ANNUAL REPORT **2019**

PURE ENJOYMENT GOODNESS

FRASER & NEAVE HOLDINGS BHD

196101000155 (4205-V)

Prioritising Your Needs

At F&N, we create value by prioritising the needs of our customers and consumers. Now with just a few clicks from the comfort of your home, you'll get goodness delivered to you.

Our products have satisfied the tastes of consumers from all walks of life for generations and this is how we will continue to bring smiles to everyone in tandem with our promise of 'Pure Enjoyment, Pure Goodness.'

Visit our e-store, fnlife.com.my

Cover Rationale

F&N has been a part of many treasured moments for the past 136 years. The burst of colours on our cover represents the emotion of enjoyment and goodness embodied in each of our product. The splash of white denotes milk – so full of nutritious goodness. The dash of brown are our teas – all-time favourites that are now available in low-sugar variants. Then we have royal purple, the colour of our latest variant, blackcurrant for our best-selling and market leader, 100PLUS.

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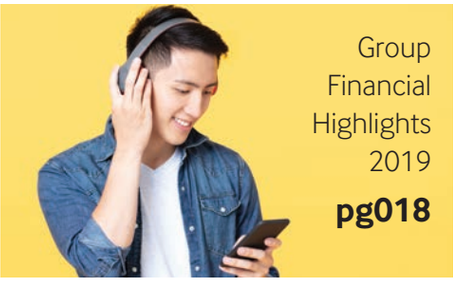

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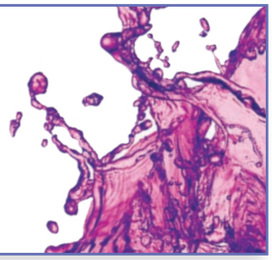
58th ANNUAL GENERAL MEETING

Venue

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

Date

Monday, 20th January 2020 at 10.00 a.m.



ANNUAL REPORT

Provides a comprehensive assessment of the Group's performance and financial statements for 2019.

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.

Read the full version of F&NHB Annual Report 2019 and Sustainability Report 2019 here.

Welcome to

FRASER & NEAVE HOLDINGS BHD'S ANNUAL REPORT FOR THE FINANCIAL YEAR 2019

For this financial year 2019, 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.

FEATURE IN THIS ANNUAL REPORT

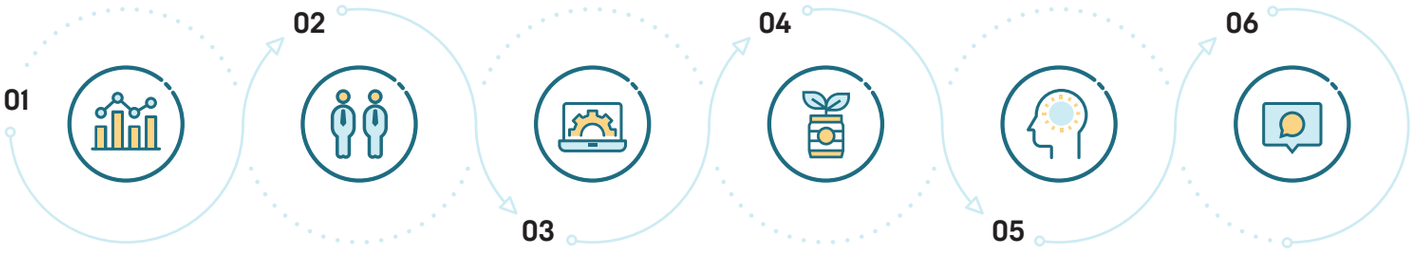
Follow the steps below to scan the QR code reader in 3 easy steps

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

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

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

WE CREATE VALUE THROUGH 6 CAPITALS



01 Financial Capital

02 Human Capital

03 Manufactured Capital

04 Natural Capital

05 Intellectual Capital

06 Social and Relationship Capital

OUR STAKEHOLDERS

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

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)

ASSURANCE

- Internal controls and management assurance
- Compliance and internal audit reviews
- External audit by KPMG PLT on financial information
- External audit by Lloyd's Register Quality Assurance on selected Environment and Social disclosures
- Board approval assisted by the Board Committees

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 2019.

CROSS REFERENCES

Indicates where more detail can be accessed elsewhere in this report

We value and appreciate all feedback to help make our future reports more relevant to our stakeholders. Please direct your comments and questions to:

Email:
groupcomms@fn.com.my

Phone number:
+603-9235 2288

Mail:
Communications & Corporate Affairs Department,
No. 3, Jalan Metro Pudu 1, Fraser Business Park,
Off Jalan Yew, 55100 Kuala Lumpur

WWW.FN.COM.MY

Contact Us

Who We Are

Fraser & Neave Holdings Bhd (F&NHB or the Group) is listed on Bursa Malaysia's Main Board and is amongst the region's oldest and most established companies. Founded in 1883 to produce carbonated soft drinks by John Fraser and David Chalmers Neave – from whom the 'F&N' initials are derived – the Group has grown to be an iconic household name that is trusted to provide 'Pure Enjoyment, Pure Goodness' through its wide portfolio of well-loved brands.

A Syariah-compliant company, the Group has an annual turnover in excess of RM4 billion from its core businesses in the manufacturing, sale and marketing of beverages and dairy products. Today, the Group is one of the largest beverage manufacturers and distributors in the region with brands such as 100PLUS, F&N Fun Flavours, F&N NutriSoy, F&N SEASONS, F&N ICE MOUNTAIN, BORNEO, OYOSHI, est Cola and RANGER.

Within the dairies line, we produce sweetened condensed and evaporated milk, as well as packaged milk and juice products under the F&N, TEAPOT, Gold Coin, F&N Magnolia, FARMHOUSE and F&N Fruit Tree brands. F&N is also an exclusive manufacturer, marketer and distributor of Carnation, Cap Junjung and IDEAL canned milk products in Malaysia, Singapore, Thailand, Brunei and Laos.

Our products are exported to 75 countries across the globe.

Our Story

136 years ago, two visionaries, John Fraser & David Chalmers Neave formed The Singapore and Straits Aerated Water Company to produce carbonated soft drinks. This company eventually became one of the region's food and beverage giants, Fraser & Neave (F&N). Today, F&N is synonymous with high quality and halal-compliant products, that is trusted by generations.

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"

Thank You

In this year's report, we introduce some of our partners that are delivering F&N's Pure Enjoyment, Pure Goodness to our consumers.

We would like to extend our appreciation to the individuals quoted in this annual report for sharing their thoughts on how we create value together to delight their customers.

Mr. Sawat Puenggarm

Owner, Wat Coffee – Bangkok, Thailand

Mrs. Asmah binti Hj Ibrahim Astar

Owner, Asma Cake House – Kuching, Malaysia

Mr. Edric Seng Eong Kee

Owner, GI Grade Island Café – Penang, Malaysia

Mrs. Ampan Radadok @ Ting

Owner, Sor Nor Coffee – Bangkok, Thailand

Emil Kachchap

Division Manager of International Relations, Farm Chokchai – Pakchong, Nakhon Ratchasima, Thailand

THE WEMBLEY WAY
OYOSHI
Sunkist
Pure
ORANGE
SEASONS
SEASONS
SEASONS

OUR BRANDS

F&N

100 PLUS

F&N Magnolia

F&N

F&N Nutri Soy

TEAPOT

Sunkist

F&N ICE MOUNTAIN

FARMHOUSE

F&N

Ideal Susu Sejat Penuh Krim

SEASONS

RANGER ENERGY DRINK

OYOSHI GREEN TEA

est COLA

F&N Fruit Tree

GOLD COIN

Carnation

BORNEO

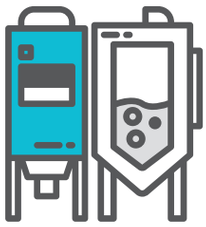
Nestlé BEAR BRAND

Cap Junjung Krimer Manis

F&NHB at A Glance

8

cutting-edge plants



Beverage:
Shah Alam, Kuching, Kota Kinabalu

Dairy:
Pulau Indah, Rojana, Pak Chong

Mineral Water:
Bentong, Matang

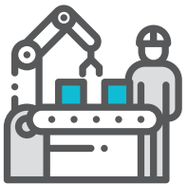
Extensive network coverage with

>220,000

Outlets in Malaysia, Thailand, Cambodia and Laos

Food and beverage powerhouse

in the ASEAN region with market-leading brands



20 brands
in **13** categories

100% Halal-certified products

RM 4 billion
annual turnover

EXPORT MARKET:
75
countries worldwide

TRUSTED BY GENERATIONS FOR:
136
years

WORK FORCE:
2,600

OUR PRODUCT CATEGORIES

OUR MARKET LEADING POSITIONS

MALAYSIA

- No. 1 in Carbonated Soft Drink
- No. 1 Ready-to-drink Tea
- No. 1 in Total Sweetened Condensed Milk
- No. 1 in Total Evaporated Milk

THAILAND

- Total Sweetened Condensed Milk Category
- Total Evaporated Milk Category

CAMBODIA & LAOS

- Total Sweetened Condensed Milk Category
- Total Evaporated Milk Category

2019 AWARDS

Marketplace Awards

- FDA Quality Award 2019 from the Thai Food & Drug Administration for seven consecutive years (F&N Dairies Thailand – Rojana)
- QUDAL – Quality Medal 2018/2019 – Soft Drink by ICERTIAS – Internal Certification Association (Fraser & Neave Holdings Bhd)
- 2019 Industry Excellence Award – Consumer Products & Services in National Corporate Report Award (Fraser & Neave Holdings Bhd)
- Finalist of Asia's Best First Time Sustainability Report in the Asia Sustainability Reporting Awards 2018 (Fraser & Neave Holdings Bhd)
- Superbrands Malaysia 2019 (Fraser & Neave Holdings Bhd)
- 8th Gold Award – Non-alcoholic Beverage in Putra Brand Awards 2019 (100PLUS)
- International Innovation Awards 2018 in Product, Service & Solution and Organisation & Culture (F&N SEASONS)

Workplace Awards

- 1st Runner-up in Graduates' Choice Award 2019 - Most Attractive Employer in FMCG (Fraser & Neave Holdings Bhd)
- Malaysia Best Employer Brand Awards 2019 and Asia Best Employer Brand Awards 2019 from Employer Branding Institute (Fraser & Neave Holdings Bhd)
- National Occupational Health & Safety Award 2019 from the Ministry of Labour, Thailand (F&N Dairies Thailand – Rojana)

Environmental Awards

- CSR-DIW Continuous Award 2019 from the Ministry of Industry, Thailand for 9 consecutive years (F&N Dairies Thailand)
- Thailand Kaizen Award 2019 – Gold & Silver Medal from Technology Promotion Association (Thailand – Japan) (F&N Dairies Thailand – Rojana)
- 3Rs+ Award 2019 from the Department of Industrial Works, Thailand (F&N Dairies Thailand – Pak Chong)
- Best Practices on Solid Waste Management 2018 from Solid Waste Corporation Malaysia (F&N Dairies Manufacturing – Pulau Indah)

OUR GLOBAL PRESENCE

CANADA

UNITED STATES

CENTRAL AMERICA

SOUTH AMERICA

EUROPE

MIDDLE EAST

AFRICA

EXPORT MARKET

75

COUNTRIES WORLDWIDE

Soh Swee Hock
Managing Director, International Markets Development

"Within ASEAN, we have laid the groundwork to achieve bigger growth while in the Middle East, we are making good progress and currently in preparation to establish a new subsidiary in United Arab Emirates.
In FY2020, the International Market Development (IMD) team will remain focused on growing sales in existing markets while expanding to new markets and collaborating with suitable overseas partners to expand our Export sales channel"

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)

- 7 new export countries in FY2019

- Remain committed to achieving target Group export sales of RM800 million by 2020

CONTRIBUTION OF TOTAL EXPORTS FY2019

17% GROUP REVENUE

13% GROUP OPERATING PROFIT

CONTRIBUTION OF EXPORT REVENUE TO SEGMENT REVENUE FY2019

16% F&B MALAYSIA

17% F&B THAILAND

CHAIRMAN'S MESSAGE

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

Chairman

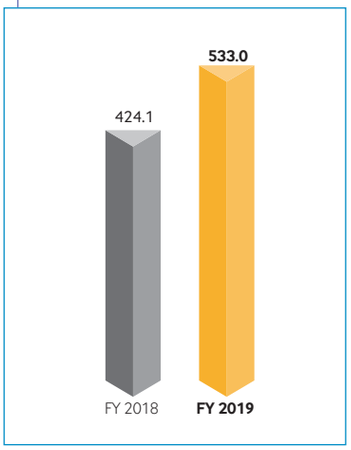
Dear Shareholders and Stakeholders,

On behalf of the Board, it gives me great pleasure to present an overview of our performance for the financial year ended 30 September 2019 (FY2019). Although the implementation of excise duty on sweetened beverages in Malaysia and volatile export environment resulted in some reprioritisation of initiatives, Fraser & Neave Holdings Bhd (F&NHB or the Group) has once again proved our resilience.

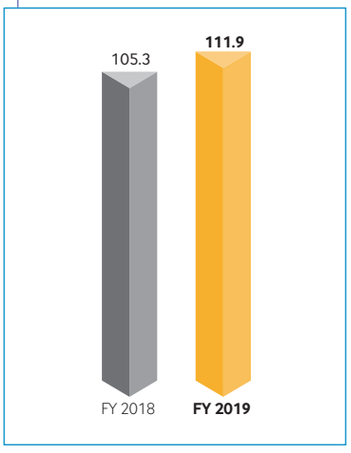
Over the decades, we have developed an agility to adapt to ever-changing conditions. This, together with a diverse product portfolio, balanced geographical footprint and strategies outlined for our three business pillars – Food & Beverages Malaysia (F&B Malaysia), Food & Beverages Thailand (F&B Thailand) and Exports – enabled us to deliver another solid financial scorecard for FY2019.

Focus on our growth drivers of Innovation, Cost Competitiveness and Excellence in Execution has led to an overall improvement in sales performance for the Group. F&NHB's revenue for the year increased by 5.3 per cent to RM4.08 billion. Supported by favourable commodity prices and internal efficiencies, Group profit before tax rose 25.7 per cent, crossing the half billion Ringgit mark for the first time (excluding divestment gains) to reach RM533.0 million.

Profit Before Tax (RM million) **+25.7%**



Basic Earnings per Share (Sen) **+6.3%**



DIVIDEND FOR THE YEAR

60 sen per share

VALUE CREATION FOR OUR STAKEHOLDERS

We are driven to perform well to support our business objectives as well as to create sustainable value for our key stakeholders including our shareholders, consumers, customers, trade partners, employees and the communities where we operate in.

I am pleased to share that, for FY2019, we are declaring a total dividend of 60.0 sen per share (2018: 57.5 sen per share). This comprises an interim single tier dividend of 27.0 sen per share amounting to approximately RM99.0 million, which was paid on 13 June 2019; and a final dividend of 33.0 sen per share, if approved at our Annual General Meeting. Our share price, meanwhile, has continued to perform steadily.

We exist for our consumers and place the highest priority on delighting them with our products as we stay true to our brand promise of 'Pure Enjoyment, Pure Goodness'. This year, we focused more intently on catering to demand for healthier choices and successfully reformulated a large portion of our ready-to-drink (RTD) beverages to below 5g sugar per 100ml, representing 90 per cent of the ready-to-drink beverages volume we sold today. The key achievement is maintaining the great taste that our consumers love.

Our trade partners are important to our success, serving as a conduit to our consumers. Striving to be a partner of choice, we made a conscious decision to deal with more customers directly to ensure the best quality service and build loyalty along with strengthened relationships. Many of our distributors and customers have been serving F&NHB for generations. We truly cherish these business partners and seek to ensure their continuous growth with the Group.

The Board and management are in complete unison when we say that our people are the most important driver of the company's growth. To become the leading total beverages player in the region, we rely on the capabilities, creativity and collaboration of our people. Accordingly, we nurture our talent and provide development opportunities that support their professional ambition.

Placing top priority on our employees' well-being, F&NHB enhanced our health, safety and environment (HSE) framework this year by setting up Safety and Health Committees at all our administrative and sales offices. We have also incorporated HSE indicators as shared key performance indicators (KPIs) for all executives to further reinforce the HSE culture in our organisation.

***

RM198,300 was awarded to children of employees who attained excellent academic and co-curricular achievements this year through F&N Chairman's Award.

***

As a measure of appreciation to our employees, whom we consider as extended family, since 2003 F&NHB has been presenting the Chairman's Award to their children to motivate them to excel. A total of RM198,300 was awarded to 106 children who attained excellent academic and co-curricular achievements this year.

We also continue to undertake programmes which serve to create greater social equity through strengthening of vulnerable communities to reduce inequalities of opportunities; and promoting a healthy nation through sports development and advocating an active lifestyle.

SUSTAINABILITY AT THE CORE

The values we create for our stakeholders form one component of good environmental, social and governance (ESG) practices which investors look for today. More importantly, our strategic decisions are guided by ESG principles because they safeguard our long-term sustainability. We had set clear 2020 Sustainability Goals, and I am pleased to share that we are making good headway in achieving our targets.

A healthy environment is critical because it affects the quality of our life. We are playing our part in this regard through our school recycling programme and efforts to minimise our carbon footprint across our value chain. This year, the number of schools in the programme has more than doubled the previous number, with 756 participation nationwide while the volume of recyclable waste collected more than quadrupled. Through this programme, we are nurturing a future generation of environmental conscious consumers who realise that the way we live and the choices we make have a strong bearing on the preservation of our planet.

More directly, F&NHB is reducing as far as possible our usage of natural resources and energy. I am particularly delighted by the fact that we are gravitating towards a circular economy. This year, we invested in a solar roof at our plant in Thailand. Following its successful implementation, we will be installing similar systems in other facilities.

F&NHB is also one of the strongest corporate advocates of healthy lifestyles, encouraging Malaysians to take part in sports and be more physically active. Through 100PLUS, we continued to support no less than 1,000 sporting events during the year.

We believe that governance is a key component in strengthening the trust our stakeholders have in us. We continued to maintain a high level of corporate integrity as well as disclosure while adhering to the Malaysian Code on Corporate Governance 2017. We acknowledge the inherent value of diversity and will continue to leverage opportunities to further enhance our Board diversity in terms of skills, gender and experience. Meanwhile, we are happy to see the number of women in management increased to 44 per cent this year, from 41 per cent at the end of FY2018.

As a measure of our commitment to good governance, we were listed in the FTSE4Good Bursa Malaysia (F4GBM) Index for the first time this year. The F4GBM is the gold standard for overall compliance to ESG, and our inclusion in the index is something we are very proud of. F&NHB is also one of the companies under the Green Lane Policy of Bursa Malaysia Berhad which is a privilege awarded to selected companies with good corporate governance practices.

To read more about how we deliver value through Innovation, Human Capital Development and Social Collaboration, please refer to pages 032 to 065 in our Sustainability Report.

Equally encouraging is our ranking in the Minority Shareholder Watchdog Group (MSWG)'s Top 100 Companies for CG Disclosure, which improved from 67 in FY2018 to 51; and from 42 for Overall CG & Performance to 28.

AWARDS & RECOGNITION

The quality of our products, our work culture and governance are reflected in the number of awards we continue to garner.

100PLUS once again did us proud by winning its eighth Gold for Non-alcoholic Beverages in the Putra Brand Awards 2019. In the meantime, F&N SEASONS was presented the International Innovation Awards (IIA) 2018 by Enterprise Asia.

Further reflecting our quality promise, F&NHB received the QUDAL – Quality Medal for Soft Drinks from the Internal Certification Association (ICERTIAS) while F&B Thailand won the FDA Quality Award from the Thailand Ministry of Public Health's Food and Drug Administration for the seventh consecutive year.

In terms of production, our manufacturing plant in Pulau Indah was recognised for Best Practices in Solid Waste Management 2018 by Solid Waste Corporation (SWCorp). At the same time, F&B Thailand won Gold and Silver Medals in the Thailand Kaizen Award 2019 for continuous improvement and innovative programmes.

Our human capital practices are also gaining greater industry recognition. We were the first runner-up in the Fast-Moving Consumer Goods category at the Malaysian Graduates' Choice Awards 2019. In addition, we were awarded Asia's Best Employer Brand and Malaysia's Best Employer Brand by the Employer Branding Institute.

It also gives me great pleasure to share that our efforts to build trust with stakeholders through transparency, quality and relevance of our disclosures has been rewarded with the 2019 NACRA Industry Excellence Award for the Consumer Products and Services category.

For more industry awards, refer to page 011 of our Annual Report.

BUILDING A LEGACY FOR FUTURE GENERATION

F&NHB has stayed the course for more than a century due to the strategic direction of our succession of leaders, ensuring continued relevance. Today, we are once again entering a new era as we announced our plan to invest approximately RM650 million to establish an integrated dairy farm, subject to approval from relevant authorities on the proposed acquisition of Ladang Chuping, Perlis.

The integrated dairy farm will propel the Group's ambition of becoming a major player in the health and wellness segment, with fresh milk as our new pillar of growth. I am particularly excited about this initiative because of the immense value it will create not only for the Group but also to the nation and all Malaysians.

While enabling us to build a new business pillar for sustained growth, we will be greatly enhancing local production of affordable fresh milk, helping the country become self-sufficient in meeting Malaysians' nutritional needs. At the same time, we would be contributing to economic development by boosting the local agriculture sector. Through this venture we would once again be reinforcing the F&N brand as a trusted partner to our valued consumers and society more generally, supporting the multifarious needs of Malaysians.

ACKNOWLEDGEMENTS

I would like to acknowledge our management for their foresight and boldness in initiating our new venture into dairy farming. At the same time, I would like to express my gratitude to all our employees for always giving their best, working as one strong team to deliver our goals.

To my colleagues on the Board, thank you for your time, commitment and wise counsel. To all other stakeholders, we highly value your contributions to the Group which underline our sustainability. We look forward to your continued support as we increase our emphasis on creating value for you.

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

GROUP FINANCIAL HIGHLIGHTS 2019

REVENUE:
RM4,077 million

PROFIT BEFORE TAX (PBT):
RM533 million

PROFIT FOR THE YEAR:
RM410 million

PBT ON REVENUE:
13.1%

BASIC EARNINGS PER SHARE:
111.9 sen

SHAREHOLDERS' EQUITY:
RM2,529 million

NET ASSETS PER SHARE:
RM6.90

RETURN ON SHAREHOLDERS' EQUITY:
16.2%

DEBT TO EQUITY RATIO:
4.9%

MARKET CAPITALISATION
as at 30 November 2019
RM12.7 billion

SHARE CAPITAL:
RM817 million

DIVIDEND PER SHARE:
60.0 sen*

* Included proposed dividend of 33.0 sen, which will only be recognised in the financial statements upon shareholders' approval.

Food & Beverages Malaysia	Food & Beverages Thailand
Revenue: **RM2.2 billion**	Revenue: **RM1.9 billion**
Operating Profit: **RM161 million**	Operating Profit: **RM362 million**

BY BUSINESS SEGMENTS

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
  Licence No: LS0010357
  SSM PC No: 201908002732

GROUP EXECUTIVE COMMITTEE

Chairman
- Mr. Lee Meng Tat

Members
- Mr. Lee Kong Yip
- Y.Bhg. Dato' Jorgen Bornhoft
- Mr. Hui Choon Kit
- Y.Bhg. Datuk Kamaruddin bin Taib

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

CORPORATE STRUCTURE

as at 30 November 2019

FOOD & BEVERAGES MALAYSIA

100%
F&N Beverages Manufacturing Sdn Bhd

100%
Borneo Springs Sdn Bhd

100%
F&N Beverages Marketing Sdn Bhd

100%
F&N Dairies Manufacturing Sdn Bhd

100%
F&N Dairies Distribution (Singapore) Pte Ltd

100%
F&N Marketing (B) Sdn Bhd

100%
Lion Share Management Limited

100%
F&N Dairies (Malaysia) Sdn Bhd

100%
Premier Milk (Malaya) Sdn Berhad

FOOD & BEVERAGES THAILAND

100%
F&N Dairies (Thailand) Limited

PROPERTY

100%
F&N Properties Sdn Bhd

100%
Greenclipper Corporation Sdn Bhd

100%
Nuvak Company Sdn Bhd

100%
Utas Mutiara Sdn Bhd

100%
Tropical League Sdn Bhd

70%
Lettricia Corporation Sdn Bhd

50%
Vacaron Company Sdn Bhd

OTHERS

100%
Fraser & Neave (Malaya) Sdn Bhd

100%
F&N Capital Sdn Bhd

100%
Elsinburg Holdings Sdn Bhd

100%
F&N AgriValley Sdn Bhd
(formerly known as Rimba Perkasa Sdn Bhd)

27.19%
Cocoaland Holdings Berhad

KEY MILESTONES

1883 to 1965

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 to 1965

1983

F&N celebrated its 100th 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 to 2013

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 to 2019

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 135th anniversary of F&N. The official launch of Cold-Aseptic Filling PET line at F&N Beverages manufacturing plant in Shah Alam, Malaysia.

2019

F&N entered into a conditional sale and purchase agreement to purchase 4,454 hectares of land in Chuping, Perlis, to venture into integrated dairy farming and milk production.

BOARD COMPOSITION

COMPOSITION

Independent Non-Executive Directors — 6

Non-Independent Non-Executive Directors — 5

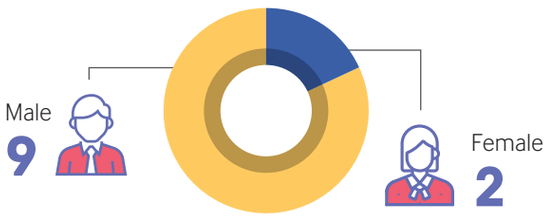
ETHNICITY

Malay — 6

Chinese — 4

Others — 1

GENDER



AGE GROUP

- Below 50 years – 1
- 51-60 years – 4
- 61-70 years – 3
- Above 70 years – 3

COMMITTEE MEMBER KEY

- A Audit Committee
- N Nominating Committee
- R Remuneration Committee
- E Group Executive Committee
- S Share Buy-Back Committee
- M Sustainability & Risk Management Committee

PROFILE OF BOARD OF DIRECTORS

Malaysian | Age 74

R S N

Date of Appointment
24 February 1987

Number of Board Meetings Attended
7/7

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

Chairman of Board,
Non-Independent Non-Executive Director

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) AND/OR LISTED ISSUER(S)

- Director of Fraser and Neave, Limited ("FNL"), 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

Singaporean | Age 56

E N R

Date of Appointment
1 October 2015

Number of Board Meetings Attended
7/7

Mr. Lee Meng Tat
Non-Independent Non-Executive Director

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) AND/OR LISTED ISSUER(S)
- Director of Vietnam Dairy Products Joint Stock Company, a company listed on the Ho Chi Minh Stock Exchange

PRESENT APPOINTMENT(S)
- Chief Executive Officer, Non-Alcoholic Beverages of the Fraser and Neave, Limited 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 Fraser and Neave, Limited 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 Fraser and Neave, Limited, 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.

Malaysian | Age 65

A | N | R

Date of Appointment
23 February 2016

Number of Board Meetings Attended
7/7

Mr. David Siew Kah Toong

Independent Non-Executive Director

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) AND/OR LISTED ISSUER(S)

- Director of Tan Chong Motor Holdings Berhad
- Director of Great Eastern Life Assurance (Malaysia) Berhad

PRESENT APPOINTMENT(S)

- Chairman of Audit Committee, Member of the Risk Management and Sustainability Committee and Nominating and Remuneration 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
- Member of Audit Committee of Great Eastern Life Assurance (Malaysia) Berhad

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

Malaysian | Age 75

M | E | S

Date of Appointment
10 May 2000

Number of Board Meetings Attended
6/7

Mr. Lee Kong Yip
Non-Independent Non-Executive Director

QUALIFICATION(S)
- Bachelor in Economics (Hons) degree majoring in statistics, University of Malaya
- Executive Programme, Graduate School of Business Administration, University of California Berkeley, The United States of America

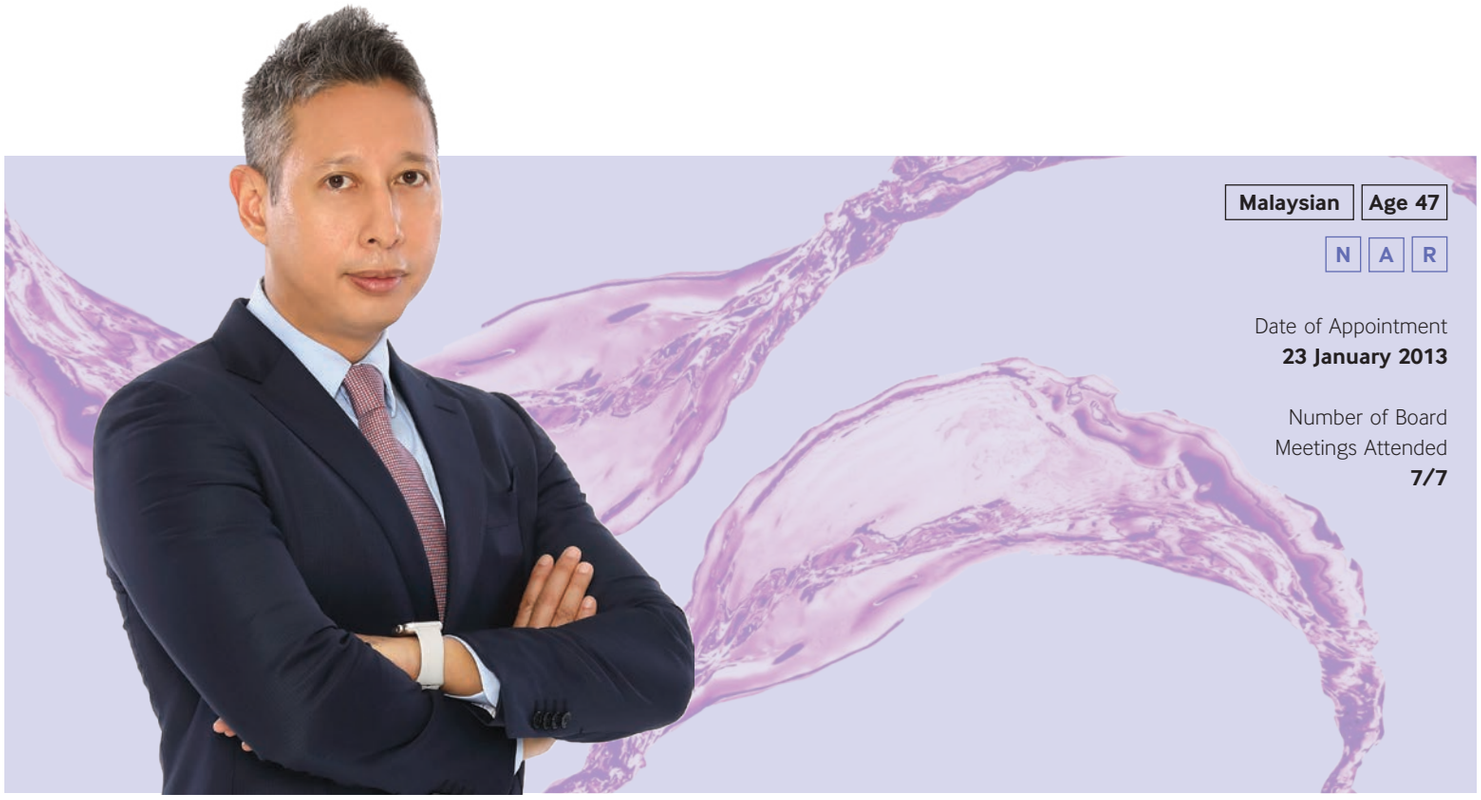
MEMBERSHIP(S) OF BOARD COMMITTEES
- Sustainability & Risk Management Committee (Chairman)
- Group Executive Committee
- Share Buy-Back Committee

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR LISTED ISSUER(S)
- 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 Fraser and Neave, Limited, 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.



Dato' Johan Tazrin bin Hamid Ngo

Independent Non-Executive Director

QUALIFICATION(S)

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

MEMBERSHIP(S) OF BOARD COMMITTEES

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

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR LISTED ISSUER(S)

- 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

Danish | Age 77

E | M

Date of Appointment
7 May 2013

Number of Board Meetings Attended
6/7

Dato' Jorgen Bornhoft

Non-Independent Non-Executive Director

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) AND/OR LISTED ISSUER(S)

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

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 Fraser and Neave, Limited, 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.

Singaporean | Age 55

E | A | M

Date of Appointment
6 August 2014

Number of Board Meetings Attended
7/7

Mr. Hui Choon Kit

Non-Independent Non-Executive Director

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) AND/OR LISTED ISSUER(S)

- Nil

PRESENT APPOINTMENT(S)

- Chief Financial Officer and Company Secretary of the Fraser and Neave, Limited Group

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

- Senior Manager, Business Development of the Fraser and Neave, Limited 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 Fraser and Neave, Limited, 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

Malaysian | Age 59

M | S

Date of Appointment
24 January 2018

Number of Board Meetings Attended
6/7

Puan Aida binti Md Daud

Independent Non-Executive Director

QUALIFICATION(S)

- Master in Business Administration, Strathclyde University, Scotland
- Bachelor of Science in Business Administration (Finance and Law), Portland State University, The 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) AND/OR LISTED ISSUER(S)

- Director of Amway (Malaysia) Holdings Berhad

PRESENT APPOINTMENT(S)

- Senior Vice President of Human Capital Division of Permodalan Nasional Berhad ("PNB")
- Director of PNB Investment Institute Sdn Bhd

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
- Member of the Board of Governors of Financial Planning Association of Malaysia

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. 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.

Malaysian | Age 59

N | R

Date of Appointment
24 January 2018

Number of Board Meetings Attended
7/7

Puan Faridah binti Abdul Kadir

Independent Non-Executive Director

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) AND/OR LISTED ISSUER(S)

- Nil

PRESENT APPOINTMENT(S)

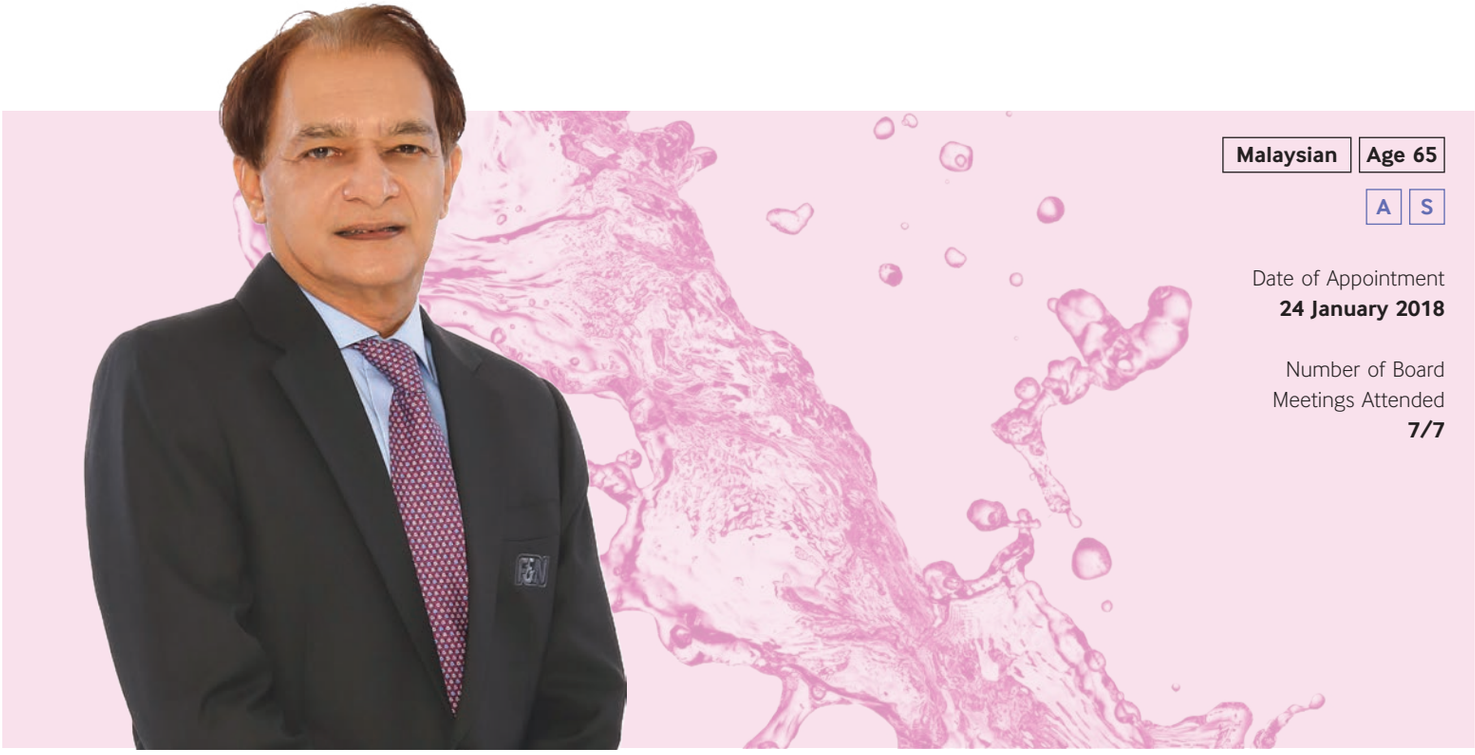
- Board Member of Trustees of Yayasan Kadir & Fatimah
- Council Member of the Society for the Severely Mentally Handicapped Selangor
- Director of Fibertex Personal Care Sdn Bhd, Kay & Ef Sdn Bhd, Kay and Ef Trading Sdn Bhd and Fatimah Hashim Holdings Sdn Bhd

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 Industrialization 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



Malaysian | Age 65

A | S

Date of Appointment
24 January 2018

Number of Board Meetings Attended
7/7

Datuk Mohd Anwar bin Yahya

Independent Non-Executive Director

QUALIFICATION(S)

- Bachelor of Science (Honours) degree in Economics and Accountancy, University of Hull, United Kingdom
- Chartered Accountant, Institute of Chartered Accountants 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) AND/OR LISTED ISSUER(S)

- Director of Maybank Islamic Berhad
- Director of FGV Holdings Berhad
- Director of Pelaburan Hartanah Nasional Bhd
- Director of Amanah Saham Nasional Berhad

PRESENT APPOINTMENT(S)

- Partner of Sage 3 Sdn Bhd
- Director of Usains Holdings Sdn Bhd
- Director of Technology Park Corporation Malaysia 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.

Malaysian | Age 62

E

Date of Appointment
8 November 2018

Number of Board Meetings Attended
6/6

Datuk Kamaruddin bin Taib

Independent Non-Executive Director

QUALIFICATION(S)

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

MEMBERSHIP(S) OF BOARD COMMITTEE

- Group Executive Committee

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND/OR LISTED ISSUER(S)

- Chairman of GHL Systems Berhad
- Chairman of Great Eastern Takaful Berhad
- Chairman of HSBC Amanah Malaysia Berhad
- Director of Great Eastern General Insurance (Malaysia) Berhad
- Director of Malaysia Smelting Corporation Berhad
- Director of RAM Holdings Berhad

PRESENT APPOINTMENT(S)

- Director of DNV GL Malaysia Sdn Bhd
- Director of I Great Capital Holdings Sdn Bhd and FIDE FORUM (Financial Institutions Directors Education FORUM)
- Member of the Independent Review Panel for Great Eastern Life Assurance (Malaysia) Berhad
- Member of the Internal Audit Sub-committee of The Royal Selangor Golf Club

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

- Executive Chairman of DNV GL Malaysia Sdn Bhd
- Director of Great Eastern Life Assurance (Malaysia) Berhad
- Director of BFC Exchange Sdn Bhd
- Trustee of the Malaysian Oil & Gas Services Council

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.

MANAGEMENT TEAM

Lee Lay Yean (Senior Manager, Business Capability & Strategy)
Timothy Ooi Aik Tuan (Director, Group Legal Counsel & Company Secretary)
Karen Tan Chui Chui (Head, Communications & Corporate Affairs)
Lim Yew Hoe (Chief Executive Officer)

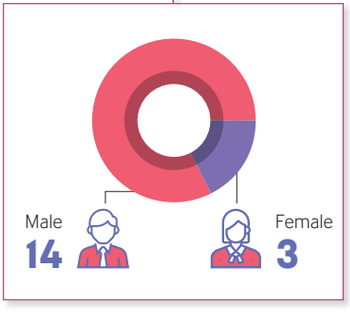
Dato' Raffiq bin Md Ariff (Head, Government & Industry Engagement and Halal Affairs)
Tan Hock Beng (Senior Director, Procurement and Special Projects)
Kelleigh Foo Chooi Kian (Senior Manager, CEO Office & Risk Management)
Bart Lim Siang Chin (Managing Director, Domestic Commercial Operations (Peninsular Malaysia))
Lai Kah Shen (Director, Finance/Chief Financial Officer)

Special thanks to Jibby & Co, Empire Shopping Gallery.

