GROWING BRANDS

Staying true to our brand promise endears us to our consumers. They know the one thing that stays constant in a changing world is fantastic experiences, when they enjoy one of our brews.

Today, for consumers, experience trumps material possessions, and HEINEKEN Malaysia through our brand portfolio fulfills that desire. The power of our brands combined with innovation, creativity and empowerment, places consumers in the driver's seat of creating, sharing and capturing their own meaningful memories to last a lifetime.

Throughout FY16, our brands continued to enrich life experiences through each of their campaigns, with the return of many highly-anticipated events. New showcases and innovative launches delivered an exciting year for consumers across the various brand portfolios.

Our power-packed trio – Heineken®, Guinness, and Tiger, continued to stand-out, creating conversations, and waves of social media posts, as they drummed out events driven by creativity and innovation across FY16.

TRADE MARK

Heineken®

WORLD'S NO. 1

INTERNATIONAL PREMIUM BEER BRAND

RENOWNED FOR ITS PROGRESSIVE AND INNOVATIVE PERSONALITY

Built on core values of:
- Open Mindedness
- Cosmopolitan
- Inventiveness
- Wittiness

Heineken® is enjoyed in

192

COUNTRIES SINCE 1873

Heineken® open your world | Formula 1®

- Global beer partner
- 1st time sponsor
- Overtook competitor's top-of-mind recall

SHAPE YOUR CITY

- Limited Edition Heineken® bottles and cans
- Increased volume by 6.5%
- Reach of 2 million (2x vs target)

- 10,000 fans nationwide
- Sold out shows in Penang, Johor and KL
- 24,000 bottles of Heineken enjoyed over 3 nights

WORLD'S NO. 1 INTERNATIONAL PREMIUM BEER BRAND

HEINEKEN – PROGRESSIVE EXPERIENCES, SAME HIGH QUALITY SERVE THROUGH THE YEARS

Catering to well-heeled and widely-travelled consumers, Heineken® always pushes the bar with their signature events.

This year, Heineken® took the grand stand at the iconic Formula 1®, with the ***2016 Formula 1® Petronas Malaysia Grand Prix*** sponsorship. Fans and invited guests enjoyed the experience of the premier motorsport to the fullest from the comfort of Heineken's Corporate Suite, with perfectly served Heineken Extra Cold. The Heineken Experience Team from Amsterdam, together with Malaysia's own Heineken World's Best Bartender 2016 showcased the brand's trademark hospitality, while pouring perfect pints of Heineken® throughout the weekend.

Continuing their Cities series, Heineken® expanded the theme in 2016 to ***Shape Your City***. The intent of the global campaign was to inspire city dwellers to express their creativity and show how simple actions can transform their urban landscape to make it more exciting for everyone. Local design shapers were brought together from all over Malaysia to collaborate and create a space that is designed to disrupt our social habits. Using the idea of the bar as a central collective hub, their challenge was to create an environment that would inspire conversations and forge new connections amongst Heineken® consumers. In Kuala Lumpur, consumers experienced a back alley converted into a bar at Plaza Batai whilst in Hin Bus Depot Art Centre Penang, a decommissioned barn structure and car park area was brought to life with bright and symphonic functional installations.

To accompany the Shape Your City campaign, Heineken® released a specially-designed, limited edition Cities series of Heineken® bottles and cans. Featuring the pulse of the city as the core of its design, each bottle represented one of six global cities - Amsterdam, Rio de Janeiro, Seoul, Madrid, Sydney and Kuala Lumpur - while the cans featured three global cities - Amsterdam, Rio de Janeiro and Kuala Lumpur.

Live Your Music Presents: The Takeover is designed to intensify and enrich the way our music fans experience and interact with music. It uses the collective passion for experiencing music as its foundation to craft shareable and memorable moments.

In December 2016, the Live Your Music Presents: The Takeover saw venues in Johor Bahru, Penang and KL undergo a radical transformation to deliver large scale, immersive, high-production music events to the fans; experiences which are unique to Heineken®. The events featured groundbreaking artists who also shared insights into their passion through a series of vlog. An accompanying contest will also be sending two Heineken® fans and their partners on a music journey all the way to the USA in 2017.

Heineken® fans can continue to look forward to more exciting and progressive experiences in 2017.

WORLD
ACCLAIMED

ASIAN LAGER

MALAYSIA'S
LEADING
BEER BRAND

Since
1932

DELIGHTING
FANS

With Its Refreshing and
Full-Bodied Flavour Across
More Than 70 Countries

Multiple Award-Winning
Asian Lager with
over 50 International
Awards and Accolades
to-date

NEW
VARIANT

Launch of
Tiger White

Tiger
JAMS

- RM4 million PR value
- 30 million impressions online
- +5% Claimed Consumption
- +4% Brand Awareness
- +3% Brand Affinity

Tiger
STREATS

- RM1.2 million PR value
- 12 million impressions online
- 770,000 reactions on social media

UNCAGING THE ASIAN TIGER

Roaring since 1932, Tiger is a champion of diversity, pride and courage of Asia today. Brewed in the heart of Asia and raised on the streets, it continues to bring together and connect diverse people, palettes and passion in food, music and creative culture. FY16 was no different with a host of cutting-edge campaigns to uncage the Tiger within.

Tiger Jams

Launched in 2016, this epic jam session brought emerging artists together in a mega celebration of music and arts. Through Tiger Jams, one budding Malaysian artist has been propelled to collaborate with well-known international artist Chvrches, at the end of the four-month long campaign. Tiger Jams Centrestage, an audio visual adventure, hosted during the campaign provided the perfect platform for upcoming talents in the region to channel the energy and dynamism of Asia's streets onto stage. The campaign was a success, attracting 4,000 attendees, while clocking in RM4 million in PR value, 30 million impressions online. Claimed consumption jumped 5%, while brand awareness rose 4% with 3% brand affinity increase coming out from Tiger Jams.

Tiger STREATS

The world's first 'street food meets fine dining' culinary collaboration, Tiger STREATS was the perfect showcase of Tiger Beer's power to connect people from different walks of life to share a meal over a street food table. The unique culinary mash-up featured chef Hawker Chan, owner of the world's first Michelin-starred chicken rice hawker stall, and Jeff Ramsey, former Executive Chef at the Michelin-starred Mandarin Oriental Tokyo hotel, and current owner and chef of progressive modernist restaurant Babe KL.

They each served a contrasting menu reflective of their respective craft, to more than 700 food lovers sharing ice-cold Tiger brews. Guests were treated to twists on local favourites such as *nasi lemak* and *roti banjir* (Chef Ramsey) and the signature Chicken Rice dish (Hawker Chan). The masterpiece of the evening was the dessert 'Two Makes a Blossom', a collaboration by the two culinary masters to create an aromatic combination of Asian pears with rosewater honey mousse.

The food galore also served Tiger STREATS inspired Yee Sang, and many other contemporary interpretations of local street food from renowned food eateries in Malaysia. The global event ran in Sydney, Auckland, New York and Kuala Lumpur. Testifying to its strong pull, the campaign garnered some RM1.2 million in PR value, 12 million impressions online and 770,000 social media interactions.

A true Asian beer at heart, Tiger continues to show the world what Asia has to offer. Since its first award in 1939, it grows from strength to strength, powering its way into the global arena as a symbol of contemporary Asia, rooted in tradition but inspired by innovation, courage and creativity. Enjoyed in more than 70 countries, winning us friends and awards the world over spanning across Asia with growing popularity in Europe, USA and Australasia.

GUINNESS
MADE OF MORE

No. 1 STOUT IN MALAYSIA AND THE WORLD OVER

Sells More Than
10 MILLION
PINTS DAILY WORLDWIDE

THE WORLD'S MOST DISTINCTIVE BEER

Born Out of Determination, Courage, Ingenuity and Passion

Founded by
ARTHUR GUINNESS
IN 1759

The First Guinness in Malaysia was produced at Sungei Way Brewery
MORE THAN 50 YEARS AGO

An Unrivalled Black Liquid and Winner of
MULTIPLE QUALITY AWARDS IN MALAYSIA

GUINNESS
AMPLIFY

- 2nd year running, with incremental growth
- Over RM2 million PR value
- +5% Unaided Brand Awareness
- 5.6 million Reach - 5x incremental
- 292,210 Engagement - 4x incremental

GUINNESS
St. Patrick's

- Over 2.5 million Reach - 2x incremental
- Over 696,000 Engagement - 6x incremental

BE BOLD WITH GUINNESS

The distinctive stout brew has stood the test of time for close to 260 years. Guinness continues to signify courage, stability, strength and determination, the very same values that has seen Malaysia's favourite black brew grow unrivalled for 50 years, one of the longest track records for any brew in the country. With Guinness, the events always deliver 'bigger than life' experiences.

GUINNESS AMPLIFY

Taking a cue from the FY15 debut campaign that was well-received, the brand returned with its FY16 GUINNESS AMPLIFY series as part of ongoing efforts to help promote local musicians and provide them with a platform to live out their dreams on center stage. The series began with AMPLIFY FM, where a collaboration with Guinness saw the birth of Malaysia's first online radio station dedicated exclusively to a playlist of Malaysian artists, streamed via www.amplify.com.my. The campaign carried over into four consecutive weeks of live gigs in Johor, Penang, Ipoh and Kuala Lumpur (KL), bringing together some 400 music and Guinness fans for incredible jam sessions with talented, dedicated and passionate local artists. The KL programme also hosted a full day celebratory line-up of workshops, talks, master classes from some of Malaysia's best bands, international music producers and singers, as part of Guinness efforts to help aspiring musicians hone their craft and take it to the next level.

Guinness also offered 12 up-and-coming Malaysian musicians a priceless opportunity to record their very first single, professionally mixed and produced in the AMPLIFY Recording Studio. One of these artists went on to record a full, three to five track extended playlist, courtesy of GUINNESS AMPLIFY.

St. Patrick's Day

The brew celebrated its Irish birthplace on St. Patrick's Day, with the 'Friendliest Fridge', a fun way to make new friends by gifting them with a Guinness. Appearing at different locations in the Klang Valley every weekend in March 2016, punters had a chance to share their love for the black brew by extending a complimentary bottle to a stranger to celebrate the occasion, with every purchase of five bottles.

Come 2017, fans of Guinness can look forward to new innovations and more creative events that will further strengthen the appeal of the bold brand.

ANCHOR

BREWED LOCALLY

The passion of

LOCAL CRAFTSMANSHIP

BRAND WITH

STRONG HERITAGE

FIRST LAGER

brewed in Malaya dated back to

1933

A popular brew with a

SMOOTH, REFRESHING TASTE

MONDE SELECTION
BRUXELLES
2016
INTERNATIONAL QUALITY INSTITUTE

Anchor Smooth was

AWARDED GOLD

at the Monde Selection for

3 CONSECUTIVE YEARS

from 2010 – 2012

ANCHOR STRONG

is the bolder variant of the Anchor brand, brewed using a cold filtration process resulting in a brew that is strong yet refreshing

STRONGBOW
APPLE CIDERS

WORLD'S NO.1
Bestselling
Cider Brand
Globally

Perfecting over
125 years
of cider-making
Heritage

FIRST CIDER
introduced in
Malaysia in 2009

Achieved
7
years of
CONSISTENT GROWTH

Available in
4
MODERN FLAVOURS,
in pint bottle and
classic cider flavour
in draught

MOST AWARDED BRAND
at the International
Cider Award 2015 with
4 MEDALS

BEST ENJOYED OVER ICE
A refreshing first drink
of the evening

PORTFOLIO BRANDS

DOUBLE REFRESHMENT

COMBINES THE CRISP AND EASY-DRINKING TASTE OF TIGER BEER WITH THE ZESTY FLAVOUR OF NATURAL LEMON JUICE

ALE

THE CREAM OF IRISH ALES

THE NO.1 SELLING ALE IN MALAYSIA

THE RED VELVETY ALE THAT IS SAVOURED THE WORLD OVER

The perfectly crafted pint with Irish origins dating back to 1710; a journey that is worth it

THE SILKY SMOOTH ALTERNATIVE TO LAGERS AND STOUTS

THE NO. 1 German Wheat Beer

Brewed according to the strictest and oldest regulations of brewing set out in 'The German Purity Law' – only the purest water, malted wheat and barley, hops and yeast can be used in the brewing process

ONE OF THE OFFICIAL BEERS AT THE WORLD-FAMOUS OKTOBERFEST, HELD IN MUNICH EVERY YEAR

THE REAL SHANDY

AN ALL-TIME CHINESE NEW YEAR FAVOURITE

APPEALS TO DRINKERS PREFERRING A LIGHTER OPTION

with its refreshing buzz and unique blend of beer mixed with fizzy lemonade at <0.5% alcohol

A NUTRITIOUS

MALT DRINK

Contains all the goodness of malt, including a high concentration of B Vitamins (B1, B3 and B6)

THE PREFERRED NON-ALCOHOLIC BEVERAGE

INNOVATION

Everyone loves to try something new from brands they have a strong affinity with. Our line-up of innovative products grew in FY16 with four new line extensions, showcasing our flair with innovation and creativity that keeps close to our consumers' feedback.

TIGER WHITE

UNCAGE THE FLAVOURS OF THE ASIAN WHEAT BEER

Creating New Experiences

In tune with its brand character that constantly pushes boundaries of innovation, Tiger debuted a new variant, Tiger White, just two years after the launch of the European-styled Tiger Radler. A new breed of beer, the introduction of the wheat beer variant proves once again that Tiger does not rest on its laurels and constantly pushes the boundaries of innovation, to create fresh accessible and exciting brews for its consumers.

The new variant was introduced first in Malaysia, ahead of the global roll-out in FY16, underscoring Tiger's market leadership in the country. Brewed locally, the all-new cloudy variant with an Alcohol by Volume of 5% and its subtle spicy hints of clove, coriander and orange peel, resonates with the market trend for wheat beer.

To prove the newly launched wheat beer's philosophy – 'It all starts with white', hundreds of consumers were presented with a screening of 'Coaster', the world's first short film made from beer coasters. The project screened on 19 December 2015 was led by local talents, director, Cho We Jun and screenwriter, Lim Benji who were also mentored by 'Everest' director, Baltasar Kormákur. Prior to the screening, up to 5,000 plain white coasters were distributed across the nation between October to November 2015, serving as a blank canvas for creative minds to contribute their ideas, illustrations and storyboard for the film.

In April 2016, Tiger White returned with a twist featuring an online contest which surprised consumers with an unexpected experience with prizes ranging from an all-you-can-eat fiesta prepared by your very own private chef to a dining in the dark session, a sensational movie night and even a luxurious overnight jungle retreat for the winner and a friend.

INNOVATION

NOW FRESH IN A BOTTLE

A refreshing lager with a smooth blend of aromatic hops, brewed perfectly into each bottle of Anchor Smooth Draught

Anchor Smooth Draught is a new Anchor variant introduced in FY16 that carries the characteristics of a draught beer. This new variant will compliment Anchor Smooth, the fastest growing brand within HEINEKEN Malaysia's portfolio of brands, last year boasting strong double digit growth.

ANCHOR Smooth Draught

THE FIRST DRAUGHT BEER from Anchor in the world

The smooth taste of **DRAUGHT BEER**

REFRESHING LAGER with a smooth blend of aromatic hops

MALAYSIA, THE FIRST COUNTRY

in Asia to introduce this variant

Refreshing apple cider, SWEETNESS from the apples combined with REFRESHING bite of dark fruit, with subtle blackcurrant notes

Introduced a digital film with 500,000 VIEWS to date

The New Strongbow Apple Ciders Dark Fruit

Strongbow Dark Fruit is a bright new addition to the Strongbow Apple Ciders range which comprises of Gold Apple, Elderflower and Honey variants. They were launched in FY15 to provide Strongbow fans with more choices to cater to their different taste palettes.

As a treat to our loyal Malaysian cider fans, they were the first in Asia to savour the new refreshing variant in FY16. Strongbow Dark Fruit is a refreshing apple cider, with a wonderful transparent burgundy colour, combined with the sweetness of apples, a refreshing bite of dark fruit and subtle blackcurrant notes at 4.5% alcohol content.

Launched as part of a global campaign, Nature Remix, saw Malaysian city dwellers reconnecting with nature in urban spaces redefined with a refreshing twist. A one-minute film 'Strongbow Nature Remix Lab presents: Dark Fruit Lights The Night' set in Kuala Lumpur illustrates how every sip of the brew enables Malaysians to enjoy the sunset, day or night.

