11

Datuk Kamaruddin bin Taib
Independent Non-Executive Director

 Age 61 years	 Nationality Malaysian	 Date of Appointment 8 November 2018	 Number of Board Meetings Attended N/A
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25

QUALIFICATION(S)

- Bachelor of Science in Mathematics, University of Salford, United Kingdom

MEMBERSHIP(S) OF BOARD COMMITTEES

- Nil

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES)

- GHL Systems Berhad
- Great Eastern Takaful Berhad
- Great Eastern Life Assurance (Malaysia) Berhad
- Great Eastern General Insurance (Malaysia) Berhad
- HSBC Amanah Malaysia Berhad
- Malaysia Smelting Corporation Berhad

PRESENT APPOINTMENT(S)

- Chairman of DNV GL Malaysia Sdn Bhd
- Independent Non-Executive Chairman of GHL Systems Berhad, Great Eastern Takaful Berhad and HSBC Amanah Malaysia Berhad
- Independent Non-Executive Director of Great Eastern Life Assurance (Malaysia) Berhad, Great Eastern General Insurance (Malaysia) Berhad, Malaysia Smelting Corporation Berhad, BFC Exchange Sdn Bhd and FIDE FORUM (Financial Institutions Directors Education FORUM)
- Trustee of the Malaysian Oil & Gas Services Council

PAST DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR PAST APPOINTMENT(S)

- Executive Chairman of DNV GL Malaysia Sdn Bhd

Datuk Kamaruddin bin Taib 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 had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Sitting from left to right

Karen Tan, Head, Communications & Corporate Affairs
 Karn Chitaravimol, Managing Director, F&N Dairies (Thailand) Limited
 Lim Yew Hoe, Chief Executive Officer
 Tan Hock Beng, Senior Vice President, Finance & Procurement/Chief Financial Officer
 Dr. Yap Peng Kang, Senior Vice President, Manufacturing/Corporate Research & Development
 Kelleigh Foo, Senior Manager, CEO Office & Risk Management

Standing from left to right

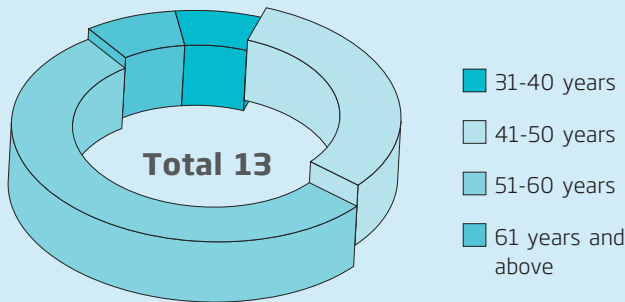
Soh Swee Hock, Senior Vice President, International Markets Development
 David Hoong, Senior Vice President, Human Capital, Organisation and Technology Management
 Bart Lim Siang Chin, Senior Vice President, Domestic Commercial Operations (Peninsular Malaysia)
 Lee Lay Yean, Senior Manager, Business Capability & Strategy
 Timothy Ooi, Head, Group Legal Counsel & Company Secretary
 Lau Cheng Yew, Vice President, Property & Integrated Projects
 Graham Lim, Vice President, Marketing



26

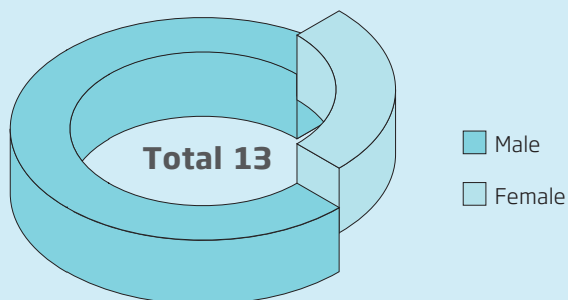
Age Group

31-40 years	41-50 years	51-60 years	61 years and above
▶ 1	▶ 4	▶ 7	▶ 1



Gender

Male	Female
▶ 10	▶ 3





“
Management
team”

PROFILE OF CHIEF EXECUTIVE OFFICER

28



01

Lim Yew Hoe

Chief Executive Officer



Age

52 years



Nationality

Singaporean



Date of Appointment

1 December 2014

Academic/Professional qualification

- Bachelor of Science (Estate Management) degree, National University of Singapore
- MBA (Banking & Finance), Nanyang Technological University of Singapore

Working Experience

Joined Asia Pacific Breweries Limited (now known as Heineken Asia MTN Pte Ltd) in 1997 and has held various positions in Asia Pacific Breweries Limited Group, the last being Managing Director of Asia Pacific Brewery (Hanoi) Limited in 2014.

Present Directorship(s) in public companies and listed company(ies)

Cocoaland Holdings Bhd

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 had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



PROFILE OF KEY SENIOR MANAGEMENT



02

Tan Hock Beng

Senior Vice President, Finance & Procurement/
Chief Financial Officer



Age

59 years



Nationality

Malaysian



Date of Appointment

1 February 2017

Academic/Professional qualification

- Malaysian Institute of Certified Public Accountants (Member)
- Malaysian Institute of Accountants (Member)

Working Experience

- Positions held in Fraser & Neave Holdings Bhd ("F&NHB"):
 - October 2015 to January 2017 - Senior Vice President, Supply Chain, Business Control & Business Development
 - August 2011 to September 2015 - Managing Director, F&N Dairies (Malaysia) Sdn Bhd
 - October 2006 to July 2011 - Deputy Country Head & Chief Financial Officer, F&N Dairies (Thailand) Limited
 - August 2001 to September 2006 - Group Corporate Planning & Business Development Manager
- Group Financial Controller of a public listed conglomerate, Hong Leong Financial Services Bhd in 2001
- 1984 to 2000 - Held various finance and audit positions at the Malaysian operations of British American Tobacco Group, including a 3-year secondment at its headquarters in London
- 1979 to 1983 - Started his career in auditing with Price Waterhouse & Co.

Present Directorship(s) in public companies and listed company(ies)

Nil

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 had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

PROFILE OF KEY SENIOR MANAGEMENT



03

David Hoong Cheong Wai

Senior Vice President, Human Capital, Organisation and Technology Management


Age

58 years


Nationality

Malaysian


Date of Appointment

5 August 2013

Academic/Professional qualification

- Bachelor degree of Arts majoring in business administration and industry psychology, Wilfrid Laurier University, Waterloo Ontario, Canada

Working Experience

- Over 35 years of human resource management experience in the manufacturing environment for large organisations of various industries
- June 2006 to July 2013 - Vice President, Human Resource of Unisem (M) Berhad

Present Directorship(s) in public companies and listed companies

Nil

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 had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

04

Karn Chitaravimol

Managing Director, F&N Dairies (Thailand) Limited



Age

65 years



Nationality

Thai



Date of Appointment

1 July 2013

Academic/Professional qualification

- Master of Business Administration degree majoring in marketing, Oklahoma State University Stillwater, Oklahoma, United States of America

Working Experience

- Over 37 years of experience in the industry of fast-moving consumer goods and has 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
- Positions held in Thai Beverage Public Company Limited Group:
 - July 2011 to June 2013 - Senior Vice President, Non-Alcohol Beverage Business
 - January 2009 to June 2011 - Managing Director

Present Directorship(s) in public companies and listed company(ies)

Nil

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 had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



PROFILE OF KEY SENIOR MANAGEMENT

05

Bart Lim Siang Chin

Senior Vice President, Domestic Commercial Operations
(Peninsular Malaysia)


Age

48 years


Nationality

Singaporean


Date of Appointment

1 October 2018

Academic/Professional qualification

- Bachelor of Business Studies, Nanyang Technological University, Singapore

Working Experience

- Over 24 years of experience in customer development, marketing and operation controls, and has held various operational and leadership roles, among which were the positions of Regional Director for Johnson & Johnson Consumer (Asia Pacific), General Manager for Carlsberg Singapore Pte Ltd and Chief Operating Officer for St. Joseph's Home
- Positions held in Fraser and Neave, Limited group:
 - January 2018 to present - General Manager, Emerging and New Markets prior to assuming the current role of Senior Vice President, Domestic Commercial Operations (Peninsular Malaysia) effective on 1 October 2018
 - April 2014 to September 2015 - General Manager, Non-Alcoholic Beverages CEO's Office

Present Directorship(s) in public companies and listed company(ies)

Nil

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 had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.





06

Soh Swee Hock

Senior Vice President, International Markets Development



Age

56 years



Nationality

Malaysian



Date of Appointment

1 October 2015

Academic/Professional qualification

- Master in Business Administration majoring in corporate finance, State University of New York, Buffalo, United States of America

Working Experience

- January 2010 - Senior Manager, Projects of F&NHB Group
- Positions held in Asia Pacific Breweries Limited:
 - June 2009 - General Manager (Business Development, China)
 - July 2004 - Assistant General Manager (Projects)
- 1992 to June 2004 - held various positions in Lion Group of Malaysia, the last being General Manager, China Investment Division
- 1988 to 1992 - held various positions in IBM Malaysia, the last being Planning Analyst

Present Directorship(s) in public companies and listed company(ies)

Cocoaland Holdings Bhd

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 had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

PROFILE OF KEY SENIOR MANAGEMENT

07

Dr. Yap Peng Kang

Senior Vice President, Manufacturing/
Corporate Research & Development


Age

51 years


Nationality

Singaporean


Date of Appointment

1 October 2018

Academic/Professional qualification

- Doctorate of Philosophy (PhD) in Microbiology
- Bachelor of Science (Hons) in Microbiology, National University of Singapore

Working Experience

- Over 21 years of experience in the brewery industry and has held various senior positions in the Heineken Group of Companies
- October 2017 to present - Head, Corporate Research & Development of Fraser and Neave, Limited prior to assuming the current role of Senior Vice President, Manufacturing/Corporate Research & Development effective on 1 October 2018

Present Directorship(s) in public companies and listed company(ies)

Nil

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 had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



08

Graham Lim

Vice President, Marketing



Age

41 years



Nationality

Singaporean



Date of Appointment

1 August 2005

Academic/Professional qualification

- Bachelor of Business majoring in Marketing & Finance, University of Technology, Sydney

Working Experience

- Positions held in Fraser and Neave, Limited group:
 - September 2011 to April 2016 - Country Manager for F&N Foods Myanmar Branch Office
 - February 2008 to August 2011 - Regional Marketing Manager, Sports Beverages

Present Directorship(s) in public companies and listed company(ies)

Nil

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 had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



ORGANISATION STRUCTURE



LINE OF BUSINESS

NUMBER OF EMPLOYEES

2,799



TOTAL STAFF BY EMPLOYMENT STATUS

2,563

Permanent Contract

236

Temporary Contract

BY JOB CATEGORY:

Executive:

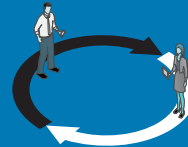
704

Non-Executive:

2,095

GENDER DIVERSITY

Male:
69%
(1,927)

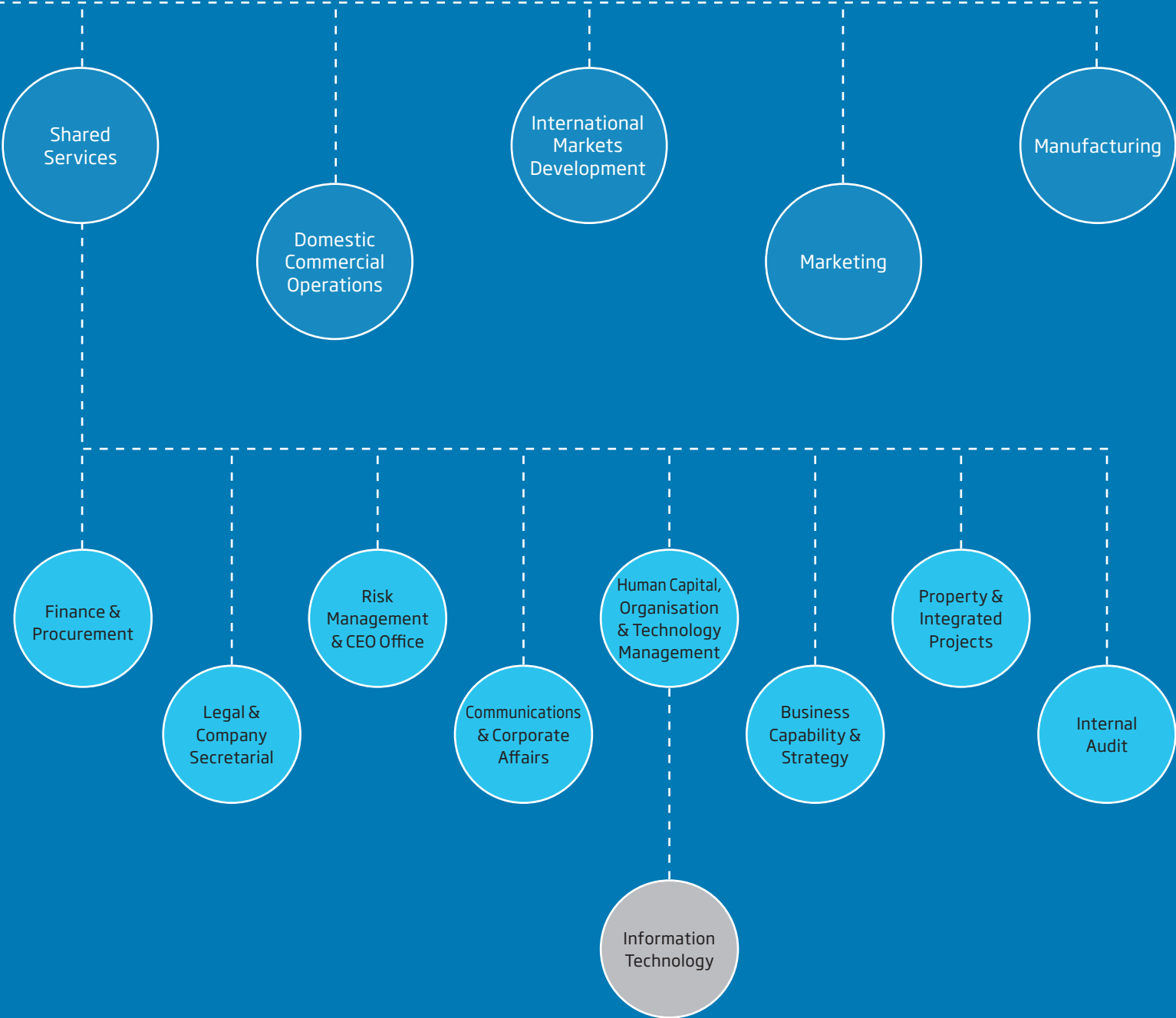


Female:
31%
(872)

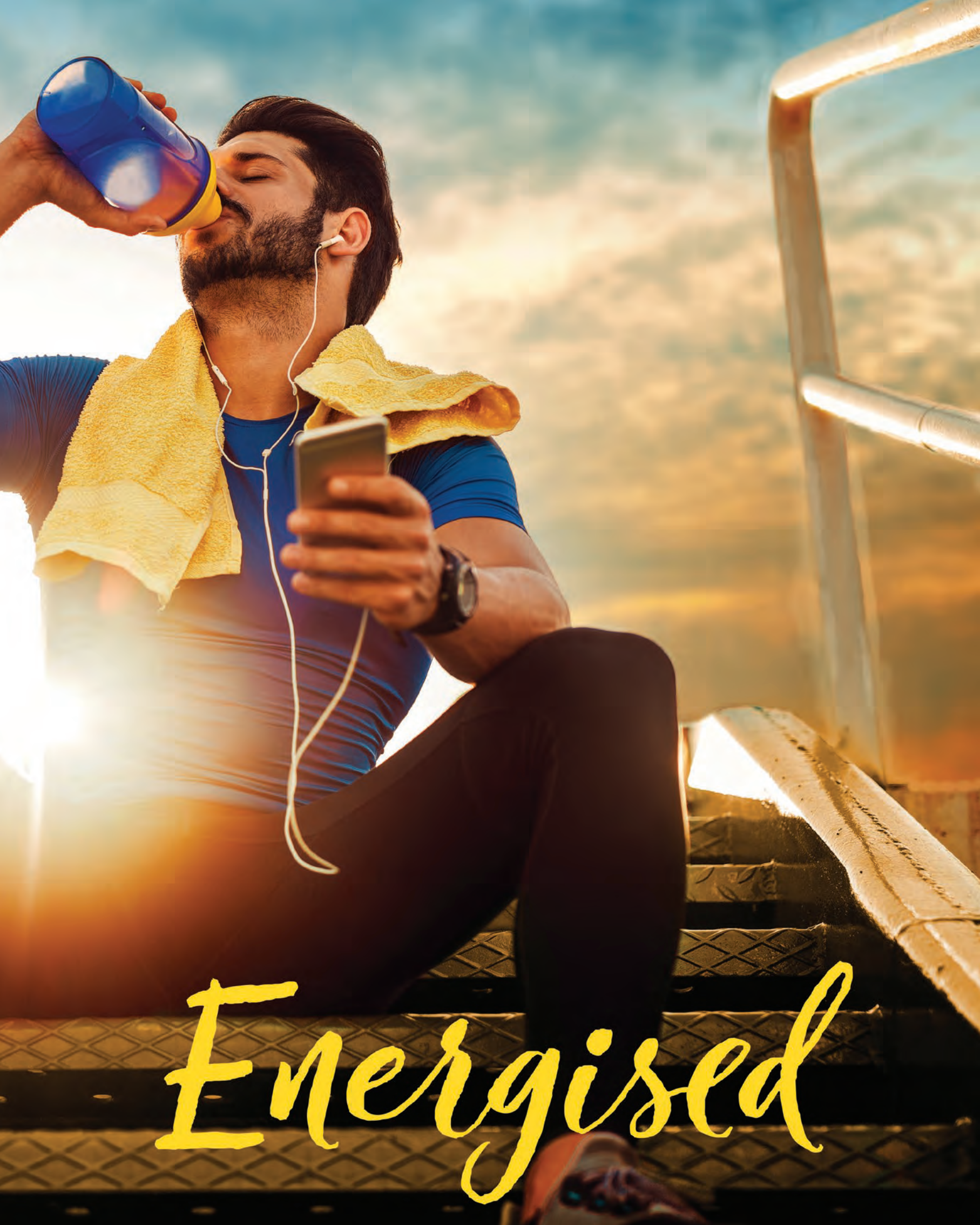
AVERAGE NUMBER OF HOURS OF TRAINING PER EMPLOYEE PER YEAR



16.77







Energised

strategic report >
BUSINESS REVIEW BY CEO



▼
LIM YEW HOE
 Chief Executive Officer

Dear Shareholders and Stakeholders,

2018 was another year of global and regional uncertainties, as well as a dynamic policy environment locally. Nonetheless, with our commitment to long-term sustainability, we continued to invest in our future, continuing the transformation within our organisation, empowering our people, re-engineering our processes, and rethinking the way we do business.



▼ Group Revenue:
RM4.1 billion

Launched **13 new products** in FY2018

Exports on track to surpass **RM800 million sales target** by 2020



Scan the QR code to view the "Business Review by CEO" video.



>RM500 million
invested over a
3-year period to
increase capacity
and build our
capabilities

We focused on strengthening our operational capability through capacity building, cost optimisation, portfolio rationalisation in addition to delivering new and unique product offerings and expanding the reach of our export business. Our disciplined focus on initiatives that create long-term value has helped us achieve some positive results in FY2018.

During the year, we began to reap the fruits of our transformation programme which we embarked on in 2015, capturing cost synergies for our Malaysian operations, especially in times when the margin of our business was not optimum.

The completion of some earmarked capital expenditure (CAPEX) projects this year expanded our production capacity, which enhanced our export capability to meet growing demand from overseas markets. Exports continued to grow at double-digit rate for the fourth consecutive year, putting us on track to surpass the Group's RM800 million export sales target by 2020.

Our investments in new production technologies yielded positive results in producing high quality and healthier options packed with functional goodness. During the year, we introduced 13 new products, with healthier options and differentiated packaging to meet the discerning taste of modern consumers. The new entrants received positive market response, which in turn contributed to the increase in our overall market share.

Overall, Food & Beverages Malaysia (F&B Malaysia) recorded revenue growth for three consecutive quarters since Q2 2018, signalling regained stabilisation post restructuring. Similarly, Food & Beverages Thailand (F&B Thailand) also continued to deliver positive results in both top and bottom-line despite general market contraction in Thailand.

OPERATIONAL HIGHLIGHTS

As a market leader, we need to constantly find new opportunities and formulate strategies to sustain profitable growth, even under challenging market conditions.

Consequently, all our efforts are primed into making the right decisions and taking appropriate strategies to drive our long-term growth objectives rather than taking short-term actions. The core idea is that, we must be prepared to meet all future challenges and ride the wave with our robust strategies when the tipping point comes. In short, we will be future ready.

strategic report >
BUSINESS REVIEW BY CEO

Some of our key deliberations in 2018 are:

• **Consumer-centric Innovations:**

It is perhaps more imperative now than ever in our 135 years' journey to respond positively to consumers' changing taste preference and shifting lifestyles.

The encouraging response to 100PLUS Reduced Sugar, which gained three per cent share of the Isotonic category within just three months of its introduction in April 2018, reaffirmed our ability to formulate healthier options of our winning brands. This has boosted our confidence to launch more innovative and healthier alternatives for consumers in the near future.

We are committed to live up to our promise of "Pure Enjoyment, Pure Goodness", and will continue to offer more healthier choices and drive product innovation while advocating active lifestyles among our consumers.

Beyond meeting end-consumer expectations, we have also leveraged our inherent strengths to provide innovative solutions to our partners in the business and industrial segment. For example, our portfolio of Sweetened Condensed Milk and Evaporated Milk are now available in a wide range of packaging formats from single serve stick and squeezable tube to 20kg packs to meet industrial and specific buyers' needs.

• **Re-engineering Go-to-market Strategies:**

We started the journey to realise the power of 'one' when we harmonised our distribution network last year. In 2018, we witnessed greater operational efficiencies in our route-to-market as well as improved ease of doing business with our retailers.

However, significant sales volume growth from the merging of our beverage and dairies businesses require paradigm shifts in our sales strategies. During the year, we armed our sales teams with cross-selling skillsets through the Sales Excellence Programme. The 44-week programme established a sustainable and methodological approach to drive operational excellence and efficiency in our Sales Force by maximising portfolio sales in each outlet.

“We are committed to live up to our promise of “Pure Enjoyment, Pure Goodness”

The changing dynamics in retail landscape and consumer purchasing behaviour also means our go-to-market strategies need to be adapted accordingly, including greater focus on e-commerce.

• **Fuelling Exports:**

Exports has played an increasingly important role for the Group. Volume growth from international markets has to some extent, helped neutralise the top and bottom-line pressures and balance our foreign currency exposure.

From a geographical perspective, more than 15 per cent of our sales are now generated outside of Malaysia and Thailand. Our Exports business has grown by 38 per cent from FY2015 in just three years of added focus.

We recognise the immense potential of our Exports business and plan to accelerate our venture into high-potential markets, particularly in ASEAN, the Middle East and African countries as well as Greater China region.

The RM25 million debottlenecking initiative at our dairy plant in Pulau Indah will significantly increase our annual capacity to fuel and accelerate exports from Malaysia.

• **Extracting Value from Portfolio Rationalisation:**

Fraser & Neave Holdings Bhd ("F&NHB" or "The Group") currently has 20 brands that compete in different categories in the market. As such, we took a comprehensive approach to fully extract the value of our portfolio. This involves assessing the strategic fit of each brand to maximise return on investment and enable us to prioritise high value opportunities.



In this respect, we have consolidated F&N SEASONS, F&N NutriSoy and F&N NutriWell under the F&N SEASONS master brand and revitalised it with a packaging facelift this year. F&N SEASONS is today another power brand in our portfolio with annual revenue of over RM200 million.

We undertook a similar exercise in our sweetened condensed and evaporated milk products which has resulted in clearer positioning and differentiated objectives for every brand that we offer in this category.

• **Catalysing Growth from Within:**

We recognise that the full value of our transformation programme can only be achieved when our people are harmonised to work towards a common goal. Global Values were rolled out this year to cultivate a unifying culture of Collaboration, Creating Values, and Caring for Stakeholders in each of our employee.

Through our Human Capital Roadmap to 2020, F&NHB has a clear strategic plan to continue positioning ourselves as a preferred employer. 'Beverest', a total performance management system for the ThaiBev/F&N Group was implemented in 2018 to better manage our talents, key performance indicators and individual development plans.

Since 2017, F&NHB has incorporated talent management as a shared corporate Key Performance Indicator (KPI) for all Executives to reinforce that people development is the responsibility of every executive.

To encourage a strong feedback culture in the workplace, we have introduced F&N VOICE - an easy and quick feedback channel for employees to share whatever view they have on any matter, directly with senior management via WhatsApp mobile messaging platform.

To further accelerate the process from product development to commercialisation, our R&D and manufacturing functions come under the same management team with effect from 1 October 2018.

PERFORMANCE IN 2018

Our FY2018 performance reflects the strength of our strong and diverse portfolio of trusted brands, our ability in formulating healthier options that taste good, and the solid execution of strategy and priorities for each of our strategic pillars, namely F&B Malaysia, F&B Thailand and Exports.

We recognise the immense potential of our Exports business and plan to accelerate our venture into high-potential markets, particularly in ASEAN, the Middle East and African countries as well as Greater China region.



Despite cautious consumer spending, our key brands such as 100PLUS, F&N SEASONS, OYOSHI and F&N Fun Flavours maintained leading positions in their respective categories in FY2018. Similarly, F&N's stable of Sweetened Condensed and Evaporated Milk maintained their market leadership. New introductions have also helped 100PLUS to further expand on its already prominent market share in the isotonic category.

In Thailand, F&N reinforced its number one position in both value and volume share in the total condensed milk market, thanks to successful marketing and branding initiatives. This year also saw the launch of TEAPOT Squeeze Tube flavoured variants and expansion of hawker coverage to about 13,000 outlets in Cambodia and Laos, solidifying F&N as the region's market leader in condensed milk products.

Exports continued its growth trajectory and we expanded the reach of F&N products to 68 countries this year. Strategies are in place to further grow existing and new markets and to build Exports as a significant contributor for the Group. In FY2018, our export business contributed more than 14 per cent of the Group's operating profit.

F&NHB concluded the financial year ended 30 September 2018 with a marginally higher revenue at RM4.11 billion compared to RM4.10 billion last year underpinned by effective festive promotions and higher exports sales which mitigated the impacts from portfolio rationalisation.

strategic report >
BUSINESS REVIEW BY CEO



Group profit before tax grew by 19.5 per cent for the financial year ended 30 September 2018. Excluding restructuring costs and other one-off items incurred last year, profit before tax for the Group grew by 3.2 per cent.

Our profit performance during the year is a positive effect of cost initiatives, favourable input cost for sugar, favourable foreign currency impact and restructuring costs incurred last year, which was offset by higher costs for some dairy-based material, packaging costs and higher marketing spend.

Segmentally, F&B Malaysia recorded a marginally higher revenue of RM2.322 billion for the financial year ended 30 September 2018, compared to RM2.319 billion last year while operating profit increased by 38.1 per cent to RM166.7 million from RM120.7 million last year. Excluding restructuring costs and other one-off items, operating profit of F&B Malaysia eased by 4.5 per cent.

F&B Thailand sustained its growth and market leadership during the year through successful new product introductions, supported by effective branding and consumer trade campaigns. Despite a difficult domestic market environment, revenue for F&B Thailand grew 2.2 per cent in local currency terms but gained marginally by 0.3 per cent to RM1.787 billion due to the strengthening of the Ringgit against Thai Baht.

F&B Thailand's operating profit for the financial year ended 30 September 2018 rose 13.1 per cent to RM258.0 million compared to last year on the back of higher export revenue, favourable input costs and lower overheads. The gains were partly offset by higher marketing spend for new product introductions and brand building activities.

See Business Review and Segmental Analysis sections for more financial information on F&B Malaysia and F&B Thailand.

BUILDING A FUTURE-READY BUSINESS: SOCIAL AND ENVIRONMENTAL EQUITY

Sustaining a business requires a balance approach to long-term social, environmental and economic objectives. This in essence, drives our strategic decisions to innovate and deliver healthier options, and more sustainably produced products.

We have taken on board consumers' lifestyle shift and the Government's call for healthier beverages. In 2018, the entire 100PLUS range and F&N SEASONS Chrysanthemum Tea have been reformulated with reduced sugar and certified with Healthier Choice Logo by Malaysia Ministry of Health (MOH), along with OYOSHI Green Tea and F&N Ice Mountain Mineral & Drinking Water. Our goal is to offer a healthier option in every product category that we are in by 2020.

While we focus on building a sustainable business, we will continue to fulfil our responsibility towards sustainable development of the communities, the environmental and the economy where we operations.

We are continuously exploring ideas and leveraging technologies to reduce and review the composition of our packaging materials. For instance, the new Cold-Aseptic Filling Polyethylene Terephthalate (PET) line at the Shah Alam plant uses 40 per cent less PET resin packaging.

The Group's CAPEX for the past three years helped facilitate insourcing production capabilities. By increasing our production and warehousing capacity and shortening our route to the different markets we serve, we aim to further minimise the environmental impact of our operations.

“
 While our results in 2018 illustrated our capability to derive better cost synergies, our priority going forward will be on revenue growth.
 ”



WAY FORWARD: THE GROWTH ENABLERS

Moving forward, our future growth will be supported by three key drivers, namely innovations, excellence in execution, and cost competitiveness. While our results in 2018 illustrated our capability to derive better cost synergies, our priority going forward will be on revenue growth.

Our inclusive growth strategy will encompass:

- Creating value for our people, consumers, business partners, shareholders and the society we operate in;
- Growing our brands and portfolio of products to win in more markets;
- Growing the breadth and depth of our market reach including e-commerce, exports, B2B segment.



• Innovations:

Innovations no longer merely refer to new product developments, notwithstanding that a steady pipeline of new consumer-centric products would augur well for the company's future.

We want our people to find new ways to operate more efficiently and effectively while providing positive experiences to all our stakeholders. In other words, innovations that support the growth of our people, our brands and our markets.

We will embed innovation into our strategies to drive both incremental and step change in whatever we do, by harnessing talent and technology, optimising our resources, and foster meaningful engagements with our stakeholders.

On products, our strategy is to go beyond organic growth, by expanding usage beyond traditional occasions, as well as moving into adjacent categories and one-step dairy-based ingredients for F&B applications. We will continue to cater to consumers' emerging lifestyles by offering healthier choices, convenience and flexibility.



• Excellence in Execution:

As we strive to be a high performing and sustainable organisation, every function in F&N must strive for excellence in execution and every employee must be empowered to perform their best.

This requires good talents with the right job fit, powered by updated systems and simplified processes. Towards this, we have dedicated more resources to improve and simplify our business processes through resource optimisation and technology.

In continuation of the Sales Excellence Programme in 2018, we will introduce initiatives to instil excellence in execution in all functions and equip our people with the right skillset to be future-ready.

We will also tap the potential of big data analytics and artificial intelligence to be more scientific in our methodologies and drive meaningful business decisions.



• Cost Competitiveness:

We will continue our disciplined approach in cost management and employ the best operating model with optimal cost to gain cost competitiveness in the market.

As more of our CAPEX projects come to fruition, the added capability to expand our product offerings as well as capacity to fuel export business will improve our economies of scale. We will be increasingly looking at insourcing our products to lower our production and operating cost.

In manufacturing, we will also continue to enhance our productivity and cost efficiency through employee-driven innovation programmes such as 'Excel as One' and 'Winning as One' in Malaysia and Thailand respectively. Ideas from these programmes have delivered cost savings/avoidance of approximately RM10 million per annum for the Group.

OUTLOOK

The domestic market in Malaysia and Thailand will remain challenging amidst intensifying competition as well as the volatility in forex movements and commodity prices. The Group has, nevertheless, partially hedged our core commodity requirements for the coming financial year with the corresponding foreign currency exposure wherever possible.

While sugar prices are expected to remain stable, in Malaysia we will assess and closely monitor the impact of the imposition of excise duty on sugar sweetened beverages starting 1 April 2019, as announced in Budget 2019, including taking appropriate actions on a timely basis.

We will accelerate our R&D to launch more innovative and healthier alternatives in 2019. Our recent investment in technology also provided the flexibility in packaging options aside from extending our new product pipeline.

In Thailand, we have begun to pay corporate taxes following the full utilisation of promotional incentives granted by the Board of Investment. We will sharpen our competitive edge through continued efforts in brand building and leverage on the synergy with ThaiBev to further extend the reach of our products into the F&B retail channels.

Moving into 2019, our teams are more nimble and agile, with our people across departments and product categories operating as 'one' focused team, and the initiatives in strengthening our sales execution this year will help us optimise our portfolio cross-selling.

I would like to take this opportunity to thank all our shareholders and stakeholders for believing in our brand, our leadership, and our efforts to create value as we continue to forge ahead and generate profitable and sustainable growth for many years to come.

Lim Yew Hoe
 Chief Executive Officer

strategic report > VALUE CREATION BUSINESS MODEL

We are an important contributor to local economies. Our business has an impact either directly through our core operating activities, or indirectly through the value we create in our communities. Our business is built in a profitable, responsible and sustainable manner. We give back to local communities through job creation, across our value chain through the sourcing of ingredients, raw materials, equipment and services.

Value Added by F&NHB

OUR CAPITALS (INPUTS)

FINANCIAL CAPITAL relates to our capital and funding (from operations and investments) that are used efficiently and effectively to support our business and operational activities.

Share Capital : RM816.8 million
Shareholders' Equity : RM2,312.3 million
Return on Shareholders' Equity : 16.7%

HUMAN CAPITAL is represented by our people and our commitment to attract, develop and retain our talent. Our investment in management and leadership development; and the knowledge, skills and experience they collectively bring to enable innovative and competitive solutions to drive and create value for our business.

Total No. of Employees : 2,799 employees
Local Senior Management : Malaysia - 97%
 Thailand - 100%

SOCIAL & RELATIONSHIP CAPITAL reflect our citizenship and the strong long term relationships we have with all our stakeholders, including customers, strategic partners, employees, investors, governments, regulators and the communities within which we operate. Our social 'licence to operate' is due to our reputation and the trust we have earned from key stakeholders.

INTELLECTUAL CAPITAL We have continuously invested in product and process innovation to increase our product range, and improve efficiency and productivity.