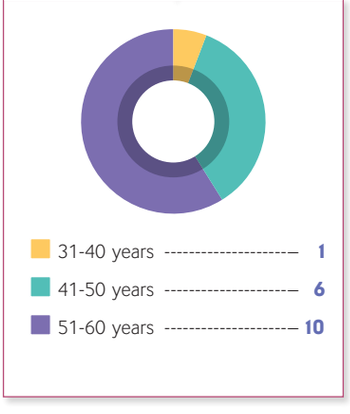
Suchit Riewcharoon (Managing Director, F&N Dairies (Thailand) Limited)
David Hoong Cheong Wai (Senior Director, Human Capital, Organisation and Technology Management)
Lau Cheng Yew (Director, Property & Integrated Projects)
Soh Swee Hock (Managing Director, International Markets Development)
Graham Lim (Director, Marketing)

Dr. Yap Peng Kang (Senior Director, Manufacturing and Corporate Research & Development)
Albert Loh Wee Han (Head, Internal Audit)
Bryan Lee Chee Kong (Director, Domestic Commercial Operations (East Malaysia & Brunei))

GENDER



AGE GROUP



PROFILE OF CHIEF EXECUTIVE OFFICER

Singaporean | Age 53

Date of Appointment
1 December 2014

Lim Yew Hoe
Chief Executive Officer

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor of Science (Estate Management) degree, National University of Singapore
- Master of Business Administration majoring in Banking and 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 COMPANY(IES) AND LISTED ISSUER(S)

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

Lai Kah Shen

Director, Finance/Chief Financial Officer

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor of Accountancy, Nanyang Technological University
- Chartered Financial Analyst, Association for Investment Management & Research
- Bachelor of Law, University of London

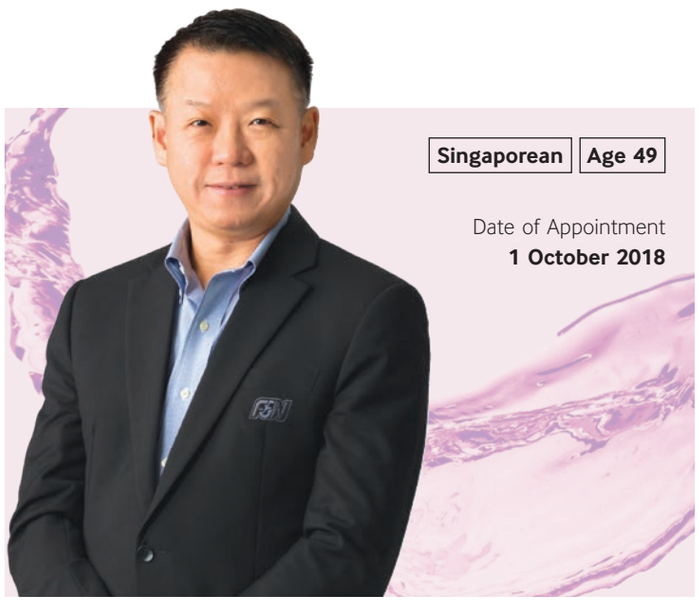
WORKING EXPERIENCE

- Positions held in Fraser and Neave, Limited Group:
  - July 2009 to January 2019 – Financial Controller, Food & Beverage including heading Fraser and Neave, Limited Group's ice cream division and also concentrate plant operation
  - May 2003 to June 2009 – Group Finance Manager
- July 1997 to April 2003 – Auditor in PricewaterhouseCoopers before moving on to public-listed companies in banking and commercial sectors

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND LISTED ISSUER(S)

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.



Bart Lim Siang Chin

Managing Director, Domestic Commercial Operations (Peninsular Malaysia)

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- 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
  - April 2014 to September 2015 – General Manager, Non-Alcoholic Beverages CEO's Office

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND LISTED ISSUER(S)

Nil

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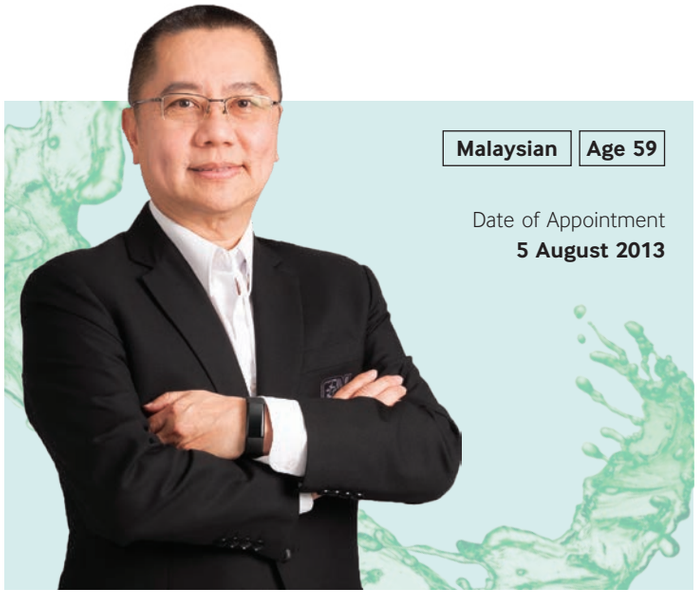
PROFILE OF CHIEF EXECUTIVE OFFICER



David Hoong Cheong Wai

Senior Director, Human Capital, Organisation and Technology Management

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- 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 COMPANY(IES) AND LISTED ISSUER(S)

Nil

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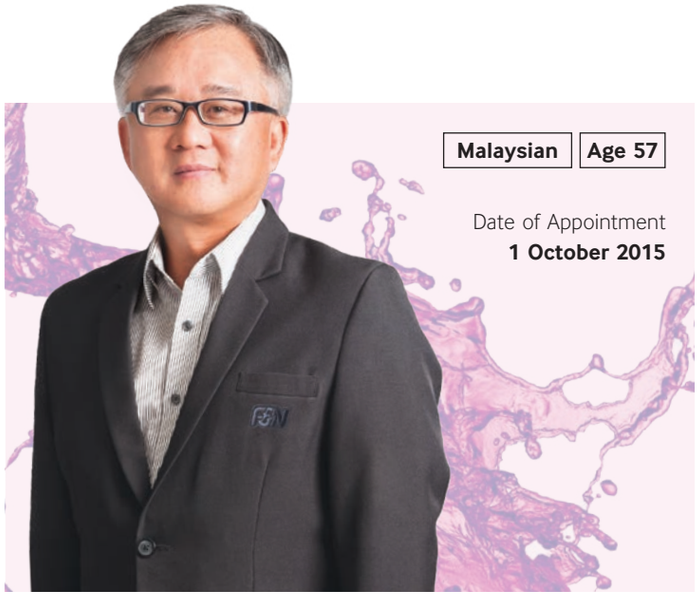

Soh Swee Hock

Managing Director, International Markets Development

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

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

WORKING EXPERIENCE

- January 2010 – Senior Manager, Projects of Fraser & Neave Holdings Bhd 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 COMPANY(IES) AND LISTED ISSUER(S)

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.

Suchit Riewcharoon

Managing Director, F&N Dairies (Thailand) Limited

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Master in Marketing, Thammasart University, Thailand
- Bachelor of Business Administration majoring in Marketing, Assumption University, Thailand

WORKING EXPERIENCE

- February 2007 to March 2019 – Head of Sales for Thailand and Indochina of F&N Dairies (Thailand) Limited
- 1988 to 2007 – held various managerial positions in Nestle (Thai) Limited, the last being Business Excellence and Training Manager

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND LISTED ISSUER(S)

Nil

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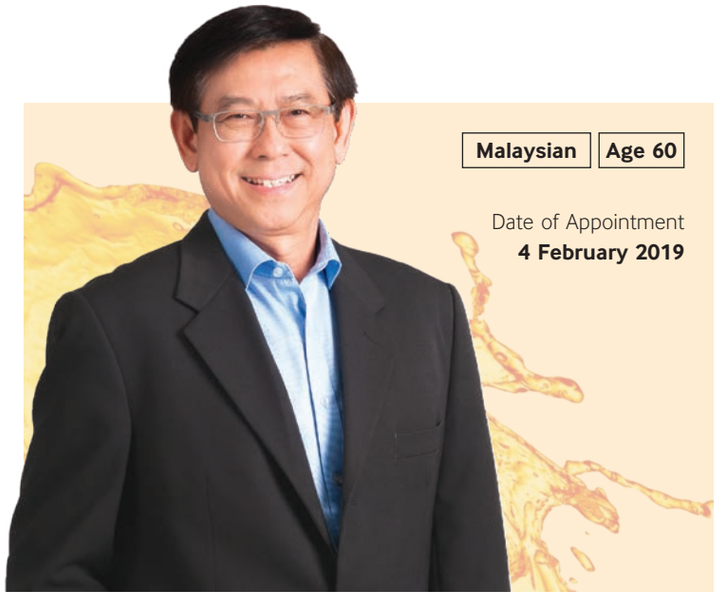

Tan Hock Beng

Senior Director, Procurement and Special Projects

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

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

WORKING EXPERIENCE

- Positions held in Fraser & Neave Holdings Bhd:
  - February 2017 to February 2019 – Senior Vice President, Finance & Procurement/Chief Financial Officer
  - 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 COMPANY(IES) AND LISTED ISSUER(S)

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PROFILE OF CHIEF EXECUTIVE OFFICER

Dr. Yap Peng Kang

Senior Director, Manufacturing and Corporate Research & Development

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

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

WORKING EXPERIENCE

- October 2017 to present – Head, Corporate Research & Development of Fraser and Neave, Limited prior to assuming the current role
- Over 21 years of experience in the brewery industry and has held various senior positions in the Heineken Group of Companies

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND LISTED ISSUER(S)

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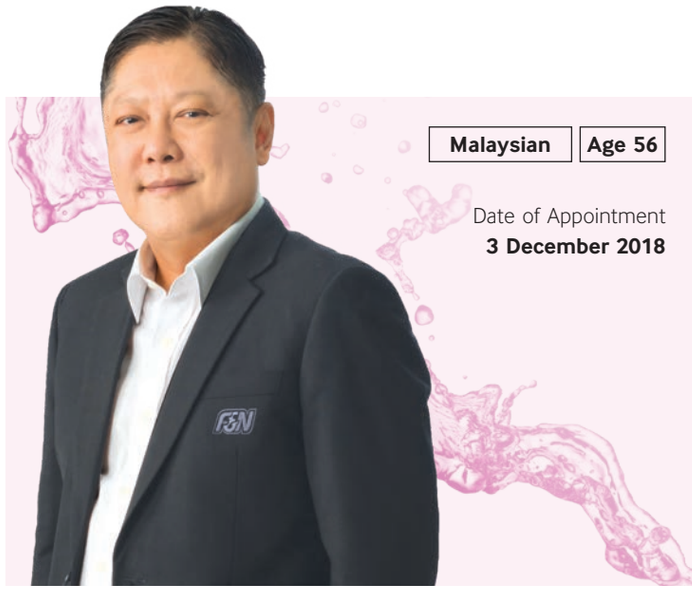

Bryan Lee Chee Kong

Director, Domestic Commercial Operations (East Malaysia & Brunei)

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Chartered Institute of Marketing, Berkshire, United Kingdom

WORKING EXPERIENCE

- 30 years of experience at various MNCs with solid range of experience not limited to Strategic Developments, Innovations & New Product Development, Brand and Trade Marketing. The last posting was in Myanmar heading the Commercial Division at a leading Beverage Company

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND LISTED ISSUER(S)

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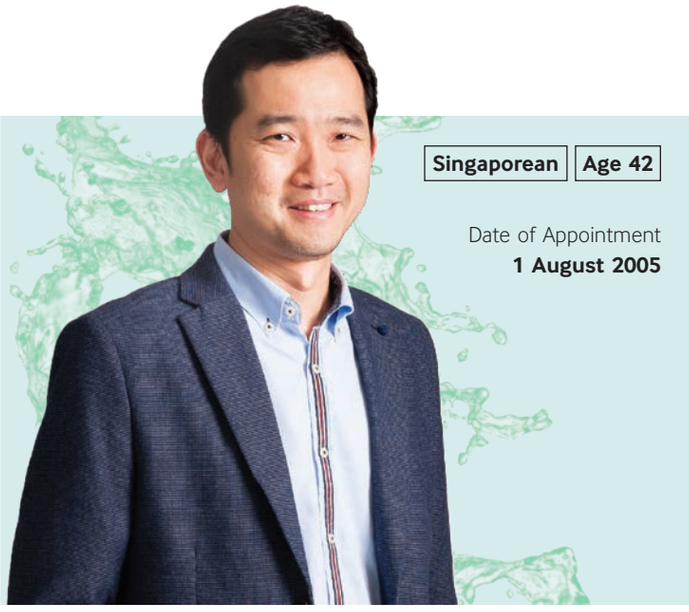

Graham Lim

Director, Marketing

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- 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 COMPANY(IES) AND LISTED ISSUER(S)

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.

Timothy Ooi Aik Tuan

Director, Group Legal Counsel & Company Secretary

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- LL.B (Hons), University of London
- Barrister-at-Law, Middle Temple
- Licensed Company Secretary

WORKING EXPERIENCE

- Over 30 years' experience as legal counsel, company secretary and compliance officer in various organisations in Hong Kong and Malaysia
- 2012 – Head, Legal of Fraser & Neave Holdings Bhd Group
- 2018 – In addition to overseeing legal department, he is also responsible for the company secretarial services of Fraser & Neave Holdings Bhd Group

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANY(IES) AND LISTED ISSUER(S)

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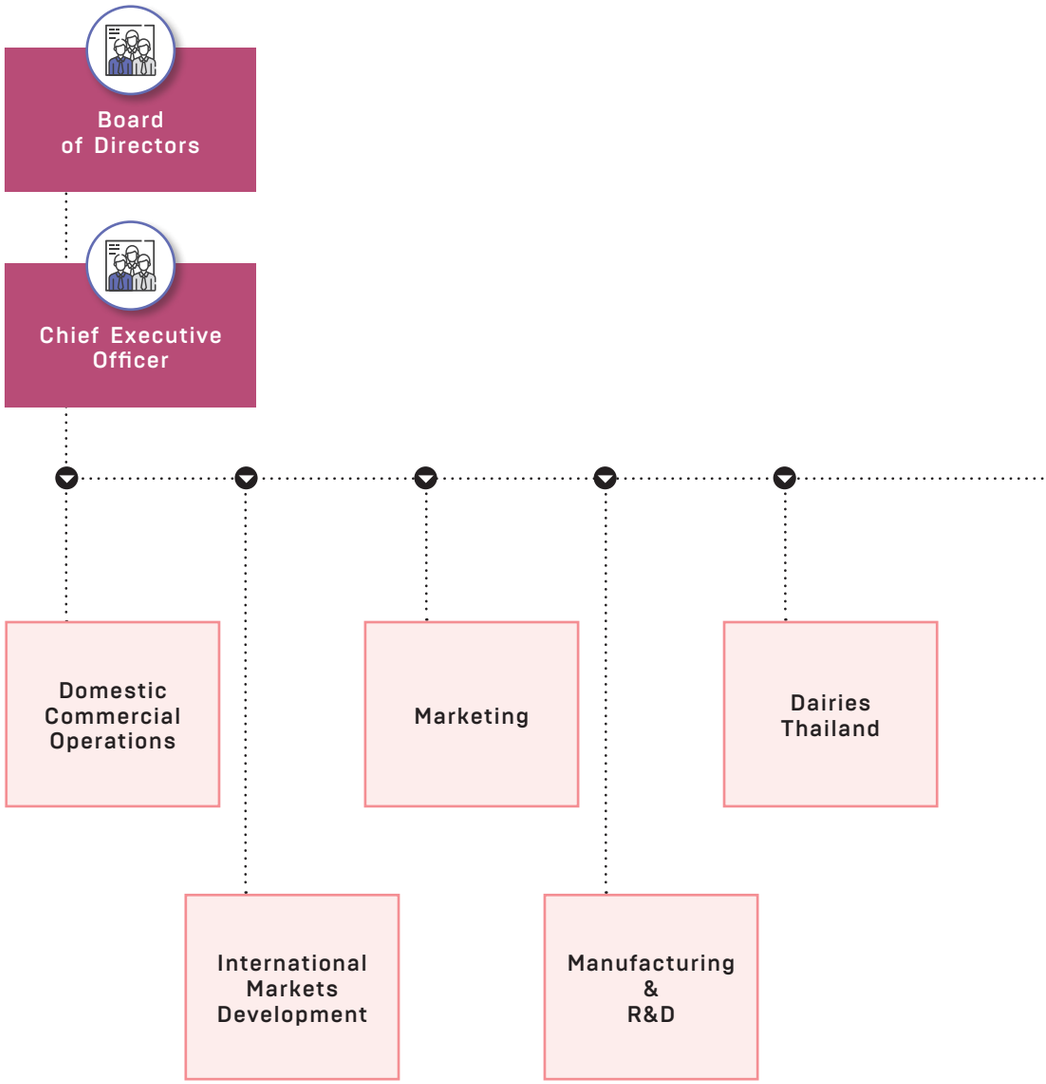
He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has had no conviction for offences within the past five years and has had no public sanction or penalty imposed by the relevant regulatory bodies during the financial year, which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

ORGANISATION STRUCTURE



WORKFORCE

NUMBER OF EMPLOYEES

2,600

BY EMPLOYMENT STATUS

2,558 Permanent Contract

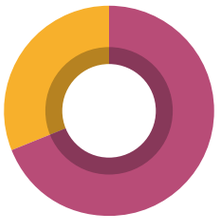
42 Temporary Contract

BY JOB CATEGORY

1,044 Executive

1,556 Non-Executive

BY GENDER

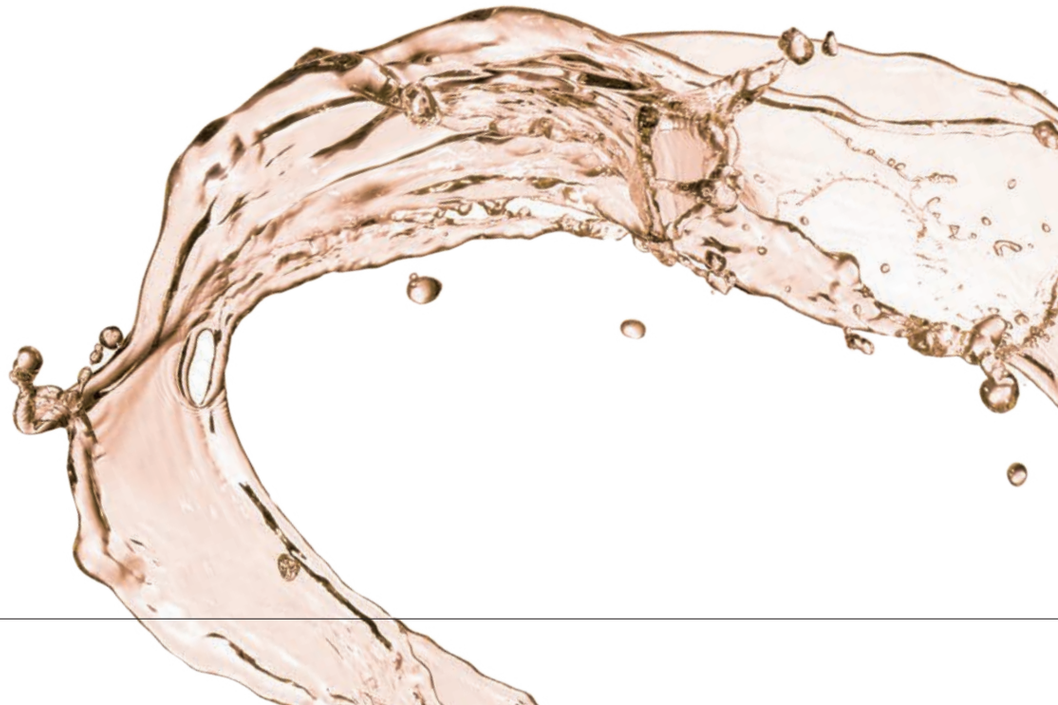


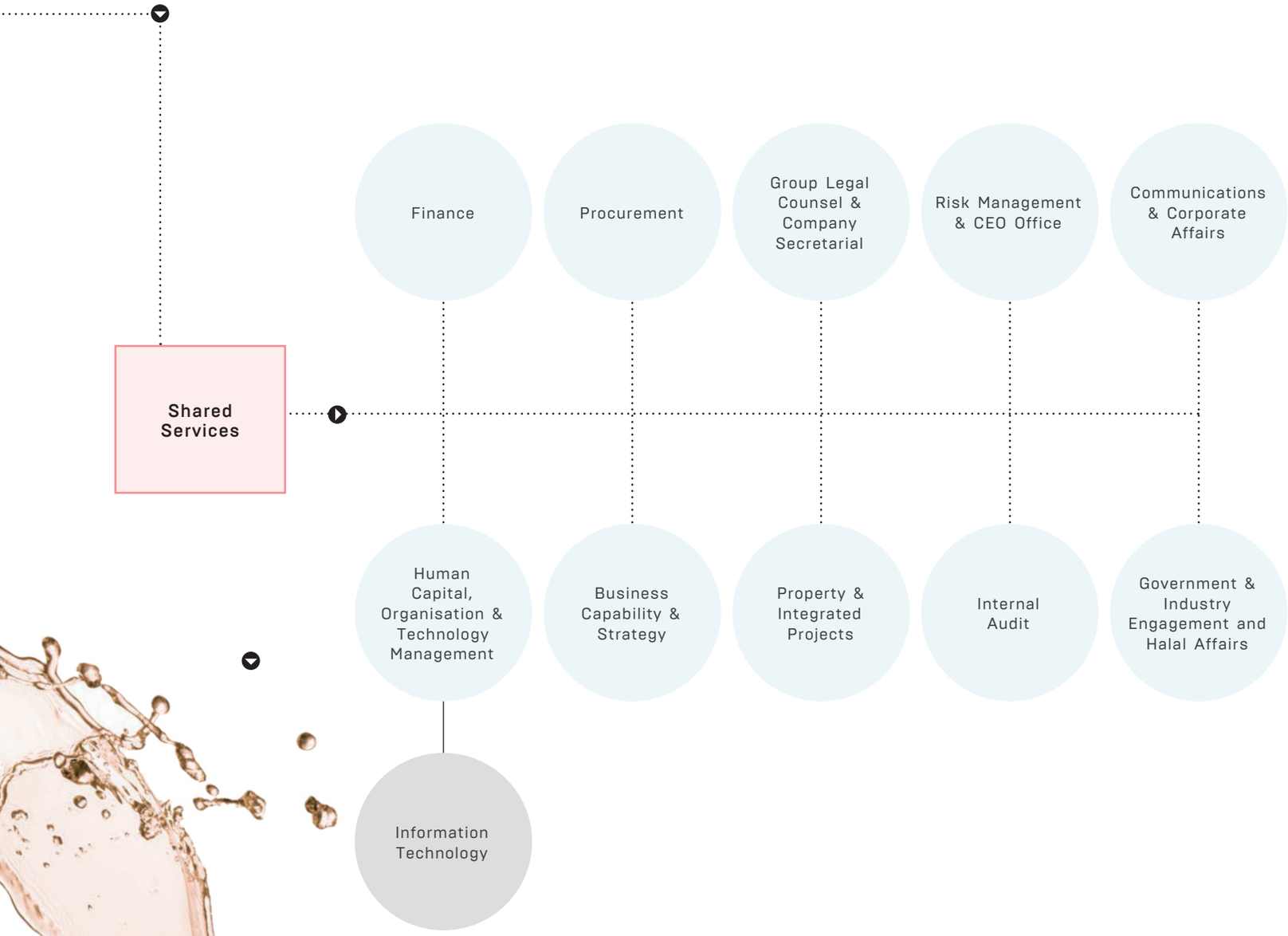
68% (1,767)

32% (833)

AVERAGE NUMBER OF HOURS OF TRAINING PER EMPLOYEE PER YEAR

22




Shared Services
Finance
Procurement
Group Legal Counsel & Company Secretarial
Risk Management & CEO Office
Communications & Corporate Affairs
Human Capital, Organisation & Technology Management
Business Capability & Strategy
Property & Integrated Projects
Internal Audit
Government & Industry Engagement and Halal Affairs
Information Technology

Delighting Your Customers

Our great-tasting and quality products have fueled the growth of our partners, satisfied generations of their customers and continues to be a part of everyone's daily lives.

Mr. Sawat Puenggarm
Owner, Wat Coffee – Bangkok, Thailand

I became an F&N customer from the time I opened my café 20 years ago. Now and again, I tried other brands too, but none of them seemed to work as well for me or my customers. I particularly like CARNATION's Evaporated Creamer and Sweetened Beverage Creamer. I think they really enhance the flavour of my coffee and tea. For as long as I have used CARNATION, I have only had positive feedback from my customers, which is reflected in the volume of sales. The quality of F&N products has helped me retain long-term customers who are as loyal to me as I am to F&N.

F&N has also been very good in terms of helping me grow my business. They constantly provide free merchandise that make my café look more visually appealing. Passers-by are attracted and, often, will stop for a drink.

Carnation

strategic report >

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders and Stakeholders,

Our FY2019 performance reflected the speed and agility gained from our transformation initiatives, our strong research and development capabilities, and the benefits of our push for geographical diversity beyond Malaysia.

Lim Yew Hoe
Chief Executive Officer

***

As at the end of the financial year, 90 per cent of our ready-to-drink products sold in Malaysia are healthier options and below 5g sugar per 100ml.

***

The beverages industry in Malaysia went through a significant change in the financial year ended 30 September 2019 (FY2019) with the implementation of an excise tax on sugar sweetened beverages. At the same time, a confluence of geo-political events together with intensifying competition combined to create a challenging macro environment. Yet, F&NHB concluded the year with positive top and bottom line results. All these are made possible through our successful push for greater sales contribution from outside Malaysia.

We further sharpened our competitive edge through better products, greater efficiencies and strengthened relationships with key stakeholders in all our markets.

Our achievements were underlined by three strategic priorities: Innovation, Cost Competitiveness and Excellence in Execution (or I.C.E.). From sourcing raw materials to product formulation/reformulation, production, packaging, distribution and, finally, sales and marketing – we are creating synergies, eliminating waste and enhancing our outcomes.

SHARPENING OUR COMPETITIVE EDGE WITH I.C.E.

HEALTHIER & BETTER PRODUCTS

Probably the most significant achievement in Malaysia during the year was the successful application of various innovations and technologies to reformulate more than half of our ready-to-drink (RTD) beverages *without compromising on taste*.

It has been our mission to lower our overall sugar index and offer at least one healthier option in every category we are in, as part of our commitment towards improving the health and well-being of our consumers. Thanks to the sweetened beverages excise duty in Malaysia, which was implemented from 1 July 2019, we undertook probably the biggest product innovation exercise in our history and fast-tracked the introductions of the lower sugar products.

As at the end of the financial year, 90 per cent of our RTD products sold in Malaysia are healthier options and below 5g sugar per 100ml. We now have healthier choices in 10 out of 12 of our RTD product categories; and our overall sugar index for 2019 stands at 5.2g per 100ml, 41 per cent lower than when we first started measuring it in 2004. More importantly, all our healthier choice products have been well received, as we are driven by the mantra: "If we don't love it, we won't launch it".

In addition to the reformulations, this year saw 10 exciting launches which helped to expand our range of products certified by the Healthier Choice Logo of Malaysia's Ministry of Health or Thailand's Ministry of Public Health. From 20 such products in FY2018, we now have 41.

In Malaysia, the new F&N Lychee Pear, F&N SEASONS Apple Pomegranate Tea, F&N SEASONS Watermelon Lychee Tea and F&N SEASONS Pu-Erh Chrysanthemum contain less than 5g of sugar per 100ml.

Meanwhile, the F&N Magnolia Plus Lactose Free milk launched in Thailand caters to the health needs of lactose intolerant consumers. Our current focus in Thailand is on expanding the range of ready-to-drink milk, the natural choice for consumers seeking nutritious beverages, especially senior citizens who are expected to make up 20 per cent of the population by the year 2022.

CAPTURING VALUE ALONG OUR SUPPLY CHAIN

Cost Competitiveness is critical in the current climate of cost-conscious consumers. Thanks to the various efforts to drive cost efficiencies along the entire supply chain, we have managed, for example, to launch a series of 250ml and 1.2 litre value products that resonate well with consumers – with very encouraging sales during the Hari Raya season.

In response to the increasing competition in Thailand, we introduced the 2kg flexible pouch format for both Carnation and TEAPOT sweetened beverage creamer a few years ago. As they offer greater value for money compared to the can format, they have proven to be extremely popular with restaurateurs as well as hawkers, resulting in all the eight lines currently operating at our plant in Rojana, running at full capacity.

Our employees have been the key drivers of greater efficiencies through innovations to reduce consumption of resources, improve productivity and/or enhance product quality. Initiatives presented under the 'Excel As One' programme this year delivered cost savings or cost avoidance of 18.44 million Baht (RM2.52 million) per annum. In addition, the Quality Excellence team at Rojana Plant developed an initiative that reduced the quarantine period of finished goods, enabling fresher products to be released to the market while achieving annual cost savings of 6.5 million Baht. The initiative has been expanded to our plant in Pulau Indah.

We also drive cost-competitiveness through selective in-sourcing. In the last quarter of FY2019, we completed one of the two additional new empty can making lines at our plant in Pulau Indah. When both lines are in full operation, we would only need minimal external supply for our condensed milk empty cans, providing our Export team with a more cost competitive position.

CAPEX: SETTING UP FOR THE FUTURE

For the year as a whole, we invested RM150 million on capital expenditure (capex). Among our major ongoing projects are:

- Shah Alam Warehouse: This new integrated warehouse with the RM78 million Automated Storage Retrieval System (ASRS) has a capacity of over 50,000 pallet space.

  To be completed in FY2021, this capex is expected to increase operational efficiency, provide savings as well as reduce the carbon footprint of our warehouse operations.

- New Product Development Transformation programme in Shah Alam: A total of RM30 million has been allocated for new equipment to enable the production of healthier products; and in smaller can format (180ml-250ml). Products such as F&N Classic series (original recipes with full flavour) will be produced in smaller cans and to be launched in time for Chinese New Year 2020.

- Kota Kinabalu Industrial Park (KKIP) drinking water line and finished goods warehouse: We have allocated RM20 million capex and started construction work on our first drinking water line in Sabah. The plant, which also houses a finished goods warehouse for products shipped from our Peninsular Malaysia plants, is expected to be completed in FY2020.

- Solar roof in Rojana plant: The RM4 million system, with a capacity to produce 1MW of electricity, will be up and running in 2020.

- In addition, the development of a RM40 million fresh milk line in Pulau Indah is ongoing and is expected to be completed in FY2020.

PURPOSEFUL ENGAGEMENT WITH CONSUMERS AND CUSTOMERS

In all markets, we worked closely with our distributors to reach out to our increasing customer base more strategically. The fact remains that excellence in execution is not only about driving more sales but also strengthening the connection with our consumers and customers. In selective markets, our sales teams now serve our larger retail customers directly, while our distributors focus on smaller outlets and those in more remote locations.

Rather than partake in value destruction price war, we focus our advertising and promotions budget on building brand loyalty with customers and consumers. As an illustration, the sales team in Thailand has established very strong ties with over 40,000 hawkers as a result of value-added support including the provision of carefully developed new recipes or product applications, in addition to dressing up the hawker stalls. This year, a Line app was launched to engage hawkers by sharing news updates and campaigns. Continued success in marketing and branding initiatives in Thailand and Indochina contributed significantly to the Group's revenue and profit growth.

Through impactful activations and collaborations, we achieved record high sales during the festive seasons in Malaysia. Shipments during Chinese New Year and Hari Raya were the highest in three years in Peninsular Malaysia. In East Malaysia, sales during Gawai (the harvest festival) made up a third of total East Malaysia sales for the year.

Differentiated product packaging further boosted sales by catering to customers' and consumers' new needs. For example, F&N sweetened condensed milk now comes in sizes from single serve 'Stix' pack, convenient squeeze tubes for better flexibility in portion control, to 20kg flexible pouches for bulk industrial usage.

We also drove product applications according to different export market needs, with particularly encouraging results in the Philippines and Africa. The halal market overall performed well, contributing to 26 per cent of our Exports revenue from Malaysia this year.

Besides brand building and route-to-market initiatives, we continue to strengthen our competitive edge through greater focus on operational excellence and developing the right talents, supported by the right tools and skillsets to execute the strategies.

Excellence in execution helped us maintain our leadership in our core categories. In Malaysia, we are No.1 in the carbonated soft drink, tea and canned milk segments. In Thailand, we have retained our leadership in the evaporated milk and total sweetened beverage creamer (SBC) markets with Carnation leading in the Superior segment and TEAPOT maintaining its strong position in the mainstream segment.

***

Continued success in marketing and branding initiatives in Thailand and Indochina contributed significantly to the Group's revenue and profit growth.

***

CATALYSING GROWTH FROM WITHIN

Since rolling out our Global Values in FY2018, we have been encouraged to witness greater collaboration among our employees especially in knowledge sharing and synergies mining. Believing in the power of Collaboration, Creating Values and Caring for Stakeholders in achieving the organisation's long-term objectives, F&NHB's performance assessment now includes behavioural indicators of the Global Values.

Digital adoption continues to play a key role in many innovations within our organisation. From the Oracle Transport Management (OTM) system that has optimised our route planning to the Enterprise Workflow app which reduces processing time from 14 days to one day, we continue to leverage digital innovation to create value for our people, our partners and our markets.

We also continue to engage our most important stakeholders – our employees – through regular communication and training and development opportunities that support their professional ambitions. CEO roadshows were held throughout Malaysia from June to August this year, followed by a townhall in both Malaysia and Thailand. This year, we also conducted employee engagement survey in September.

We believe developing leaders internally is an important catalyst for growth and competitive advantage. Accordingly, this year, we partnered the Malaysian Institute of Management (MIM) to launch the F&N Future Leaders Development Programme (FLP) 2019 targeting junior executives. FLP focuses on enhancing business acumen, design thinking, problem-solving as well as people management skills.

Together with the Management Development Programme and Asean Management Development Programme under our Group Human Capital Roadmap, we now have talent acceleration programmes to nurture future-ready successors at all levels within the Group. We also positively view gender equity and are proud of the fact that women represent 44 per cent of management roles in our company, a seven per cent increase from FY2018.

PERFORMANCE IN FY2019

Within a volatile environment and continuous competitive pressure, F&NHB concluded the financial year with higher revenue and strong profit. Group revenue rose by 5.3 per cent to RM4.08 billion while profit before tax increased by 25.7 per cent to RM533.0 million.

The Group's profit after tax (PAT) increased by 6.1 per cent from RM386.5 million in FY2018 to RM410.2 million despite the impact of corporate tax payment in Thailand this year, following the full utilisation of the tax incentives granted by the Thailand Board of Investment.

F&B MALAYSIA

Amid a disruptive operating environment due to the introduction of the Sales and Service Tax (SST) on 1 September 2018 followed by the sugar tax on 1 July 2019, Food & Beverages Malaysia (F&B Malaysia)'s overall performance was characterised by a turnaround in the beverages business from successful festive promotions.

The combination of factors including the introduction of value packs, intensifying competition in the dairies segment and the absence of a one-off export-oriented contract packing business in the previous year, led to a marginal increase in F&B Malaysia's revenue from RM2.15 billion to RM2.16 billion during the period under review.

F&B Malaysia's operating profit in FY2019 eased 4.2 per cent to RM161.1 million from RM168.1 million in FY2018. Excluding one-off and non-operating items, operating profit for F&B Malaysia was 15.5 per cent higher compared to last year.

F&B THAILAND

F&B Thailand continued to be the Group's best performing pillar. Revenue grew by 11.3 per cent year-on-year from RM1.72 billion to RM1.91 billion driven by successful innovations and effective execution of marketing and branding initiatives, supported by capacity expansion and aided by the strengthening Thai Baht against the Ringgit. In local currency terms, revenue for F&B Thailand grew by 5.9 per cent.

Turnover growth, supported by favourable input costs and internal efficiencies, led to a 40.3 per cent increase in F&B Thailand's operating profit (33.5 per cent in local currency) to RM362.0 million from RM258.0 million in FY2018.

EXPORTS*

Exports faced several headwinds in FY2019 which included macro-economic uncertainties induced by the US-China trade war and geo-political tension in the Middle East, as well as reduced export competitiveness due to the strong Baht.

Within this landscape, Exports from Malaysia expanded to seven new markets while F&B Thailand's export markets of Cambodia and Laos continued to perform strongly at double-digit growth. The latter was driven primarily by the introduction of TEAPOT Sweetened Beverage Creamer Squeeze Tubes which have been well received.

Moving forward, we remain committed to building Exports as our third business pillar and achieving target Group export sales of RM800 million by 2020. A new subsidiary in Dubai is to open soon, to increase and deepen our presence in the Middle East and North Africa regions as we expect halal markets to contribute RM100 million to the Group revenue in FY2020.

WAY FORWARD – TOWARDS INCLUSIVE GROWTH

Our three growth enablers – Innovation, Cost Competitiveness, Excellence in Execution – will continue to guide our Inclusive Growth strategy, which encompasses:

- 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 and the B2B segment.

* Financial performance of Exports are included in F&B Malaysia and F&B Thailand segment results.

ESTABLISHING OUR FOURTH PILLAR

Recognising the need to do things differently to stay relevant, we have made the bold decision to develop dairy farming as our fourth pillar. We are in the process of acquiring 4,454 hectares of land in Chuping, Perlis to explore the upstream insourcing of fresh milk to support existing downstream production and distribution of fresh milk products. The aim is eventually to house 20,000 milking cows and produce 200 million litres of fresh milk per annum.

For us, the farm would resolve the perennial issue of sourcing fresh milk while accelerating our presence in the liquid milk sector, where there is huge potential for growth. For the nation, it would go a long way towards ensuring fresh milk and dairy self-sufficiency.

In addition, with our farm providing the readily available and more affordable milk, we believe we will be further enhancing the role we have adopted in helping to shape a healthier nation. The many benefits that the integrated dairy farm project will bring are set to further entrench our position as a 136 years old trusted and responsible corporate citizen.

DELIVERING VALUE: GOING HEALTHIER & GREENER

A key priority as we move into the future is to deepen our connection with consumers with products that satisfy their needs and aspirations as we step up our contributions to manage global environmental issues. We have a number of exciting launches lined up in FY2020, many that will expand our portfolio of healthier options.

At the same time, we are investing into more green initiatives to minimise our carbon footprint – from installing a solar roof at our plant in Rojana to increasing the use of recyclable material in our packaging. Our goal is to eventually embrace a circular economy in which we prioritise renewable inputs, keep our products and materials in use, and recover all by-products and waste.

We have already made a positive start in this regard through our school recycling programme. This financial year (11th year of the School Recycling Programme), we achieved a marked increase in participation in the programme, with a quadrupling in volume of recyclable materials collected to 2.35 million kilogrammes across 13 states in Malaysia. We are proud of this programme and will keep growing it as we seek to enhance Malaysia's overall recycling rate.

SCALING UP E-COMMERCE/ DIGITALISATION

After leveraging the online platforms of retailers such as 11street, Shopee, JOCOM and Lazada over the past few years, we are ready to take our e-commerce business to the next level. In FY2020, we will be launching F&N Life, our flagship online store and mobile application while setting up an e-commerce shop in T-mall, one of China's biggest business to consumer (B2C) players.

With the growing importance of social media, the ways we conduct our marketing activities, particularly the way we interact with consumers, will also evolve. Social listening is fast becoming another important channel, while one of the most important decisions in marketing is now in balancing funds allocation between the traditional and new media. Either way, we have to learn quickly, and embrace the change to achieve sustainability of growth, especially among the young consumers.

ACKNOWLEDGEMENTS

Our successes to date are due to a large number of stakeholders. We value our shareholders for your trust in our ability to deliver sustainable returns on your investments. To our suppliers, distributors and customers, I would like to extend our appreciation for your steadfast willingness to share our vision. To our consumers, thank you for your continued support and brand loyalty.

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The many benefits that the integrated dairy farm project will bring are set to further entrench our position as a 136 years old trusted and responsible corporate citizen.

***

Finally, my appreciation goes to the entire F&NHB family. I would like to express my gratitude to the Board of Directors for your wisdom and strategic counsel, and members of the management team for your tireless contributions. I especially like to take this opportunity to personally thank Mr. Tan Hock Beng, our Senior Director, Procurement and Special Projects and former Chief Financial Officer, who retires on 30 November 2019. Hock Beng has been with us for 18 years and has been instrumental in driving the overall dairy business growth.

My deep appreciation also extends to Khun Karn Chitaravimol, who retired as Managing Director of F&N Dairies (Thailand) Limited on 1 April 2019.

As for all our employees, *terima kasih* and *khob khun krub* for your hard work and commitment to our shared vision and objectives. We are on the cusp of some very exciting changes, and truly look forward to creating a better future for the company as well as our stakeholders with your continued support.

Lim Yew Hoe
Chief Executive Officer

strategic report > MARKET REVIEW

THE MACROENVIRONMENT

The Malaysian economy has maintained a steady momentum, with gross domestic product expected to come in at 4.7 per cent for the year 2019, equaling growth recorded in 2018. This has been driven primarily by domestic demand, particularly household spending, thanks to a stable labour market and low inflation.[1] However, the consumer sentiment index is normalising following an extraordinary peak post-general elections in the second quarter of 2018.[2] Malaysian consumers have always been thrifty and even now maintain cautious optimism in terms of spending, with close to nine out of 10 Malaysians saying they have adjusted their purchasing habits to save on household expenditure.[3]

In contrast, economic growth in Thailand has been slowing down and is forecasted by the Finance Ministry to come in at 3.0 per cent for the year, as opposed to expansion of 4.1 per cent in 2018. A key reason is the strengthening Baht, which has negatively impacted two primary economic drivers: exports and tourism.[4] Consumer confidence, meanwhile, has been on a downward trend since February 2019, measuring 72.2 in September 2019.[5] However, a USD10 billion stimulus package from the government is expected to boost the economy, as well as consumer sentiment.

1 https://www.edgeprop.my/content/1597691/economic-outlook-2020-report-malaysian-economy-grow-48-2020-vs-47-2019
2 https://www.mier.org.my
3 https://www.thestar.com.my/business/business-news/2019/06/03/consumer-confidence-stabilising
4 https://www.bangkokpost.com/business/1733675/finance-ministry-cuts-2019-gdp-growth-forecast-to-3-
5 https://tradingeconomics.com/thailand/consumer-confidences
6 Intended Nationally Determined Contributions (INDC) under the UN Framework Convention on Climate Change, https://magazine.scientificmalaysian.com/issue-13-2017/tackling-climate-change-malaysias-emission-reduction-target/

Market Trends Affecting Us

CONSUMER BEHAVIOUR

In our two core markets – Malaysia and Thailand – consumers are becoming more cautious about spending money due to higher costs of living. They, therefore, will wait for promotions or sales, and are becoming more strategic in their shopping behaviour, frequenting cash and carry as well as discount stores and favouring value packs. At the same time, the emergence of smaller households and a generally more harried lifestyle has resulted in smaller basket size, more frequent shopping trips and greater popularity of convenience stores near homes and workplaces.

DIGITAL REVOLUTION

Along with a faster pace of life, today's consumers are also becoming more digitalised – working remotely and carrying out daily transactions such as banking and making purchases online. Asian consumers are now going online to buy books, clothes, gadgets, homeware and even groceries – including food and beverages. What they seek is the convenience of having goods delivered to their doorstep. Online reviews also help to make purchasing decisions amid the growing number of choices available. Social media is becoming a powerful influencer, with more people being swayed by online perception and interaction.