INNOVATION

WORLD'S
NO. 1
pre-mixed alcoholic beverage

OPEN up to the New Smirnoff Ice Black
Taking its pre-mixed line a notch higher, Smirnoff Ice recently added Smirnoff Ice Black to join Smirnoff Ice Red in Malaysia. The new variant offers a crisp lime bite with a 7% alcohol level, an alternative option to Smirnoff Ice Red which has a refreshing lemon taste with a 5% alcohol level.

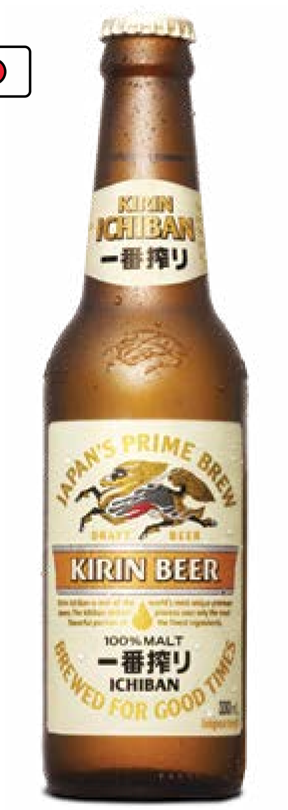
Smirnoff Ice Black offers the sophisticated, enigmatic fan, and some 5 million non-beer consumers, a perfect accompaniment as they heighten their night out with edgy, adventurous and outlandish experiences. Together, Smirnoff Ice is in Malaysia to move everyone to be open and more inclusive. Being open to new people, new places, new ideas and new drinks make good times better for everyone.

Created the
PRE-MIX REVOLUTION
in 1999 through its
SMIRNOFF ICE SERIES

Sells over
69.6
BILLION
bottles
globally

Caters to the edgy, adventurous & curious, who want to 'level up'
THEIR EXPERIENCES

INCLUSIVE & EXCLUSIVE
A DRINK FOR EVERYONE,
WITH EXCLUSIVE REFRESHING FLAVOURS THAT PACK A PUNCH



JAPAN'S NO. 1

100% MALT, FIRST PRESS BEER

ICHIBAN 'FIRST PRESS'
METHOD WITH NO BITTER AFTERTASTE

CRISP START
FOLLOWED BY RICH FLAVOURS

COMPLEMENTS JAPANESE
AND ORIENTAL CUISINES

Made from 100% malt, the brand was first introduced into HEINEKEN Malaysia's portfolio in FY14. Kirin Ichiban uses the First Press brewing method, extracting the purest malt liquid. That is why it is called 'Ichiban', meaning 'first' and 'best' in Japanese.

Kirin Ichiban collaborated with Ginza Tenkuni, Malaysia's first Tempura specialist to create a Kirin Ichiban-inspired Tempura omakase menu, as part of the brand promise to bring the best of Japan's experiences to consumers. Ingredients like abalone, sashimi (pufferfish, tuna, kingfish, beef and tempura) were infused with Kirin Ichiban, creating an exciting and authentic Japanese dining experience.

TRADE MARKETING HIGHLIGHTS

Continuing the tradition, HEINEKEN Malaysia showcased a line-up of exciting events in conjunction with key celebratory annual festivals like Chinese New Year, the highly-anticipated bartending competition through its Star Academy, and debuted a brand new initiative, the Passport International Beerfest event.

To usher in the Year of the Monkey, Tiger Beer's 'Roar into the New Year' campaign gave away more than RM1 million in cash and prizes to reward loyal consumers. One fan won the grand prize of RM888,888, while 11 fans won big with RM8,888 each. The campaign which ran from 8 January to 8 February 2016 rewarded many more fans of Heineken®, Tiger, Guinness, and Anchor, with lucrative cash prizes and exciting on-ground activities across Ipoh, Penang, Johor and Kuala Lumpur during the festivities.

For the first time, Malaysia won first place out of 15 countries to earn the title 'Heineken World's Best Bartender' in 2016. This crowns Malaysia with the top winning place in 2016, after receiving No.2 placement in 2013, when the global Heineken® event first commenced.

Returning under the umbrella Star Academy, the competition was won by a 27-year old Sabahan talent, Eddy Jay Jaimin from Beer Factory. Anchored on the global Heineken Star Serve platform, this is a highly-anticipated event among the Malaysian and international bartending community for the strength of the programme which provides intensive training on product and service quality. Based on the 5-step Heineken Pouring Ritual, they hone their skills to ensure consumers experience the same high quality serve each and every time. In 2016, this competition drew over 2,100 participants from more than 490 outlets across Malaysia.

Taking edgy experiences to new heights, HEINEKEN Malaysia brought the world to Malaysian fans and consumers through the newly launched 'Passport International Beerfest'. Through a virtual reality global simulator, fans enjoyed exploring other countries and cultures while enjoying the full range of beers and ciders from the Netherlands, England, Germany, Ireland, and Asia. Throughout the campaign, fans could collect a series of six limited edition collectible mugs as memorabilia. The extravaganza campaign kick-off was filled with exciting activities such as a percussionist band, dance performances, stilt walkers, jugglers, magicians and Irish models, with brand ambassadors dressed up in Japanese and German costumes.

To promote responsible drinking, HEINEKEN Malaysia collaborated with GRAB, which was the official transport partner for the event.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of Heineken Malaysia Berhad (formerly known as Guinness Anchor Berhad) ("HEINEKEN Malaysia" or "the Company") firmly believes that commitment to good business ethics and corporate governance is essential to the sustainability of the Group's business and performance. The Board is pleased to confirm that the Company has adopted the relevant principles and recommendations stipulated in the Malaysian Code on Corporate Governance 2012 ("CG Code 2012").

This Corporate Governance Statement outlines the manner and extent to which the principles and recommendations of the CG Code 2012 have been adopted and applied within the Group in respect of the 18 months financial period ended 31 December 2016.

PRINCIPLE 1
ESTABLISH CLEAR ROLES AND RESPONSIBILITIES FOR THE BOARD AND MANAGEMENT

Clear Functions of the Board and Management

The Board has the overall responsibility in leading and determining the Group's strategic direction. It provides an effective oversight of the conduct of the Group's businesses, ensuring an appropriate risk management and internal control system is in place as well as regularly reviewing such system to ensure its adequacy and integrity. The Board takes into consideration the interests of all stakeholders in their decision making so as to ensure the Group's objectives of creating long term shareholder value are met.

The Board is guided by its terms of reference which sets out the Board's objectives, principal responsibilities, rights, roles of the Chairman and its meeting requirements. The terms of reference was adopted by the Board in 2006 and it is subject to review as and when required. It is available online at the Company's website: www.heinekenmalaysia.com.

In discharging the key fiduciary duties and leadership functions, the Board assumes the following principal responsibilities:

- Review and approve the strategy and annual operational plan for the Company. The Company has in place an annual planning process whereby Management presents to the Board its recommended strategy and proposed operational plan, which includes the annual financial objectives and budget before the commencement of a new financial year.

- Oversee the conduct of the Company's business to evaluate whether the business is being properly managed. At the quarterly Board Meeting, the Board reviews the progress of the implementation of the annual operational plan, business performance of the Group, key developments and challenges encountered by the Group.

- Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures. On a quarterly basis, the Board, via the Audit Committee, reviews the major risks that the Group faces and control measures and systems put in place to manage those risks.

- Succession planning, including appointing, training, fixing of compensation and where appropriate, replacing senior management. The people agenda is one of the key items in the Board Meeting agenda. The Board is regularly updated on the Company's talent management programme and the succession plan for key management positions.

- Oversee the development and implementation of an investor relations programme and shareholder communications policy for the Company. The Company is guided by the HEINEKEN Communication Rules and the Financial Disclosure Guidelines which provide specific guidance on communications of information to relevant stakeholders. For managing investor relations, the Company has an investor relations function which reports directly to the Finance Director. The Board receives monthly reports on investor relations matters which include analysts' recommendations, Company's share price movement and changes to the interests of substantial shareholders of the Company.

- Review the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. The Board is regularly updated on the state of regulatory compliance and internal controls as well as the effectiveness of the control systems.

To assist the Board in the discharge of its oversight function, the Board has delegated specific responsibilities to the following Board Committees:

- Nomination and Remuneration Committee
- Audit Committee

STATEMENT ON CORPORATE GOVERNANCE

Each committee operates its functions within their terms of reference approved by the Board. The Chairman of the respective Board Committees reports on matters deliberated and recommendations by the Board Committees.

For the day-to-day operations, the Board has delegated its authorities and responsibilities to the Management Team led by the Managing Director. The Management Team is responsible for the implementation of business plans and strategies, policies and decisions approved by the Board, managing the daily conduct of the business and affairs; and communicating matters to the Board. The responsibilities and authorities of the Management Team are defined in the Statement of Authority approved by the Board.

There is however a schedule of key matters reserved specifically for the Board deliberation and decision to ensure the direction and control of the Group are in its hands. They include, amongst others:

Conduct of the Board
- Appointment of Directors and Chairman
- Establishment of Board Committees, their membership and delegated authorities
- Appointment of key management positions including Managing Director and Finance Director
- Appointment and removal of Company Secretary

Operational
- Business strategy and operational plan and annual budget
- Decisions on emerging business issues
- Challenges arising from regulatory changes and changes in business environment
- Decision on material transactions / major investments and matters that have significant impact to the Group
- Major capital expenditure, acquisitions or disposal of a business or assets in excess of authority limits delegated to Management
- Changes to management and control structure of the Group, including key policies and authority limits

Remuneration
- Recommendation of the remuneration package and policy for Non-Executive Directors
- Approval of the remuneration structure and policy for the Managing Director and where appropriate, senior management based upon recommendations of the relevant Board Committee
- Succession planning for Managing Director and Management Team

Financial
- Payment of dividends
- Release of financial announcements
- Approval of audited financial statements
- Approval of financing facilities and banking arrangements

Ethical Standards and Code of Conduct

As part of the HEINEKEN Group, the Group has adopted the HEINEKEN Code of Business Conduct ("HeiCode") which governs the standards of ethics and responsible business conduct expected from all the employees, individually and as a team at every level, when acting for and on behalf of the Company. It empowers and gives guidance to all employees in dealing confidently with their day-to-day challenges. The HeiCode has embedded 15 policies which are grouped into three broad areas, namely:

Personal integrity
- Responsible consumption and communication
- Standards on employees' and human rights, harassment and discrimination
- Commitment to health, safety and environment
- Avoidance and disclosure of conflicts of interest

Commercial integrity
- Fair competition
- Avoidance of bribery and improper advantages
- Offering and acceptance of gifts
- Provision and acceptance of entertainment and hospitality
- Political contributions and charitable donations
- Dealing with business partners

Company integrity
- Use of company resources
- Management of confidential information
- Avoidance of insider trading
- Maintenance of financial and non-financial records
- Fraud prevention and reporting

The Group has also adopted the HEINEKEN Speak Up Policy that provides employees with a uniform process to raise concerns about suspected misconduct within the Group in a confidential manner, and encourages a healthy Speak Up culture without fear or favour. Pursuant to the Speak Up Policy, concerns of suspected misconducts can be conveyed through the following channels:

- Contact line manager / HR representative / internal auditor / legal counsel within the organization
- Contact the trusted representatives appointed by the Company, whose role is to listen, provide guidance and assistance to the reporter on how to proceed
- Email to businessconduct@heineken.com
- Call the integrity line at 1-800-80-8641 managed by an independent external party
- Access http://CALL.HEIWAY.com to file a report or to obtain more information

All Speak Up reports will be reviewed by a Review Team which comprises representatives from the HEINEKEN Global Business Conduct Office, Global Audit and Global Human Resources.

STATEMENT ON CORPORATE GOVERNANCE

In addition to the HeiCode, the Company has also adopted the HEINEKEN Supplier Code which outlines clear standard of responsibility for the Group's suppliers in the areas of integrity and business conduct, human rights, and the environment. The Group engages suppliers to raise their awareness on the Group's expectations on the standards of business ethics and to review their performance based on the obligations committed to the Group.

The Company has also adopted the Malaysian International Chamber of Commerce and Industry's Ethics Charter since 2006. The Company strives to abide by the guide when conducting business while pursuing its corporate and business interests with VIGOUR, which represents the business values of Value Creation, Integrity, Governance, Obligation, Understanding and Responsibility.

The Directors of the Company continue to adhere to the Company Directors' Code of Ethics entablished by Companies Commission of Malaysia.

The Company has a Process & Controls Improvement Team (previously known as Controls, Compliance & Ethics Team) which is tasked to oversee compliance with the Group's processes and ethics in its day-to-day operations and to implement relevant programmes. The team is administered under the Finance Department and it reports directly to the Finance Director of the Company.

The HeiCode, Speak Up Policy and the Supplier Code are available online at the Company's website: www.heinekenmalaysia.com.

Strategies Promoting Sustainability

The Board is committed to implementing responsible and sustainable corporate practices that maintain the equilibrium between the Company's bottom line performance and environmental and social performance. As part of the HEINEKEN Group, the Company has, in April 2016, adopted the HEINEKEN "Brewing a Better World" Strategy that focuses on the following areas:

- Protecting water resources
- Reducing CO_2 emissions
- Sourcing sustainably
- Promoting health and safety
- Advocating responsible consumption
- Growing with communities

Every business decision that the Group makes pertaining to growth and profitability takes into consideration the economic, environmental and social needs. The sustainability initiatives undertaken by the Company are reported on pages 30 to 44 of this Annual Report.

Access to Information

The Board recognises the importance of providing timely, relevant and up-to-date information in ensuring an effective decision making process by the Board. In this regard, the Board is provided with not only quantitative information but also those of a qualitative nature which is pertinent to enable the Board to discharge its duties effectively.

Prior to the scheduled Board / Board Committee Meeting, the Directors will be provided a structured agenda together with management reports and proposal papers at least 5 days prior to the meeting. In order for meetings to be more effective, the meeting agendas are organised taking into consideration the complexity of the proposals / matters to be deliberated. An indication will also be provided to guide the Board / Board Committees as to whether the matters are for approval, discussion or for notation purpose with time allocation determined for each agenda item in order for the meetings to be conducted efficiently.

Management reports presented to the Board include the following information:

- Business and financial performance of the Group
- Key projects / initiatives undertaken by the Group
- Sales and brand activities
- Market developments and consumer trends
- Progress of implementation of strategic priorities
- Developments on human resources
- Environmental and industry issues
- Legal and regulatory matters

Where necessary, members of the Management Team will be invited to attend Board / Board Committee Meetings to report and update on areas of business within their responsibility to provide Board members insights into the business, and clarify any issues raised by the Directors in relation to the Group operations. Directors are encouraged to share their views and insight in the course of deliberation and participate in discussions.

All issues discussed, decisions and conclusions including dissenting views made at the Board / Board Committee Meeting with required actions to be taken by responsible parties are recorded in the minutes by the Company Secretary. Minutes of meetings are circulated to all Directors for their perusal prior to it being tabled for confirmation at the next meeting. Upon receiving confirmation from all the Board/ Board Committee members, the minutes will be signed by the Chairman of the Board members / Board Committees as a correct record of the proceedings of the meeting. Decisions made and policies approved by the Board will be communicated to relevant Management Team members for action after the meeting.

The Board is also regularly updated and kept informed of the latest developments in the legislation and regulatory framework affecting the Group.

STATEMENT ON CORPORATE GOVERNANCE

Access to Management, Company Secretary and Independent Advisers

All Directors have unrestricted and constant access to and interaction with the Management Team in that they may have informal meetings with the Management Team members to brief them on matters or major developments concerning the Group operations.

The Directors also have unrestricted access to the advice and services of the Company Secretary. Directors may interact directly with, or request further explanation, information or update on any aspects of the Company's operations from the Company Secretary. The Company Secretary advises the Board on any new statutory and regulatory requirements relating to corporate governance.

The Company Secretary, who is qualified, experienced and competent, organises and attends all Board and Board Committees meetings and ensures meetings are properly convened; accurate and proper records of the proceedings and resolutions passed are maintained accordingly.

Subject to the approval of the Board, the Directors, whether as a full Board or Board Committees or in their individual capacity, may seek and obtain independent professional advice at the Company's expense on specific issues to assist them in discharging their duties. Appropriate procedures are in place to facilitate the Directors' access to such advice.