Our research and development at F&N are guided by the following five principles:

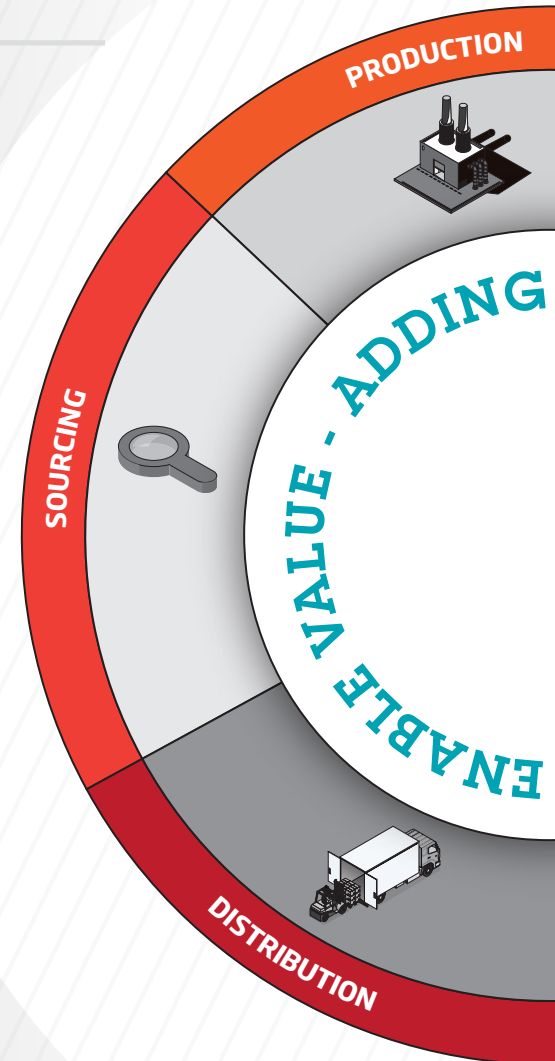
- **Innovation & Creation in terms of** processes, packaging and sensory science.
- **Scientific Advances** for application in our processes and products.
- **Technical Developments** that support quality improvement and cost optimisation.
- **Regulatory Compliance** of our local and export business.
- **Quality Products** that meet food safety standards.

Equity from 20 well-loved brands.
New product formulations and recipes.
Innovative process and technology.
Strategic Partnership: ThaiBev, Fraser and Neave, Limited, Nestle, Sunkist.

MANUFACTURED CAPITAL encompasses our business structure and operational processes, our production and logistics assets including our physical and digital infrastructure, as well as information technology that provides the framework and mechanics of how we do business and meet the demands of our stakeholders.

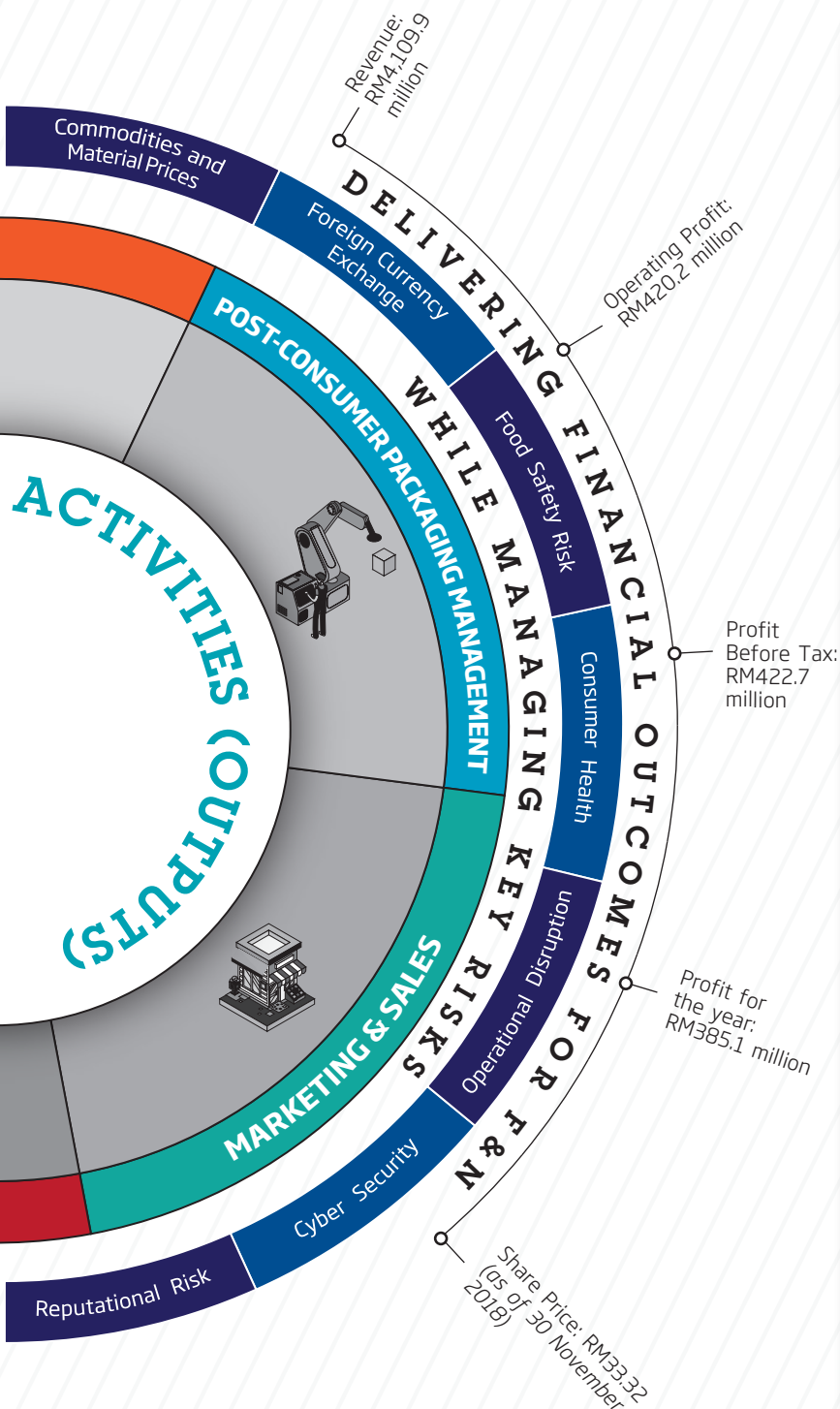
8 Manufacturing Facilities : 6 in Malaysia, 2 in Thailand
21 Warehouses : 19 in Malaysia, 2 in Thailand
Production Capacity : 120 million cases per year

NATURAL CAPITAL Water is a fundamental element of our products, and our business is dependent on clean water supply. Our activities also require energy, as well as raw materials like sugar, aluminum and resin which we seek to use efficiently and source responsibly. We also ensure an efficient effluents and waste management process to protect biodiversity and ecosystems' health.



Our activities generate income for shareholders, employees and the countries where we operate; provide revenue for suppliers; support customers' livelihood; meet consumers' evolving needs; and enhance community well-being.






Value Created for F&NHB and Our Stakeholders





VALUE CREATED FOR OUR STAKEHOLDERS	
<ul style="list-style-type: none"> Managing our resources effectively enables us to maximise profits which benefit shareholders through sustainable shareholder returns and dividend payouts Maintained a strong balance sheet to protect against unforeseen risks Dividend Payout Ratio: 55% Dividend per Share: 57.5 sen * Total Dividend Payout: RM210.8 million Basic Earnings per Share: 104.9 sen <p><i>* Included proposed dividend of 30.5 sen, which will only be recognised in the financial statements upon shareholders' approval.</i></p>	SHAREHOLDERS & FINANCIAL INVESTORS
<ul style="list-style-type: none"> Employed 289 new employees in FY2018 Career advancement and ability to reach individual potential Paid RM294.4 million in total employee remuneration and benefits in FY2018 Female representation in our workforce: <ul style="list-style-type: none"> - 31% of total employees - 40% of Executives category Boost earning potential of employees with training and development Awarded RM285,300 to 139 children of employees in 2018 under Chairman's Award. To date, F&NHB has disbursed RM3.8 million to >2,100 children 	EMPLOYEES
<ul style="list-style-type: none"> Strategic business development with >210,000 retailers and outlets in Malaysia and Thailand Source of income and job creation at our distributors Support the livelihood of >54,000 hawkers in Thailand, Laos and Cambodia 	DISTRIBUTORS & TRADE CUSTOMERS
<ul style="list-style-type: none"> Launched various innovative solutions to address the needs of our consumers in 68 countries worldwide Fulfilled consumers' demand for safe and quality products through extensive network coverage 13 new products launched in FY2018 20 products with Healthier Choice Logo in FY2018 	CONSUMERS
<ul style="list-style-type: none"> Social investment in FY2018: >RM1 million Nurturing local sports champions Advocating active lifestyles via sports events and activities Partnered with 364 schools in Malaysia to inculcate recycling habits >1,100 beneficiary of social investment programmes since 2011 	COMMUNITIES
<ul style="list-style-type: none"> Comply with regulation to mitigate against systemic risk Adhere to sustainable practices to protect our stakeholders Tax Contribution in FY2018: RM37.6 million Active industry collaboration and knowledge exchange with government agencies and statutory bodies 	REGULATORS
<ul style="list-style-type: none"> Total Suppliers: >2,300 (global and local) >98% local suppliers Total Supplier Spend: RM3.03 billion >77% local purchase value 	SUPPLIERS

strategic report > STAKEHOLDER ENGAGEMENT

We strive to build and maintain strong relationships based on trust and respect with our employees, suppliers, customers, shareholders and investors, consumers, regulators, non-governmental organisations (“NGOs”) and local communities. We utilise various platforms where our stakeholders can voice their opinions, concerns, demands, and suggestions, as shown in the table below. Information received via these channels feed into our planning and strategy for sustainable value creation.

	Engagement Channels	Issues Raised	Actions Taken
 Employees	<ul style="list-style-type: none"> • Biennial employee engagement survey • Annual CEO town hall/roadshow • Annual gatherings • iConnect (intranet), F&N Digest (biannual newsletter), email news highlights, quarterly CEO messages • F&N Voice feedback channel 	<ul style="list-style-type: none"> • Communication with employees • Senior leadership • Learning & development • Rewards & recognition • Safety at work 	Refer to F&NHB Sustainability Report 2018: <ul style="list-style-type: none"> • Section on Talent Management (pages 36-43) • Section on Occupational Health and Safety (pages 76-78)
 Suppliers	<ul style="list-style-type: none"> • Supplier meetings • Annual audits • Tender management system 	<ul style="list-style-type: none"> • Fair & robust procurement system • Support of local businesses • Social & environmental responsibility 	Refer to F&NHB Sustainability Report 2018: <ul style="list-style-type: none"> • Section on Sustainable Sourcing (pages 70-73)
 Distributors & Trade Customers	<ul style="list-style-type: none"> • Annual customer meetings • Annual factory visits • Annual business planning • Business development activities • Joint supply chain meetings • Quarterly business reviews • Customer appreciation events 	<ul style="list-style-type: none"> • Latest consumer & shopper trends • Product innovation • Customer relationship management • Shopper loyalty programmes • Improving customer service level • Strategic business development • Business practices & ethics • Competitive operational system • Efficient delivery system 	Refer to F&NHB Sustainability Report 2018: <ul style="list-style-type: none"> • Joint Message from our Chairman & CEO (pages 4-5) • Section on Innovation (pages 31-35)
 Shareholders & Investors	<ul style="list-style-type: none"> • Annual general meetings (AGMs) • Face-to-face meetings & conference calls • Office/plant visits • Investor Days 	<ul style="list-style-type: none"> • Transparency in disclosure • Business/financial performance • Disclosure on relevant information to shareholders 	Refer to F&NHB Sustainability Report 2018: <ul style="list-style-type: none"> • Joint Message from our Chairman & CEO (pages 4-5) • About This Report (pages 6-7) • Section on Economic performance (page 30)
 Consumers	<ul style="list-style-type: none"> • Marketing & sales promotions • Brand communication through advertising • Social media interaction • On-ground events & activities • Dedicated consumer hotline 	<ul style="list-style-type: none"> • Product quality & safety • Consumer health & safety • Fair & reasonable product pricing • Social & community engagement • Environment-friendly packaging 	Refer to F&NHB Sustainability Report 2018: <ul style="list-style-type: none"> • Section on Innovation (pages 31-35) • Section on Consumer Health and Safety (pages 79-82) • Section on Health and Nutrition (page 55) • Section on Product and Service Labelling (page 83)

	Engagement Channels	Issues Raised	Actions Taken
 <p>Regulators</p>	<ul style="list-style-type: none"> Active participation in industry collaborations e.g. Federation of Malaysian Manufacturers Meetings with government agencies and statutory bodies 	<ul style="list-style-type: none"> Tax transparency Social & environmental responsibility Fair & legal labour practices Safety at work Compliance with laws & regulations Water & waste management Environment friendly labelling & packaging Greenhouse gas emissions (GHG) 	<p>Refer to F&NHB Sustainability Report 2018:</p> <ul style="list-style-type: none"> Section on Consumer Health and Safety (pages 79-82) Section on Health and Nutrition (page 55) Section on Product and Service Labelling (page 83) Section on Creating Value for Society (pages 44-54) Section on Water Stewardship (pages 58-60) Section on Effluents & Waste (pages 61-64) Section on Packaging (page 75) Section on Energy & Climate Change (pages 65-69) Section on Talent Management (pages 36-43) Section on Occupational Health and Safety (pages 76-78)
 <p>Communities</p>	<ul style="list-style-type: none"> Collaboration & partnership Meetings Outreach programmes Meetings with community representatives Leadership programmes Donation Sponsorships 	<ul style="list-style-type: none"> Consumer health & safety Social & environmental responsibility GHG emissions Job opportunities for locals Promotion of good health & quality of life Skills development in sports & leadership Stimulating local economies 	<p>Refer to F&NHB Sustainability Report 2018:</p> <ul style="list-style-type: none"> Section on Consumer Health and Safety (pages 79-82) Section on Health and Nutrition (page 55) Section on Product and Service Labelling (page 83) Section on Creating Value for Society (pages 44-54) Section on Water Stewardship (pages 58-60) Section on Effluents & Waste (pages 61-64) Section on Packaging (page 75) Section on Energy & Climate Change (pages 65-69) Section on Talent Management (pages 36-43) Section on Market Presence (page 43)

strategic report > MATERIAL MATTERS

The material matters are topics that are important to the sustainability of F&N Group are identified through a materiality assessment process in 2017. We undertook our first materiality assessment in January 2017 to identify, prioritise, validate and review relevant sustainability issues. Our Sustainability Development Committee revisited the 15 material issues identified last year and confirmed that these topics remain important.

MATERIAL ISSUES

INNOVATION

Critical to maintaining leadership and competitive advantage in the marketplace. Customers' needs and demands have evolved towards healthier lifestyles and convenience. Innovation is critical not only for long term business success but also in response to growing concerns on social and environmental issues.

OUR RESPONSE

Invest in Product and Process Innovation to increase our product range and improve efficiency and productivity.

i. Product Innovation

- Continuous products improvement and refinement to meet the changing needs and preferences of consumers and deliver high-quality products, and with the right nutritional values and taste.
- Develop new products to expand target consumer groups and usage occasions.
- Collaborate with health authorities and the industry such as MoH, FMM and FDA to adhere to food safety regulations, and support national health priorities.
- Collaborate with research institutes to access cutting-edge research and scientific studies.
- Offer innovative packaging formats to reduce environmental footprint, as well as appeal to consumers' demand for convenience and flexibility without compromising product quality and integrity.

ii. Process Innovation

- Investing in more advanced equipment and technology to expand innovation capability.
- Adopt technical and scientific advances to improve eco-efficiency of our supply chain.
- Inculcate employee-driven innovation initiatives to enhance productivity, quality and cost savings.

SUSTAINABLE SOURCING

Our business sustainability hinges on the inter-dependence relationship between our suppliers and us to create long lasting value. Therefore, it is imperative to ensure all our vendors and suppliers along our entire value chain abide by the same principles of sustainability that we do.

Promote sustainable and responsible sourcing via risks management, conscientious supplier selection and local sourcing.

- Procurement Policy is in place to ensure adherence to principles of ethical business practice and fair play.
- Yearly audits to assess quality assurance, food safety standards, safety standards and environmental performance of critical suppliers.
- Pre-qualifying new vendor checklist on environmental and ethical/responsible sourcing aspects, as well as anti-child labor policy.
- Source materials that are certified by eco-credentials, such as Forest Stewardship Council (FSC) to certify paper use for all our products in tetra packaging.
- Support local economy and minimise environmental impact from transportation by engaging local suppliers. More than 77 per cent of our total purchase are locally sourced.
- Commitment to using Certified Sustainable Palm Oil (CSPO) in our products.

Target: To purchase 100% of Roundtable on Sustainable Palm Oil (RSPO) credits for palm oil usage by 2020.

OPPORTUNITIES

- Improve production capacities and operational efficiencies enhancing resource utilisation for better economies of scale.
- Reducing cost of operations: maximising returns and value for shareholders.
- Higher sales and revenue from product range expansion and portfolio diversity through more healthier options, differentiation in packaging format and growing into adjacent categories.
- Improvement in product quality and product packaging that meets both customers' needs and international food safety standards.
- Reduce packaging material usage thus lowering carbon footprint and packaging costs.
- Consumer-centric innovation helps to increase competitive advantage.

RISK

- High investment costs in R&D, Equipment and Machinery - uncertain commercial returns.
- Innovation can lead to streamlined processes which could result in employee redundancy.
- Balancing between the risk of non-acceptance by consumers and the risk of being overtaken by competitors if R&D and consumer acceptance evaluation (gestation period) were too long.
- Replication and improvement by competitors riding on products, processes and packaging of innovator.
- Product recall owing to poor quality standards.
- Reputational risk and customer claims arising from break of supply chain or compromised packaging outside of factory.
- Potential adverse Financial and Brand Reputation Risks.

- Ensure competitive pricing from vendors/suppliers in a timely manner.
- Inculcate best practices and ethical business conduct by both vendors/suppliers and employees.
- Ensure Sustainability of business and compliance with food safety regulations and standards.
- Reduce Cost of Logistics and minimising environmental footprint.
- Create local employment and support local economy: 90% of suppliers are local.
- Promote sustainable agriculture principles & practices - safeguarding a green environment for well-being of society.

- Potential of abuse and non-conformance to policies in place.
- Commodity prices affected by supply and demand as well as weather conditions.
- Non-compliance of materials sourced to food and safety regulations and standards.
- Ability of local suppliers to deliver and meet growing demands.
- Supply of CSPO unable to meet global demand.
- Price fluctuation as a result of global economic performance and foreign exchange exposure.

MATERIAL ISSUES

CONSUMER HEALTH AND SAFETY

The need to maintain the highest quality and safety standards and providing healthier options to meet evolving consumer needs.

OUR RESPONSE

Produce beverages of the highest quality that are safe, and which address health concerns. Our products comply with relevant standards across their entire life cycle. Proper governance system supported by Group's various policies and frameworks are put in place to ensure that controls are working as intended.

Healthier Options

- Continuously develop new healthier options and reformulating existing product to cater to consumer's demand.
- Reduced the sugar index of our total beverage portfolio by 34 per cent since 2004.
- Support Government's Healthier Choice Logo certification in Malaysia and Thailand.

Halal Assurance

- All products halal certified by the Department of Islamic Development Malaysia, and other relevant authorised certification bodies.
- Established an internal Halal Committee in each of our manufacturing plants to ensure halal compliance in our supply chain.

Quality & Safety

- Adherence to health and safety regulations in the markets where we operate and international food safety standard like Food Safety Management System ISO 22000, Quality Management System ISO 9001, Accredited Laboratory, Good Manufacturing Practice, and Hazard Analysis and Critical Control Points (HACCP).

Nutritional goodness

- Our Nutrition Charter guides all aspects of our product development, marketing and initiatives to advocate healthy lifestyles.

Target: To offer at least one healthier choice option in all our product categories.

OCCUPATIONAL HEALTH AND SAFETY

To provide a safe working environment for our employees and cultivate a culture in which everyone takes responsibility for his/her own safety as well as those of their colleagues.

Comply with relevant laws and regulations in the country where we operate, supported by appropriate Safety, Health and Environmental Management policies and programmes to safeguard the health and safety of our people at all times.

Creating a Safety Culture

- Established safety, health, and environment (SHE) systems and monitoring processes across our operations.
- International standards certification including ISO 14001 and OHSAS 18001.
- Regular safety training and awareness programmes.
- Trained Company Emergency Response Teams (CERT) to mobilise and ensure the safety of our employees.
- Safety Committees oversee safety systems and programmes to ensure their effectiveness.

Healthy Workforce

- Trained Health Risk Assessment Committee to review areas where employees may be exposed to health risks, including incentivising healthy habits.
- Annual health screening.
- Promote physical activities and well-being of employees through Sports club activities, internal sports tournaments, Yoga/Zumba classes and so forth.

Target: To have 0 lost time injury frequency rate by 2020.

OPPORTUNITIES

- Products are safe for consumption and contribute to consumer's well-being.
- Provide more choices of beverages to consumers.
- Higher sales and revenue from product range expansion and portfolio diversity.
- Improvement in product quality results in increased consumer trust.
- Positive perception with strong halal credibility.
- Consumer-centric innovation helps to increase competitive advantage.

RISK

- Failure to address the shift in consumer trends effectively.
- Challenges in meeting compliance and stringent product safety and quality product standards.
- Potential financial and reputational implications.

- A safe and healthy working environment is conducive to a productive workforce which leads to the growth of the organisation achieving operational and performance excellence.
- Ensure business continuity.
- Higher productivity with less absentee and lost day rate.
- Positive employer branding.

- Potential workplace risk of injuries, occupational diseases, lost-days and fatalities.
- Financial and reputational Impact.

MATERIAL ISSUES

TALENT MANAGEMENT

People Are Vital Assets as they help determine how well we perform, executing our strategies into action.

OUR RESPONSE

We strive to recruit the best talent and create a stimulating work environment, where talent is nurtured, and employees are engaged and empowered to reach their highest potential. We contribute to the economic well-being of employees through a fair and competitive remuneration package.

Our Talent Management strategy is guided by:

- Human Capital Roadmap to 2020.
- Seven Modules for Strategic Human Capital Transformation.
 - Clear structure and roles
 - Market-oriented compensation and benefits
 - Recognition-based performance management
 - Holistic high performer retention and development
 - Proactive succession and workforce planning
 - Engaging corporate culture
 - Strategic talent acquisition and onboarding

Target: To provide an average of at least 12-training hours per employee per year by 2020.

ENVIRONMENTAL STEWARDSHIP

Managing Our Environmental Impact

54

i. Water Stewardship

Efficient water management practices are fundamental for business growth, especially in beverage manufacturing.

ii. Effluents and Waste

To ensure the waste from our manufacturing processes do not have a negative impact on the environment or communities.

iii. Energy and Climate Change

The need to reduce carbon footprint and reinvent our procedures and adopt energy efficient systems across our value chain.

i. Water Stewardship

We seek to use water efficiently across the value chain and employ water resources risk management to ensure sufficient water for our production purposes.

Target: To reduce the water ratio at our plants by 5% from 2017 by 2020.

ii. Effluents and Waste

We comply with international and national standards in effluents and waste management. These include actions to minimise waste in the production process and post consumption.

Target: To reduce wastewater discharge by 5% from 2017 by 2020.

iii. Energy and Climate Change

We curb our contribution to climate change by managing our GHG emissions from our production processes and transport. This includes creating greater energy efficiencies in our operations and using as much renewable energy as possible.

- *Energy Management*
Various initiatives are being undertaken at our manufacturing plants to optimise our energy consumption and minimise our environmental footprint.
- *Energy Efficiency*
Supporting the government's target of reducing the country's GHG emissions intensity.

Target: To reduce energy intensity by 5% from 2017 by 2020.

CREATING VALUE FOR SOCIETY

To create value for society, we need to ensure business sustainability.

We strive to create positive impacts on local communities through social development, economic and environmental initiatives.

We undertake a number of long and short-term programmes that serve to create greater social equity across Malaysia and Thailand by implementing appropriate programmes to address community needs and concerns in four areas:

- Strengthening Vulnerable Groups
- Promoting Environmental Consciousness
- Promoting Healthy Lifestyles and Nutrition
- Spreading Festive Cheer

OPPORTUNITIES

- Provide job opportunities to the local community where we operate.
- Hire and retain talent who will enable us to maintain our competitive edge and who have the potential to take us to new markets.
- Realising inherent potential in employee through up-skilling and continuous training and professional development programmes provided.
- High Performance Culture will contribute to a high performance sustainable organisations.
- Creating a steady supply of potential future leaders.

- Improve Processes, procedures to reduce water consumption and minimise discharge to drains.
- Inculcate Sustainable Practices and Values in Employees and Communities through the adoption and engagement of the 3Rs: Reduce, Reuse and Recycle.
- Positive impact towards creating a clean and safe environment, safeguarding the quality of life for all by reducing emissions energy consumption and carbon through energy efficiency and conservation initiatives.

- Help to bridge the socio-economic divide.
- Provide job opportunities.
- Safeguarding and elevating the quality of life.
- Provide a safe and clean environment.
- Support Government's nation building agenda.
- Improve the standard of living for communities where we operate

RISK

The challenge to attract and retain the right talent and adapting to changing skillset requirements of the market i.e. the demands of keeping abreast with evolving needs of consumers.

- Failure to meet stakeholders' expectation in making positive contribution to the sustainability agenda, particularly relating to climate change, packaging, waste and water usage.
- Risk of losing license to operate due to non-compliance to applicable environmental legislations and regulations.
- Lack of support and resources to drive sustainability agenda.
- Investments required to operate responsibly across the value chain
- Financial and reputational impact

- Failure to balance social economic and environmental needs.
- Financial and reputational repercussions.

strategic report > PRINCIPAL/KEY RISKS AND MITIGATION

Risk	Mitigation actions
<p>COMMODITIES AND MATERIAL PRICES</p> <p>Commodities and material prices are influenced by the global & local supply and demand, weather conditions as well as regulatory changes imposed by the government. As such, any significant increase in prices of commodities and materials could materially affect the cost of our products.</p>	<ul style="list-style-type: none"> Commodities and materials 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 and origin of commodities/materials as listed in our approved vendors list to enable us to respond ably in the event of shortage in supply and/or increase in price. We also hedge our purchases using our enlarged and collective purchasing capability.
<p>FOREIGN CURRENCY EXCHANGE EXPOSURE</p> <p>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:</p> <ul style="list-style-type: none"> Importation of materials for production; Exports of goods are traded in foreign currency; and Overseas operations are valued in foreign currencies. 	<ul style="list-style-type: none"> 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 forex requirements are hedged to manage fluctuating prices of commodities as well as forex movements. Exports serve as additional natural hedge to cushion the impact of depreciating local currencies.
<p>EXPOSURE TO FOOD SAFETY RISK</p> <p>As a player in the food & 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.</p> <p>The exposure in product quality and standards may bring serious ramifications in terms of financial impact as well as reputational impact.</p>	<ul style="list-style-type: none"> 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 ISO 22000, 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.
<p>INCREASING AWARENESS ASSOCIATED WITH EXCESSIVE SUGAR CONSUMPTION</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> 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.

Risk	Mitigation actions
<p>OPERATIONAL DISRUPTION IN THE EVENT OF CRISIS OR DISASTER</p> <p>The Group is exposed to risks associated with anticipated or unanticipated disruption to the normal operations of the Group which could be due to internal or external factors.</p>	<ul style="list-style-type: none"> • Group Business Continuity Management Framework (BCMF) has been established which sets out the policies and procedures in relation to response, recovery and restoration of business in the event of a crisis or disaster. • Business Continuity Plans (BCP) are in place and being tested in accordance with the BCMF.
<p>CYBER SECURITY THREATS</p> <p>Amid the evolving technology-reliant business environment, the Group is exposed to cyber security threats from cyber criminals which may compromise data integrity and even leakage of confidential and sensitive information which is valuable to the Group.</p> <p>Loss of data can also result in operational disruption and have financial impact.</p>	<ul style="list-style-type: none"> • The Group has developed Cybersecurity Framework to provide guidance to businesses on managing cyber security risks. • Regular trainings and constant updates related to cyber threats are provided to all employees to maintain awareness level. • Strengthen security measures through system hardening, multi factor authentication, stringent password policy, regular vulnerability scanning and close monitoring of suspicious activities. • Robust data backup procedures to protect critical information for business continuity.
<p>FALSE ALLEGATIONS RELATING TO PRODUCT SAFETY AND HALAL COMPLIANT STATUS</p> <p>Living in the age of social media and instant messaging platform, it is difficult to be immune from false allegations in particularly where the Group's food safety and Halal compliant status are concerned. It is also challenging to fully monitor social media due to users' privacy settings.</p> <p>The effect from reputational damage could potentially bring serious implication to the Company financially.</p>	<ul style="list-style-type: none"> • Halal Governance and Assurance Framework is put in place with dedicated resources to implement the framework and uphold the Halal standards. • Stringent compliance with Halal standards from sourcing of raw materials to delivery of products. • Continuous engagement with key agencies and relevant authorities like JAKIM and Ministry of Health. • Close monitoring of news published in the media and response procedures are in place to manage situations. • Established response and recovery plan in managing social media issues. • Mitigation actions relating to product safety are included under "Exposure & Food Safety Risk".

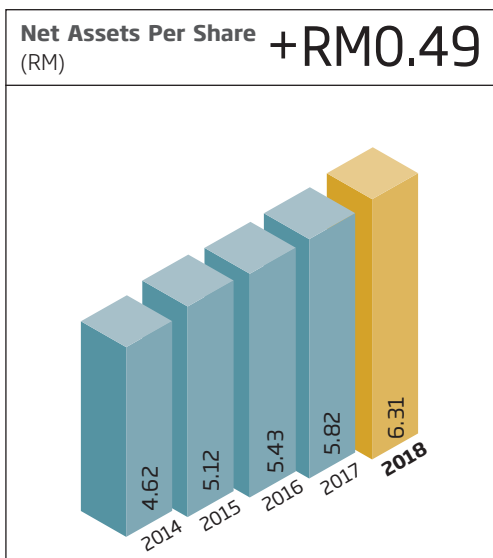
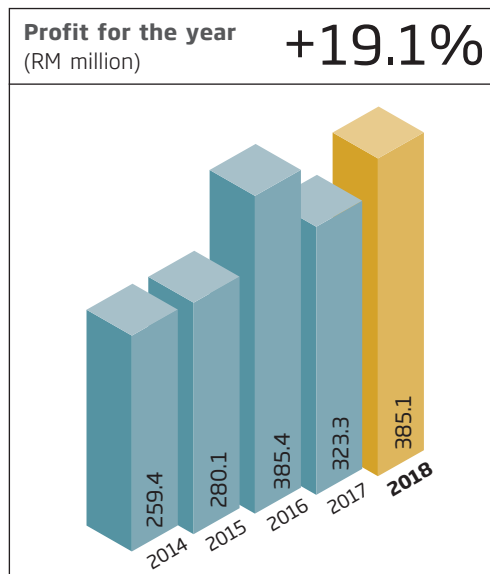
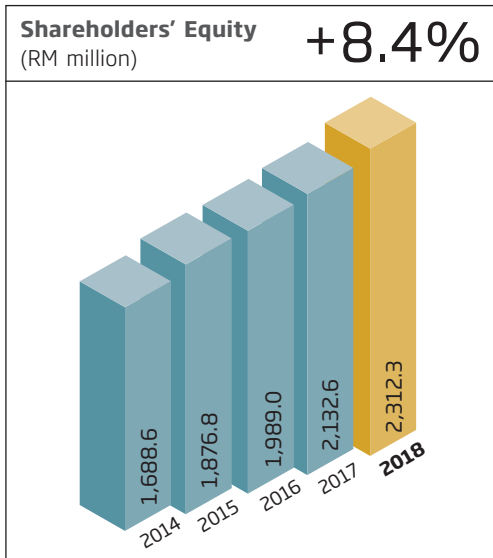
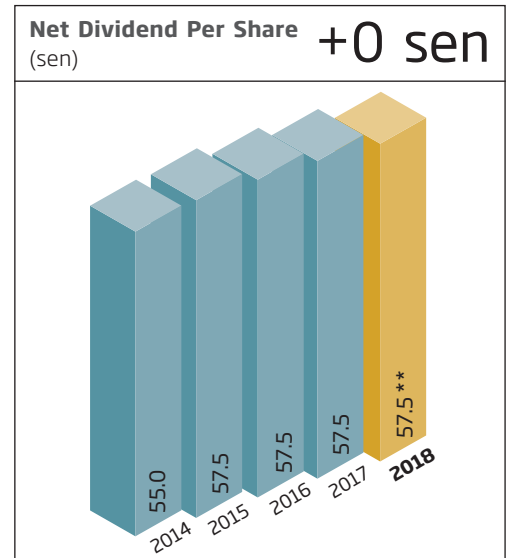
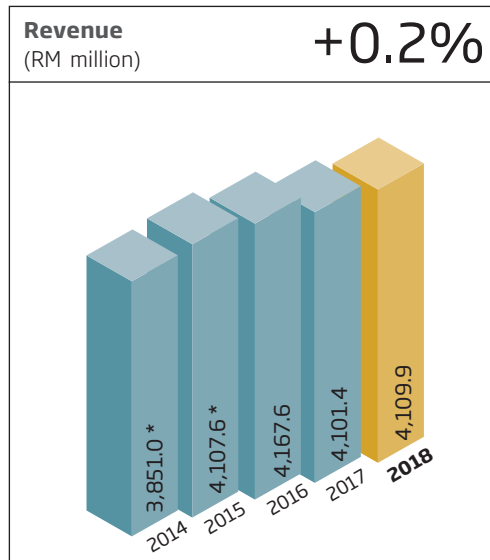
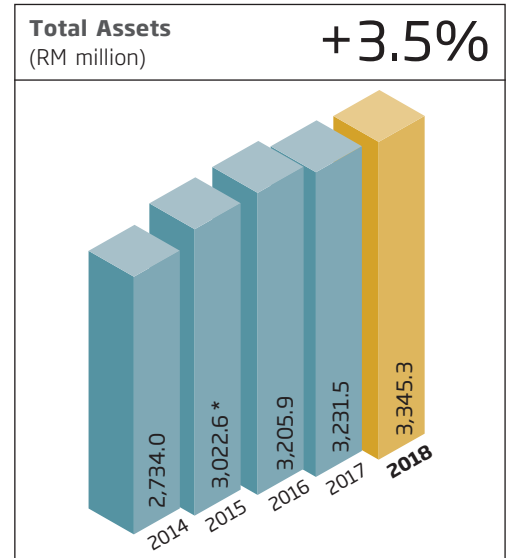
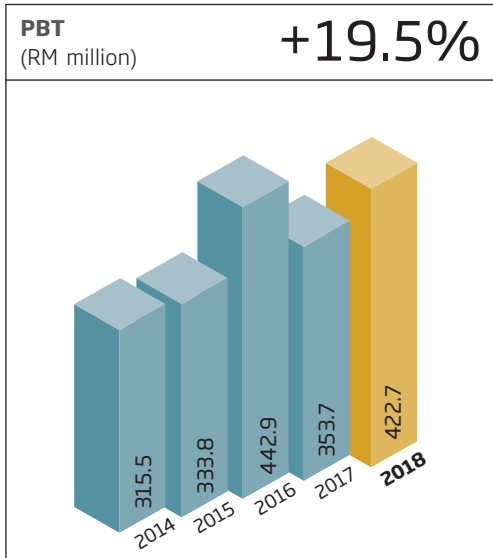
performance review >
5-YEAR GROUP FINANCIAL SUMMARY