Our Response

In both Malaysia and Thailand, we partner with our customers to offer attractive and sometimes exclusive promotions as well as on-ground marketing activities. These are accentuated during the festive periods, when demand has always peaked. While we continue to strengthen our presence across more stores, we are paying particular attention to outlets that offer greater value, such as cash and carry and discount stores as well as convenience stores and outlets that serve consumers in out-of-town locations. We are also developing new channels of targeting customers in the food service and B2B segments to ensure we capture growth opportunities in these markets. In addition, we are developing value-for-money packaging options that cater to customers' and consumers' distinct needs.

We see digital platforms as opportunities to engage more personally with consumers and get instant feedback, helping us to feel the pulse of the marketplace more quickly and efficiently. We have been investing more in our digital systems, with a particular focus on enhancing our online presence. We have just launched our own F&N Life App and e-store through which customers will be able to make purchases, be updated on great offers and enjoy benefits from the loyalty programme. In China, where online retail is huge, we are establishing an e-commerce shop in T-mall, one of the nation's biggest business to consumer (B2C) players. At the same time, we are enhancing our hawker engagement via a Line app in Thailand.

Highlights

- F&N sweetened condensed milk are available in single serve 'Stix' packs, convenient squeeze tubes for better flexibility in portion control, to 20kg pouches for bulk industrial usage.

- +43% increase digital ad spend in FY2019 compared to FY2018

HEALTH CONSCIOUSNESS

Consumers are becoming more health conscious and seek foods as well as drinks that are nutritious and low in calories. This has seen the emergence of organic food stores and low-fat variants of different types of food. In the beverages segment, many have switched to low-sugar or no-sugar versions of their favourite drinks. The ageing demographic is also growing, and again presents an emerging market for F&B companies to target with products that provide the nutrients that would ensure prolonged health. Awareness of healthier products through social media and news feeds online is resulting in increased expectation of F&B companies to be more innovative in its product offerings.

We made a conscious decision to lower our total sugar index many years ago, and accelerated our efforts in FY2019. About 90 per cent of our ready-to-drink products sold in Malaysia today contain less than 5g of sugar per 100ml, meeting the healthier choice logo criteria of the Ministry of Health Malaysia. We are also offering smaller portions of consumer favourites. At the same time, we are investing more into expanding our fresh milk categories in Thailand. Recently we entered into conditional agreement to purchase 4,454 hectares of land in Perlis to be developed into an integrated dairy farm to support the Group's ambition to establish fresh milk as a new growth pillar. Meanwhile, RM30 million has been invested into new equipment in our plant in Shah Alam to enable the production of more healthier products as well as smaller can formats.

- 10 out of 12 of our RTD product categories has healthier choice
- 41 products certified by the Healthier Choice Logo of Malaysia's Ministry of Health or Thailand's Ministry of Public Health, up from 20 in FY2018.

ENVIRONMENTAL SUSTAINABILITY

Along with greater access to information through the net, people are becoming more aware of critical environmental issues such as global warming and marine litter. Added to this, many governments, including the Malaysian government, are making concerted efforts to reduce and eventually eliminate single-use plastics while promoting greener technologies and lifestyles. Malaysia has pledged to reduce its carbon emissions intensity by 35 per cent from the 2005 baseline, and by a further 10 per cent with assistance from developed countries.[6] Thailand, meanwhile, has set a reduction target of 30 per cent by 2036 from a 2010 baseline. Consumers themselves actively seek brands that contribute to a greener environment and more sustainable planet.

We strive to reduce our carbon footprint by employing various energy-efficient processes in our production line, as well as enhancing logistics efficiencies. We have invested in a solar photovoltaics system to be installed at our Rojana plant in Thailand. Our target is to reduce our greenhouse gas emissions intensity by five per cent from 2017 to 2020. At the same time, we are reducing the volume of materials used in our packaging and looking into recycled PET bottles. Since 2007, we educate schoolchildren on the importance of reducing waste and the 5R principles (reduce, reuse, rethink, recycle, reinvent) through our school recycling programme in Malaysia, which has grown significantly over the years. The number of participating schools more than doubled in FY2019, while the volume of recyclable wastes collected more than quadrupled.

- 4.76 million kilogrammes recyclables collected through F&N school recycling programme since 2007.
- 10% reduction in our packaging ratio compared to last year.
- > 90% of our beverages' packaging comprise of recyclable materials.

strategic report >
VALUE CREATION BUSINESS MODEL

Our business is built on a profitable, responsible and sustainable manner. This means ensuring that our overall strategy reflects awareness of the interdependencies and trade-offs between different types of capital, and how they support our ability to create value for the short, medium and long-term.

VALUE ADDED BY F&NHB

OUR CAPITALS (INPUTS)

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

Share Capital : RM816.8 million
Shareholders' Equity : RM2,529.3 million
Return on Shareholders' Equity : 16.2%

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 drive value creation for our business.

Total No. of Employees : 2,600 employees
Local Senior Management : Malaysia – 95%
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 continuously invested in product and process innovation to increase our product range, and improve efficiency and productivity.

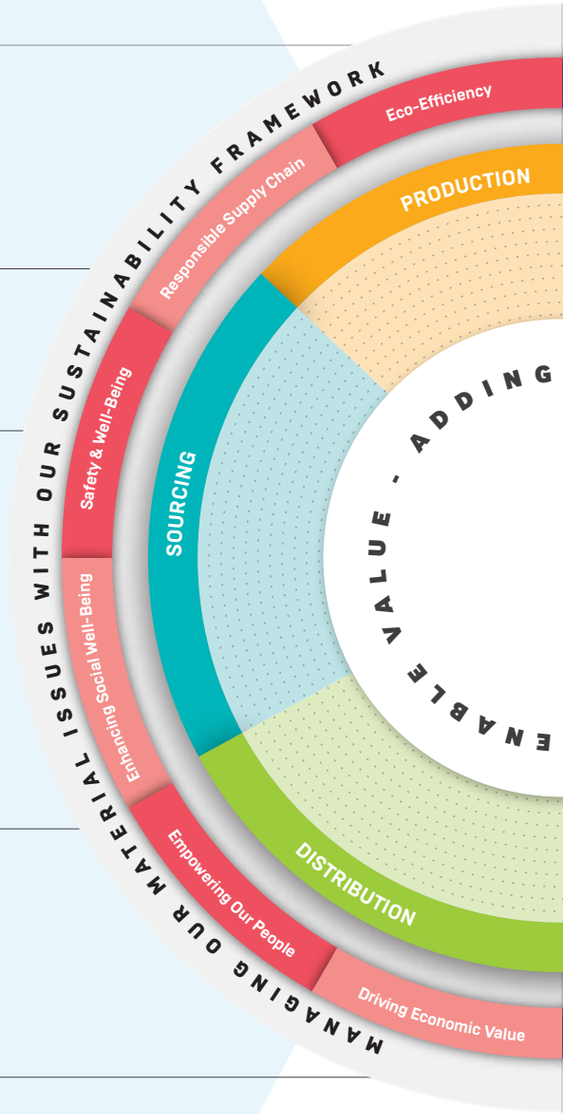
Research and Development (R&D) at F&N is guided by the following five principles:
- **Innovation & Creation in terms of** processes, packaging and sensory science
- **Scientific Advances** for application in our processes and products
- **Technical Developments** which support quality improvement and cost optimisation
- **Regulatory Compliance** of our local and export business
- **Quality Products** which 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.

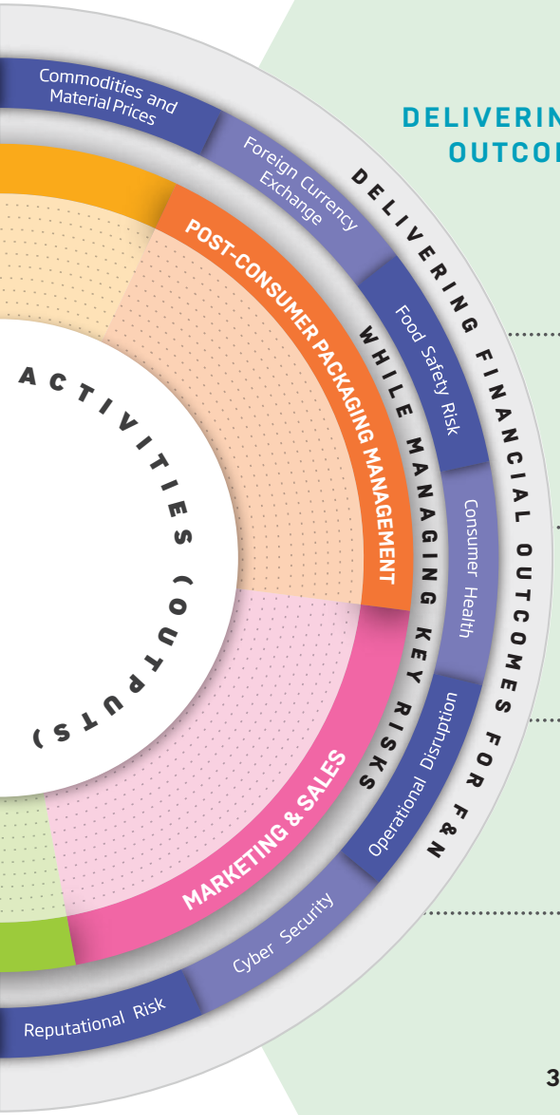
MANUFACTURED CAPITAL encompasses our business structure and operational processes, production and logistics assets including our physical and digital infrastructure, as well as information technology which provide the framework and mechanics on how we do business and meet the demands of our stakeholders.

8 Manufacturing Facilities : 6 in Malaysia, 2 in Thailand
21 Warehouses : 19 in Malaysia, 2 in Thailand
Production Capacity : 130 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, aluminium and resin which we seek to use efficiently and source responsibly. We also ensure efficient effluents and waste management processes to protect biodiversity and ecosystems' health.



VALUE CREATED FOR F&NHB AND OUR STAKEHOLDERS



DELIVERING FINANCIAL OUTCOMES FOR F&N

Revenue:
RM4,077.1 million

Operating Profit:
RM520.4 million

Profit Before Tax:
RM533.0 million

Profit for the year:
RM410.2 million

Share Price:
RM34.74
(as of 30 November 2019)

VALUE CREATED FOR OUR STAKEHOLDERS

SHAREHOLDERS & FINANCIAL INVESTORS

- Managing our resources effectively enables us to maximise profits which benefit shareholders through sustainable shareholder returns and dividend payouts
- Maintaining a strong balance sheet to take advantage of opportunities as they arise and protect against unforeseen risks
- Dividend Payout Ratio: 53.6%
- Dividend per Share: 60.0 sen *
- Total Dividend Payout: RM210.9 million
- Basic Earnings per Share: 111.9 sen

* *Included proposed final dividend of 33.0 sen, which will only be recognised in the financial statements upon shareholders' approval.*

EMPLOYEES

- Employed 294 new employees in FY2019
- Career advancement and ability to reach individual potential
- Paid RM307.8 million in total employee remuneration and benefits in FY2019
- Female representation in our workforce:
  – 32% of total employees – 44% of total managerial positions
- Boosted earning potential of employees with training and development
- Awarded RM198,300 to 106 children of employees in 2019 under Chairman's Award. Since 2003, F&NHB has disbursed close to RM4 million to >2,000 children

DISTRIBUTORS & TRADE CUSTOMERS

- Partnership with >220,000 retailers and outlets in Malaysia, Thailand, Cambodia and Laos
- Source of income and job creation at our distributors
- Supported the livelihood of >54,000 hawkers in Thailand, Laos and Cambodia

CONSUMERS

- Launched various innovative solutions to address the needs of our consumers in 75 countries worldwide
- Fulfilled consumers' demand for safe and quality products
- Provide accessibility to our products through an extensive distribution network coverage
- 11 new products launched in FY2019
- 41 products with 'Healthier Choice Logo' in FY2019

COMMUNITIES

- Social investment in FY2019: >RM1 million
- Nurtured local sports champions
- Advocated active lifestyles via sports events and activities
- Partnered with 756 schools in Malaysia to inculcate recycling habits
- >1,200 beneficiary of social investment programmes since 2011

REGULATORS

- Complied with regulation to mitigate against systemic risk
- Adhered to sustainable practices to protect our stakeholders
- Contributed RM122.7 million in tax for FY2019
- Active industry collaboration and knowledge exchange with government agencies and statutory bodies

SUPPLIERS

Total Suppliers:
- >3,100 (global and local)
- >94% local suppliers

Total Supplier Spend:
- RM3.25 billion
- >79% local purchase value

strategic report > STAKEHOLDER ENGAGEMENT

F&NHB's stakeholders include any individual or group who are impacted by or interested in our activities. We strive to build and maintain strong relationships based on trust and respect with all stakeholders, and utilise various platforms where they can voice their opinions and suggestions, as shown in the table below. Information received via these channels are used in our planning and strategy for sustainable value creation.

	Engagement Channels	Typical Issues Raised	F&NHB Actions
Shareholders & Investors	• Annual General Meetings (AGMs) • Face-to-face meetings & conference calls • Office/plant visits • Investor Days/briefings	• Transparent and accurate disclosure • Return on investment • Sustainable financial and operational performance	Refer to F&NHB Sustainability Report 2019: • Our Sustainability Approach (pages 020-029) • Economic Performance (page 035)
Employees	• Biennial employee engagement survey • Annual CEO town hall/roadshow • Annual dinner • Festive gatherings • Sports tournament • F&N Chairman Award • iConnect (intranet), F&N DIGEST (newsletter), monthly email news highlights, digital TV • F&N Voice WhatsApp channel • Dialogues with unions	• Compensation and benefits • Competency development • Senior leadership • Learning & development • Rewards & recognition • Safety at work	Refer to F&NHB Sustainability Report 2019: • Economic Performance (page 035) • Talent Management (pages 042-051) • Market Presence (page 052) • Occupational Health and Safety (pages 089-091)
Distributors & Trade Customers	• Annual customer meetings • Annual factory visits • Annual business planning • Business development activities • Joint supply chain meetings • Quarterly business reviews • Customer appreciation events	• Latest consumer & shopper trends • Product innovation • Customer relationship management • Shopper loyalty programmes • Improving customer service level • Business practices & ethics • Efficient delivery systems	Refer to F&NHB Sustainability Report 2019: • Innovation (pages 036-041) • Consumer Health and Safety (pages 092-096)
Consumers	• Marketing & sales promotions • Brand communication through advertising • Social media interactions • On-ground events & activities • Dedicated consumer hotline	• Product quality & safety • Consumer health & safety • Fair & reasonable product pricing • Social & community engagement • Environment-friendly packaging	Refer to F&NHB Sustainability Report 2019: • Innovation (pages 036-041) • Consumer Health and Safety (pages 092-096) • Product and Service Labelling (page 097)

	Engagement Channels	Typical Issues Raised	F&NHB Actions
Communities	• Collaborations & partnerships • Meetings • Outreach programmes • Meetings/dialogues with community representatives • Leadership programmes • Sponsorships	• Social & environmental responsibility • Job opportunities for locals • Promotion of good health & quality of life • Skills development in sports & leadership Stimulating local economies	Refer to F&NHB Sustainability Report 2019: • Economic Performance (page 035) • Creating Value for Society (pages 053-065) • Market Presence (page 052) • Water Stewardship (pages 070-071) • Effluents and Waste (pages 072-075)
Regulators	• Active collaborations e.g. Federation of Malaysian Manufacturers • Meetings with government agencies and statutory bodies • Collaboration & partnerships with local councils	• Good governance • Fair labour practices • Safety at work • Compliance with laws & regulations • Water & waste management • Environment friendly labelling & packaging • Greenhouse gas emissions (GHG) • Recycling awareness	Refer to F&NHB Sustainability Report 2019: • Our Sustainability Approach (pages 020-029) • Consumer Health and Safety (pages 092-096) • Product and Service Labelling (page 097) • Water Stewardship (pages 070-071) • Effluents & Waste (pages 072-075) • Packaging (page 076) • Energy & Climate Change (pages 077-082) • Occupational Health and Safety (pages 089-091)
Suppliers	• Supplier meetings • Annual audits • Tender Management System	• Fair & robust procurement system • Support of local businesses • Social & environmental responsibility • Ethics – anti-bribery & corruption	Refer to F&NHB Sustainability Report 2019: • Sustainable Sourcing (pages 083-088)

strategic report > MATERIAL ISSUES

The material issues are topics that are important to the sustainability of F&N Group, identified through a three steps: Identification; Prioritisation; and Validation materiality assessment process in 2017. The Group then selects 10 high priority material issues to establish medium-term performance sustainability goals to be achieved by 2020. Here are the 10 key material issues:

MATERIAL ISSUES	OUR RESPONSE	TARGET
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.	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.	To invest in product and process innovation to increase our product range, and improve efficiency and productivity.
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. • Commitment to using Certified Sustainable Palm Oil (CSPO) in our products.	To purchase 100% of Roundtable on Sustainable Palm Oil (RSPO) credits for palm oil usage by 2020.

OPPORTUNITIES	RISK
• 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.	• 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. • 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	OUR RESPONSE	TARGET
CONSUMER HEALTH AND SAFETY Maintain the highest quality and safety standards and providing healthier options to meet evolving consumer needs.	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. **i. 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. • Support Government's Healthier Choice Logo certification in Malaysia and Thailand. **ii. 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. **iii. 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). **iv. Nutritional goodness** • Our Nutrition Charter guides all aspects of our product development, marketing and initiatives to advocate healthy lifestyles.	To introduce at least one healthier choice option in all our product categories by 2020.
OCCUPATIONAL HEALTH AND SAFETY 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. **i. 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. **ii. 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.	To have Zero Lost Time Injury Frequency Rate by 2020.

OPPORTUNITIES	RISK
• 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.	• 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	OUR RESPONSE	TARGET
TALENT MANAGEMENT People Are Vital Assets as they help determine how well we perform, executing our strategies into action.	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	To provide an average of at least 12-training hours per employee per year by 2020
ENVIRONMENTAL STEWARDSHIP **Managing Our Environmental Impact** *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.	We implement environmentally sustainable business practices and guided by the principles in our Environmental, Safety & Health Policy. **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. **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. **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.	To reduce the water ratio at our plants by 5% from 2017 by 2020. To reduce wastewater discharge by 5% from 2017 by 2020. To reduce energy intensity by 5% from 2017 by 2020.
CREATING VALUE FOR SOCIETY Sustainable business development occurs when our communities develop alongside us.	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	To provide outreach and engagement programmes across Malaysia and Thailand by exploring and implementing appropriate outreach programmes to address community needs

OPPORTUNITIES	RISK
• 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.	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.
• 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.	• 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
• 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	• Failure to balance social economic and environmental needs. • Financial and reputational repercussions.

strategic report >

STRATEGIC DIRECTION AND FOCUS, ACHIEVEMENTS & 2020 PRIORITIES

INCLUSIVE GROWTH STRATEGY

INCLUSIVE GROWTH

At F&N, we believe sustainable and profitable growth requires a balanced approach where our brands stay relevant to consumers, and our people, stakeholders and communities grow together as we strengthen our presence in the market, where we have presence in. Our Inclusive Growth Strategy drives our strategic decisions to innovate better products and create more meaningful values to our various stakeholders.

INCLUSIVE GROWTH OBJECTIVES

GROWTH DRIVERS

Innovation
- Innovations beyond new product development to serve our customers' needs

Cost Competitiveness
- Optimising operational costs by leveraging on our strengths while maximising opportunities

Excellence in Execution
- Driving operational excellence in our core businesses

GLOBAL VALUES: COLLABORATION, CREATING

2019 HIGHLIGHTS	PRIORITIES FOR 2020
▸ Successful applications in formulating/reformulating new and existing products which are healthier and better ▸ Enhanced in-home penetration through the launch of innovative product format such as squeeze tubes ▸ Investment of various capital expenditures to better equipped ourselves to meet consumers' needs and counter challenging operating environment	▸ Continuous effort in developing healthier products as well as extension to adjacent categories to meet the evolving needs of our consumers ▸ Develop an integrated and sustainable dairy farming business model as the fourth pillar of growth ▸ Scale up digitalisation across our businesses, including establishing e-Commerce platform and digital-led marketing initiatives
▸ Improved cost efficiencies through various initiatives to reduce consumption of resources, improve productivity and/or enhance product quality ▸ Reduced cost to market through collaborations with trade partners and key customers as well as serving some larger outlets directly ▸ Introduced value products in smaller pack sizes and economical packaging to meet consumers' and customers' distinct needs	▸ Continuous improvement in production automation and upskilling of competency focused workforce ▸ Insourcing and forming of new strategic partnerships ▸ Cost reduction initiatives across all facets of operations, including sourcing of materials, marketing, logistics and distribution, and manufacturing
▸ Improved distribution points through focusing on strengths of respective distribution channel ▸ Clear deployment of strategies in each category to drive volume and profits contributed to sales growth in all our core categories ▸ Strong relationships with key business partners to win in the markets	▸ Accelerate brands growth in domestic markets and abroad through disciplined portfolio management across different channels ▸ Strengthen our reach to consumers via expansion of distribution networks and strategic collaborations with ThaiBev Group ▸ Optimisation of data to enhance effectiveness and efficiency across the value chain

VALUES & CARING FOR STAKEHOLDERS

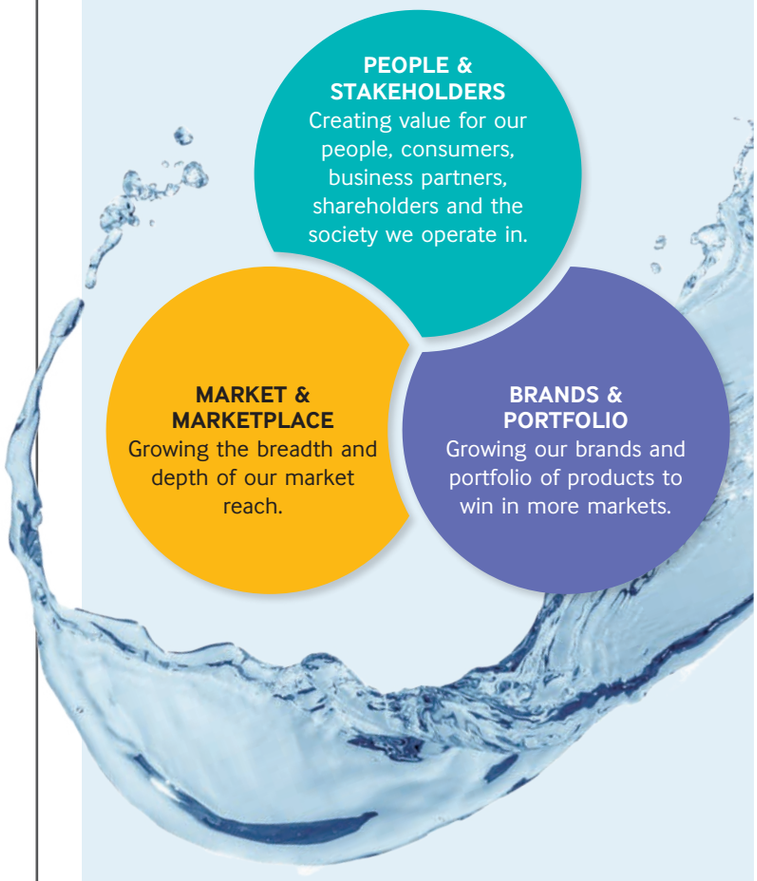
strategic report >
KEY PERFORMANCE INDICATORS

HOW WE TRACK OUR PROGRESS

INCLUSIVE GROWTH

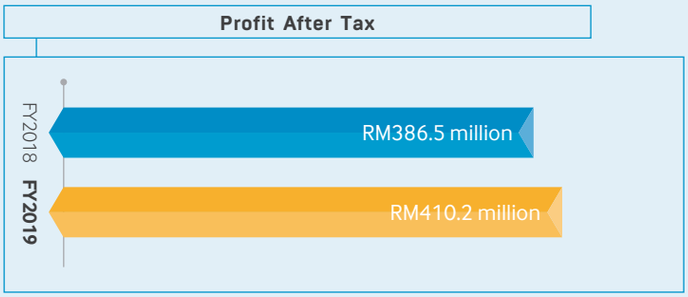
At F&N, we believe sustainable and profitable growth requires a balanced approach where our brands stay relevant to consumers, and our people, stakeholders and communities grow together as we strengthen our presence in the market, where we have presence in. Our Inclusive Growth Strategy drives our strategic decisions to innovate better products and create more meaningful values to our various stakeholders.

INCLUSIVE GROWTH OBJECTIVES



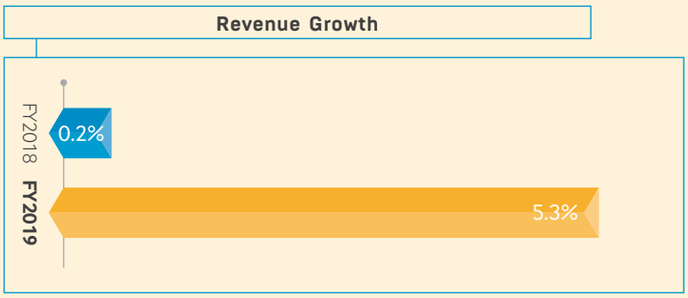
FINANCIAL INDICATORS

Objective: Maximise value creation and provide good returns to shareholder.



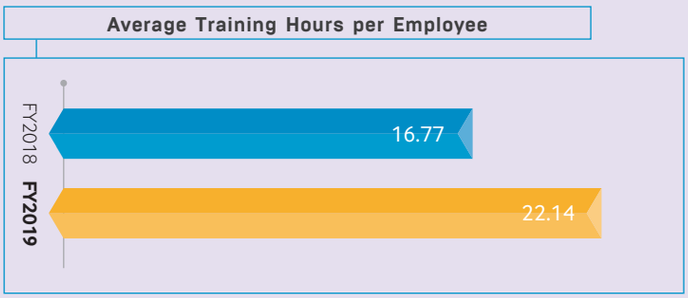
OPERATIONAL EXCELLENCE

Objective: Ensure sustainable revenue growth and increase the Company's efficiency and cost competitiveness.



ORGANISATIONAL CAPABILITY

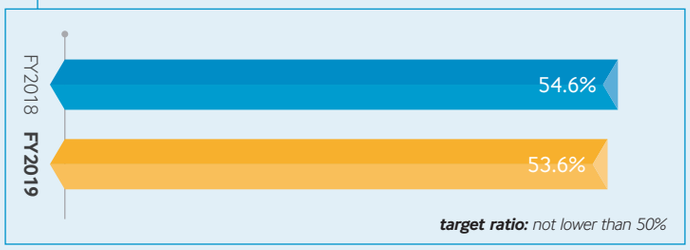
Objective: Build capability of our talents and product innovation to maintain our competitive edge.



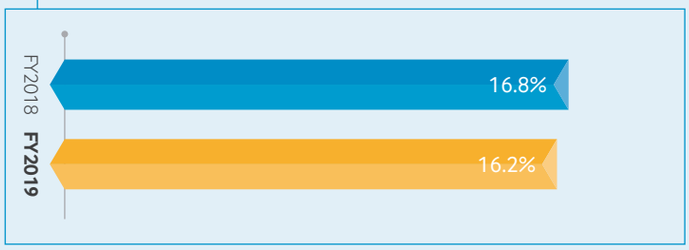
SUSTAINABLE PRACTICES

Our strategy is further guided by our Sustainability framework in creating value for all stakeholders through proactive management of our key material issues.

Dividend Payout Ratio

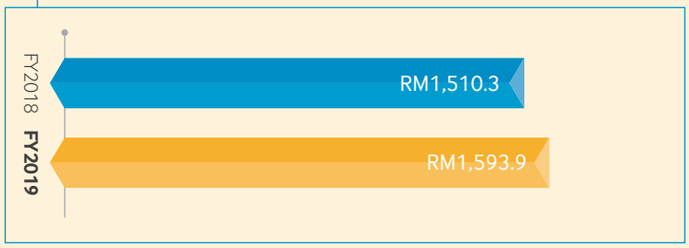


Return on Shareholders' Equity (ROE)

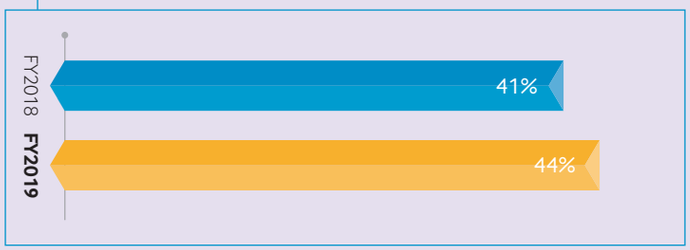


OPEX as percentage of NSR

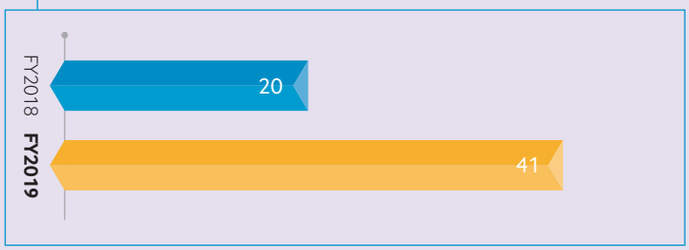
Revenue over Full Time Equivalent (FTE)



Women in Management



No. of Healthier Choice Products



We measure our performance through the F&N Group Sustainability 2020 Goals which included tracking our eco-efficiency, health & safety parameters, sustainable sourcing and contribution to our community's well being. Refer to page 030 and 031 of our Sustainability Report for a summary of the targets and progress to date.

strategic report > PRINCIPAL/KEY RISKS AND MITIGATION

RISK	MITIGATION ACTIONS	LINK TO MATERIAL ISSUES
COMMODITIES AND MATERIAL PRICES 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.	• 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.	Economic Performance Sustainable Sourcing
FOREIGN CURRENCY EXCHANGE EXPOSURE In times of foreign currency market volatility, the Group is exposed to the risk of fluctuations in foreign exchange rates against the local currency due to: • Importation of materials for production; • Exports of goods are traded in foreign currency; and • Overseas operations are valued in foreign currencies.	• 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.	Economic Performance
EXPOSURE TO FOOD SAFETY RISK 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. The exposure in product quality and standards may bring serious ramifications in terms of financial impact as well as reputational impact.	• 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 sanitisation 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.	Consumer Health & Safety Occupational Health & Safety Packaging

Economic Performance
Occupational Health & Safety
Product & Service Labelling
Sustainable Sourcing
Innovation
Packaging
Consumer Health & Safety
Creating Value for Society

RISK	MITIGATION ACTIONS	LINK TO MATERIAL ISSUES
INCREASING AWARENESS ASSOCIATED WITH EXCESSIVE SUGAR CONSUMPTION Consumers are becoming more informed on possible health effects associated with excessive sugar consumption. While adapting to the recently implemented and/or impending policy changes on sugar tax within the region, the challenge faced by the Group today is how do we move beyond sugar reduction. Should we fail to address the shift in the consumer trends nimbly and effectively, it may result in financial as well as reputational impact in the longer term.	• 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.	
OPERATIONAL DISRUPTION IN THE EVENT OF CRISIS OR DISASTER 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.	• 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.	
CYBER SECURITY THREATS 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. Loss of data can also result in operational disruption and have financial impact.	• 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.	
FALSE ALLEGATIONS RELATING TO PRODUCT SAFETY AND HALAL COMPLIANT STATUS 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. The effect from reputational damage could potentially bring serious implication to the Company financially.	• 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".	

Creating Innovative Solutions

To adapt to market environment as well as evolving consumer preferences, we offer differentiated packaging formats and applications to meet specific buyers' needs.

Asmah binti Hj Ibrahim Astar

Owner, Asma Cake House – Kuching, Malaysia

I've been using F&N Teh Tarik Sweetened Creamer in my kek lapis in the last five years because it really complements my recipes. My customers like its unique flavour. What's more, it allows me to reduce the amount of sugar I use without compromising on the quality or taste of my final product.

I also really appreciate the 2.5kg pouches of F&N Sweetened Creamer, which are much more convenient and safer to use than canned milk. My employees find it cumbersome having to open new cans frequently, especially when we're on a tight schedule. There is also the risk of getting injured when rushing to open cans. Other than the quality of the milk and the packaging, I appreciate the fact that F&N is very efficient in their delivery.

F&N
THE
Treasured
Taste
NS LOVE
F&N

business review >

FOOD & BEVERAGES

MALAYSIA

"We believe the combination of operational excellence and the ease of doing business for our trade partners and customers have contributed to F&B Malaysia recording growth across multiple categories and across all regions in FY2019."

Bart Lim Siang Chin
Managing Director, Domestic Commercial Operations (Peninsular Malaysia)

Bryan Lee Chee Kong
Director, Domestic Commercial Operations (East Malaysia & Brunei)

Food & Beverages Malaysia's ('F&B Malaysia') overall performance in FY2019 was underpinned by higher beverages sales from successful festive promotions during Chinese New Year, Hari Raya Aidilfitri and Harvest festival, continued efforts in strengthening and deepening the route-to-market; especially in East Malaysia and the successful reformulation of ready-to-drink (RTD) products.

Despite operating in a market environment that experienced two tax regime impositions within the same financial year, the overall growth in domestic sales cushioned the effects of volatile export environment and competition in the canned milk category.

A key focus in Malaysia during the year was to lower the sugar content of our beverages. This has been an overriding strategy over the last few years, but was accentuated in 2019 by the imposition of an excise duty on sweetened beverages by the government that took effect on 1 July 2019. Efforts to reformulate our sweetened beverages were successful and by the end of our fiscal year, 90 per cent of the RTD beverages sold in Malaysia were healthier options, with less than 5g/100ml of sugar. More importantly, consumers have responded positively to our healthier choice products.

At the same time, the team continued to drive Excellence in Execution, which helped counter intensifying competition and led to an overall increase in beverage sales while forging stronger ties with our consumers and customers. Through collaborations, on-ground activations and effective promotions, we were able to maximise opportunities to capture sales during the key festive seasons, namely Chinese New Year (CNY), Hari Raya Aidilfitri and the Harvest festival (in East Malaysia). Compared to FY2018, sales during CNY and Hari Raya increased at double-digit rates to hit a three-year high. Significantly, for every 10 cans of carbonated drinks sold during CNY, four were 100PLUS.

Meanwhile, ongoing emphasis on strengthening and deepening our route-to-market expanded our active outlet penetration, with greater coverage of increasingly popular convenience stores, cash and carry and discount outlets. We also targeted the HORECA channel to enhance our presence in hotels, restaurants and cafes. Additionally, we made greater inroads into more rural areas and achieved very encouraging results in East Malaysia, now a growth engine for sales in Malaysia.

The Sales Excellence Programme introduced in 2018 enabled our people to enhance portfolio sales in every outlet while the Enterprise Workflow system introduced this year created greater efficiencies by cutting down on administrative work and processing time. We believe the combination of the above and the ease of doing business for our trade partners and customers have contributed to F&B Malaysia recording growth throughout multiple categories and across all regions in FY2019.

To meet consumers' evolving preference due to varied factors that included higher costs of living, smaller households and portion control, we introduced a series of differentiated pack sizes and value offerings such as; 100PLUS flavours in 250ml bottles (at RM1), F&N Fun Flavours and 100PLUS in 1.2L PET bottles, F&N Sweetened condensed milk in single serve stix and squeeze tube as well as 20kg pouch for industrial usage.

Innovative product launches, combined with initiatives to defend and grow our markets, enabled us to further entrench our leadership positions for core brands. We maintained our market leading positions in Malaysia, within the carbonated soft drink category[1], ready-to-drink tea segment in asian drinks category[2], sweetened condensed milk category[3] and evaporated milk category[4].

New products in FY2019

1. F&N Lychee Pear, which has the distinction of being Malaysia's first Healthier Choice Logo-certified non-cola carbonated soft drink with 4.9g sugar per 100ml
2. F&N SEASONS Apple Pomegranate Tea and Watermelon Lychee Tea
3. F&N SEASONS Pu Erh Chrysanthemum, free from added preservatives, colouring and sugar
4. F&N Full Cream Condensed Milk in Milk Stix and Squeeze Tubes in three flavours: full cream milk, chocolate and strawberry
5. CARNATION Sweetened & Condensed Creamer
6. OYOSHI Sakura Strawberry Tea

Our market leadership was reflected in various industry accolades. In 2019, 100PLUS received its eighth GOLD for Non-alcoholic beverages in the Putra Brand Awards while F&N SEASONS was recognised for its Product, Service & Solution, and Organisation & Culture by the International Innovation Awards 2018 (IIA). In terms of environmental stewardship, F&N Dairies Manufacturing Malaysia (Pulau Indah Plant) won the Solid Waste Corporation Management (SWCorp)'s Best Practices On Solid Waste Management 2018 award.

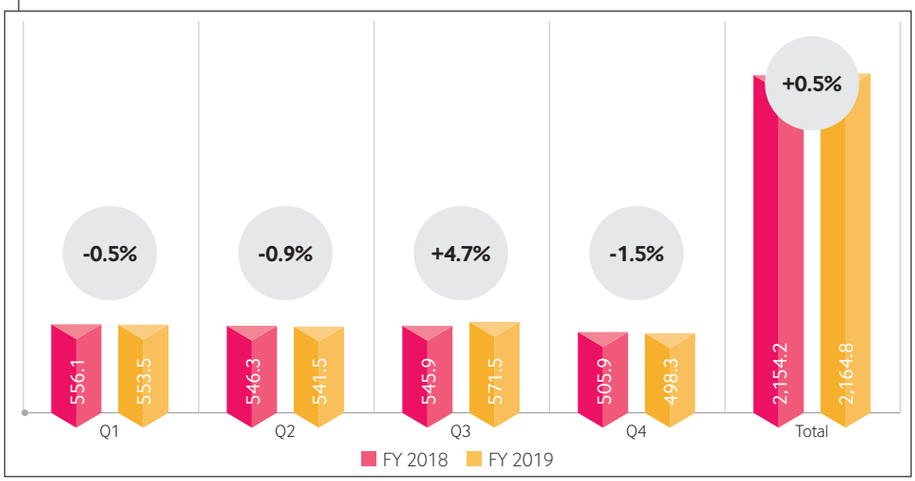
Throughout the year, we continued our support towards various programmes and collaborations that promote sports development through grassroot sports and mass participative sports, which include Liga Kementerian Pendidikan Malaysia, the Badminton Association Malaysia and the National Sports Council of Malaysia. This year, we returned as the official beverage partner of the Kuala Lumpur Standard Chartered Marathon, as well as more than 50 major marathons in Malaysia, participated by over 300,000 runners. We also kept 6,000 Malaysian pilgrims hydrated while they performed haj during the hot weather in Mecca, with our 100PLUS ACTIVE in powder sachets. Read more about our support towards sports and active lifestyles in our Sustainability Report under the 'Creating Value for Society' section.

OUR FINANCIAL PERFORMANCE

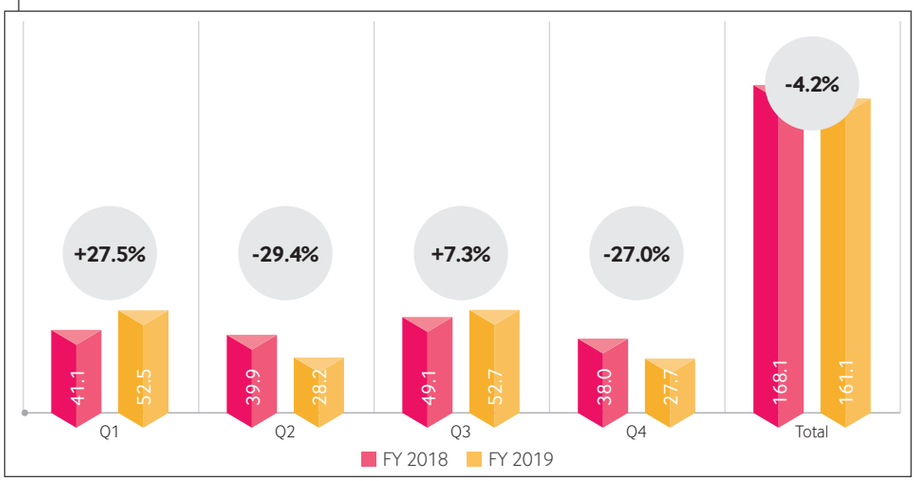
F&B Malaysia's revenue increased marginally from RM2,154.2 million in FY2018 to RM2,164.8 million in FY2019 due to higher sales of value pack types, higher trade spending, absence of a one-off export-oriented contract packing business in the previous year, and competition in the canned milk segment.

F&B Malaysia's operating profit in FY2019 eased 4.2 per cent to RM161.1 million from RM168.1 million in FY2018. Excluding one-off and non-operating items which include brand support and sales tax refund received last year, as well as equipment written-off and employee separation benefit paid in FY2019, operating profit for F&B Malaysia was 15.5 per cent higher compared to last year.

REVENUE (RM million)



OPERATING PROFIT (RM million)



Note: Actual FY 2018 has been restated for MFRS 15 Revenue from Contracts with Customers

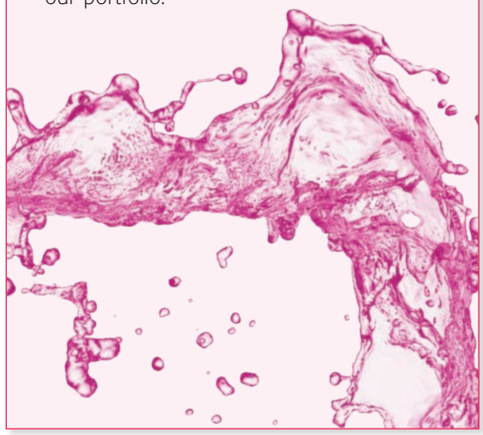
OUTLOOK

The overall domestic market for F&B Malaysia is expected to remain challenging amidst the continuous competitive pressures in the canned milk and the RTD beverage segments.

We will continue our relentless focus on Excellence in Execution in route-to-market initiatives to ensure we capture opportunities in every market and every channel.

Having spent a year on intense reformulations, FY2020 will see a significantly more new product offerings to increase our presence in healthier categories, such as juices, water and milk, as well as to further underline our leadership in the isotonic, carbonated soft drinks, tea, soya and canned milk categories.