PRINCIPLE 2
STRENGTHEN COMPOSIITION OF THE BOARD

The Board is assisted by two Board Committees, namely the Nomination and Remuneration Committee ("NRC") and the Audit Committee ("AC") which are entrusted with specific responsibilities with authority to act on behalf of the Board in accordance with their respective Terms of Reference.

The composition of the Board Committees are as follows:

Nomination and Remuneration Committee
- Dato' Sri Idris Jala - Chairman, Independent Director
  Appointed on 1 January 2017
- Datin Ngiam Pick Ngoh, Linda - Member, Independent Director
- Choo Tay Sian, Kenneth - Member, Non-Independent Non-Executive Director
- Martin Giles Manen - Member, Senior Independent Director

Audit Committee
- Martin Giles Manen - Chairman, Senior Independent Director
- Datin Ngiam Pick Ngoh, Linda - Member, Independent Director
- Choo Tay Sian, Kenneth - Member, Non-Independent Non-Executive Director
- Yong Weng Hong - Member, Non-Independent Non-Executive Director
- Dato' Sri Idris Jala - Member, Independent Director
  Appointed on 1 January 2017

Note:
Tan Sri Saw Choo Boon ceased to be the Chairman of the NRC and a member of the AC following his retirement from the Board on 31 December 2016.

Both Board Committees consist of members who are Non-Executive Directors, a majority of whom are independent.

The Board takes note of the recommendation of the CG Code 2012 that suggests for the Nominating Committee to be chaired by a Senior Independent Director identified by the Board. The Board is of the view that it is not necessary for the Company to appoint the Senior Independent Director to chair the NRC as all the independent Directors are well qualified and experienced and there is no combination or overlapping of roles between the Chairman and the Managing Director of the Company as these 2 positions are held by separate individuals.

The Board will from time to time, review the recommendation and make the necessary appointment as and when it deems fit.

The roles and responsibilities of the NRC include the following:

<u>Concerning Board and Board Committee's Appointment and Evaluation</u>

- To recommend to the Board, candidates for all directorships of the Company and its subsidiaries to be filled by the nominees of the major shareholders or the Board of the Company for any vacancies on the Boards of the Company and its subsidiaries;
- To consider, in making its recommendations, candidates for directorships proposed by the Managing Director and within the bounds of practicability, by any other senior executive or any director or shareholder;
- To recommend to the Board on the establishment of new committees or the dissolution of any existing committees of the Board which no longer serves its purpose;
- To recommend to the Board to fill the seats on any Board Committees;
- To evaluate the performance and effectiveness of the Board and the Board Committees of the Company annually;
- To assess the independence of Independent Directors of the Company annually;

STATEMENT ON CORPORATE GOVERNANCE

- To identify training requirements for the Directors to ensure they receive appropriate continuous training programmes to keep abreast with the developments in the industry and with changes in the regulatory requirements; and
- To ensure succession plans and policies are formulated for the Group.

Concerning remuneration

- To recommend to the Board a competitive compensation and remuneration package for Managing Director / Executive Directors and Senior Management employees in order to attract and retain outstanding individuals with the skills and experience needed to manage the Group's business successfully;
- To recommend to the Board a competitive remuneration package for Non-Executive Directors in order to attract and retain outstanding individuals of integrity, calibre, credibility and who have the necessary skills and experience to bring an independent judgement to bear on the issues of strategy, performance and resources for the success of the Group; and
- To review and recommend the annual compensation and rewards for all individual Directors and Senior Management employees based on their KPIs achievements.

During the 18 months financial period ended 31 December 2016, the NCR met 3 times and reviewed the following matters:

- The effectiveness of the size, mix and the composition of the Board and the Board Committees
- The contribution of individual Directors in relation to the effective decision making of the Board
- The independence of Independent Directors
- The re-nomination of Directors who were due for retirement at the Company's Annual General Meeting (AGM)
- Training requirements for Board members
- Adjustment to the Remuneration Package for Non-Executive Directors
- Payment of performance bonus to the Group employees
- Salary increment, performance bonus KPIs and structure
- Succession planning for key Management Team members
- Performance management framework and job grade structure of the Group

The roles and responsibilities and the activities of the AC are set out separately in the Audit Committee Report on pages 93 to 95 of this Annual Report.

Board Committee Meetings are normally held before or in conjunction with the Board Meetings. When necessary and decisions on recommendations can also be made via circular resolutions. At each Board Meeting, the Chairman of the respective Board Committees reports to the Board on matters deliberated at the respective Board Committee Meeting.

Appointments to the Board

There is a process for selection, nomination and appointment of suitable candidates to the Board of HEINEKEN Malaysia. Potential candidates can be identified by the NRC, existing Directors, Managing Director or any shareholder or other senior executive within the Company, through internal or external sources. The potential candidates can be professionals residing in Malaysia including expatriates.

The NRC reviews the suitability of candidate identified and recommends to the Board, for appointment to the Board and it is responsible to ensure that appointments are made on merit. There are specific criteria for assessing candidature for directorship. The suitability of a candidate will be assessed by taking into consideration the following aspects:

- Core competencies that meet the needs of the Company
- Personal qualities in terms of leadership skills, ability to provide strategic insight and direction, work ethics and professionalism
- Industry knowledge, business judgement, expertise and special skills
- Understanding of local economic and operating environment
- Ability to commit time and effort to carry out duties and responsibilities effectively
- Ability to represent the Company at any occasion that involves the Company
- Educational qualification
- Factors that promote boardroom diversity, including gender diversity

For appointment of Independent Directors, considerations will also be given on whether the candidate meets the requirements for independence as defined in the Bursa Securities Main Market Listing Requirements (MMLR).

The recent appointment of Dato' Sri Idris Jala to the Board on 1 January 2017 was made based on the above process.

Gender diversity policy

The Board recognises the merits of gender diversity in strengthening the performance of the Board and/or Board Committees and has placed gender diversity as one of the considerations for nomination of new appointment to the Board. Notwithstanding this, the Board is of the view that while it is important to promote gender diversity, ensuring an effective blend of competencies, skills, extensive experience and knowledge remain a priority in the selection of a candidate.

STATEMENT ON CORPORATE GOVERNANCE

Re-election to the Board

The Company's Constitution provides that the total number of Directors shall not be less than 2 nor more than 12. The Board may appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but the total number of Directors shall not exceed the said limit. Any new Director appointed by the Board during the year shall hold office only until the next AGM of the Company and shall be eligible for re-election.

The Company's Constitution further provides that one-third of the Directors shall retire from office by rotation at each AGM and all Directors, including the Managing Director, shall retire from office at least once every three years but shall be eligible for re-election. A Director seeking re-election or re-appointment shall abstain from all deliberations regarding his/her re-election or re-appointment to the Board.

The NRC reviews and assesses the re-election / re-appointment of retiring Directors who seek re-election / re-appointment at the Company's AGM. In determining whether to recommend a Director for re-election or re-appointment, the Director's effectiveness and contribution to the activities of the Board are duly considered by the NRC. The NRC submits its recommendation on the proposed re-election / re-appointment of Directors to the Board for consideration before tabling the same for shareholders' approval.

The following Directors are due to retire at the coming AGMs. They have offered themselves for re-election / re-appointment:

52nd AGM
Retiring pursuant to Article 89 of the Company's Constitution
- Martin Giles Manen
- Choo Tay Sian, Kenneth

53rd AGM
Retiring pursuant to Article 96 of the Company's Constitution
- Dato' Sri Idris Jala

Retiring pursuant to Article 89 of the Company's Constitution
- Yong Weng Hong
- Frans Erik Eusman

Based on the recommendation of the NRC, the Board recommended the re-election / re-appointment of the above Directors for shareholders' approval at the respective AGM scheduled for 13 April 2017.

Annual Assessment

The NRC conducts the Board Effectiveness Evaluation via questionnaires, which comprises Board and Board Committees effectiveness assessment and Directors self and peer assessment. The NRC assesses the effectiveness in terms of composition, conduct, accountability and responsibility of the Board and Board Committees in accordance with the terms of reference. The Directors self and peer assessment is conducted to evaluate the mix of skills, experience and the individual Director's ability to contribute to the development of strategy and exercise independent judgement in the best interest of the Company towards the effective functioning of the Board. The NRC also evaluates the independence of Independent Directors based on the respective directors' self-declaration in the Directors' Independence Checklist sets out the "Independence" criteria as prescribed by the Bursa Securities MMLR.

The evaluation process is led by the NRC Chairman with the support from the Company Secretary. The NRC will review the feedback gathered from the evaluation; identify areas for improvements to enhance the effectiveness of the Board and recommend actions to be taken by the Board.

Pursuant to its recent annual evaluation, the NRC was satisfied that taking into account the nature and scope of operations of the Company and the requirements of the Company's business, the current size and composition of the Board is appropriate and well-balanced with diversity of skills and experience which would facilitate effective decision making. There is also an adequate independent element on the Board that reflects the interest of minority shareholders and provides an effective check and balance. The NRC was also satisfied that the Board comprises individuals of calibre and creditability with necessary skills and qualifications which will enable the Board to discharge its responsibility effectively. Through the Directors self and peer assessment, the Non-Executive Directors have indicated their satisfaction with the level of independence of each of their peers and their ability to act in the best interest of the Company in decision-making.

Directors' Remuneration

The Group has adopted a formal procedure to determine the remuneration of the Directors so as to ensure that the Company attracts and retains the Directors needed to run the Group successfully. In the case of the Managing Director, the component parts of his remuneration are structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, their remunerations reflect the experience, level of responsibilities and contributions and the time spent in attending to the Group matters.

STATEMENT ON CORPORATE GOVERNANCE

The Board, collectively determined the remuneration for the Non-Executive Directors based on the recommendation of the NRC. Each of the Non-Executive Directors abstained from deliberating and voting on their own remuneration.

The current remuneration policy for the Directors is as follows:

Remuneration Package for Managing Director

The NRC is guided by the compensation framework of the HEINEKEN Group, which is an indirect major shareholder of the Company. The remuneration package of the Managing Director consists of both fixed and performance-linked elements. The performance of the Managing Director is reviewed annually taking into consideration the corporate and individual performance.

Fees and Allowances for Non-Executive Directors

The fees and allowances payable to the Non-Executive Directors are determined by the Board as authorised by the shareholders of the Company. All Non-Executive Directors are paid annual fixed director fees for serving as members of the Board and Board Committees. In addition, they are also paid a meeting attendance allowance for each meeting they attended. The Chairmen of the Board Committees also receive annual fixed allowance for the additional responsibility and commitment required. Information from independent sources and survey data on the remuneration practices of comparable companies are considered in determining the remuneration package for the Non-Executive Directors.

The remuneration package for the Non-Executive Directors as approved by the shareholders on 25 November 2015 is set out as follows:

	RM
Annual fee for Non-Executive Director	75,000
Annual fee for AC member	5,000
Annual fee for NRC member	4,000
Annual allowance for AC Chairman	8,000
Annual allowance for NRC Chairman	6,000
Annual allowance for Board Chairman	100,000
Meeting allowance (per meeting attended)	1,200

Bonus Scheme

The Group sets up a bonus scheme for all employees including the Managing Director. The criteria for the scheme is the performance achieved from the Group's businesses against targets, together with an assessment of each individual's performance. Bonus payable to Managing Director will be reviewed by the NRC and subject to the Board's approval.

Benefits in Kind

Certain customary benefits (such as motor vehicles, mobile phones and club memberships) are made available to the Chairman of the Board and/or the Managing Director of the Company in accordance with the Company's policies.

Contribution to Employees Provident Fund

Contributions will be made to the Employees Provident Fund for Managing Director / Executive Directors who are Malaysian citizens.

Details of the Directors' Remuneration

The details of the remuneration paid to Directors (including former Directors of the Company) for the 18 months financial period ended 31 December 2016 are as follows:

Remuneration	18 months financial period ended 31 December 2016	
	Executive Director RM	Non-Executive Directors RM
Fees & Chairman allowance	-	904,000
Meeting attendance allowance	-	100,800
Gratuity (Note 1)	-	20,000
Benefits in kind (Note 2)	846,317	18,157
Salary & Other emoluments (Note 3)	2,493,838	-
Total	3,340,155	1,042,957

Notes:

1. *The gratuity payment was paid to the former Chairman of the Company who retired from the Board pursuant to Section 129 of the Companies Act, 1965 on 31 December 2016. The payment was made based on the mandate approved by the shareholders on 26 November 2009.*
2. *Benefits in kind include rental payments, motor vehicles, club memberships and personal expenses.*
3. *Other emoluments include bonuses, incentives, retirement benefits, provisions for leave and allowances.*

STATEMENT ON CORPORATE GOVERNANCE

The number of Directors of the Company (including former Directors of the Company) whose total remuneration including benefits-in-kind for the 18 months financial period ended 31 December 2016 which fall within the required disclosure bands are as follows:

Range of Remuneration RM	18 months financial period ended 31 December 2016	
	Executive Director	Non-Executive Directors
Below 50,000	-	4
50,001 – 100,000	-	1
100,001 – 150,000	-	4
300,001 – 350,000	-	1
1,900,001 – 1,950,000	1	-

PRINCIPLE 3
INDEPENDENT DIRECTORS

Assessment of Independent Directors

The Independent Directors play an important role in bringing impartiality and scrutiny to Board deliberations and decision-making, and also serve to stimulate and challenge the Management in an objective manner. They do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or other relationship which could materially compromise their independent judgement. The decisions are arrived at after taking into account the long term interests, not only of the shareholders, but also of employees, customers, suppliers, and the many communities in which the Group conducts its business.

The Board, through the NRC, evaluates the independence of Independent Directors based on the criteria of independence as defined in the Bursa Securities MMLR and also assesses the individual Director's ability to exercise independent judgement at all times and to contribute to the effective functioning of the Board.

Tan Sri Saw Choo Boon (retired on 31 December 2016), Mr Martin Giles Manen and Datin Ngiam Pick Ngoh, Linda are the Independent Directors who served on the Board during the 18 months financial period ended 31 December 2016. Based on the evaluation conducted for the financial period under review, the Board is satisfied with the level of independence demonstrated through their engagement in meetings, providing objective challenges to Management, and bringing independent judgement to decision taken by the Board. The said Independent Directors have also fulfilled the criteria of independence as prescribed under the Bursa Securities MMLR. The Company meets the minimum requirement prescribed by the Bursa Securities MMLR to have at least one-third of the Board comprised of Independent Directors.

The Chairman of the AC, Mr Martin Giles Manen, is the designated Senior Independent Director, to whom concerns pertaining to the Group may be conveyed by shareholders and other stakeholders.

Tenure of Independent Directors

The Company does not have a fixed term limit for Independent Directors but the Board does evaluate the contribution and the tenure of the Independent Directors. The Board believes that the ability of a Director to discharge his duties and responsibilities independently and effectively in the decision making processes of the Board is dependent on his calibre, qualification, experience and personal qualities, in particular, integrity and objectivity. The Board is also of the view that valuable contribution can be obtained from Directors who have, over a period of time, developed valuable insight of the Company and its business. The Board therefore was of the view that imposing a fixed term limit for Independent Directors does not necessarily promote independence and objectivity.

For Independent Director who has reached the nine-year cumulative term as Independent Director, an assessment will be carried out by the NRC based on the "Independence" criteria adopted by the Company to determine whether the Director can remain as an Independent Director after serving a cumulative term of nine years. The Board will review the recommendation by the NRC for annual re-election of any Independent Director who has served for nine years or more.

Re-appointment of Independent Director who has served for nine years or more

As of 31 December 2016, none of the Independent Directors who served during the 18 months financial period under review has served on the Board for a cumulative term of nine years or more.

However, the term of office of Mr Martin Giles Manen as Independent Non-Executive Director of the Company is expected to reach the nine-year mark on 28 August 2017.

Mr Martin Giles Manen has met the independence criteria adopted by the Company and fulfilled the independence definitions as prescribed under the Bursa Securities MMLR. The Board believes that Mr Martin Giles Manen is able to bring independent and objective judgements to the Board as a whole and strongly recommended him to continue as Independent Non-Executive Director of the Company subject to approval from the shareholders at the forthcoming AGM of the Company.

STATEMENT ON CORPORATE GOVERNANCE

Separation of positions of the Chairman and Managing Director

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority in the Board, such that no one individual has unfettered powers of decision-making. The Chairman of the Board is primarily responsible for ensuring the effective functioning of the Board and leading the Board in the oversight of management. He also engages directly with the Managing Director to monitor performance and oversees the implementation of strategies.