Year ended 30 September	2014	2015	2016	2017	2018
Results (RM million)					
Revenue	3,851.0 *	4,107.6 *	4,167.6	4,101.4	4,109.9
Profit before tax ("PBT")	315.5	333.8	442.9	353.7	422.7
Profit for the year	259.4	280.1	385.4	323.3	385.1
Dividend					
Per share					
- Earnings - basic (sen)	71.0	76.5	105.3	88.3	104.9
- Earnings - diluted (sen)	70.9	76.4	104.8	88.0	104.5
- Dividend - net (sen)	55.0	57.5	57.5	57.5	57.5 **
- Dividend - cover (times)	1.3	1.3	1.8	1.5	1.8
- Dividend - payout (%)	77%	75%	55%	65%	55%
Statement of Financial Position (RM million)					
Share capital	366.0	366.6	366.8	816.8	816.8
Shareholders' equity	1,688.6	1,876.8	1,989.0	2,132.6	2,312.3
Total assets	2,734.0	3,022.6 *	3,205.9	3,231.5	3,345.3
Total borrowings	350.0	300.0	404.6	379.1	335.5
Share capital (number of shares)	366.0	366.6	366.8	366.8	366.8
Net assets per share (RM)	4.62	5.12	5.43	5.82	6.31
Ratio (%)					
PBT on revenue	8.2 *	8.1 *	10.6	8.6	10.3
Return on shareholders' equity	15.4	14.9	19.4	15.2	16.7
Debt to equity ratio	20.7	16.0	20.3	17.8	14.5

* 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.

performance review >
5-YEAR GROUP FINANCIAL HIGHLIGHTS

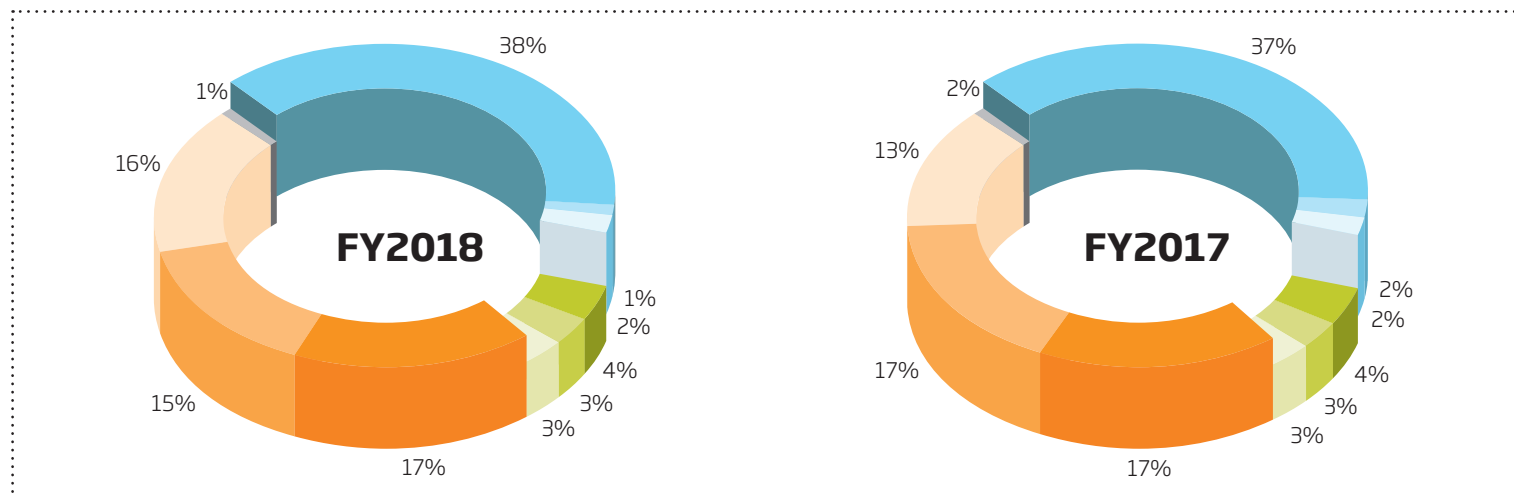


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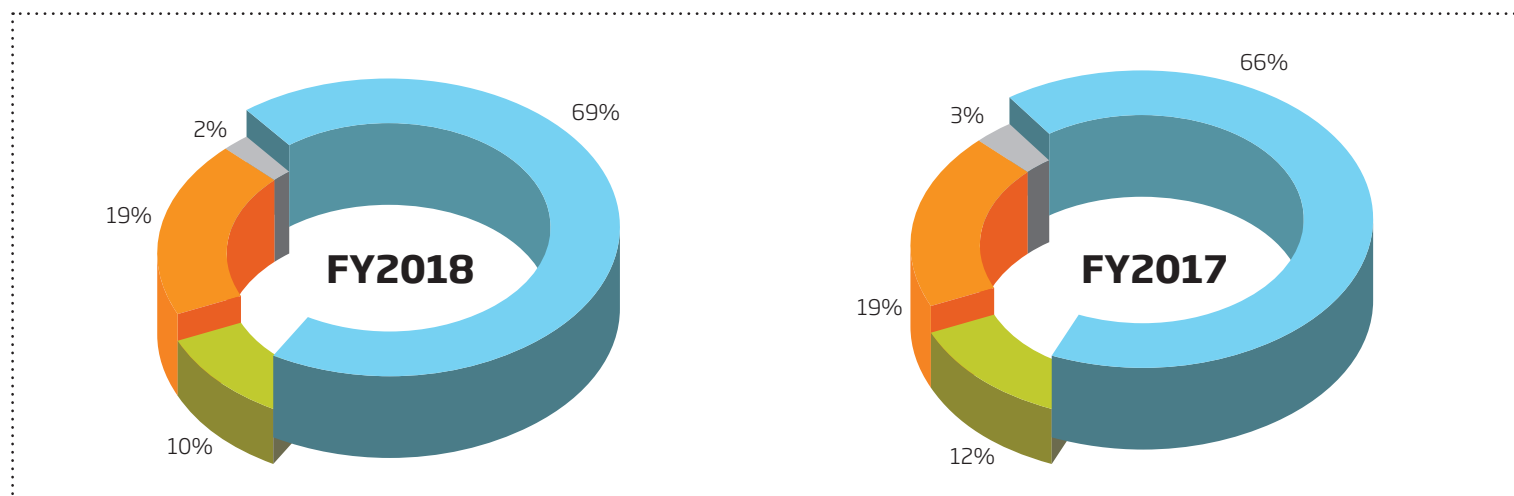
performance review > SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS



- Property, plant and equipment
- Investment properties
- Properties held for development
- Intangible assets
- Investment in an associate
- Investment in a joint venture
- Trade and other receivables
- Inventories
- Cash and cash equivalents
- Other assets ¹

TOTAL EQUITY AND LIABILITIES



- Total equity
- Loan and borrowings
- Trade and other payables
- Other liabilities ²

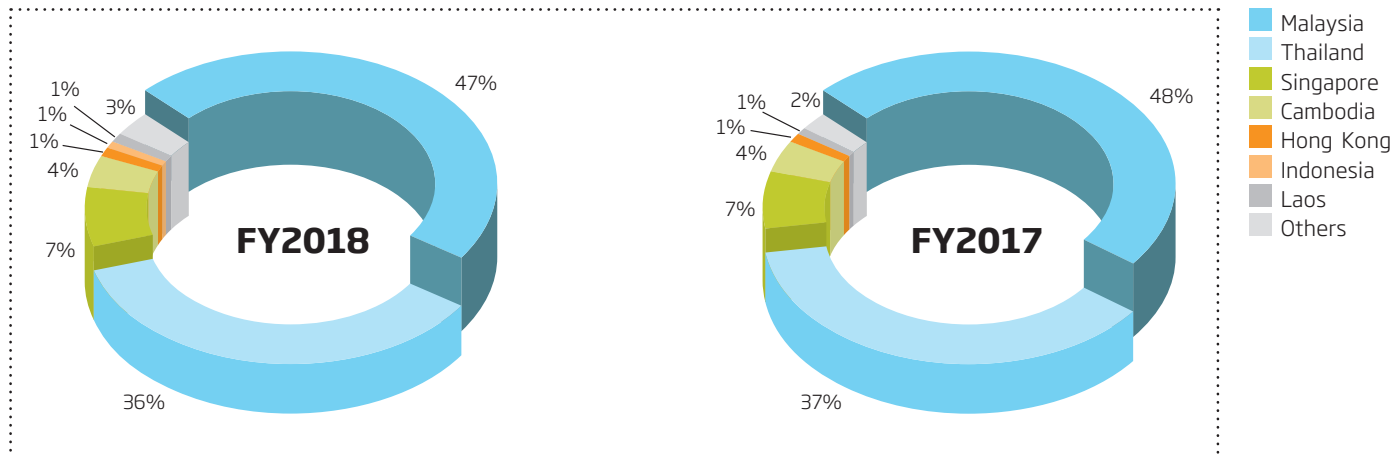
Notes:

1 : Comprise deferred tax assets, current tax assets and derivative financial assets.

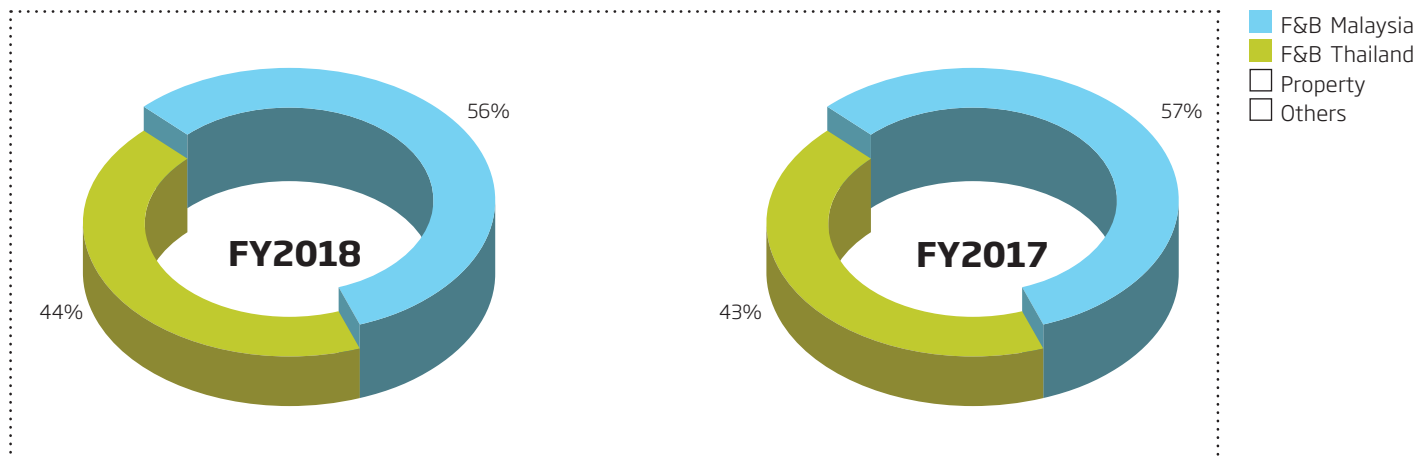
2 : Comprise employee benefits, deferred tax liabilities, provisions, current tax liabilities and derivative financial liabilities.

performance review >
GROUP SEGMENTAL ANALYSIS

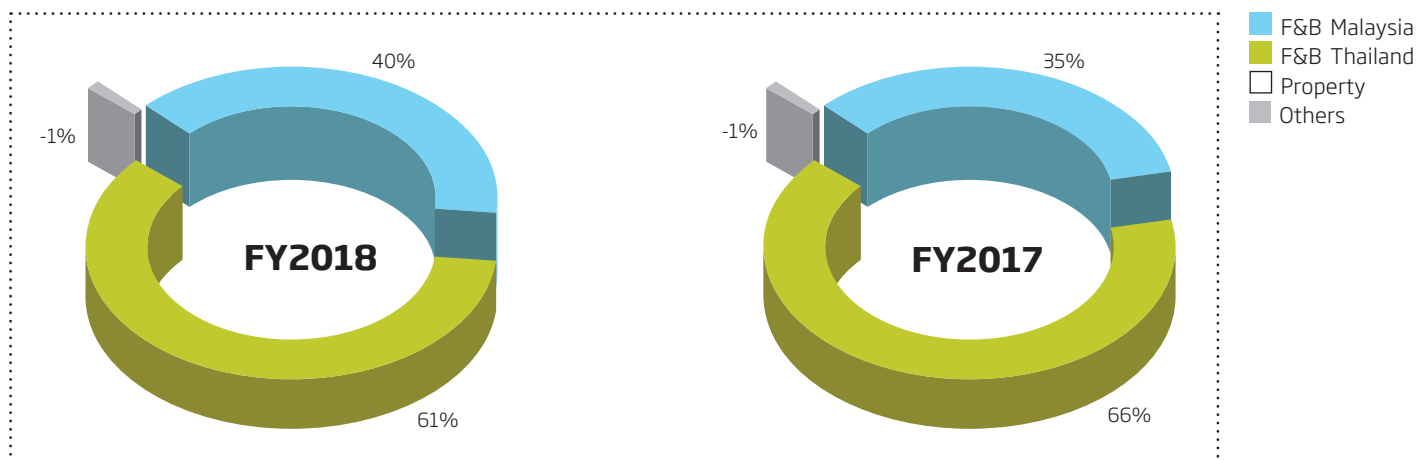
REVENUE - BY GEOGRAPHICAL SEGMENTS



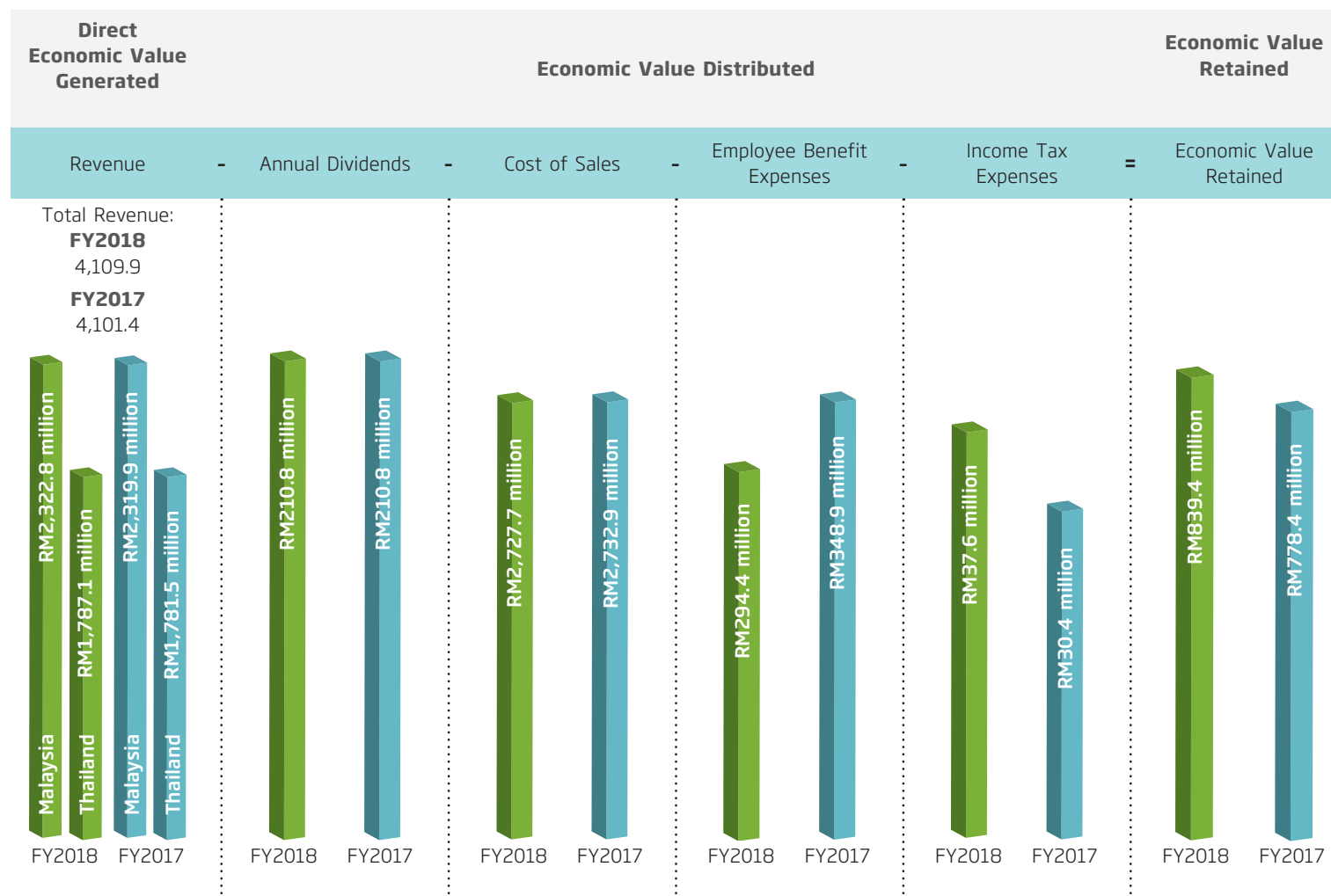
REVENUE - BY BUSINESS SEGMENTS



OPERATING PROFIT - BY BUSINESS SEGMENTS



performance review > STATEMENT OF VALUE ADDED



Notes:

1. Employee benefit expenses comprise wages, salaries, contributions to state plans, expenses/(income) related to defined benefit plans, share-based payment expense, one-off restructuring costs and other staff costs.
2. Economic value retained is calculated by direct economic value generated (revenue) - economic value distributed (annual dividends, cost of sales, employee benefit expenses and income tax expenses). Community investments are not included.

performance review >

GROUP QUARTERLY FINANCIAL PERFORMANCE

	Q1 RM'000	Q2 RM'000	Q3 RM'000	Q4 RM'000	FY2018 RM'000
Revenue	1,068,930	1,014,542	1,029,747	996,640	4,109,859
Operating profit	114,861	99,860	106,838	98,681	420,240
Profit before tax	115,132	100,911	107,037	99,649	422,729
Profit for the year	106,825	92,556	104,485	81,230	385,096
Basic earnings per ordinary share (sen)	29.2	25.3	28.5	22.2	104.9

	Q1 RM'000	Q2 RM'000	Q3 RM'000	Q4 RM'000	FY2017 RM'000
Revenue	1,091,083	992,739	1,041,277	976,275	4,101,374
Operating profit	141,949	112,513	71,299	19,305	345,066
Profit before tax	144,007	116,788	73,528	19,390	353,713
Profit for the year	127,275	107,073	69,364	19,635	323,347
Basic earnings per ordinary share (sen)	34.8	29.2	18.9	5.4	88.3

performance review >
FINANCIAL CALENDAR



24 January 2018

56th Annual General Meeting

29 January 2018

Date of entitlement of a final single tier dividend of 30.5 sen per share for the financial year ended 30 September 2017

6 February 2018

Quarterly announcement on consolidated results for the financial period ended 31 December 2017

9 February 2018

Date of payment of a final single tier dividend of 30.5 sen per share for the financial year ended 30 September 2017

3 May 2018

Quarterly announcement on consolidated results for the financial period ended 31 March 2018

18 May 2018

Date of entitlement of an interim single tier dividend of 27 sen per share for the financial year ended 30 September 2018

7 June 2018

Date of payment of an interim single tier dividend of 27 sen per share for the financial year ended 30 September 2018

2 August 2018

Quarterly announcement on consolidated results for the financial period ended 30 June 2018

8 November 2018

Quarterly announcement on consolidated results for the financial year ended 30 September 2018

21 December 2018

Announcements on notice of the 57th Annual General Meeting and notice of the proposed payment of a final single tier dividend of 30.5 sen per share for the financial year ended 30 September 2018

24 December 2018

Issuance of Annual Report for the financial year ended 30 September 2018, share Buy-Back Statement and Circular to Shareholders

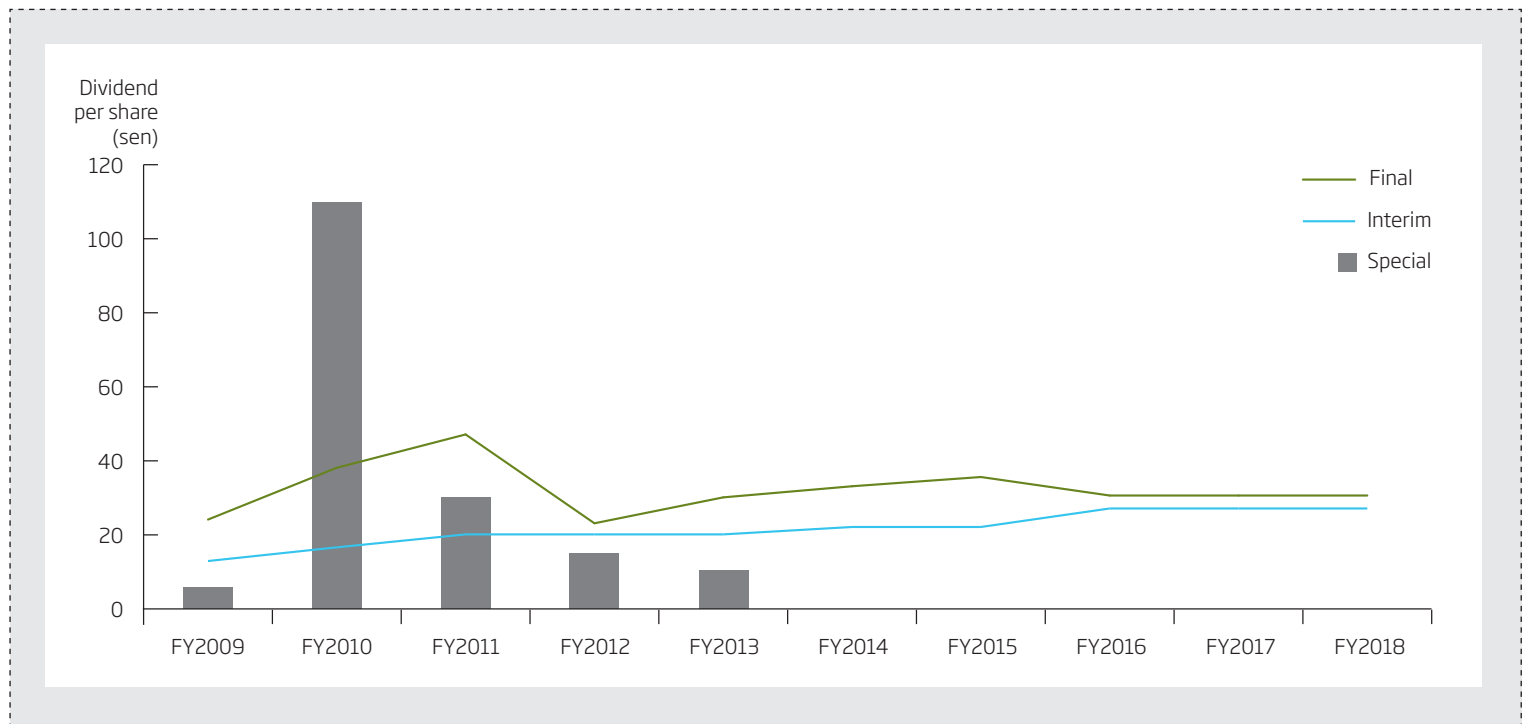
23 January 2019

57th Annual General Meeting



Share Capital RM816.8 million	No. of Shareholders 5,200	Total No. of Issued Shares 366,778,501	Substantial Shareholders Fraser and Neave, Limited Employees Provident Fund Board 67.944%
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SHAREHOLDER RETURNS (FY2009-FY2018)



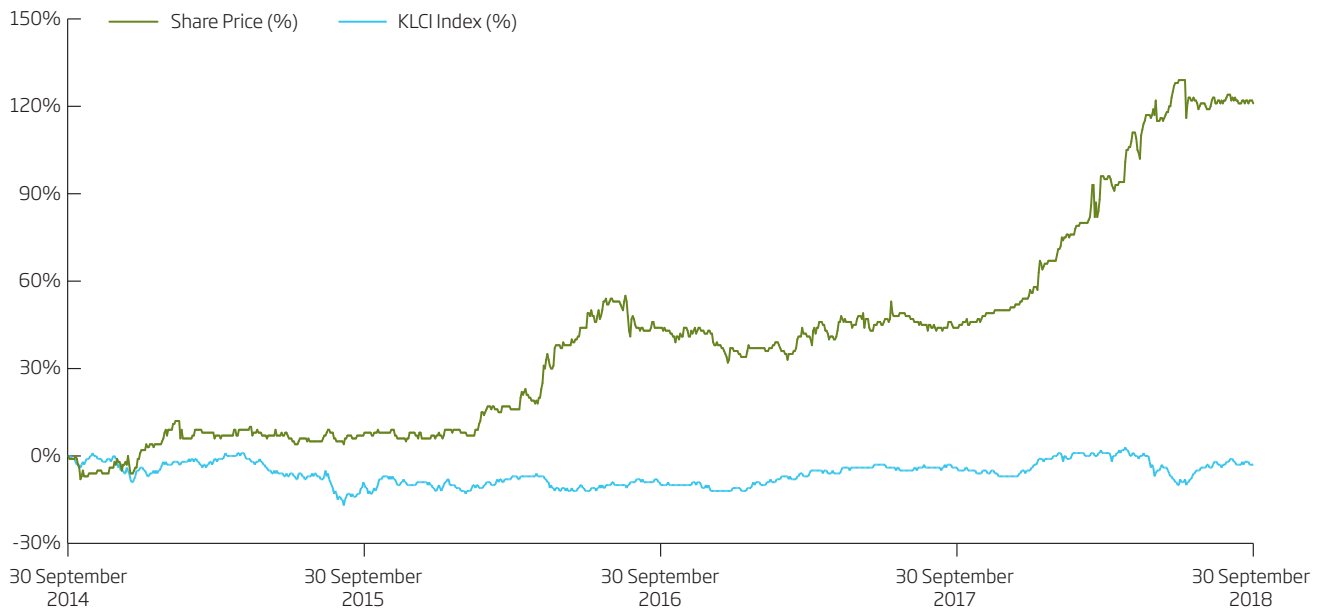
OUR INVESTOR PORTAL

We communicate with our shareholders and general public via our corporate website, www.fn.com.my/investors/. This website is also a platform where we share our annual reports, financial results, financial briefing presentation decks, press releases and disclosures to Bursa Malaysia.

OUR INVESTOR CALENDAR	
24 January 2018	56 th Annual General Meeting
4 May 2018	Half Year Financial Results Briefing
14 August 2018	Investor Open Day
12 November 2018	Full Year Financial Results Briefing
23 January 2019	57 th Annual General Meeting

performance review > SHARE PRICE CHART

Fraser & Neave Holdings Bhd's Share Price and Bursa Malaysia's Composite Index



Fraser & Neave Holdings Bhd's Share Price and Volume Traded



performance review >
SHAREHOLDINGS STATISTICS
as at 30 November 2018

Total number of issued shares : 366,778,501
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	
		%		%
Less than 100	503	9.673	6,247	0.001
100 to 1,000 shares	2,255	43.365	1,347,681	0.367
1,001 to 10,000 shares	1,745	33.557	6,604,839	1.800
10,001 to 100,000 shares	553	10.634	17,479,699	4.765
100,001 to less than 5% of issued shares	142	2.730	93,331,695	25.446
5% and above of issued shares	2	0.038	248,008,340	67.618
	5,200	100.000	366,778,501	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	0.562	-	-
2. Faridah binti Abdul Kadir	4,000	0.001	-	-

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 Voting Shares Held	%
1 Fraser and Neave, Limited	203,470,910	55.475	-	-
2 InterBev Investment Limited	-	-	203,470,910	55.475 *
3 International Beverage Holdings Limited	-	-	203,470,910	55.475 *
4 Thai Beverage Public Company Limited	-	-	203,470,910	55.475 *
5 Maxtop Management Corp.	-	-	203,470,910	55.475 *
6 Siriwana Company Limited	-	-	203,470,910	55.475 *
7 MM Group Limited	-	-	203,470,910	55.475 *
8 Shiny Treasure Holdings Limited	-	-	203,470,910	55.475 *
9 Tan Sri Charoen Sirivadhanabhakdi	-	-	203,470,910	55.475 *
10 Puan Sri Wanna Sirivadhanabhakdi	-	-	203,470,910	55.475 *
11 TCC Assets Limited	-	-	203,470,910	55.475 *
12 Employees Provident Fund Board	45,734,630	12.469	-	-
	249,205,540	67.944		

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

performance review >
SHAREHOLDINGS STATISTICS
 as at 30 November 2018

No.	Name of Shareholders	Shareholdings	% of Voting Shares
1.	Fraser and Neave, Limited	203,470,910	55.475
2.	Citigroup Nominees (Tempatan) Sdn Bhd - <i>Employees Provident Fund Board</i>	44,537,430	12.142
3.	Amanahraya Trustees Berhad - <i>Amanah Saham Bumiputera</i>	9,494,500	2.588
4.	Kumpulan Wang Persaraan (Diperbadankan)	8,638,200	2.355
5.	Malaysia Nominees (Tempatan) Sendirian Berhad - <i>Great Eastern Life Assurance (Malaysia) Berhad</i>	7,912,800	2.157
6.	Maybank Nominees (Tempatan) Sdn Bhd - <i>Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)</i>	6,531,600	1.780
7.	Amanahraya Trustees Berhad - <i>Amanah Saham Malaysia 2 - Wawasan</i>	4,000,000	1.090
8.	Amanahraya Trustees Berhad - <i>Amanah Saham Bumiputera 2</i>	2,880,000	0.785
9.	Cartaban Nominees (Asing) Sdn Bhd - <i>Exempt An for State Street Bank & Trust Company (West CLT OD67)</i>	2,536,200	0.691
10.	Amanahraya Trustees Berhad - <i>Amanah Saham Malaysia</i>	2,401,900	0.654
11.	Amanahraya Trustees Berhad - <i>Public Ittikal Sequel Fund</i>	2,098,400	0.572
12.	Amanahraya Trustees Berhad - <i>Public Islamic Select Enterprises Fund</i>	2,041,700	0.556
13.	Amanahraya Trustees Berhad - <i>Public Islamic Equity Fund</i>	1,862,100	0.507
14.	Amanahraya Trustees Berhad - <i>Public Islamic Dividend Fund</i>	1,802,100	0.491
15.	Cimsec Nominees (Tempatan) Sdn Bhd - <i>CIMB Bank for Syed Badarudin Jamalullail (PBCL-OG0077)</i>	1,700,000	0.463
16.	Citigroup Nominees (Asing) Sdn Bhd - <i>Exempt An for Citibank New York (Norges Bank 9)</i>	1,671,345	0.455
17.	HSBC Nominees (Asing) Sdn Bhd - <i>JPMCB Na for Vanguard Total International Stock Index Fund</i>	1,599,975	0.436
18.	Permodalan Nasional Berhad	1,500,000	0.408
19.	Cartaban Nominees (Tempatan) Sdn Bhd - <i>PAMB for Prulink Equity Fund</i>	1,095,600	0.298
20.	Malaysia Nominees (Tempatan) Sendirian Berhad - <i>Great Eastern Life Assurance (Malaysia) Berhad (Par 3)</i>	948,100	0.258
21.	HSBC Nominees (Asing) Sdn Bhd - <i>JPMCB Na for Vanguard Emerging Markets Stock Index Fund</i>	827,800	0.225
22.	Citigroup Nominees (Tempatan) Sdn Bhd - <i>Employees Provident Fund Board (Affin-HWG)</i>	777,800	0.212

No.	Name of Shareholders	Shareholdings	% of Voting Shares
23.	HSBC Nominees (Asing) Sdn Bhd - JPMCB Na for MSCI Equity Index Fund B - Malaysia	716,700	0.195
24.	DB (Malaysia) Nominee (Asing) Sdn Bhd - BNYM SA/NV for People's Bank of China (SICL Asia EM)	666,800	0.181
25.	Amanahraya Trustees Berhad - Public Dividend Select Fund	615,100	0.167
26.	Maybank Nominees (Tempatan) Sdn Bhd - MTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-Dali) (419455)	607,000	0.165
27.	DB (Malaysia) Nominee (Asing) Sdn Bhd - SSBT Fund SCV6 for Omers Administration Corporation	603,400	0.164
28.	Key Development Sdn. Berhad	600,000	0.163
29.	Maybank Nominees (Tempatan) Sdn Bhd - National Trust Fund (IFM Maybank)	600,000	0.163
30.	CIMB Commerce Trustee Berhad - Public Focus Select Fund	572,200	0.156
Total		315,309,660	85.967





Enjoyment



Food & Beverages Malaysia

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During the year, we also captured cost synergies from the transformation programme that we undertook in 2015 and the route-to-market harmonisation exercise last year.

2018 marked an unprecedented year of change in the political and policy environment in Malaysia. Notwithstanding, we focused on consumer-centric product innovation and introduced healthier options like 100PLUS Reduced Sugar as well as adding 100PLUS Active powder and F&N ICE MOUNTAIN Drinking Water to our portfolio.

Our determined efforts to contain costs amid a market landscape that posed short-term challenges to significantly grow consumer consumption, led to positive net performance for Food & Beverages Malaysia (F&B Malaysia) and the Group. During the year, we also captured cost synergies from the transformation programme that we undertook in 2015 and the route-to-market harmonisation exercise last year.

Improved trade execution helped us solidify our market leading positions in Malaysia for the respective categories (in both value share and volume share) - Carbonated Soft Drinks (100PLUS) ⁽¹⁾, Ready-to-Drink Tea ⁽²⁾ (OYOSHI and F&N SEASONS Tea) and Sweetened Condensed and Evaporated Milk ⁽³⁾ (F&N). We have also continued the momentum in our export business which continued to grow by double-digit rate in FY2018.

Throughout the year, we continued our support towards various programmes and collaborations that celebrate local athletes and sports development, which includes Sukan Malaysia (SUKMA XIX), 100PLUS Liga Premier for Football, Badminton Association Malaysia (BAM) and the National Sports Council of Malaysia. We are also proud to be the official beverage partner for the Kuala Lumpur Sports City (KLCS) as well as more than 1,000 sporting events in Malaysia this year. Read more about our support towards sports development in our Sustainability Report under 'Creating Value for Society' section.

As part of our capacity and capability expansion, the new Cold-Aseptic Filling Polyethylene Terephthalate (PET) line at our Shah Alam plant has begun to produce 100PLUS ACTIVE, OYOSHI and F&N SEASONS range of products. The commissioning of the new line will further accelerate our expansion into new product offerings in the near future.