Within the first quarter of FY2020, we have already launched a number of exciting new products – Sunkist Pure Orange juice which contains at least six oranges per litre; and F&N Sparkling Water in its pure form and in two refreshing flavours (grapefruit and lemon). Building on our condensed milk portfolio, we look forward to enticing consumers with TEAPOT Squeeze in Regular flavour, Gula Melaka and Pandan. At the same time, we will cater to consumers who love our classic recipes such as F&N Sarsi and F&N Orange by launching these in portion controlled 200ml cans. These had been introduced during CNY and proved so popular that they will become a permanent feature in our portfolio.



Marketing Highlights

F&N 135TH ANNIVERSARY FIESTA

As part of our gratitude towards our consumers for their unwavering support to F&N for the past 135 years, a five-day fiesta was held from 5-9 December 2018 at the IOI City Mall, Putrajaya, offering fun activities including cooking demos using F&N products, teh tarik performances, competitions, games and product samplings. Members of the public were able to purchase F&N products at special rates and win exciting prizes in competitions and games. Prizes worth RM1.35 million were offered as an introduction to the 135th anniversary celebration. The fiesta was also used as a platform to launch the new condensed milk in innovative packaging formats, F&N Full Cream Condensed Milk in Milk Stix and Squeeze Tube.

100PLUS

100PLUS continued to promote sports and active lifestyles and reach out to more consumers through sporting events and a strategic selection of brand ambassadors.

In Malaysia, 100PLUS supported sports organisations and major sports events such as the Malaysian Football League, Maybank Championship Golf Junior Clinic, Nutrition Month Malaysia, and Standard Chartered Kuala Lumpur Marathon. This year, 100PLUS made international presence as the official isotonic sponsor of the Paris Semi Marathon 2019 and the SuperLeague 3x3 FFBB organised by DREAL Paris in France.

In March 2019, the '100PLUS Aktifkan Potensimu' contest was held in conjunction with Anugerah MeleTOP Era 2019 (AME), a popular Astro award show which recognises local talents. This show aimed to encourage Malaysians to unleash their inner potential, with the grand prize winner given the opportunity to perform at AME 2019.

During Ramadan, 100PLUS again collaborated with Media Prima in the 'Seratus Ikhlas, Setulus 100PLUS' campaign from May to June 2019, which saw 100PLUS ambassadors and celebrities bring cheer to the underprivileged community. A buka puasa session was organised to mark the end of the campaign at the Grand Bazaar Ramadan Raya in Bukit Jalil. The campaign reached out to more than 3,000 people nationwide.

CARNATION

In conjunction with the launch of CARNATION Sweetened and Condensed Creamer and Chinese New Year, CARNATION brand ambassador, Chan Fong shared delicious gourmet creations such as Sang Har Mee, Fried Mushroom Crisps and Creamy Foam Green Tea, using the new product in a series of cooking demonstrations for the public in the Klang Valley, Penang and Johor.

F&N SEASONS

F&N SEASONS introduced two new products with refreshing wholesome double fruit flavours that elevate tea enjoyment with the revitalising Apple Pomegranate Tea and cooling SEASONS Watermelon Lychee Tea.

F&N SEASONS Pu Erh Chrysanthemum was made available for a limited time during this year's Chinese New Year. The unsweetened drink is a blend of Pu Erh tea and sweet chrysanthemum, which the local Malaysians calls guk pou/guk bo in Cantonese or ju pu in Mandarin. The drink is free from added preservatives, colouring and sugar.

Through the JOM SEASONS campaign in July 2019, F&N SEASONS tied up with Club Med to organise a consumer contest, offering free holidays to Club Med Maldives and Cherating. The campaign was supported with digital activation, mobile truck sampling, in-store display as well as customised promotion at petrol marts and convenient stores.

OYOSHI

OYOSHI continued to reinforce its Japanese connection by sponsoring the Japan Expo Malaysia 2019 (JEMY 2019). Held at Pavillion, Kuala Lumpur from 26-28 July, JEMY 2019 showcased popular Japanese exports such as J-POP, anime, fashion, tourism and food. More than 180,000 visitors were attracted to what became the largest Japanese Expo in Malaysia during the year.

In FY2019, OYOSHI also launched a new flavour – Sakura Strawberry green tea. The 360-degree launch campaign, which included mobile, digital, television and social, successfully drove sales and increased market share for the brand.

F&N MAGNOLIA

F&N Magnolia revitalised its look this year for all its milk products. In line with the launch of the new packaging, F&N Magnolia collaborated with Disney Tsum Tsum for joint promotions, social media advertising, in-store displays and sampling activations to drive brand visibility and engagement with consumers.

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 October 2019 in Total Malaysia (Copyright © 2019, The Nielsen Company (M) Sdn Bhd)
2. No. 1 in Total Malaysia in RTD Tea Segment within Asian Drinks category
   *Based on Retail Index Service for RTD Tea Segment of Asian Drinks category for the 12 months ending October 2019 in Total Malaysia (Copyright © 2019, The Nielsen Company (M) Sdn Bhd)
3. No. 1 in Total Malaysia in Sweetened Condensed Milk category
   *Based on Retail Index Service for Sweetened Condensed Milk category for the 12 months ending October 2019 in Total Malaysia (Copyright © 2019, The Nielsen Company (M) Sdn Bhd)
4. No. 1 in Total Malaysia in Evaporated Milk category
   *Based on Retail Index Service for Evaporated Milk category for the 12 months ending October 2019 in Total Malaysia (Copyright © 2019, The Nielsen Company (M) Sdn Bhd)

FOOD & BEVERAGES

THAILAND

"Supported by better-managed pricing and discounts, as well as capacity expansion, we successfully grew both our domestic business in Thailand and exports market in Cambodia and Laos (IndoChina) to achieve strong double-digit growth in revenue and operating profit."

Suchit Riewcharoon

Managing Director,
F&N Dairies (Thailand) Limited

F&B Thailand continued to grow from strength to strength as our teams focused on product and packaging innovation as well as the effective execution of marketing and branding initiatives. Supported by better-managed pricing and discounts, as well as capacity expansion, we successfully grew both our domestic business in Thailand and exports market (Cambodia and Laos) to achieve strong double-digit growth in revenue and operating profit.

This year, F&N Dairies Thailand remained strong market leader in both sweetened condensed and evaporated milk markets* with TEAPOT and CARNATION brands, achieving volume share gains. Great product quality combined with excellent customer service contributed to F&N maintaining our lead in the 2kg pouch market with CARNATION being the Number 1 in the premium segment and TEAPOT retaining its leading position among mainstream products.

The new addition to TEAPOT Squeeze – Caramel variant contributed to a four per cent increase in the squeeze tube market. Within the evaporated milk segment, we command more than 80 per cent market share with 10 per cent growth during the financial year.

The growth of our condensed and evaporated milk brands is in tandem with an increasing number of food and coffee businesses. Moreover, food and beverage operators see value in the new CARNATION and TEAPOT 2kg pouches, which are not only more convenient to use compared to cans but also offer greater value for money. Demand for these pouches saw all eight filling lines at the Rojana plant running on full capacity.

In response to an aging population, we extended our RTD milk portfolio with more premium milk especially lactose-free variants. We maintained market leadership in the sterilised milk segment with BEAR BRAND Sterilised Milk, and we gained market share in the lactose-free milk segment with the launch of F&N Magnolia Lactose Free Pasteurised Milk in Plain, Peppermint Brownie and Vanilla White Chocolate flavours. We also added a new Salted Caramel variant to the F&N Magnolia Gingko Plus line.

Besides that, our team engaged closely with 40,000 beverage hawkers, many of whom they have served for more than 10 years. Throughout the years, our sales team has developed strong relationships with the hawkers by offering value-added sales support provisions such as aprons, premiums and even sharing new product recipes and applications.

We continue to be recognised for our quality products, continuous improvement programmes and corporate social responsibility (CSR) initiatives. We received the FDA Quality Award 2019 from the Food and Drug Administration, Ministry of Public Health Thailand, marking the seventh consecutive win for us. Recognising our manufacturing team's innovative projects, we were awarded both Gold and Silver medals at the Thailand Kaizen Award 2019, by the Technology Promotion Association (Thailand – Japan). Meanwhile we also received the CSR-DIW Continuous Award 2019 from the Ministry of Industry Thailand, for the ninth consecutive year.

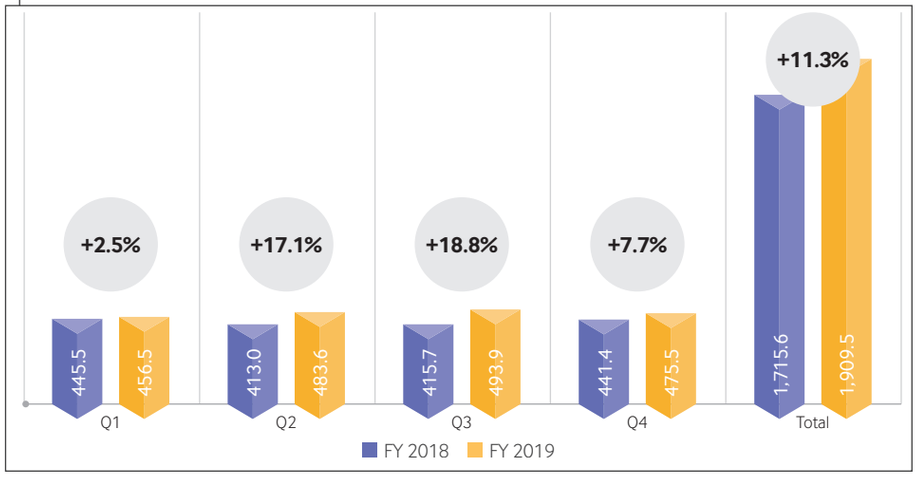
OUR FINANCIAL PERFORMANCE

Robust sales in Thailand and Indochina, together with a strengthening Thai Baht against the Ringgit, led to an 11.3 per cent increase in F&B Thailand's revenue to RM1,909.5 million from RM1,715.6 million in FY2018. In Thai Baht terms, the increase was at 5.9 per cent.

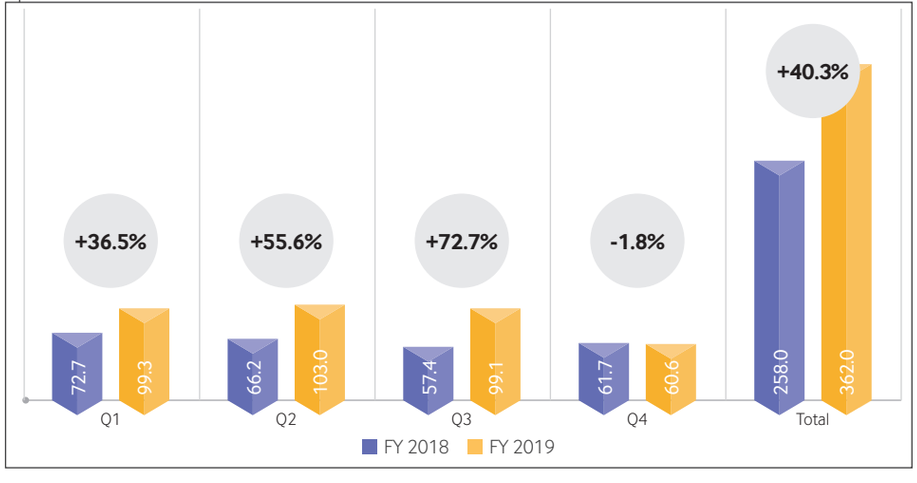
In tandem with higher revenue, F&B Thailand recorded a 40.3 per cent increase in operating profit (33.5 per cent in THB terms) to RM362.0 million. This was further supported by favourable input and packaging costs, operational cost savings and one-off items such as withholding tax refund and reimbursement of import duty drawback amounting to RM5.0 million and RM2.6 million respectively.

Profit after tax grew 13.6 per cent despite the commencement of corporate tax payment this year, following the full utilisation of the tax incentives granted by the Thailand Board of Investment.

REVENUE (RM million)



OPERATING PROFIT (RM million)



OUR JOURNEY AHEAD

Although economy in Thailand is projected to grow at a slightly higher rate of three per cent in 2020 versus the previous year, external and domestic headwinds remain. Furthermore, as of October 2019, the Thai Government has further increased the sugar tax on beverages. Nevertheless, we remain positive on our operations in Thailand, given the strong brand equity and product portfolio, supported by our pipeline of innovations, including adjacent products. We believe the strong foundation that we have laid in the past, investment in brand and new product launches will help to drive our organic growth in F&B Thailand.

In terms of coverage, we seek to collaborate more closely with the ThaiBev Group to distribute our products more extensively across the length and breadth of the country. Meanwhile, we will strengthen our engagement with the food service channel in Cambodia and Laos through a loyalty programme and further expand our sales coverage to more regions upcountry.

Similarly with Malaysia, FY2020 is set to be a year of exciting new product offerings for Thailand. Folllowing the very encouraging response to our sweetened beverage creamer in 2kg pouch, we will be launching TEAPOT and CARNATION evaporated milk in 1kg pouch in the first quarter of FY2020. A new variant for TEAPOT Tube – Matcha flavour will also be available next year.

Marketing Highlights

New products in FY2019

1. TEAPOT Sweetened Creamer Squeeze Tube – Caramel
2. F&N Magnolia Lactose Free Milk Product – Peppermint Brownie
3. F&N Magnolia Lactose Free Milk Product – Vanilla White Choc
4. F&N Magnolia Lactose Free Milk Product – Plain
5. F&N Magnolia Gingko Plus Salted Caramel Milk

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 30 September 2019. The Nielsen retail index report covers Supermarkets, Hypermarkets, Convenience Stores and Traditional Trades.

F&N MAGNOLIA

Expanding our portfolio of UHT products, F&N Magnolia launched a range of lactose-free milk in April 2019. Catering to those who are lactose intolerant, F&N Magnolia Lactose-free milk is available in 400ml and 946ml cartons and comes in three flavours – Peppermint Brownie, Vanilla White Choc and Plain. An extensive online campaign was complemented by in-store sampling, which contributed to F&N Magnolia achieving the third position in the lactose-free segment by the financial year end.

Meanwhile, we also added salted caramel variant to our already successful line-up of plain and chocolate flavoured milk under the F&N Magnolia Plus Ginkgo range. The all new F&N Magnolia Plus Ginkgo Salted Caramel flavour contains Ginkgo biloba extract and is high in Vitamin B12 which are proven to be beneficial to brain health and can help strengthen memory. The drink also has up to 30 per cent of calcium to help maintain strong and healthy bones. The F&N Magnolia Plus Ginkgo Salted Caramel range is currently available across Thailand in 180ml cartons and can be purchased individually or in packs of four.

TEAPOT

F&B Thailand continued to entrench TEAPOT's leadership in the mainstream canned milk segment with the launch of yet another new innovative product – the first and only Caramel-flavoured Sweetened Creamer Squeeze Tube in the country. Popularised by brand ambassador, Urassaya Sperbund (Yaya), the new product gained four per cent market share during the financial year.

The brand also ran its first campaign offering an overseas trip as the grand prize. Consumers were encouraged to send in SMS-es to stand a chance of winning a trip to Osaka with Yaya inclusive of a full-package visit to Universal Studios. The promotion, from October 2018 to February 2019, attracted more than 700,000 participants.

CARNATION

CARNATION, the market leader in the premium canned milk segment, ran a lucky draw campaign from March to June 2019, offering weekly prizes of gold, iPhones and a grand prize of a six-day package tour to Hokkaido, accompanied by brand ambassador, M.L. Parson Svasti and brand presenter, Nadech Kukimiya. The nationwide campaign, supported by point-of-purchase advertising, sampling and shelf talkers, led to an 11 per cent increase in sales during the campaign period.

AMPAN RADADOK @ TING

Owner, Sor Nor Coffee – Bangkok, Thailand

I can vouch for the great taste of TEAPOT Sweetened Beverage Creamer and Evaporated Milk in coffee, tea and fresh fruit smoothies as I have been using these products for the past 15 years. As I use these in quite large quantities, I order both the canned and pouch versions. It's obvious that my customers also appreciate the taste of TEAPOT because they say my coffee and tea taste richer and more refreshing than in other stalls. Because they keep coming back for more, I have been able to expand from one stall to two now.

I experienced another side to F&N's customer service when I opened my new stall. They really went the extra mile to help with the set-up and even provided decorative items. They continue to visit every three months to touch base, and every six months to replenish my stock.

BEAR BRAND

BEAR BRAND strengthened its position in the liquid milk segment with a BEAR BRAND Gold (BBG) re-launch and BEAR BRAND STERILISED MILK (BBSTM) campaign for moms-to-be to educate them on the nutritional importance of folate.

BBG was re-launched in July 2019 focusing on its seven health benefits – low in fat, high in calcium, and rich in vitamins A, B, C, D and E – as well as its new, more delicious formulation.

The marketing campaign included TV and digital commercials and reviews by key opinion leaders, supported by in-store and on-ground sampling, radio announcements and special promotions.

To further educate consumers especially women about folate, BEAR BRAND also collaborated with Nestle Mom's Club to hand out samples of BEAR BRAND Sterilised Milk (BBSTM) to expecting mothers in their first trimester of pregnancy. Mothers at the check-out counters of retail outlets were introduced to BBSTM and information regarding the importance of folate. Additionally, BEAR BRAND also conducted an online campaign to drive sign-ups and direct mothers to the BBSTM website.

Energising Body & Mind

We are passionate about empowering our society through social and sports development and offering healthier options for the well-being of our current and future generations.

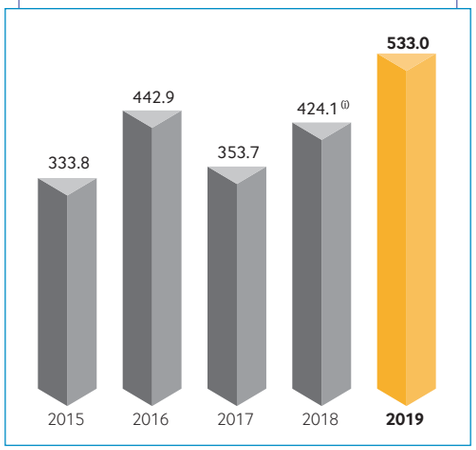
performance review >
5-YEAR GROUP FINANCIAL SUMMARY

Year ended 30 September		2015	2016	2017	2018	2019
Results (RM million)						
Revenue		4,107.6	4,167.6	4,101.4	3,871.0 (i)	**4,077.1**
Profit before tax ("PBT")		333.8	442.9	353.7	424.1 (i)	**533.0**
Profit for the year		280.1	385.4	323.3	386.5 (i)	**410.2**
Dividend						
Dividend per share						
Earnings – basic	(sen)	76.5	105.3	88.3	105.3 (i)	**111.9**
Earnings – diluted	(sen)	76.4	104.8	88.0	104.9 (i)	**111.6**
Dividend – net	(sen)	57.5	57.5	57.5	57.5	**60.0 (ii)**
Dividend – cover	(times)	1.3	1.8	1.5	1.8	**1.9**
Dividend – payout	(%)	75%	55%	65%	55%	**54%**
Statement of Financial Position (RM million)						
Share capital		366.6	366.8	816.8	816.8	**816.8**
Shareholders' equity		1,876.8	1,989.0	2,124.2 (i)	2,305.4 (i)	**2,529.3**
Total assets		3,022.6	3,205.9	3,231.5	3,345.3	**3,503.8**
Total borrowings		300.0	404.6	379.1	335.5	**123.3**
Share capital	(number of shares)	366.6	366.8	366.8	366.8	**366.8**
Net assets per share	(RM)	5.12	5.43	5.79 (i)	6.29 (i)	**6.90**
Ratio (%)						
PBT on revenue		8.1	10.6	8.6	11.0 (i)	**13.1**
Return on shareholders' equity		14.9	19.4	15.2	16.8 (i)	**16.2**
Debt to equity ratio		16.0	20.3	17.8	14.6	**4.9**
Net debt to equity ratio		–	–	–	–	–

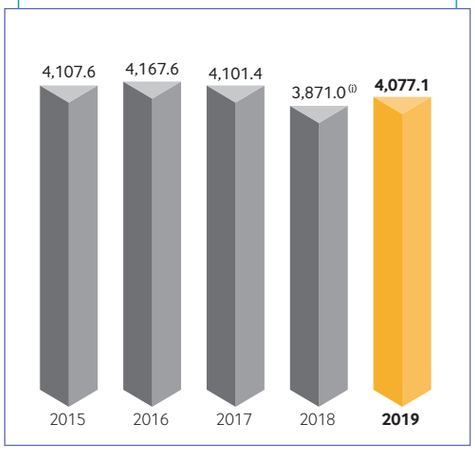
Notes:
(i) Restated for adjustments pursuant to the adoption of MFRS 15, *Revenue from Contracts with Customers*. Comparatives for financial years prior to 2018 have not been restated.
(ii) Included proposed dividend of 33.0 sen, which will only be recognised in the financial statements upon shareholders' approval.

performance review > 5-YEAR GROUP FINANCIAL HIGHLIGHTS

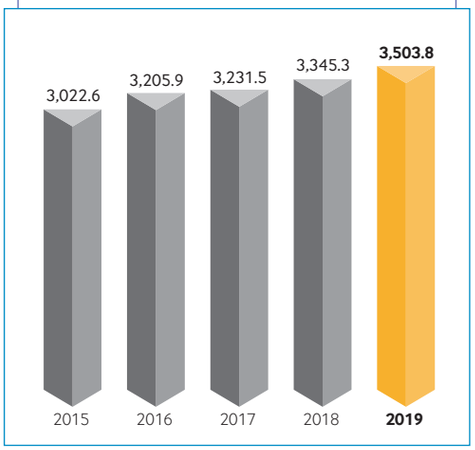
PBT (RM million) **+25.7%**



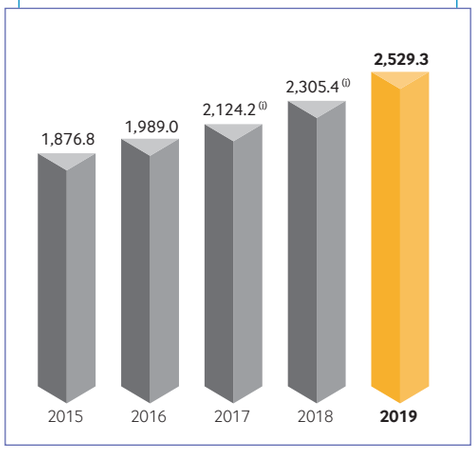
REVENUE (RM million) **+5.3%**



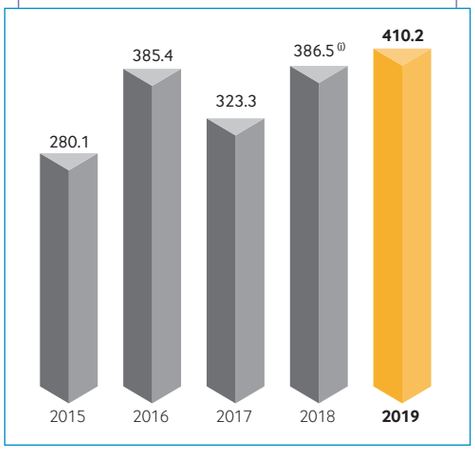
TOTAL ASSETS (RM million) **+4.7%**



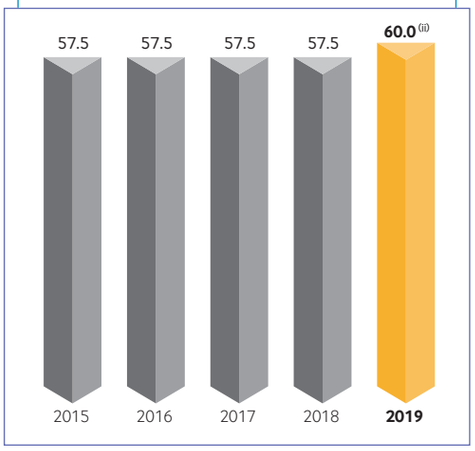
SHAREHOLDERS' EQUITY (RM million) **+9.7%**



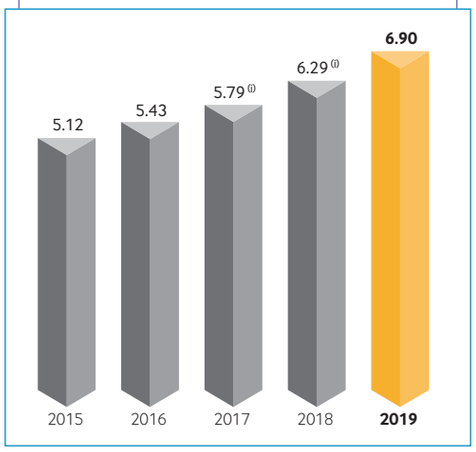
PROFIT FOR THE YEAR (RM million) **+6.1%**



NET DIVIDEND PER SHARE (sen) **+2.5 sen**



NET ASSETS PER SHARE (RM) **+RM0.61**



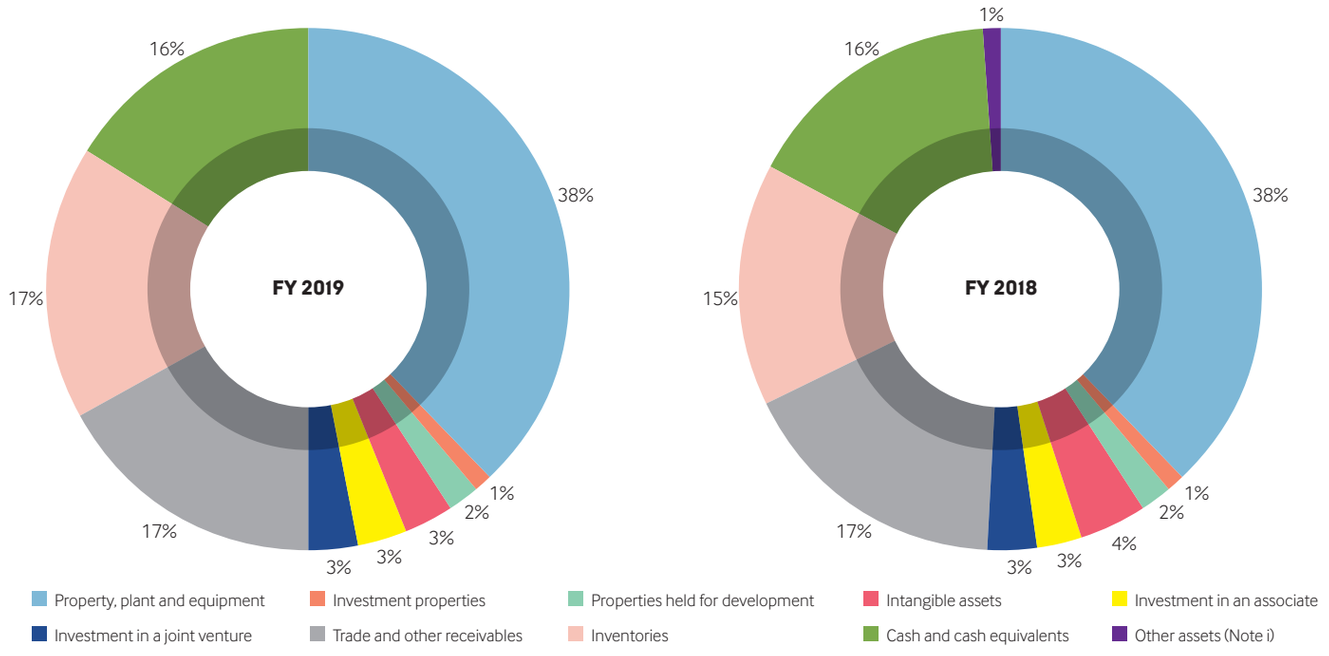
Notes:

(i) Restated for adjustments pursuant to the adoption of MFRS 15, *Revenue from Contracts with Customers*. Comparatives for financial years prior to 2018 have not been restated.

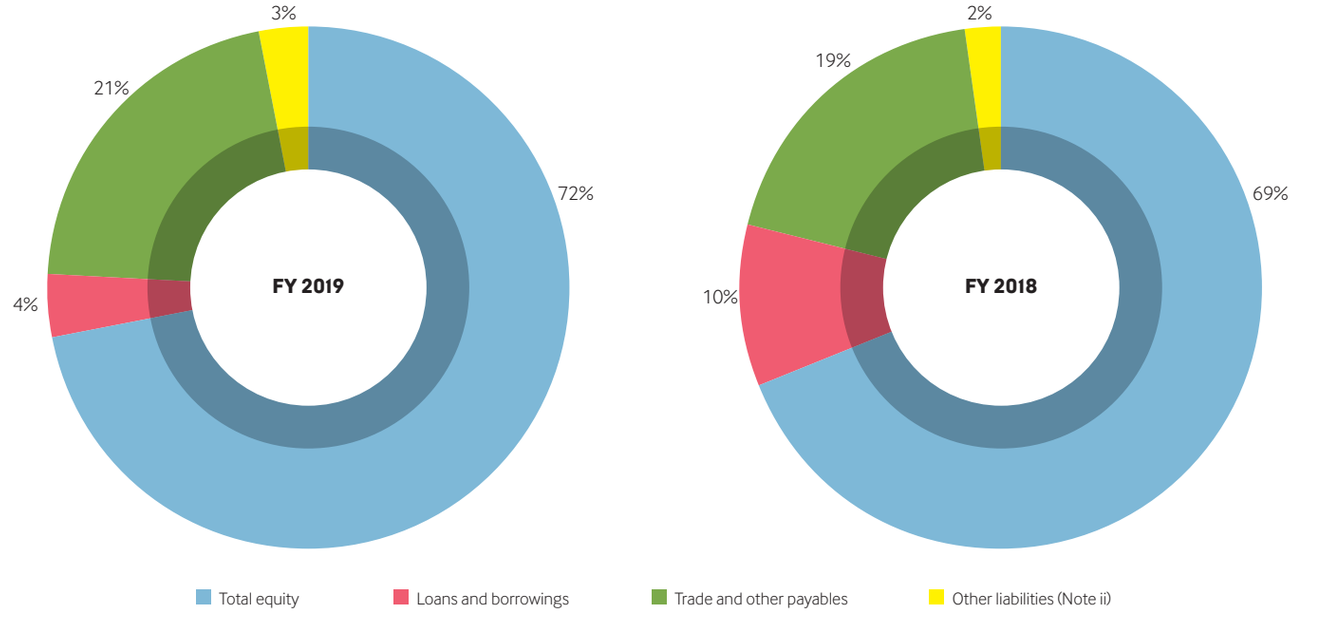
(ii) Included proposed dividend of 33.0 sen, which will only be recognised in the financial statements upon shareholders' approval.

performance review >
SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS



TOTAL EQUITY AND LIABILITIES



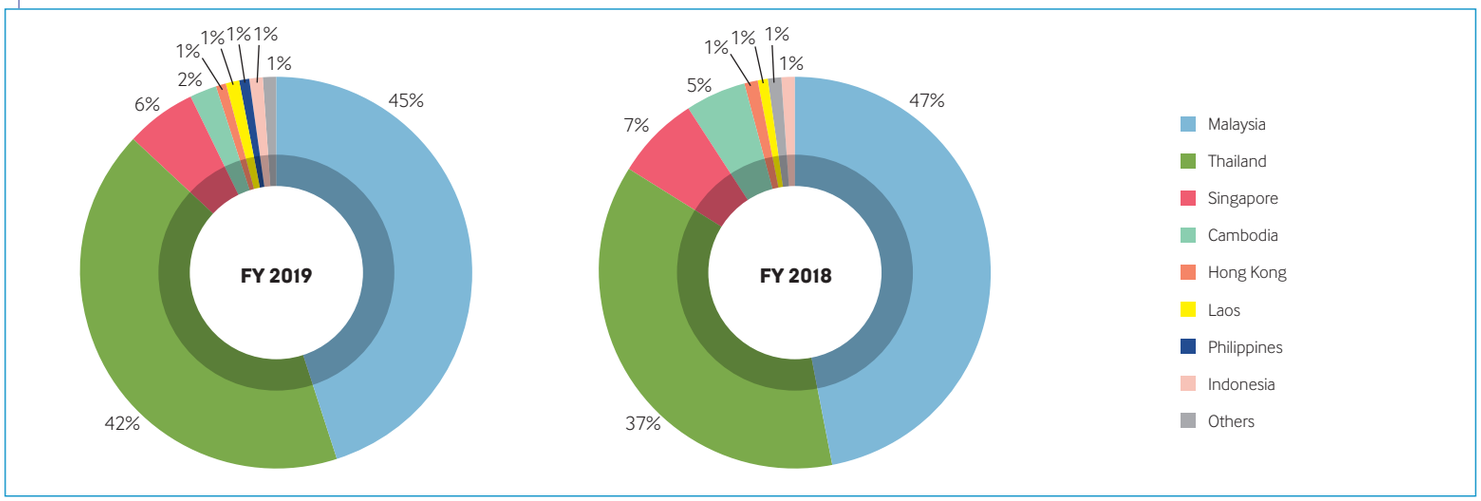
Notes:

(i) Comprise deferred tax assets, current tax assets and derivative financial assets.

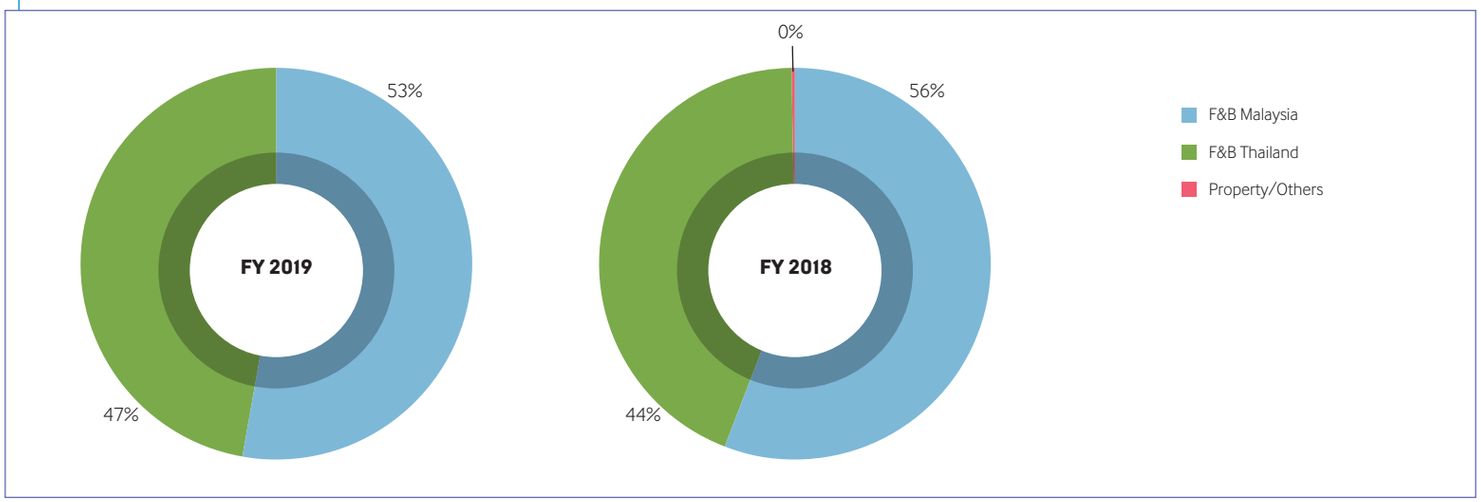
(ii) Comprise employee benefits, deferred tax liabilities, current tax liabilities and derivative financial liabilities.

performance review > GROUP SEGMENTAL ANALYSIS

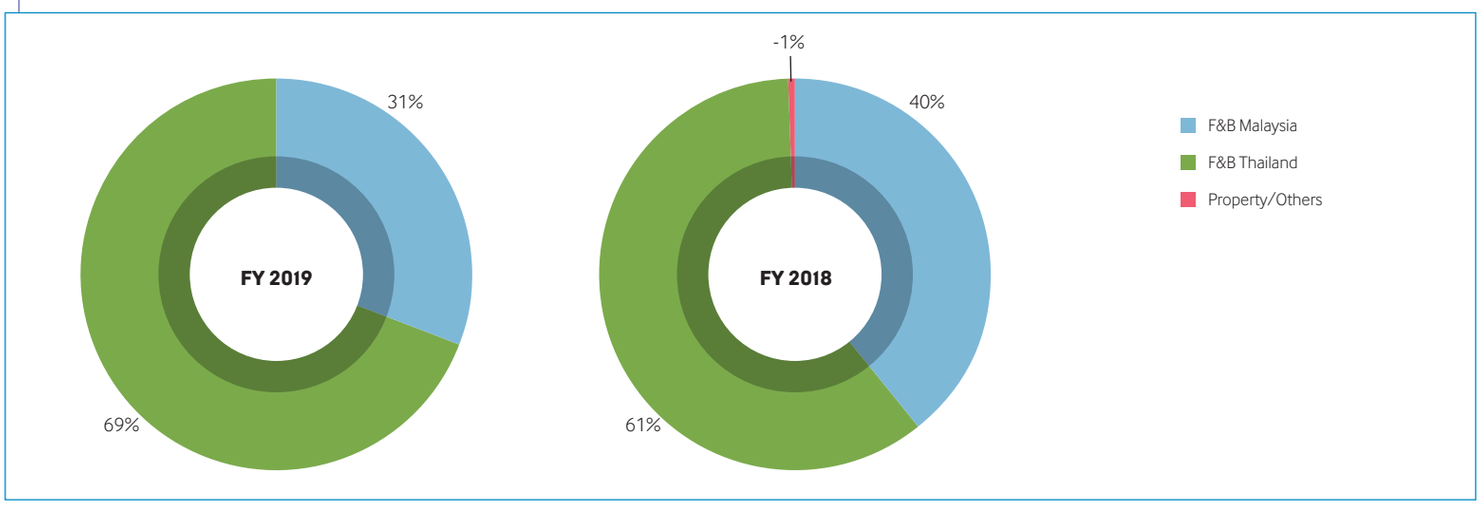
REVENUE – BY GEOGRAPHICAL SEGMENTS



REVENUE – BY BUSINESS SEGMENTS



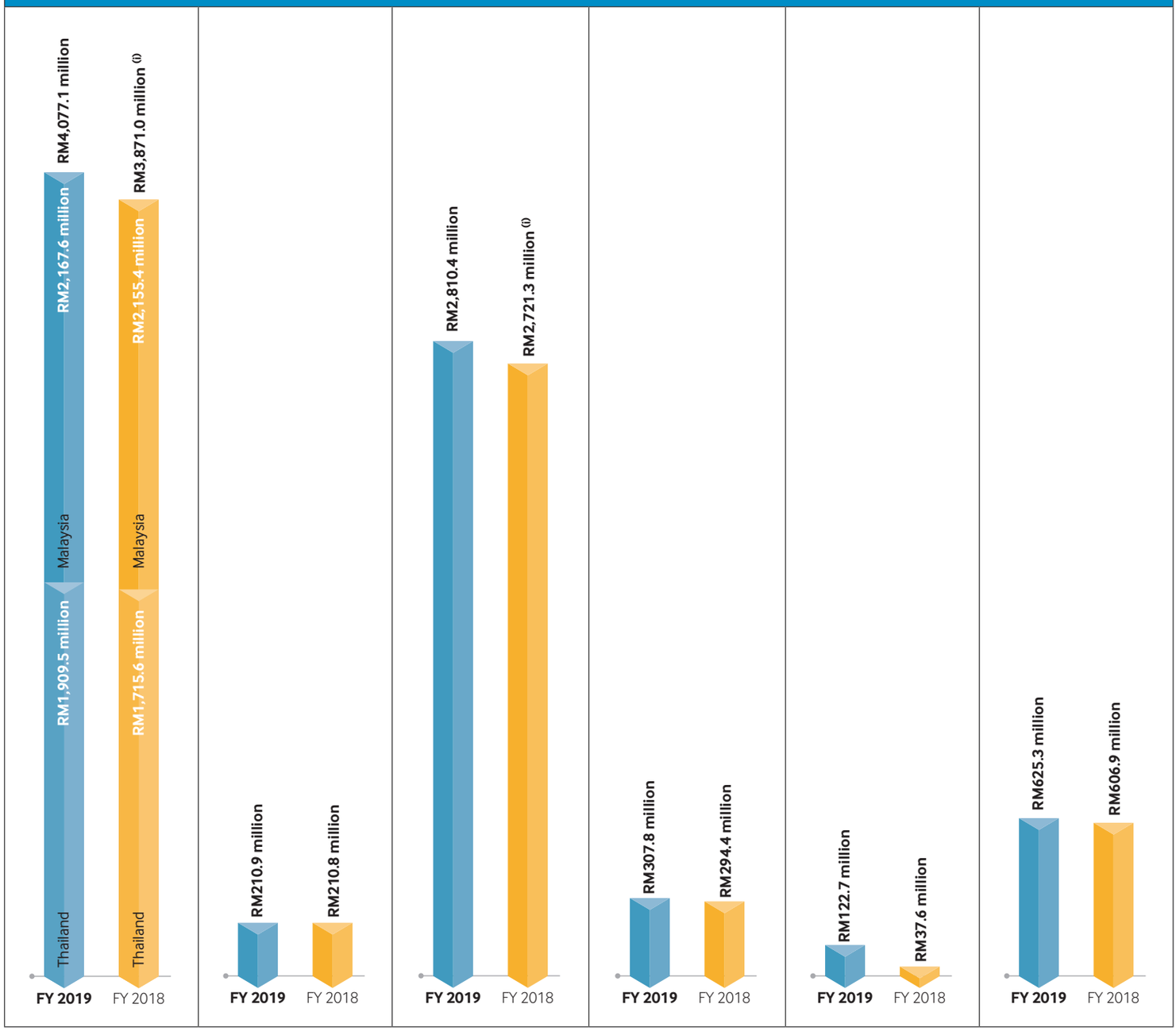
OPERATING PROFIT – BY BUSINESS SEGMENTS



performance review > STATEMENT OF VALUE ADDED

ECONOMIC PERFORMANCE

DIRECT ECONOMIC VALUE GENERATED	ECONOMIC VALUE DISTRIBUTED				ECONOMIC VALUE RETAINED
REVENUE	- ANNUAL DIVIDENDS	- COST OF SALES	- EMPLOYEE BENEFIT EXPENSES	- INCOME TAX EXPENSES	= ECONOMIC VALUE RETAINED



Notes:

(i) Restated for adjustments pursuant to the adoption of MFRS 15, *Revenue from Contracts with Customers*.