The Managing Director is responsible for the day-to-day management of the Group operations and business as well as implementation of business plans and strategies, policies and decisions approved by the Board.

Board Composition and Balance

As of 31 December 2016, the Board comprises 7 members, of whom 3 (including the Chairman) are Independent Non-Executive Directors, 3 are Non-Independent Non-Executive Directors, and 1 is an Executive Director. The Board considers various aspects of diversity when assessing the Board's size and mix each time a vacancy arises.

The Chairman shall be an Independent Director of HEINEKEN Malaysia. The Board noted the recommendation of the CG Code 2012 which states that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director.

The Board believes that the size of the Board is optimum in that it has an appropriate mix of relevant skills, knowledge and experience which commensurate with the complexity, scope and operations of the Group. It also has a balanced composition with adequate Board independence that represents the minority interest.

A brief profile of the Board members is presented on pages 10 to 16 of this Annual Report.

PRINCIPLE 4
DIRECTORS' COMMITMENT

Time Commitment

Directors are expected to devote sufficient time and effort to carry out their responsibilities. The Board will seek commitment from Directors at the time of appointment. Directors are advised to notify the Chairman / Board before accepting any new directorship.

A full year meeting schedule which sets out the dates for meetings of the Board, Board Committees and shareholders, as well as the closed period for dealings in the Company's stocks by Directors based on the targeted date of announcement of quarterly results of the Group, is prepared and circulated to the Directors before the start of each calendar year to allow Directors to plan ahead to attend such meetings, so as to maximise participation. Directors are allowed under the Company's Constitution to participate at a Board / Board Committee Meeting via telephone or video conferencing.

The Board meets on a quarterly basis. Additional meetings are convened as and when necessary, to consider urgent proposals or matters that require the Board's consideration. Off-site Board Meeting to discuss specific topics will also be arranged, when necessary, to facilitate more time for discussion and view sharing.

The Board met 6 times during the 18 months financial period ended 31 December 2016 and attendance of Directors at Board Meetings, was as follows:

Name	Attendance
Hans Essaadi Managing Director	6 / 6
Martin Giles Manen Senior Independent Non-Executive Director	6 / 6
Datin Ngiam Pick Ngoh, Linda Independent Non-Executive Director	6 / 6
Frans Erik Eusman Non-Independent Non-Executive Director *(Appointed on 9 October 2015)*	5 / 5
Choo Tay Sian, Kenneth Non-Independent Non-Executive Director	6 / 6
Yong Weng Hong Non-Independent Non-Executive Director *(Appointed on 18 August 2015)*	6 / 6
Tan Sri Saw Choo Boon Chairman, Independent Non-Executive Director *(Retired on 31 December 2016)*	6 / 6

Note:
Dato' Sri Idris Jala was appointed to the Board with effect from 1 January 2017.

At Board Meetings, the Board reviews Management reports on the business and financial performance of the Group and discusses major operational and financial issues. Directors are encouraged to participate in the meeting and share their views. They are also encouraged to pose queries (if any) to Management prior to each Board Meeting to enable them to better prepare for the meeting.

Any Director who has a direct or deemed interest in the subject matter shall abstain from deliberation and voting on the respective resolution. Decisions of the Board are made unanimously or by consensus. Where appropriate, decisions may be taken by way of Directors' Circular Resolutions for matters which are administrative in nature.

STATEMENT ON CORPORATE GOVERNANCE

Directors' Training and Induction

The Board recognises the importance of continuing education for its Directors to ensure that they are equipped with the necessary skills and knowledge to assist them in the discharge of their duties as Directors. All existing Directors have completed the Mandatory Accreditation Programme (MAP) as required under the Bursa Securities MMLR.

Induction programme is arranged for newly appointed Directors to enable them to have a full understanding of the nature of the businesses, current issues within the Group and corporate strategies as well as the structure and management of the Group. The Management Team members will present in person on their respective area of responsibility with an overview of the key issues and strategies. As part of the induction programme, a brewery tour is also arranged to provide greater understanding about the production processes.

The Company Secretary organises and co-ordinates training programmes for the Directors. During the 18 months financial period ended 31 December 2016, 2 in-house Directors' Continuity Education Programmes which covered the following topics were held on 20 October 2015 and 9 November 2016 and attended by some of the Directors of the Company:

Date	Topics
20 October 2015	• Integrated Reporting • Economic Outlook • Do Your Minority Shareholders Trust You?
9 November 2016	• The New Companies Act - What Changes For Plcs and Directors of Plcs? • Security and Terrorism In Malaysia - A Very Real Threat? • The Power of Social Media and How It Impacts Our Business

The Directors may request to attend other training courses according to their needs from time to time to keep abreast with relevant changes in laws and regulations, and the business environment. Some of the training / conferences / seminars and/or workshops, in which Directors have participated during the 18 months financial period ended 31 December 2016 are listed in Appendix 1 of this statement.

The Directors are mindful of the need to continue to enhance their skills and knowledge to assist them in the discharge of their duties as Directors. The Board will, on a continuous basis, evaluate and determine the training needs of the Directors.

PRINCIPLE 5
UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

In presenting the quarterly financial reports and the annual financial statements to shareholders and investors, the Board is committed to providing a clear, balanced and meaningful assessment of the Group's financial position and prospects.

The Board, assisted by the AC, oversees the financial reporting of the Group. The AC reviews the Group's quarterly financial reports and annual financial statements, the appropriateness of the Group's accounting policies and the changes to these policies to ensure that these financial statements comply with accounting standards and regulatory requirements.

The Chairman's Statement, the Management Discussion and Analysis and the Operational Review in this Annual Report provide additional analysis and commentary on the state of the Group's business. The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is set out in the Financial Statements section of this Annual Report.

The Directors are responsible for ensuring that the financial statements of the Group are prepared in accordance with the requirements of the applicable approved accounting standards in Malaysia, provisions of the Companies Act, 1965 and the Bursa Securities MMLR, and give a true and fair view of the financial position of the Group at the end of the financial year.

The Directors are satisfied that in preparing the financial statements for the 18 months financial period ended 31 December 2016, the Group has adopted and applied consistently appropriate accounting policies, supported by reasonable and prudent judgements and estimates; and implemented relevant internal controls to ensure the financial statements are free from material misstatement. The Directors also consider that all applicable approved accounting standards in Malaysia have been adopted and the financial statements have been prepared on a going concern basis.

Related Party Transactions

The Group has in place a policy regulating related party transactions and established the appropriate procedures to ensure that the Company meets its obligations under the Bursa Securities MMLR relating to related party transactions. All related party transactions are reviewed by the sub-committee appointed by the AC and the same will be reported to the AC and the Board on a quarterly basis.

Where any Director who has an interest (direct or indirect) in any related party transaction, such Director shall abstain from deliberation and voting on the resolution of such transaction at the AC and the Board Meetings.

STATEMENT ON CORPORATE GOVERNANCE

The shareholders' mandate in respect of recurrent related party transactions is obtained at each AGM of the Company. The recurrent related party transactions entered into by the Group with its related parties during the 18 months financial period ended 31 December 2016 were for the purchase of manufacturing and marketing materials, payment of engineering, technical, marketing and advertising services and professional services fees, payment of royalties for licences to brew our products and the sale and purchase of beverage products.

Details of these transactions are set out under Note 24 of the Audited Financial Statements in this Annual Report.

Suitability and Independence of External Auditors

The Board through the AC has established a transparent and professional relationship with the Group's external auditors. The AC has explicit authority to communicate directly with external auditors.

The AC meets with the external auditors at least twice a year to discuss their audit plan and audit findings in relation to the Group's financial statements. Prior to some AC Meetings, private sessions between the AC and the external auditors were held without the presence of the Managing Director and Management staff to discuss the audit findings and any other observations they may have during the audit process. In addition, the external auditors are invited to attend the AGM of the Company and are available to answer shareholders' queries on the conduct of the statutory audit and the preparation and content of their audit report.

The AC reviews the audit and non-audit services provided by the external auditors. In reviewing such services, the AC ensures that the independence and objectivity of the external auditors are not compromised. The external auditors are engaged mainly to perform statutory audit on the Group's financial statements. For the 18 months financial period ended 31 December 2016, the external auditors also undertake the following non-audit related reviews:

- Review of the supplementary financial information on the breakdown of realized and unrealized retained earnings
- Review of the Statement on Risk Management and Internal Control
- Review of identified accounts and balances in the Group financial statements as of 30 September 2015
- Review of royalty fees paid to Diageo Group in respect of the period from 1 July 2015 to 30 June 2016

The AC also considers the re-appointment, remuneration and terms of engagement of the external auditors based on the following criteria:

- Level of skills and expertise, industry knowledge, capabilities and resources of the audit team assigned to perform the audit
- Level of involvement of the audit engagement partner in the audit process
- Adequacy in audit coverage, effectiveness in planning and conduct of audit
- Adequacy of the level and nature of the review procedures, the approach to audit issues
- Ability to perform audit work within agreed plan and timeline
- Ability to advise the AC in a frank manner on key findings and their implications; and provide constructive observations and recommendation in areas requiring improvements
- Non-audit services rendered by the external auditor does not impede independence
- Succession plans and rotation of audit partner to facilitate the maintenance of objectivity

The external auditors, Messrs KPMG PLT, have confirmed their independence to the Group pursuant to the CG Code 2012 and the Bye-Laws of the Malaysian Institute of Accountants on Professional Ethics, Conduct and Practice, in that they adhered to the firm's strict rules and policies regarding auditor independence to ensure objectivity is maintained and the firm is free of conflict of interest when discharging their professional responsibilities.

Messrs KPMG PLT further confirmed that to the best of their knowledge, they are not aware of any non-audit services provided to the Group during the 18 months financial period ended 31 December 2016 that had compromised their independence as external auditors of the Group.

The AC is satisfied that the objectivity and independence of the external auditors are not in any way impaired by reason of the non-audit services provided by the Group.

Further information on the role of the AC in relation to the external auditors is stated in the Audit Committee Report.

PRINCIPLE 6
RISK MANAGEMENT AND INTERNAL CONTROLS SYSTEM

Risk Management

The Board is assisted by the AC who provides an objective review of the effectiveness and efficiency of the Group's internal control, risk management and governance framework.

The Group has in place a structured framework and process to identify, evaluate, control and manage the principal risks that may affect the achievement of its business objectives. This process is embedded into the Group's culture, people, strategy, structure and processes and is reviewed by the Board via the AC to ensure the adequacy and integrity of the system. The key features of the framework are set out in the Statement on Risk Management and Internal Control.

STATEMENT ON CORPORATE GOVERNANCE

Internal Controls System

The Board acknowledges its responsibilities for the Group's system of internal control covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system involves each business and key management from each business, including the Board, and is designed to meet the Group's particular needs and to manage the risks to which it is exposed. The system can therefore only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group's internal audit provides independent and objective reports on the Group's management, records, accounting policies and controls to the AC. The internal audits include evaluation of the processes by which risks are identified, assessed and managed and ensure that controls which are instituted are appropriate and can effectively address acceptable risk exposures. The Group's internal audit also ensures that recommendations to improve controls are followed through by Management.

The Statement on Risk Management and Internal Control, which provides an overview of the state of internal controls within the Group, is presented on pages 96 to 100 of this Annual Report.

PRINCIPLE 7
ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Company remains committed to ensure that communication with the investing public regarding the business, operations and financial performance of the Company are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, filed with regulators in accordance with applicable legal and regulatory requirements.

As part of the HEINEKEN Group, the Company is guided by the HEINEKEN Communication Rules and the Financial Disclosure Guidelines which stipulates the authorized spokespersons through which / whom certain information shall be disclosed to internal and external stakeholders and specific guidance on the disclosure of material information, maintenance of confidentiality of information and dissemination of information. The Company also adheres to the corporate disclosure policy which regulates the following aspects as stipulated in the Bursa Securities MMLR:

- Immediate disclosure of material information
- Thorough public dissemination
- Clarification, confirmation or denial of rumours or reports
- Response to unusual market activity
- Unwarranted promotional disclosure activity
- Insider trading

The Company's mobile-friendly website www.heinekenmalaysia.com is a key communication channel for the Company to reach its shareholders, investment community and the general public. The website provides information on the Group business activities, financial results and corporate responsibility initiatives. The website further outlines the Group's business principles, governance framework, code of business conduct and the speak up policy.

PRINCIPLE 8
STRENGTHEN RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Company recognises the importance of being accountable to its shareholders and the investment community, as such; it maintains an active and proactive communication approach with its shareholders and the investment community. The Company firmly believes that timely and accurate information should be provided to shareholders and investors to enable them to make informed investment decisions.

Dissemination of Information

The Company employs various platforms to engage the shareholders and the investment community, which include publications of financial results and presentation on the Company's website, investors and media briefing, annual report, press releases, announcements to Bursa Securities, AGM and e-mail communications.

The Company also sends its annual report to all its shareholders in CD-ROM format. Shareholders are encouraged to read the annual report from the CD-ROM or on the Company's website. Shareholders may however request for a physical copy at no cost.

The Company's website is continually updated with the latest information concerning the Group, such as the latest updates on business and operations, quarterly financial reports, presentation materials provided at analysts and media briefings, governance structure, annual reports, notices of general meetings and press releases and announcements to Bursa Securities.

The Company's website also allows investors and the general public to inquire about investor relations matters, provide feedback and post queries or concerns regarding the Group via the following channel:

Contact details, as disclosed on the Company's website:
Email : MY1-General.Enquiry@heineken.com
Telephone : 603-78614688

The Company will review each e-mail received and respond accordingly to its stakeholders in a timely manner.

STATEMENT ON CORPORATE GOVERNANCE

Investors Relations

The Company has a dedicated investor relations function which reports directly to the Finance Director. The investor relations personnel organizes post-announcement of results briefings and discussions with investment analysts, fund managers, institutional investors and the media. The briefings, which are conducted by the Managing Director and the Finance Director, are intended not only to promote the dissemination of the financial results of the Group but to provide comprehensive insights and to address concerns raised about the Group's business strategies, market prospect, major development of the Group's business initiatives and matters affecting the Group and industry.

In addition, the investor relations personnel together with the Finance Director meet with equity research analysts, fund managers, institutional shareholders and investors on a one-on-one basis during the Company's open period.

During the financial period under review, the Company conducted 25 face-to-face meetings and 9 conference calls with institutional investors, including brewery tours; and held 5 investor briefing sessions and 4 media briefing sessions. Throughout the financial period under review, the Company received relatively extensive coverage from approximately 20 equity research analysts.

The Board is updated on a monthly basis on investor relations activities, recommendations by analysts, comments from the investment community as well as commentary on share price information, share price performance and changes to the interests of substantial shareholders of the Company.

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Board is mindful of ensuring all shareholders are treated fairly and equitably. To ensure a level playing field and provide confidence to shareholders, unpublished price sensitive information about the Company will not be disclosed on an individual or selective basis to any person unless such information has previously been fully disclosed and disseminated to the public.

AGM

The AGM is a principal platform for open communication between the shareholders, Directors and Senior Management of the Company. The Company ensures that shareholders have the opportunity to participate effectively and vote at general meeting. In this regard, AGM is generally held in a central location which is easily accessible by public transportation. Shareholders are informed of AGM through notices published via the Company's website, Bursa Securities and in a local daily newspaper; and reports and circulars sent to all shareholders. Notice of the AGM is sent to shareholders at least 21 days ahead of the meeting date together with the Annual Report that contains the audited financial statements and information on the rationale of any proposed resolution under the special business agenda to assist shareholders in deciding how they should vote on each agenda item.

At each AGM, a comprehensive review of the progress and performance of the Group's business together with an overview of the Group's activities, key challenges and market outlook will be presented to shareholders. Shareholders are invited to put forth any questions they may have on the motions to be deliberated and decided upon. Shareholders are also informed of their rights to demand a poll vote at the general meeting.

The Chairman, Managing Director, Finance Director and other Board members are available to respond to shareholders' queries during the meeting. External auditors are also invited to attend the AGM to answer any questions relating to the conduct of the audit and contents of the Auditors' Report, if any. Members of the Management Team are also present to handle other face-to-face enquiries from shareholders. Where appropriate, a written response will be provided to any significant question that cannot be readily answered at the meeting.

At the 51st AGM of the Company held on 25 November 2015, in addition to the above, the Company also shared its responses to the questions submitted in advance by the Minority Shareholder Watchdog Group. All resolutions put forth for shareholders' approval at the said AGM were voted by a show of hands. The outcome of the AGM was announced to Bursa Securities on the same meeting day.