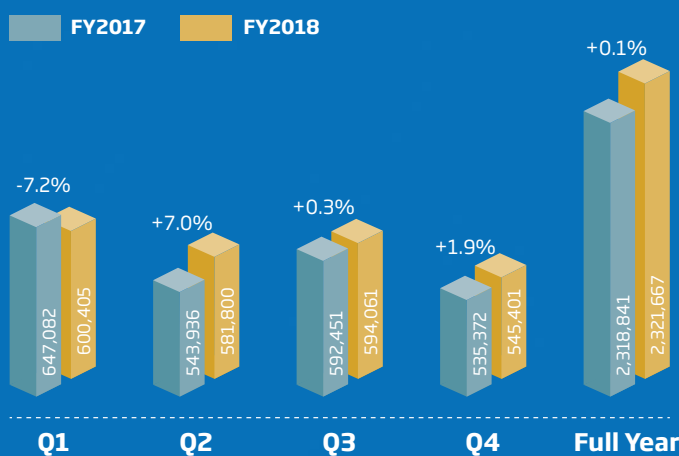
OUR FINANCIAL PERFORMANCE

Despite operating in a market that experienced tax regime changes and cautious consumer sentiment, F&B Malaysia recorded a marginally higher revenue at RM2,321.7 million for the financial year ended 30 September 2018, up by 0.1 percent from last year.

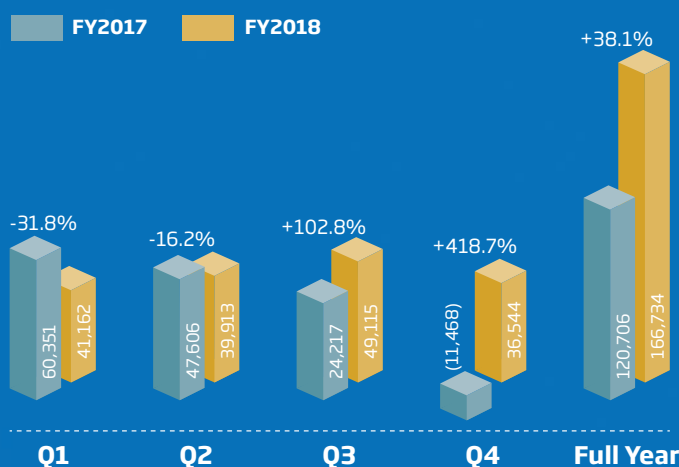
After being affected by floods that hit Peninsular Malaysia and Sabah in the 1st quarter of the financial year, F&B Malaysia registered improved revenue for three consecutive quarters, signaling regained stability post-reorganisation.

Operating profit for F&B Malaysia increased by 38.1 per cent to RM166.7 million from RM120.7 million last year. The profit performance is attributed to positive effect of cost initiatives, favourable input cost for sugar, net favourable foreign currency impact from Ringgit Malaysia/US Dollar movements and lower restructuring costs incurred compared to last year, which was offset by higher costs for other dairy-based inputs, packaging costs and higher marketing spend. Excluding restructuring costs and other one-off items, operating profit of F&B Malaysia eased by 4.5 per cent.

REVENUE (RM'000)



OPERATING PROFIT (RM'000)



business review >
FOOD & BEVERAGES MALAYSIA

M A R K E T I N G H I G H L I G H T S

100PLUS

REDUCED SUGAR

▶ **100PLUS Reduced Sugar** with only 4 grams of sugar per 100ml and no added artificial sweetener is the lowest sugar carbonated drink isotonic drink in the market. The favourable response by consumers has bolstered our confidence to introduce more healthier formulations of our key brands. The product also carries the Healthier Choice Logo by Malaysia Ministry of Health (MOH).



100PLUS
ACTIVE POWDER

100PLUS Active Powder was launched this year to provide convenience and easy access to Malaysia's favourite isotonic drink for people on the move. The new product is packed in a slim sachet so that it can be poured into a water bottle easily to match their active lifestyle. Simply add 230ml of water to one 100PLUS Active Powder and our consumers are ready to stay hydrated.



100PLUS
FULL RANGE

100PLUS full range which includes 100PLUS REGULAR, 100PLUS LEMON LIME, 100PLUS BERRY, 100PLUS ORANGE, 100PLUS ACTIVE, 100PLUS REDUCED SUGAR and the new 100PLUS BLACKCURRANT now carry the Healthier Choice Logo by Malaysia Ministry of Health (MOH), with a reformulated and improved recipe as part of the Group's initiative in providing more healthier options.



F&N ORANGE CRUSH (limited-edition)

In 2018, we revived the taste of the age-old "Kam Sui" (orange water in Cantonese), which was a popular name for F&N Orange Crush, a must-serve drink during the Chinese New Year Celebrations.

Our customers experienced the nostalgia as they revelled in the taste of our **limited-edition F&N Orange Crush** that was launched in conjunction with Chinese New Year 2018.

F&N SEASONS

During the year, **F&N SEASONS** was re-introduced with improved taste and brand-new look for its range of tea drinks that comes in a trendier, slimmer bottle. Produced with F&N's new cold-aseptic filling PET line technology for optimised taste and ultimate freshness, F&N SEASONS Tea reinforced its proposition as a preservative-free, healthier and flavourful refreshment with antioxidants.



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OYOSHI

Last year, OISHI was renamed **OYOSHI** to reflect its evolution from being just delicious (or "OISHI" in Japanese) to a taste that is "beyond delicious" (or "oyoshi" in Japanese). Now produced with the new F&N state-of-the-art cold-aseptic filling PET line technology, the unique blend tastes fresher and better defined, providing the brand with even more competitive differentiation.

F&N ICE MOUNTAIN DRINKING WATER



The Group has expanded its product portfolio with the new **F&N ICE MOUNTAIN Drinking Water**, produced at the newly installed water line at the Shah Alam plant. Every drop of F&N ICE MOUNTAIN Drinking Water undergoes a world-class six-tier purification process which consists of a three-tier filtration (Ultra, Activated Carbon and Cartridge), followed by Ultraviolet Treatment, Reverse Osmosis and Ultra Shield process. To preserve the water purity, each bottle and cap goes through five decontamination steps using ionised air, vacuum and ultraviolet light during the filling and sealing stages to produce the ultimate clean drinking water.

business review >
FOOD & BEVERAGES MALAYSIA

M A R K E T I N G H I G H L I G H T S



Pelangi Cinta 100PLUS

100PLUS collaborated with Media Prima to produce a micro drama entitled "Pelangi Cinta 100PLUS", which features 100PLUS ambassadors and Malaysian artists such as Mira Filzah, Hairul Azreen, Shafiq Kyle, Shukri Yahaya and Aiman Hakim Ridza. The show was well-received and is rated as Media Prima's Top 5 TV Programme

AFF Suzuki

100PLUS was the official regional supporter of Southeast Asia's most prestigious football tournament, AFF Suzuki Cup 2018, held from November 8 - December 15.



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135th anniversary consumer campaign

As we celebrated F&N's 135th Anniversary, we took pride in our evolution into a leading conglomerate with strong brands that have touched and enriched lives for generations. In keeping with our theme, "sharing our heritage", we rolled-out a series of customer promotions, contests and activities from October - November 2018 to share the joy of our continuing journey and success with them. One of the main highlights during the promotional period was an attractive contest where consumers were presented an opportunity to win prizes worth up to RM1,350,000, including a grand prize of 1.35kg 916 gold that is worth RM300,000.



'Hang Masuk Hang Menang' campaign

As an extension from last year's F&N Hang Tarik, launched during the Raya festive season, F&N Hang Masuk Hang Menang - a two-month long contest was launched where our consumers participated to win cash prizes of more than RM50,000 and other attractive prizes. Grand prize winner, Encik Zaiful Syawwari bin Zakaria walked away with cash of RM26,680.



Carnation 'Kitchen Secrets'

CARNATION® has always been committed to consistently share "Kitchen Secrets" through the power of co-creation, and this year was no exception as Celebrity and CARNATION® Brand Ambassador Siow Hui Mei uncovered inspiring stories and gourmet made easy recipes through a brand-new collaboration with CARNATION® Go Gourmet. Held at TESCO Mutiara Damansara, CARNATION® Go Gourmet Cooking Showcase also saw celebrity Siow Hui Mei taking the lead with an exclusive cooking showcase and sharing a session with specially invited guests featured in CARNATION® Go Gourmet Minisodes with Siow Hui Mei, and fans and members of the media in attendance.

OUR JOURNEY AHEAD

The overall market for F&B Malaysia is likely to remain difficult. We expect competitive pricing pressures, volatile foreign currency movements and unpredictable commodity prices will continue in 2019. We will prioritise the extraction of synergies from our transformation programme and increase efforts in expanding our global reach for our export market.

Innovation and reinvention will be at the forefront of the business, to ensure that we constantly meet our customers' expectation for more affordable, tastier and healthier products. We will fast-track our R&D to formulate and introduce more healthier options in FY2019. We will also closely monitor the impact and take timely actions on the imposition of excise duty on ready-to-drink beverages that contain sugar exceeding 5 grams per 100 millilitres as announced during Budget 2019.

Innovation and reinvention will be at the forefront of the business, to ensure that we constantly meet our customers' expectation for more affordable, tastier and healthier products.

AWARDS/CERTIFICATIONS:

Marketplace

- Malaysia Enterprise Innovation Award 2018 from Asia IoT Business Platform (F&NHB)
- Brand Laureate World Halal Best Brands 2018 - Best Brands in FMCG - Dairy Products from The Brand Laureate (F&NHB)
- QUDAL - Quality Medal 2018/2019 - Soft Drink by ICERTIAS - Internal Certification Association (F&NHB)
- Putra Brand Awards 2018 - Gold, Beverage - Non-alcoholic by the Association of Accredited Advertising Agents Malaysia (4As) (100PLUS)

- Selangor Excellence Business Awards 2017 - Emerging E-Commerce Marketplace from Selangor Malay Chamber of Commerce (FNBM)

Workplace

- Malaysia Best Employer Brand Awards 2018 from Employer Branding Institute (F&NHB)
- Graduates' Choice Award 2018 - Top 5 Best Employer Brands in FMCG (F&NHB)
- Human Resources HR Excellence Awards - Bronze in Excellence in HR Innovation from Human Resources Magazine (F&NHB)

- OSH Gold Class II Award from The Malaysia Society for Occupational Safety and Health (F&NHB)

Environment

- Prime Minister's Hibiscus Award Exceptional Performance (FNMD)

FOOTNOTE:

- (1) No. 1 in Total Malaysia in Carbonated Soft Drink category
 * Based on Retail Index Service for Carbonated Soft Drink category for the 12 months ending September 2018 Malaysia (Copyright © 2018, The Nielsen Company (M) Sdn Bhd)
- (2) No. 1 in Malaysia RTD Tea segment within Asian Drinks category
 * Based on Retail Index Service for Asian Drinks category for the 12 months ending July 2018 in Total Malaysia (Copyright © 2018, The Nielsen Company (M) Sdn Bhd)
- (3) No. 1 in Total Malaysia in Sweet Condensed Milk category
 * Based on Retail Index Service for Sweet Condensed Milk category for the 12 months ending September 2018 Malaysia (Copyright © 2018, The Nielsen Company (M) Sdn Bhd)

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Despite the tough environment, F&B Thailand delivered a marginally higher revenue for the financial year ended 30 September 2018, with significant sales growth of over 21 per cent in Indochina. This achievement can be attributed to effective trade and marketing execution by our local teams.

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Food & Beverages Thailand



This year provided its fair share of challenges to Food & Beverages Thailand's (F&B Thailand) business and operations. Firstly, the Thai Government released a new regulation that imposed tax on sugar products, which has had some impact on sales and margin. This was exacerbated by an overall market contraction, prolonged soft consumer sentiment and intensive competitive pricing of me-too products.

Despite the tough environment, F&B Thailand recorded a marginally higher revenue for the financial year ended 30 September 2018, with significant sales growth of over 20 per cent in Indochina. This achievement can be attributed to effective trade and marketing execution by our local teams.

On the product side, we have been able to tap new potential of in-home consumption through our innovative TEAPOT squeeze, which was first released in 2016. This year, the product was relaunched to introduce a wider range of flavours, which now include fresh milk, chocolate and strawberry. This has not only gained a favourable market response but has helped regain lapsed users in the condensed milk category. Besides, our consistent efforts to build strong brand awareness and visibility through our creative merchandising and display strategies, in synergy with ThaiBev, augured well for our brands.

This financial year, we sustained growth and maintained our market leadership in the total condensed milk market in both value and volume share *. This has been achieved through successful introduction of new products and packaging formats, supported by effective branding and consumer trade campaigns, despite the loss of UHT milk revenue due to inventory shortage resulting from a co-manufacturer's plant that was damaged by fire in November 2017.

We take pride in developing strong relationships with the hawkers and this has effectively increased F&N branded hawker coverage in Thailand, from a thousand units in 2008 over 40,000 units nationwide this year. The hawkers also help with the upkeep of our branding, as we support them with decorations and merchandises for their business.

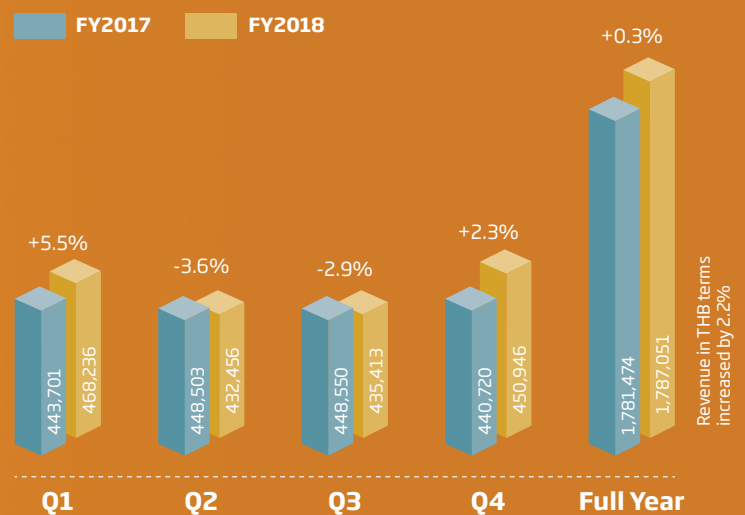
This year also saw the successful launch of the TEAPOT Squeeze in both Cambodia and Laos. This has helped solidify us as the region's market leader in dairy products, with TEAPOT and Carnation Plus picked as the number one brand of Sweetened Condensed Milk and Evaporated Milk respectively. We also expanded our TEAPOT-branded hawker coverage to over 12,800 hawkers across Cambodia and Laos.

OUR FINANCIAL PERFORMANCE

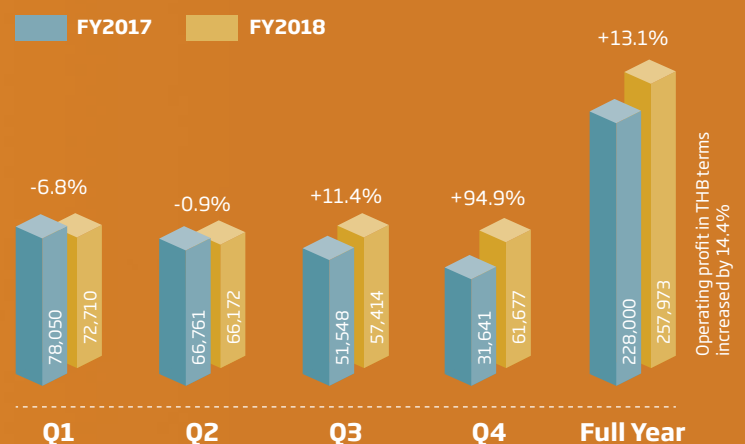
Revenue for F&B Thailand grew by 2.2 per cent in Thai Baht terms but gained marginally by 0.3 per cent to RM1,787.1 million from RM1,781.5 million due to the strengthening of the Ringgit strengthening against Thai Baht.

F&B Thailand's operating profit rose 13.1 per cent to RM258.0 million for the financial year ended 30 September 2018, compared to RM228.0 million in the same period last year on the back of higher export revenue; favourable input costs; lower overheads from cost initiatives. The gains were partly offset by higher marketing spend for brand building activities and new product launches during the year.

REVENUE (RM'000)



OPERATING PROFIT (RM'000)



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FOOD & BEVERAGES THAILAND

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MARKETING HIGHLIGHTS

Carnation continued to reinforce its position as the ‘superior solution’ in food and beverage preparation with its range of Sweetened Condensed and Evaporated Milk with the launch of Carnation PLUS for in-home consumption.

Carnation PLUS is made from New Zealand milk and contains the highest percentage of milk powder in the Sweetened Condensed Milk market. The product effectively reached consumers through TV commercial, online marketing, nationwide sampling and cross promotion.

Carnation Evaporated milk in a new smaller pack size of 140ml was introduced to cater to consumers who prefer to use Carnation Evaporated Milk as a “cholesterol free” and healthier choice in their home cooking. The strong marketing campaign to drive trial for in-home consumption resulted in maintaining Carnation’s dominant market share in Evaporated Milk category above 60 per cent.



The launched of **TEAPOT** Sweetened Condensed Milk Squeezable Tube in 2016, reaffirmed F&N Dairies Thailand as the brand leader and innovator of the condensed milk in tube category. This year, we launched the first ever condensed milk with Fresh milk formula in Thailand, that also comes in chocolate and strawberry flavour.

To create further excitement with this innovative product, the launch campaign featured, "Yaya" Urassaya Sperbund as TEAPOT Squeezable Tube's latest ambassador who introduced special dessert and drink creations using the product. This was complemented by sampling and in-store promotion which successfully increase total market share of TEAPOT to 18 per cent.

OUR JOURNEY AHEAD

The overall domestic market for Thailand remains challenging as F&B Thailand is expected to commence paying corporate taxes next year after the utilisation of the carried forward losses from non-promoted businesses. Nonetheless, we will continue to build our capacity and capability, and sharpen our competitiveness with brand building, expansion of our distribution network to increase the reach of our products, and further expand our network of loyal hawkers.

In terms of distribution, we plan on expanding our coverage to as many channels as possible. We will also synergise with ThaiBev to expand our distribution in the F&B retail channel.

F&N Magnolia Barista Milk

was first launched exclusively for Starbucks in 2015. To cater to the growing market of cafes in Thailand, F&N Magnolia Barista Milk was made available in 128 branches of Makro nationwide. As a trusted brand to provide good quality F&B products, we believe that Magnolia Barista Milk has the potential to grow and expand to include a wide range of customers.



AWARDS/CERTIFICATIONS:

Marketplace

- FDA Quality Award 2018 from Thailand Food & Drug Administration for 6 consecutive years (FNDDT)
- Thailand Quality Prize 2018 by Technology Promotion Association (Thailand-Japan) (FNDDT)

Workplace

- Excellent Establishment of Labour Relation and Welfare 2018 from Thailand Ministry of Labour for 6 consecutive years (FNDDT)

Environment

- Thailand Kaizen Award 2018 from Technology Promotion Association (Thailand-Japan) (FNDDT)
- CSR-DIW Continuous Award 2018 from Thailand Ministry of Industry (FNDDT)
- Green Industrial Level 4: Green Culture from Thailand Ministry of Industry (FNDDT)

FOOTNOTE:

* F&N Dairies (Thailand) Limited ranked first as a manufacturer in both value share and volume share in total Condensed Milk Market since 1 August 2016 to 31 July 2018.

The Nielsen retail index report covers Supermarkets, Hypermarkets, Convenience Stores and Traditional Trades.



Goodness



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Fraser & Neave Holdings Bhd (“F&NHB” or “Company”) recognises the importance of strong corporate governance, and has in place sound policies, business practices and internal controls to help safeguard its assets and shareholders’ interests while building a sustainable business. The Company is guided by the principles of the Malaysian Code on Corporate Governance (“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 provides an overview of the Company’s corporate governance practices throughout the financial year ended 30 September 2018 (“Financial Year 2018”) and is to be read together with the Corporate Governance Report 2018 (“CG Report”), which is available for reference on the Company’s website at www.fn.com.my. The CG Report describes how the Company has applied each practice of the CG Code, any departure thereof and alternative measures taken, where applicable during the financial year under review.

<p>PRINCIPLE A</p> <p>Board Leadership and Effectiveness</p> <p>(refer to details of Principle A on pages 84-91)</p>	<p>PRINCIPLE B</p> <p>Effective Audit and Risk Management</p> <p>(refer to details of Principle B on pages 92-93)</p>	<p>PRINCIPLE C</p> <p>Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders</p> <p>(refer to details of Principle C on page 93)</p>
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PRINCIPLE
A
BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

1. Board Duties and Responsibilities

The Board provides entrepreneurial leadership, sets strategic directions and oversees the business affairs of the Group and management effectiveness. 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 Chief Executive Officer (“CEO”), the Non-Executive Directors and the Senior Independent Director. The Board Charter is available for reference on the Company’s website.

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 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 conducts regular review of the Charter and COAs to ensure they remain consistent with the Board’s objectives and in line with the applicable rules, laws and regulations.

2. Board Committees

The Board has established six Board Committees namely:



all of which operate within their respective TORs, which are available for reference on the Company’s website.

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.

3. Chairman and CEO

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**
Chairman

The Chairman of the Board 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.

The CEO 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 Board's strategic plans, instructions and directions.

**Mr. Lim
Yew Hoe**
Chief Executive
Officer

4. Company Secretary

The Board is supported by a Company Secretary who has legal qualification and is qualified to act as company secretary under the Companies Act, 2016. The Company Secretary advises the Board on updates relating to new statutory and regulatory requirements of the relevant acts, rules and regulations. Besides, he also facilitates compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the relevant acts and regulations, promotes high standards of corporate governance, facilitates communication between the Board and management and act as secretary to the Board Committees and the Company's subsidiaries.

The Company Secretary organises and attends 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.

On 5 December 2018, Mr. Timothy Ooi Aik Tuan was appointed as the Company Secretary in place of Ms. Mayeen Wong May Fun who resigned on her own accord.

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.

6. 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's 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.

7. 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.

The Board had on 3 May 2018 approved the reassignment of EXCO's duty on the Company's sustainability agenda to the SRMCom. The SRMCom provides oversight and approves strategic initiatives and policies for the sustainability agenda



CORPORATE GOVERNANCE OVERVIEW STATEMENT

of the Company and reports to the Board regularly. The SRMCom, at its quarterly meetings, receives regular updates on the Group's sustainability agenda.

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

II. BOARD COMPOSITION

1. Board Composition

The Company's Articles of Association provides for the Board to compose of a maximum of eleven Directors. Following the appointment of Y.Bhg. Datuk Kamaruddin bin Taib as an Independent Non-Executive Director on 8 November 2018, the present Board comprises eleven Non-Executive Directors whose varied skills and vast experience are relevant to the business operations of the Group.

Puan Aida binti Md Daud, previously a Non-Independent Non-Executive Director and a nominee director of Permodalan Nasional Berhad ("PNB"), was re-designated as an Independent Non-Executive Director effective from 10 December 2018 following her cessation as a nominee director of PNB. Subsequent to her cessation as a nominee director of PNB, Puan Aida continues to serve on the Board in her personal capacity as an Independent Non-Executive Director.

The mix of Directors on the current Board is broadly balanced to reflect the interests of the controlling shareholder and minority shareholders. Of the eleven Directors, six are Independent Directors; and five are Non-Independent Directors including four nominees of the controlling shareholder, Fraser and Neave, Limited. On 24 January 2018, the Board re-designated the Chairman of the Company, who had served as an Independent Director for more than nine years, as a Non-Independent Director.

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.

2. Independence of 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 2018, 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.

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 cognisance 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. Board Diversity

The Board acknowledges the importance of Board diversity to the effective functioning of the Board. The Board has adopted a Board Diversity Policy, which is available on the Company's website.

Differences in thought, perspective, knowledge, skills, regional and industry experience, cultural and geographical background, age, ethnicity, race and gender will be considered in determining the optimum Board composition.

A Board Skills Matrix has been used as reference for the Directors' improvement and succession planning. The Board as a whole possesses a diverse set of skills, experience and expertise in relation to food and beverages business, financial and accounting, legal practice, human resource and labour relations, strategy and analytics, sales and marketing, information technology, which are necessary to govern the Group.

In terms of nationality diversity, 73% of the current eleven Directors are Malaysians and 27% are foreigners. 45% of the Directors are between the ages of 45 to 60 and the remaining 55% are above 60 years old. 18% of the Board are women Directors. The Board endeavours to increase its women representation to 30% by 2020.

4. 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. Board and Board Committees 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 in the Financial Year 2018:

Directors	Board Committees						
	Board	AuditCom	NomCom	RemCom	EXCO	SRMCom	AGM
Y.A.M Tengku Syed Badarudin Jamalullail	7/7		4/4	3/3			1/1
Mr. Lee Meng Tat	7/7		4/4	3/3	4/4		1/1
Mr. David Siew Kah Toong ⁽¹⁾	7/7	4/4	2/2	2/2			1/1
Mr. Lee Kong Yip ⁽²⁾	6/7			1/1	4/4	4/4	1/1
Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo ⁽³⁾	7/7	4/4	2/2	2/2			1/1
Y.Bhg. Dato' Jorgen Bornhoft	7/7				4/4	4/4	1/1
Mr. Hui Choon Kit	7/7	3/4			4/4	4/4	1/1
Puan Aida binti Md Daud ⁽⁴⁾	6/6					1/2	
Puan Faridah binti Abdul Kadir ⁽⁵⁾	6/6		2/2	2/2			
Y.Bhg. Datuk Mohd Anwar bin Yahya ⁽⁶⁾	6/6	3/3					
Mr. Anthony Cheong Fook Seng ⁽⁷⁾	1/1				2/2		1/1
Y.Bhg. Dato' Dr. Mohd Shahar bin Sidek ⁽⁸⁾	1/1					2/2	1/1
Y.Bhg. Dato' Anwarrudin bin Ahamad Osman ⁽⁹⁾	1/1	1/1	2/2	1/1			1/1
Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani ⁽¹⁰⁾	1/1						1/1

Notes:

- (1) Appointed as a member of NomCom and RemCom on 24 January 2018
(2) Ceased as a member of RemCom on 24 January 2018
(3) Appointed as the Chairman of NomCom and a member of RemCom on 24 January 2018
(4) Appointed as a Director and a member of SRMCom on 24 January 2018
(5) Appointed as a Director and a member of NomCom and RemCom on 24 January 2018
(6) Appointed as a Director and a member of AuditCom on 24 January 2018
(7) Retired as a Director and ceased as a member of EXCO on 24 January 2018
(8) Resigned as a Director and ceased as a member of SRMCom on 24 January 2018
(9) Retired as a Director and ceased as the Chairman of NomCom and a member of AuditCom and RemCom on 24 January 2018
(10) Retired as a Director on 24 January 2018

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



CORPORATE GOVERNANCE OVERVIEW STATEMENT

5. 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 NomCom 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 2018:

Directors	Training/Seminar Attended
1. Y.A.M. Tengku Syed Badarudin Jamalullail	<ul style="list-style-type: none"> • Corporate Governance ("CG") Breakfast Series: Leading in a Volatile, Uncertain, Complex, Ambiguous World • Women Participation on Board and 30% Club Business Leaders Roundtable Meeting • CG Briefing Sessions: CG Code Reporting and CG Guide • Advocacy Programme on CG Assessment using the revised ASEAN CG Scorecard Methodology • Directors' Continuing Education Programme 2018: <ul style="list-style-type: none"> > Module 1: The Culture for Innovation > Module 2: Consumer Engagement in the Digital Age > Module 3: Strategic Branding
2. Mr. Lee Meng Tat	<ul style="list-style-type: none"> • Creating and Sharing the Value of Growth through Communication and Collaboration • Certificate in Corporate Governance, International Directors Programme • Directors' Continuing Education Programme 2018: <ul style="list-style-type: none"> > Module 1: The Culture for Innovation > Module 2: Consumer Engagement in the Digital Age > Module 3: Strategic Branding • Charity Governance Conference - Governance for Excellence
3. Mr. David Siew Kah Toong	<ul style="list-style-type: none"> • Audit Oversight Board Conversation with Auditors of Public Interest Entities & Schedule Funds • CG Breakfast Series: Leading in a Volatile, Uncertain, Complex, Ambiguous World • Training on new accounting standards MFR 9, 15, 16 and amendments to MFRS 116 and 141 • National GST Conference • Disruptions and Collaborations: The Rise of Capital Market Businesses 4.0 • Gearing Up for Corporate Liability by the Malaysia Anti-Corruption Academy • Independent Directors' Programme: The Essence of Independence
4. Mr. Lee Kong Yip	<ul style="list-style-type: none"> • Board Educational Series: Motor Pricing Model, BoardPAC briefing and Shariah Contracts in Takaful • 5th Bank Negara Malaysia-Financial Institutions Directors' Education ("FIDE") Forum Annual Dialogue • Board Educational Series: Workshop on Risk Culture by Ernst & Young, Singapore <ul style="list-style-type: none"> > Presentation on Strengthening Culture for Better Risk Outcomes > Workshop on Board's Perspective of the Risk Culture in the Great Eastern Insurance Group of Companies in Malaysia • Sustainability Engagement Series for Directors/CEOs • MIRA Workshop on Corporate Liability Provision: "Exposure of Directors, Partners and Management on Offences Committed by Employees or Others" • Board Educational Series: <ul style="list-style-type: none"> > Update on Anti Money Laundering > Risk Culture Report by Ernst & Young > Directors' and Officers' Liability Insurance by Jardine Lloyd Thompson • Directors' Continuing Education Programme 2018: <ul style="list-style-type: none"> > Module 1: The Culture for Innovation > Module 2: Consumer Engagement in the Digital Age > Module 3: Strategic Branding • Board Educational Series: Sales and Service Tax Briefing

Directors	Training/Seminar Attended
<p>5. Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo</p>	<ul style="list-style-type: none"> • Capital Market Director Programme for Fund Management (Modules 1, 2B, 3 & 4) • Capital Market Director Programme for Equities and Future Broking (Modules 1, 2A, 3 & 4) • Women Participation on Board and 30% Club Business Leaders Roundtable Meeting • CG Briefing Sessions: CG Code Reporting and CG Guide • Credit Suisse Asian Investment Conference • CIMB Malaysia Consumer Corporate Day • Industry 4.0 Conference - Robotics and Artificial Intelligence • Directors' Continuing Education Programme 2018: <ul style="list-style-type: none"> > Module 1: The Culture for Innovation > Module 2: Consumer Engagement in the Digital Age > Module 3: Strategic Branding
<p>6. Y.Bhg. Dato' Jorgen Bornhoft</p>	<ul style="list-style-type: none"> • Creating and Sharing the Value of Growth through Communication and Collaboration • HSBC Private Banking Investment Outlook Pivot to Asia - What and the How of Investing in 2018 • Directors' Continuing Education Programme 2018: <ul style="list-style-type: none"> > Module 1: The Culture for Innovation > Module 2: Consumer Engagement in the Digital Age > Module 3: Strategic Branding • Preparing for Malaysia's New Sales and Service Tax 2.0
<p>7. Mr. Hui Choon Kit</p>	<ul style="list-style-type: none"> • Creating and Sharing the Value of Growth through Communication and Collaboration • Directors' Continuing Education Programme 2018: <ul style="list-style-type: none"> > Module 1: The Culture for Innovation > Module 2: Consumer Engagement in the Digital Age > Module 3: Strategic Branding • Corporate Governance Code Briefing
<p>8. Puan Aida binti Md Daud</p>	<ul style="list-style-type: none"> • Talent Value Workshop • Management Retreat (Joint Offsite) • Business Continuity Management - Business Impact Analysis Workshop • Hogan Certification Workshop • PNB CEO Roundtable • Mandatory Accreditation Programme • PNB Cyber Security and Information Security Awareness Seminar for Senior Management • Business Continuity Management Phase 2 - Departmental Business Continuity Plan • PNB Capability Building Workshop • Seminar on Latest Amendment of Strata Titles and Strata Management Act • Directors' Continuing Education Programme 2018: <ul style="list-style-type: none"> > Module 1: The Culture for Innovation > Module 2: Consumer Engagement in the Digital Age > Module 3: Strategic Branding • Group Finance, Human Capital & Technical IT and Company Secretary - MISD Business Planning Workshop 2019
<p>9. Puan Faridah binti Abdul Kadir</p>	<ul style="list-style-type: none"> • Mandatory Accreditation Programme • Malaysian Financial Reporting Standards Made Simple for Directors and Senior Management • MIRA Workshop on Business Transformation Using Capital Management Strategies • Directors' Continuing Education Programme 2018: <ul style="list-style-type: none"> > Module 1: The Culture for Innovation > Module 2: Consumer Engagement in the Digital Age > Module 3: Strategic Branding • Securities Industry Development Corporation Workshop on Take Overs and Mergers

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Directors

Training/Seminar Attended

10. Y.Bhg. Datuk Mohd Anwar bin Yahya

- Mandatory Accreditation Programme
- Audit Committee Institute Breakfast Roundtable 2018
- Audit Committee Conference 2018
- World Halal Conference
- FIDE Core Programme: Module A - Governance and Risk Management Practices for the Financial Markets in the 21st Century
- Directors' Continuing Education Programme 2018:
 - > Module 1: The Culture for Innovation
 - > Module 2: Consumer Engagement in the Digital Age
 - > Module 3: Strategic Branding
- Sustainability Report - Setting the Agenda for Value Creation

6. Nominating Committee

The Board has established a NomCom to assist the Board in ensuring the existence of the right mix of skills, knowledge, experience, qualities, gender, nationality, age and other attributes 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.

7. 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 recruitment and assessment processes are set out in the NomCom Report.

The RemCom assists the Board mainly in establishing formal and transparent remuneration policies and procedures to attract and retain Directors. The RemCom is also entrusted with the role of determining and recommending suitable policies in respect of salary packages for Executive Directors, CEO and senior executives. The current salary packages comprise a combination of basic salary and a variable performance incentive to attract and retain talent in a competitive environment. There was no change in the remuneration policies and practices during the Financial Year 2018.

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. A meeting allowance is paid for attendance at meetings of the Board and Board Committees as well as general meetings. The Company has in force Directors and Officers insurance policy essentially covering the acts of Directors and Officers and personal accident insurance policy for Directors. The Chairman of the Board is also entitled to benefits of a company car, petrol and the services of a driver.

Fees and benefits payable to the Company's Directors are subject to yearly approval by shareholders at the Company's annual general meeting.

The Directors' Remuneration Policy and Senior Management's Remuneration Policy were developed during the Financial Year 2018 and will be reviewed periodically. The policies are available on the Company's website.

III. REMUNERATION

1. Formal and Transparent Remuneration Policies and Procedures for Directors

RemCom

Non-Independent
Non-Executive
Directors

2 

Independent
Non-Executive
Directors

3 

The Board has established a RemCom comprising five Non-Executive Directors, three of whom are Independent Directors.

2. Directors' Remuneration

The aggregate Directors' remuneration paid to the Directors of the Company and its subsidiaries for the Financial Year 2018 is disclosed in the financial statements.