(ii) Employee benefit expenses comprise of wages, salaries, contributions to state plans, expenses related to defined benefit plans, share-based payment expense, one-off restructuring costs and other staff costs.

(iii) 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

RM million	Q1	Q2	Q3	Q4	FY 2019
Revenue	1,010.3	1,025.4	1,066.3	975.1	**4,077.1**
Operating profit	151.9	130.1	151.9	86.5	**520.4**
Profit before tax	154.1	134.0	155.5	89.4	**533.0**
Profit for the year	122.9	104.4	114.9	68.0	**410.2**
Basic earnings per ordinary share (sen)	33.5	28.5	31.3	18.6	**111.9**

RM million	Q1	Q2	Q3	Q4	* FY 2018
Revenue	1,001.8	959.6	961.9	947.7	3,871.0
Operating profit	114.9	99.9	106.8	100.1	421.7
Profit before tax	115.1	100.9	107.0	101.1	424.1
Profit for the year	106.8	92.6	104.5	82.6	386.5
Basic earnings per ordinary share (sen)	29.2	25.3	28.5	22.6	105.3

Notes:

* Restated for adjustments pursuant to the adoption of MFRS 15, *Revenue from Contracts with Customers.*

performance review > FINANCIAL CALENDAR

23 JANUARY 2019

57th Annual General Meeting

29 JANUARY 2019

Date of entitlement of the final single tier dividend of 30.5 sen per share for the financial year ended 30 September 2018

31 JANUARY 2019

Quarterly announcement on consolidated results for the financial year ended 31 December 2018

15 FEBRUARY 2019

Date of payment of the final single tier dividend of 30.5 sen per share for the financial year ended 30 September 2018

29 APRIL 2019

Quarterly announcement on consolidated results for the financial year ended 31 March 2019

23 MAY 2019

Date of entitlement of the interim single tier dividend of 27.0 sen per share for the financial year ended 30 September 2019

13 JUNE 2019

Date of payment of the interim single tier dividend of 27.0 sen per share for the financial year ended 30 September 2019

6 AUGUST 2019

Quarterly announcement on consolidated results for the financial year ended 30 June 2019

5 NOVEMBER 2019

Quarterly announcement on consolidated results for the financial year ended 30 September 2019

19 DECEMBER 2019

Issuance of the Notice of 58th Annual General Meeting and Circular to Shareholders

20 DECEMBER 2019

Issuance of Annual Report for the financial year ended 30 September 2019

20 JANUARY 2020

58th Annual General Meeting

performance review > INVESTOR INFORMATION

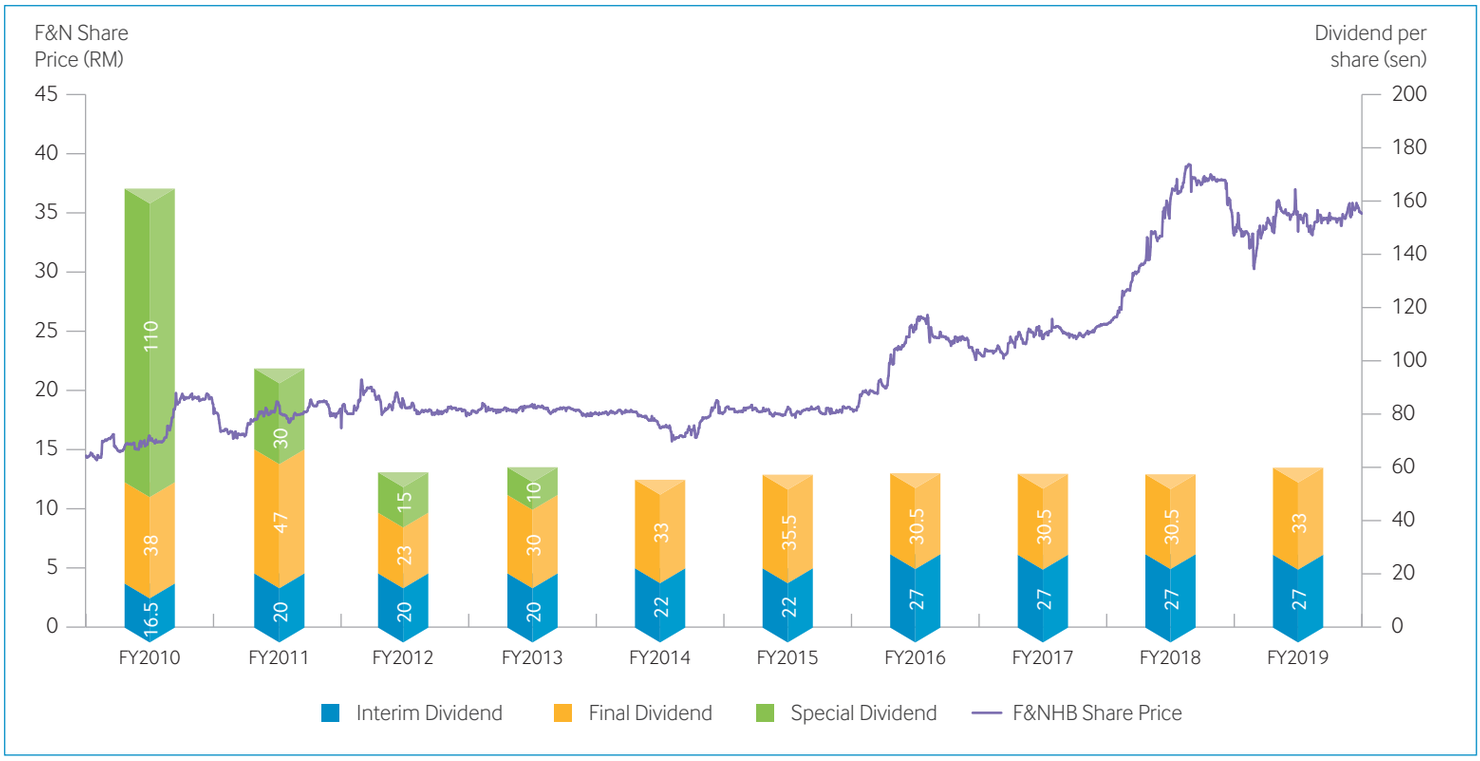
as at 30 November 2019

SHARE CAPITAL	NO. OF SHAREHOLDERS	TOTAL NO. OF ISSUED SHARES
RM816.8 million	5,150	366,778,501

SUBSTANTIAL SHAREHOLDERS:

Fraser and Neave, Limited:	55.475%
Employees Provident Fund Board:	10.654%
Amanahraya Trustees Berhad – Amanah Saham Bumiputera:	7.052%

SHAREHOLDER RETURNS (FY2010-FY2019)



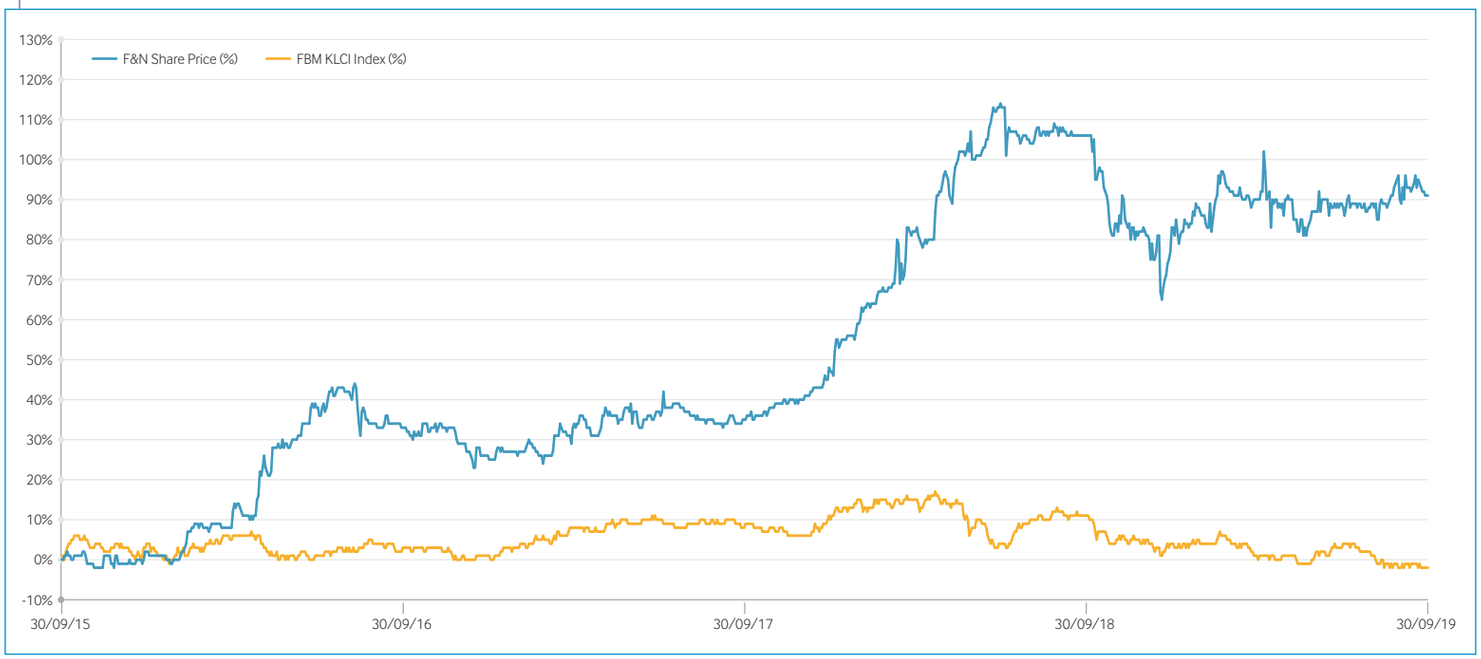
OUR INVESTOR PORTAL

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.

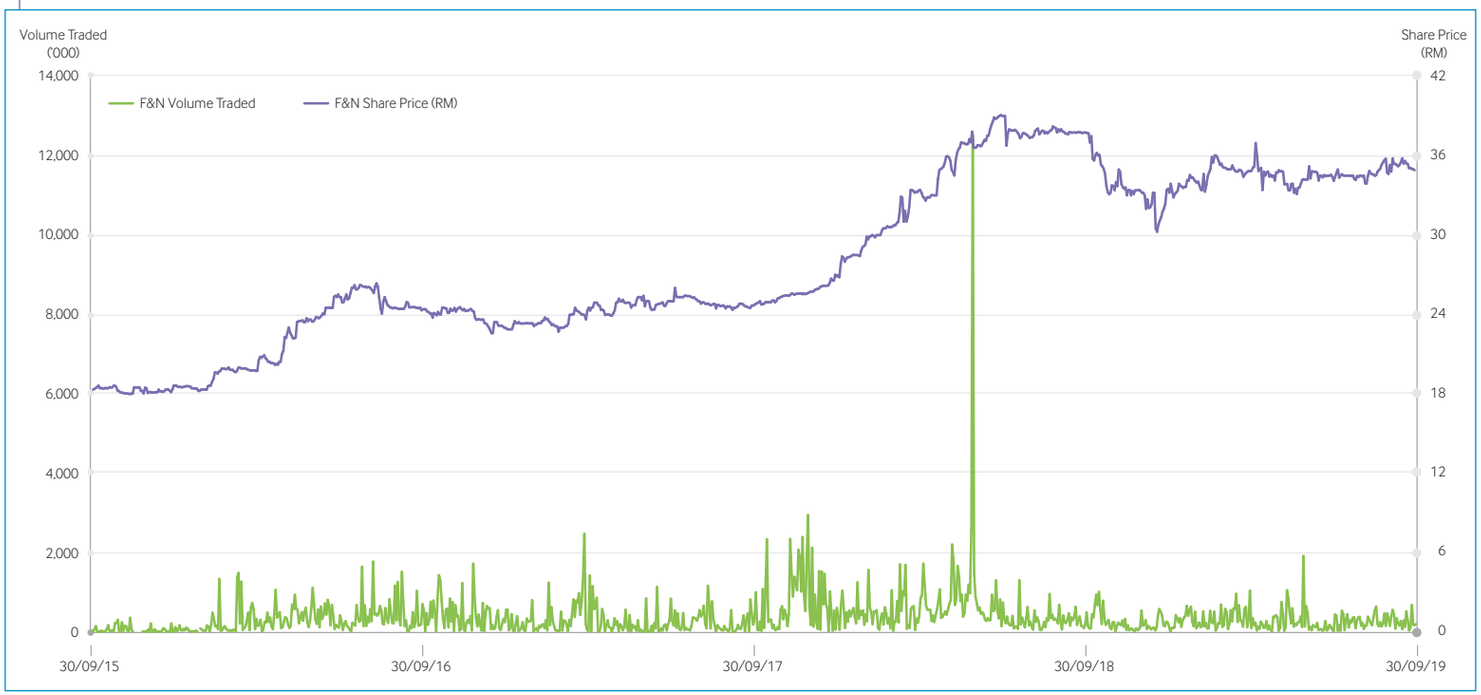
OUR INVESTOR CALENDAR	
23 January 2019	57th Annual General Meeting
30 April 2019	Half Year Results Briefing
6 November 2019	Full Year Results Briefing
20 January 2020	58th Annual General Meeting

performance review > SHARE PRICE CHART

Fraser & Neave Holdings Bhd's Share Price and FTSE Bursa Malaysia KLCI Index ("FBM KLCI Index")



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



Forming Exciting Partnerships

We've formed exciting partnerships with small businesses and dining establishments to widen the reach of our well-loved brands to more segments of society.

Mr. Edric Seng Eong Kee
Owner, GI Grade Island Café – Penang, Malaysia

To me, F&N is the ideal business partner because they tick all the boxes: great products, great service and prompt delivery. Since becoming a customer of F&N just over a year ago, I have more than doubled my beverage sales. I use F&N TEAPOT Pilihan Sweetened Creamer as well as F&N TEAPOT Evaporated Creamer. Compared to other brands, TEAPOT has a stronger, milkier taste which makes great-tasting beverages. In terms of service, F&N goes the extra mile to provide us with useful merchandise such as signages and sunshades. As a new café, I still have quite high start-up costs, but F&N has helped to reduce this with their support. It's also important to have timely delivery so as not to run out of stock, and this is something F&N never fails to do.

TEAPOT

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 2019 ("Financial Year 2019") and is to be read together with the Corporate Governance Report 2019 ("CG Report"), which is available for reference on the Company's website at www.fn.com.my/investors/ar2019. 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.

PRINCIPLE A

Board Leadership and Effectiveness

(refer to details of Principle A on pages 098 to 105)

PRINCIPLE B

Effective Audit and Risk Management

(refer to details of Principle B on pages 106 and 107)

PRINCIPLE C

Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

(refer to details of Principle C on page 107)

PRINCIPLE A

BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

1. BOARD DUTIES AND RESPONSIBILITIES

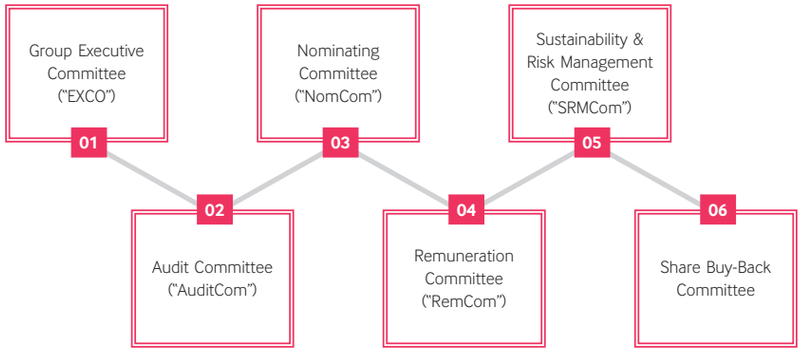
The Board provides entrepreneurial leadership, sets strategic directions and oversees the business affairs of the Group and management effectiveness. The Board is guided by a Board Charter, which sets out the duties and responsibilities of the Board. The Board Charter further defines the respective roles 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.
Mr. Lim Yew Hoe Chief Executive Officer	The CEO of the Company 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.

4. COMPANY SECRETARY

The Board is supported by a Company Secretary who has a 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 acts as secretary to the Board Committees and the Company's subsidiaries.

The Company Secretary organises and attends meetings of the Board, Board Committees and shareholders and ensures that meetings are properly convened, minutes of meetings and records of resolutions passed are maintained accordingly at the registered office.

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.

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

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 any 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 SRMCom provides oversight and approves strategic initiatives and policies for the sustainability agenda 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 Constitution provides for the Board to compose of a maximum of eleven Directors.

Y.Bhg. Datuk Kamaruddin bin Taib was appointed as an Independent Non-Executive Director on 8 November 2018. Puan Aida binti Md Daud was re-designated as an Independent Non-Executive Director on 10 December 2018 following her cessation as a nominee director of Permodalan Nasional Berhad.

Following the aforesaid changes, the present Board comprises eleven Non-Executive Directors whose varied skills and vast experience are relevant to the business operations of the Group.

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 the Chairman and four nominees of the controlling shareholder, Fraser and Neave, Limited.

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 2019, the Board through the NomCom engaged an external consultant, Aon Hewitt Singapore Pte Ltd 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 also recognises that an extended time on the Board may impair a Director's independence and takes cognisance of the recommendations of the CG Code regarding tenure of Independent Directors. The aforesaid policy limits the tenure of an Independent Director to nine years. Upon completion of the nine years, an Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director.

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, corporate governance, risk management and internal controls, 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 Committee 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 2019:

		Board Committees					
Directors	**Board**	**AuditCom**	**NomCom**	**RemCom**	**EXCO**	**SRMCom**	**AGM**
Y.A.M Tengku Syed Badarudin Jamalullail	7/7		3/3	2/2			1/1
Mr. Lee Meng Tat	7/7		3/3	2/2	5/5		1/1
Mr. David Siew Kah Toong	7/7	4/4	2/3	2/2			1/1
Mr. Lee Kong Yip	6/7				5/5	4/4	1/1
Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo	7/7	3/4	3/3	2/2			1/1
Y.Bhg. Dato' Jorgen Bornhoft	6/7				4/5	3/4	0/1
Mr. Hui Choon Kit	7/7	4/4			5/5	4/4	1/1
Puan Aida binti Md Daud	6/7					3/4	1/1
Puan Faridah binti Abdul Kadir	7/7		3/3	2/2			1/1
Y.Bhg. Datuk Mohd Anwar bin Yahya	7/7	4/4					1/1
Y.Bhg Datuk Kamaruddin bin Taib (Note)	6/6				2/2		1/1

Note:
Y.Bhg Datuk Kamaruddin bin Taib was appointed as a Director on 8 November 2018 and a member of EXCO on 16 May 2019.

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.

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 2019:

Directors	Training Programmes Attended
1. Y.A.M. Tengku Syed Badarudin Jamalullail	• Remuneration Committee: Attracting and Retaining the Best Talents • 2019 Budget: What You Need to Know - The Economy, Capital Market and You • Talk entitled "Would a Business Judgment Rule Help Directors Sleep Better at Night?" • Talk entitled "Diabetes and Its Complications. How Can We Help to Reduce It?" • Launch of the Securities Commission Malaysia's Corporate Governance Monitor 2019 • Singapore Institute of Directors ("SID") series: Nominating Committee Chairmen's Conversation • Directors' Continuing Education Programme 2019: > Module 1: Corporate Governance ("CG") and The Malaysian Anti-Corruption Commission ("MACC") > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging Artificial Intelligence ("AI") Trends that Shape Future Strategies

Directors	Training Programmes Attended
2. Mr. Lee Meng Tat	• Talk entitled "Diabetes and Its Complications. How Can We Help to Reduce It?" • Leadership Seminar – A Call to Lead with Jennifer Morgan • SID Directors Conference 2019 – From Ordinary to Extraordinary Transformation • Directors' Continuing Education Programme 2019: > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies
3. Mr. David Siew Kah Toong	• Gearing Up for Corporate Liability • Independent Directors' Programme: The Essence of Independence • Practical Issues, Problems and Pitfalls in Registering a Perkongsian Liability Terhad (Limited Liability Partnership) • National Tax Seminar • Talk entitled "Diabetes and Its Complications. How Can We Help to Reduce It?" • Case Study Workshop for Independent Directors • CG Advocacy Programme - Cyber Security in the Boardroom: Accelerating from Acceptance to Action • Income Tax on Property Development Activities • MFRS 17: Overview and Implementation • Financial Institutions Directors' Education ("FIDE") Core Programme: Module A for Insurance Companies • Corporate Liability for Corruption under the MACC Amendment Act 2018: Implications to the Group, Directors and Management • National Tax Conference 2019 • Anti-Money Laundering and Counter Financing of Terrorism for Accountants • Directors' Continuing Education Programme 2019: > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies
4. Mr. Lee Kong Yip	• FIDE Forum – Reading the Signs: The Next Financial Crisis and Potential Impact on Asia • Board Educational Series – Post Implementation Review of Agency Balanced Scorecard under the Life/Takaful Framework • Ernst & Yong's Training on IFRS 17 for the Great Eastern Holdings Group • Raising Defences: Section 17A, the MACC Act • Board Educational Series: > Cyber Security > New Agency Contract and Impact • Board Educational Series: > Amendment to the MACC Act > What is IFRS 17 and How it Affects the Financial Disclosure > Cloud Architecture Mechanisms on IFRS • Directors' Continuing Education Programme 2019: > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies

Directors	Training Programmes Attended
5. Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo	• Conference – Malaysia: A New Dawn • Annual Regional 1H2019 Strategy Conference • Invest Malaysia 2019 – The Capital Market Forum • 22nd Credit Suisse Asian Investment Conference • Demystifying the Diversity Conundrum: The Road to Business Excellence • CG Advocacy Programme – Cyber Security in the Boardroom: Accelerating from Acceptance to Action • Virtual Banking: Transforming Malaysia's Banking Landscape • Anti-Money Laundering Act Training Refresher, Updates and Case Studies 2019 • Maybank's Seminar on New Age Investments • Raising Defences: Section 17A, the MACC Act • Directors' Continuing Education Programme 2019: > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies
6. Y.Bhg. Dato' Jorgen Bornhoft	• 2019 Budget: What You Need to Know – The Economy, Capital Market and You • Malaysian Institute of Accountants' Engagement Session with Audit Committee Members on Integrated Reporting • Mid-year Market Outlook – Establishing New Altitudes • Transfer Pricing: Next Phase in Malaysia • Say on Pay: What do Boards Need to Know? • Raising Defences: Section 17A, the MACC Act • Malaysia Macro and Equity Outlook
7. Mr. Hui Choon Kit	• Talk entitled "Diabetes and Its Complications. How Can We Help to Reduce It?" • KPMG Finance and Accounting Seminar • Implementing the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations • Directors' Continuing Education Programme 2019: > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies
8. Puan Aida binti Md Daud	• Leadership – Fireside Chat with Anthony Tan, Group CEO and Co-Founder of Grab • Compliance Issues for Fund Managers • Future Workplace Asia Summit • Succession Planning for Business Leader • Chief Learning Officer's Roundtable • Workplace Wellness Summit and Pre-Conference Workshop • MISD Business Planning Workshop 2020 • Leadership in Digital World • Talk on Responsibilities and Duties of Directors under the Companies Act 2016 • PNB Innovation Challenge (Final) • Business Continuity Management Committee • Directors' Continuing Education Programme 2019: > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies
9. Puan Faridah binti Abdul Kadir	• Breakfast Series: Non-Financials – Does It Matter • Talk entitled "Diabetes and Its Complications. How Can We Help to Reduce It?" • Risk Oversight and Compliance – Action Plan for Board of Directors • CG Advocacy Programme – Cyber Security in the Boardroom: Accelerating from Acceptance to Action • Raising Defences: Section 17A, the MACC Act • Mindful Leadership • Directors' Continuing Education Programme 2019: > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies

Directors	Training Programmes Attended
10. Y.Bhg. Datuk Mohd Anwar bin Yahya	• International Shari'ah Scholars Forum 2018 – Islamic Social Finance: Realities and Prospects • Conference – Malaysia: A New Dawn • Effective Risk Management Oversight and Governance of Islamic Banks • Islamic Finance for Board of Directors Programme • Leaders Insight Series 3 – Islamic Finance and the Real Economy: Deciphering the Link in Between • Breakfast Talk on Digital Ethics and Sustainability in a New Economy of Privacy • FIDE Core Programme – Module A • Annual Report – What A Director Must Know • Capital Markets Directors Programme Modules 1 & 2B • Capital Markets Directors Programme Modules 3 & 4 • Talk on CG – The Latest Updates and Contemporary Developments on CG • Bursa Thought Leadership: The Convergence of Digitisation and Sustainability • Business Foresight Forum 2019 – New Business Directions 2025: Catalysts for Change • Directors' Continuing Education Programme 2019: > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies
11. Y.Bhg. Datuk Kamaruddin bin Taib (appointed on 8 November 2018)	• Identifying your Next Board Talent • Board Conversations – With Senior Officials of Bank Negara Malaysia • Talk entitled "Would A Business Judgment Rule Help Directors Sleep Better at Night?" • F&NHB Directors' Induction Programme • Deep Dive on Cyber Security • Board Educational Series – Post Implementation Review of Agency Balanced Scorecard under the Life Framework • Financial Industry Conference 2019 • Masterclass on Cybersecurity • Clouds Technology • Blockchain • IT Risk Management • Bond Market Conference • MFRS 17: Understanding Its Impact and Consequences • Director's Induction Programme by RAM Holdings Bhd • Innovation in the Financial Industry • Bank Negara Malaysia Regional Conference on Climate Change • Directors' Continuing Education Programme 2019: > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies

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.

III. REMUNERATION

1. FORMAL AND TRANSPARENT REMUNERATION POLICIES AND PROCEDURES FOR DIRECTORS

RemCom

Non-Independent Non-Executive Director	Independent Non-Executive Director
2	3

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

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 2019.

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.

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

Based on the Directors' Remuneration Policy, the Board shall review Directors' fees and meeting allowances every two years. During the Financial Year 2019, Aon Hewitt Malaysia Sdn Bhd, an independent consultant, was engaged to perform a benchmarking of Directors' fees and meeting allowances against selected comparators in market. Following the review, Directors' fees and meeting allowances of the Company were revised on 24 January 2019 to reflect the prevalent market rates and the duties, responsibilities and commitment of the respective Board Committees and Chairmen of Board Committees.

The Directors' Remuneration Policy and Senior Management's Remuneration Policy are reviewed periodically. The policies are available on the Company's website.

2. DIRECTORS' REMUNERATION

The aggregate Directors' remuneration paid to the Directors of the Company for the Financial Year 2019 is disclosed in the financial statements.

Details of remuneration paid to Directors of the Company for the Financial Year 2019 are as follows:

	Remuneration paid by the Company			
Directors	**Fees RM**	**Meeting Allowances RM**	**Benefits[(Note)] RM**	**Total RM**
1. Y.A.M Tengku Syed Badarudin Jamalullail	160,129	27,000	42,201	229,330
2. Mr. Lee Meng Tat	95,883	26,000	518	122,401
3. Mr. David Siew Kah Toong	102,443	23,000	518	125,961
4. Mr. Lee Kong Yip	95,161	22,500	518	118,179
5. Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo	95,129	21,000	518	116,647
6. Y.Bhg. Dato' Jorgen Bornhoft	88,444	16,000	518	104,962
7. Mr. Hui Choon Kit	98,444	25,000	518	123,962
8. Puan Aida binti Md Daud	81,722	13,500	518	95,740
9. Puan Faridah binti Abdul Kadir	82,444	17,000	518	99,962
10. Y.Bhg. Datuk Mohd Anwar bin Yahya	85,000	16,000	518	101,518
11. Y.Bhg Datuk Kamaruddin bin Taib *(appointed on 8 November 2018)*	70,114	12,500	518	83,132
Total	**1,054,913**	**219,500**	**47,381**	**1,321,794**

Note:
Benefits include personal accident insurance premium for all Directors.

PRINCIPLE B

EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

1. COMPOSITION AND FUNCTIONS OF AUDIT COMMITTEE

AuditCom

Non-Independent Non-Executive Director	Independent Non-Executive Directors
1	3

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 that the Company's financial statements are a 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 2019 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 2019, 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 auditors. Areas of assessment include:

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

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 2019 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.

The Internal Audit function reports directly to the AuditCom. Mr. Albert Loh was appointed as the Head of Internal Audit on 17 September 2019, taking over the Internal Audit function from the Head of Group Internal Audit, Fraser and Neave, Limited. He holds a Bachelor of Commerce (Accounting & Finance) from the University of Western Australia and is a Certified Practicing Accountant (CPA Australia). 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 Internal Audit Charter, the Internal Audit function shall maintain a quality assurance and improvement programme to evaluate the conformance of internal audit activities to the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics. The said programme includes Internal Audit function's self-assessment once every two years and assessment by a qualified independent consulting firm at least once every 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 shareholders, investors and the 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 the Company's 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 23 January 2019, 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

Members

Y.A.M. TENGKU SYED BADARUDIN JAMALULLAIL	Non-Independent Non-Executive Director
MR. LEE MENG TAT	Non-Independent Non-Executive Director
MR. DAVID SIEW KAH TOONG	Independent Non-Executive Director
PUAN FARIDAH BINTI ABDUL KADIR	Independent Non-Executive Director

NOMINATION, ELECTION AND SELECTION OF DIRECTORS

Procedures relating to appointment and re-election of Directors are contained in the Company's Constitution. 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, managing company's performance, Board priorities, Chief Executive Officer performance management 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 whereas 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 before making recommendation to the Board for re-election.

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 2019

The NomCom held three meetings in the financial year ended 30 September 2019 ("Financial Year 2019") 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;

b) reviewed and shortlisted candidates for the position of Independent Non-Executive Director and conducted interviews to assess the suitability of the candidates for appointment;

c) recommended the appointment of Y.Bhg. Datuk Kamaruddin bin Taib as an Independent Non-Executive Director and a member of the Group Executive Committee;

d) reviewed and recommended the re-designation of Puan Aida binti Md Daud as an Independent Non-Executive Director;

e) reviewed and recommended re-election of Directors who are due for retirement for shareholders' approval at the annual general meeting held on 23 January 2019;

f) reviewed and recommended revisions to the Board Diversity Policy, Policy on Independence of Directors and RemCom's Terms of Reference;

g) reviewed and recommended the NomCom Report for the Financial Year 2018 for inclusion in the Company's annual report;

h) evaluated training needs of Directors and noted the training programmes attended by Directors;

i) reviewed and approved the appointment of an external consulting firm, Aon Hewitt Consulting Singapore Pte Ltd to conduct an evaluation of the Board, Board Committees, Directors Self/Peer and Independent Directors for the Financial Year 2019, and the relevant evaluation questionnaires;

j) reviewed and noted the results of the evaluation of the Board and Board Committees for the Financial Year 2019 presented by the external consultant and proposed action plans to be taken;

k) reviewed the NomCom's evaluation results for the Financial Year 2019;

l) reviewed the effectiveness of the Audit Committee and its members and recorded that it was satisfied with the performance of the Audit Committee and its members. Also reviewed and noted the term of office of the Audit Committee and its members; and

m) 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.

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 2019.

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:-

	Date of Meeting			
Names	**7.11.2018**	**31.1.2019**	**29.4.2019**	**5.8.2019**
Independent and Non-Executive Director				
Mr. David Siew Kah Toong (Chairman)	✓	✓	✓	✓
Y.Bhg Dato' Johan Tazrin bin Hamid Ngo	✓	–	✓	✓
Y.Bhg Datuk Mohd Anwar bin Yahya	✓	✓	✓	✓
Non-Independent and Non-Executive Director				
Mr. Hui Choon Kit	✓	✓	✓	✓

✓ *Attendance at meeting*

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.

INTERNAL CONTROL

Based on reports presented by the Senior 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 23 January 2019, 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 2019, 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 the first three quarters of the financial year ended 30 September 2019 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 2019, the Audit Committee had one meeting with the auditors without the presence of management. The Audit Committee reports 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 RM284,000 (FY2018 RM220,000) and comprised the following assignments:

- Quarterly Reviews;
- Review of Statement on 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 audit 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 on 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 ("F&NL"). The Head of Group Internal Audit is a Chartered Accountant of Singapore and an appointed member of the Board of Governors of the Institute of Internal Auditors, Singapore. Some of the internal audit staff are also members of the Institute of Internal Auditors, Malaysia.

The Group has recruited the Head, Internal Audit who had joined on 17 September 2019. Following the appointment, the Head, Internal Audit would take over the internal audit function from the Head of Group Internal Audit, F&NL. The Head, Internal Audit is a Certified Practicing Accountant (CPA Australia).

In accordance with the F&NHB 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 International 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 once every two years) 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 Audit Committee had assessed the performance of the Internal Audit function during the financial year 2019 through an internal stakeholders' satisfaction survey conducted by the Human Capital Department.

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 with 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, repair and maintenance of plant facilities and plant safety and security;
  - logistics and distribution, covering finished goods management, transporters as well as warehouse security and safety;
  - human capital management covering human resources administration, payroll processing, segregation of duties, industrial relations and employee relations management, training and staff development and building facilities and security.
  - Procurement activities covering pre-qualification, sourcing, appointment, performance appraisal of suppliers, monitoring of purchase orders, contract management, vendor master file management and Capex projects;
  - information technology, covering access management, change management, IT operations (backup, disaster recovery, incident management), network security, cyber security, IT budget monitoring, project management and vendor management; and
  - governance practices covering implementation of Group Policies, risk management process and contract 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 2019 amounted to about RM2.4 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 was 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 2019, 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 objective of risk management is to create and protect the values for the Group through improving performance, encouraging innovation and supporting the achievement of objectives. 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.

THE GROUP'S RISK MANAGEMENT SYSTEM

The Group adopts the Enterprise-wide Risk Management Policy ("ERM Policy") which is designed to manage risks in an integrated, systematic and consistent manner. It establishes the overall risk management framework and processes in defining the strategy to identify and manage risks across the Group. During the year under review, the ERM policy was reviewed and updated to benchmark against the ISO31000:2018 Risk Management – Guidelines. In addition, ERM principles are 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;
- deliberate on the key business risks and the mitigating controls to address the risks identified;
- provide oversight of the Group's insurance, cyber risk management, business continuity management ("BCM") programmes, Charts of Authority, and sustainability-related matters; and
- recommend to the Board for endorsement or approval where necessary.

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 emerging and significant risks faced by the business, and ensure that the mitigating controls and action plans are conducted within the boundaries set by the ERM Policy, prior to escalation to the SRMC.

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

THE ENTERPRISE RISK MANAGEMENT ("ERM") PROCESS

The ERM process involves a systematic application of the risk management methodology to facilitate risk identification, assessment, reporting as well as monitoring and review 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 likelihood of occurrence and potential impact on the relevant business strategies/objectives. 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 net risk level is determined after taken into consideration the effectiveness of existing controls and risk treatment plans. The risks identified and assessed 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.

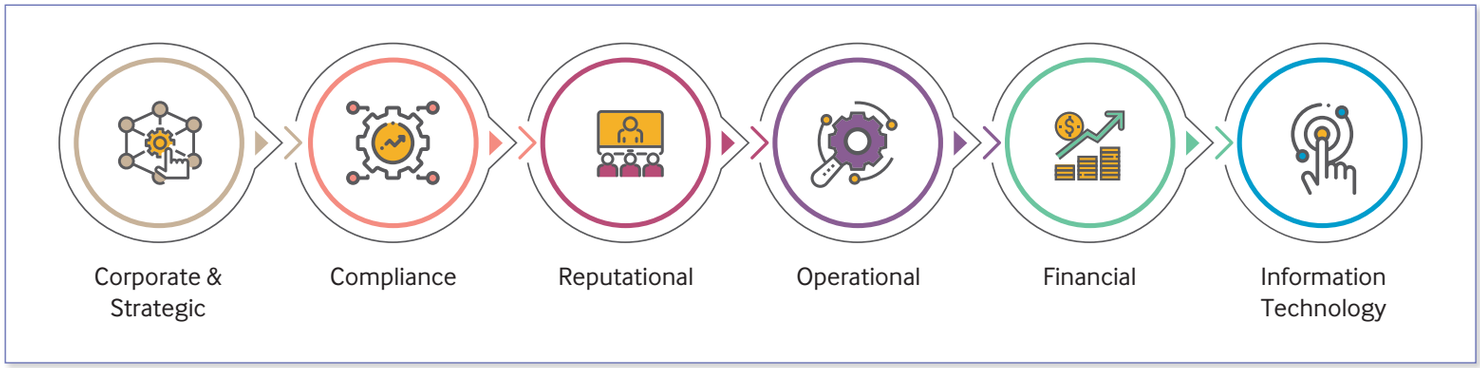
ASSURANCE RECEIVED FROM MANAGEMENT

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 ERM Policy 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.



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:

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

Whistleblowing Policy enables the businesses within the Group to respond nimbly to concerns raised notwithstanding changes in the environment and to ensure that the corporate culture of integrity, transparency and accountability are upheld across the Group. The policy encourages and provides a channel to employees to report in good faith and in confidence, without fear of reprisals, of concerns about possible improprieties. Allegations of improprieties which are reported via the 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 focusing 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 based on the strategic directions and initiatives of the Group and is supplemented by key performance indicators to monitor and track the actual achievement against 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, followed up and/or adjusted where appropriate.

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 and cyber security, 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

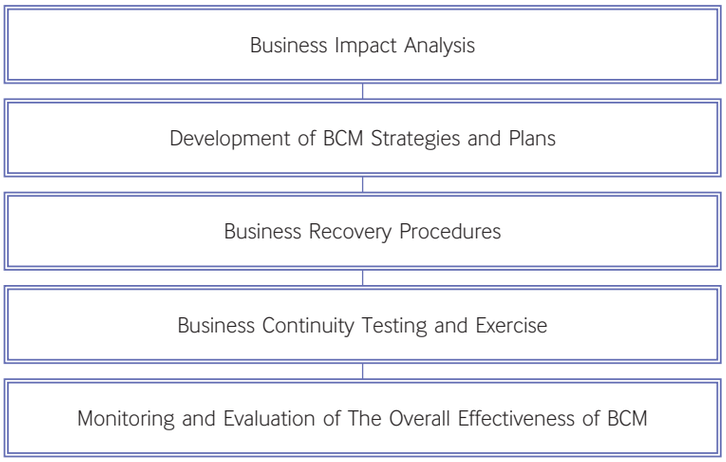
Talent plays a pivotal role in achieving the business objectives of the Group. Hence, a process has been put in place to assess talent for career development and succession planning. Roles and responsibilities are clearly defined in the job description for each position. In addition, continuous improvement 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 enterprise resource planning system which integrates various facets of the Group's operations. The 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, Cyber Security Framework and End User Policy.

BUSINESS CONTINUITY MANAGEMENT

The Board is cognizant of the importance of business continuity management ("BCM") in strengthening the Group's resilience in response to the evolving business environment and enhancement of shareholders' values. F&NHB has in place the following components within the BCM Framework to enable the Group's operations to be prepared in the event of emergencies:



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 211 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 5 November 2019.

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") PROGRAMMES RESPECTIVELY WITH A NOMINAL VALUE OF RM750,000,000 FOR EACH PROGRAMME

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

The Issuer had on 7 October 2013 issued MTN of RM150,000,000 with a tenure of five (5) years from the issue date. This MTN with interest rate of 4.24% per annum was fully repaid during the financial year ended 30 September 2019 ("Financial Year 2019").

There were no issuance of CP/MTN during the Financial Year 2019. As at 30 September 2019, the unutilised CP/MTN facility available for use amounted to RM1,500,000,000 (2018: RM1,350,000,000).

2. AUDIT AND NON-AUDIT FEES

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

3. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving the interest of Directors or major shareholders during the Financial Year 2019:

A conditional Sale and Purchase Agreement dated 8 October 2019 between the Company's wholly-owned subsidiary, F&N AgriValley Sdn Bhd (formerly known as Rimba Perkasa Sdn Bhd) ("F&N AgriValley") and MSM Perlis Sdn Bhd ("MSM Perlis") for the proposed acquisition by F&N AgriValley from MSM Perlis of nine pieces of leasehold land measuring in total approximately 4,453.92 hectares, all in Mukim Chuping, Daerah Perlis, Negeri Perlis for a total cash consideration of RM156 million.

Y.Bhg. Datuk Mohd Anwar bin Yahya is a Director of the Company and FGV Holdings Berhad, a major shareholder of MSM Perlis.

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the 57th Annual General Meeting of Fraser & Neave Holdings Bhd ("F&NHB" or "Company") held on 23 January 2019, the Company had obtained shareholders' mandate to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties which are necessary for the day-to-day operation of the F&NHB Group.

Pursuant to the MMLR of Bursa Securities, the details of the recurrent related party transactions entered into during the Financial Year 2019 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	171,138
		Purchase of finished products from the F&N Ltd Group	13,072
		Sale of finished products and/or raw materials to the F&N Ltd Group	266,864
		Payment of royalties to the F&N Ltd Group for the use of trademarks, trade names and brand names owned by F&N Ltd	54,119
		Payment of fees to the F&N Ltd Group for corporate services, corporate research and development services and technical services	1,275
		Receipt of rental from the F&N Ltd Group	120
		Receipt of corporate services fees and staff costs from the F&N Ltd Group	1,580
		Receipt of printing services from the F&N Ltd Group	140

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 Y.Bhg. Tan Sri Charoen Sirivadhanabhakdi ("Tan Sri Chareon") and Y.Bhg. Puan Sri Wanna Sirivadhanabhakdi ("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	1,265
		Payment of network monitoring & professional fees to the BJC Group	149
		Sale of finished products to the BJC Group	68,099
		Purchase of packaging materials from the BJC Group	18,965
		Receipt of logistic services from the BJC Group	10,254
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	1,747
		Receipt of tetrapak co-packing services from the ThaiBev Group	540
		Purchase of raw materials from the ThaiBev Group	2,281
		Receipt of marketing services from the ThaiBev Group	18,223
		Purchase of finished products from the ThaiBev Group	24
		Receipt of corporate services from the ThaiBev Group	1,999
		Payment of share of profit to/*receipt of share of loss from the ThaiBev Group arising from the sale of finished products	483 *
Frasers Property Limited ("FPL") Group	FPL's major shareholder is 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	130
Thai Group Holdings Public Company Limited ("Thai Group Holdings") Group (including companies previously under the Southeast Group Co. Ltd. ("Southeast") Group)	Thai Group Holdings's major shareholders are Tan Sri Charoen and Puan Sri Wanna, the ultimate major shareholders of ThaiBev and the Company. Hence, the Thai Group Holdings Group is a person connected to the said ultimate major shareholders (**Note:** The entire business of Southeast was transferred to Thai Group Holdings in July 2019)	Payment of insurance premium to the Thai Group Holdings Group	3,093
		Lease of assets from the Thai Group Holdings Group	115
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	241
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	2,026
		Sale of finished products to the TCC Corporation Group	41
		Purchase of raw materials from the TCC Corporation Group	42,925
		Receipt of marketing services from the TCC Corporation Group	0
Univentures Public Company Limited ("Univentures") Group	Univentures's major shareholder is 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	0

Ensuring Inclusive Growth

Embedding sustainability in all that we do is crucial to our business and we ensure that every level of our operations is guided by practices that create value for all.