Effective 1 July 2016, the Bursa Securities MMLR provides that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, shall be voted by poll. Also, at least 1 scrutineer, must be appointed to validate the votes cast at the general meeting. Such scrutineer must not be an officer of the Company or its related corporation and must be independent of the person undertaking the polling process.

In line with the above requirements, the Company will conduct electronic poll voting for shareholders / proxies present at the meeting for all resolutions proposed the forthcoming general meetings. A scrutineer will be appointed to count and validate the votes cast at the meetings. Votes cast for and against and the respective percentages, on each resolution will be displayed "live" to shareholders / proxies immediately after each poll conducted. The voting results of the AGM will also be announced in a timely manner after the meeting via Bursa Securities.

The Company Secretary prepares minutes of general meetings, which incorporates substantial comments or queries from shareholders and responses from the Board and Management. These minutes are made available to shareholders upon their requests.

This statement has been reviewed and approved by the Board on 8 March 2017.

APPENDIX 1 DIRECTORS' TRAINING LIST

Directors	Training Attended During The 18 Months Financial Period Ended 31 December 2016
Martin Giles Manen	• Board Chairman Series: Leadership Excellence from the Chair • Breakfast Series with Directors: The Board's Response in Light of Rising Shareholder Engagements • Workshop on Directors Corporate Governance Series: Building Effective Finance Function: From Reporting to Analytics to Strategic Inputs • Anti-Money Laundering ("AML")/CFT course via eLearning • Capital Market Director Programme ("CMDP") Module 3: Risk Oversight and Compliance – Action Plan for Board of Directors • CMDP Module 4: Current and Emerging Regulatory Issues in the Capital Market • Hong Leong Group Briefing to Directors: Digital Banking and current challenges in Accounting • Launch of PwC Report on Integrated Reporting and Panel discussion on Inspiring Trust through Insight • Breakfast Talk Series: How to Maximise Internal Audit • Future of Auditor Reporting – The Game Changer for Boardroom: New and Revised Auditor Reporting Standards, Building Momentum towards more Informative Reports with Positive Effect on enhancing Corporate Governance and Improving Audit Quality and Increasing Market Confidence • Directors' Training: Do your minority shareholders trust you?, Integrated Reporting and Economic Outlook • Briefing on Amendments to Capital Markets and Services Act 2007 and Securities Commission Act 1993 and the Bank Negara's Policy Document on Compliance • Corporate Governance Breakfast Series entitled Board Reward & Recognition • CMDP Alumni Event : Doing Business in a Responsible Way, Board Strategic Risk Assessment, Control Design Maturity Assessment, Culture and Risk Survey and Special Site Reviews • Corporate Governance Breakfast Series for Directors : Improving Board Risk Oversight Effectiveness • Ring the Bell for Gender Equality • Independent Directors Programme: The Essence of Independence • Briefing on Bank Negara's concept paper on Corporate Governance & Shareholder Suitability • The most innovative companies : Four Factors that Differentiate Leaders • AML: Recent Lessons Learnt from the Industry • Capital Markets Development Programme Alumni Programme : Companies Bill 2015 – Changes and Impact on Company Directors • Sustainability Engagement Series for Directors/CEOs • How to build or burn trust in an organization • A Discussion on Recent Tax Cases and Legal Developments • Corporate Governance ("CG") Breakfast Series: Future of Auditor Reporting – The Game Changer for Boardroom • CG Statement Workshop: The interplay between CG, Non-Financial Information (NFI) and Investment Decisions; CG and NFI – Its Significance for Investment Decisions; The Landscape of CG and NFI Reporting • International Bureau of Fiscal Documentation 10th Anniversary: International Tax Today • AML, Anti-Terrorism Financing and Proceeds of Unlawful Activities at 2001: The Law and Compliance • Directors' Training : The New Companies Act 2016, Security and Terrorism in Malaysia and The Power of Social Media • CG Breakfast Series: The Cybersecurity Threat and how Boards should mitigate the Risks • CG Breakfast Series: How to Leverage on AGMs for Better Engagement with Shareholders • Launch of AGM Guide • International Fiscal Association Malaysia's 35th Anniversary-Substance over Form, Anti Avoidance & Treaty Abuse, the Future of Transfer Pricing and Base Erosion and Profit Shifting • Unisem Worldwide Sales Meeting : Companies Bill, New Listing Requirements and Sustainability Reporting

APPENDIX 1 – DIRECTORS' TRAINING LIST

Directors	Training Attended During The 18 Months Financial Period Ended 31 December 2016
Datin Ngiam Pick Ngoh, Linda	• Directors' Training : Do your minority shareholders trust you?, Integrated Reporting and Economic Outlook • AML : Recent lessons learnt from the industry • Directors' Training : New Companies Act 2016, Security & Terrorism in Malaysia and The Power of Social Media • CEO Forum : The Challenges of Leadership, today and tomorrow
Frans Erik Eusman	• HEINEKEN Asia Pacific Annual GMs Conference : Results and Vision for Asia Pacific, People Development, Best Practices and New Ways of Working • HEINEKEN Executive Team Workshop : Strategy and Growth, Creating a culture of innovation, Delivering Sustainable and Scalable Excellence • HEINEKEN New Frontiers Forum : New Frontiers, Winning with Brands and Leading in turbulent times • HEINEKEN Asia Pacific Graduate Program : Leadership 101 What got you here won't get you there, influencing without authority • HEINEKEN Asia Pacific GMs Gathering : Supply Chain Review, Moral Dilemmas in Business, Corporate Relations Review, Learnings towards Execution, International Brand and Innovation Plan, Revenue Management, Sales Plan and Learnings
Choo Tay Sian, Kenneth	• HEINEKEN New Frontiers Forum: New Frontiers, Winning with Brands and Leading in turbulent times • HEINEKEN Leadership Campus Programme, Harvard Business School
Yong Weng Hong	• HEINEKEN Asia Pacific Annual GMs Conference : Results and Vision for Asia Pacific, People Development, Best Practices and New Ways of Working • HEINEKEN Global Finance Conference : New Frontiers in Finance • HEINEKEN Asia Pacific FM Workshop : Be the Best in Talent Management • HEINEKEN Asia Pacific GMs Gathering : Supply Chain Review, Moral Dilemmas in Business, Corporate Relations Review, Learnings towards Execution, International Brand and Innovation Plan, Revenue Management, Sales Plan and Learnings
Hans Essaadi	• Directors' Training : Do your minority shareholders trust you?, Integrated Reporting and Economic Outlook • HEINEKEN Asia Pacific Annual GMs Conference : Results and Vision for Asia Pacific, People Development, Best Practices and New Ways of Working • HEINEKEN Leadership Campus Programme, Harvard Business School • HEINEKEN New Frontiers Forum : New Frontiers, Winning with Brands and Leading in turbulent times • HEINEKEN Asia Pacific GMs Gathering : Supply Chain Review, Moral Dilemmas in Business, Corporate Relations Review, Learnings towards Execution, International Brand and Innovation Plan, Revenue Management, Sales Plan and Learnings • Directors' Training : The New Companies Act 2016, Security and Terrorism in Malaysia and The Power of Social Media

APPENDIX 1 – DIRECTORS' TRAINING LIST

Directors	Training Attended During The 18 Months Financial Period Ended 31 December 2016
Tan Sri Saw Choo Boon *(Retired on 31 December 2016)*	• Leadership Excellence from the Chair Workshop • Building Effective Finance Function • Briefing on Overseas Tax and Malaysian Financial Reporting Standard 9 • Capital Market Training Module 1 : Directors as gatekeepers of market • Cooking the Books : The Malaysian Recipe on Financial Fraud • Capital Market Training Module 4 : Current and emerging regulatory issues • Capital Market Training Module 2A : Business challenges and regulatory expectations • Capital Market Training Module 3 : Risk oversight and compliance • The New Auditor's Report : Sharing the UK Experience • Sustainability Engagement Series for Directors • Shell Scenarios • SERC Global Economic Conference : The New Normal • World Bank Malaysia Economic Monitor : Leveraging Trade Agreements • Integrated Strategic Risk Management Program : IERP • Introduction to MFRS9 • Identify Right Board Talent • Anti-Money Laundering/Counter Terrorism Training • Directors' Training: New Companies Act 2016, Security & Terrorism in Malaysia, The Power of Social Media • World Bank Malaysia Economic Monitor : Quest for Productivity Growth

AUDIT COMMITTEE REPORT

COMPOSITION

The Audit Committee comprises the following five members, three of whom, including the Chairman, are Independent Non-Executive Directors:

Martin Giles Manen (Chairman)
Senior Independent Non-Executive Director
(A Chartered Accountant and a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants)

Dato' Sri Idris Jala
Independent Non-Executive Director
(Appointed on 1 January 2017)

Datin Ngiam Pick Ngoh, Linda
Independent Non-Executive Director

Choo Tay Sian, Kenneth
Non-Independent Non-Executive Director
A Chartered Accountant

Yong Weng Hong
Non-Independent Non-Executive Director
(Has more than three years working experience in the finance field)

Note:
Tan Sri Saw Choo Boon ceased as a member of the Audit Committee following his retirement from the Board on 31 December 2016.

MEETINGS

The Audit Committee met 6 times during the 18 months financial period ended 31 December 2016 and attendance of each member at the meetings was as follows:

Name	Attendance
Martin Giles Manen Chairman, Senior Independent Non-Executive Director	6 / 6
Datin Ngiam Pick Ngoh, Linda Member, Independent Non-Executive Director	6 / 6
Choo Tay Sian, Kenneth Member, Non-Independent Non-Executive Director	6 / 6
Yong Weng Hong Member, Non-Independent Non-Executive Director	6 / 6
Tan Sri Saw Choo Boon Member, Independent Non-Executive Director *(Ceased as a member on 31 December 2016)*	6 / 6

Note:
Dato' Sri Idris Jala was appointed to the Board with effect from 1 January 2017.

The Managing Director, Finance Director and the Head of Internal Audit of the Company normally attend the meetings. Certain members of senior management were also invited to attend these meetings to assist in clarifying matters raised at the meeting.

The Audit Committee met with the Group's external auditors to discuss the external audit plan prior to the commencement of the audit and audit findings and any other observation they may have during the audit process. The Audit Committee also met the external auditors without the pressence of the Managing Director and management staff on 13 August 2015 and 20 October 2016.

Separately, the Audit Committee Chairman had two meetings with the external auditors without the Management's presence. The Chairman also held separate meetings with the Managing Director, Finance Director and the Head of Internal Audit prior to every scheduled Audit Committee meeting. The Chairman of the Audit Committee reports to the Board on matters deliberated at every Audit Committee meeting and recommendations made by the Audit Committee.

ACTIVITIES OF THE AUDIT COMMITTEE

During the 18 months financial period ended 31 December 2016, the Audit Committee carried out its duties in accordance to its Terms of Reference. The main activities carried out by the Audit Committee during the financial period under review were as follows:

Financial Reporting

- Reviewed the quarterly financial results of the Group and the relevant announcements to Bursa Securities and recommended them for Board's approval.
- Reviewed the Audited Financial Statements of the Group and recommended them for Board's approval.

In reviewing the financial results and statements, the Audit Committee focused particularly on the accounting principles and standards that were applied and significant matters highlighted including financial reporting issues and judgement made on items that may affect the financial results and statements. The review was to ensure that the financial reporting and disclosures are in compliance with the Bursa Securities Main Market Listing Requirements, provisions of the Companies Act, 1965, applicable International Financial Reporting Standards, approved accounting standards issued by the Malaysian Accounting Standards Board and any other relevant legal and regulatory requirements.

AUDIT COMMITTEE REPORT

Internal Audit

- Reviewed the Internal Audit Plan including the audit methodology in assessing and rating risks of auditable areas to ensure adequate scope and comprehensive coverage on the audit activities of the Group.
- Reviewed the effectiveness of the audit process, resource requirements for the year and assessed the performance of the Internal Audit Department ("IAD"). The competency and performance of the Head of Internal Audit were also reviewed.
- Reviewed the Internal Audit reports which encompassed the audit issues, audit recommendations, Management's responses to these recommendations and findings from audits for selected operating process which were carried out in collaboration with the HEINEKEN Global Audit Team. Improvement actions in the area of internal controls, systems and efficiency enhancements suggested by the internal auditors were discussed together with Management.
- Reviewed the implementation of IAD's recommendations through follow-up audit reports to ensure all key risks and control issues were addressed.
- Suggested additional improvement opportunities in the areas of internal control, systems and efficiency improvement.
- Reviewed the results of ad hoc investigations / special reviews on internal misconduct and suspicion of fraud or operational failures within the Group.
- Reviewed the reports from the Risk and Control Workgroup ("RCW") following their quarterly meetings.
- Reviewed the internal audit rating framework to ensure consistency with the HEINEKEN Global audit framework.

External Audit

- Reviewed with the external auditors their audit scope and audit plan and their proposed fees for the statutory audit and review of the Statement on Risk Management and Internal Control.
- Reviewed the external audit reports and areas of concern highlighted in the Management Letter including Management's responses to the findings of the external auditors.
- Discussed with external auditors the significant accounting and auditing issues, impact of new or proposed changes in accounting standards and regulatory requirements applicable to the Group; and the processes and controls in place to ensure effective and efficient financial reporting and disclosures under the financial reporting standards.
- Assessed the independence and objectivity of the external auditors in carrying out statutory audit for the Group and prior to the appointment of the external auditors for ad hoc non-audit services. The Audit Committee also received comfirmation from the external auditors, that they adhered to their firm's strict rules and policies regarding auditor independence to ensure objectivity is maintained and their firm is free of conflict of interest when discharging their professional responsibilities.
- Assessed the performance of the external auditors and made recommendations to the Board on their re-appointment and remuneration for financial period ended 31 December 2016.

Related Party Transactions

- Reviewed the related party transactions and possible conflict of interest situations that may arise within the Group. The review was to ensure that transactions with related parties were carried out within the ambit of the shareholders' mandate approved by shareholders on 25 November 2015.
- Reviewed the proposed shareholders' mandate for recurrent related party transactions to be entered into by the Group for the ensuing year.

The Audit Committee also reviewed the processes that the Company has in place for identifying, evaluating, approving, reporting and monitoring of recurrent related party transactions. The Audit Committee was satisfied that the processes are adequate to ensure that transactions will be made at arm's length basis and not prejudicial to the interest of the Group or its minority shareholders and will be tracked and reported in a timely manner.

Other Activities

- Reviewed the effectiveness of the Group's Risk Management Framework including the process for identifying, evaluating and managing business risks, and reviewed the key strategic risks and changes to the risk profiles of the Group and measures implemented to manage risks.
- Reviewed the adequacy, effectiveness and reliability of controls over financial reporting based on the assessments carried out under the control assurance and risk management programme and the HEINEKEN Risk and Controls Matrix Compliance Programme.
- Reviewed dividend distribution strategy and all dividend payments proposed by Management.
- Reviewed industry issues and Management's concerns over the potential implication of the issues to the Group operations and business.
- Review of major claims and issues with substantial financial impact.
- Reviewed the implementation of the HEINEKEN Code of Business Conduct ("HeiCode"), Speak Up Policy and adoption of relevant policies under the HeiCode.
- Reviewed the Statement on Corporate Governance, Audit Committee Report and the Statement on Risk Management and Internal Control and recommended to the Board to approve the same for inclusion in the Annual Report.

AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION

The Audit Committee is supported by the internal audit function in discharging its duties and responsibilities. The internal audit function is an integral part of the assurance framework and its principal role is to undertake independent and systematic reviews on the Group's internal controls system so as to provide reasonable assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal controls, risk management and governance. The Audit Committee reviews the adequacy of the scope, functions, competency and resources of the internal audit function to ensure that it is adequately resourced with competent and proficient internal auditors.

The Internal Audit function is carried out in-house by the IAD led by the Head of Internal Audit who reports directly to the Audit Committee. The Head of Internal Audit is currently supported by an Assistant Manager and two Executives. The IAD has direct access to the Chairman of the Audit Committee on all internal control and audit issues. The internal auditors may also communicate with the external auditors, when necessary.

The IAD adopts a risk-based audit approach towards the planning and conduct of audit consistent with the Group's established framework in designing, implementing and monitoring of control system. The IAD also works collaboratively with the RCW to review the risk management processes of the Group as a whole. The monitoring process and the controls and risk management assessment approach are in line with the Risk Management Framework and risk awareness culture within the organisation.