Details of remuneration paid to Directors of the Company for the Financial Year 2018 are as follows:

Directors	Remuneration paid by the Company			
	Fees RM	Meeting Allowances RM	Benefits ⁽¹⁾ RM	Total RM
1. Y.A.M Tengku Syed Badarudin Jamalullail	156,000	19,000	42,444	217,444
2. Mr. Lee Meng Tat	89,000 ⁽²⁾	23,000 ⁽²⁾	429	112,429
3. Mr. David Siew Kah Toong	97,754	20,000	429	118,183
4. Mr. Lee Kong Yip	90,632	19,500	429	110,561
5. Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo	89,132	20,000	429	109,561
6. Y.Bhg. Dato' Jorgen Bornhoft	85,000	20,000	429	105,429
7. Mr. Hui Choon Kit	95,000 ⁽²⁾	23,000 ⁽²⁾	429	118,429
8. Puan Aida binti Md Daud (appointed on 24 January 2018)	55,087 ⁽³⁾	10,000	310	65,397
9. Puan Faridah binti Abdul Kadir (appointed on 24 January 2018)	54,398	13,000	310	67,708
10. Y.Bhg. Datuk Mohd Anwar bin Yahya (appointed on 24 January 2018)	58,530	12,000	310	70,840
11. Mr. Anthony Cheong Fook Seng (retired on 24 January 2018)	25,260 ⁽²⁾	5,000 ⁽²⁾	118	30,378
12. Y.Bhg. Dato' Dr. Mohd Shahar bin Sidek (resigned on 24 January 2018)	25,260	5,000	118	30,378
13. Y.Bhg. Dato' Anwarudin bin Ahamad Osman (retired on 24 January 2018)	28,734	7,000	118	35,852
14. Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani (retired on 24 January 2018)	23,682	3,000	118	26,800
Total	973,469	199,500	46,420	1,219,389

Notes:

- (1) Benefits include personal accident insurance premium for all Directors and in respect of the Chairman of the Board include a company car, petrol and the services of a driver.
- (2) Amounts paid directly to Fraser and Neave, Limited for its nominee Directors.
- (3) Amount paid directly to PNB for its nominee Director.

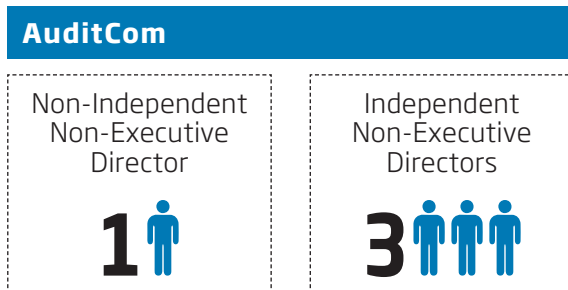
CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE
B

EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

1. Composition and Functions of AuditCom



The AuditCom of the Company comprises four Non-Executive Directors, three of whom including the Chairman of the AuditCom are Independent Directors. All members of the AuditCom are financially literate, possess an appropriate level of expertise and experience to enable them to discharge their duties and responsibilities pursuant to the AuditCom’s TOR.

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 AuditCom is necessary in ensuring the Company’s financial statements are reliable source of financial information. To assist the Board in this matter, the AuditCom 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.

The AuditCom also assists the Board, among others, to oversee the Group’s external and internal audit functions; review any related party transactions and recurrent related party transactions and the relevant procedures to ensure compliance with the Listing Requirements. A summary of the activities of the AuditCom during the Financial Year 2018 is set out in the AuditCom Report.

2. Assessment of External Auditors

The Board maintains a transparent and professional relationship with the external auditors through the AuditCom. Under the existing practice, the AuditCom invites external auditors to attend all meetings of the AuditCom. In addition, the AuditCom 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 2018, the AuditCom had met with the external auditors once without the presence of the CEO and senior management.

The AuditCom conducts an annual assessment of the external auditor. Areas of assessment include:

Technical competencies	Audit communications to the AuditCom	
Independence and objectivity	Audit scope and planning	Audit and non-audit fees
Adequacy of specialist support and partners/director accessibility and time commitment		

Feedback based on the assessment areas is obtained from the AuditCom, the CEO and senior management. In support of the assessment on independence, the external auditors provide the AuditCom 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 AuditCom makes recommendation for re-appointment of external auditors accordingly.

The AuditCom 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 2018 are set out in the Audited Financial Statements and AuditCom Report.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board acknowledges its responsibility to maintain a sound risk management and internal control system to manage and mitigate significant risks across the Group and to safeguard stakeholders' interests and the Group's assets.

The Board has established an effective risk management and internal control framework within the Group. The Board, through the SRMCom and AuditCom, continually reviews and ensures the adequacy and effectiveness of the Group's risk management and internal control system.

The SRMCom, at its quarterly meeting, reviews the implementation of the risk management framework as well as deliberates on the business risks and the mitigating controls to address the risks identified.

An Internal Audit function reporting directly to the AuditCom 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 AuditCom Report.

The AuditCom reviews and assesses the adequacy of the internal control system based on reports presented by management, external and internal auditors during its meetings. Based on the revised Internal Audit Charter approved by the AuditCom in the Financial Year 2018, the Internal Audit function shall maintain a quality assurance and improvement programme to evaluate the conformance of internal audit activities to the Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board and the Code of Ethics. The said programme includes Internal Audit function's self-assessment every alternate year and assessment by a qualified independent consulting firm once in five years.

The Statement on Risk Management and Internal Control provides an overview of the Group's risk management and internal control framework as well as the adequacy and effectiveness of the framework.

PRINCIPLE

C

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

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.

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 on the corporate website.

The Board has in place a Shareholder Communication Policy, which is published on the Company's website.

II. CONDUCT OF GENERAL MEETINGS

The Board recognises the need for and the importance of effective communication with shareholders. The 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.

All resolutions put to general meetings will be voted by poll. An independent scrutineer is 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.

The Company has adopted electronic voting for the conduct of polls on all resolutions since its AGM in 2017. At the AGM held on 24 January 2018, all resolutions were voted by poll using smartphones/tablets.

NOMINATING COMMITTEE REPORT

COMPOSITION

Chairman

**Y.BHG. DATO'
JOHAN TAZRIN BIN
HAMID NGO**





Independent
Non-Executive
Director

Appointed on
24 January
2018

**Y.BHG. DATO'
ANWARRUDIN BIN
AHAMAD OSMAN**





Independent
Non-Executive
Director

Ceased on
24 January
2018

Members

**Y.A.M.
TENGGU SYED
BADARUDIN
JAMALULLAIL**





Non-Independent
Non-Executive
Director

Re-designated on
24 January
2018

**MR. LEE
MENG TAT**



Non-Independent
Non-Executive
Director

**MR. DAVID SIEW
KAH TOONG**





Independent
Non-Executive
Director

Appointed on
24 January
2018

**PUAN FARIDAH
BINTI ABDUL
KADIR**





Independent
Non-Executive
Director

Appointed on
24 January
2018

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

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, sustainability and risk management. The Board Committees are assessed based on structure, responsibilities, right mix of capabilities, experience 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 2018

The NomCom held four meetings in the financial year ended 30 September 2018 ("Financial Year 2018") and discussed inter-alia the following matters:

- a) Assessed the independence of Independent Directors, namely Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo, Mr. David Siew Kah Toong, Y.Bhg. Datuk Mohd Anwar bin Yahya and Puan Faridah binti Abdul Kadir 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 and re-appointment of Directors who are due for retirement for shareholders' approval at the annual general meeting held on 24 January 2018.
- c) Reviewed and recommended the re-designation of Y.A.M. Tengku Syed Badarudin Jamalullail as the Non-Independent Non-Executive Chairman.
- d) Reviewed and recommended the following changes to composition of Board Committees:
 - i) Nominating Committee
 - cessation of Y.Bhg. Dato' Anwarrudin bin Ahamad Osman as the Chairman;
 - appointment of Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo as the Chairman; and
 - appointment of Mr. David Siew Kah Toong and Puan Faridah binti Abdul Kadir as members.
 - ii) Remuneration Committee
 - cessation of Y.Bhg. Dato' Anwarrudin bin Ahamad Osman and Mr. Lee Kong Yip as members; and
 - appointment of Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo, Mr. David Siew Kah Toong and Puan Faridah binti Abdul Kadir as members.
 - iii) Audit Committee
 - cessation of Y.Bhg. Dato' Anwarrudin bin Ahamad Osman as a member; and
 - appointment of Y.Bhg. Datuk Mohd Anwar bin Yahya as a member.



NOMINATING COMMITTEE REPORT

- iv) Sustainability & Risk Management Committee
 - cessation of Y.Bhg. Dato' Dr. Mohd Shahar bin Sidek as a member; and
 - appointment of Puan Aida binti Md Daud as a member.
- v) Group Executive Committee
 - cessation of Mr. Anthony Cheong Fook Seng as a member.
- vi) Share Buy-Back Committee
 - cessation of Y.Bhg. Dato' Anwarudin bin Ahamad Osman and Y.Bhg. Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani as members; and
 - appointment of Puan Aida binti Md Daud and Y.Bhg. Datuk Mohd Anwar bin Yahya as members.
- e) Reviewed and recommended the proposed re-designation of Puan Aida binti Md Daud as an Independent Non-Executive Director.
- f) Reviewed and recommended the secondment contract of Chief Executive Officer.
- g) Reviewed and recommended the Board Diversity Policy.
- h) Reviewed and recommended the NomCom Report for the Financial Year 2017 for inclusion in annual report.
- i) Evaluated training needs of Directors and noted the training programmes attended by Directors.
- j) 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 the Financial Year 2018, and the relevant evaluation questionnaires.
- k) Reviewed and noted the results of the evaluation of the Board and Board Committees for the Financial Year 2018 presented by external consultant and proposed action plans to be taken.
- l) Reviewed the NomCom's evaluation results for the Financial Year 2018.
- m) 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.
- n) Reviewed and recommended the terms of reference of NomCom for approval by the Board.
- o) 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.
- p) Deliberated and recommended action plans towards adoption of Practices 4.1 and 4.5 of the Malaysian Code on Corporate Governance by having a majority of Independent Directors and 30% women Directors on the Board by 2019 and 2020 respectively.
- q) Received feedback on the induction programme conducted for newly appointed Directors during the Financial Year 2018.

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 2018.

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			
	6.11.2017	6.2.2018	2.5.2018	1.8.2018
Independent and Non-Executive Director				
Mr. David Siew Kah Toong	✓	✓	✓	✓
Y.Bhg Dato' Johan Tazrin bin Hamid Ngo	✓	✓	✓	✓
Y.Bhg Datuk Mohd Anwar Bin Yahya <i>[appointed on 24.1.2018]</i>	-	✓	✓	✓
Y.Bhg Dato' Anwarrudin bin Ahamad Osman <i>[ceased on 24.1.2018]</i>	✓	-	-	-
Non-Independent and Non-Executive Director				
Mr. Hui Choon Kit	-	✓	✓	✓

✓ Attendance at meetings

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

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

TERMS OF REFERENCE

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

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 audit reports and interim review 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.



AUDIT COMMITTEE REPORT

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 24 January 2018, 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 2018, 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 2018 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 2018, 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 RM220,000 (FY2017 RM213,000) and comprised the following assignments:

- Quarterly Review;
- Review of the Directors' Statement of Risk Management and Internal Control; and
- Update of Transfer Pricing Documentation for a subsidiary.

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.

Consistent with its examination, the external 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 external 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 six professional internal auditors, supervised by the Deputy Head and the Head of Group Internal Audit from its parent company, Fraser and Neave, Limited. This arrangement was to streamline the internal audit methodology of the companies under Fraser and Neave, Limited Group including FNHB. In addition, the arrangement also enables a more effective deployment and utilisation of the Group Internal Audit resources. The Head of Group Internal Audit is a Chartered Accountant of Singapore and a member of the Institute of Internal Auditors, Singapore. Some of the internal audit staff are also members of the Institute of Internal Auditors, Malaysia.

In accordance with the FNHB IA Charter, Group Internal Audit had maintained its independence and objectivity in carrying out its assurance activity. Group Internal Audit did not have any direct operational responsibility or authority over any of the activities it audited or had engaged in any activity that might impair the internal auditor's judgment. All the internal audit staff had confirmed via an annual declaration that they were free from any relationships or conflict of interests which could impair their objectivity and independence.

Group Internal Audit had adopted and complied with the Standards for the Professional Practice of Internal Auditing ("IIA Standards") issued by the International Internal Audit Standards Board. The department maintained a quality assurance and improvement programme to evaluate the internal audit activity's conformance with the IIA Standards and the Code of Ethics. The quality assurance and improvement programme included both internal self-assessment (performed every alternate year) and an external assessment conducted by a qualified independent consulting firm, appointed once in five years.

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 reviewed by the Audit Committee annually. 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, customer master file management, credit management and collections;
 - marketing activities encompassing marketing plans and sponsorships, appointment and performance evaluation of media/advertising agencies, budget planning and marketing spend, advertising and promotion stock, promotion programmes and brand promoters;
 - plant operations covering raw, packaging and work-in-progress materials management, production and quality control management and repair and maintenance of plant facilities;
 - logistics and distribution, covering finished goods management, transporters as well as warehouse security and safety;
 - financial operations management including bank accounts management, payment process, journal adjustments process and fixed assets management; and
 - information technology, covering access management, change management, IT operations (backup, disaster recovery, incident management), network security, IT budget monitoring and vendor management.

- Collated the status of implementation of audit recommendations provided by responsible management teams for reporting to the Audit Committee on a quarterly basis.

The operational costs incurred by Group Internal Audit for the financial year 2018 amounted to about RM2.3 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 the guidelines 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 2018, and the Board had reviewed the evaluation result.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

INTRODUCTION

This Statement has been prepared in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers (“Guidelines”) issued on 31 December 2012. The Guidelines provide guidance for companies complying with paragraph 15.26 (b) of the Listing Requirements of Bursa Securities and Principle B and Practice 9.1 and 9.2 of the Malaysian Code on Corporate Governance that was issued in 2017.

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 and is committed to maintain an effective 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 risk management and internal control.

In view of the inherent limitations in any such system, the Board recognises that the system of risk management and internal control are designed to manage and mitigate risks rather than eliminate 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 FRAMEWORK

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. It is benchmarked against the ISO31000:2018 Risk Management – Guidelines and is embedded in the corporate culture, processes and structures of the Group. The main features of the Group’s risk management system are described in the following sections.

Roles and Responsibilities

The Board regards risk management as an integral part of the operations and processes of the Group is assisted by the Sustainability* and Risk Management Committee (“SRMC”) to:

- provide oversight of the Group’s significant risks;
- determine the nature and extent of significant risks, i.e. the risk appetite and risk tolerance level, which the Group is willing to take in achieving its strategic objectives;
- identify, assess and monitor key business risks faced by the Group; and
- ensure that Management maintains an effective system of risk management and internal control to safeguard shareholders’ investments and the Group’s assets.

The terms of reference (“TOR”) of the SRMC states, amongst others, that the SRMC 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, SRMC had held 4 meetings on a quarterly basis to review the implementation of the risk management framework as well as to deliberate on the key business risks and the mitigating controls to address the risks identified. In addition, the SRMC also provides oversight of the Group’s insurance, cyber risk management, business continuity management (“BCM”) programmes, Charts of Authority, and sustainability-related matters*.

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 managing the risks identified and assessed. In managing the risks of the Group, the Risk Management Department collaborates with the Management in reviewing and ensuring that there is on-going monitoring of risks, the adequacy and effectiveness of its related controls, and that action plans are developed and implemented to manage these risks within the acceptable level by the Group.

The Management Risk Committee, chaired by the Chief Executive Officer (“CEO”) and supported by the Functional Heads, Business Unit Head, and the Head of Departments, meets on a quarterly basis to share insights and ensure that the management of risks faced by their subsidiaries are conducted within the boundaries set by the GRMF, prior to escalation to the SRMC.

* For further details on sustainability related matters, refer to Sustainability Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Enterprise Risk Management (“ERM”) Process

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

Risk identification and assessment

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

Risk Reporting and Review

Annual Review

- Risk appetite 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 SRMC 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 SRMC in a heat map, which set out the priority and focus for risk mitigation strategies based on risk ratings at gross and net levels. The risks identified are reported under the following categories:

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

For discussion on assessment of key risk areas and the controls in place to mitigate or manage those risks, refer to Management Discussion & Analysis section of the Annual Report.

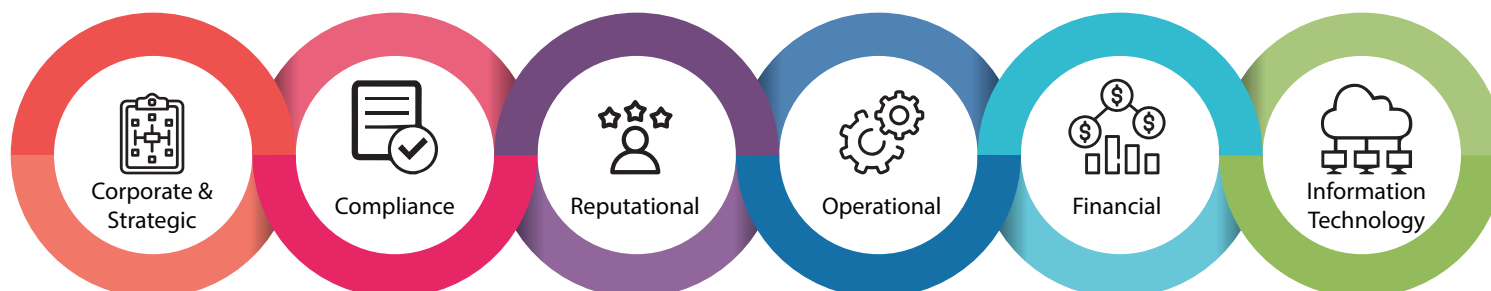
Assurance received from Management

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

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

Both ERM Validation Report and Comfort Matrix are tabled at the SRMC 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.





STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 the expectation in upholding integrity and ethical values within the Group and they are made available to all staff in the Group's intranet.

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

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

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 whistle-blowing channel such as a dedicated hotline and email account are appropriately followed up and the outcome(s) will be reported at the Audit Committee meetings.

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

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 Corporate Governance Statement and Audit Committee Report.

Delegation of Authority

The authority limits aligned to the Group's organisational requirements in areas such as procurement, contracting, human resources and financial management are encapsulated in 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 cognisant 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:



The Framework and the BCM plans developed are reviewed on an annual basis and tested periodically to ensure that it is up-to-date and 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 SRMC and Audit Committee, has undertaken review of the adequacy and effectiveness of risk management and internal control system in accordance with the Terms of Reference during the year under review. The Board is of the view that the Group's overall risk management and internal control system is sound and adequate in all material aspects, and has received the same assurance from both the CEO and CFO of the Group. The Board ensures that the risk management process in identifying, evaluating and managing significant risks is operating adequately and effectively throughout the financial year up to the date of approval of this Statement. It is in the Board's opinion that the Group's system of internal control during the year under review is adequate and effective to safeguard the Group's assets and the interests of shareholders and stakeholders.

STATEMENT ON DIRECTORS' RESPONSIBILITY

for the Audited Financial Statements

The Directors of the Company are required by the Companies Act 2016 in Malaysia ("the Act") to ensure that the financial statements prepared for each financial year give a true and fair view of the financial position and the financial performance of the Group and of the Company. Pursuant to paragraph 15.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors is required to issue a statement explaining its responsibility for preparing the annual audited financial statements.

The Directors, have through the Statement by Directors on page 187 of the Annual Report given their opinion that the financial statements have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act.

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 Directors are also responsible for ensuring that proper accounting and other records are kept in accordance with the provisions of the Act to sufficiently explain the transactions and financial position of the Group and of the Company.

The Directors also have the responsibility to ensure that a system of internal control is in place to ensure that the assets of the Group are safeguarded against loss from unauthorised use or disposition and that transactions are properly authorised and recorded as necessary to enable the preparation of financial statements that are true and fair and are free from material misstatement.

This Statement is approved by the Board of Directors on 8 November 2018.

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”):

1. Utilisation of Proceeds

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

A wholly owned subsidiary of the Company, F&N Capital Sdn Bhd (“Issuer”) is able to issue up to RM750 million in nominal value of each of the CP and the MTN, which are unconditionally and irrevocably guaranteed by the Company. The CP Programme has 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 RM150 million each in nominal value of MTN at the respective interest rates of 4.38% and 4.24% per annum pursuant to the MTN Programme for the purposes of refinancing the Group’s existing private debt securities. The Issuer had fully redeemed the MTNs upon their maturity on 26 September 2018 and 5 October 2018 respectively.

As at 30 September 2018, the unutilised CP/MTN facility available for use amounted to RM1,350,000,000 (2017: RM1,200,000,000).

Pursuant to the MMLR of Bursa Securities, the details of the recurrent related party transactions entered into during the financial year ended 30 September 2018 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	151,361
		Purchase of finished products from the F&N Ltd Group	10,018
		Sale of finished products and/or raw materials to the F&N Ltd Group	287,628
		Payment of royalties to the F&N Ltd Group for use of trademarks, trade names and brand names owned by F&N Ltd	50,409
		Payment of fees to the F&N Ltd Group for corporate services, corporate research and development services and technical services	1,381
		Receipt of rental from the F&N Ltd Group	205
		Receipt of corporate services fees and staff costs from the F&N Ltd Group	20

2. Audit and Non-Audit Fees

The respective fees are disclosed in the Audited Financial Statements set out in this Annual Report. Non-audit fees are also disclosed in the 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 ended 30 September 2018.

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

At the 56th Annual General Meeting of Fraser & Neave Holdings Bhd (“F&NHB” or “Company”) held on 24 January 2018, 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.

ADDITIONAL COMPLIANCE INFORMATION

Mandated Related Parties	Relationship	Type of Transaction	Actual Value Transacted RM'000
Berli Jucker Public Company Limited ("BJC") Group	BJC's ultimate parent company is TCC Corporation 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, the BJC Group is deemed a person connected to the said ultimate major shareholders	Purchase of raw materials from the BJC Group	1,203
		Payment of network monitoring & professional fees to the BJC Group	276
		Sale of finished products to the BJC Group	52,932
		Purchase of packaging materials from the BJC Group	24,062
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	1,442
		Receipt of tetrapak co-packing services from the ThaiBev Group	685
		Purchase of raw materials from the ThaiBev Group	1,025
		Receipt of marketing services from the ThaiBev Group	25,487
		Purchase of packaging materials from the ThaiBev Group	254
		Purchase of finished products from the ThaiBev Group	296
		Receipt of corporate services from the ThaiBev Group	622
Frasers Property Limited (formerly known as Frasers Centrepoint Limited) ("FPL") Group	FPL 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, the FPL Group is deemed a person connected to the said ultimate major shareholders	Receipt of corporate services fees and staff costs from the FPL Group	111
		Sale of finished goods to the FPL 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, the Southeast Group is a person connected to the said ultimate major shareholders	Payment of insurance premium to the Southeast Group	2,569
		Sale of finished products to the Southeast Group	0
		Lease of assets from the Southeast Group	110
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, the TCC Land Group is a person connected to the said ultimate major shareholders	Sale of finished goods to the TCC Land Group	291

ADDITIONAL COMPLIANCE INFORMATION

Mandated Related Parties	Relationship	Type of Transaction	Actual Value Transacted RM'000
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, the TCC Corporation Group is a person connected to the said ultimate major shareholders	Payment of management fees to the TCC Corporation Group	2,623
		Purchase of stationery and office supplies from the TCC Corporation Group	11
		Sale of finished products to the TCC Corporation Group	58
		Purchase of raw materials from TCC Corporation Group	40,685
Univentures Public Company Limited ("Univentures") Group	Univentures is a subsidiary of Adelfos Company Limited, which in turn is under the control of children of Tan Sri Charoen and Puan Sri Wanna, the ultimate major shareholders of ThaiBev and the Company. Hence, the Univentures Group is deemed a person connected to the said ultimate major shareholders	Sale of finished products and/or raw materials to the Univentures Group	6

“ Sustainability Statement ”

As the global context becomes increasingly defined by volatility and unpredictability, prioritising sustainability is no longer an option for businesses but the only viable path. F&NHB recognises the range of emerging risks and challenges that we must respond to.



Sustainability is embedded in every level of operation at Fraser & Neave Holdings Bhd ('F&NHB' or 'the Group'). From the Board level, the F&NHB Sustainability and Risk Management Committee ensures that our business direction is guided by sustainability. Headed by the CEO and staffed by senior managers, the F&NHB Sustainability Management Committee (SMC) translates the overall direction into specific policies and goals for functions. The SMC is supported by the Sustainability Development Working team, which consists of representatives from various functions to monitor progress of designated goals, drive initiatives at operational level, identify challenges in performance, and gather data for reporting.

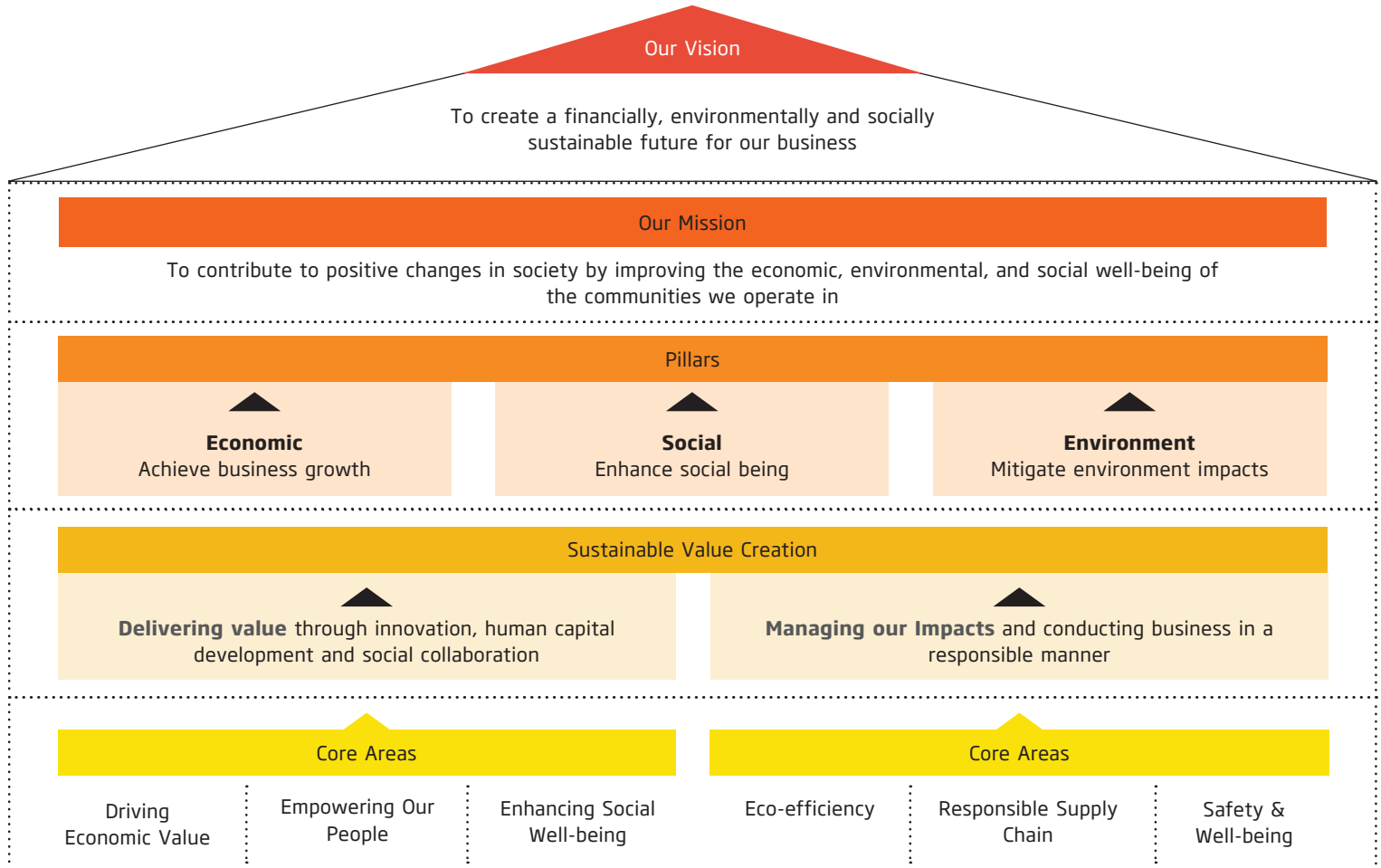
We undertook our first materiality assessment in January 2017 to identify, prioritise, validate and review relevant sustainability issues. Our Sustainability Development Committee revisited the fifteen material issues identified last year and confirmed that these topics remain important. The change this year is the increased importance of Talent Management to the business. The right talent acquisition and capability building of our people are critical now more than ever, to accelerate F&NHB's growth and innovation agenda.



The material issues have been categorised into the six Core Areas of our Sustainability Framework, under two main themes, which provides sharper focus on how we want to create value for each material issue. Under the **Delivering Value through Social Collaboration, Human Capital Development & Innovation** theme are: 1) Driving Economic Value; 2) Empowering Our People; and 3) Enhancing Social Well-being, and under the **Managing Impacts & Conducting Business In A Responsible Manner** theme are: 4) Eco-efficiency; 5) Responsible Supply Chain; and 6) Safety & Well-being.



SUSTAINABILITY STATEMENT



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As part of the review process and setting targets for the next financial year, we will re-evaluate our material issues, achievements and goals. Our performance in FY2018 will serve as a benchmark to guide us in strategising and setting our sustainable development goals in the coming years.

This Sustainability Statement is intended to be read together with our Sustainability Report 2018, which provides a comprehensive disclosure on how we manage our material issues and the Group's progress to our 2020 sustainability goals. In this Sustainability Statement we describe the initiatives taken to manage our material issues under the six core areas.



DELIVERING VALUE THROUGH SOCIAL COLLABORATION, HUMAN CAPITAL DEVELOPMENT & INNOVATION

DRIVING ECONOMIC VALUE

F&NHB strives to deliver sustainable long-term value for its stakeholders. We are achieving this by maintaining leadership through continuously investing in our brands and leveraging innovative technologies and our employees' expertise to improve our existing products and enter new markets.

Over the past year, we have been diligently creating and launching new products with lower sugar content and more convenient packaging to cater to the differentiating needs of our customers. We have also been implementing employee-driven innovative manufacturing processes that increase productivity and environmental performance.

Moreover, F&NHB received the Malaysian Enterprise Innovation Award 2018 by Asia IoT Business Platform (AIBP) in recognition of companies who are embarking on digitally transforming their businesses through the adoption of technology

Empowering our People

The success of F&NHB is driven by our dedicated workforce. We strive to empower our employees through a supportive corporate culture and comprehensive human capital management approach. In the Sustainability Report 2018 we describe the core elements of our talent management strategy, which is driven by our Human Capital Roadmap 2020 and Seven Modules for Strategic Human Capital Transformation.

At F&NHB, hiring practices are aligned with the interests of the local economy, and we are determined to become the employer of choice in whichever market we occupy. We are proud that 100% of our senior management in Thailand, and 97% of our senior management in Malaysia, are hired from the local community.

Enhancing Social Well-being

We are striving to enhance social well-being through our community outreach programmes and by developing products and initiatives that promote good health and nutrition.

In each market that we operate, we undertake a number of long- and short-term programmes that serve to create greater social equity. We have developed four main thematic areas where we focus our community investments: 1) Strengthening Vulnerable Groups, 2) Promoting Environmental Consciousness, 3) Spreading Festive Cheer, and 4) Promoting Healthy Lifestyles and Nutrition.



F&NHB's Flagship Programmes

Empowering Youth with Basic Computer Skills

While information technology (IT) skills are deemed necessity today, not everyone can afford computer literacy programmes. F&NHB sees this as a major gap in community development, and has thus initiated a partnership with ICDL, the world's leading computer skills certification, to provide these skills to Malaysia's underprivileged youth. To date, more than 389 at Montfort Town have gained the certification through the International Computer Driving Licence (ICDL) Programme.

School Recycling Programmes

F&NHB has been partnering with schools across Malaysia since 2007 to educate the next generation on the importance of recycling and promote the preservation of the planet. Over the past year, we have expanded this programme to 364 schools in Subang Jaya, Melaka Tengah, Perlis, Ampang Jaya, and Petaling Jaya.



Employee Benefit Expenses:
RM294.4 million

Income Tax Expenses:
RM37.6 million

SUSTAINABILITY STATEMENT

MANAGING IMPACTS & CONDUCTING BUSINESS IN A RESPONSIBLE MANNER

ECO-EFFICIENCY

(Eco) efficiency refers to the act of maximising benefits and minimising (ecological) costs. As part of our materiality assessment, we have identified three main issues in relation to our eco-efficiency efforts 1) Water Stewardship; 2) Effluents & Waste; and 3) Energy & Climate Change.

Water Stewardship

Water is a fundamental element of our products, and our business is dependent on a reliable water supply. A lack of effective water management can therefore have serious financial implications, as such water risk is a topic that is regularly monitored as part of our Enterprise Risk Management. We have a range of water assessment and action policies that are applied across our facilities, including: daily monitoring of consumption; the recovery of effluent water using ultrafiltration; and the collection and use of rainwater.

Effluents & Waste

We are committed to meeting our waste reduction targets by 2020 and the company has been implementing best practice at all our operating sites. To meet our 2020 waste reduction target we have implementing initiatives such as: leveraging innovation to use less material, improving production processes to reduce waste production; and expanding opportunities to turn waste into value-add products.

Energy & Climate Change

Recognising climate change as a significant global challenge of the 21st century, F&NHB is committed to reduce our energy consumption and GHG emissions intensity as one of the main priorities in our 2020 Vision. We also have a responsibility to help minimise carbon footprints across our value chain, ranging from manufacturing, packaging, storage and logistics, to end use and disposal.

SUSTAINABLE SOURCING

Great care and collaboration are required to source the highest-quality ingredients, as well as other goods and services used during our manufacturing processes. Our procurement policies in Malaysia and Thailand guide us in selecting the best quality goods and services that do not compromise sustainability principles. These policies also help us establish and maintain credibility and mutual trust with our suppliers by ensuring fair play.



Enhancing Supplier Productivity

Since 2013, we have been collaborating with local milk farmers in the cooperatives who provide us with milk supply. We introduce new technologies and equipment to the farmers like milk machine tester and automatic jet cleaning milking machines that help them to increase their productivity and improve milk quality. Working closely with the cooperatives, we have also organised seminars and produced quarterly educational newsletters for the farmers. In 2016, we have also trained the farmers to plant napier grass which improves the quality of cow's milk by enhancing its fat, solids and protein content.

- Sponsored 10 milking tester machines to 10 milk cooperatives, helping 3,500 farmers in improving milk quality
- Sponsored 2,500 sets of automatic jet cleaning milking machines to 10 milk cooperatives, benefiting 2,500 farmers
- Organised quarterly seminars for farmers from 16 milk cooperatives

Additionally, there is much scope for innovation in packaging, which we have been exploring over the years. This has helped us maintain a healthy packaging ratio, namely volume of packaging material used as a measure of quantity of product.