Emil Kachchap
Division Manager of International Relations, Farm Chokchai – Pakchong, Nakhon Ratchasima, Thailand

We have been a milk supplier to F&N for many years, and have developed a strong relationship that is mutually beneficial. There is a lot of knowledge sharing between the two companies, which is not something you get with all business relationships. We provide F&N with information about the upstream fresh milk farming, while they keep us updated about what's happening in the downstream dairy business of producing and marketing sweetened and evaporated condensed milk.

Because F&N is an international company, they also open our minds to the international standards that a dairy farm like us can aspire to. Through this knowledge, we are inspired to keep improving our standards and quality. At the same time, we provide them information on the issues that local farmers face. This helps them better understand the needs of their other fresh milk suppliers.

F&N

Sustainability Statement

Our brand promise of 'Pure Enjoyment, Pure Goodness', means that we want our products to provide enjoyment and nourishment to consumers. In other words, utilising the best ingredients, together with best practices in the way we source, produce and distribute.

Equally important for our brand promise is to ensure that Fraser & Neave Holdings Bhd (F&NHB or the Group) is an integral part of our community, improving livelihoods across our value chain; that we are the employer and partner of choice providing opportunities for advancement and development; that we play a leading role in community development; and that we always demonstrate environmental responsibility and leadership.

We continue to make positive strides towards achieving F&N Group's 2020 sustainability goals and strengthen our approach in managing sustainability topics which are material to our business.

our third **Standalone Sustainability Report** *(produced in line with the GRI Standards – Core Options)*

on track achieving our Sustainability Targets for **2020**

Obtained external assurance on selected Environment and Social **from Lloyd's Register Quality Assurance**

Included in the FTSE4Good Bursa Malaysia Index **for the first time this year**

SUSTAINABILITY APPROACH

Sustainability is embedded in F&NHB's culture at all levels. Our Board of Directors ensures F&NHB's long-term business direction is guided by sustainability, with The Board Charter setting out their responsibility to: "include strategies on economic, environmental and social considerations underpinning sustainability." They are supported by the Sustainability and Risk Management Committee, Sustainability Management Committee, Sustainability Development Committee at the F&N Group level, as well as our Sustainability Development Working Team.

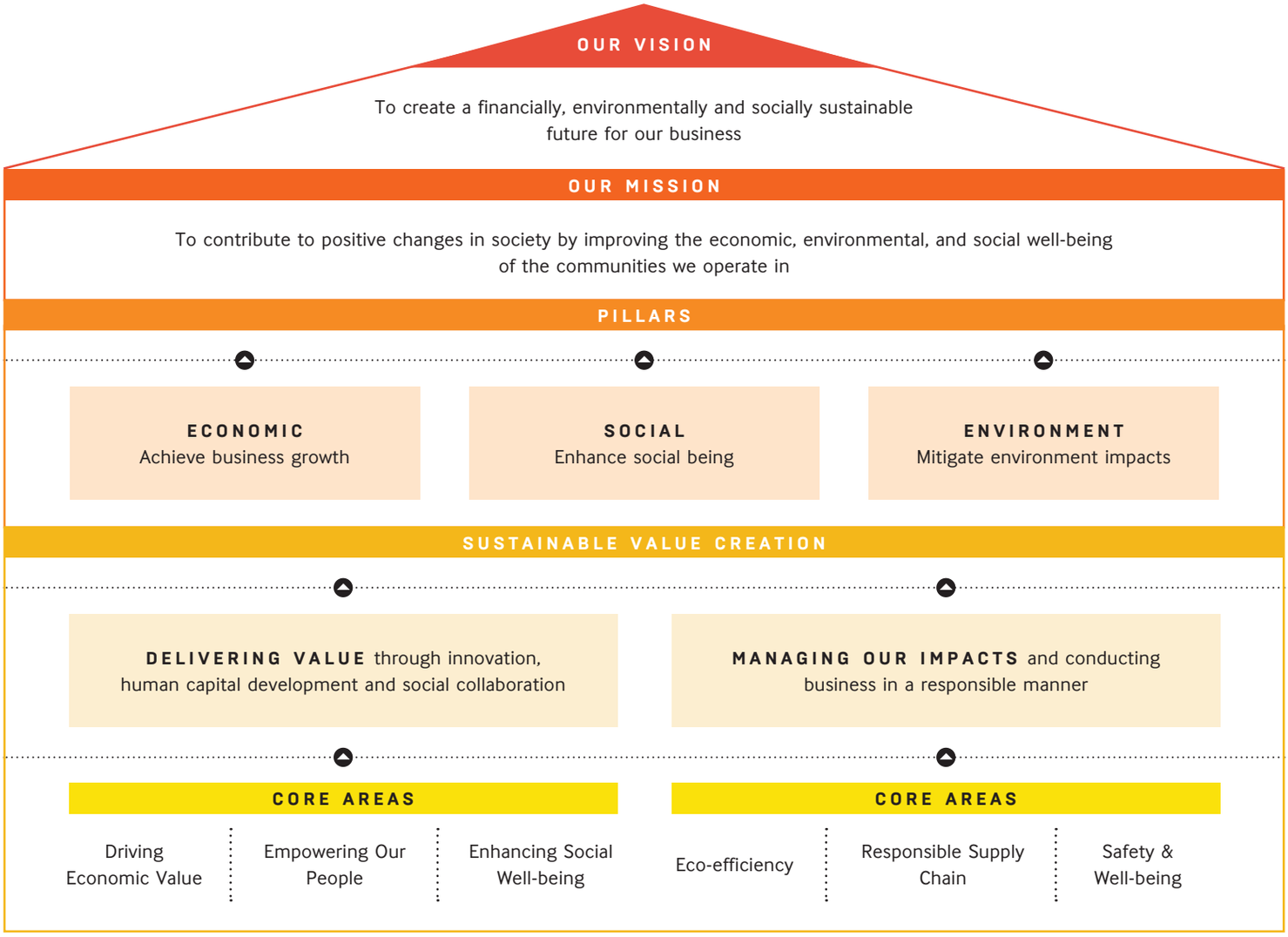
Our Materiality Assessment, first carried out in 2017 and reviewed each year, helps us to identify the sustainability issues which are most important to us and our stakeholders. Over the past year, awareness about plastics has grown globally and locally. The Malaysian Government has published a 'Roadmap Towards Zero Single-use Plastics 2018-2030'. The group has assessed the materiality of the 'Packaging' issue to be 'high' in 2019. For a more holistic reporting, this year we have sub-sumed a) the 'Health and Nutrition' issue under 'Consumer Health & Safety' and 'Creating Value for Society'; and b) the 'Route Planning' issue under 'Energy & Climate Change' to be aligned with the circular economy approach. Hence, there are now 13 materiality issues for F&NHB.

It is our vision to create a financially, environmentally, and socially sustainable future for our business by:

- Delivery value through innovation, human capital development and social collaboration, and
- Managing our impacts and conduct business in a responsible manner.

SUSTAINABILITY STATEMENT

Our overall sustainability framework comprises six pillars: i) Driving Economic Value; ii) Empowering our People; and iii) Enhancing Social Well-being. The second theme is Managing our Impacts with core areas: iv) Eco-efficiency; v) Responsible Supply Chain; and vi) Safety and Well-being.



This Sustainability Statement provides a snapshot of our Sustainability Report 2019, which shares about how we manage our material issues and the Group's progress to our 2020 sustainability goals. In this Sustainability Statement, we provide a summary of the six core areas, and introduce some of the highlights for the year.

1. DRIVING ECONOMIC VALUE

F&NHB's longevity is based upon long-term value creation for our stakeholders. We achieve this by maintaining leadership in our core markets, and by leveraging innovative technologies and our employees' expertise to meet consumers' evolving demands and enter new markets.

Our Research & Development (R&D) Unit in Singapore is supported by teams in Malaysia and Thailand. The unit leads efforts for continuous improvements to our product formulas according to changes in consumer preferences and the regulatory environment, while searching for ways to improve products' functional benefits and shelf-life.

At F&NHB, we strive to deliver our 'Pure Enjoyment, Pure Goodness' promise to our consumers by offering: more options in different product categories; healthier options without compromising on taste; and convenience through differentiation in packaging to cater to customers' evolving needs.

Our R&D and Manufacturing teams constantly seek out the most up-to-date technical and scientific advances to improve the efficiency of our operations while minimising environmental impacts. Over the years, we have implemented innovative technologies to reduce post-consumption waste and automate processes to enhance efficiency.

Introduced **11** new products, offering more options in product categories, **healthier** options and **convenience**

90% of our RTD beverages sold in Malaysia today are healthier option

(below the sugar sweetened beverages excise duty threshold)

Investment of RM150 million in capital expenditure to **elevate our product innovations** and **drive cost competitiveness**

Expanded our 'Healthier Choice Logo' **certified product range** to **41** in FY2019

Employee-driven projects delivered cost savings/cost avoidance: Approximately RM2.41 million **per annum**

Reduced PET resin usage by 208 metric **tonnes**

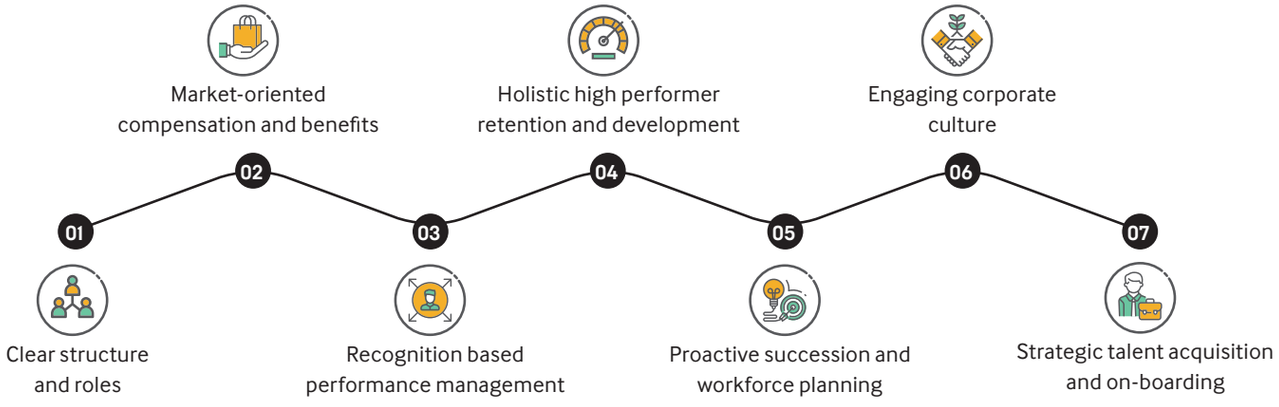
2. EMPOWERING OUR PEOPLE

Our people differentiate F&NHB from peers and are central to determining how well we perform. We strive to create a stimulating work environment, where talent is nurtured and rewarded, and employees are engaged, challenged and empowered to perform to their highest potential. We constantly look to hire and retain talent who will enable us to maintain our competitive edge.

We also recognise the importance of diversity in terms of cultural background and age, as well as having a good gender balance, to enrich the workplace with fresh perspectives which help us to meet our business objectives.

F&NHB has a strategic plan to establish ourselves as the employer of choice, and this is guided by our seven 'Modules for Strategic Human Capital Transformation'.

7 MODULES FOR STRATEGIC HUMAN CAPITAL TRANSFORMATION



Our hiring practices are also aligned with the interests of the local economies in which we operate, and we are determined to be the employer of choice and a role model for others. We are proud that 100% of our senior management in Thailand, and 95% of our senior management in Malaysia, are hired from the local community. This helps to keep the value created by F&NHB within the local economy and ensures that we understand the local markets.

Employment:

2,600 people

Female representation in our workforce:

32% of total employees

44% of total managerial positions

Provided an average:

22 training hours per employee per year

3. ENHANCING SOCIAL WELL-BEING

At F&NHB, we believe that sustainable business development occurs when our communities develop alongside us. This means that we direct our investments to create value where the strengths of our business intersect with the needs of society.

Strengthening Vulnerable Groups

Inequality of wealth and opportunity is a major global challenge. Our consumers and employees come from all segments of society, and inequality undermines the development and potential of both our business and our communities. To take leadership in tackling this issue, we have chosen to focus on strengthening vulnerable groups such as underprivileged children. Through investing in educational programmes including both technical skills and soft skills, F&NHB works towards promoting a more equal society, diversity and social inclusion where business and society together flourish.

Promoting Environmental Consciousness

While companies have a critical role to play in minimising our environmental footprint, sustainable development means a partnership, including behavioural changes at the individual level. Besides maintaining eco-efficiency in our operations (see pages 68-82), we have taken the task of promoting environmental consciousness in our communities as another priority.

Spreading Festive Cheer

In addition to basic needs and environmental sustainability, our community development programme includes a priority related to our brand promise, which is delivering 'Pure Enjoyment, Pure Goodness' to all. We believe that spreading festive cheers helps our communities connect with each other and strengthen relationships between different cultures. Here, we aim to promote diversity and fosters national unity in our communities.

Promoting Sports & Active Lifestyles

As a food and beverage business, F&NHB's products contribute to the health and well-being of our communities. Therefore, we consider it our obligation to facilitate responsible consumption and balanced lifestyles. This is mostly accomplished through the consumption of F&NHB products to maintain a healthy lifestyle in line with consumer needs. We also prioritise community investments which support sports and active lifestyles to better care for our consumers while also creating value for communities.

Social investment in FY2019

> RM 1 million

100%

of our operations in Malaysia and Thailand with implemented **local community engagement, impact assessment** and **development programmes**

2019 School Recycling Programme

- Spread wings to **13** states in Malaysia
- Reached **756** schools this year
- More than **2.35** million kg of recyclables were collected

Over 50,000

children and youths participated in **grassroot sports programmes**

4. ECO-EFFICIENCY

Eco-efficiency refers to the act of maximising benefits and minimising ecological costs. As part of our materiality assessment, we identify four main issues in relation to our eco-efficiency efforts:

- Water Stewardship: Water is a fundamental element of our products, and our business is dependent on a reliable supply of water. Therefore, water stewardship at F&NHB and its associated risks are regularly monitored as part of our enterprise risk management. We have a range of water assessment and action policies which are applied across our facilities Our group-wide integrated approach includes efficiency measures; the safe return of waste water from our operations; and mitigating risk in supply.
- Effluents & Waste: The food & beverage manufacturing process involves the generation of both liquid (effluent) and solid wastes. We strive to reduce impacts from our operations, and this means complying with and going beyond relevant regulations. F&NHB applies strict standards over the quality of our effluent discharges and continuously explores how 'waste' from our operations can be minimised and put to alternative uses. Our dairy manufacturing plants in Thailand and Malaysia are leading the way in our commitment towards achieving zero effluents and solid waste.
- Packaging: We strive to ensure our packaging protects the integrity of the contents and fulfils the visual and functional expectations of our consumers. There is increasing stakeholder awareness of the importance of environmental-friendly packaging, especially in relation to plastics. We reduced our PET resin use in packaging materials for some of our products (including 100PLUS ACTIVE and F&N SEASONS and OYOSHI) by 208 metric tonnes this year. There is much scope for innovation in packaging, which we have been exploring over the years.
- Energy & Climate Change: Climate change is a defining global challenge of the 21st century, and F&NHB is committed to reduce our energy consumption and GHG emissions intensity. Our energy and climate change related activities are broken down into five priority areas (energy efficiency in our operations; renewable energy sourcing and generation; reducing carbon in our value chain; route planning; and operations' exposure to climate change risks). We have a range of initiatives to reduce our impacts and help our business partners to reduce impacts.

Reduced solid waste ratio by **34.1%**

10% **reduction** in our packaging ratio compared to last year

Almost **24,000 kg** of F&B packaging related recyclables were collected by employees in Malaysia via **F&N Go Green++ Programme**

5. RESPONSIBLE SUPPLY CHAIN

As a market-leading food & beverage company, we constantly work with our business partners, suppliers and vendors to deliver mutually sustainable solutions which create long lasting value. We have a systematic screening process for all potential new suppliers using environmental (such as reducing waste, pollution and water resources) and social criteria (including human rights and labour practices). Annual supplier audits are conducted to ensure compliance with food safety regulations and standards. We assess a range of quality assurance and food security criteria to safeguard the health of consumers and the safety of workers in our supply chain.

Since 2013, we have been collaborating with local Thailand-based farmers in cooperatives which supply F&NHB with milk. We continue to introduce new technologies and equipment (for example, milk machine testers and automatic jet cleaning milking machines) to help them increase productivity, improve milk quality, and reduce wastes as part of a circular economy approach. Working closely with the cooperatives, we also organised seminars and produced quarterly educational newsletters for the farmers.

As a major producer of Halal products in Malaysia, F&NHB is in a position to facilitate the development of the nation's Halal industry. This year, F&NHB collaborated with Halal Industry Development Corporation on the Halal Sourcing Partnership Programme. Through this collaboration, F&NHB shared Halal industry best practices whilst providing technical advice and knowledge transfer to small and medium enterprises.

Engaged with

>3,100

global and local suppliers

Purchased

RSPO credits

for **70%**

of our palm oil usage

Supplier Productivity Enhancement Programme in Thailand

- Sponsored **3** milking tester machines to **3** milk cooperatives, helping **690** farmers
- Organised quarterly seminars for **120** farmers, from **4** milk cooperatives
- Supported **45** farmers in the cow feed production project

6. SAFETY & WELL-BEING

At F&NHB, our holistic approach for Safety & Well-being includes: 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.

F&NHB has safety, health, and environment (SHE) systems and monitoring processes in place across our operations. Our safety practices adhere to International standards including ISO 14001 and OHSAS 18001 for all major sites. All employees, workers and activities are covered by our SHE systems, and receive adequate training and safety equipment wherever appropriate. Each plant has its own Safety Committee comprising management and workers.

All F&N products are manufactured under stringent international quality and food safety standards. All our products are also Halal-certified by the Department of Islamic Development Malaysia and other relevant authorised certification bodies.

As well as safeguarding our consumers' safety while enjoying our products, we are committed to developing products and initiatives to promote health and nutrition. The F&N Nutrition Charter outlines our commitment to develop products which are healthy for consumers, guiding us throughout product development, marketing, and initiatives to advocate healthy lifestyles.

Our packaging and labelling is the primary method through which we communicate information to consumers about our products' quality, nutrition, safety and disposal. Our labelling adheres to the Food Act in Malaysia and requirements of the Food and Drug Administration in Thailand.

Lowered the amount of sugar container per ml of all our beverages by **41%** since 2004

90% of our RTD beverages are healthier options (below the sweetened beverages excise duty threshold)

10 out of 12

product categories have at least one healthier choice

Expanded our

Healthier Choice Logo

certified product range to 41

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DIRECTORS' REPORT

for the financial year ended 30 September 2019

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 2019.

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	410,260	229,277
Non-controlling interests	(36)	–
	410,224	229,277

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in Note 15 to the financial statements.

DIVIDENDS

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

i) In respect of the financial year ended 30 September 2018 as reported in the Directors' Report of that financial year:

- a final ordinary dividend of 30.5 sen per ordinary share totalling RM111,867,000 declared on 21 December 2018 and paid on 15 February 2019; and

ii) In respect of the financial year ended 30 September 2019:

- an interim ordinary dividend of 27.0 sen per ordinary share totalling RM99,031,000 declared on 29 April 2019 and paid on 13 June 2019.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 30 September 2019 is 33.0 sen per ordinary share totalling RM121,037,000, is 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 2020.

DIRECTORS OF THE COMPANY

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

Tengku Syed Badarudin Jamalullail (Chairman)
Lee Meng Tat
David Siew Kah Toong
Lee Kong Yip
Dato' Johan Tazrin bin Hamid Ngo
Dato' Jorgen Bornhoft
Hui Choon Kit
Aida binti Md Daud
Faridah binti Abdul Kadir
Datuk Mohd Anwar bin Yahya
Datuk Kamaruddin bin Taib

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	Suchit Riewcharoon	Lim Siang Chin	Yap Peng Kang	Lau Cheng Yew	Ooi Aik Tuan	Lai Kah Shen	Goh Teong Hoe	Aisha Alkaff	Tan Hock Beng	Karn Chitaravimol
F&N Beverages Marketing Sdn Bhd	✓						✓(v)	✓			✓(vii)	
F&N Beverages Manufacturing Sdn Bhd	✓	✓					✓(v)				✓(vii)	
F&N Dairies Manufacturing Sdn Bhd	✓				✓(i)		✓(v)				✓(vii)	
F&N Dairies (Thailand) Limited	✓		✓(ii)				✓(v)				✓(vii)	✓(vi)
F&N Dairies Distribution (Singapore) Pte Ltd	✓			✓(i)			✓(v)				✓(vii)	
F&N Marketing (B) Sdn Bhd	✓									✓		
Lion Share Management Limited	✓						✓(v)				✓(vii)	
Fraser & Neave (Malaya) Sdn Bhd	✓	✓					✓(v)				✓(vii)	
F&N Capital Sdn Bhd	✓						✓(v)				✓(vii)	
F&N Properties Sdn Bhd	✓					✓						
Greenclipper Corporation Sdn Bhd	✓						✓					
Lettricia Corporation Sdn Bhd	✓								✓			
Utas Mutiara Sdn Bhd	✓						✓(v)				✓(vii)	
Nuvak Company Sdn Bhd	✓						✓					
Tropical League Sdn Bhd	✓					✓						
F&N Dairies (Malaysia) Sdn Bhd	✓						✓(v)	✓			✓(vii)	
Premier Milk (Malaya) Sdn Berhad	✓						✓(v)	✓			✓(vii)	
Elsinburg Holdings Sdn Bhd	✓						✓					
F&N AgriValley Sdn Bhd (formerly known as Rimba Perkasa Sdn Bhd)	✓(iii)						✓(iv)	✓(iii)				
Borneo Springs Sdn Bhd	✓						✓(v)				✓(vii)	

(i) appointed on 1 October 2018
(ii) appointed on 1 April 2019
(iii) appointed on 13 August 2019
(iv) appointed on 7 October 2019
(v) appointed on 1 November 2019
(vi) resigned on 1 April 2019
(vii) resigned on 1 November 2019

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:

	Number of ordinary shares			
Companies in which Directors held interest	**At 1.10.2018**	**Bought**	**Sold**	**At 30.9.2019**
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	**466,632**	**40,050**	**–**	**506,682**
Lee Meng Tat				
– direct interest	**27,400**	**29,450**	**–**	**56,850**

	Number of share grants *				
Companies in which Directors held interest	**At 1.10.2018**	**Awarded**	**Achievement factor**	**Vested**	**At 30.9.2019**
F&NL					
Hui Choon Kit					
– RSP – Year 6	**11,400**	**–**	**–**	**(11,400)**	**–**
– RSP – Year 7	**29,300**	**–**	**–**	**(14,650)**	**14,650**
– RSP – Year 8	**35,000**	**–**	**(7,000)**	**(14,000)**	**14,000**
– RSP – Year 9	**35,000**	**–**	**–**	**–**	**35,000**
– RSP – Year 10	**–**	**58,000**	**–**	**–**	**58,000**
– PSP – Year 7	**13,000**	**–**	**(13,000)**	**–**	**–**
– PSP – Year 8	**11,000**	**–**	**–**	**–**	**11,000**
– PSP – Year 9	**12,000**	**–**	**–**	**–**	**12,000**
– PSP – Year 10	**–**	**20,000**	**–**	**–**	**20,000**
Lee Meng Tat					
– RSP – Year 7	**27,400**	**–**	**–**	**(13,700)**	**13,700**
– RSP – Year 8	**35,000**	**–**	**(3,500)**	**(15,750)**	**15,750**
– RSP – Year 9	**35,000**	**–**	**–**	**–**	**35,000**
– RSP – Year 10	**–**	**58,000**	**–**	**–**	**58,000**
– PSP – Year 7	**11,000**	**–**	**(11,000)**	**–**	**–**
– PSP – Year 8	**11,000**	**–**	**–**	**–**	**11,000**
– PSP – Year 9	**12,000**	**–**	**–**	**–**	**12,000**
– PSP – Year 10	**–**	**20,000**	**–**	**–**	**20,000**

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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

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

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

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 2019 had any interest in shares, RSP and PSP of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received 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

No treasury shares were purchased during the financial year. 237,100 treasury shares were utilised for the purpose of employees' Share Grant Plan pursuant to Section 127(7)(c) of the Companies Act 2016 during the financial year. As at 30 September 2019, the Company did not hold any (2018: 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.

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:

		Number of share grants					
	Date of offer	At 1.10.2018/ grant date	Adjustment for achievement factor	Vested	* Forfeited	At 30.9.2019	Vesting period
RSP 2015	15.1.2015	**98,900**	**–**	**(93,800)**	**(5,100)**	**–**	31.12.2016-31.12.2018
RSP 2016	5.1.2016	**181,350**	**–**	**(87,500)**	**(11,275)**	**82,575**	31.12.2017-31.12.2019
RSP 2017	22.12.2016	**464,600**	**(180,740)**	**(129,700)**	**(24,460)**	**129,700**	31.12.2018-31.12.2020
RSP 2018	22.12.2017	**469,900**	**(154,400)**	**–**	**(37,000)**	**278,500**	31.12.2019-31.12.2021
RSP 2019	21.12.2018	**371,700**	**–**	**–**	**(14,400)**	**357,300**	31.12.2020-31.12.2022
		1,586,450	**(335,140)**	**(311,000)**	**(92,235)**	**848,075**	

* Share grants forfeited upon cessation of employment.

The main features of the Company's RSP and PSP are disclosed in Note 15(D) 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 RM27,274. 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.

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.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 September 2019 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.

SUBSEQUENT EVENT

Subsequent event is disclosed in Note 35 to the financial statements.

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
5 November 2019

STATEMENTS OF FINANCIAL POSITION

as at 30 September 2019

	Note	Group 30.9.2019 RM'000	Group 30.9.2018 RM'000 Restated	Group 1.10.2017 RM'000 Restated	Company 30.9.2019 RM'000	Company 30.9.2018 RM'000
ASSETS						
Property, plant and equipment	3	**1,339,180**	1,281,679	1,193,851	**–**	–
Investment properties	4	**48,775**	49,318	49,315	**–**	–
Properties held for development	5	**56,047**	56,047	56,047	**–**	–
Intangible assets	6	**120,646**	122,289	122,218	**–**	–
Investments in subsidiaries	7	**–**	–	–	**911,423**	931,423
Investment in an associate	8	**89,658**	84,252	83,768	**68,727**	68,727
Investment in a joint venture	9	**87,613**	89,094	89,822	**165,599**	159,785
Deferred tax assets	10	**6,234**	13,070	25,726	**–**	–
Total non-current assets		**1,748,153**	1,695,749	1,620,747	**1,145,749**	1,159,935
Trade and other receivables	11	**599,996**	604,644	620,185	**469,852**	351,792
Inventories	12	**578,404**	497,165	540,716	**–**	–
Current tax assets		**7,567**	10,548	25,280	**–**	–
Derivative financial assets	13	**6**	60	137	**–**	–
Cash and cash equivalents	14	**569,719**	537,092	424,433	**40,332**	124,509
Total current assets		**1,755,692**	1,649,509	1,610,751	**510,184**	476,301
Total assets		**3,503,845**	3,345,258	3,231,498	**1,655,933**	1,636,236
EQUITY						
Share capital		**816,770**	816,770	816,770	**816,770**	816,770
Treasury shares		**–**	(1,716)	(1,716)	**–**	(1,716)
Shares held by SGP Trust		**(3,904)**	(4,039)	(12,079)	**(3,904)**	(4,039)
Reserves		**1,716,458**	1,494,401	1,321,248	**836,274**	822,812
Equity attributable to owners of the Company	15	**2,529,324**	2,305,416	2,124,223	**1,649,140**	1,633,827
Non-controlling interests		**99**	135	172	**–**	–
Total equity		**2,529,423**	2,305,551	2,124,395	**1,649,140**	1,633,827
LIABILITIES						
Loans and borrowings	16	**95,909**	115,153	181,639	**–**	–
Employee benefits	17	**49,511**	40,176	38,070	**–**	–
Deferred tax liabilities	10	**33,994**	28,716	29,944	**–**	–
Total non-current liabilities		**179,414**	184,045	249,653	**–**	–
Provisions	18	**–**	–	7,405	**–**	–
Trade and other payables	19	**719,001**	627,230	637,020	**4,577**	858
Loans and borrowings	16	**27,402**	220,371	197,458	**–**	–
Current tax liabilities		**48,469**	7,921	14,020	**2,216**	1,551
Derivative financial liabilities	13	**136**	140	1,547	**–**	–
Total current liabilities		**795,008**	855,662	857,450	**6,793**	2,409
Total liabilities		**974,422**	1,039,707	1,107,103	**6,793**	2,409
Total equity and liabilities		**3,503,845**	3,345,258	3,231,498	**1,655,933**	1,636,236

The notes on pages 146 to 210 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS

for the financial year ended 30 September 2019

	Note	Group 2019 RM'000	Group 2018 RM'000 Restated	Company 2019 RM'000	Company 2018 RM'000
Revenue	20	**4,077,138**	3,870,954	**216,953**	437,918
Cost of sales		**(2,810,372)**	(2,721,272)	**–**	–
Gross profit		**1,266,766**	1,149,682	**216,953**	437,918
Other income		**16,184**	18,076	**90**	1,042
Distribution expenses		**(350,497)**	(342,528)	**–**	–
Marketing expenses		**(272,958)**	(261,360)	**–**	–
Administrative expenses		**(128,007)**	(125,494)	**(3,785)**	(2,788)
Other expenses		**(11,044)**	(16,721)	**(33)**	(510)
Operating profit		**520,444**	421,655	**213,225**	435,662
Finance income	21	**15,223**	16,047	**28,998**	18,009
Finance costs	22	**(4,555)**	(15,571)	**–**	–
Net finance income		**10,668**	476	**28,998**	18,009
Share of profit of equity-accounted associate, net of tax	8	**9,139**	8,571	**–**	–
Share of loss of equity-accounted joint venture, net of tax	9	**(7,295)**	(6,558)	**–**	–
Profit before tax		**532,956**	424,144	**242,223**	453,671
Tax expense	23	**(122,732)**	(37,633)	**(12,946)**	(3,885)
Profit for the year	24	**410,224**	386,511	**229,277**	449,786
Profit for the year attributable to:					
Owners of the Company		**410,260**	386,548	**229,277**	449,786
Non-controlling interests		**(36)**	(37)	**–**	–
		410,224	386,511	**229,277**	449,786
Basic earnings per ordinary share (sen)	26	**111.9**	105.3		
Diluted earnings per ordinary share (sen)	26	**111.6**	104.9		

The notes on pages 146 to 210 are an integral part of these financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

for the financial year ended 30 September 2019

	Note	Group 2019 RM'000	Group 2018 RM'000 Restated	Company 2019 RM'000	Company 2018 RM'000
Profit for the year		**410,224**	386,511	**229,277**	449,786
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability	25	**(5,540)**	352	**–**	–
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations	25	**35,155**	1,505	**–**	–
Other comprehensive income for the year, net of tax		**29,615**	1,857	**–**	–
Total comprehensive income for the year		**439,839**	388,368	**229,277**	449,786
Total comprehensive income attributable to:					
Owners of the Company		**439,875**	388,405	**229,277**	449,786
Non-controlling interests		**(36)**	(37)	**–**	–
		439,839	388,368	**229,277**	449,786

The notes on pages 146 to 210 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 September 2019

		Attributable to owners of the Company										
		Non-distributable							Distributable			
Group	Note	Share capital (Note 15(A)) RM'000	Treasury shares (Note 15(B)) RM'000	Shares held by SGP Trust (Note 15(C)) RM'000	Loss on purchase of shares for SGP (Note 15(E)) RM'000	Translation reserve RM'000	Share-based payment reserve RM'000	Legal reserve (Note 15(F)) RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 October 2018, as previously stated		816,770	(1,716)	(4,039)	(6,066)	87,415	16,423	9,934	1,393,615	2,312,336	135	2,312,471
Adjustment on initial application of MFRS 15, net of tax	34	–	–	–	–	–	–	–	(6,920)	(6,920)	–	(6,920)
Adjustment on initial application of MFRS 9, net of tax	34	–	–	–	–	–	–	–	(2,003)	(2,003)	–	(2,003)
At 1 October 2018, restated		816,770	(1,716)	(4,039)	(6,066)	87,415	16,423	9,934	1,384,692	2,303,413	135	2,303,548
Remeasurement of defined benefit liability	25	–	–	–	–	–	–	–	(5,540)	(5,540)	–	(5,540)
Foreign currency translation differences for foreign operations	25	–	–	–	–	35,155	–	–	–	35,155	–	35,155
Total other comprehensive income for the year		–	–	–	–	35,155	–	–	(5,540)	29,615	–	29,615
Profit for the year		–	–	–	–	–	–	–	410,260	410,260	(36)	410,224
Total comprehensive income for the year		–	–	–	–	35,155	–	–	404,720	439,875	(36)	439,839
Contributions by and distributions to owners of the Company												
– Shares granted under SGP		–	–	–	–	–	1,957	–	–	1,957	–	1,957
– Shares vested under SGP		–	–	6,874	(1,185)	–	(5,689)	–	–	–	–	–
– Purchase of shares by SGP Trust		–	–	(5,023)	–	–	–	–	–	(5,023)	–	(5,023)
– Transfer of treasury shares		–	1,716	(1,716)	–	–	–	–	–	–	–	–
– Dividends to owners of the Company	27	–	–	–	–	–	–	–	(210,898)	(210,898)	–	(210,898)
Total transactions with owners of the Company		–	1,716	135	(1,185)	–	(3,732)	–	(210,898)	(213,964)	–	(213,964)
At 30 September 2019		816,770	–	(3,904)	(7,251)	122,570	12,691	9,934	1,578,514	2,529,324	99	2,529,423

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 30 September 2019

		Attributable to owners of the Company										
		Non-distributable							Distributable			
Group (continued)	Note	Share capital (Note 15(A)) RM'000	Treasury shares (Note 15(B)) RM'000	Shares held by SGP Trust (Note 15(C)) RM'000	Loss on purchase of shares for SGP (Note 15(E)) RM'000	Translation reserve RM'000	Share-based payment reserve RM'000	Legal reserve (Note 15(F)) RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 October 2017, as previously stated		816,770	(1,716)	(12,079)	(2,092)	85,910	16,940	9,934	1,218,891	2,132,558	172	2,132,730
Adjustment on initial application of MFRS 15, net of tax	34	–	–	–	–	–	–	–	(8,335)	(8,335)	–	(8,335)
At 1 October 2017, restated		816,770	(1,716)	(12,079)	(2,092)	85,910	16,940	9,934	1,210,556	2,124,223	172	2,124,395
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		–	–	–	–	–	–	–	386,548	386,548	(37)	386,511
Total comprehensive income for the year		–	–	–	–	1,505	–	–	386,900	388,405	(37)	388,368
Contributions by and distributions to owners of the Company												
– 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, restated		816,770	(1,716)	(4,039)	(6,066)	87,415	16,423	9,934	1,386,695	2,305,416	135	2,305,551

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 30 September 2019

		Attributable to owners of the Company						
		Non-distributable					Distributable	
Company	**Note**	**Share capital (Note 15(A)) RM'000**	**Treasury shares (Note 15(B)) RM'000**	**Shares held by SGP Trust (Note 15(C)) RM'000**	**Loss on purchase of shares for SGP (Note 15(E)) RM'000**	**Share-based payment reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 October 2018		**816,770**	**(1,716)**	**(4,039)**	**(6,066)**	**16,423**	**812,455**	**1,633,827**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**229,277**	**229,277**
Contributions by and distributions to owners of the Company								
– Shares granted under SGP		**–**	**–**	**–**	**–**	**1,957**	**–**	**1,957**
– Shares vested under SGP		**–**	**–**	**6,874**	**(1,185)**	**(5,689)**	**–**	**–**
– Purchase of shares by SGP Trust		**–**	**–**	**(5,023)**	**–**	**–**	**–**	**(5,023)**
– Transfer of treasury shares		**–**	**1,716**	**(1,716)**	**–**	**–**	**–**	**–**
– Dividends to owners of the Company	27	**–**	**–**	**–**	**–**	**–**	**(210,898)**	**(210,898)**
Total transactions with owners of the Company		**–**	**1,716**	**135**	**(1,185)**	**(3,732)**	**(210,898)**	**(213,964)**
At 30 September 2019		**816,770**	**–**	**(3,904)**	**(7,251)**	**12,691**	**830,834**	**1,649,140**
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
Contributions by and distributions to owners of the Company								
– 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

The notes on pages 146 to 210 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 30 September 2019

	Note	Group 2019 RM'000	Group 2018 RM'000 Restated	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities					
Profit before tax		**532,956**	424,144	**242,223**	453,671
Adjustments for:					
Amortisation of intangible assets	6	**2,353**	2,948	**–**	–
Bad debts recovered	24	**(64)**	(35)	**–**	–
Change in fair value of investment properties	4	**–**	(3)	**–**	–
Depreciation of property, plant and equipment	3	**100,065**	88,066	**–**	–
Dividend income	20	**–**	–	**(216,953)**	(437,918)
Finance income	21	**(15,223)**	(16,047)	**(28,998)**	(18,009)
Finance costs	22	**4,555**	15,571	**–**	–
Gain on disposal of intangible assets		**(5)**	–	**–**	–
Impairment loss:					
– Plant and equipment	3	**363**	149	**–**	–
– Trade receivables	29(D)	**511**	491	**–**	–
Inventories written down	12	**3,333**	6,626	**–**	–
Inventories written off	12	**8,485**	4,950	**–**	–
Investment property written off	4	**543**	–	**–**	–
Net fair value loss/(gain) on derivatives	24	**50**	(1,330)	**–**	–
Net loss/(gain) on disposal of plant and equipment	24	**417**	(687)	**–**	–
Net unrealised foreign exchange (gain)/loss	24	**(201)**	428	**18**	(19)
Plant and equipment written off	24	**3,298**	2,534	**–**	–
Employee benefits expense	17	**6,567**	3,842	**–**	–
Reversal of impairment loss:					
– Plant and equipment	3	**(697)**	(2,337)	**–**	–
– Trade receivables	29(D)	**(199)**	(551)	**–**	–
Reversal of inventories written down	12	**(433)**	–	**–**	–
Share-based payment expense	24	**2,275**	7,221	**–**	–
Share of profit of equity-accounted associate, net of tax	8	**(9,139)**	(8,571)	**–**	–
Share of loss of equity-accounted joint venture, net of tax	9	**7,295**	6,558	**–**	–
Operating profit/(loss) before changes in working capital		**647,105**	533,967	**(3,710)**	(2,275)
Changes in working capital:					
Changes in provisions		**–**	(7,405)	**–**	–
Changes in inventories		**(92,624)**	36,988	**–**	–
Changes in trade and other payables		**94,784**	(11,704)	**3,701**	(556)
Changes in trade and other receivables		**2,228**	16,022	**(121,917)**	(165,029)
Cash generated from/(used in) operations		**651,493**	567,868	**(121,926)**	(167,860)
Employee benefits paid	17	**(5,077)**	(1,408)	**–**	–
Tax paid		**(68,805)**	(31,503)	**(12,281)**	(2,957)
Tax refunded		**724**	13,920	**–**	–
Net cash from/(used in) operating activities		**578,335**	548,877	**(134,207)**	(170,817)

STATEMENTS OF CASH FLOWS
for the financial year ended 30 September 2019

	Note	Group 2019 RM'000	Group 2018 RM'000 Restated	Company 2019 RM'000	Company 2018 RM'000
Cash flows from investing activities					
Acquisition of intangible assets	6	**(128)**	(213)	**–**	–
Acquisition of property, plant and equipment	3	**(137,711)**	(181,218)	**–**	–
Dividends received		**3,733**	8,087	**216,953**	437,918
Proceed from cancelling ordinary shares in a subsidiary		**–**	–	**20,000**	–
Interest received		**9,580**	9,735	**28,998**	18,009
Proceeds from disposal of intangible assets		**56**	–	**–**	–
Proceeds from disposal of plant and equipment		**277**	1,428	**–**	–
Net cash (used in)/from investing activities		**(124,193)**	(162,181)	**265,951**	455,927
Cash flows from financing activities					
Dividends paid to owners of the Company	27	**(210,898)**	(210,761)	**(210,898)**	(210,761)
Interest paid		**(7,991)**	(14,920)	**–**	–
Purchase of shares by SGP Trust	15(C)	**(5,023)**	(2,838)	**(5,023)**	(2,838)
Proceeds from loans and borrowings	16	**54,805**	153,537	**–**	–
Repayment of loans and borrowings	16	**(280,162)**	(197,458)	**–**	–
Net cash used in financing activities		**(449,269)**	(272,440)	**(215,921)**	(213,599)
Net increase/(decrease) in cash and cash equivalents		**4,873**	114,256	**(84,177)**	71,511
Effects of exchange rate fluctuations on cash and cash equivalents		**27,754**	(1,597)	**–**	–
Cash and cash equivalents at 1 October 2018/2017		**537,092**	424,433	**124,509**	52,998
Cash and cash equivalents at 30 September		**569,719**	537,092	**40,332**	124,509

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 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash and bank balances	14	**252,980**	185,396	**5,332**	2,209
Short-term deposits	14	**316,739**	351,696	**35,000**	122,300
		569,719	537,092	**40,332**	124,509

The notes on pages 146 to 210 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 2019 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 5 November 2019.