The IAD carried out its activities based on the annual audit plan approved by the Audit Committee. During the 18 months financial period ended 31 December 2016, the IAD completed 24 audit assignments in total. The audit covered various operational areas within the Group which include:

(i) Regional sales and distribution operations
(ii) Key procurement processes and warehouse management operations
(iii) Information systems that support the business activities and the controls over master data maintenance and security and data integrity
(iv) Brand marketing activities
(v) Joiners, movers and leavers control processes

The IAD also reviewed the following matters:

(i) Key strategic risks and risk management processes
(ii) Status of implementation of corrective actions and preventive measures recommended by IAD
(iii) Related party transactions entered into by the Group

During the financial period under review, the IAD carried out 5 investigative audits on suspicion of fraud or operational failures reported within the Group. In addition, IAD conducted a test on the Internal Control over Financial Reporting, and reviewed the action plans implemented for the financial period under review.

Findings of the IAD were highlighted to relevant Management who is responsible for ensuring that corrective actions on reported weaknesses are taken within the required timeframe. The finding reports were also deliberated at RCW meetings and presented to the Audit Committee for review at their quarterly meetings.

For the 18 months financial period ended 31 December 2016, the IAD incurred a total expenses of RM1.24 million comprising mainly salaries, traveling and training expenses.

This report has been reviewed by the Audit Committee and approved by the Board on 8 March 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("the Board") recognises the importance of maintaining a sound system of risk management and internal controls in Heineken Malaysia Berhad Group ("the Group") to safeguard shareholders' investments and the Group's assets. The Group has in place a framework for procedures on risk management and internal control which is in line with the guidelines set out in the "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers".

This statement stipulates the nature and the key element of the system of risk management and internal controls that the Group has in place during the 18 months financial period ended 31 December 2016.

BOARD'S RESPONSIBILITY

The Board is responsible and accountable for the Group's system of risk management and internal controls, which includes the establishment of risk management processes and control environment, as well as reviewing its effectiveness, adequacy and integrity as an integral part of good corporate governance. The system of risk management and internal controls covers, inter alia, governance, risk management, financial, organisational, environmental, operational and compliance controls. Such system is designed to manage and minimise impact rather than completely eliminate the risk of failure that may impede the achievement of the Group's business objectives. Accordingly, it can only provide reasonable, but not absolute, assurance against any material misstatement or losses.

RISK MANAGEMENT FRAMEWORK

The Group has in place a Risk Management Framework to promote effective risk management and enhance the corporate governance assurance process. The framework provides an integrated risk management structure with the establishment of the respective risk workgroups to ensure major areas of risks are controlled and coordinated. This involves the process for identifying, evaluating, monitoring and managing risks that may affect the achievement of the Group's business objectives. This process is embedded into the Group's culture, people, strategy, processes and structures and is reviewed by the Board via the Audit Committee to ensure its adequacy and integrity.

The risk management processes are categorised into four (4) broad processes as follows:

IDENTIFY
Understand business objective and identify risks

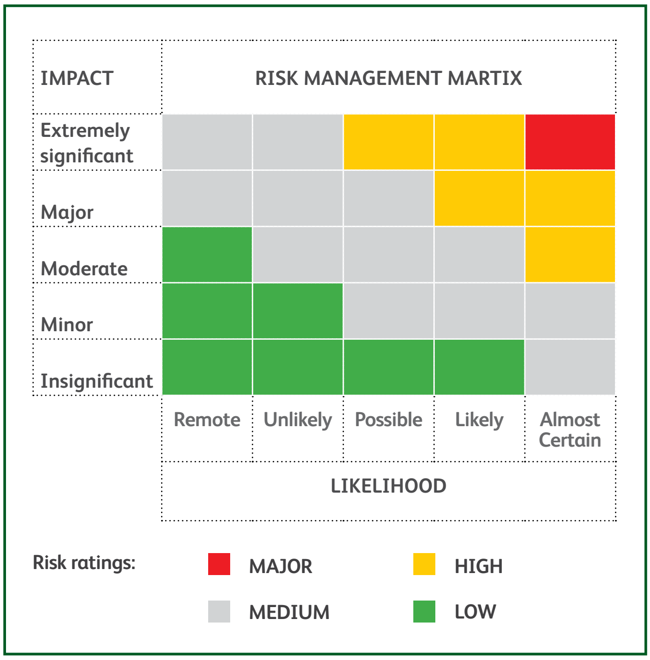
ASSESS
Assess risk based on impact and likelihood of occurence

RESPOND
Determine how to manage risks and respond to best mitigate them

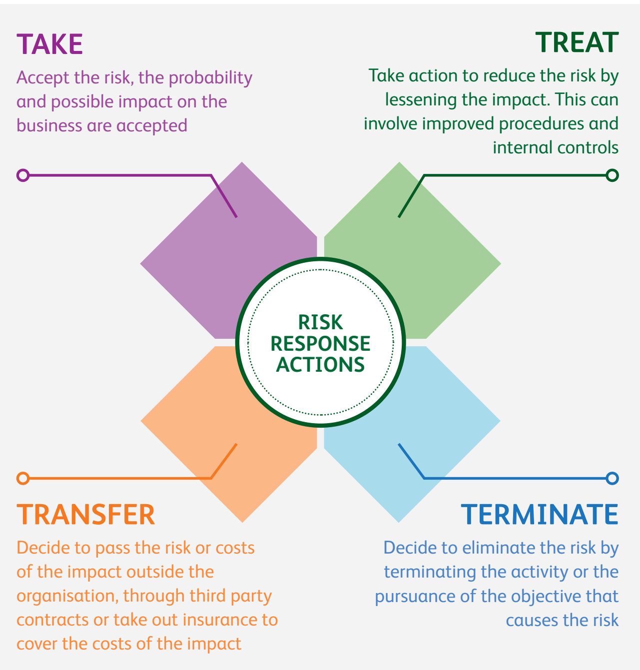
MONITOR
Periodic monitoring, review and reporting of risk updates

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The risk profile of the Group is established during risk assessment sessions facilitated by the Risk and Control Workgroup ("RCW"). Risks identified are assessed, categorised and rated based on the criteria set out in the following risk management matrix in order to determine the appropriate risk response actions.



There are four options available when considering the most appropriate risk response actions to be taken to address the risk. Risk mitigation strategy and action plan will be drawn up once the response action is determined.



The Group manages its business risks in a rapidly changing business environment with the following objectives:

- Ensuring the continuity of supply of its products to the consumers at all times
- Safeguarding the Group assets and reputation
- Preserving the safety and health of the Group employees
- Ensuring that the Group operations do not impact negatively on the business community
- Protecting the interests of all stakeholders
- Ensuring compliance to internal policies and procedures, the Malaysian Code on Corporate Governance, brand owner's codes and policies and all applicable Malaysian laws and regulations
- Promoting an effective risk awareness culture where risk management is an integral aspect of the Group's management systems

The RCW, which is made up of the Management Team members and is led by the Managing Director, oversees the areas of risk management and internal control of the Group. It meets on a quarterly basis to review the adequacy of systems, policies and procedures and internal control processes to mitigate the business risks and to follow-up on action plans proposed by Management on the recommendations of the Internal Audit Department ("IAD") and external auditors. It reports to the Audit Committee and is supported by the Process & Control Improvement ("P&CI") Team (previously known as Compliance, Controls & Ethics Team) which is tasked to oversee compliance with the Group's policies and processes, drive continuous process improvement, facilitate risk assessment and ensure follow-up of identified risks or deficiencies with the objective of inculcating a "Culture of Compliance" within the organisation. The P&CI Team is administered as a function within the Finance Department and it reports directly to the Finance Director.

CONTROL ASSURANCE FRAMEWORK

To further strengthen the Group's internal controls and enhance its corporate governance, the Group has adopted the HEINEKEN Risk and Controls Matrix ("RACM") compliance programme. RACM is a standardised control assessment programme developed by the HEINEKEN Group that requires each function to evaluate its relevant processes and ensure that it has controls in place to manage a broad range of risks arising from the day-to-day business activities within the Group. RACM assessment emphasises on Internal Controls over Financial Reporting ("ICFR") where assessment is performed on key controls surrounding the Group financial reporting process based on materiality level; and it focuses on transparency, accountability and safeguarding of assets in its review mechanism.

The P&CI Team coordinates the RACM assessment, which is conducted on a yearly basis, where the head of functions and process owners are briefed on the RACM processes and the scope of assessment. The outcome of the assessment is tested by the IAD and the findings are reported to the RCW and the Audit Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL AUDIT FUNCTION

The IAD is responsible for reviewing key business processes of the Group and monitoring compliance with policies and procedures and the effectiveness of the internal control system. Audits are carried out based on the audit plan approved by the Audit Committee. The annual audit plan is developed based on the risk profiles of the respective functions identified in accordance with the Group's Risk Management Framework. The audit reports, including significant findings in respect of any non-compliance, will be highlighted for Management and Audit Committee's attention. Measures and actions by Management to address the improvement areas highlighted are followed-up and reviewed on a quarterly basis.

The IAD has a clear line of reporting to the Audit Committee and its performance is reviewed by the Audit Committee on an annual basis. Thus, the IAD is independent of the operational and management activities they audit.

During the 18 months financial period ended 31 December 2016, the IAD conducted 18 audits in the regional sales and distribution operations, 6 audits on operational processes and embarked on 5 special reviews based on Management's request. In addition, IAD conducted a test on the ICFR assessment and reviewed the action plans implemented for the financial period under review. Internal audit findings are discussed at Management level and actions are agreed in response to the IAD recommendations. Audit findings together with Management's response and proposed action plans are presented to the Audit Committee on a quarterly basis for review. The progress of implementation of the agreed actions are monitored by the IAD through follow-up reviews.

During the financial period under review, the IAD also collaborated with the HEINEKEN Global Audit Team to conduct a review on processes and systems in selected functions to assess the effectiveness of the Group's risk management and internal controls system. Observations together with Management's response and proposed action plans arising from such review are shared with the Audit Committee.

KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROLS SYSTEM

The key elements of the Group's risk management and internal controls system are described below:

Authority and Responsibility

- As part of its Risk Management Framework, the Board has an organisational structure with clearly defined lines of accountability and responsibilities and delegated authority to the Board Committees and the Management to ensure they discharge their duties. The roles and responsibilities of the Board and Board Committees are provided in the Statement on Corporate Governance.

  There is a schedule of key matters reserved specifically for the Board deliberation and decision. The Group is practicing segregation of duties to ensure that specific tasks or duties within related business processes or associated with the systems supporting business processes are deliberately apportioned between different employees, to prevent unintentional or fraudulent transactions.

- Internal policies and procedures of core business processes with limit of authority delegated to appropriate levels of employees are documented in the Group's Standard Policies and Procedures Manual. This Manual is subject to review and improvement to reflect changing risks or resolve operational deficiencies. It is communicated and made accessible to all employees on the Group Document Repository Portal. Changes to the existing policies or implementation of any new policies and guidelines are presented to the RCW and the Audit Committee for approval. Non-compliance cases, if any, are reported to the Audit Committee.

Monitoring, Reporting and Performance Measurement

- Management Team meetings are held on a monthly basis to review business performance, identify, discuss and resolve operational, financial and key management issues. On a quarterly basis, the Managing Director reports to the Board on key business and operational issues covering, but not limited to strategy, performance, resources and regulatory compliance.

- RCW meets on a quarterly basis to review the adequacy of systems, policies and procedures and internal control processes to mitigate the business risks and to follow-up on action plans proposed by Management on the recommendations of the IAD.

- Annual internal audit on compliance with the ISO 9001:2008 Quality Management System requirements is also carried out.

- A half-yearly Hazard Analysis Critical Control Point internal audit to monitor compliance with product safety requirements.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- Annual budgeting process where respective functions prepare budgets before a new financial year commences. The annual budget is reviewed by the Management Team and approved by the Board.

- Monthly review of expenditure versus budget is carried out by the Finance Department with the respective functions to ensure all spends are managed in line with plan and key variances, if any, are followed up and reported to Management.

- Visits are made to regional offices to conduct regional reviews by the Management Team.

- Stakeholder engagement with employees, shareholders (existing and potential), analysts, media, trade partners and relevant authorities are conducted to better gauge the needs of the stakeholders and gather feedback on effectiveness and efficiency for continuous improvement.

Integrity and Ethical Values

- As part of the HEINEKEN Group, the Group has adopted the HEINEKEN Code of Business Conduct ("HeiCode") which governs the standards of ethics and responsible business conduct expected from all employees, individually and as a team at every level. It comprises 15 policies which covers all aspects of the Group's business operations such as responsible consumption and communication, commitment to health, safety and environment, conduct in the workplace, business conduct, management of confidential information, maintenance of financial and non-financial records, fraud and improper payments, avoidance and disclosure of conflicts of interest, use of Group's resources and fair competition practices.

- The Group also adopted the HEINEKEN Speak Up Policy which provides the employee with a uniform process to raise concerns about suspected misconduct within the Group without repercussions in a safe and confidential manner. Pursuant to the Speak Up Policy, concerns on suspected misconducts can be reported through line manager / HR representative / internal auditor / legal counsel / trusted representatives appointed by the Company / Integrity Line / Speak Up email / link managed by an independent external party. All Speak Up reports are reviewed by a Review Team comprises representatives from the HEINEKEN Global Business Conduct Office, Global Audit and Global Human Resources. In 2016, the Speak Up Policy was communicated to all employees to create awareness that there is an established channel for them to raise concerns about possible misconduct within the organisation.

- The Group employees are guided by the Corporate Vision and Values which are embedded within the Company's policies and procedures and work culture.

Employees Competency and Awareness

- Awareness sessions were conducted nationwide and an eLearning programme was rolled out to all employees to drive awareness and to assess employees' understanding of the HeiCode. It is compulsory for all employees to attend the awareness session and complete this eLearning programme. The results from the eLearning assessment are closely monitored by the employees' line manager, the P&CI Team and the RCW.

- Training and development programmes such as knowledge, health and safety, technical training and leadership are organised for employees to ensure that they are equipped with necessary knowledge and skills and kept up to date with the necessary competencies to carry out their responsibilities towards achieving the Group's objectives.

- Briefings and roadshows are conducted so that to keep employees informed of changes to legislation that are expected to affect the Group's operations or the way the Group conducts its business.

- Induction programme for new joiners is organised with the aim of raising their awareness and educating them on the Group's approach to risk management and internal controls. Such sessions also provide a forum to enhance the participants' understanding on the Group's risk management and control procedures as well as their roles in managing the risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Other Policies

- A Supplier Code which outlines the standard for ethical and business conduct expected from suppliers in their business relationship with the Group. The Group engages the suppliers to raise their awareness on the Group's expectation on the standards of business ethics and to review their performance based on the obligations committed to the Group.

- The Group's assets are insured against any mishap that will result in material losses. Measures are also put in place to ensure major assets within the Group are physically safeguarded.

- A Business Continuity Plan which includes a Disaster Recovery Plan, is in place to ensure continuity of business operations in the event of a significant disruption or disaster. The Group has a Crisis Management Team which comprises members of the Management Team, to provide leadership and timely decision-making in the event of crisis. The Crisis Management Team is assisted by the Emergency Response Team, which is entrusted to implement the necessary procedures for responding and stabilising the situation following an incident as well as the Recovery Team, which is assigned to identify primary disaster recovery plan to keep the business operational. Crisis simulation is conducted to enhance the Group's preparedness in crisis and emergency response so as to ensure that disruption to its operations and business during a crisis or disaster is minimised or properly managed.

  In 2016, a simulation on IT disaster was conducted to assess the effectiveness of the IT disaster recovery plan and the Group's preparedness in dealing with such crisis.

Board Assessment

The Board is of the view that the overall risk management and internal control systems in place for the 18 months financial period ended 31 December 2016 and up to the date of approval of this statement are operating adequately and effectively, in all material aspects, based on the same assurance received from both the Managing Director and Finance Director of the Company via the RACM assessment sign-off. During the financial period under review, there were no material financial and non-financial losses reported as a result of weaknesses or inadequacies in internal controls. The Board will continue to review the systems and ensure that measures will be taken to strengthen the risk management and internal controls environment within the Group.

This statement has been reviewed and approved by the Board on 8 March 2017.