This year, we have launched a new Cold-Aseptic Filling PET line at our plant in Shah Alam, which currently produces 100PLUS ACTIVE, F&N SEASONS and OYOSHI products. This new line uses advanced technology that enables 40 per cent lesser PET resin packaging material use. In addition, the products have a longer shelf life, which leads to less waste.



SAFETY & WELL-BEING

The safety of our employees and consumers is core to our relentless pursuit of sustainable value creation. At F&NHB, our approach encompasses creating a proactive safety culture and healthy workforce; embodying our brand promise of "Pure Enjoyment, Pure Goodness" through product safety and nutrition; as well as enabling consumers to make informed purchasing choices through accurate and appropriate labelling and responsible marketing.

We believe that working as a team is the best way to achieve our aim of zero lost days due to accidents. We cultivate a proactive 'safety first' culture for employees, so they are aware of their responsibilities for both themselves and their colleagues. This includes a positive approach, and we encourage a healthy lifestyle for our employees through awareness of a nutritious diet, physical activity and stress reduction measures.

Our 135 years of success are built on mutual trust by our customers, and we are committed to enhancing their future wellbeing. This requires a holistic approach to safety across the life cycle of our products. We adhere to all health and safety regulations applicable to the food and beverage industry in the markets where we operate.

We are making good progress towards having at least one healthier choice in each product category by 2020; there are currently healthier options in nine out of 12 product categories. And we will continue to innovate our products and continue our progress to achieve our 2020 target.



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DIRECTORS' REPORT

for the financial year ended 30 September 2018

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 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 7 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 7 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	385,133	449,786
Non-controlling interests	(37)	-
	385,096	449,786

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RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review.

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 2017 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 22 December 2017 and paid on 9 February 2018; and
- ii) In respect of the financial year ended 30 September 2018:
 - an interim ordinary dividend of 27.0 sen per ordinary share totalling RM98,966,000 declared on 3 May 2018 and paid on 7 June 2018.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 30 September 2018 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 2019.

DIRECTORS' REPORT

for the financial year ended 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)	Faridah binti Abdul Kadir (appointed on 24 January 2018)
Lee Meng Tat	Datuk Mohd Anwar bin Yahya (appointed on 24 January 2018)
David Siew Kah Toong	Datuk Kamaruddin bin Taib (appointed on 8 November 2018)
Lee Kong Yip	Anthony Cheong Fook Seng (retired on 24 January 2018)
Dato' Johan Tazrin bin Hamid Ngo	Dato' Dr. Mohd Shahar bin Sidek (resigned on 24 January 2018)
Dato' Jorgen Bornhoft	Dato' Anwarudin bin Ahamad Osman (retired on 24 January 2018)
Hui Choon Kit	Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani (retired on 24 January 2018)
Aida binti Md Daud (appointed on 24 January 2018)	

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

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

(i) appointed on 1 October 2018

(ii) appointed on 1 October 2017

(iii) appointed on 27 April 2018

(iv) resigned on 1 October 2017

(v) resigned on 30 September 2018

(vi) resigned on 30 April 2018

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

The interests and deemed interests in shares, Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

Companies in which Directors held interest	At 1.10.2017/ date of appointment	Number of ordinary shares		
		Bought	Sold	At 30.9.2018
Fraser & Neave Holdings Bhd Tengku Syed Badarudin Jamalullail - direct interest	2,062,000	-	-	2,062,000
Faridah binti Abdul Kadir - direct interest	4,000	-	-	4,000
F&NL Hui Choon Kit - direct interest	403,057	63,575	-	466,632
Lee Meng Tat - direct interest	-	27,400	-	27,400

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Companies in which Directors held interest	At 1.10.2017	Number of share grants *			At 30.9.2018
		Awarded	Achievement factor	Vested	
F&NL Hui Choon Kit					
- RSP - Year 5	16,275	-	-	(16,275)	-
- RSP - Year 6	22,800	-	-	(11,400)	11,400
- RSP - Year 7	48,000	-	10,600	(29,300)	29,300
- RSP - Year 8	35,000	-	-	-	35,000
- RSP - Year 9	-	35,000	-	-	35,000
- PSP - Year 6	10,000	-	(3,400)	(6,600)	-
- PSP - Year 7	13,000	-	-	-	13,000
- PSP - Year 8	11,000	-	-	-	11,000
- PSP - Year 9	-	12,000	-	-	12,000
Lee Meng Tat					
- RSP - Year 7	40,000	-	14,800	(27,400)	27,400
- RSP - Year 8	35,000	-	-	-	35,000
- RSP - Year 9	-	35,000	-	-	35,000
- PSP - Year 7	11,000	-	-	-	11,000
- PSP - Year 8	11,000	-	-	-	11,000
- PSP - Year 9	-	12,000	-	-	12,000

DIRECTORS' REPORT

for the financial year ended 30 September 2018

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.

By virtue of their interests in the shares of the Company, Tengku Syed Badarudin Jamalullail and Faridah binti Abdul Kadir are also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 30 September 2018 had any interest in shares, RSP and PSP of the Company and of its related corporations during the financial year.

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DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any 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 the 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.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the share grants granted pursuant to the immediate holding company's RSP and PSP.

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

There were no repurchase of treasury shares during the financial year. As at 30 September 2018, the Company held 237,100 (2017: 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 →					Vesting period
		At 1.10.2017/ grant date	Adjustment for achievement factor	Vested	Forfeited *	At 30.9.2018	
RSP 2014	12.8.2014	124,250	-	(124,250)	-	-	31.12.2015- 31.12.2017
RSP 2015	15.1.2015	209,000	-	(104,500)	(5,600)	98,900	31.12.2016- 31.12.2018
RSP 2016	5.1.2016	476,500	(92,900)	(191,800)	(10,450)	181,350	31.12.2017- 31.12.2019
RSP 2017	22.12.2016	493,200	-	-	(28,600)	464,600	31.12.2018- 31.12.2020
RSP 2018	22.12.2017	496,000	-	-	(26,100)	469,900	31.12.2019- 31.12.2021
		1,798,950	(92,900)	(420,550)	(70,750)	1,214,750	

* Share grants forfeited upon cessation of employment.

The main features of the Company's RSP and PSP are disclosed in Note 15(e) to the financial statements.

The Directors do not participate in SGP.

INDEMNITY AND INSURANCE COSTS

Throughout the financial year, the Directors and Officers of the Group and of the Company were covered by Directors' and Officers' liability insurance for any liability incurred in the discharge of their duties in their respective capacity, subject to the terms of the insurance policy. The premiums paid in respect of the Directors' and Officers' liability insurance for the Directors and Officers of the Group and of the Company amounted to RM28,710. The policy has an indemnity coverage of RM20,000,000.

There were no indemnity insurance and insurance costs effected for auditors of the Group and of the Company during the financial year.

QUALIFICATION OF SUBSIDIARIES' FINANCIAL STATEMENTS

The auditors' report on the audited financial statements of the Company's subsidiaries did not contain any qualification or any adverse comments.

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.

DIRECTORS' REPORT
for the financial year ended 30 September 2018**OTHER STATUTORY INFORMATION (CONTINUED)**

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.

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.

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In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 September 2018 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 24 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
8 November 2018

STATEMENTS OF FINANCIAL POSITION

as at 30 September 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
ASSETS					
Property, plant and equipment	3	1,281,679	1,193,851	-	-
Investment properties	4	49,318	49,315	-	-
Properties held for development	5	56,047	56,047	-	-
Intangible assets	6	122,289	122,218	-	-
Investments in subsidiaries	7	-	-	931,423	931,423
Investment in an associate	8	84,252	83,768	68,727	68,727
Investment in a joint venture	9	89,094	89,822	159,785	153,955
Deferred tax assets	10	13,070	25,726	-	-
Total non-current assets		1,695,749	1,620,747	1,159,935	1,154,105
Trade and other receivables	11	604,644	620,185	351,792	186,206
Inventories	12	497,165	540,716	-	-
Current tax assets		10,548	25,280	-	-
Derivative financial assets	13	60	137	-	-
Cash and cash equivalents	14	537,092	424,433	124,509	52,998
Total current assets		1,649,509	1,610,751	476,301	239,204
Total assets		3,345,258	3,231,498	1,636,236	1,393,309
EQUITY					
Share capital		816,770	816,770	816,770	816,770
Treasury shares		(1,716)	(1,716)	(1,716)	(1,716)
Shares held by SGP Trust		(4,039)	(12,079)	(4,039)	(12,079)
Reserves		1,501,321	1,329,583	822,812	588,278
Equity attributable to owners of the Company	15	2,312,336	2,132,558	1,633,827	1,391,253
Non-controlling interests		135	172	-	-
Total equity		2,312,471	2,132,730	1,633,827	1,391,253
LIABILITIES					
Loans and borrowings	16	115,153	181,639	-	-
Employee benefits	17	40,176	38,070	-	-
Deferred tax liabilities	10	28,716	29,944	-	-
Total non-current liabilities		184,045	249,653	-	-
Provisions	18	-	7,405	-	-
Trade and other payables	19	620,310	628,685	858	1,433
Loans and borrowings	16	220,371	197,458	-	-
Current tax liabilities		7,921	14,020	1,551	623
Derivative financial liabilities	13	140	1,547	-	-
Total current liabilities		848,742	849,115	2,409	2,056
Total liabilities		1,032,787	1,098,768	2,409	2,056
Total equity and liabilities		3,345,258	3,231,498	1,636,236	1,393,309

STATEMENTS OF PROFIT OR LOSS

for the financial year ended 30 September 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	20	4,109,859	4,101,374	437,918	314,641
Cost of sales		(2,727,681)	(2,732,883)	-	-
Gross profit		1,382,178	1,368,491	437,918	314,641
Other income		18,076	20,106	1,042	7,521
Distribution expenses		(407,221)	(407,301)	-	-
Marketing expenses		(430,578)	(434,144)	-	-
Administrative expenses		(125,494)	(133,010)	(2,788)	(3,215)
Other expenses		(16,721)	(69,076)	(510)	(5,388)
Operating profit		420,240	345,066	435,662	313,559
Finance income	21	16,047	14,776	18,009	14,017
Finance costs	22	(15,571)	(15,305)	-	-
Net finance income/(costs)		476	(529)	18,009	14,017
Share of profit of equity-accounted associate, net of tax	8	8,571	11,259	-	-
Share of loss of equity-accounted joint venture, net of tax	9	(6,558)	(2,083)	-	-
Profit before tax		422,729	353,713	453,671	327,576
Tax expense	23	(37,633)	(30,366)	(3,885)	(2,773)
Profit for the year	24	385,096	323,347	449,786	324,803
Profit for the year attributable to:					
Owners of the Company		385,133	323,377	449,786	324,803
Non-controlling interests		(37)	(30)	-	-
		385,096	323,347	449,786	324,803
Basic earnings per ordinary share (sen)	26	104.9	88.3		
Diluted earnings per ordinary share (sen)	26	104.5	88.0		

STATEMENTS OF OTHER COMPREHENSIVE INCOME

for the financial year ended 30 September 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the year		385,096	323,347	449,786	324,803
Other comprehensive income, net of tax					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Remeasurement of defined benefit liability	25	352	596	-	-
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign operations	25	1,505	30,176	-	-
Other comprehensive income for the year, net of tax		1,857	30,772	-	-
Total comprehensive income for the year		386,953	354,119	449,786	324,803
Total comprehensive income attributable to:					
Owners of the Company		386,990	354,149	449,786	324,803
Non-controlling interests		(37)	(30)	-	-
		386,953	354,119	449,786	324,803

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 September 2018

Group	Note	Attributable to owners of the Company										Total equity RM'000
		Share capital (Note 15(a)) RM'000	Treasury shares (Note 15(c)) RM'000	Shares held by SGP Trust (Note 15(d)) RM'000	Loss on purchase of shares for SGP (Note 15(f)) RM'000	Translation reserve RM'000	Share-based payment reserve RM'000	Legal reserve (Note 15(g)) RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	
At 1 October 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
Remeasurement of defined benefit liability	25	-	-	-	-	-	-	-	352	352	-	352
Foreign currency translation differences for foreign operations	25	-	-	-	-	1,505	-	-	-	1,505	-	1,505
Total other comprehensive income for the year		-	-	-	-	1,505	-	-	352	1,857	-	1,857
Profit for the year		-	-	-	-	-	-	-	385,133	385,133	(37)	385,096
Total comprehensive income for the year		-	-	-	-	1,505	-	-	385,485	386,990	(37)	386,953
<i>Contributions by and distributions to owners of the Company</i>												
- Shares granted under SGP		-	-	-	-	-	6,387	-	-	6,387	-	6,387
- Shares vested under SGP		-	-	10,878	(3,974)	-	(6,904)	-	-	-	-	-
- Purchase of shares by SGP Trust		-	-	(2,838)	-	-	-	-	-	(2,838)	-	(2,838)
- Dividends to owners of the Company	27	-	-	-	-	-	-	-	(210,761)	(210,761)	-	(210,761)
Total transactions with owners of the Company		-	-	8,040	(3,974)	-	(517)	-	(210,761)	(207,212)	-	(207,212)
At 30 September 2018		816,770	(1,716)	(4,039)	(6,066)	87,415	16,423	9,934	1,393,615	2,312,336	135	2,312,471

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 30 September 2018

Group (continued)	Note	Attributable to owners of the Company											Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Shares held by SGP Trust	Loss on purchase of shares for SGP	Translation reserve	Share-based payment reserve	Legal reserve	Retained earnings	Total			
		(Note 15(a))	(Note 15(b))	(Note 15(c))	(Note 15(d))	(Note 15(f))		(Note 15(g))						
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	25	-	-	-	-	-	-	-	-	596	596	-	596	
Foreign currency translation differences for foreign operations	25	-	-	-	-	-	30,176	-	-	-	30,176	-	30,176	
Total other comprehensive income for the year		-	-	-	-	-	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	27	-	-	-	-	-	-	-	-	(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	

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 September 2018

Company	Note	Attributable to owners of the Company							Total equity RM'000
		Share capital (Note 15(a)) RM'000	Share premium (Note 15(b)) RM'000	Treasury shares (Note 15(c)) RM'000	Shares held by SGP Trust (Note 15(d)) RM'000	Loss on purchase of shares for SGP (Note 15(f)) RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	
At 1 October 2017		816,770	-	(1,716)	(12,079)	(2,092)	16,940	573,430	1,391,253
Profit and total comprehensive income for the year		-	-	-	-	-	-	449,786	449,786
<i>Contributions by and distributions to owners of the Company</i>									
- Shares granted under SGP		-	-	-	-	-	6,387	-	6,387
- Shares vested under SGP		-	-	-	10,878	(3,974)	(6,904)	-	-
- Purchase of shares by SGP Trust		-	-	-	(2,838)	-	-	-	(2,838)
- Dividends to owners of the Company	27	-	-	-	-	-	-	(210,761)	(210,761)
Total transactions with owners of the Company		-	-	-	8,040	(3,974)	(517)	(210,761)	(207,212)
At 30 September 2018		816,770	-	(1,716)	(4,039)	(6,066)	16,423	812,455	1,633,827
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	27	-	-	-	-	-	-	(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

STATEMENTS OF CASH FLOWS

for the financial year ended 30 September 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities					
Profit before tax		422,729	353,713	453,671	327,576
<i>Adjustments for:</i>					
Amortisation of intangible assets	6	2,948	5,265	-	-
Bad debts recovered	24	(35)	(24)	-	-
Change in fair value of investment properties	4	(3)	(29)	-	-
Depreciation of property, plant and equipment	3	88,066	86,460	-	-
Dividend income	20	-	-	(437,918)	(314,641)
Finance income	21	(16,047)	(14,776)	(18,009)	(14,017)
Finance costs	22	15,571	15,305	-	-
Impairment loss:					
- Investments in subsidiaries	24	-	-	-	264
- Plant and equipment	3	149	2,999	-	-
- Trade receivables	29(d)	491	816	-	-
Inventories written down	12	6,626	3,351	-	-
Inventories written off	12	4,950	10,060	-	-
Net fair value (gain)/loss on derivatives	24	(1,330)	1,580	-	-
Net (gain)/loss on disposal of plant and equipment	24	(687)	678	-	-
Net unrealised foreign exchange loss/(gain)	24	428	(1,424)	(19)	(1,694)
Plant and equipment written off	24	2,534	1,444	-	-
Employee benefits expense/(income)	17	3,842	(1,440)	-	-
Reversal of impairment loss:					
- Plant and equipment	3	(2,337)	(2,505)	-	-
- Trade receivables	29(d)	(551)	(296)	-	-
Reversal of inventories written down	12	-	(146)	-	-
Reversal of provision for legal claims	18	-	(5,749)	-	(5,749)
Share-based payment expense	24	7,221	9,216	-	-
Share of profit of equity-accounted associate, net of tax	8	(8,571)	(11,259)	-	-
Share of loss of equity-accounted joint venture, net of tax	9	6,558	2,083	-	-
Operating profit/(loss) before changes in working capital		532,552	455,322	(2,275)	(8,261)
<i>Changes in working capital:</i>					
Changes in provisions		(7,405)	2,530	-	(1,705)
Changes in inventories		36,988	(36,652)	-	-
Additions in property development costs	5	-	(730)	-	-
Changes in trade and other payables		(10,289)	(89,668)	(556)	2,596
Changes in trade and other receivables		16,022	(78,437)	(165,029)	(116,070)
Cash generated from/(used in) operations		567,868	252,365	(167,860)	(123,440)
Employee benefits paid	17	(1,408)	(2,075)	-	-
Tax paid		(31,503)	(38,019)	(2,957)	(2,490)
Tax refunded		13,920	7,708	-	-
Net cash from/(used in) operating activities		548,877	219,979	(170,817)	(125,930)

STATEMENTS OF CASH FLOWS

for the financial year ended 30 September 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from investing activities					
Acquisition of intangible assets	6	(213)	(291)	-	-
Acquisition of property, plant and equipment	3	(181,218)	(155,356)	-	-
Dividends received		8,087	6,221	437,918	314,641
Interest received		9,735	9,879	18,009	14,017
Loan to a joint venture		-	(2,000)	-	(2,000)
Proceeds from disposal of plant and equipment		1,428	1,252	-	-
Net cash (used in)/from investing activities		(162,181)	(140,295)	455,927	326,658
Cash flows from financing activities					
Dividends paid to owners of the Company	27	(210,761)	(210,761)	(210,761)	(210,761)
Interest paid		(14,920)	(15,798)	-	-
Purchase of shares by SGP Trust	15(d)	(2,838)	(9,006)	(2,838)	(9,006)
Proceeds from loans and borrowings	16	153,537	-	-	-
Repayment of loans and borrowings	16	(197,458)	(25,500)	-	-
Net cash used in financing activities		(272,440)	(261,065)	(213,599)	(219,767)
Net increase/(decrease) in cash and cash equivalents		114,256	(181,381)	71,511	(19,039)
Effects of exchange rate fluctuations on cash and cash equivalents		(1,597)	12,260	-	-
Cash and cash equivalents at 1 October 2017/2016		424,433	593,554	52,998	72,037
Cash and cash equivalents at 30 September		537,092	424,433	124,509	52,998

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	14	185,396	244,435	2,209	998
Short-term deposits	14	351,696	179,998	122,300	52,000
		537,092	424,433	124,509	52,998

The notes on pages 129 to 186 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 address of the registered office of the Company is as follows:

Level 3A, F&N Point
No. 3, Jalan Metro Pudu 1
Fraser Business Park
Off Jalan Yew
55100 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 30 September 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associate and joint venture.

The Company is principally engaged in investment holding activities while the other Group entities 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 7, 8 and 9. Information on other related party relationships of the Group is provided in Note 33.

The immediate holding company is Fraser and Neave, Limited ("F&NL"), which is incorporated in the 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.

These financial statements were authorised for issue by the Board of Directors on 8 November 2018.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

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

- MFRS 9, *Financial Instruments (2014)*
- 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 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment - 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 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property - Transfers of Investment Property*

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*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 119, *Employee Benefits - Plan Amendment Curtailment or Settlement*

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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 annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 October 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* and amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts* which are not applicable to the Group and the Company.
- from the annual period beginning on 1 October 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned 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 has established a structured implementation programme which includes establishing a project team, training programme and undertaking impact assessment to ensure readiness and smooth implementation of MFRS 9.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

The Group does not expect that the application of the new classification requirement will have a material impact on accounting for its financial assets.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs.

With the adoption of MFRS 9 by following the ECL model, the impairment loss based on MFRS 9 is expected to be less than 1% of trade and other receivables and this is to be adjusted to the opening retained earnings as of 1 October 2018.

MFRS 15, Revenue from Contracts with Customers

MFRS 15 sets a new guidance for revenue accounting. It 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*.

The Group has established a structured implementation programme which includes training programme, reviewing of contracts, undertaking impact assessment, changes to system and process, as well as engaging with relevant experts within the Group. The Group has established a steering committee and a cross-functional project team comprising members from the finance function, commercial operations and other relevant functions to manage the implementation of MFRS 15.

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRS 15, Revenue from Contracts with Customers (continued)

Currently, the Group's contracts with customers contain product sales and also consideration payable to customers. Each of these components is either recognised as revenue or operating expenses. With the adoption of MFRS 15, certain consideration payable to customers which are currently recognised as expenses would be required to be recognised as part of the transaction price and hence to be reclassified to net off against revenue. This reclassification is expected to reduce revenue by 6% while operating expenses is expected to reduce by 24%. There is no impact to profit before tax.

MFRS 16, Leases

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

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

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

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

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

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:

- (i) Valuation of investment properties (Note 4)
- (ii) Goodwill and brand (Note 6)
- (iii) Share-based payments (Note 15(e))
- (iv) Employee benefits (Note 17)

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(v) Associate

An associate is an entity in which the Group has significant influence, but not control, over the financial and operating policies.

Investment in an associate is accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses of an associate equals or exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

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 2018. Where necessary, adjustments are made to bring the accounting policies of the associate 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. 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.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investment in an associate is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

(vi) Joint venture

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.

Investment in a joint venture is accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the joint venture, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses of a joint venture equals or exceeds its interest in a joint venture, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vi) Joint venture (continued)

Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The financial statements of the joint venture are prepared as of the same reporting date as the Group. 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 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.

When the Group ceases to have significant influence over a joint venture, any retained interest in the former joint venture at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in a joint venture decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investment in a joint venture is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associate and joint venture are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in 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.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(k)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) 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 in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(c) Financial instruments (continued)****(iv) Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

- leasehold land 10 - 99 years
- buildings 10 - 60 years
- plant and machinery 3 - 15 years
- others * 2 - 12 years

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

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted prospectively as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating leases

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Intangible assets

(i) Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associate and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associate and joint venture.

(ii) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(f) Intangible assets (continued)****(iii) Computer software**

Customised computer software and computer software license that is not integral to the functionality of the related equipment is recognised as an intangible asset, stated at cost less any accumulated amortisation and any accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Goodwill and brand with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Computer software and computer software license are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives of computer software and computer software license for the current and comparative periods are between 2 to 10 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

(g) Investment property**(i) Investment property carried at fair value**

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 measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investments in associate and joint venture) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax assets and investment properties measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(ii) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) 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 in the statement of changes in equity.

Where 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.

(iii) Shares held by Share Grant Plan ("SGP") Trust

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".

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (continued)

(ii) Defined contribution plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) 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 Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no adjustment for differences between expected and actual outcomes.

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

(v) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer to those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Services

Revenue from services rendered is recognised in profit or loss by reference to the stage of work performed at the end of the reporting period.

(iii) 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.

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as reduction of rental income, over the term of the lease on a straight-line basis. Rental income from sub-leased property is recognised as other income.

(v) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(r) Earnings per ordinary share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share grants granted pursuant to SGP and shares held by SGP Trust.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments' results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

For management purposes, the Group's operating businesses are organised according to products and services, namely Food & 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. PROPERTY, PLANT AND EQUIPMENT

	Note	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
Group								
Cost								
At 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	6	-	-	-	-	(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	-
Effect of movement in exchange rate		1,190	-	9,636	13,357	2,469	3,171	29,823
At 30 September 2017/ 1 October 2017		96,117	79,487	535,070	909,303	121,677	316,494	2,058,148
Additions		-	-	1,755	12,105	162,696	4,662	181,218
Transfer to intangible assets	6	-	-	-	-	(2,806)	-	(2,806)
Transfer to inventories	3.2	-	-	-	(5,013)	-	-	(5,013)
Disposals		-	-	-	(5,896)	-	(15,027)	(20,923)
Written off		-	-	(85)	(2,396)	-	(16,087)	(18,568)
Reclassifications		-	-	10,853	157,844	(175,237)	6,540	-
Effect of movement in exchange rate		236	-	1,926	3,244	503	374	6,283
At 30 September 2018		96,353	79,487	549,519	1,069,191	106,833	296,956	2,198,339

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	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
Group (continued)								
Accumulated depreciation								
At 1 October 2016		-	(10,107)	(92,815)	(483,729)	-	(211,377)	(798,028)
Depreciation for the year	24	-	(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
Effect of movement in exchange rate		-	-	(1,492)	(7,531)	-	(2,492)	(11,515)
At 30 September 2017/ 1 October 2017		-	(10,963)	(105,383)	(515,804)	-	(216,001)	(848,151)
Depreciation for the year	24	-	(1,130)	(11,284)	(49,134)	-	(26,518)	(88,066)
Disposals		-	-	-	5,131	-	14,363	19,494
Written off		-	-	49	2,249	-	13,625	15,923
Reclassification		-	-	(107)	157	-	(50)	-
Effect of movement in exchange rate		-	-	(444)	(2,013)	-	(242)	(2,699)
At 30 September 2018		-	(12,093)	(117,169)	(559,414)	-	(214,823)	(903,499)
Accumulated impairment loss								
At 1 October 2016		(2,216)	(2,220)	(1,363)	(7,854)	-	(1,859)	(15,512)
Impairment loss	24	-	-	(2)	(497)	-	(2,500)	(2,999)
Reversal of impairment loss	24	-	-	2	891	-	1,612	2,505
Written off		-	-	-	-	-	16	16
Effect of movement in exchange rate		-	-	(68)	(87)	-	(1)	(156)
At 30 September 2017/ 1 October 2017		(2,216)	(2,220)	(1,431)	(7,547)	-	(2,732)	(16,146)
Impairment loss	24	-	-	(1)	(138)	-	(10)	(149)
Reversal of impairment loss	24	-	-	14	605	-	1,718	2,337
Disposals		-	-	-	688	-	-	688
Written off		-	-	-	-	-	111	111
Reclassification		-	-	2	-	-	(2)	-
Effect of movement in exchange rate		-	-	(14)	12	-	-	(2)
At 30 September 2018		(2,216)	(2,220)	(1,430)	(6,380)	-	(915)	(13,161)
Carrying amount								
At 1 October 2016		92,711	41,144	422,905	313,621	127,865	114,506	1,112,752
At 30 September 2017/ 1 October 2017		93,901	66,304	428,256	385,952	121,677	97,761	1,193,851
At 30 September 2018		94,137	65,174	430,920	503,397	106,833	81,218	1,281,679

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

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 An impairment loss of RM149,000 (2017: RM2,999,000), 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 2018. The reversal of the impairment loss in respect of the plant and equipment of RM2,337,000 (2017: RM2,505,000) 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 RM2,337,000 (2017: RM2,505,000).

3.2 Engineering spares and machine consumables amounting to RM5,013,000 were transferred to inventories during the financial year.

3.3 Assets under construction are mainly relating to buildings, plant and machinery.

4. INVESTMENT PROPERTIES

	Group 2018 RM'000	2017 RM'000
At 1 October 2017/2016	49,315	49,286
Change in fair value recognised in profit or loss		
- Unrealised	3	29
At 30 September	49,318	49,315
Included in the above are:		
At fair value		
Buildings	49,318	49,315

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Investment properties comprise a number of commercial properties that are leased to third parties. Each of the lease contains an initial non-cancellable period of two to three years and subsequent renewals are negotiated with the lessee. No contingent rents are charged.

The following are recognised in profit or loss in respect of investment properties:

	Group 2018 RM'000	2017 RM'000
Rental income	742	607
Direct operating expenses		
- income generating investment properties	(720)	(795)
- non-income generating investment properties	(493)	(553)

Fair value information

Fair values of investment properties are categorised as follows:

	Group 2018 Level 3 RM'000	2017 Level 3 RM'000
Buildings	49,318	49,315

NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES (CONTINUED)

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 significant unobservable inputs used in the valuation models.

Properties	Valuation technique	Significant unobservable inputs	Range and rate	
			2018	2017
Commercial property 1	Investment approach	Estimated rental value per square feet per month (RM)		
		- 1 st to 5 th year	4.00-5.50	3.95-5.50
		- 6 th year onwards	4.00-5.50	3.95-5.50
		Capitalisation rate		
		- 1 st to 5 th year	-	7.00%
		- 6 th year onwards	7.25%	7.25%
		Void factor		
		- 1 st to 5 th year	50%	10%
- 6 th year onwards	10%	5%		
Commercial property 2	Discounted cash flows	Capital expenditure reserve per square feet (RM)	1.00	0.76
		Discount factor		
Car park	Direct comparison approach	- 1 st to 5 th year	7.00%	-
		- 6 th year onwards	7.25%	7.25%
Commercial property 2	Discounted cash flows	Discount factor	8.20%	8.40%
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.

Valuation processes applied by the Group for Level 3 fair value

The fair values of investment properties are based on discounted cash flows method and valuation performed by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the Group's investment property portfolio annually. Changes in Level 3 fair values are analysed by the management annually after obtaining valuation report from the valuation company.

5. PROPERTIES HELD FOR DEVELOPMENT

	Group	
	2018 RM'000	2017 RM'000
At cost		
At 1 October 2017/2016	56,047	55,317
Cost incurred	-	730
At 30 September	56,047	56,047
Properties held for development comprise:		
- Freehold land	49,783	49,783
- Development costs	6,264	6,264
	56,047	56,047

6. INTANGIBLE ASSETS

	Note	Goodwill RM'000	Brand RM'000	Computer software RM'000	Total RM'000
Group					
Cost					
At 1 October 2016		45,929	75,370	46,016	167,315
Additions		-	-	291	291
Transfer from property, plant and equipment	3	-	-	2,081	2,081
Written off		-	-	(7,714)	(7,714)
At 30 September 2017/1 October 2017		45,929	75,370	40,674	161,973
Additions		-	-	213	213
Transfer from property, plant and equipment	3	-	-	2,806	2,806
Written off		-	-	(8)	(8)
At 30 September 2018		45,929	75,370	43,685	164,984
Accumulated amortisation and impairment loss					
At 1 October 2016					
Accumulated amortisation		-	-	(36,812)	(36,812)
Accumulated impairment loss		(5,392)	-	-	(5,392)
Amortisation for the year	24	(5,392)	-	(36,812)	(42,204)
Written off		-	-	7,714	7,714
At 30 September 2017/1 October 2017		(5,392)	-	(34,363)	(39,755)
Accumulated amortisation		-	-	(34,363)	(34,363)
Accumulated impairment loss		(5,392)	-	-	(5,392)
Amortisation for the year	24	-	-	(2,948)	(2,948)
Written off		-	-	8	8
At 30 September 2018		(5,392)	-	(37,303)	(42,695)
Accumulated amortisation		-	-	(37,303)	(37,303)
Accumulated impairment loss		(5,392)	-	-	(5,392)
Carrying amount					
At 1 October 2016		40,537	75,370	9,204	125,111
At 30 September 2017/1 October 2017		40,537	75,370	6,311	122,218
At 30 September 2018		40,537	75,370	6,382	122,289

NOTES TO THE FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS (CONTINUED)

(a) Allocation of goodwill, brand and computer software

Goodwill, brand and computer software have been allocated to the Group's cash-generating units ("CGUs") as 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 2018				
Dairy products				
- Malaysia	-	75,370	63	75,433
- Thailand	999	-	-	999
Soft drinks				
- Malaysia	39,538	-	2,118	41,656
Property/Others	-	-	4,201	4,201
	40,537	75,370	6,382	122,289
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

(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 discounted cash flows 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.

6. 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.

	Terminal growth rate	Compound annual growth rate	Pre-tax discount rate
At 30 September 2018			
Dairy products	1%	4.0%	9.5%
Soft drinks	0%	7.0%	9.5%
At 30 September 2017			
Dairy products	1%	4.7%	10.2%
Soft drinks	0%	8.3%	10.2%

(ii) Brand

No impairment loss is required for the brand assessed in the current financial year as its recoverable value is in excess of its carrying value.

The value in use calculations apply a discounted cash flows model using cash flow projections based on business plan covering ten-year period.

The discount rates applied to the cash flow projections are derived from the cost of capital plus a reasonable risk premium.

	Terminal growth rate	Annual growth rate	Pre-tax discount rate
At 30 September 2018	1.0%	1.0%	9.5%
At 30 September 2017	1.0%	1.0%	10.2%

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).

(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.

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM'000	2017 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: Impairment loss	(7,182)	(7,182)
	931,423	931,423

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

	Issue price RM	Number of shares	2018 RM'000	2017 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

Details of subsidiaries are as follows:

Name of company	Country of incorporation and place of business	Principal activities	Effective ownership and voting interest (%)	
			2018	2017
Subsidiaries of Fraser & Neave Holdings Bhd				
F&N Beverages Marketing Sdn Bhd	Malaysia	Distribution and sale of soft drinks and dairy products	100	100
F&N Beverages Manufacturing Sdn Bhd	Malaysia	Manufacturing and sale of soft drinks	100	100
F&N Dairies Manufacturing Sdn Bhd	Malaysia	Manufacturing and sale of dairy products	100	100
F&N Dairies (Thailand) Limited ⁽ⁱ⁾	Thailand	Manufacturing, distribution and sale 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	Sale of soft drinks and dairy products	100	100
Lion Share Management Limited	British Virgin Islands	Brand owner	100	100

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation and place of business	Principal activities	Effective ownership and voting interest (%)	
			2018	2017
Subsidiaries of Fraser & Neave Holdings Bhd (continued)				
Fraser & Neave (Malaya) Sdn Bhd	Malaysia	Sale of soft drinks and dairy products, 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	100	100
Lettricia Corporation Sdn Bhd	Malaysia	Property development	70	70
Utas Mutiara Sdn Bhd	Malaysia	Property investment holding	100	100
Nuvak Company Sdn Bhd	Malaysia	Property development	100	100
Tropical League Sdn Bhd	Malaysia	Property development	100	100
F&N Dairies (Malaysia) Sdn Bhd	Malaysia	Inactive	100	100
Premier Milk (Malaya) Sdn Berhad	Malaysia	Inactive	100	100
Elsinburg Holdings Sdn Bhd	Malaysia	Inactive	100	100
Wimanis Sdn Bhd ⁽ⁱ⁾	Malaysia	Inactive	100	100
F&N Foods Sdn Bhd ⁽ⁱⁱ⁾	Malaysia	Inactive	-	100
Kuala Lumpur Glass Manufacturers Company Sendirian Berhad ⁽ⁱⁱⁱ⁾	Malaysia	Inactive	-	100
Subsidiary of F&N Beverages Manufacturing Sdn Bhd				
Borneo Springs Sdn Bhd	Malaysia	Manufacturing and sale of mineral water, drinking water and rental of dispensers	100	100

(i) Audited by member firms of KPMG International.