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, interpretations and amendments of the MFRSs 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 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 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- 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*

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

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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*

1. BASIS OF PREPARATION (CONTINUED)

(A) STATEMENT OF COMPLIANCE (CONTINUED)

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

- from the annual period beginning on 1 October 2019 for those accounting standard, interpretation and amendments that are effective for annual periods beginning on or after 1 January 2019.
- from the annual period beginning on 1 October 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

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, interpretations and amendments 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 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.

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

(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 those disclosed in the following notes:

(i) Note 4 – valuation of investment properties

(ii) Note 6 – goodwill and brand

(iii) Note 15(D) – share-based payments

(iv) Note 17 – employee benefits

(v) Note 19 – contract liabilities

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.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

i) financial instruments;

ii) revenue recognition; and

iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 34.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(A) BASIS OF CONSOLIDATION (CONTINUED)

(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 a financial asset depending on the level of influence retained.

(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 Cocoaland 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 2019. 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 the 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 investment includes transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(A) BASIS OF CONSOLIDATION (CONTINUED)

(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 joint control commences until the date that joint control 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.

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 joint control over a joint venture, any retained interest in the former joint venture at the date when joint control 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.

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(A) BASIS OF CONSOLIDATION (CONTINUED)

(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.

(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 which 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 equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL INSTRUMENTS

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial 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.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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.

Previous financial year

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

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(K)(i)) where the effective interest rate is applied to the amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Current financial year (continued)

(b) Fair value through profit or loss

All financial assets not measured at amortised cost as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

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

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

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

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

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

Other financial assets categorised as fair value through profit or loss were 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 were not quoted in an active market were classified as loans and receivables.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

(a) 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), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

– if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

– a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

– if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL INSTRUMENTS (CONTINUED)

(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.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

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

(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 transferred, 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 of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(i) Recognition and measurement (continued)

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.

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

* Comprise 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) LEASED ASSETS (CONTINUED)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 changes 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(K) IMPAIRMENT

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience and adjusted for forward-looking factors specific to the trade receivables and the economic environment.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Previous financial year

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) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(K) IMPAIRMENT (CONTINUED)

(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.

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.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(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".

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(ii) State 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 of 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(O) CONTRACT LIABILITIES

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers. Contract liabilities also include trade incentives yet to be paid to customers.

(i) Sale of goods with variable consideration

Some contracts for the sale of goods provide customers with trade incentives. Before adopting MFRS 15, *Revenue from Contracts with Customers*, the Group recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and sales returns. If revenue could not be reliably measured, the Group deferred recognition of revenue until the uncertainty was resolved. Under MFRS 15, sales incentive give rise to variable consideration.

Trade Incentives

Before adoption of MFRS 15, the Group provides incentives to certain customers based on the achievement of the performance criteria stated in the signed incentive guide. Incentives are credited to the customer's account and available for purchase of products. Trade incentive not settled as at the end of a financial year was accounted for as part of trade and other payables in the statement of financial position. Under MFRS 15, trade incentives give rise to variable consideration. To estimate the variable consideration for the expected future incentives, the Group applies the maximum achievement criteria of set targets. The sales thresholds contained in the signed incentive guide primarily drive the selected method that best predicts the amount of variable consideration. The Group then applies the requirements on constraining estimates of variable consideration and recognises a liability for the expected future incentives.

(ii) Advances received from customers

Certain customers pay purchase consideration to the Group before the transfer of goods to the customer. Before the adoption of MFRS 15, the Group presented these advances as part of trade and other payables in the statement of financial position and no interest was accrued on the advances received. Under MFRS 15, the Group concluded that contract liability should be recognised for amount received as advances from customer for which goods are yet to be transferred.

(P) REVENUE AND OTHER INCOME

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

- the customer simultaneously receives and consumes the benefits provided as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(ii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(P) REVENUE AND OTHER INCOME (CONTINUED)

(iii) Dividend income

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

(iv) 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.

(Q) 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.

(R) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(S) 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.

(T) 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 segment 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.

(U) 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

Group	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
Cost								
At 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 movements in exchange rates		236	–	1,926	3,244	503	374	6,283
At 30 September 2018/ 1 October 2018		**96,353**	**79,487**	**549,519**	**1,069,191**	**106,833**	**296,956**	**2,198,339**
Additions		**–**	**–**	**–**	**1,009**	**134,236**	**2,466**	**137,711**
Transfer to intangible assets	6	**–**	**–**	**–**	**–**	**(589)**	**(321)**	**(910)**
Disposals		**–**	**–**	**(10)**	**(612)**	**–**	**(7,278)**	**(7,900)**
Written off		**–**	**–**	**–**	**(9,975)**	**(2,842)**	**(9,168)**	**(21,985)**
Reclassifications		**–**	**106**	**14,226**	**102,633**	**(120,138)**	**3,173**	**–**
Effect of movements in exchange rates		**1,537**	**–**	**12,626**	**23,151**	**1,503**	**2,531**	**41,348**
At 30 September 2019		**97,890**	**79,593**	**576,361**	**1,185,397**	**119,003**	**288,359**	**2,346,603**
Accumulated depreciation								
At 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
Reclassifications		–	–	(107)	157	–	(50)	–
Effect of movements in exchange rates		–	–	(444)	(2,013)	–	(242)	(2,699)
At 30 September 2018/ 1 October 2018		**–**	**(12,093)**	**(117,169)**	**(559,414)**	**–**	**(214,823)**	**(903,499)**
Depreciation for the year	24	**–**	**(1,102)**	**(12,208)**	**(62,622)**	**–**	**(24,133)**	**(100,065)**
Transfer to intangible assets	6	**–**	**–**	**–**	**–**	**–**	**277**	**277**
Disposals		**–**	**–**	**3**	**258**	**–**	**6,945**	**7,206**
Written off		**–**	**–**	**–**	**9,937**	**–**	**8,750**	**18,687**
Reclassifications		**–**	**–**	**211**	**(13)**	**–**	**(674)**	**(476)**
Effect of movements in exchange rates		**–**	**–**	**(2,676)**	**(12,730)**	**–**	**(1,687)**	**(17,093)**
At 30 September 2019		**–**	**(13,195)**	**(131,839)**	**(624,584)**	**–**	**(225,345)**	**(994,963)**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (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
Accumulated impairment loss								
At 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
Reclassifications		–	–	2	–	–	(2)	–
Effect of movements in exchange rates		–	–	(14)	12	–	–	(2)
At 30 September 2018/ 1 October 2018		**(2,216)**	**(2,220)**	**(1,430)**	**(6,380)**	**–**	**(915)**	**(13,161)**
Impairment loss	24	**–**	**–**	**–**	**(320)**	**–**	**(43)**	**(363)**
Reversal of impairment loss	24	**–**	**–**	**1**	**230**	**–**	**466**	**697**
Reclassifications		**–**	**–**	**(2)**	**408**	**–**	**70**	**476**
Effect of movements in exchange rates		**–**	**–**	**(88)**	**(21)**	**–**	**–**	**(109)**
At 30 September 2019		**(2,216)**	**(2,220)**	**(1,519)**	**(6,083)**	**–**	**(422)**	**(12,460)**
Carrying amount								
At 1 October 2017		93,901	66,304	428,256	385,952	121,677	97,761	1,193,851
At 30 September 2018/ 1 October 2018		94,137	65,174	430,920	503,397	106,833	81,218	1,281,679
At 30 September 2019		**95,674**	**64,178**	**443,003**	**554,730**	**119,003**	**62,592**	**1,339,180**

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

3.1 An impairment loss of RM363,000 (2018: RM149,000), 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 2019. The reversal of the impairment loss in respect of the plant and equipment of RM697,000 (2018: RM2,337,000) was made during the financial year as those plant and equipment were repaired and refurbished. The carrying amount of the plant and equipment was increased to its recoverable amount of RM697,000 (2018: RM2,337,000).

3.2 Engineering spares and machine consumables amounted to RM5,013,000 were transferred to inventories in the previous financial year.

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

4. INVESTMENT PROPERTIES

	Group 2019 RM'000	2018 RM'000
At fair value – Buildings	**48,775**	49,318
At 1 October 2018/2017	**49,318**	49,315
Change in fair value recognised in profit or loss		
– Unrealised	**–**	3
Written off	**(543)**	–
At 30 September	**48,775**	49,318

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 2019 RM'000	2018 RM'000
Rental income	**402**	742
Direct operating expenses		
– income generating investment properties	**(714)**	(720)
– non-income generating investment properties	**(535)**	(493)

FAIR VALUE INFORMATION

Fair values of investment properties are categorised as follows:

	Group 2019 Level 3 RM'000	2018 Level 3 RM'000
Buildings	**48,775**	49,318

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 2019	2018
Commercial property	Investment approach	Estimated rental value per square feet per month (RM)		
		– 1st to 5th year	**4.00-5.50**	4.00-5.50
		– 6th year onwards	**4.00-5.50**	4.00-5.50
		Capitalisation rate		
		– 1st to 5th year	**–**	–
		– 6th year onwards	**7.25%**	7.25%
		Void factor		
		– 1st to 5th year	**50%**	50%
		– 6th year onwards	**10%**	10%
		Capital expenditure reserve per square feet (RM)	**1.00**	1.00
		Discount factor		
		– 1st to 5th year	**7.00%**	7.00%
		– 6th year onwards	**7.25%**	7.25%
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 2019 RM'000	2018 RM'000
At cost	**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

Group	Note	Goodwill RM'000	Brand RM'000	Computer software RM'000	Total RM'000
Cost					
At 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 2018/1 October 2018		**45,929**	**75,370**	**43,685**	**164,984**
Additions		**–**	**–**	**128**	**128**
Transfer from property, plant and equipment	3	**–**	**–**	**910**	**910**
Disposals		**–**	**–**	**(1,588)**	**(1,588)**
Written off		**–**	**–**	**(14,165)**	**(14,165)**
At 30 September 2019		**45,929**	**75,370**	**28,970**	**150,269**
Accumulated amortisation and impairment loss					
At 1 October 2017					
Accumulated amortisation		–	–	(34,363)	(34,363)
Accumulated impairment loss		(5,392)	–	–	(5,392)
		(5,392)	–	(34,363)	(39,755)
Amortisation for the year	24	–	–	(2,948)	(2,948)
Written off		–	–	8	8
At 30 September 2018/1 October 2018					
Accumulated amortisation		**–**	**–**	**(37,303)**	**(37,303)**
Accumulated impairment loss		**(5,392)**	**–**	**–**	**(5,392)**
		(5,392)	**–**	**(37,303)**	**(42,695)**
Amortisation for the year	24	**–**	**–**	**(2,353)**	**(2,353)**
Disposals		**–**	**–**	**1,537**	**1,537**
Written off		**–**	**–**	**14,165**	**14,165**
Transfer from property, plant and equipment	3	**–**	**–**	**(277)**	**(277)**
At 30 September 2019					
Accumulated amortisation		**–**	**–**	**(24,231)**	**(24,231)**
Accumulated impairment loss		**(5,392)**	**–**	**–**	**(5,392)**
		(5,392)	**–**	**(24,231)**	**(29,623)**
Carrying amount					
At 1 October 2017		40,537	75,370	6,311	122,218
At 30 September 2018/1 October 2018		40,537	75,370	6,382	122,289
At 30 September 2019		**40,537**	**75,370**	**4,739**	**120,646**

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:

Group	Goodwill RM'000	Brand RM'000	Computer software RM'000	Total RM'000
At 30 September 2019				
Dairy products				
– Malaysia	**–**	**75,370**	**64**	**75,434**
– Thailand	**999**	**–**	**–**	**999**
Soft drinks				
– Malaysia	**39,538**	**–**	**1,458**	**40,996**
Property/Others	**–**	**–**	**3,217**	**3,217**
	40,537	**75,370**	**4,739**	**120,646**
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

(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 (i.e. three-year) are extrapolated using the estimated growth rate stated in the table below:

	Terminal growth rate	Average annual growth rate	Pre-tax discount rate
At 30 September 2019			
Dairy products	**1.0%**	**7.9%**	**8.8%**
Soft drinks	**0.0%**	**8.4%**	**9.8%**
At 30 September 2018			
Dairy products	1.0%	4.0%	8.3%
Soft drinks	0.0%	7.0%	9.5%

(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 three-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 2019	**1.0%**	**1.0%**	**9.8%**
At 30 September 2018	1.0%	1.0%	9.5%

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

(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.

7. INVESTMENTS IN SUBSIDIARIES

	Company 2019 RM'000	2018 RM'000
At cost		
Unquoted shares:		
– Ordinary shares	**353,201**	373,201
– Redeemable non-cumulative convertible preference shares ("RNCCPS")	**565,404**	565,404
	918,605	938,605
Less: Impairment loss	**(7,182)**	(7,182)
	911,423	931,423

During the financial year,

(a) A wholly owned subsidiary of the Company, F&N Dairies (Malaysia) Sdn Bhd had reduced its issued and paid up capital of RM20,000,000 to RM2 by cancelling 19,999,998 ordinary shares, and that the credit of RM19,999,998 arising therefrom was distributed to the Company as capital repayment.

(b) A wholly owned subsidiary of the Company, Wimanis Sdn Bhd had held a final meeting on 8 July 2019 pursuant to its members' voluntary winding up. It was dissolved in accordance with Section 459(5) of the Companies Act 2016 on 7 October 2019.

(c) On 13 August 2019, the Company had incorporated F&N AgriValley Sdn Bhd (formerly known as Rimba Perkasa Sdn Bhd) under the Companies Act 2016 for a total cash consideration of RM100 comprising 100 ordinary shares. It had not commenced operations since its incorporation.

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

	Issue price RM	Number of shares	2019 RM'000	2018 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 (%) 2019	2018
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

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country of incorporation and place of business	Principal activities	Effective ownership and voting interest (%) 2019	2018
Subsidiaries of Fraser & Neave Holdings Bhd (continued)				
Lion Share Management Limited	British Virgin Islands	Brand owner	**100**	100
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
Tropical League Sdn Bhd	Malaysia	Property development	**100**	100
Nuvak Company Sdn Bhd	Malaysia	Property development	**100**	100
Utas Mutiara Sdn Bhd	Malaysia	Property investment holding	**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	Malaysia	Inactive	**100**	100
F&N AgriValley Sdn Bhd (formerly known as Rimba Perkasa Sdn Bhd)	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 other member firms of KPMG PLT.

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

8. INVESTMENT IN AN ASSOCIATE

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
At cost				
Quoted shares	**68,727**	68,727	**68,727**	68,727
Share of post-acquisition reserves	**65,295**	56,156	**–**	–
Dividends received	**(44,364)**	(40,631)	**–**	–
	89,658	84,252	**68,727**	68,727

8. INVESTMENT IN AN ASSOCIATE (CONTINUED)

	Group and Company	
	2019 RM'000	2018 RM'000
Market value		
Quoted shares	**120,690**	133,755

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 (%)	
		2019	2018
Cocoaland Holdings Berhad ("CHB") (Financial year end: 31 December)	Investment holding company, manufacturing, trading and 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 2019. 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 2019 to 30 September 2019 (2018: 30 June 2018 to 30 September 2018) are not expected to be material.

The following table summarises the information of 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	
	2019 RM'000	2018 RM'000
Summarised financial information		
As at 30 September		
Non-current assets	**102,030**	111,245
Current assets	**198,113**	172,412
Non-current liabilities	**(6,690)**	(7,820)
Current liabilities	**(30,487)**	(32,753)
Net assets	**262,966**	243,084
Year ended 30 September		
Revenue	**251,105**	266,983
Profit for the year	**33,611**	31,521
Reconciliation of net assets to carrying amount as at 30 September		
Group's share of net assets	**71,500**	66,094
Goodwill	**18,158**	18,158
Carrying amount in the statement of financial position	**89,658**	84,252
Group's share of profit for the year	**9,139**	8,571
Capital commitments		
Share of associate's capital commitments incurred jointly with other investors:		
– Amounts approved and contracted for purchase of property, plant and equipment	**3,387**	216
– Amounts approved but not contracted for purchase of property, plant and equipment	**2,066**	–

9. INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At cost				
Unquoted shares	**500**	500	**500**	500
Share of post-acquisition reserves	**(22,694)**	(15,399)	**–**	–
	(22,194)	(14,899)	**500**	500
Shareholder's loan	**126,820**	126,820	**126,820**	126,820
Interest on shareholder's loan	**38,279**	32,465	**38,279**	32,465
	142,905	144,386	**165,599**	159,785
Less: Unrealised profit	**(55,292)**	(55,292)	**–**	–
	87,613	89,094	**165,599**	159,785

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 (%) 2019	2018
Vacaron Company Sdn Bhd ("VCSB") (Financial year end: 30 September)	Property development/Strategic to the property development activities of the Group	**50.00**	50.00

The 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	
	2019 RM'000	2018 RM'000
Summarised financial information		
As at 30 September		
Non-current assets	**30**	2,708
Current assets	**286,169**	286,428
Current liabilities	**(330,606)**	(318,954)
Year ended 30 September		
Revenue	**–**	–
Loss for the year	**(14,589)**	(13,117)
Reconciliation of net liabilities to carrying amount as at 30 September		
Group's share of net liabilities	**(22,203)**	(14,908)
Goodwill	**9**	9
Shareholder's loan	**126,820**	126,820
Interest on shareholder's loan	**38,279**	32,465
Elimination of unrealised profit	**(55,292)**	(55,292)
Carrying amount in the statement of financial position	**87,613**	89,094
Group's share of loss for the year	**(7,295)**	(6,558)

The joint venture had no other contingent liabilities or capital commitments as at 30 September 2019 and 2018. VCSB cannot distribute its profits without the consent from the two venture partners.

9. INVESTMENT IN A JOINT VENTURE (CONTINUED)

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 had both granted shareholders' loans to VCSB pursuant to the SSA. The loans were unsecured, borne interest at KLIBOR + 1.25% (2018: KLIBOR + 1.25%) per annum, not repayable within the next 12 months and were denominated in RM.

On 2 October 2019, the shareholder's loan was converted to 126,820 RNCCPS at issue price of RM1,000 each.

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	
Group	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Property, plant and equipment	**228**	213	**(78,002)**	(67,226)	**(77,774)**	(67,013)
Investment properties	**–**	109	**(813)**	(813)	**(813)**	(704)
Employee benefit plans	**9,368**	6,587	**–**	–	**9,368**	6,587
Tax loss carry-forwards and unutilised capital allowances	**7,803**	4,561	**–**	–	**7,803**	4,561
Unutilised tax incentives	**29,169**	35,635	**–**	–	**29,169**	35,635
Provisions, contract liabilities and others	**4,487**	5,288	**–**	–	**4,487**	5,288
Tax assets/(liabilities)	**51,055**	52,393	**(78,815)**	(68,039)	**(27,760)**	(15,646)
Set off of tax	**(44,821)**	(39,323)	**44,821**	39,323	**–**	–
Net tax assets/(liabilities)	**6,234**	13,070	**(33,994)**	(28,716)	**(27,760)**	(15,646)

UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2019 RM'000	**2018 RM'000**
Unutilised reinvestment allowances	**80,122**	80,122
Unutilised capital allowances	**6,220**	6,220
Tax loss carry-forwards	**3,251**	3,251
	89,593	89,593

10. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE FINANCIAL YEAR

Group	At 1 October 2017 RM'000	Recognised in profit or loss (Note 23) RM'000	Recognised in other comprehensive income (Note 23) RM'000	Exchange differences RM'000	At 30 September 2018/ 1 October 2018 RM'000	Recognised in profit or loss (Note 23) RM'000	Recognised in other comprehensive income (Note 23) RM'000	Exchange differences RM'000	At 30 September 2019 RM'000
Property, plant and equipment	(66,466)	(551)	–	4	**(67,013)**	**(10,776)**	**–**	**15**	**(77,774)**
Investment properties	(1,291)	587	–	–	**(704)**	**(109)**	**–**	**–**	**(813)**
Employee benefit plans	5,799	870	(111)	29	**6,587**	**894**	**1,714**	**173**	**9,368**
Tax loss carry-forwards and unutilised capital allowances (Note 10.1)	8,328	(3,740)	–	(27)	**4,561**	**3,152**	**–**	**90**	**7,803**
Unutilised tax incentives	44,439	(8,804)	–	–	**35,635**	**(6,466)**	**–**	**–**	**29,169**
Provisions, contract liabilities and others	4,973	285	–	30	**5,288**	**(950)**	**–**	**149**	**4,487**
	(4,218)	(11,353)	(111)	36	**(15,646)**	**(14,255)**	**1,714**	**427**	**(27,760)**

10.1 In the previous financial year, a subsidiary of the Company, F&N Dairies (Thailand) Limited had utilised the tax loss carry-forwards as the tax incentives granted by the Thailand Board of Investment had been fully utilised.

11. TRADE AND OTHER RECEIVABLES

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Current					
Trade receivables from contracts with customers		**427,963**	446,861	**–**	–
Less: Allowance for impairment losses		**(2,587)**	(503)	**–**	–
		425,376	446,358	**–**	–
Other receivables					
– Prepayments		**5,241**	4,544	**–**	–
– Deposits		**4,897**	5,755	**–**	–
– Staff loans		**3,476**	5,533	**–**	–
– Sales tax refund receivable		**1,879**	4,505	**–**	–
– Sundry debtors		**51,610**	6,056	**–**	–
– Other tax recoverable		**21,246**	34,804	**–**	–
– Interest		**626**	813	**–**	–
– Other receivables		**1,101**	1,139	**86**	147
		90,076	63,149	**86**	147
Amounts due from related parties					
– Subsidiaries	11.1	**–**	–	**469,762**	351,641
– Related companies	11.2	**77,255**	87,078	**–**	–
– Joint venture	11.3	**32**	10	**–**	–
– Associate	11.4	**4**	4	**4**	4
– Other related parties	11.5	**7,253**	8,045	**–**	–
		84,544	95,137	**469,766**	351,645
		599,996	604,644	**469,852**	351,792

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

11.1 The amounts due from subsidiaries are non-trade in nature, unsecured, receivable on demand and interest free, except for loan portion of RM465,318,000 (2018: RM348,318,000) which bears interest at KLIBOR + 1.25% (2018: KLIBOR + 1.25%) per annum.

11.2 The amounts due from related companies are trade in nature, except for non-trade portion of RM16,974,000 (2018: RM12,028,000). Non-trade 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, Berli Jucker Public Company Limited ("BJC"), Frasers Property Limited, TCC Land Co., Ltd. and TCC Corporation Limited.

11.3 The amounts due from a joint venture are trade in nature, unsecured, interest free and subject to negotiated trade term.

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, interest free and subject to negotiated trade term. Other related parties refer to the subsidiaries or associates of Permodalan Nasional Berhad ("PNB") (Note 33).

12. INVENTORIES

	Note	Group 2019 RM'000	2018 RM'000
Finished goods		**243,425**	185,664
Raw materials		**275,922**	252,206
Packaging materials		**43,473**	45,679
Other inventories	12.1	**15,584**	13,616
		578,404	497,165
Recognised in profit or loss			
Inventories recognised as cost of sales		**2,433,639**	2,390,855
Inventories written off	24	**8,485**	4,950
Inventories written down	24	**3,333**	6,626
Reversal of inventories written down	24	**(433)**	–

12.1 Other inventories comprise engineering spares and machine consumables.

13. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	2019			2018		
Group	**Nominal value '000**	**Assets RM'000**	**Liabilities RM'000**	**Nominal value '000**	**Assets RM'000**	**Liabilities RM'000**
Forward foreign exchange contracts (less than 1 year)						
– USD	**2,400**	**6**	**(55)**	3,536	51	(118)
– AUD	**2,042**	**–**	**(81)**	1,420	9	(22)
		6	**(136)**		60	(140)

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	**252,980**	185,396	**5,332**	2,209
Short-term deposits	**316,739**	351,696	**35,000**	122,300
	569,719	537,092	**40,332**	124,509

15. CAPITAL AND RESERVES

(A) SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares	**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.

In the previous financial year, the issued and paid-up capital comprised 366,778,501 ordinary shares of which 237,100 of the ordinary shares were held as treasury shares.

(B) TREASURY SHARES

	Group and Company			
	2019		2018	
	Number of shares '000	RM'000	Number of shares '000	RM'000
At 1 October 2018/2017	**237**	**1,716**	237	1,716
Transfer to Shares held by SGP Trust (Note 15(C))	**(237)**	**(1,716)**	–	–
As 30 September	**–**	**–**	237	1,716

The shares repurchased were being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

15. CAPITAL AND RESERVES (CONTINUED)

(C) SHARES HELD BY SGP TRUST

	Group and Company			
	2019		2018	
	Number of shares '000	RM'000	Number of shares '000	RM'000
At 1 October 2018/2017	**131**	**4,039**	468	12,079
Acquired	**147**	**5,023**	83	2,838
Transfer from treasury shares (Note 15(B))	**237**	**1,716**	–	–
Reissued pursuant to SGP	**(311)**	**(6,874)**	(420)	(10,878)
	204	**3,904**	131	4,039

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 current and previous financial year are as follows:

	Share price (RM)				
	Lowest	Highest	Average	Number of shares '000	Total consideration RM'000
2019	**33.28**	**34.60**	**34.12**	**147**	**5,023**
2018	32.49	37.53	34.20	83	2,838

(D) 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.

15. CAPITAL AND RESERVES (CONTINUED)

(D) 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					
	At 1.10.2018/ grant date	Adjustment for achievement factor	Vested	* Forfeited	At 30.9.2019	Vesting period
RSP 2015 (15.1.2015)	**98,900**	**–**	**(93,800)**	**(5,100)**	**–**	31.12.2016–31.12.2018
RSP 2016 (5.1.2016)	**181,350**	**–**	**(87,500)**	**(11,275)**	**82,575**	31.12.2017–31.12.2019
RSP 2017 (22.12.2016)	**464,600**	**(180,740)**	**(129,700)**	**(24,460)**	**129,700**	31.12.2018–31.12.2020
RSP 2018 (22.12.2017)	**469,900**	**(154,400)**	**–**	**(37,000)**	**278,500**	31.12.2019–31.12.2021
RSP 2019 (21.12.2018)	**371,700**	**–**	**–**	**(14,400)**	**357,300**	31.12.2020–31.12.2022
	1,586,450	**(335,140)**	**(311,000)**	**(92,235)**	**848,075**	

* 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 financial year ranges from RM15.51 to RM21.43. 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			
	2019	2018	2017	2016
Dividend yield (%)	**2.34**	2.72	3.34	3.62
Expected volatility (%)	**16.35**	11.56	12.67	8.36
Risk-free interest rate (%)	**3.56-3.80**	3.21-3.59	3.58-3.87	2.98-3.52
Expected term (years)	**2.03-4.03**	2.02-4.03	2.02-4.03	1.99-3.99
Share price at date of grant (RM)	**31.34**	26.38	22.86	18.50

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 2019, no shares were granted under the PSP.

15. CAPITAL AND RESERVES (CONTINUED)

(E) LOSS ON PURCHASE OF SHARES FOR SGP

Upon vesting of share awards, there will be a difference between total purchase price paid by SGP Trust (Note 15(C)) 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".

(F) LEGAL RESERVE

Non-distributable legal reserve amounting to RM9,934,000 (2018: 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 2019 RM'000	2018 RM'000
Non-current			
Term loan – unsecured	Thai Baht ("THB")	**95,909**	115,153
Current			
Medium Term Note ("MTN") – unsecured	RM	**–**	150,000
Term loan – unsecured	THB	**27,402**	70,371
		27,402	220,371
		123,311	335,524

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

The Issuer had on 7 October 2013 issued MTN of RM150,000,000 with a tenure of five (5) years from the issue date. This MTN with interest rate of 4.24% per annum was fully repaid during the current financial year.

As at 30 September 2019, the unutilised CP/MTN facility available for use amounted to RM1,500,000,000 (2018: RM1,350,000,000).

TERM LOAN OF THB1,000,000,000

On 1 December 2015 and 6 June 2018, a subsidiary of the Company, F&N Dairies (Thailand) Limited ("FNDT"), was granted term loans of THB1,000,000,000 each with the tenure of three (3) years from the issued date and interest rates of 2.35% and 2.44% per annum respectively. As at 30 September 2019, the outstanding balance for the term loans amounted to THB900,000,000 (2018: THB1,250,000,000).

On 7 June 2018 and 10 January 2019, FNDT was granted short-term loans of THB200,000,000 and THB400,000,000 with the tenure of six (6) months and interest rates of 1.83% and 2.20% per annum respectively. These term loans were repaid during the current financial year and there is no outstanding balance as at 30 September 2019.

16. LOANS AND BORROWINGS (CONTINUED)

RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

Group	At 1 October 2018 RM'000	Repayment during the year RM'000	Additions during the year RM'000	Foreign exchange movement RM'000	At 30 September 2019 RM'000
MTN	**150,000**	**(150,000)**	**–**	**–**	**–**
Term loan	**185,524**	**(130,162)**	**54,805**	**13,144**	**123,311**
	335,524	**(280,162)**	**54,805**	**13,144**	**123,311**

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.

	Note	Group 2019 RM'000	2018 RM'000
Balance at 1 October 2018/2017		**40,176**	38,070
Included in profit or loss			
Current service cost		**2,404**	2,459
Past service cost/(credit)		**2,667**	(171)
Interest cost		**1,496**	1,554
	24	**6,567**	3,842
Included in other comprehensive income			
Remeasurement loss/(gain)			
– Actuarial loss/(gain) arising from:			
– demographic assumptions		**224**	–
– financial assumptions		**5,667**	(193)
– experience adjustments		**1,363**	(270)
Effect of movements in exchange rates		**898**	135
		8,152	(328)
Others			
Benefits paid		**(5,077)**	(1,408)
Transfers		**(307)**	–
		(5,384)	(1,408)
Balance at 30 September		**49,511**	40,176

17. EMPLOYEE BENEFITS (CONTINUED)

	Note	Group 2019 RM'000	2018 RM'000
Principal actuarial assumptions used			
Discount rate (%)		**1.34-4.50**	2.50-5.20
Rate of increase in salaries (%)		**4.00-7.00**	4.00-7.00
Mortality rate (%)		**0.03-0.44**	0.03-0.67
Disability rate (%)		**0.00-0.04**	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 11 years (2018: 10 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.

Group	Discount rate 1% increase RM'000	Discount rate 1% decrease RM'000	Rate of increase in salaries 1% increase RM'000	Rate of increase in salaries 1% decrease RM'000
2019				
(Decrease)/Increase in defined benefit obligation	**(4,199)**	**4,916**	**4,604**	**(4,026)**
2018				
(Decrease)/Increase in defined benefit obligation	(2,840)	3,295	3,323	(2,908)

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

Group	Restructuring costs RM'000
At 1 October 2017	7,405
Provision made	997
Amount utilised	(3,880)
Provision reversed	(4,522)
At 30 September 2018/2019	–

19. TRADE AND OTHER PAYABLES

	Note	Group 2019 RM'000	Group 2018 RM'000 Restated	Company 2019 RM'000	Company 2018 RM'000
Current					
Trade payables		**268,411**	250,386	**–**	–
Other payables					
– Accrued expenses		**51,346**	49,223	**965**	735
– Advertising and promotion		**72,288**	63,301	**–**	–
– Contract liabilities	19.1	**54,420**	43,051	**–**	–
– Deposits	19.2	**22,087**	18,293	**–**	–
– Distributor incentives, discounts and rebates		**39,859**	25,808	**–**	–
– Interest		**1,006**	4,441	**–**	–
– Staff costs		**50,892**	42,937	**–**	–
– Sundry creditors		**49,895**	45,122	**–**	–
– Others		**51,739**	39,862	**–**	–
		393,532	332,038	**965**	735
Amounts due to related parties					
– Subsidiaries	19.3	**–**	–	**3,581**	97
– Related companies	19.4	**46,458**	40,198	**31**	26
– Associate	19.5	**–**	8	**–**	–
– Other related parties	19.6	**10,600**	4,600	**–**	–
		57,058	44,806	**3,612**	123
		719,001	627,230	**4,577**	858

19.1 Certain liabilities arose as a result of the Group's contracts with the customers in line with MFRS 15, *Revenue from Contracts with Customers* as analysed below. These amounts were stated as part of trade and other payables in prior year when revenue was reported under MFRS 118, *Revenue*. Prior year amounts have been regrouped to align with current year presentation. This does not have any impact on the results.

	Group 2019 RM'000	Group 2018 RM'000
Trade incentives	**50,844**	42,118
Customers' down payments	**3,576**	933
	54,420	43,051

19.2 Included in deposits are amounts received from dealers which bear interest at rate of 3.15% (2018: 3.25%) per annum.

19.3 The amounts due to subsidiaries are non-trade in nature, unsecured, repayable on demand and interest free.

19.4 The amounts due to related companies are trade in nature, except for non-trade portion for the Group and the Company amounting to RM19,766,000 (2018: RM15,608,000) and RM31,000 (2018: RM26,000) respectively. Non-trade 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, Frasers Property Limited, Southeast Group Co., Ltd. and TCC Corporation Limited.

19.5 The amount due to an associate in the prior year was trade in nature, unsecured, interest free and subject to negotiated trade term.

19.6 The amounts due to other related parties are trade in nature, except for non-trade portion of RM390,000 (2018: RM Nil). Non-trade amounts are unsecured, repayable on demand and interest free. These parties are related to PNB (Note 33).

20. REVENUE

	Group 2019 RM'000	Group 2018 RM'000 Restated	Company 2019 RM'000	Company 2018 RM'000
Revenue from contracts with customers	**4,076,074**	3,869,943	**–**	–
Other revenue				
Rental income	**1,064**	1,011	**–**	–
Dividend income				
– from subsidiaries	**–**	–	**213,220**	429,831
– from an associate	**–**	–	**3,733**	8,087
	1,064	1,011	**216,953**	437,918
Total revenue	**4,077,138**	3,870,954	**216,953**	437,918

(A) DISAGGREGATION OF REVENUE

Group	F&B Malaysia 2019 RM'000	F&B Malaysia 2018 RM'000	F&B Thailand 2019 RM'000	F&B Thailand 2018 RM'000	Property 2019 RM'000	Property 2018 RM'000	Others 2019 RM'000	Others 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000 Restated
Primary geographical markets										
Malaysia	**1,776,494**	1,769,711	**–**	–	**129**	–	**789**	130	**1,777,412**	1,769,841
Thailand	**–**	–	**1,695,676**	1,426,571	**–**	–	**–**	–	**1,695,676**	1,426,571
Singapore	**233,207**	259,854	**26,844**	22,961	**–**	–	**745**	–	**260,796**	282,815
Cambodia	**–**	–	**94,112**	184,802	**–**	–	**–**	–	**94,112**	184,802
Hong Kong	**37,926**	36,986	**11,698**	11,328	**–**	–	**–**	–	**49,624**	48,314
Laos	**–**	–	**36,902**	30,939	**–**	–	**–**	–	**36,902**	30,939
Philippines	**19,556**	14,546	**11,811**	12,706	**–**	–	**–**	–	**31,367**	27,252
Indonesia	**8,048**	59	**21,169**	14,701	**–**	–	**–**	–	**29,217**	14,760
Brunei	**17,940**	13,080	**–**	–	**–**	–	**–**	–	**17,940**	13,080
Vietnam	**11,165**	10,775	**1,952**	2,765	**–**	–	**–**	–	**13,117**	13,540
Netherlands	**12,254**	15,833	**744**	295	**–**	–	**–**	–	**12,998**	16,128
Others	**48,246**	33,378	**8,621**	8,523	**–**	–	**46**	–	**56,913**	41,901
	2,164,836	2,154,222	**1,909,529**	1,715,591	**129**	–	**1,580**	130	**4,076,074**	3,869,943
Timing and recognition										
At a point in time	**2,164,836**	2,154,222	**1,909,529**	1,715,591	**129**	–	**1,580**	130	**4,076,074**	3,869,943
Revenue from contracts with customers	**2,164,836**	2,154,222	**1,909,529**	1,715,591	**129**	–	**1,580**	130	**4,076,074**	3,869,943
Other revenue	**–**	–	**–**	–	**924**	874	**140**	137	**1,064**	1,011
Total revenue	**2,164,836**	2,154,222	**1,909,529**	1,715,591	**1,053**	874	**1,720**	267	**4,077,138**	3,870,954

20. REVENUE (CONTINUED)

(B) NATURE OF GOODS AND SERVICES

The following information reflects the typical transactions of the Group and the Company:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration
Food and beverages	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period ranging from 30 to 60 days from invoice date.	Trade incentives, discounts, returns and other rebates are awarded to customers as contracted and where relevant, subject to certain terms and conditions.
Dividend income	Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.	Not applicable.	Not applicable.

(C) TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATIONS

The Group applies the practical expedient on exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.

(D) SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS ARISING FROM REVENUE RECOGNITION

The Group estimates the variable consideration for expected future incentives based on maximum achievement criteria of set targets.

21. FINANCE INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income of financial assets calculated using the effective interest method that are:				
– at amortised cost	**15,196**	16,047	**28,998**	18,009
– other finance income	**27**	–	**–**	–
	15,223	16,047	**28,998**	18,009
Recognised in profit or loss	**15,223**	16,047	**28,998**	18,009

22. FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
– bank borrowings	**4,271**	15,405	**–**	–
Other finance costs	**284**	166	**–**	–
	4,555	15,571	**–**	–
Recognised in profit or loss	**4,555**	15,571	**–**	–

23. TAX EXPENSE

RECOGNISED IN PROFIT OR LOSS

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Current tax expense					
Current year		**107,954**	28,700	**12,943**	3,825
Prior years		**523**	(2,420)	**3**	60
		108,477	26,280	**12,946**	3,885
Deferred tax expense	10				
Origination and reversal of temporary differences		**14,946**	16,603	**–**	–
Over provision in prior year		**(691)**	(5,159)	**–**	–
Tax benefits arising from previously unrecognised tax losses		**–**	(91)	**–**	–
		14,255	11,353	**–**	–
Total income tax expense		**122,732**	37,633	**12,946**	3,885
Deferred tax related to items recognised in other comprehensive income	10				
Net actuarial gains or losses		**(1,714)**	111	**–**	–
Reconciliation of tax expense					
Profit before tax		**532,956**	424,144	**242,223**	453,671
Income tax calculated using Malaysian tax rate of 24% (2018: 24%)		**127,909**	101,795	**58,134**	108,881
Effect of tax rates in foreign jurisdictions		**(16,577)**	(12,587)	**–**	–
Tax exempt income		**(53)**	(47,291)	**(52,069)**	(105,329)
Non-deductible expenses		**4,607**	2,553	**378**	273
Recognition of previously unrecognised tax losses		**–**	(91)	**–**	–
Deferred tax assets recognised		**(625)**	(1,050)	**–**	–
(Over)/Under provided in prior years		**(168)**	(7,579)	**3**	60
Foreign withholding tax		**8,081**	2,366	**6,500**	–
Share of profit of equity-accounted associate, net of tax		**(2,193)**	(2,057)	**–**	–
Share of loss of equity-accounted joint venture, net of tax		**1,751**	1,574	**–**	–
Total income tax expense		**122,732**	37,633	**12,946**	3,885
Effective income tax rate		**23%**	9%	**5%**	1%

24. PROFIT FOR THE YEAR

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Profit for the year is arrived at after charging/(crediting):					
Auditors' remunerations:					
– Audit fees		**701**	813	**90**	100
– Non-audit fees		**284**	220	**179**	178
Advertising and promotion expenses		**208,698**	204,459	**–**	–
Amortisation of intangible assets	6	**2,353**	2,948	**–**	–
Bad debts recovered		**(64)**	(35)	**–**	–
Depreciation of property, plant and equipment	3	**100,065**	88,066	**–**	–
Distributor incentives, discounts and rebates		**743,680**	655,276	**–**	–
Impairment loss:					
– Plant and equipment	3	**363**	149	**–**	–
– Trade receivables	29(D)	**511**	491	**–**	–
Inventories written down	12	**3,333**	6,626	**–**	–
Inventories written off	12	**8,485**	4,950	**–**	–
Net fair value loss/(gain) on derivatives		**50**	(1,330)	**–**	–
Net loss/(gain) on disposal of plant and equipment		**417**	(687)	**–**	–
Net realised foreign exchange loss		**1,734**	5,788	**14**	55
Net unrealised foreign exchange (gain)/loss		**(201)**	428	**18**	(19)
Plant and equipment written off		**3,298**	2,534	**–**	–
Rental expense:					
– Premises		**32,646**	30,273	**–**	–
– Equipment		**10,970**	9,970	**–**	–
Rental income from premises		**(1,177)**	(1,149)	**–**	–
Reversal of impairment loss:					
– Plant and equipment	3	**(697)**	(2,337)	**–**	–
– Trade receivables	29(D)	**(199)**	(551)	**–**	–
Reversal of inventories written down	12	**(433)**	–	**–**	–
Royalties:					
– Holding company		**3,221**	5,743	**–**	–
– Related companies		**50,898**	44,666	**–**	–
– Third parties		**91,070**	81,060	**–**	–
Personnel expenses (including compensation of key management personnel)					
– Contributions to state plans		**26,698**	25,186	**–**	–
– Expenses related to defined benefit plans	17	**6,567**	3,842	**–**	–
– Share-based payment expense		**2,275**	7,221	**–**	–
– Wages, salaries and others		**270,184**	261,631	**–**	–
– Restructuring costs charged/(reversed)		**2,109**	(3,525)	**–**	–

25. OTHER COMPREHENSIVE INCOME

Group	2019 Before tax RM'000	2019 Tax benefit RM'000	2019 Net of tax RM'000	2018 Before tax RM'000	2018 Tax expense RM'000	2018 Net of tax RM'000
Items that will not be reclassified subsequently to profit or loss						
Remeasurement of defined benefit liability	**(7,254)**	**1,714**	**(5,540)**	463	(111)	352
Items that are or may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations	**35,155**	**–**	**35,155**	1,505	–	1,505

26. EARNINGS PER ORDINARY SHARE

(A) BASIC EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share at 30 September 2019 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group 2019 RM'000	2018 RM'000 Restated
Profit for the year attributable to owners of the Company	**410,260**	386,548

	2019 '000	2018 '000
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust	**366,735**	367,242
Basic earnings per ordinary share (sen)	**111.9**	105.3

26. EARNINGS PER ORDINARY SHARE (CONTINUED)

(B) DILUTED EARNINGS PER ORDINARY SHARE

The calculation of diluted earnings per ordinary share at 30 September 2019 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2019 RM'000	**2018 RM'000 Restated**
Profit for the year attributable to owners of the Company	**410,260**	386,548

	2019 '000	**2018 '000**
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust	**366,735**	367,242
Adjustment pursuant to the SGP	**840**	1,215
Adjusted weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust	**367,575**	368,457
Diluted earnings per ordinary share (sen)	**111.6**	104.9

27. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	**Total amount RM'000**	**Date of payment**
2019			
Final 2018 ordinary	30.5	**111,867**	15 February 2019
Interim 2019 ordinary	27.0	**99,031**	13 June 2019
		210,898	
2018			
Final 2017 ordinary	30.5	111,795	9 February 2018
Interim 2018 ordinary	27.0	98,966	7 June 2018
		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 2019 ordinary	33.0	**121,037**

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 2019	Note	F&B Malaysia RM'000	F&B Thailand RM'000	Property RM'000	Others RM'000	Total RM'000
Revenue						
Total revenue		2,164,836	1,924,557	3,337	95,398	4,188,128
Inter-segment		–	(15,028)	(2,284)	(93,678)	(110,990)
External		2,164,836	1,909,529	1,053	1,720	4,077,138
Results						
Operating profit/(loss)		161,059	361,955	(142)	(2,428)	520,444
Finance income	28.1	–	–	–	–	15,223
Finance costs	28.1	–	–	–	–	(4,555)
Share of profit of equity-accounted associate, net of tax		–	–	–	9,139	9,139
Share of loss of equity-accounted joint venture, net of tax		–	–	(7,295)	–	(7,295)
Income tax expense	28.1	–	–	–	–	(122,732)
Profit for the year						410,224
Other information						
Segment assets		1,792,899	822,398	116,656	11,101	2,743,054
Investment in an associate		–	–	–	89,658	89,658
Investment in a joint venture		–	–	87,613	–	87,613
Deferred tax assets	28.1	–	–	–	–	6,234
Current tax assets	28.1	–	–	–	–	7,567
Cash and cash equivalents	28.1	–	–	–	–	569,719
Total assets						3,503,845
Segment liabilities		427,495	336,858	810	3,485	768,648
Loans and borrowings	28.1	–	–	–	–	123,311
Deferred tax liabilities	28.1	–	–	–	–	33,994
Current tax liabilities	28.1	–	–	–	–	48,469
Total liabilities						974,422
Others						
Purchase of property, plant and equipment and intangible assets		91,138	46,488	–	213	137,839
Depreciation of property, plant and equipment and amortisation of intangible assets		74,137	27,300	306	675	102,418

28. OPERATING SEGMENTS (CONTINUED)

Financial year ended 30 September 2018 (Restated)	Note	F&B Malaysia RM'000	F&B Thailand RM'000	Property RM'000	Others RM'000	Total RM'000
Revenue						
Total revenue		2,154,248	1,727,286	3,281	90,155	3,974,970
Inter-segment		(26)	(11,695)	(2,407)	(89,888)	(104,016)
External		2,154,222	1,715,591	874	267	3,870,954
Results						
Operating profit/(loss)		168,149	257,973	463	(4,930)	421,655
Finance income	28.1	–	–	–	–	16,047
Finance costs	28.1	–	–	–	–	(15,571)
Share of profit of equity-accounted associate, net of tax		–	–	–	8,571	8,571
Share of loss of equity-accounted joint venture, net of tax		–	–	(6,558)	–	(6,558)
Income tax expense	28.1	–	–	–	–	(37,633)
Profit for the year						386,511
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		360,340	301,323	814	5,069	667,546
Loans and borrowings	28.1	–	–	–	–	335,524
Deferred tax liabilities	28.1	–	–	–	–	28,716
Current tax liabilities	28.1	–	–	–	–	7,921
Total liabilities						1,039,707
Others						
Purchase of property, plant and equipment and intangible assets		155,747	25,403	–	281	181,431
Depreciation of property, plant and equipment and amortisation of intangible assets		65,401	24,550	310	753	91,014

28.1 Group financing (including finance costs), tax expense, 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.

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	
	2019 RM'000	**2018 RM'000 Restated**	**2019 RM'000**	**2018 RM'000**
Malaysia	**1,778,476**	1,770,852	**1,116,552**	1,104,627
Thailand	**1,695,676**	1,426,571	**372,726**	329,336
Singapore	**260,796**	282,815	**–**	–
Cambodia	**94,112**	184,802	**–**	–
Hong Kong	**49,624**	48,314	**–**	–
Laos	**36,902**	30,939	**–**	–
Philippines	**31,367**	27,252	**–**	–
Indonesia	**29,217**	14,760	**–**	–
Brunei	**17,940**	13,080	**–**	–
Vietnam	**13,117**	13,540	**–**	–
Netherlands	**12,998**	16,128	**–**	–
Others	**56,913**	41,901	**75,370**	75,370
	4,077,138	3,870,954	**1,564,648**	1,509,333

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

	Group	
	2019 RM'000	**2018 RM'000**
Property, plant and equipment	**1,339,180**	1,281,679
Investment properties	**48,775**	49,318
Properties held for development	**56,047**	56,047
Intangible assets	**120,646**	122,289
	1,564,648	1,509,333

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 2019 and 2018.

29. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments as at 30 September 2019 categorised as follows:

(i) Fair value through profit or loss ("FVTPL") – Mandatorily required by MFRS 9; and

(ii) Amortised cost ("AC").

2019	Note	Carrying amount RM'000	FVTPL RM'000	AC RM'000
Financial assets				
Group				
Trade and other receivables	29.1	**566,733**	**–**	**566,733**
Derivative financial assets	13	**6**	**6**	**–**
Cash and cash equivalents	14	**569,719**	**–**	**569,719**
		1,136,458	**6**	**1,136,452**
Company				
Other receivables	11	**469,852**	**–**	**469,852**
Cash and cash equivalents	14	**40,332**	**–**	**40,332**
		510,184	**–**	**510,184**
Financial liabilities				
Group				
Trade and other payables	29.2	**662,050**	**–**	**662,050**
Derivative financial liabilities	13	**136**	**136**	**–**
Loans and borrowings	16	**123,311**	**–**	**123,311**
		785,497	**136**	**785,361**
Company				
Other payables	19	**4,577**	**–**	**4,577**

29. FINANCIAL INSTRUMENTS (CONTINUED)

(A) CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

The table below provides an analysis of financial instruments as at 30 September 2018 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")

2018	Note	Carrying amount RM'000	FVTPL RM'000	L&R RM'000	FL RM'000
Financial assets					
Group					
Trade and other receivables	29.1	555,036	–	555,036	–
Derivative financial assets	13	60	60	–	–
Cash and cash equivalents	14	537,092	–	537,092	–
		1,092,188	60	1,092,128	–
Company					
Other receivables	11	351,792	–	351,792	–
Cash and cash equivalents	14	124,509	–	124,509	–
		476,301	–	476,301	–
Financial liabilities					
Group (restated)					
Trade and other payables	29.2	579,111	–	–	579,111
Derivative financial liabilities	13	140	140	–	–
Loans and borrowings	16	335,524	–	–	335,524
		914,775	140	–	914,635
Company					
Other payables	19	858	–	–	858

29.1 Trade and other receivables amounting to RM33,263,000 (2018: RM49,608,000) are not regarded as financial assets. These include prepayments, deposits paid, sales tax refund receivable and other tax recoverable.

29.2 Trade and other payables amounting to RM56,951,000 (2018: RM48,119,000) are not regarded as financial liabilities. These include contract liabilities, provision for unconsumed annual leave and other tax payable.

(B) NET GAINS AND LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net gains/(losses) on:				
Fair value through profit or loss				
– Mandatorily required by MFRS 9	**(50)**	1,330	**–**	–
Financial assets at amortised cost	**13,177**	–	**28,984**	–
Financial liabilities at amortised cost	**(4,555)**	(15,571)	**–**	–
Loans and receivables	**–**	10,319	**–**	17,954
	8,572	(3,922)	**28,984**	17,954

29. FINANCIAL INSTRUMENTS (CONTINUED)

(C) FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(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. There are no significant changes as compared to prior periods.

Trade 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 customers requiring credit over a certain amount. Certain customers are required to have collateral in the form of financial assets and/or bank guarantees.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous financial year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

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 RM161,240,000 (2018: RM183,147,000) in respect of RM425,376,000 (2018: RM446,358,000) trade receivables. The remaining balance of trade receivables are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 30 days. The Group's debt recovery process is as follows:

a) Above 30 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the credit management team; and

b) Above 90 days past due, the Group will commence a legal proceeding against the customer.

29. FINANCIAL INSTRUMENTS (CONTINUED)

(D) CREDIT RISK (CONTINUED)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

The Group uses an allowance matrix to measure ECLs of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past two years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the financial year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 September 2019 which are grouped together as they are expected to have similar risk nature.

	2019		
Group	**Gross carrying amount RM'000**	**Loss allowances RM'000**	**Net balance RM'000**
Current (not past due)	**368,479**	**(508)**	**367,971**
1-30 days past due	**53,868**	**(230)**	**53,638**
31-60 days past due	**3,723**	**(325)**	**3,398**
61-90 days past due	**234**	**(34)**	**200**
More than 90 days past due	**1,659**	**(1,490)**	**169**
	427,963	**(2,587)**	**425,376**

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are supported by collateral such as bank guarantees, properties and other credit enhancement in managing exposure to credit risk.

The movements in the allowance for impairment in respect of trade receivables during the financial year are shown below:

	Note	**Group RM'000**
Balance at 1 October 2018 as per MFRS 139		**503**
Adjustments on initial application of MFRS 9	34	**2,003**
Balance at 1 October 2018 as per MFRS 9		**2,506**
Impairment loss recognised	24	**511**
Impairment loss reversed	24	**(199)**
Impairment loss written off		**(231)**
Balance at 30 September 2019		**2,587**

29. FINANCIAL INSTRUMENTS (CONTINUED)

(D) CREDIT RISK (CONTINUED)

Trade receivables (continued)

Comparative information under MFRS 139, Financial Instruments: Recognition and measurement

The aging of trade receivables as at 30 September 2018 was as follows:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
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

The movements in the allowance for impairment losses of trade receivables during the previous financial year were:

	Note	Group RM'000
At 1 October 2017		1,163
Impairment loss recognised	24	491
Impairment loss reversed	24	(551)
Impairment loss written off		(600)
At 30 September 2018		503

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. 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.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

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 the ability of the subsidiaries to service their loans on an individual basis.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM128,317,000 (2018: RM347,043,000) representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

The financial guarantees are provided as credit enhancements to the subsidiaries' secured loans.

Recognition and measurement of impairment loss

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

(D) CREDIT RISK (CONTINUED)

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 ability of the subsidiaries to repay the loans and advances on an individual basis.

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 provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable.

(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:

2019	Note	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	2-3 years RM'000
Group						
Interest-bearing borrowings	16	**123,311**	**2.44**	**128,317**	**30,241**	**98,076**
Financial guarantees		**–**	**–**	**12,229**	**12,229**	**–**
Trade and other payables	29(A)	**662,050**	**–**	**662,050**	**662,050**	**–**
Derivative financial liabilities	13	**136**	**–**	**136**	**136**	**–**
		785,497		**802,732**	**704,656**	**98,076**
Company						
Financial guarantees		**–**	**–**	**128,317**	**128,317**	**–**
Other payables	19	**4,577**	**–**	**4,577**	**4,577**	**–**
		4,577		**132,894**	**132,894**	**–**

29. FINANCIAL INSTRUMENTS (CONTINUED)

(E) LIQUIDITY RISK (CONTINUED)

Maturity analysis (continued)

2018	Note	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	2-3 years RM'000
Group (restated)						
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	29(A)	579,111	–	579,111	579,111	–
Derivative financial liabilities	13	140	–	140	140	–
		914,775		936,244	816,421	119,823
Company						
Financial guarantees		–	–	347,043	347,043	–
Other payables	19	858	–	858	858	–
		858		347,901	347,901	–

(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.

(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.

29. FINANCIAL INSTRUMENTS (CONTINUED)

(F) MARKET RISK (CONTINUED)

(i) Currency risk (continued)

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:

Group	Denominated in USD RM'000	Denominated in SGD RM'000
2019		
Cash and cash equivalents	**5,754**	**7,954**
Receivables	**74,844**	**21,751**
Payables	**(1,709)**	**(4,963)**
Net exposure	**78,889**	**24,742**
2018		
Cash and cash equivalents	7,883	8,649
Receivables	31,757	5,660
Payables	–	(3,677)
Net exposure	39,640	10,632

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% (2018: 10%) strengthening of the following currencies against RM at the end of the reporting period would have increased or decreased, respectively pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remained constant.

	Group 2019 RM'000	Group 2018 RM'000
USD	**8,060**	3,964
SGD	**2,474**	1,063

A 10% (2018: 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.

(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 RM465,318,000 (2018: RM348,318,000).

Interest rate risk sensitivity analysis

A change in 100 basis points in interest rates would have decreased or increased pre-tax profit or loss of the Company by RM4,653,000 (2018: RM3,483,000).

29. FINANCIAL INSTRUMENTS (CONTINUED)

(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.

		Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Note	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	Total fair value RM'000	Carrying amount RM'000
2019											
Group											
Financial assets											
Derivative financial assets	13	–	6	–	6	–	–	–	–	6	6
Financial liabilities											
Derivative financial liabilities	13	–	136	–	136	–	–	–	–	136	136
Loans and borrowings	16	–	–	–	–	–	–	123,594	123,594	123,594	123,311
		–	136	–	136	–	–	123,594	123,594	123,730	123,447
2018											
Group											
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
Company											
Financial liabilities											
Financial guarantees		–	–	–	–	–	–	3,322	3,322	3,322	–

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 (2018: no transfer in either directions).

29. FINANCIAL INSTRUMENTS (CONTINUED)

(G) FAIR VALUE INFORMATION (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 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 2019 RM'000	2018 RM'000 Restated
Total loans and borrowings	16	**123,311**	335,524
Equity attributable to owners of the Company		**2,529,324**	2,305,416
Debt to equity ratio		**5%**	15%

31. OPERATING LEASES

LEASES AS LESSEE

Non-cancellable and optional renewal rental payable as follows:

	Group 2019 RM'000	2018 RM'000
Less than one year	**28,956**	19,158
Between one and five years	**13,470**	14,525
More than five years	**1,055**	989
	43,481	34,672

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.

None of the leases includes contingent rentals.

The disclosure above includes the non-cancellable periods and optional renewal periods where the Group is reasonably certain to extend.

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 2019 RM'000	2018 RM'000
Less than one year	**831**	873
Between one and five years	**148**	379
	979	1,252

32. CAPITAL AND OTHER COMMITMENTS

CAPITAL EXPENDITURE COMMITMENTS

	Group 2019 RM'000	2018 RM'000
Property, plant and equipment		
Contracted but not provided for	**206,831**	149,617
Authorised but not contracted for	**230,691**	122,384
	437,522	272,001

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 negotiated 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 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
A.	**F&NL Group**					
	Sales of goods		**266,876**	287,658	**–**	–
	Purchases of goods		**(184,210)**	(161,379)	**–**	–
	Royalties paid		**(54,119)**	(50,409)	**–**	–
	Internal audit fees paid		**(1,275)**	(1,161)	**–**	–
	Receipt of corporate service fees		**1,581**	20	**–**	–
B.	**Subsidiaries**					
	Dividend income		**–**	–	**213,220**	429,831
	Finance income		**–**	–	**21,338**	8,614
	Management fees		**–**	–	**(410)**	(457)
C.	**CHB Group**					
	Purchases of goods		**(12)**	(3,508)	**–**	–
	Dividend income		**3,733**	8,087	**3,733**	8,087
D.	**VCSB**					
	Finance income		**5,814**	5,830	**5,814**	5,830
E.	**Thai Beverage Public Company Limited Group**	33.1				
	Sales of goods		**1,747**	1,442	**–**	–
	Purchases of goods		**(2,845)**	(2,260)	**–**	–
	Marketing expenses		**(18,223)**	(25,487)	**–**	–
	Corporate service fees paid		**(1,999)**	(623)	**–**	–
F.	**BJC Group**	33.1				
	Sales of goods		**68,099**	52,932	**–**	–
	Purchases of goods		**(20,237)**	(25,266)	**–**	–
	Other expenses		**(10,254)**	(1,726)	**–**	–

33. RELATED PARTIES (CONTINUED)

SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
G. Other related parties of TCC Group	33.1				
Purchases of goods		**(42,925)**	(40,685)	**–**	–
Management fees		**(2,026)**	(2,623)	**–**	–
Insurance premium paid		**(3,093)**	(2,569)	**–**	–
H. PNB Group	33.2				
Sales of goods		**59,158**	58,288	**–**	–
Purchases of goods		**(44,087)**	(54,768)	**–**	–
Rental of equipment paid		**(3,074)**	(2,989)	**–**	–
I. Key management personnel					
Non-Executive Directors					
Fees		**1,275**	1,173	**1,275**	1,173
Estimated monetary value of benefits-in-kind		**47**	46	**47**	46
		1,322	1,219	**1,322**	1,219
Other key management personnel					
Remuneration		**12,950**	11,364	**–**	–
Contributions to defined contribution plan		**828**	764	**–**	–
Share-based payments		**541**	1,666	**–**	–
		14,319	13,794	**–**	–
		15,641	15,013	**1,322**	1,219

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.

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

Remuneration (RM)	Non-Executive Directors 2019	Non-Executive Directors 2018
0 – 50,000	**–**	4
50,001 – 100,000	**3**	3
100,001 – 150,000	**7**	6
150,001 – 200,000	**–**	–
200,001 – 250,000	**1**	1

34. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the financial year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

(A) IMPACT ON FINANCIAL STATEMENTS

The following tables summarise the impact arising from the adoption of MFRS 15 and MFRS 9 on the Group's financial statements.

(i) Statement of financial position

Group	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
1 October 2017			
Trade and other payables	628,685	8,335	637,020
Equity attributable to owners of the Company	2,132,558	(8,335)	2,124,223
Retained earnings	1,218,891	(8,335)	1,210,556

	30 September 2018			1 October 2018	
Group	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000	MFRS 9 adjustments RM'000	As restated RM'000
Trade and other payables	620,310	6,920	627,230	–	627,230
Reserves	2,312,336	(6,920)	2,305,416	(2,003)	2,303,413
Retained earnings	1,393,615	(6,920)	1,386,695	(2,003)	1,384,692

(ii) Statement of profit or loss and other comprehensive income for the financial year ended 30 September 2018

Group	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Revenue	4,109,859	(238,905)	3,870,954
Cost of sales	(2,727,681)	6,409	(2,721,272)
Distribution expenses	(407,221)	64,693	(342,528)
Marketing expenses	(430,578)	169,218	(261,360)

Group	As previously reported	As restated
Basic earnings per ordinary share (sen)	104.9	105.3
Diluted earnings per ordinary share (sen)	104.5	104.9

(iii) Statement of cash flows for the financial year ended 30 September 2018

Group	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Profit before tax	422,729	1,415	424,144
Changes in trade and other payables	(10,289)	(1,415)	(11,704)

34. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(B) ACCOUNTING FOR FINANCIAL INSTRUMENTS

(i) Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

- The Group has not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 October 2018. Accordingly, the information presented for the previous financial year does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.
- Assessments on classification of financial assets and financial liabilities have been made based on the determination of the business model within which a financial asset or a financial liability is held.

  Trade and other receivables, cash and cash equivalents, trade and other payables and loans and borrowings that were classified as either loans and receivables or other financial liabilities measured at amortised cost under MFRS 139 are now reclassified at amortised cost.
- Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

(ii) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 October 2018:

		1 October 2018	
Category under MFRS 139	**30 September 2018 RM'000**	**Remeasurement RM'000**	**Reclassification to new MFRS 9 category Amortised cost RM'000**
Financial assets			
Group			
Loans and receivables			
Trade and other receivables *	555,036	(2,003)	553,033
Cash and cash equivalents	537,092	–	537,092
	1,092,128	(2,003)	1,090,125
Company			
Loans and receivables			
Other receivables	351,792	–	351,792
Cash and cash equivalents	124,509	–	124,509
	476,301	–	476,301

34. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(B) ACCOUNTING FOR FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

Category under MFRS 139	30 September 2018 RM'000	1 October 2018 Reclassification to new MFRS 9 category Amortised cost RM'000
Financial liabilities		
Group		
Other financial liabilities measured at amortised cost		
Trade and other payables	579,111	579,111
Loans and borrowings	335,524	335,524
	914,635	914,635
Company		
Other financial liabilities measured at amortised cost		
Other payables	858	858

* **Reclassification from loans and receivables to amortised cost**

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost. An increase of RM2,003,000 in allowance for impairment was recognised in opening retained earnings of the Group at 1 October 2018 on transition to MFRS 9.

(C) ACCOUNTING FOR REVENUE

The following are the changes in revenue recognition from the adoption of MFRS 15:

Type of revenue	Previous year's revenue recognition	Current year's revenue recognition
Sale of goods	Revenue is recognised when 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.	The Group or the Company recognises revenue when it transfers control over a product or a service to customer. An asset is transferred when the customer obtains control of the asset.

35. SUBSEQUENT EVENT

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

There were no other material events subsequent to the end of the financial year that have not been reflected in this financial statements.

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 138 to 210 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 2019 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

Lee Meng Tat
Director

Kuala Lumpur
5 November 2019

STATUTORY DECLARATION

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

I, **Lai Kah Shen**, 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 138 to 210 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 **Lai Kah Shen, Passport No: E5943387A**, at Kuala Lumpur in the Federal Territory on 5 November 2019.

Lai Kah Shen

Before me:

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the members of Fraser & Neave Holdings Bhd
(Company No. 196101000155 (4205-V))
(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 2019 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 138 to 210.

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 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

BASIS FOR OPINION

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

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

KEY AUDIT MATTERS

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

IMPAIRMENT 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 2019, 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 were 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 reflected 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 RM209 million and RM744 million respectively of which approximately RM72 million and RM40 million respectively were included as accruals and approximately RM1 million and RM50 million respectively were included as contract liabilities 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. With the adoption of MFRS 15, *Revenue from Contracts with Customers*, some of these costs are consideration payable to customers which were previously 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 as disclosed in Note 34. The correspondence entries were recorded as accruals or contract liabilities.

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 contract liabilities and accruals as at financial year end and especially in relation to those promotion and brand support campaigns that were still ongoing subsequent to financial year end.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

We performed the following audit procedures, among others:

- obtained an understanding of the process, evaluated the design and implementation and tested the operating effectiveness of controls over the payment and accrual process;
- performed substantive procedures and checked samples of expenses to supplier's and customer's claim; and
- checked accruals and contract liabilities to samples of supporting contracts and documents with the suppliers and customers to assess adequacy of the accruals and contract liabilities.

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

INDEPENDENT AUDITORS' REPORT
to the members of Fraser & Neave Holdings Bhd
(Company No. 196101000155 (4205-V))
(Incorporated in Malaysia)

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.

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.

INDEPENDENT AUDITORS' REPORT
to the members of Fraser & Neave Holdings Bhd
(Company No. 196101000155 (4205-V))
(Incorporated in Malaysia)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- 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.

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

Ong Beng Seng
Approval Number: 02981/05/2020 J
Chartered Accountant

Petaling Jaya
5 November 2019

SHAREHOLDINGS STATISTICS

as at 29 November 2019

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	522	10.135	6,508	0.001
100 to 1,000 shares	2,253	43.747	1,333,403	0.363
1,001 to 10,000 shares	1,698	32.970	6,432,239	1.753
10,001 to 100,000 shares	539	10.466	16,821,620	4.586
100,001 to less than 5% of issued shares	135	2.621	76,148,291	20.761
5% and above of issued shares	3	0.058	266,036,440	72.533
	5,150	100.000	366,778,501	100.000

DIRECTORS' SHAREHOLDINGS

(as per Register of Directors' Shareholdings)

		Direct Shareholding		Indirect Shareholding	
No.	Name of Director	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)

		Direct Shareholding		Indirect Shareholding	
No.	Name of Shareholders	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	39,077,530	10.654	–	–
13	Amanahraya Trustees Berhad – Amanah Saham Bumiputera	25,868,600	7.052	–	–
		268,417,040	73.181		

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

No.	Name of Shareholders	Shareholdings	% of Voting Shares
1.	Fraser and Neave, Limited	203,470,910	55.475
2.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	36,696,930	10.005
3.	Amanahraya Trustees Berhad – Amanah Saham Bumiputera	25,868,600	7.052
4.	Kumpulan Wang Persaraan (Diperbadankan)	8,702,500	2.372
5.	Cartaban Nominees (Asing) Sdn Bhd – Exempt An for State Street Bank & Trust Company (West CLT OD67)	4,400,700	1.199
6.	Maybank Nominees (Tempatan) Sdn Bhd – Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	4,044,700	1.102
7.	Citigroup Nominees (Tempatan) Sdn Bhd – Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	3,024,900	0.824
8.	Amanahraya Trustees Berhad – Amanah Saham Malaysia	2,976,100	0.811
9.	Amanahraya Trustees Berhad – Public Islamic Dividend Fund	2,178,600	0.593
10.	Amanahraya Trustees Berhad – Public Ittikal Sequel Fund	2,098,400	0.572
11.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (Affin-Hwg)	1,840,600	0.501
12.	Cimsec Nominees (Tempatan) Sdn Bhd – CIMB Bank for Syed Badarudin Jamalullail (PBCL-0G0077)	1,700,000	0.463
13.	HSBC Nominees (Asing) Sdn Bhd – JPMCB Na for Vanguard Total International Stock Index Fund	1,697,808	0.462
14.	Amanahraya Trustees Berhad – Public Islamic Equity Fund	1,684,500	0.459
15.	Amanahraya Trustees Berhad – Public Islamic Select Enterprises Fund	1,489,200	0.406
16.	Citigroup Nominees (Asing) Sdn Bhd – Exempt An for Citibank New York (Norges Bank 1)	1,439,245	0.392
17.	HSBC Nominees (Asing) Sdn Bhd – JPMCB Na for Vanguard Emerging Markets Stock Index Fund	1,307,100	0.356
18.	Permodalan Nasional Berhad	1,177,300	0.320
19.	Citigroup Nominees (Asing) Sdn Bhd – UBS AG	1,101,474	0.300
20.	DB (Malaysia) Nominee (Asing) Sdn Bhd – BNYM SA/NV for People's Bank of China (SICL Asia EM)	1,012,100	0.275
21.	Amanahraya Trustees Berhad – Amanah Saham Bumiputera 2	1,000,000	0.272
22.	Cartaban Nominees (Tempatan) Sdn Bhd – PAMB for Prulink Equity Fund	949,700	0.258

SHAREHOLDINGS STATISTICS
as at 29 November 2019

No.	Name of Shareholders	Shareholdings	% of Voting Shares
23.	Citigroup Nominees (Tempatan) Sdn Bhd – Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	948,100	0.258
24.	Maybank Nominees (Tempatan) Sdn Bhd – MTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-Dali) (419455)	931,200	0.253
25.	HSBC Nominees (Tempatan) Sdn Bhd – HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	821,000	0.223
26.	HSBC Nominees (Asing) Sdn Bhd – JPMCB Na for MSCI Equity Index Fund B – Malaysia	794,300	0.216
27.	HSBC Nominees (Asing) Sdn Bhd – JPMBL SA for Robeco Capital Growth Funds	778,500	0.212
28.	Citigroup Nominees (Tempatan) Sdn Bhd – Exempt An for AIA Bhd	748,200	0.203
29.	HSBC Nominees (Asing) Sdn Bhd – J.P. Morgan Securities Plc	676,500	0.184
30.	HSBC Nominees (Asing) Sdn Bhd – TNTC for General Organisation for Social Insurance	634,300	0.172
	Total	316,193,467	86.208

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 2019 RM'000	Date of last revaluation/ acquisition
JOHOR						
Lot 6, Jalan Tampoi 81200 Johor Bahru Johor	59,895	Detached house/Vacant	Freehold	52	1,182	February 1990
Batu 4¾, Jalan Tampoi 81200 Johor Bahru Johor	241,022	Industrial/ Warehouse and office	Freehold	52	10,334	February 1990
Lot 47261, Jalan Balau 1 Jalan Dato Sulaiman Jalan Tebrau Mukim Bandar Johor Bahru Johor	137,337	For development of commercial property	Freehold	–	19,599	2005
PERAK						
No. 217, Jalan Lahat 30200 Ipoh, Perak	287,738	Industrial/ Warehouse and office	Freehold	50	5,960	October 1995
No. 79 & 81, Jalan Tun Perak 30100 Ipoh, Perak	51,828	Industrial/Leased premises	Freehold/ Leasehold expiring 2066 and 2118	113	468	October 1995
PULAU PINANG						
No. 3724, Jalan Sungai Nyior 12100 Butterworth, Pulau Pinang	138,848	Industrial/ Warehouse and office	Freehold	65	4,061	October 1995
No. 3725 & 3726 (Lot 3633) Jalan Sungai Nyior 12100 Butterworth, Pulau Pinang	106,450	Detached house/ Warehouse and office	Freehold	64	2,266	October 1995
KELANTAN						
Lot 9 & 10, Pengkalan Chepa Industrial Estate 16100 Kota Bharu, Kelantan	203,861	Industrial/ Warehouse and office	Leasehold expiring 2043	39	713	October 1995
PAHANG						
Lot 85, Mar Lodge, Tanah Rata 39000 Brinchang Cameron Highland, Pahang	90,931	Detached house/ Holiday bungalow	Leasehold expiring 2037	52	558	October 1995
Lot 7399 & 8081 Jalan Mempaga, Mukim Sabai 28600 Karak, Pahang	217,065	Industrial/Factory	Freehold	12	15,081	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 2019 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	Freehold	12	11,701	2007
Kompleks Metro Pudu No. 1, Jalan Metro Pudu 2 Fraser Business Park Off Jalan Yew 55100 Kuala Lumpur	87,847	Office	Freehold	10	60,100	2019
Lot 682 Seksyen 92 Fraser Business Park Off Jalan Yew 55100 Kuala Lumpur	40,763	Leased premise	Freehold	–	5,598	2018
MELAKA						
No. 10, Jalan Bukit Gedong 75050 Melaka	104,000	Industrial/ Warehouse and office	Freehold/ Leasehold expiring 2023	94	790	October 1995
SELANGOR						
No. 1, Jalan Bukit Belimbing 26/38 Persiaran Kuala Selangor Section 26, 40400 Shah Alam Selangor	1,373,447	Industrial/ Factory and office	Freehold	22	109,467	October 1995
Lot 3-2 (PT 16869) Lion Industrial Park Shah Alam, Selangor	558,875	Industrial/Vacant	Freehold	–	11,679	October 1995
Lot 56, Jalan Sungai Pinang 4/5 Selangor Halal Hub Taman Perindustrian Pulau Indah Fasa 2, 42920 Pulau Indah Selangor	1,629,042	Industrial/Factory	Leasehold expiring 2097	11	174,736	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

Location	Land area (sq. ft.)	Description/ Existing use of building	Tenure	Approximate age of building (years)	Net book value as at 30 September 2019 RM'000	Date of last revaluation/ acquisition
SARAWAK						
No. 94, Batu 11, Jalan Matang 93050 Kuching, Sarawak	118,776	Industrial/Factory	Freehold	13	5,635	2006
Lot 1581, Block 4 Matang Land District 93050 Kuching, Sarawak	261,338	Commercial	Leasehold expiring 2071	13	8,707	2006
3½ Mile, Jalan Penrissen 93250 Kuching, Sarawak	308,709	Industrial/Factory	Leasehold expiring 2074	–	24,175	October 1995
Lot 142 Lorong Abang Abdul Rahim 5A 93450 Kuching, Sarawak	1,540	Shop office/Vacant	Leasehold expiring 2784	13	367	2006
SABAH						
5½ Mile, Jalan Tuaran 88818 Kota Kinabalu, Sabah	142,140	Industrial/Vacant	Leasehold expiring 2062	9	1,281	October 1995
5½ Mile, Jalan Tuaran Inanam, 88818 Kota Kinabalu Sabah	142,578	Industrial/Factory	Leasehold expiring 2062	48	5,256	October 1995
Lot 808 Kota Kinabalu Industrial Park Sabah	929,135	Industrial park land	Leasehold expiring 2096	–	25,302	2017
THAILAND						
90 Moo 8 Mittraparp Road Phayayen District, Amphur Pakchong Nakornratchasima Province 30320 Thailand	125,857	Industrial/Factory	Leasehold expiring 2037	12	3,684	2007
668 Moo 4 Rojana Industrial Park Zone 2 U-thai, Phra Nakhon Si Ayutthaya 13210 Thailand	990,280	Industrial/Factory	Freehold	10	168,127	2010
				Total	**701,413**	

CORPORATE DIRECTORY

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

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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
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Fax : +607 413 9999

F&N Beverages Marketing Sdn Bhd (Kluang)
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Taman Perindustrian Sinaran
86000 Kluang, Johor, Malaysia
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Fax : +607 787 8817

F&N Beverages Marketing Sdn Bhd (Melaka)
No. 10, Jalan Bukit Gedong
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Fax : +606 284 7458

F&N Beverages Marketing Sdn Bhd (Butterworth)
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12100 Butterworth
Pulau Pinang, Malaysia
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Fax : +604 331 0427

F&N Beverages Marketing Sdn Bhd (Ipoh)
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30200 Ipoh, Perak, Malaysia
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Fax : +605 253 2091

F&N Beverages Marketing Sdn Bhd (Alor Setar)
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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
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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)
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Kawasan Perindustrian Gong Badak
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Terengganu, Malaysia
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28400 Mentakab
Pahang, Malaysia
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F&N Beverages Marketing Sdn Bhd (Kuching)
3½ Mile Jalan Penrissen
93250 Kuching
Sarawak, Malaysia
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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 58th Annual General Meeting of Fraser & Neave Holdings Bhd ("Company") will be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Monday, 20 January 2020 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 2019 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 33 sen per share for the financial year ended 30 September 2019.	**Resolution 1**
3.	To re-elect Y.A.M. Tengku Syed Badarudin Jamalullail who retires in accordance with Clause 100 of the Company's Constitution, as a Director.	**Resolution 2**
4.	To re-elect Mr. Lee Kong Yip who retires in accordance with Clause 100 of the Company's Constitution, as a Director.	**Resolution 3**
5.	To re-elect Y.Bhg. Dato' Jorgen Bornhoft who retires in accordance with Clause 100 of the Company's Constitution, as a Director.	**Resolution 4**
6.	To re-elect Mr. Hui Choon Kit who retires in accordance with Clause 100 of the Company's Constitution, as a Director.	**Resolution 5**
7.	To approve the payment of Directors' fees and benefits of up to RM1,500,000 for the period from 21 January 2020 to the next annual general meeting ("AGM") of the Company to be held in January 2021 (2019 AGM: up to RM1,500,000), 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 2020 and to authorise the Directors to fix their remuneration.	**Resolution 7**

SPECIAL BUSINESS

9.	**ORDINARY RESOLUTION** **– ROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY** "**THAT** subject always to the Companies Act 2016 ("Act"), the provisions of the Constitution of the Company, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant authorities, the Board of Directors of the Company be and is hereby unconditionally and generally authorised, to the extent permitted by law, to make purchases of ordinary shares ("F&N Shares") in the Company's issued shares from time to time through Bursa Securities, subject further to the following: (i) the maximum number of ordinary shares which may be purchased and held by the Company does not exceed ten per centum (10%) of the total issued shares of the Company at any point in time ("Proposed Share Buy-Back"); (ii) the maximum funds to be allocated by the Company for the Proposed Share Buy-Back shall not exceed the Company's total retained profits at the time of purchase of the Proposed Share Buy-Back; (iii) the approval conferred by this resolution will commence immediately upon the passing of this resolution and will expire at the conclusion of the next annual general meeting ("AGM") of the Company, following the passing of this resolution or the expiration of the period within which the next AGM is required by law to be held unless earlier revoked or varied by ordinary resolution passed by shareholders of the Company at a general meeting but not as to prejudice the completion of purchase by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Act, the rules and regulations made pursuant thereto and the guidelines issued by Bursa Securities and/or any other relevant authority; and (iv) upon completion of the purchase(s) of the F&N Shares or any part thereof by the Company, the Directors be and are hereby authorised to cancel all the F&N Shares so purchased, retain all the F&N Shares as treasury shares for future re-sale or retain part thereof as treasury shares and 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	

	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 Constitution of the Company, the MMLR and all other relevant governmental and/or regulatory authorities."	**Resolution 8**
10.	**ORDINARY RESOLUTION** **– PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** "**THAT** approval be and is hereby given for the Company and/or its subsidiaries ("F&N Group") to enter into any of the category of recurrent transactions of a revenue or trading nature falling within the types of transactions set out in Sections 2.4.1 and 2.4.2, Part B of the Statement/Circular to Shareholders dated 20 December 2019 with the related parties mentioned therein, provided that such transactions are necessary for the day-to-day operations and they are carried out in the ordinary course of business on normal commercial terms which are consistent with the F&N Group's normal business practices and policies, and on terms not more favourable to the related parties than those extended to the other customers of the F&N Group, and not to the detriment of the minority shareholders **AND THAT** such approval shall be in force until: (i) the conclusion of the next annual general meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or (iii) revoked or varied by the Company in a general meeting, whichever is the earlier **AND THAT** the Directors of the Company and each of them be authorised to do all such acts and things (including, without limitation, to execute all such documents) as they may consider necessary, expedient or in the interests of the Company to give effect to this resolution."	**Resolution 9**

NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of shareholders at the 58th Annual General Meeting of the Company, the proposed payment of a final single tier dividend of 33 sen per share for the financial year ended 30 September 2019 will be paid to shareholders on 13 February 2020. The entitlement date for the proposed dividend shall be on 23 January 2020.

A depositor shall qualify for the entitlement to the dividend only in respect of:

a) Shares transferred to the depositor's securities account before 4:30 p.m. on 23 January 2020 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
20 December 2019

NOTES:

(1) A member entitled to attend, speak and vote at the above meeting may appoint a proxy or proxies (but not more than two) to attend, speak 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 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.

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 23 January 2019, shareholders approved the payment of Directors' fees and benefits of up to RM1,500,000 for the period from 24 January 2019 to 20 January 2020. Total Directors' fees and benefits paid for the financial year ended 30 September 2019 amounted to RM1,321,794 as detailed in the Corporate Governance Overview Statement.

In determining the estimated Directors' fees and benefits of up to RM1,500,000, the Board has considered various factors including the number of scheduled and ad-hoc meetings of the Board and Board Committees and the annual general meeting along with Directors' benefits.

Resolution 6, if passed, will facilitate the payment of Directors' fees and benefits 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 Authority (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 20 December 2019 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 20 December 2019 for more details.

Members Entitled to Attend 58th AGM

For the purpose of determining a member who shall be entitled to attend the 58th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 65(6) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 10 January 2020. Only a depositor whose name appears on the Record of Depositors as at 10 January 2020 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

ADMINISTRATIVE DETAILS FOR THE 58TH ANNUAL GENERAL MEETING OF FRASER & NEAVE HOLDINGS BHD

ADMINISTRATIVE DETAILS FOR THE 58TH 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 MONDAY, 20 JANUARY 2020 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 Boardroom Corporate Services Sdn Bhd (formerly known as Boardroom Corporate Services (KL) Sdn Bhd) as the scrutineer to verify the poll results.

e-Voting for each resolution set out in the Notice of AGM will take place immediately upon conclusion of the deliberation of the respective agenda.

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.

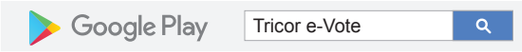
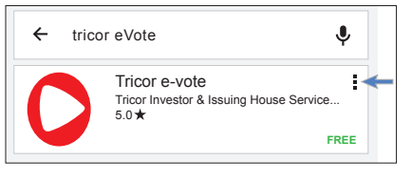
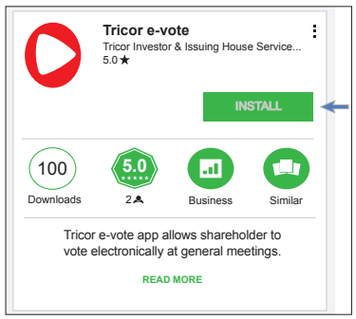
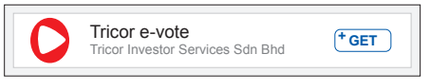
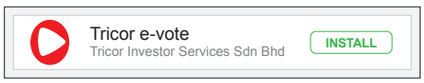
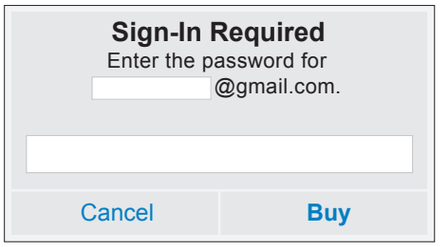
2. Please proceed to the Device Counter for separate registration to obtain a device.

3. Upon conclusion of the AGM, please return the device to the Device Counter.

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	How to download Tricor e-Vote from Apple App Store (IOS) – Minimum version of IOS 8.0 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.	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
196101000155 (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)

or failing him/her, the Chairman of the meeting as my/our proxy(ies) to vote for me/us on my/our behalf as indicated below, at the 58th 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 Monday, 20 January 2020 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 33 sen per share for the financial year ended 30 September 2019.	1		
To re-elect Y.A.M. Tengku Syed Badarudin Jamalullail who retires in accordance with Clause 100 of the Company's Constitution, as a Director.	2		
To re-elect Mr. Lee Kong Yip who retires in accordance with Clause 100 of the Company's Constitution, as a Director.	3		
To re-elect Y.Bhg. Dato' Jorgen Bornhoft who retires in accordance with Clause 100 of the Company's Constitution, as a Director.	4		
To re-elect Mr. Hui Choon Kit who retires in accordance with Clause 100 of the Company's Constitution, as a Director.	5		
To approve the payment of Directors' fees and benefits of up to RM1,500,000 for the period from 21 January 2020 to the next annual general meeting ("AGM") of the Company to be held in January 2021 (2019 AGM: up to RM1,500,000), 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 2020 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		

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, speak and vote at the above meeting may appoint a proxy or proxies (but not more than two) to attend, speak 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 at 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.

fold here

AFFIX
STAMP

The Company Secretary
FRASER & NEAVE HOLDINGS BHD 196101000155 (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

fold here