OUR NUMBERS

Financial Statements

FINANCIAL HIGHLIGHTS

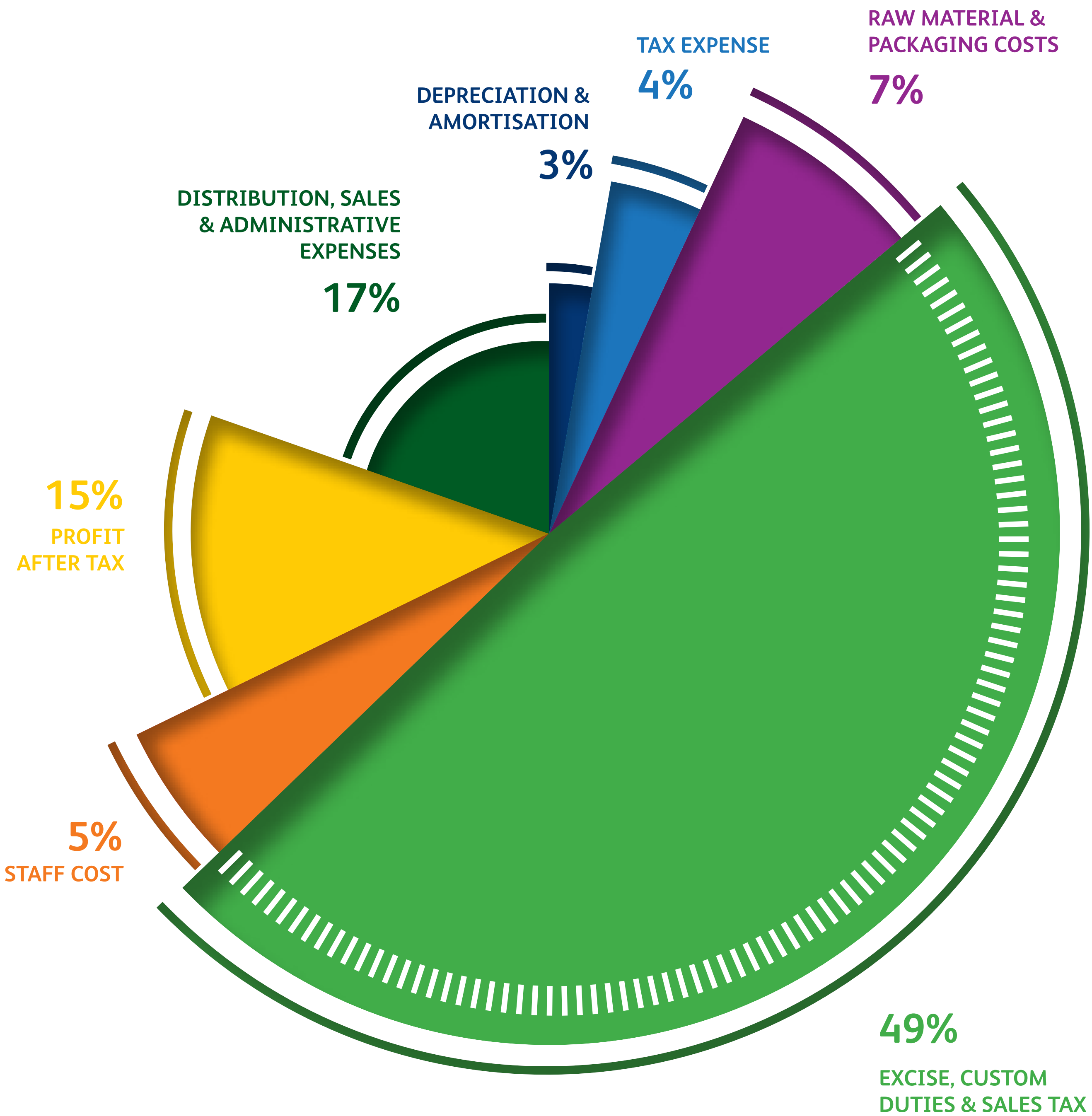
	2012	2013	2014	2015	18 months' comparative*	2016
KEY OPERATING RESULTS (RM'000)						
Revenue	1,623,687	1,676,348	1,610,587	1,748,885	2,678,432	2,810,308
PBIT	277,241	292,746	270,609	295,361	497,411	551,051
Tax Expense	(69,582)	(71,132)	(67,581)	(78,206)	(126,412)	(121,963)
Profit After Tax	207,399	217,604	198,206	214,193	368,130	427,260
Net Cash from Operating Activities	180,272	225,608	236,225	295,017	397,530	445,543
OTHER KEY DATA (RM'000)						
Total Assets	779,418	738,984	701,670	692,653	786,724	813,641
Total Liabilities	(399,715)	(373,444)	(344,861)	(316,505)	(410,709)	(421,086)
Reserves	228,654	214,491	205,760	225,099	224,966	241,506
Total Equity	379,703	365,540	356,809	376,148	376,015	392,555
Capital Expenditures	60,115	45,555	39,280	38,429	54,226	87,195
FINANCIAL RATIOS (%)						
Operating working capital % of revenue	11.7	11.4	13.0	8.7	8.7	7.7
EBITDA margin	19.2	19.9	19.4	19.3	16.9	22.1
Return on equity	73.0	80.1	75.8	78.5	132.3	140.4
SHARE INFORMATION						
Earnings per 50 sen stock unit (sen)	68.7	72.0	65.6	70.9	121.9	141.4
Net dividend per 50 sen stock unit (sen)	125.0^	68.5	64.5	71.0	71.0	145.0^
Dividend yield (%)	9.4^	3.6	4.9	5.0	5.4	8.9^
Net assets per 50 sen stock uni (sen)	126.0	121.0	118.0	125.0	124.0	130.0
Market capitalisation (RM'billion)	4.0	5.8	4.0	4.3	4.0	4.9

EBITDA: Earnings before interest, tax, depreciation and amortisation
PBIT: Profit before interest and tax

* On 25 November 2015, the Company announced the change of financial year end from 30 June to 31 December. The current financial reporting period is for an 18-month period from 1 July 2015 to 31 December 2016. The 18-month comparative period presented above was computed by adding the results of the 6-month period (1 July 2015 to 31 December 2015) to the 12-month year ended 30 June 2015.

^ Includes special dividend.

ANALYSIS OF GROUP REVENUE



DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial period ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the production, packaging, marketing and distribution of beverages, primarily alcoholic, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial period.

CHANGE OF NAME

On 15 March 2016, the Board of Directors of the Company announced that the Company proposed to change its name from "Guinness Anchor Berhad" to "Heineken Malaysia Berhad" ("change of name"). The change of name is to reflect the corporate identity and branding of the Company and its relationship with the Heineken Group of Companies. The change of name was approved by the Company's shareholders at the Extraordinary General Meeting on 20 April 2016. The change of name took effect from 21 April 2016, the date of the Certificate of Incorporation on Change of Name issued by the Companies Commission of Malaysia to the Company.

CHANGE OF FINANCIAL YEAR END

On 25 November 2015, the Company announced that the Board of Directors approved the change of the Company's financial year end from 30 June to 31 December. This is to coincide with the financial year of Heineken N.V., the ultimate holding corporation, and to comply with Section 168(1) of the Companies Act, 1965. The current audited financial statements of the Company are for a period of eighteen (18) months, made up from 1 July 2015 to 31 December 2016. Thereafter, the subsequent financial years of the Company shall end on 31 December. The change of financial year end shall apply to the Company and its subsidiaries.

RESULTS

	Group RM'000	Company RM'000
Profit for the period attributable to:		
Owners of the Company	427,260	455,330

RESERVES AND PROVISIONS

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

DIVIDENDS

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

i) a final ordinary dividend of 51 sen per 50 sen stock unit under the single tier tax system totalling RM154,069,980 in respect of the financial year ended 30 June 2015 on 31 December 2015;

ii) an interim ordinary dividend of 20 sen per 50 sen stock unit under the single tier tax system totalling RM60,419,600 in respect of the financial period ended 31 December 2016 on 15 April 2016;

iii) a special dividend of 30 sen per 50 sen stock unit under the single tier tax system totalling RM90,629,400 in respect of the financial period ended 31 December 2016 on 15 April 2016; and

iv) a second interim ordinary dividend of 35 sen per 50 sen stock unit under the single tier tax system totalling RM105,734,300 in respect of the financial period ended 31 December 2016 on 7 October 2016.

The Directors now recommend the declaration of a final ordinary dividend of 60 sen per 50 sen stock unit under the single tier tax system totalling RM181,258,800 in respect of the financial period ended 31 December 2016 which if approved by the owners of the Company will be payable on 16 May 2017.

DIRECTORS' REPORT

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Dato' Sri Idris Jala (Appointed on 1.1.2017)
Hans Essaadi
Martin Giles Manen
Datin Ngiam Pick Ngoh, Linda
Choo Tay Sian, Kenneth
Yong Weng Hong (Appointed on 18.8.2015 and re-elected on 25.11.2015)
Frans Erik Eusman (Appointed on 9.10.2015 and re-elected on 25.11.2015)
Dato' Syed Salleh Syed Othman (Demised on 15.8.2015)
Michiel Egeler (Resigned on 18.8.2015)
Alvaro Andres Cardenas Munoz (Resigned on 7.10.2015)
Apurvi Haridas Sheth @ Apurvi Sheth Mirpuri (Resigned on 7.10.2015)
Tan Sri Saw Choo Boon (Retired on 31.12.2016)

DIRECTORS' INTERESTS IN SHARES

The interest in the stock units of the Company of a Director at financial period end as recorded in the Register of Directors' Shareholdings is as follows:

	Number of ordinary stock units of RM0.50 each			
	At 1.7.2015	Bought	Sold	At 31.12.2016
Datin Ngiam Pick Ngoh, Linda	-	6,700	-	6,700

None of the other Directors (including the spouses or children of the Directors who themselves are not Directors of the Company) holding office at 31 December 2016 had any interest in the ordinary stock units/shares of the Company or of its related corporations during the financial period.

DIRECTORS' BENEFITS

Since the end of the previous financial year, save for the consultancy services fee payable to a Director of the Company with effect from 1 January 2017, none of the other Directors of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company) 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 period 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.

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial period.

DIRECTORS' REPORT

HOLDING CORPORATIONS

The Directors regarded GAPL Pte. Ltd. ("GAPL"), a corporation incorporated in the Republic of Singapore, as the ultimate holding corporation. GAPL was a joint venture corporation whose ultimate owners were Diageo Plc. ("Diageo"), a corporation incorporated in England and Wales, and Heineken Asia Pacific Pte. Ltd. ("HAPPL"), a corporation incorporated in the Republic of Singapore. HAPPL is owned by Heineken N.V., a corporation incorporated in Netherlands. On 7 October 2015, Heineken N.V. acquired Diageo's shares in GAPL. Heineken N.V. now owns 100% of the issued and fully paid up stock units of GAPL, which in turn holds 51% of the issued and fully paid up stock units of the Company.

Consequently, the immediate, intermediate and ultimate holding corporations are GAPL, HAPPL and Heineken N.V., respectively.

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 so to realise.

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

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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 period 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 period.

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 period 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 period ended 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial period and the date of this report.

DIRECTORS' REPORT

AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), are retiring and not seeking re-appointment.

The Company has received a letter dated 6 February 2017 from its immediate holding corporation, GAPL Pte Ltd, nominating Deloitte PLT as the new auditors of the Company. The proposed nomination is subject to consent to act to be obtained from Deloitte PLT and shareholders' approval to be obtained at the Annual General Meeting of the Company to be convened.

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

Dato' Sri Idris Jala
Director

Hans Essaadi
Director

Petaling Jaya,
Date: 15 February 2017

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Group 31.12.2016 RM'000	Group 30.6.2015 RM'000	Company 31.12.2016 RM'000	Company 30.6.2015 RM'000
Assets					
Property, plant and equipment	3	221,687	219,581	198,236	192,717
Intangible assets	4	33,509	33,317	33,505	33,310
Investments in subsidiaries	5	-	-	14,344	14,344
Deferred tax assets	6	10,371	-	-	-
Other receivables and prepayments	7	21,609	27,005	1,050	512
Total non-current assets		287,176	279,903	247,135	240,883
Inventories	8	61,892	49,049	30,210	22,755
Current tax assets		12,551	15,138	11,636	8,760
Receivables, deposits and prepayments	7	447,977	296,269	131,607	43,999
Cash and bank balances		4,045	52,294	3,995	51,157
Total current assets		526,465	412,750	177,448	126,671
Total assets		813,641	692,653	424,583	367,554
Equity					
Share capital	9	151,049	151,049	151,049	151,049
Retained earnings		241,506	225,099	106,372	61,895
Total equity attributable to owners of the Company		392,555	376,148	257,421	212,944
Liabilities					
Borrowings	10	-	50,000	-	50,000
Deferred tax liabilities	6	38,481	48,498	38,481	37,382
Total non-current liabilities		38,481	98,498	38,481	87,382
Borrowings	10	74,000	25,000	74,000	25,000
Trade and other payables	11	292,279	193,007	54,681	42,228
Current tax liabilities		16,326	-	-	-
Total current liabilities		382,605	218,007	128,681	67,228
Total liabilities		421,086	316,505	167,162	154,610
Total equity and liabilities		813,641	692,653	424,583	367,554

The notes on pages 113 to 149 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2016

	Note	Group 1.7.2015 to 31.12.2016 RM'000	Group Year ended 30.6.2015 RM'000	Company 1.7.2015 to 31.12.2016 RM'000	Company Year ended 30.6.2015 RM'000
Revenue		2,810,308	1,748,885	1,846,919	1,148,392
Cost of sales		(1,806,844)	(1,128,332)	(1,708,742)	(1,041,780)
Gross profit		1,003,464	620,553	138,177	106,612
Other income		8,854	4,777	4,503	1,724
Distribution, marketing and selling expenses		(355,087)	(234,729)	(17,026)	(8,294)
Administrative expenses		(88,472)	(82,256)	(19,891)	(16,980)
Other expenses		(17,708)	(12,984)	(12,626)	(10,680)
Dividend income		-	-	384,588	136,742
Results from operating activities		551,051	295,361	477,725	209,124
Finance income	12	2,956	2,631	2,925	2,592
Finance costs	13	(4,784)	(5,593)	(4,784)	(5,593)
Net finance costs		(1,828)	(2,962)	(1,859)	(3,001)
Profit before tax		549,223	292,399	475,866	206,123
Tax expense	14	(121,963)	(78,206)	(20,536)	(18,298)
Profit/Total comprehensive income for the period/year	15	427,260	214,193	455,330	187,825
Profit/Total comprehensive income for the period/year attributable to:					
Owners of the Company		427,260	214,193	455,330	187,825
Basic/Diluted earnings per ordinary stock unit (sen)	16	141.4	70.9		

The notes on pages 113 to 149 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2016

		Attributable to owners of the Company		
			Distributable	
Group	Note	Share capital RM'000	Retained earnings RM'000	Total equity RM'000
At 1 July 2014		151,049	205,760	356,809
Total comprehensive income for the year		-	214,193	214,193
Dividends to owners of the Company	17	-	(194,854)	(194,854)
At 30 June 2015/1 July 2015		151,049	225,099	376,148
Total comprehensive income for the period		-	427,260	427,260
Dividends to owners of the Company	17	-	(410,853)	(410,853)
At 31 December 2016		151,049	241,506	392,555
		Note 9		

		Attributable to owners of the Company		
			Distributable	
Company	Note	Share capital RM'000	Retained earnings RM'000	Total equity RM'000
At 1 July 2014		151,049	68,924	219,973
Total comprehensive income for the year		-	187,825	187,825
Dividends to owners of the Company	17	-	(194,854)	(194,854)
At 30 June 2015/1 July 2015		151,049	61,895	212,944
Total comprehensive income for the period		-	455,330	455,330
Dividends to owners of the Company	17	-	(410,853)	(410,853)
At 31 December 2016		151,049	106,372	257,421
		Note 9		

The notes on pages 113 to 149 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2016