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

(iii) Dissolved in accordance with Section 272(5) of the Companies Act 1965.

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

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At cost				
Quoted shares	68,727	68,727	68,727	68,727
Share of post-acquisition reserves	56,156	47,585	-	-
Dividend received	(40,631)	(32,544)	-	-
	84,252	83,768	68,727	68,727
Market value				
Quoted shares in Malaysia	133,755	174,192	133,755	174,192

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 (%)	
		2018	2017
Cocoaland Holdings Berhad ("CHB") (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 2018. 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 2018 to 30 September 2018 and 30 June 2017 to 30 September 2017 are not expected to be material.

The following table summarises the information of the CHB, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in CHB, which is accounted for using the equity method.

	Group	
	2018 RM'000	2017 RM'000
Summarised financial information as at 30 September		
Non-current assets	111,245	116,969
Current assets	172,412	160,185
Non-current liabilities	(7,820)	(8,453)
Current liabilities	(32,753)	(27,400)
Net assets	243,084	241,301
Year ended 30 September		
Revenue	266,983	269,893
Profit for the year	31,521	41,408

8. INVESTMENT IN AN ASSOCIATE (CONTINUED)

	Group	
	2018 RM'000	2017 RM'000
Reconciliation of net assets to carrying amount as at 30 September		
Group's share of net assets	66,094	65,610
Goodwill	18,158	18,158
Carrying amount in the statement of financial position	84,252	83,768
Group's share of profit for the year	8,571	11,259
Capital commitments		
Share of associate's capital commitments incurred jointly with other investors:		
- Amounts approved and contracted for purchase of property, plant and equipment	216	431

9. INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At cost				
Unquoted shares	500	500	500	500
Share of post-acquisition reserves	(15,399)	(8,841)	-	-
	(14,899)	(8,341)	500	500
Shareholder's loan	126,820	126,820	126,820	126,820
Interest on shareholder's loan	32,465	26,635	32,465	26,635
	144,386	145,114	159,785	153,955
Less: Unrealised profit	(55,292)	(55,292)	-	-
	89,094	89,822	159,785	153,955

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 (%)	
		2018	2017
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

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENT IN A JOINT VENTURE (CONTINUED)

The following table summarises the information of VCSB, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in VCSB, which is accounted for using the equity method.

	Group	
	2018 RM'000	2017 RM'000
Summarised financial information		
As at 30 September		
Non-current assets	2,708	3,662
Current assets	286,428	286,919
Current liabilities	(318,954)	(307,282)
Cash and cash equivalents	1,061	1,685
Year ended 30 September		
Revenue	-	-
Loss for the year	(13,117)	(4,166)
Reconciliation of net liabilities to carrying amount as at 30 September		
Group's share of net liabilities	(14,908)	(8,350)
Goodwill	9	9
Shareholder's loan	126,820	126,820
Interest on shareholder's loan	32,465	26,635
Elimination of unrealised profit	(55,292)	(55,292)
Carrying amount in the statement of financial position	89,094	89,822
Group's share of loss for the year	(6,558)	(2,083)

The joint venture had no other contingent liabilities or capital commitments as at 30 September 2018 and 2017. 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 Frasers Property Holdings (Malaysia) Pte. Ltd. ("FPHM") (formerly known as FCL Centrepoint Pte. Ltd.) 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 FPHM have both granted shareholder's loans to VCSB pursuant to the SSA. The loans are unsecured, bears interest at KLIBOR + 1.25% (2017: 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 FPHM respectively. Consequent thereupon, the Company and FPHM 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.

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group						
Property, plant and equipment	213	-	(67,226)	(66,466)	(67,013)	(66,466)
Investment properties	109	109	(813)	(1,400)	(704)	(1,291)
Employee benefit plans	6,587	5,799	-	-	6,587	5,799
Tax loss carry-forwards and unutilised capital allowances	4,561	8,328	-	-	4,561	8,328
Unutilised tax incentives	35,635	44,439	-	-	35,635	44,439
Provisions and others	5,288	6,361	-	(1,388)	5,288	4,973
Tax assets/(liabilities)	52,393	65,036	(68,039)	(69,254)	(15,646)	(4,218)
Set off of tax	(39,323)	(39,310)	39,323	39,310	-	-
Net tax assets/(liabilities)	13,070	25,726	(28,716)	(29,944)	(15,646)	(4,218)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2018 RM'000	2017 RM'000
Tax loss carry-forwards	3,251	3,251
Unutilised capital allowances	6,220	6,220
	9,471	9,471

Movement in temporary differences during the year

	At 1 October 2016 RM'000	Recognised in profit or loss (Note 23) RM'000	Recognised in other compre- hensive income (Note 23) RM'000	Exchange differences RM'000	At 30 September 2017/ 1 October 2017 RM'000	Recognised in profit or loss (Note 23) RM'000	Recognised in other compre- hensive income (Note 23) RM'000	Exchange differences RM'000	At 30 September 2018 RM'000
Group									
Property, plant and equipment	(66,374)	(92)	-	-	(66,466)	(551)	-	4	(67,013)
Investment properties	(1,284)	(7)	-	-	(1,291)	587	-	-	(704)
Employee benefit plans	4,780	1,132	(188)	75	5,799	870	(111)	29	6,587
Tax loss carry-forwards and unutilised capital allowances (Note 10.1)	290	8,003	-	35	8,328	(3,740)	-	(27)	4,561
Unutilised tax incentives	57,129	(12,690)	-	-	44,439	(8,804)	-	-	35,635
Provisions and others	4,855	45	-	73	4,973	285	-	30	5,288
	(604)	(3,609)	(188)	183	(4,218)	(11,353)	(111)	36	(15,646)

NOTES TO THE FINANCIAL STATEMENTS

10. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

10.1 During the financial year, a subsidiary of the Company, F&N Dairies (Thailand) Limited has utilised the tax loss carry-forwards as the promotional privileges granted by the Board of Investment has been fully utilised.

11. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current					
Trade receivables		446,861	442,278	-	-
Less: Allowance for impairment losses		(503)	(1,163)	-	-
		446,358	441,115	-	-
Other receivables					
- Prepayments		4,544	3,798	-	-
- Deposits		5,755	4,528	-	-
- Staff loans		5,533	7,392	-	-
- Sales tax refund receivable		4,505	479	-	-
- Marketing subsidies receivable		-	3,068	-	-
- Sundry debtors		6,056	21,006	-	-
- Other tax recoverable		34,804	14,448	-	-
- Interest		813	332	-	-
- Other receivables		1,139	3,602	147	52
		63,149	58,653	147	52
Amounts due from related parties					
- Subsidiaries	11.1	-	-	351,641	186,150
- Related companies	11.2	87,078	111,836	-	-
- Joint venture	11.3	10	-	-	-
- Associate	11.4	4	4	4	4
- Other related parties	11.5	8,045	8,577	-	-
		95,137	120,417	351,645	186,154
		604,644	620,185	351,792	186,206

11.1 The amounts due from subsidiaries are non-trade in nature, unsecured, receivable on demand and interest free, except for loan portion of RM348,318,000 (2017: RM183,771,000) which bears interest at KLIBOR + 1.25% (2017: KLIBOR + 1.25%) per annum.

11.2 The amounts due from related companies are trade in nature, except for non-trade portion of RM12,028,000 (2017: RM52,441,000). Both amounts 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").

11.3 The amounts due from a joint venture are trade in nature, unsecured, receivable on demand and interest free.

11.4 The amounts due from an associate are non-trade in nature, unsecured, receivable on demand and interest free.

11.5 The amounts due from other related parties are trade in nature, unsecured, receivable on demand and interest free. Other related parties refer to the subsidiaries or associates of Permodalan Nasional Berhad ("PNB") (Note 33).

12. INVENTORIES

	Note	Group 2018 RM'000	2017 RM'000
Finished goods		185,664	178,220
Raw materials		252,206	322,280
Packaging materials		45,679	32,200
Other inventories	12.1	13,616	8,016
		497,165	540,716
Recognised in profit or loss			
Inventories recognised as cost of sales		2,390,855	2,431,898
Inventories written off	24	4,950	10,060
Inventories written down	24	6,626	3,351
Reversal of inventories written down	24	-	(146)

12.1 Other inventories comprise engineering spares and machine consumables.

13. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

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	2018			2017		
	Nominal value RM'000	Assets RM'000	Liabilities RM'000	Nominal value RM'000	Assets RM'000	Liabilities RM'000
Group						
Derivatives designated as fair value through profit or loss upon initial recognition						
- Forward exchange contracts	20,673	60	(140)	79,571	137	(1,547)

Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's 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.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	185,396	244,435	2,209	998
Short-term deposits	351,696	179,998	122,300	52,000
	537,092	424,433	124,509	52,998

NOTES TO THE FINANCIAL STATEMENTS

15. CAPITAL AND RESERVES

(a) Share capital

	Group and Company			
	2018 Number of shares '000	RM'000	2017 Number of shares '000	RM'000
Issued and fully paid				
Ordinary shares				
At 1 October 2017/2016	366,779	816,770	366,779	366,779
Transition to no-par value regime on 31 January 2017	-	-	-	449,991
At 30 September	366,779	816,770	366,779	816,770

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 2018, the issued and paid-up capital comprises 366,778,501 (2017: 366,778,501) ordinary shares of which 237,100 (2017: 237,100) ordinary shares are held as treasury shares.

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 previous financial year, the Company had utilised none of the credit of the share premium account which had become part of the share capital.

(b) Share premium

The movement of share premium during the previous financial year was as follows:

	Group and Company RM'000
At 1 October 2016	449,991
Transition to no-par value regime on 31 January 2017	(449,991)
At 30 September 2017	-

(c) Treasury shares

	Group and Company			
	2018 Number of shares '000	RM'000	2017 Number of shares '000	RM'000
At 1 October 2017/2016/ 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.

15. CAPITAL AND RESERVES (CONTINUED)

(d) Shares held by SGP Trust

	Group and Company			
	2018		2017	
	Number of shares '000	RM'000	Number of shares '000	RM'000
At 1 October 2017/2016	468	12,079	580	12,060
Acquired	83	2,838	361	9,006
Reissued pursuant to SGP	(420)	(10,878)	(473)	(8,987)
At 30 September	131	4,039	468	12,079

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		
2018	32.49	37.53	34.20	83	2,838
2017	23.17	25.40	24.95	361	9,006

(e) 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 Award.

The RSP Base Award is conditional on the achievement of pre-determined targets set for a two-year performance period and the PSP Base Award is conditional on the achievement of pre-determined targets set for a three-year performance period. The final number of RSP Shares and PSP Shares to be awarded will be determined at the end of the relevant performance period ("Final Award").

RSP

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.

NOTES TO THE FINANCIAL STATEMENTS

15. CAPITAL AND RESERVES (CONTINUED)

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

RSP (continued)

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

	← Number of share grants →					Vesting period
	At 1.10.2017/ grant date	Adjustment for achievement factor	Vested	Forfeited *	At 30.9.2018	
RSP 2014 (12.8.2014)	124,250	-	(124,250)	-	-	31.12.2015- 31.12.2017
RSP 2015 (15.1.2015)	209,000	-	(104,500)	(5,600)	98,900	31.12.2016- 31.12.2018
RSP 2016 (5.1.2016)	476,500	(92,900)	(191,800)	(10,450)	181,350	31.12.2017- 31.12.2019
RSP 2017 (22.12.2016)	493,200	-	-	(28,600)	464,600	31.12.2018- 31.12.2020
RSP 2018 (22.12.2017)	496,000	-	-	(26,100)	469,900	31.12.2019- 31.12.2021
	1,798,950	(92,900)	(420,550)	(70,750)	1,214,750	

* Share grants forfeited upon cessation of employment.

No awards were granted to Directors of the Company.

The estimated fair value of shares granted during the year ranges from RM15.52 to RM17.21. 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 →			
	2018	2017	2016	2015
Dividend yield (%)	2.72	3.34	3.62	4.02
Expected volatility (%)	11.56	12.67	8.36	19.23
Risk-free interest rate (%)	3.21-3.59	3.58-3.87	2.98-3.52	2.94-3.26
Expected term (years)	2.02-4.03	2.02-4.03	1.99-3.99	1.80-3.80
Share price at date of grant (RM)	26.38	22.86	18.50	18.06

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 2018, no shares were granted under the PSP.

15. CAPITAL AND RESERVES (CONTINUED)

(f) 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 15(d)) 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".

(g) Legal reserve

Non-distributable legal reserve amounting to RM9,934,000 (2017: 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.

16. LOANS AND BORROWINGS

	Currency	Group 2018 RM'000	2017 RM'000
Non-current			
Medium Term Note ("MTN") - unsecured	RM	-	150,000
Term loan - unsecured	THB	115,153	31,639
		115,153	181,639
Current			
MTN - unsecured	RM	150,000	150,000
Term loan - unsecured	THB	70,371	47,458
		220,371	197,458
		335,524	379,097

Commercial Paper ("CP")/MTN of RM1,500,000,000

A subsidiary of the Company, F&N Capital Sdn Bhd ("the Issuer"), is able to issue up to RM750,000,000 in nominal value under each of the CP and the MTN programmes respectively, which are unconditionally and irrevocably guaranteed by the Company. The CP 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 under the MTN Programme.

The Issuer had on 26 September 2013 and 7 October 2013, successfully issued MTN of RM150,000,000 each with the tenure of five (5) years from the issue date. These MTNs bear interest at rates of 4.38% and 4.24% per annum respectively. MTN (bearing interest at 4.38%) amounting to RM150,000,000 was repaid in the current financial year.

As at 30 September 2018, the unutilised CP/MTN facility available for use amounted to RM1,350,000,000 (2017: RM1,200,000,000). The remaining MTN balance (bearing interest at 4.24%) amounting to RM150,000,000 was repaid on October 2018.

Term loan of THB2,200,000,000

On 1 December 2015 and 6 June 2018, a subsidiary of the Company, F&N Dairies (Thailand) Limited ("FNDDT"), was granted term loans of THB1,000,000,000 each with the tenure of three (3) years. These term loans bear fixed interest at a rate of 2.35% and 2.44% per annum respectively and are payable semi-annually in arrears.

On 7 June 2018, FNDDT was granted a short-term loan of THB200,000,000 with the tenure of six (6) months and interest rate of 1.83% per annum.

NOTES TO THE FINANCIAL STATEMENTS

16. LOANS AND BORROWINGS (CONTINUED)

Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 1 October 2017 RM'000	Repayment during the year RM'000	Additions during the year RM'000	Foreign exchange movement RM'000	At 30 September 2018 RM'000
Group					
MTN	300,000	(150,000)	-	-	150,000
Term loan	79,097	(47,458)	153,537	348	185,524
	379,097	(197,458)	153,537	348	335,524

17. EMPLOYEE BENEFITS

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 provisions are determined and assessed based on actuarial valuations using the Projected Unit Credit Method.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk and interest rate risk.

Movement in the net defined benefit liability

The following table shows a reconciliation from the opening balance to the closing balance for net defined benefit liability and its components.

	Group 2018 RM'000	2017 RM'000
Balance at 1 October 2017/2016	38,070	41,937
Included in profit or loss		
Current service cost	2,459	2,716
Past service credit	(171)	(5,964)
Interest cost	1,554	1,808
	3,842	(1,440)
Included in other comprehensive income		
Remeasurement gain arising from:		
- Actuarial gain arising from:		
- financial assumptions	(193)	-
- experience adjustments	(270)	(784)
	(463)	(784)
Others		
Benefits paid	(1,408)	(2,075)
Exchange differences	135	432
	(1,273)	(1,643)
Balance at 30 September	40,176	38,070

17. EMPLOYEE BENEFITS (CONTINUED)

	Group	
	2018 RM'000	2017 RM'000
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

The average duration of the defined benefit plan obligation at the end of the financial year is 10 years (2017: 11 years).

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts 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				
2018				
(Decrease)/Increase in defined benefit obligation	(2,840)	3,295	3,323	(2,908)
2017				
(Decrease)/Increase in defined benefit obligation	(3,047)	3,537	3,439	(3,018)

Although the analysis does not account to the full distribution of cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

18. PROVISIONS

	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
Provision made	997	-	997
Amount utilised	(3,880)	-	(3,880)
Provision reversed	(4,522)	-	(4,522)
At 30 September 2018	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

18. PROVISIONS (CONTINUED)

Provision for restructuring costs

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

19. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current					
Trade payables		250,386	237,266	-	-
Other payables					
- Accrued expenses		49,223	54,163	735	1,343
- Advertising and promotion		63,301	41,908	-	-
- Deposits	19.1	18,293	16,802	-	-
- Distributor incentives, discounts and rebates		59,627	74,114	-	-
- Interest		4,441	3,790	-	-
- Staff costs		44,316	67,989	-	-
- Sundry creditors		45,122	41,510	-	-
- Other payables		40,795	38,114	-	-
		325,118	338,390	735	1,343
Amounts due to related parties					
- Subsidiaries	19.2	-	-	97	53
- Related companies	19.3	40,198	50,072	26	37
- Joint venture	19.4	-	34	-	-
- Associate	19.4	8	936	-	-
- Other related parties	19.5	4,600	1,987	-	-
		44,806	53,029	123	90
		620,310	628,685	858	1,433

19.1 Included in deposits are amounts received from dealers which bear interest at rate of 3.25% (2017: 2.65%) per annum.

19.2 The amounts due to subsidiaries are non-trade in nature, unsecured, repayable on demand and interest free.

19.3 The amounts due to related companies are trade in nature, except for non-trade portion for the Group and the Company amounting to RM15,608,000 (2017: RM22,301,000) and RM26,000 (2017: RM37,000) respectively. Both amounts are unsecured, repayable on demand and interest free. Related companies refer to the subsidiaries or associates of TCC Assets Limited, Thai Beverage Public Company Limited, BJC and TCC Holdings Co., Ltd.

19.4 The amounts due to a joint venture and an associate are trade in nature, unsecured, repayable on demand and interest free.

19.5 The amounts due to other related parties are trade in nature, unsecured, repayable on demand and interest free. These parties are related to PNB (Note 33).

NOTES TO THE FINANCIAL STATEMENTS

20. REVENUE

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sale of goods		4,108,718	4,100,315	-	-
Dividend income					
- from subsidiaries		-	-	429,831	308,420
- from an associate		-	-	8,087	6,221
Others	20.1	1,141	1,059	-	-
		4,109,859	4,101,374	437,918	314,641

20.1 Others comprise services and rental income.

21. FINANCE INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income of financial assets that are not at fair value through profit or loss:				
- recognised before impairment	16,047	14,776	18,009	14,017

22. FINANCE COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- bank borrowings	15,405	15,279	-	-
Other finance costs	166	26	-	-
	15,571	15,305	-	-

NOTES TO THE FINANCIAL STATEMENTS

23. TAX EXPENSE

Recognised in profit or loss

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax expense					
Malaysian - current year		25,372	25,103	3,825	2,813
- prior years		(2,095)	(863)	60	(40)
Overseas - current year		3,328	2,517	-	-
- prior years		(325)	-	-	-
		26,280	26,757	3,885	2,773
Deferred tax expense	10				
Origination and reversal of temporary differences		16,603	6,903	-	-
(Over)/Under provision in prior years		(5,159)	2,048	-	-
Recognition of previously unrecognised tax losses		(91)	(5,342)	-	-
		11,353	3,609	-	-
Total income tax expense		37,633	30,366	3,885	2,773
Deferred tax related to items recognised in other comprehensive income	10				
Net actuarial gains or losses		111	188	-	-
Reconciliation of tax expense					
Profit before tax		422,729	353,713	453,671	327,576
Income tax calculated using Malaysia tax rate of 24% (2017: 24%)		101,455	84,891	108,881	78,618
Effect of tax rates in foreign jurisdictions		(12,587)	(10,719)	-	-
Tax exempt income		(47,291)	(49,968)	(105,329)	(77,300)
Non-deductible expenses		2,893	9,511	273	1,495
Recognition of previously unrecognised tax losses		(91)	(8,618)	-	-
Deferred tax assets not recognised		-	2,789	-	-
Deferred tax assets recognised		(1,050)	-	-	-
(Over)/Under provided in prior years		(7,579)	1,185	60	(40)
Foreign withholding tax		2,366	-	-	-
Share of profit of equity-accounted associate, net of tax		(2,057)	(2,702)	-	-
Share of loss of equity-accounted joint venture, net of tax		1,574	500	-	-
Others		-	3,497	-	-
Total income tax expense		37,633	30,366	3,885	2,773
Effective income tax rate		9%	9%	1%	1%

24. PROFIT FOR THE YEAR

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the year is arrived at after charging/ (crediting):					
Advertising and promotion expenses		281,125	279,808	-	-
Amortisation of intangible assets	6	2,948	5,265	-	-
Auditors' remuneration					
- Statutory audits		813	645	100	80
- Non-audit fees		220	213	178	178
Bad debts recovered		(35)	(24)	-	-
Depreciation of property, plant and equipment	3	88,066	86,460	-	-
Distributor incentives, discounts and rebates		593,495	629,723	-	-
Impairment loss:					
- Investments in subsidiaries		-	-	-	264
- Plant and equipment	3	149	2,999	-	-
- Trade receivables	29(d)	491	816	-	-
Inventories written down	12	6,626	3,351	-	-
Inventories written off	12	4,950	10,060	-	-
Net fair value (gain)/loss on derivatives		(1,330)	1,580	-	-
Net (gain)/loss on disposal of plant and equipment		(687)	678	-	-
Net realised foreign exchange loss		5,788	11,879	55	5,124
Net unrealised foreign exchange loss/(gain)		428	(1,424)	(19)	(1,694)
Plant and equipment written off		2,534	1,444	-	-
Rental expense:					
- Premises		30,273	32,807	-	-
- Equipment		9,970	5,595	-	-
Rental income from premises		(1,149)	(1,149)	-	-
Reversal of impairment loss:					
- Plant and equipment	3	(2,337)	(2,505)	-	-
- Trade receivables	29(d)	(551)	(296)	-	-
Reversal of inventories written down	12	-	(146)	-	-
Reversal of provision for legal claims	18	-	(5,749)	-	(5,749)
Royalties:					
- Holding company		5,743	5,156	-	-
- Related companies		44,666	47,046	-	-
- Third parties		81,060	82,948	-	-
Personnel expenses (including compensation of key management personnel)					
- Contributions to state plans		25,186	26,175	-	-
- Expenses/(Income) related to defined benefit plans	17	3,842	(1,440)	-	-
- Share-based payment expense		7,221	9,216	-	-
- Wages, salaries and others		261,631	271,052	-	-
- Restructuring costs		(3,525)	43,921	-	-
Other directly related restructuring costs		4,024	4,467	-	-

NOTES TO THE FINANCIAL STATEMENTS

25. OTHER COMPREHENSIVE INCOME

	2018			2017		
	Before tax RM'000	Tax expense RM'000	Net of tax RM'000	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
Group						
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Remeasurement of defined benefit liability	463	(111)	352	784	(188)	596
<i>Items that are or may be reclassified subsequently to profit or loss</i>						
Foreign currency translation differences for foreign operations	1,505	-	1,505	30,176	-	30,176

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26. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 30 September 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2018 RM'000	2017 RM'000
Profit for the year attributable to owners of the Company	385,133	323,377
	2018 '000	2017 '000
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust	367,242	366,215
Basic earnings per ordinary share (sen)	104.9	88.3

26. EARNINGS PER ORDINARY SHARE (CONTINUED)

(b) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 30 September 2018 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group 2018 RM'000	2017 RM'000
Profit for the year attributable to owners of the Company	385,133	323,377
	2018 '000	2017 '000
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust	367,242	366,215
Adjustment pursuant to the SGP	1,215	1,303
Adjusted weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust	368,457	367,518
Diluted earnings per ordinary share (sen)	104.5	88.0

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27. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2018			
Final 2017 ordinary	30.5	111,795	9 February 2018
Interim 2018 ordinary	27.0	98,966	7 June 2018
		210,761	
2017			
Final 2016 ordinary	30.5	111,795	6 February 2017
Interim 2017 ordinary	27.0	98,966	15 June 2017
		210,761	

After the end of the reporting period, the following dividends were proposed by the Directors. This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share	Total amount RM'000
Final 2018 ordinary	30.5	111,795

NOTES TO THE FINANCIAL STATEMENTS

28. OPERATING SEGMENTS

The Group's operating businesses are recognised according to products and services, namely F&B Malaysia, F&B Thailand, Property and others which are the Group's strategic business units. For each of the strategic business unit, the Chief Operating Decision Maker ("CODM") (i.e. the Group's Chief Executive Officer) reviews internal management reports at least on a quarterly basis.

Segment performance is evaluated based on operating profit as included in the internal management reports that are reviewed by the CODM.

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

Financial year ended 30 September 2018	Note	F&B Malaysia RM'000	F&B Thailand RM'000	Property RM'000	Others RM'000	Total RM'000
Revenue						
Total revenue		2,321,693	1,798,746	3,281	90,155	4,213,875
Inter-segment		(26)	(11,695)	(2,407)	(89,888)	(104,016)
External		2,321,667	1,787,051	874	267	4,109,859
Results						
Operating profit		166,734	257,973	463	(4,930)	420,240
Finance income	28.1	-	-	-	-	16,047
Finance costs	28.1	-	-	-	-	(15,571)
Share of profit of equity-accounted associate, net of tax		-	-	-	-	8,571
Share of loss of equity-accounted joint venture, net of tax		-	-	-	-	(6,558)
Income tax expense	28.1	-	-	-	-	(37,633)
Profit for the year						385,096
Other information						
Segment assets		1,753,746	728,893	117,574	10,989	2,611,202
Investment in an associate		-	-	-	84,252	84,252
Investment in a joint venture		-	-	-	89,094	89,094
Deferred tax assets	28.1	-	-	-	-	13,070
Current tax assets	28.1	-	-	-	-	10,548
Cash and cash equivalents	28.1	-	-	-	-	537,092
Total assets						3,345,258
Segment liabilities		353,420	301,323	814	5,069	660,626
Loans and borrowings	28.1	-	-	-	-	335,524
Deferred tax liabilities	28.1	-	-	-	-	28,716
Current tax liabilities	28.1	-	-	-	-	7,921
Total liabilities						1,032,787
Others						
Purchase of property, plant and equipment		155,559	25,403	-	256	181,218
Depreciation of property, plant and equipment and amortisation of intangible assets		65,401	24,550	310	753	91,014

28. OPERATING SEGMENTS (CONTINUED)

Financial year ended 30 September 2017	Note	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	28.1	-	-	-	-	14,776
Finance costs	28.1	-	-	-	-	(15,305)
Share of profit of equity-accounted associate, net of tax		-	-	-	-	11,259
Share of loss of equity-accounted joint venture, net of tax		-	-	-	-	(2,083)
Income tax expense	28.1	-	-	-	-	(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 an associate		-	-	-	83,768	83,768
Investment in a joint venture		-	-	-	89,822	89,822
Deferred tax assets	28.1	-	-	-	-	25,726
Current tax assets	28.1	-	-	-	-	25,280
Cash and cash equivalents	28.1	-	-	-	-	424,433
Total assets						3,231,498
Segment liabilities		386,470	282,117	1,143	5,977	675,707
Loans and borrowings	28.1	-	-	-	-	379,097
Deferred tax liabilities	28.1	-	-	-	-	29,944
Current tax liabilities	28.1	-	-	-	-	14,020
Total liabilities						1,098,768
Others						
Purchase of property, plant and equipment		134,915	18,875	23	1,543	155,356
Depreciation of property, plant and equipment and amortisation of intangible assets		66,759	23,013	317	1,636	91,725

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

NOTES TO THE FINANCIAL STATEMENTS**28. OPERATING SEGMENTS (CONTINUED)****Geographical segments**

The Group operates significantly in three geographical areas namely, Malaysia, Thailand and Singapore.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment non-current assets are based on the geographical location of the assets and excluded investment in an associate, investment in a joint venture and deferred tax assets.

Geographical information

	Revenue		Non-current assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	1,926,300	1,964,775	1,104,627	1,021,438
Thailand	1,499,133	1,512,893	329,336	324,623
Singapore	283,701	272,284	-	-
Cambodia	184,802	158,010	-	-
Hong Kong	53,537	50,180	-	-
Indonesia	20,773	18,412	-	-
Laos	30,939	27,930	-	-
Others	110,674	96,890	75,370	75,370
	4,109,859	4,101,374	1,509,333	1,421,431

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

	Group	
	2018 RM'000	2017 RM'000
Property, plant and equipment	1,281,679	1,193,851
Investment properties	49,318	49,315
Properties held for development	56,047	56,047
Intangible assets	122,289	122,218
	1,509,333	1,421,431

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 2018 and 2017.

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (i) Fair value through profit or loss ("FVTPL") - Designated upon initial recognition;
- (ii) Loans and receivables ("L&R"); and
- (iii) Financial liabilities measured at amortised cost ("FL").

	Note	Carrying amount RM'000	FVTPL RM'000	L&R RM'000	FL RM'000
Group					
2018					
Financial assets					
Trade and other receivables	29.1	559,541	-	559,541	-
Derivative financial assets	13	60	60	-	-
Cash and cash equivalents	14	537,092	-	537,092	-
		1,096,693	60	1,096,633	-
Financial liabilities					
Trade and other payables	29.2	614,309	-	-	614,309
Derivative financial liabilities	13	140	140	-	-
Loans and borrowings	16	335,524	-	-	335,524
		949,973	140	-	949,833
2017					
Financial assets					
Trade and other receivables	29.1	597,411	-	597,411	-
Derivative financial assets	13	137	137	-	-
Cash and cash equivalents	14	424,433	-	424,433	-
		1,021,981	137	1,021,844	-
Financial liabilities					
Trade and other payables	29.2	617,469	-	-	617,469
Derivative financial liabilities	13	1,547	1,547	-	-
Loans and borrowings	16	379,097	-	-	379,097
		998,113	1,547	-	996,566
Company					
2018					
Financial assets					
Other receivables	11	351,792	-	351,792	-
Cash and cash equivalents	14	124,509	-	124,509	-
		476,301	-	476,301	-
Financial liabilities					
Other payables	19	858	-	-	858

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Note	Carrying amount RM'000	FVTPL RM'000	L&R RM'000	FL RM'000
Company (continued)					
2017					
Financial assets					
Other receivables	11	186,206	-	186,206	-
Cash and cash equivalents	14	52,998	-	52,998	-
		239,204	-	239,204	-
Financial liabilities					
Other payables	19	1,433	-	-	1,433

29.1 Trade and other receivables amounting to RM45,103,000 (2017: RM22,774,000) are not regarded as financial assets. These include prepayments, deposits paid and other tax recoverable.

29.2 Trade and other payables amounting to RM6,001,000 (2017: RM11,216,000) are not regarded as financial liabilities. These include advances from customers, provision for unconsumed annual leave and other tax payable.

(b) Net gains or losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net gains/(losses) on:				
Fair value through profit or loss				
- Designated upon initial recognition	1,330	(1,580)	-	-
Loans and receivables	10,319	2,377	17,954	8,893
Financial liabilities measured at amortised cost	(15,571)	(15,305)	-	-
	(3,922)	(14,508)	17,954	8,893

(c) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

29. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk

Credit risk is the risk of a financial loss to the Group or the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to certain subsidiaries of the Company.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on receivables requiring credit over a certain amount. Certain receivables are required to have collateral in the form of financial assets and/or bank guarantees.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

The Group receives financial guarantees given by banks, shareholders or directors of customers in managing exposure to credit risks. At the end of the reporting period, financial guarantees received by the Group amounted to RM160,291,000 (2017: RM151,743,000) in respect of RM446,358,000 (2017: RM441,115,000) trade receivables. The remaining balance of trade receivables are not secured by any collateral or supported by any other credit enhancements.

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group			
2018			
Not past due	385,345	-	385,345
Past due 1 - 30 days	56,436	-	56,436
Past due 31 - 60 days	1,591	-	1,591
Past due 61 - 90 days	196	-	196
Past due 91 - 120 days	128	-	128
Past due more than 120 days	3,165	(503)	2,662
	446,861	(503)	446,358
2017			
Not past due	371,342	-	371,342
Past due 1 - 30 days	54,922	-	54,922
Past due 31 - 60 days	6,606	-	6,606
Past due 61 - 90 days	3,758	-	3,758
Past due 91 - 120 days	1,312	-	1,312
Past due more than 120 days	4,338	(1,163)	3,175
	442,278	(1,163)	441,115

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Note	Group 2018 RM'000	2017 RM'000
At 1 October 2017/2016		1,163	643
Impairment loss recognised	24	491	816
Impairment loss reversed	24	(551)	(296)
Impairment loss written off		(600)	-
At 30 September		503	1,163

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.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM347,043,000 (2017: RM393,449,000) representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

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

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable.

29. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Liquidity risk

Liquidity risk is the risk that the Group or the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Note	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	2-3 years RM'000
Group						
2018						
Interest-bearing borrowings	16	335,524	1.83 to 4.24	347,043	227,220	119,823
Financial guarantees		-	-	9,950	9,950	-
Trade and other payables		614,309	-	614,309	614,309	-
Derivative financial liabilities	13	140	-	140	140	-
		949,973		971,442	851,619	119,823
2017						
Interest-bearing borrowings	16	379,097	2.35 to 4.38	393,449	211,599	181,850
Financial guarantees		-	-	11,227	11,227	-
Trade and other payables		617,469	-	617,469	617,469	-
Derivative financial liabilities	13	1,547	-	1,547	1,547	-
		998,113		1,023,692	841,842	181,850
Company						
2018						
Financial guarantees		-	-	347,043	347,043	-
Other payables	19	858	-	858	858	-
		858		347,901	347,901	-
2017						
Financial guarantees		-	-	393,449	393,449	-
Other payables	19	1,433	-	1,433	1,433	-
		1,433		394,882	394,882	-

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

(f)(i) Currency risk

The Group is exposed to foreign currency risk on cash and cash equivalents, sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD") and Singapore Dollar ("SGD").

Risk management objectives, policies and processes for managing the risk

The Group hedges a portion of its foreign currency denominated trade payables. The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in	
	USD RM'000	SGD RM'000
Group		
2018		
Cash and cash equivalents	7,883	8,649
Receivables	31,757	5,660
Payables	-	(3,677)
Net exposure	39,640	10,632
2017		
Cash and cash equivalents	2,175	16,677
Receivables	20,174	43,019
Payables	-	(4,062)
Net exposure	22,349	55,634

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

A 10% (2017: 10%) strengthening of the following currencies against RM at the end of the reporting period would have increased/ (decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remained constant.

	Group	
	2018 RM'000	2017 RM'000
USD	3,013	1,699
SGD	808	4,228

A 10% (2017: 10%) weakening of the above currencies against RM at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

29. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Market risk (continued)

(f)(ii) Interest rate risk

The Group's investments in fixed rate debt securities and its fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

Exposure to interest rate risk

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 cash flow risk. However, the Company has exposure to interest rate risk from its loan to a subsidiary amounting to RM348,318,000 (2017: RM183,771,000).

Interest rate risk sensitivity analysis

A change in 100 basis points in interest rates would have decreased or increased post-tax profit or loss of the Company by RM2,647,000 (2017: RM1,397,000).

(g) Fair value information

The carrying amounts of cash and cash equivalents, 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.

	Note	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Group 2018											
Financial assets											
Derivative financial assets	13	-	60	-	60	-	-	-	-	60	60
Financial liabilities											
Derivative financial liabilities	13	-	140	-	140	-	-	-	-	140	140
Loans and borrowings	16	-	-	-	-	-	-	329,414	329,414	329,414	335,524
		-	140	-	140	-	-	329,414	329,414	329,554	335,664
2017											
Financial assets											
Derivative financial assets	13	-	137	-	137	-	-	-	-	137	137
Financial liabilities											
Derivative financial liabilities	13	-	1,547	-	1,547	-	-	-	-	1,547	1,547
Loans and borrowings	16	-	-	-	-	-	-	370,981	370,981	370,981	379,097
		-	1,547	-	1,547	-	-	370,981	370,981	372,528	380,644

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONTINUED)

(g) Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Company 2018										
Financial liabilities										
Financial guarantees	-	-	-	-	-	-	3,322	3,322	3,322	-
2017										
Financial liabilities										
Financial guarantees	-	-	-	-	-	-	6,310	6,310	6,310	-

Level 2 fair value*Derivatives*

The fair value of a forward exchange contract is estimated by taking the difference of the future cash flows arising from the derivative financial instrument, each discounted by their respective risk-free rate (based on government bonds) to the measurement date based on residual maturity of the foreign exchange contract.

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 (2017: 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	Discounted cash flows method using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.
Financial guarantees	Discounted cash flows method based on the interest differential between what the bank would have charged without guarantee and the actual interest charged with the guarantee.

Valuation processes applied by the Group for Level 3 fair value

The Group has an established control framework 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.

30. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

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.

The Group and the Company monitor and maintain a prudent level of total debt to total equity attributable to owners of the Company 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 2018 RM'000	2017 RM'000
Total loans and borrowings	16	335,524	379,097
Equity attributable to owners of the Company		2,312,336	2,132,558
Debt to equity ratio		15%	18%

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31. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group 2018 RM'000	2017 RM'000
Less than one year	19,158	23,504
Between one and five years	14,525	27,287
More than five years	989	1,052
	34,672	51,843

The Group leases premises and equipment under operating leases. The leases typically run for a period of one to five years, with an option to renew the lease after that date.

Leases as lessor

The Group leases out its investment properties (Note 4). The future minimum lease receivables under non-cancellable leases are as follows:

	Group 2018 RM'000	2017 RM'000
Less than one year	873	973
Between one and five years	379	376
	1,252	1,349

NOTES TO THE FINANCIAL STATEMENTS**32. CAPITAL AND OTHER COMMITMENTS****Capital expenditure commitments**

	Group	
	2018 RM'000	2017 RM'000
Property, plant and equipment		
Contracted but not provided for	149,617	111,079
Authorised but not contracted for	122,384	257,545
	272,001	368,624

33. RELATED PARTIES**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly 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.

Significant related party transactions

Related party transactions had been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 11 and 19.

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
A. F&NL Group					
Sales of goods		287,658	276,432	-	-
Purchases of goods		(161,379)	(182,314)	-	-
Royalties paid		(50,409)	(52,202)	-	-
Internal audit fees paid		(1,161)	(1,412)	-	-
B. Subsidiaries					
Dividend income		-	-	429,831	308,420
Finance income		-	-	8,614	5,790
Management fees		-	-	(457)	(517)
C. CHB Group					
Purchases of goods		(3,508)	(5,809)	-	-
Dividend income		-	-	8,087	6,221

33. RELATED PARTIES (CONTINUED)

Significant related party transactions (continued)

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
D. VCSB					
Finance income		5,830	5,602	5,830	5,602
Shareholder's loan granted		-	(2,000)	-	(2,000)
E. Thai Beverage Public Company Limited Group	33.1				
Sales of goods		1,442	984	-	-
Purchases of goods		(2,260)	(8,527)	-	-
Marketing expenses		(25,487)	(41,137)	-	-
F. BJC Group	33.1				
Sales of goods		52,932	50,367	-	-
Purchases of goods		(25,266)	(28,864)	-	-
Other expenses		(2,002)	(295)	-	-
G. Other related parties of TCC Group	33.1				
Purchases of goods		(40,685)	(31,450)	-	-
Management fees		(2,623)	(2,488)	-	-
Insurance premium paid		(2,569)	(2,758)	-	-
H. PNB Group	33.2				
Sales of goods		58,288	59,637	-	-
Purchases of goods		(54,768)	(42,185)	-	-
Rental of equipment paid		(2,989)	(2,547)	-	-
I. Key management personnel					
Non-Executive Directors					
Fees		1,173	1,235	1,173	1,235
Estimated monetary value of benefits-in-kind		46	44	46	44
		1,219	1,279	1,219	1,279
Other key management personnel					
Remuneration		11,364	12,954	-	-
Contributions to defined contribution plan		764	931	-	-
Share-based payments		1,666	863	-	-
		13,794	14,748	-	-
		15,013	16,027	1,219	1,279

NOTES TO THE FINANCIAL STATEMENTS**33. RELATED PARTIES (CONTINUED)****Significant related party transactions (continued)**

33.1 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.

33.2 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.

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	
	2018	2017
0 - 50,000	4	-
50,001 - 100,000	3	2
100,001 - 150,000	6	8
150,001 - 200,000	-	-
200,001 - 250,000	1	1

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 121 to 186 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 2018 and of their financial performance and cash flows for the financial year then ended.

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

Tengku Syed Badarudin Jamalullail
Director

Kuala Lumpur
8 November 2018

Lee Meng Tat
Director

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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 121 to 186 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, MIA CA6981**, at Kuala Lumpur in the Federal Territory on 8 November 2018.

Tan Hock Beng

Before me:

Commissioner for Oaths
Kuala Lumpur

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 2018 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 121 to 186.

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 2018, 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.

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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 assessment on intangible assets - goodwill and brand

Refer to Note 2(f)(i) and (ii) - Significant accounting policy on intangible assets - goodwill and brand and Note 6 - Intangible assets - Goodwill and brand of the financial statements.

The key audit matter

As at 30 September 2018, 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

We performed the following audit procedures, among others:

- obtained the Group's impairment assessment based on the discounted cash flows projections of the operating units which the goodwill and brand are allocated to, 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 key assumptions used in the cash flows projections, 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 in respect of the key assumptions that reflect the risks inherent in the valuation of goodwill and brand, and the sensitivity of the outcome of the impairment assessment to changes in key assumptions used in the cash flows projections.

Advertising and promotion expenses, and distributor incentives, discounts and rebates

Refer to Note 19 - Trade and other payables and Note 24 - Profit for the year of the financial statements.

The key audit matter

During the financial year, the Group incurred advertising and promotion expenses, and distributor incentives, discounts and rebates of approximately RM281 million and RM594 million respectively of which approximately RM63 million and RM60 million respectively were included as accrual as at financial year end. The advertising and promotion expenses, and distributor incentives, 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 and 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

We performed the following audit procedures, among 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; and
- checked accruals to samples of supporting contracts and documents with the suppliers and customers to assess adequacy of the accruals.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Group and 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.

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.

INDEPENDENT AUDITORS' REPORT **to the members of Fraser & Neave Holdings Bhd** **(Incorporated in Malaysia)**

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.
- 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.

INDEPENDENT AUDITORS' REPORT
to the members of Fraser & Neave Holdings Bhd
(Incorporated in Malaysia)

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 7 to the financial statements.

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
8 November 2018

Ong Beng Seng

Approval Number: 02981/05/2020 J
Chartered Accountant

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 2018 RM'000	Date of last revaluation/ acquisition
JOHOR						
Lot 6, Jalan Tampoi 81200 Johor Bahru Johor	59,895	Detached house/ Vacant	Freehold	51	1,186	February 1990
Batu 4¾, Jalan Tampoi 81200 Johor Bahru Johor	241,022	Industrial/ Warehouse and office premise	Freehold	51	10,435	February 1990
Lot 47261, Jalan Balau 1 Jalan Dato Sulaiman Jalan Tebrau Mukim Bandar Johor Bahru Johor	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 premise	Freehold	49	6,063	October 1995
No. 79 & 81, Jalan Tun Perak 30100 Ipoh, Perak	51,828	Industrial/ Leased premises	Freehold/ Leasehold expiring 2066	112	363	October 1995
PULAU PINANG						
No. 3724, Jalan Sungai Nyior 12100 Butterworth, Pulau Pinang	138,848	Industrial/ Warehouse and office premise	Freehold	64	4,116	October 1995
No. 3725 & 3726 (Lot 3633) Jalan Sungai Nyior 12100 Butterworth, Pulau Pinang	106,450	Detached house/ Warehouse and office premise	Freehold	63	2,272	October 1995
KELANTAN						
Lot 9 & 10, Pengkalan Chepa Industrial Estate 16100 Kota Bharu, Kelantan	203,861	Industrial/ Warehouse and office premise	Leasehold expiring 2043	38	756	October 1995
PAHANG						
Lot 85, Mar Lodge, Tanah Rata 39000 Brinchang Cameron Highlands, Pahang	90,931	Detached house/ Holiday bungalow	Leasehold expiring 2037	51	590	October 1995
Lot 7399 & 8081 Jalan Mempaga, Mukim Sabai 28600 Karak, Pahang	217,065	Industrial/ Factory premise	Freehold	11	15,488	2007

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 2018 RM'000	Date of last revaluation/ acquisition
KUALA LUMPUR						
No. 3, Jalan Metro Pudu 1 Fraser Business Park Off Jalan Yew 55100 Kuala Lumpur	7,208	Office premise	Freehold	11	12,010	2007
Kompleks Metro Pudu No. 1, Jalan Metro Pudu 2 Fraser Business Park Off Jalan Yew 55100 Kuala Lumpur	87,847	Office premise	Freehold	9	60,374	2017
Lot 682, Seksyen 92 Fraser Business Park Off Jalan Yew 55100 Kuala Lumpur	40,763	Leased premise	Freehold	-	6,141	2017
MELAKA						
No. 10, Jalan Bukit Gedong 75050 Melaka	104,000	Industrial/ Warehouse and office premise	Freehold/ Leasehold expiring 2023	93	863	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 premise	Freehold	21	102,831	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 premise	Leasehold expiring 2097	10	176,550	2008
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

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 2018 RM'000	Date of last revaluation/ acquisition
SARAWAK						
No. 94, Batu 11, Jalan Matang 93050 Kuching, Sarawak	118,776	Industrial/ Factory premise	Freehold	12	8,117	2006
Lot 1581, Block 4 Matang Land District 93050 Kuching, Sarawak	261,338	Commercial	Leasehold expiring 2071	12	5,853	2006
3½ Mile, Jalan Penrissen 93250 Kuching, Sarawak	308,709	Industrial/ Factory premise	Leasehold expiring 2074	-	24,950	October 1995
Lot 142 Lorong Abang Abdul Rahim 5A 93450 Kuching, Sarawak	1,540	Shop office/Vacant	Leasehold expiring 2784	12	372	2006
SABAH						
5½ Mile, Jalan Tuaran 88818 Kota Kinabalu, Sabah	142,140	Industrial/Vacant	Leasehold expiring 2062	8	1,318	October 1995
5½ Mile, Jalan Tuaran Inanam, 88818 Kota Kinabalu Sabah	142,578	Industrial/ Factory premise	Leasehold expiring 2062	47	5,422	October 1995
Lot 808 Kota Kinabalu Industrial Park Sabah	929,135	Industrial park land	Leasehold expiring 2096	-	25,632	2017
THAILAND						
90 Moo 8 Mittraparp Road Phayayen District, Amphur Pakchong Nakornratchasima Province 30320 Thailand	125,857	Industrial/ Factory premise	Leasehold expiring 2037	11	3,637	2007
668 Moo 4 Rojana Industrial Park Zone 2 U-thai, Phra Nakhon Si Ayutthaya 13210 Thailand	990,280	Industrial/ Factory premise	Freehold	9	158,129	2010

HEADQUARTERS

Fraser & Neave Holdings Bhd

No. 3, Jalan Metro Pudu 1
Fraser Business Park
off Jalan Yew, 55100 Kuala Lumpur
Malaysia
Phone : +603-9235 2288
Fax : +603-9222 7878

CORPORATE OFFICES

F&N Dairies (Thailand) Limited

Q House Lumpini Building, 26th Floor
1 South Sathorn Road, Tungmahamek
Sathorn, Bangkok 10120, Thailand
Phone : +66(0) 2673 7900
Fax : +66(0) 2673 7979

F&N Marketing (B) Sdn Bhd

Lot 1, Tapak Perindustrian Lambak Kanan
Barat FASA II
Mukim Berakas A, B.S.B. BB1714
Brunei Darussalam
Phone : +673 239 2663
Fax : +673 239 2663

PLANTS

F&N Beverages Manufacturing Sdn Bhd

No. 1 Jalan Bukit Belimbing 26/38
Persiaran Kuala Selangor
Section 26, 40400 Shah Alam
Selangor, Malaysia
Phone : +603-5101 4288
Fax : +603-5192 3957

F&N Beverages Manufacturing Sdn Bhd

3½ Mile Jalan Penrissen
93250 Kuching, Sarawak, Malaysia
Phone : +6082-451 411
Fax : +6082-452 488

F&N Beverages Manufacturing Sdn Bhd

5½ Mile, Jalan Tuaran, Inanam
88818 Kota Kinabalu, Sabah, Malaysia
Phone : +6088-421 101
Fax : +6088-425 495

F&N Dairies Manufacturing Sdn Bhd

Lot 56, Jalan Sungai Pinang 4/5
Selangor Halal Hub
Taman Perindustrian Pulau Indah Fasa 2
42920 Pulau Indah
Selangor, Malaysia
Phone : +603-3377 2000
Fax : +603-3101 2399

Borneo Springs Sdn Bhd

No. 94, Batu 11, Jalan Matang
93050 Kuching
Sarawak, Malaysia
Phone : +6012-218 4420

Borneo Springs Sdn Bhd

Lot 7399, Jalan Mempaga
Mukim Sabai, 28600 Karak
Pahang, Malaysia
Phone : +609-231 0011
Fax : +609-231 0012

F&N Dairies (Thailand) Limited

668 Moo 4 Rojana Industrial Park Zone 2
U-thai, Phra Nakhon Si Ayutthaya
13210 Thailand
Phone : +66(0) 3574 6822
Fax : +66(0) 3574 6820

F&N Dairies (Thailand) Limited

90 Moo 8 Mittraparp Road
Phayayen District, Amphur Pakchong
Nakornratchasima Province
30320 Thailand
Phone : +66(0) 4493 8798
Fax : +66(0) 4493 8975

SALES OFFICES

F&N Beverages Marketing Sdn Bhd (Kuala Lumpur)

Kompleks Metro Pudu
No. 1, Jalan Metro Pudu 2
Fraser Business Park
off Jalan Yew
55100 Kuala Lumpur, Malaysia
Phone : +603-9232 9000
Fax : +603-9232 9005, +603-9232 9230

F&N Beverages Marketing Sdn Bhd (Seremban)

156-1 & 157-1, Lorong Haruan 5/5
Oakland Commerce Square
70300 Seremban
Negeri Sembilan, Malaysia
Phone : +606-631 8588, +606-631 8589

F&N Beverages Marketing Sdn Bhd (Johor)

Batu 4¾, Jalan Tampoi
81200 Johor Bahru
Johor, Malaysia
Phone : +607-332 2433
Fax : +607-332 8018

F&N Beverages Marketing Sdn Bhd (Batu Pahat)

Lot 729, Lorong Bintang
Mukim Perserai
80300 Batu Pahat, Johor, Malaysia
Phone : +607-413 9000
Fax : +607-413 9999

F&N Beverages Marketing Sdn Bhd (Kluang)

No. 11, Jalan 2
Taman Perindustrian Sinaran
86000 Kluang, Johor, Malaysia
Phone : +607-787 8816
Fax : +607-787 8817

F&N Beverages Marketing Sdn Bhd (Melaka)

No. 10, Jalan Bukit Gedong
75050 Melaka, Malaysia
Phone : +606-282 8011
Fax : +606-284 7458

F&N Beverages Marketing Sdn Bhd (Butterworth)

No. 3724, Jalan Sungai Nyior
12100 Butterworth
Pulau Pinang, Malaysia
Phone : +604-314 8600
Fax : +604-331 0427

CORPORATE DIRECTORY

F&N Beverages Marketing Sdn Bhd (Ipoh)

No. 217, Jalan Lahat
30200 Ipoh, Perak, Malaysia
Phone : +605-254 9461
Fax : +605-253 2091

F&N Beverages Marketing Sdn Bhd (Alor Setar)

No. 111, Taman Saga, Tingkat Bawah
Jalan Alor Mengkudu
05350 Alor Setar, Kedah, Malaysia
Phone : +604-731 7687
Fax : +604-731 6723

F&N Beverages Marketing Sdn Bhd (Kuantan)

Block A, Lot 95
Kawasan Perindustrian Semambu
25350 Kuantan, Pahang, Malaysia
Phone : +609-560 1880
Fax : +609-568 4712, +609-566 4197

F&N Beverages Marketing Sdn Bhd (Kota Bharu)

Lot 9 & 10, Pengkalan Chepa
Industrial Estate, 16100 Kota Bharu
Kelantan, Malaysia
Phone : +609-771 5643, +609-771 5641

F&N Beverages Marketing Sdn Bhd (Kuala Terengganu)

Lot PT 7012K
Kawasan Perindustrian Gong Badak
21300 Kuala Terengganu
Terengganu, Malaysia
Phone : +609-667 0007, +609-667 0008

F&N Beverages Marketing Sdn Bhd (Mentakab)

No. 27, Jalan Angsana, Taman Rimba
28400 Mentakab
Pahang, Malaysia
Phone : +609-277 6100
Fax : +609-277 6200

F&N Beverages Marketing Sdn Bhd (Kuching)

3½ Mile Jalan Penrissen
93250 Kuching
Sarawak, Malaysia
Phone : +6082-451 411
Fax : +6082-452 488

F&N Beverages Marketing Sdn Bhd (Sibu)

No. 28, Lorong Lanang Barat 20-B
Jalan Upper Lanang, 96008 Sibu
Sarawak, Malaysia
Phone : +6084-215 112
Fax : +6084-213 611

F&N Beverages Marketing Sdn Bhd (Bintulu)

No. 55, BBC Workshop (Light Industrial Estate)
Lot 214 & 217, Block 22
Kemena Land District
5½ Miles Jalan Bintulu Sibu
97000 Bintulu
Sarawak, Malaysia
Phone : +6086-338 706
Fax : +6086-336 706

F&N Beverages Marketing Sdn Bhd (Miri)

Lot 1830, Jalan Prunus 6
Piasau Jaya Industrial Estate
98000 Miri
Sarawak, Malaysia
Phone : +6085-491 002, +6085-491 642
Fax : +6085-491 094

F&N Beverages Marketing Sdn Bhd (Kota Kinabalu)

5½ Mile, Jalan Tuaran, Inanam
88818 Kota Kinabalu, Sabah, Malaysia
Phone : +6088-421 101
Fax : +6088-425 495

F&N Beverages Marketing Sdn Bhd (Sandakan)

Ground & Mezzanine Floor
Block B, Lot 8, Phase IIA
Taman Grandview, 90000 Sandakan
Sabah, Malaysia
Phone : +6089-227 035
Fax : +6089-225 500

F&N Beverages Marketing Sdn Bhd (Tawau)

Lot No. 12200, Taman Megah Jaya
KM 8, Off Jalan Tiku
91000 Tawau
Sabah, Malaysia
Phone : +6089-769 008
Fax : +6089-749 008

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 57th 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, 23 January 2019 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 2018 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 2018.	Resolution 1
3.	To re-elect Y.Bhg. Dato’ Johan Tazrin bin Hamid Ngo who retires in accordance with Article 97 of the Company’s Articles of Association, as a Director.	Resolution 2
4.	To re-elect Mr. Lee Meng Tat who retires in accordance with Article 97 of the Company’s Articles of Association, as a Director.	Resolution 3
5.	To re-elect Mr. David Siew Kah Toong who retires in accordance with Article 97 of the Company’s Articles of Association, as a Director.	Resolution 4
6.	To re-elect Y.Bhg. Datuk Kamaruddin bin Taib who retires in accordance with Article 103 of the Company’s Articles of Association, as a Director.	Resolution 5
7.	To approve the payment of Directors’ fees and benefits of up to RM1,500,000 for a period of 12 months from 24 January 2019 to the next Annual General Meeting of the Company to be held in January 2020, payable monthly in arrears after each month of completed service of the Directors.	Resolution 6
8.	To re-appoint Messrs KPMG PLT, the retiring auditors, as the auditors of the Company for the financial year ending 30 September 2019 and to authorise the Directors to fix their remuneration.	Resolution 7

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SPECIAL BUSINESS

9.	<p>ORDINARY RESOLUTION - PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY</p> <p>“THAT subject always to the Companies Act, 2016 (“Act”), the provisions of the Memorandum and Articles of Association of the Company (and the Constitution of the Company being adopted upon the passing of the Special Resolution in Resolution 10 below), 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:</p> <p>(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”);</p> <p>(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;</p>	
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NOTICE OF ANNUAL GENERAL MEETING

<p>(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</p> <p>(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 cancel 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</p> <p>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 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 (and the Constitution of the Company being adopted upon the passing of the Special Resolution in Resolution 10 below), the MMLR and all other relevant governmental and/or regulatory authorities.”</p>	<p style="text-align: right;">Resolution 8</p>
<p>10. ORDINARY RESOLUTION - PROPOSED RENEWAL OF EXISTING SHAREHOLDERS’ MANDATE AND PROPOSED NEW SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE</p> <p>“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 24 December 2018 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:</p> <p>(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;</p> <p>(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</p> <p>(iii) revoked or varied by the Company in a general meeting,</p> <p>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.”</p>	<p style="text-align: right;">Resolution 9</p>

11.	<p>SPECIAL RESOLUTION - PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY</p> <p>"THAT the proposed new Constitution as set out in Appendix A be and is hereby adopted as the Constitution of the Company in place of the existing Memorandum and Articles AND THAT the Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take such steps as may be considered necessary to give full effect to the foregoing."</p>	<p>Resolution 10</p>
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NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of shareholders at the 57th 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 2018 will be paid to shareholders on 15 February 2019. The entitlement date for the proposed dividend shall be on 29 January 2019.

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 2019 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

TIMOTHY OOI AIK TUAN
 Company Secretary

Kuala Lumpur, Malaysia
 24 December 2018

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 at 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.

NOTICE OF ANNUAL GENERAL MEETING

ii) Directors' Fees and Benefits (Resolution 6)

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.

At the annual general meeting ("AGM") on 24 January 2018, shareholders approved the payment of Directors' fees and benefits of up to RM1,700,000 for a period of 16 months from 1 October 2017 to 23 January 2019. Total Directors' fees and benefits paid for the financial year ended 30 September 2018 amounted to RM1,219,389 as detailed in the Corporate Governance Overview Statement.

The table below sets out the proposed increase in Directors' fees for the period 24 January 2019 to the next AGM to be held in January 2020 in respect of the Group Executive Committee ("EXCO"), Sustainability & Risk Management Committee ("SRMCom"), Nominating Committee ("NomCom") and Remuneration Committee ("RemCom") ("Proposed Increase in Directors' Fees") for shareholders' approval at the coming 57th AGM:

		Directors' Fees Per Annum (RM)		
		Fees for the period 1 October 2017 to 23 January 2019 as approved at the AGM in 2018 (1)	The Proposed Increase in Directors' Fees for approval at the coming 57 th AGM (2)	Revised fees upon approval for the Proposed Increase in Directors' Fees (3)
Board	Chairman	150,000	Nil	150,000
	Member	75,000	Nil	75,000
Audit Committee	Chairman	20,000	Nil	20,000
	Member	10,000	Nil	10,000
EXCO	Chairman	10,000	5,000	15,000
	Member	5,000	2,500	7,500
SRMCom	Chairman	10,000	5,000	15,000
	Member	5,000	2,500	7,500
NomCom	Chairman	4,000	3,500	7,500
	Member	2,000	2,500	4,500
RemCom	Chairman	4,000	3,500	7,500
	Member	2,000	2,500	4,500
Share Buy-Back Committee	Chairman	Nil	Nil	Nil
	Member	Nil	Nil	Nil

Save and except the Proposed Increase in Directors' Fees as tabulated in column (2) above, there is no increase in fees for the Board, Audit Committee and Share Buy-Back Committee.

The Company is therefore seeking shareholders' approval for payment of Directors' fees and benefits of up to RM1,500,000 for a period of 12 months from 24 January 2019 to the next AGM of the Company to be held in January 2020, which have been estimated by taking into account:

- the Proposed Increase in Directors' Fees and adjustments made to Directors' meeting allowances to reflect the prevalent market rates and the duties, responsibilities and commitment of the respective Board Committees and Chairmen of Board Committees;
- the number of scheduled and ad-hoc meetings of the Board and Board Committees and the annual general meeting; and
- benefits of personal accident insurance premium for all Directors and additional benefits of a company car, petrol and the services of a driver for the Chairman of the Board.

Resolution 6, 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 8)

Resolution 8, 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 24 December 2018 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 9)

Resolution 9, 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 24 December 2018 for more details.

iii) Proposed Adoption of New Constitution of the Company (Resolution 10)

Resolution 10, if passed, will bring the Company's Constitution to be in line with the Companies Act, 2016 and the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The proposed new Constitution shall take effect once the Resolution 10 has been passed by a majority of not less than 75% of such members who are entitled to vote and do vote in person or by proxy at the 57th Annual General Meeting.

Members Entitled to Attend 57th AGM

For the purpose of determining a member who shall be entitled to attend the 57th AGM, 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 14 January 2019. Only a depositor whose name appears on the Record of Depositors as at 14 January 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

ADMINISTRATIVE DETAILS FOR THE 57TH ANNUAL GENERAL MEETING OF FRASER & NEAVE HOLDINGS BHD

ADMINISTRATIVE DETAILS FOR THE 57TH ANNUAL GENERAL MEETING OF FRASER & NEAVE HOLDINGS BHD TO BE HELD AT BALLROOM 1, FIRST FLOOR, SIME DARBY CONVENTION CENTRE, 1A, JALAN BUKIT KIARA 1, 60000 KUALA LUMPUR ON WEDNESDAY, 23 JANUARY 2019 AT 10:00 A.M.

REGISTRATION

1. Registration will start at 8:00 a.m. and will remain open until the conclusion of the annual general meeting ("AGM") or such time as may be determined by the Chairman of the meeting.
2. Please produce your original Identification Card ("I/C") or Passport (for foreigners) during registration for verification purpose. Only original I/C or Passport will be accepted for the purpose of identity verification. Please ensure that you collect your I/C or passport thereafter.
3. No person will be allowed to register on behalf of another person with the original I/C or Passport of that other person.
4. Upon verification and registration:
 - a. please sign the Attendance List and an identification wristband will be provided at the registration counter;
 - b. if you are attending the AGM as a shareholder as well as a proxy, you will be registered once and will only be given one identification wristband; and
 - c. no person will be allowed to enter the meeting hall without wearing the identification wristband. There will be no replacement in the event that you lose/misplace the identification wristband. The said wristband has a passcode printed in it, which will be required for electronic voting purpose.
5. After registration, please vacate the registration area immediately and proceed to the meeting hall.
6. The registration counter will only handle verification of identity and registration of attendance.
7. Help desk support is available for any other enquiries/assistance/ revocation of proxy's appointment.

DOOR GIFT

One (1) door gift will be given for one (1) attendee only, regardless of the number of shareholders you are representing as a proxy, and whether you are attending both as proxy and shareholder.

PARKING

Parking is free at Sime Darby Convention Centre.

VOTING AT MEETING

Pursuant to the Paragraph 8.29A of the Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions to be tabled at the AGM will be voted by poll. For this purpose, the Company has appointed Tricor Investor and Issuing House Services Sdn Bhd ("Tricor") to conduct the poll voting electronically via Tricor e-Vote application; and Symphony Corporatehouse Sdn Bhd as the scrutineer to verify the poll results.

Voting for all the resolutions set out in the Notice of AGM will take place concurrently upon the conclusion of the deliberation of all the businesses to be transacted at the AGM.

VOTING USING YOUR OWN SMARTPHONE/TABLET

1. Shareholders and proxy holders ("Voters") are advised to download Tricor e-Vote app onto their smartphone/tablets ("Device") before attending the AGM.
2. Tricor e-Vote App download is available at no cost from Google Play Store or Apple App Store.
3. Please refer to the information below on how to download the Tricor e-Vote App.
4. You are encouraged to approach Tricor's personnel at the Device Counter to check the readiness of your Device for you to participate in the poll voting.

VOTERS WHO DO NOT HAVE DEVICES

1. You will be provided with a device when you attend the AGM.
2. Please proceed to the Device Counter for separate registration to obtain a device.
3. Upon conclusion of the AGM, please return the device to the Device Counter.

ADMINISTRATIVE DETAILS FOR THE 57TH ANNUAL GENERAL MEETING OF FRASER & NEAVE HOLDINGS BHD

ACCESS TO TRICOR E-VOTE APP

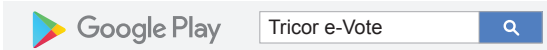
1. You will be required to use the camera function of your device to scan/capture the passcode on your wristband to access Tricor e-Vote App.
2. Detailed instructions on how to vote will be provided at the AGM.

How to download Tricor e-Vote from Google Play Store (Android) - Minimum version of Android 4.0.3 or later

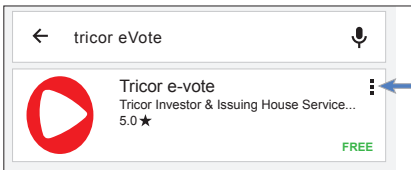
1. Locate the **Play Store** icon and tap on it to open.



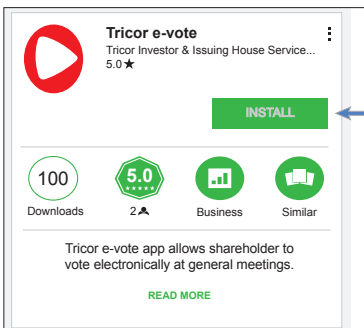
2. Type in the name of the app: **"Tricor e-Vote"**, into the menu bar and search.



3. Tap the three dots on the right side of the box will provide options to install right away.



4. Tap the 'Install' button to start downloading. You will be prompted to provide certain device permissions for the installation to continue.



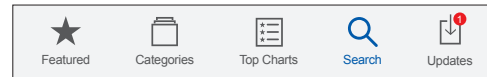
5. Once the download and installation are completed, you can tap the 'Open' button in the Play Store listing, or tap the icon from the notification tray to open your app. Otherwise, the app will be accessible by tapping the 'App' icon in the bottom of your home screen, assuming an icon hasn't already been put on your home screen.

How to download Tricor e-Vote from Apple App Store (iOS) - Minimum version of iOS 8.0 or later

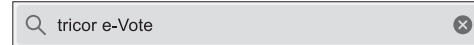
1. Open the **App Store** application.



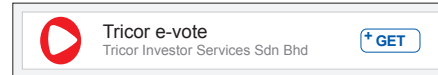
2. Tap the **Search icon** at the bottom of the screen.



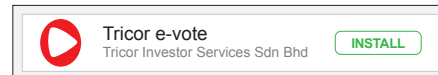
3. Enter the name of the app: **"Tricor e-vote"** and tap Search.



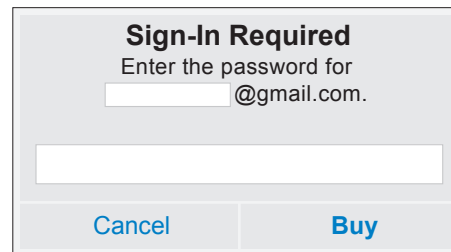
4. Tap on 'Get' button.



5. Tap on 'Install' button to start downloading.



6. Enter your Apple ID Password. Click 'Buy' to proceed (please note that there is no cost incurred).



7. Once the download and installation are completed, you can tap the 'Open' button in the App Store listing. Otherwise, the app will be accessible by tapping the 'App' icon in your home screen.



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

PROXY FORM

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, _____ I.C. No. _____ of _____
(full name in block letters)

_____ (full address)

of 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 57th Annual General Meeting of the Company ("AGM") to be held at **Ballroom 1, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Wednesday, 23 January 2019 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 2018.	1		
To re-elect Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo who retires in accordance with Article 97 of the Company's Articles of Association, as a Director.	2		
To re-elect Mr. Lee Meng Tat who retires in accordance with Article 97 of the Company's Articles of Association, as a Director.	3		
To re-elect Mr. David Siew Kah Toong who retires in accordance with Article 97 of the Company's Articles of Association, as a Director.	4		
To re-elect Y.Bhg. Datuk Kamaruddin bin Taib who retires in accordance with Article 103 of the Company's Articles of Association, as a Director.	5		
To approve the payment of Directors' fees and benefits of up to RM1,500,000 for a period of 12 months from 24 January 2019 to the next Annual General Meeting of the Company to be held in January 2020, payable monthly in arrears after each month of completed service of the Directors.	6		
To re-appoint Messrs KPMG PLT, the retiring auditors, as the auditors of the Company for the financial year ending 30 September 2019 and to authorise the Directors to fix their remuneration.	7		
To approve the Proposed Renewal of Share Buy-Back Authority.	8		
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.	9		
Special Resolution:			
To approve the Proposed adoption of new Constitution of the Company.	10		

Please indicate with an "X" in the spaces above how you wish your vote(s) 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.	

The proportion of my/our holding to be represented by my/our proxy/proxies is as follows:	No. of shares	Percentage (%)
First Proxy		
Second Proxy		
Total		100

Signature(s)/Common Seal of Shareholder(s)

Notes:

- (1) A member entitled to attend and vote at the above meeting may appoint a proxy or proxies (but not more than two) to attend and vote on his/her behalf and such proxy or proxies need not be a member or members of the Company.
- (2) Where there are two proxies appointed, the number of shares to be represented by each proxy must be stated.
- (3) In the case of a corporation, the form of proxy must be executed under seal or under the hand of its attorney duly authorised.
- (4) Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Each appointment of proxy by an exempt authorised nominee shall be by a separate instrument of proxy which shall specify the proportion of shareholding to be represented by each proxy.
- (5) The instrument appointing a proxy or proxies must be deposited with the 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,
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