	Note	Group 1.7.2015 to 31.12.2016 RM'000	Group Year ended 30.6.2015 RM'000	Company 1.7.2015 to 31.12.2016 RM'000	Company Year ended 30.6.2015 RM'000
Cash flows from operating activities					
Profit before tax		549,223	292,399	475,866	206,123
Adjustments for:					
Amortisation of intangible assets	4	17,308	10,758	17,305	10,756
Amortisation of prepaid contractual promotion expenses		92,203	46,489	-	-
Depreciation of property, plant and equipment	3	52,017	30,968	38,814	22,896
Dividend income		-	-	(384,588)	(136,742)
Finance income	12	(2,956)	(2,631)	(2,925)	(2,592)
Finance costs	13	4,784	5,593	4,784	5,593
Gain on disposal of property, plant and equipment		(2,032)	(1,111)	(420)	(206)
Impairment loss on trade receivables		-	824	-	-
Intangible assets written off		-	214	-	214
Property, plant and equipment written off		15,304	2,791	15,263	2,779
Reversal of impairment loss on trade receivables		(272)	-	-	-
Net unrealised gain on foreign exchange		(70)	(40)	(40)	(44)
Operating profit before changes in working capital		725,509	386,254	164,059	108,777
Change in inventories		(12,843)	(9,074)	(7,455)	5,955
Change in trade and other payables		99,342	45,427	12,493	(274)
Change in receivables, deposits and prepayments		(238,243)	(36,913)	(85,833)	69,524
Cash generated from operations		573,765	385,694	83,264	183,982
Interest paid		(4,784)	(5,593)	(4,784)	(5,593)
Tax refund		317	-	317	-
Tax paid		(123,755)	(85,084)	(22,630)	(22,428)
Net cash from operating activities		445,543	295,017	56,167	155,961

The notes on pages 113 to 149 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2016

	Note	Group 1.7.2015 to 31.12.2016 RM'000	Group Year ended 30.6.2015 RM'000	Company 1.7.2015 to 31.12.2016 RM'000	Company Year ended 30.6.2015 RM'000
Cash flows from investing activities					
Acquisition of intangible assets	4	(17,500)	(5,499)	(17,500)	(5,499)
Acquisition of property, plant and equipment	3	(69,695)	(32,930)	(61,994)	(23,493)
Dividend received		-	-	384,588	136,742
Interest received		2,956	2,631	2,925	2,592
Proceeds from disposal of property, plant and equipment		2,300	1,125	505	209
Net cash (used in)/from investing activities		(81,939)	(34,673)	308,524	110,551
Cash flows from financing activities					
Dividends paid to owners of the Company	17	(410,853)	(194,854)	(410,853)	(194,854)
Drawdown of revolving credit and trade financing		74,000	-	74,000	-
Proceeds from issuance of Commercial Papers		-	25,000	-	25,000
Repayment of Commercial Papers		(25,000)	-	(25,000)	-
Repayment of Medium Term Notes		(50,000)	(100,000)	(50,000)	(100,000)
Net cash used in financing activities		(411,853)	(269,854)	(411,853)	(269,854)
Net decrease in cash and bank balances		(48,249)	(9,510)	(47,162)	(3,342)
Cash and bank balances at 1 July		52,294	61,804	51,157	54,499
Cash and bank balances at 31 December/30 June		4,045	52,294	3,995	51,157

The notes on pages 113 to 149 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Heineken Malaysia Berhad (formerly known as Guinness Anchor Berhad) 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 its registered office and principal place of business is as follows:

Sungei Way Brewery
Lot 1135, Batu 9, Jalan Klang Lama
46000 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial period ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial period ended 31 December 2016 do not include other entities.

The Company is principally engaged in the production, packaging, marketing and distribution of beverages, primarily alcoholic, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

The Directors regarded GAPL Pte. Ltd. ("GAPL"), a corporation incorporated in the Republic of Singapore, as the ultimate holding corporation. GAPL was a joint venture corporation whose ultimate owners were Diageo Plc. ("Diageo"), a corporation incorporated in England and Wales, and Heineken Asia Pacific Pte. Ltd. ("HAPPL"), a corporation incorporated in the Republic of Singapore. HAPPL is owned by Heineken N.V., a corporation incorporated in Netherlands. On 7 October 2015, Heineken N.V. acquired Diageo's shares in GAPL. Heineken N.V. now owns 100% of the issued and fully paid up stock units of GAPL, which in turn holds 51% of the issued and fully paid up stock units of the Company.

Consequently, the immediate, intermediate and ultimate holding corporations are GAPL, HAPPL and Heineken N.V., respectively.

These financial statements were authorised for issue by the Board of Directors on 15 February 2017.

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 ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations 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 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts**
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)**
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property**

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

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

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

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for those marked with "*" which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

The initial application of the applicable accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

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

MFRS 9, *Financial Instruments*

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

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

MFRS 16, *Leases*

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(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:

- Note 11 – accruals for promotional discounts and rebates
- Note 23 – contingent liability

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such right 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. The cost of investments includes transaction costs.

(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) 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 period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

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

All financial assets are subject to review for impairment (see Note 2(i)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(iii) Derecognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively 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 or the Company, 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. Capital work-in-progress 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	61 - 95 years
• buildings	50 years
• plant and machinery	13 - 20 years
• movable plant	2 - 10 years

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Operating leases

Leases, where the Group or the Company 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) Computer software

Computer software that are acquired by the Group, which have finite useful lives, are stated at cost less any accumulated amortisation and any accumulated impairment losses. Capital work-in-progress is measured at cost and is not amortised until the assets are ready for their intended use.

(ii) 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 is recognised in profit or loss as incurred.

(iii) Amortisation

Computer software 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 life of 5 years.

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

(g) 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 cost of raw materials, duties where applicable, and other expenses incurred in acquiring the inventories and bringing them to their existing location and condition. For finished goods and work-in-progress, cost also includes direct labour and an appropriate proportion 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 cost of completion and the estimated cost necessary to make the sale.

(h) Cash and bank balances

Cash and bank balances consist of cash on hand and balances placed with licensed banks.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables at specific asset level. All receivables are assessed individually for impairment.

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

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) 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 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.

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.

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 period in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Equity instrument

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

(k) 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 period 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) 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.

(l) 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.

(m) Revenue and other income

(i) Goods sold

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

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's rights to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(n) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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 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 period, 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 periods.

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 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.

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 liabilities and assets 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 differences 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 benefits will be realised.

(p) Earnings per ordinary stock unit

The Group presents basic and diluted earnings per stock unit data for its ordinary stock unit (“EPS”).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary stockholders of the Company by the weighted average number of ordinary stock units outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary stockholders and the weighted average number of ordinary stock units outstanding for the effects of all dilutive potential ordinary stock units, if any.

(q) 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 Managing Director 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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 are categorised into different levels in a fair value hierarchy based on the input used in the valuation techniques 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.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Movable plant RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
At 1 July 2014	4,037	20,191	94,084	345,388	188,477	5,395	657,572
Additions	-	-	47	304	8,488	24,091	32,930
Write off	-	-	(1,826)	(3,915)	(22,604)	-	(28,345)
Disposals	-	-	-	(1,810)	(7,796)	-	(9,606)
Transfers	-	-	3,437	7,664	16,622	(27,723)	-
At 30 June 2015/1 July 2015	4,037	20,191	95,742	347,631	183,187	1,763	652,551
Additions	-	-	16	509	1,120	68,050	69,695
Write off	-	-	(373)	(8,835)	(35,018)	-	(44,226)
Disposals	-	-	-	-	(9,041)	-	(9,041)
Transfers	-	-	3,752	13,832	49,003	(66,587)	-
At 31 December 2016	4,037	20,191	99,137	353,137	189,251	3,226	668,979
Depreciation							
At 1 July 2014	-	7,613	49,627	244,878	135,030	-	437,148
Depreciation charge for the year	-	256	5,473	9,867	15,372	-	30,968
Write off	-	-	(1,091)	(3,378)	(21,085)	-	(25,554)
Disposals	-	-	-	(1,810)	(7,782)	-	(9,592)
At 30 June 2015/1 July 2015	-	7,869	54,009	249,557	121,535	-	432,970
Depreciation charge for the period	-	384	6,795	15,256	29,582	-	52,017
Write off	-	-	(206)	(8,798)	(19,918)	-	(28,922)
Disposals	-	-	-	-	(8,773)	-	(8,773)
At 31 December 2016	-	8,253	60,598	256,015	122,426	-	447,292
Carrying amounts							
At 1 July 2014	4,037	12,578	44,457	100,510	53,447	5,395	220,424
At 30 June 2015/1 July 2015	4,037	12,322	41,733	98,074	61,652	1,763	219,581
At 31 December 2016	4,037	11,938	38,539	97,122	66,825	3,226	221,687

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Long term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Movable plant RM'000	Capital work-in-progress RM'000	Total RM'000
Cost						
At 1 July 2014	20,191	87,547	345,388	136,320	4,568	594,014
Additions	-	11	304	6,808	16,370	23,493
Write off	-	(1,710)	(3,915)	(17,967)	-	(23,592)
Disposals	-	-	(1,810)	(4,513)	-	(6,323)
Transfers	-	2,563	7,664	9,122	(19,349)	-
At 30 June 2015/1 July 2015	20,191	88,411	347,631	129,770	1,589	587,592
Additions	-	2	509	915	60,568	61,994
Write off	-	(368)	(8,835)	(28,227)	-	(37,430)
Disposals	-	-	-	(2,955)	-	(2,955)
Transfers	-	2,600	13,832	42,710	(59,142)	-
Transfers to subsidiary	-	(1,748)	-	(1,355)	-	(3,103)
At 31 December 2016	20,191	88,897	353,137	140,858	3,015	606,098
Depreciation						
At 1 July 2014	7,613	46,263	244,878	100,358	-	399,112
Depreciation charge for the year	256	3,927	9,867	8,846	-	22,896
Write off	-	(975)	(3,378)	(16,460)	-	(20,813)
Disposals	-	-	(1,810)	(4,510)	-	(6,320)
At 30 June 2015/1 July 2015	7,869	49,215	249,557	88,234	-	394,875
Depreciation charge for the period	384	4,312	15,256	18,862	-	38,814
Write off	-	(201)	(8,798)	(13,168)	-	(22,167)
Disposals	-	-	-	(2,870)	-	(2,870)
Transfers to subsidiary	-	(655)	-	(135)	-	(790)
At 31 December 2016	8,253	52,671	256,015	90,923	-	407,862
Carrying amounts						
At 1 July 2014	12,578	41,284	100,510	35,962	4,568	194,902
At 30 June 2015/1 July 2015	12,322	39,196	98,074	41,536	1,589	192,717
At 31 December 2016	11,938	36,226	97,122	49,935	3,015	198,236

NOTES TO THE FINANCIAL STATEMENTS

4. INTANGIBLE ASSETS

Group	Computer software RM'000	Capital work-in-progress RM'000	Total RM'000
Cost			
At 1 July 2014	66,774	2,570	69,344
Additions	-	5,499	5,499
Write off	(15,999)	-	(15,999)
Transfers	5,513	(5,513)	-
At 30 June 2015/1 July 2015	56,288	2,556	58,844
Additions	8	17,492	17,500
Transfers	18,158	(18,158)	-
At 31 December 2016	74,454	1,890	76,344
Amortisation			
At 1 July 2014	30,554	-	30,554
Amortisation for the year	10,758	-	10,758
Write off	(15,785)	-	(15,785)
At 30 June 2015/1 July 2015	25,527	-	25,527
Amortisation for the period	17,308	-	17,308
At 31 December 2016	42,835	-	42,835
Carrying amounts			
At 1 July 2014	36,220	2,570	38,790
At 30 June 2015/1 July 2015	30,761	2,556	33,317
At 31 December 2016	31,619	1,890	33,509

NOTES TO THE FINANCIAL STATEMENTS

4. INTANGIBLE ASSETS (CONTINUED)

Company	Computer software RM'000	Capital work-in-progress RM'000	Total RM'000
Cost			
At 1 July 2014	66,757	2,570	69,327
Additions	-	5,499	5,499
Write off	(15,999)	-	(15,999)
Transfers	5,513	(5,513)	-
At 30 June 2015/1 July 2015	56,271	2,556	58,827
Additions	8	17,492	17,500
Transfers	18,158	(18,158)	-
At 31 December 2016	74,437	1,890	76,327
Amortisation			
At 1 July 2014	30,546	-	30,546
Amortisation for the year	10,756	-	10,756
Write off	(15,785)	-	(15,785)
At 30 June 2015/1 July 2015	25,517	-	25,517
Amortisation for the period	17,305	-	17,305
At 31 December 2016	42,822	-	42,822
Carrying amounts			
At 1 July 2014	36,211	2,570	38,781
At 30 June 2015/1 July 2015	30,754	2,556	33,310
At 31 December 2016	31,615	1,890	33,505

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	31.12.2016 RM'000	30.6.2015 RM'000
Unquoted shares		
- at cost	14,344	14,344

Details of the subsidiaries are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 31.12.2016 %	30.6.2015 %
Heineken Marketing Malaysia Sdn. Bhd. (formerly known as Guinness Anchor Marketing Sdn. Bhd.)	Malaysia	Marketing and distribution of beverages primarily alcoholic in Malaysia	100	100
Ramaha Corporation (M) Sdn. Bhd.	Malaysia	Property holding and land development	100	100
Heineken East Malaysia Sdn. Bhd. (formerly known as Guinness Sabah Sdn. Bhd.)	Malaysia	Dormant	100	100
Malayan Breweries (Malaya) Sdn. Bhd.*	Malaysia	Dormant	-	100

* On 19 May 2016, Malayan Breweries (Malaya) Sdn. Bhd. ("MBM") received a notice dated 6 May 2016 pursuant to Section 308 (4) of the Companies Act, 1965 from the Companies Commission of Malaysian ("CCM") that its name had been struck-off from the register of companies of CCM. The deregistration of MBM did not result in any material impact on the net assets and earnings per share of the Group.

NOTES TO THE FINANCIAL STATEMENTS

6. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31.12.2016 RM'000	30.6.2015 RM'000	31.12.2016 RM'000	30.6.2015 RM'000	31.12.2016 RM'000	30.6.2015 RM'000
Group						
Property, plant and equipment	1,629	1,045	(38,476)	(37,438)	(36,847)	(36,393)
Other items	8,756	151	(19)	(12,256)	8,737	(12,105)
Tax assets/(liabilities)	10,385	1,196	(38,495)	(49,694)	(28,110)	(48,498)
Set off of tax	(14)	(1,196)	14	1,196	-	-
Net tax assets/(liabilities)	10,371	-	(38,481)	(48,498)	(28,110)	(48,498)
Company						
Property, plant and equipment	-	-	(38,476)	(37,438)	(38,476)	(37,438)
Other items	8	60	(13)	(4)	(5)	56
Tax assets/(liabilities)	8	60	(38,489)	(37,442)	(38,481)	(37,382)

Movement in temporary differences during the period

	At 1.7.2014 RM'000	Recognised in profit or loss (Note 14) RM'000	At 30.6.2015/ 1.7.2015 RM'000	Recognised in profit or loss (Note 14) RM'000	At 31.12.2016 RM'000
Group					
Property, plant and equipment	(37,440)	1,047	(36,393)	(454)	(36,847)
Other items	(5,415)	(6,690)	(12,105)	20,842	8,737
	(42,855)	(5,643)	(48,498)	20,388	(28,110)
Company					
Property, plant and equipment	(39,704)	2,266	(37,438)	(1,038)	(38,476)
Other items	361	(305)	56	(61)	(5)
	(39,343)	1,961	(37,382)	(1,099)	(38,481)

NOTES TO THE FINANCIAL STATEMENTS

7. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group 31.12.2016 RM'000	Group 30.6.2015 RM'000	Company 31.12.2016 RM'000	Company 30.6.2015 RM'000
Non-current					
Other receivables	7.2	1,484	787	1,050	512
Prepayments	7.3	20,125	26,218	-	-
		21,609	27,005	1,050	512
Current					
Trade					
Amount due from related parties	7.1	-	2,493	-	2,493
Amount due from a subsidiary	7.1	-	-	117,608	-
Trade receivables		393,568	259,701	1,453	-
Less: Impairment losses		(1,565)	(2,783)	-	-
		392,003	259,411	119,061	2,493
Non-trade					
Amount due from intermediate holding corporation	7.1	13,900	-	-	-
Amount due from related parties	7.1	6,896	3,540	154	209
Amount due from subsidiaries	7.1	-	-	4,043	35,552
Deposits		3,782	2,973	2,021	1,244
Other receivables	7.2	6,540	4,995	5,001	2,380
Prepayments	7.3	24,856	25,350	1,327	2,121
		55,974	36,858	12,546	41,506
		447,977	296,269	131,607	43,999

7.1 Amounts due from related parties, intermediate holding corporation and subsidiaries

The trade amounts due from related parties and a subsidiary are subject to normal trade terms.

The non-trade amounts due from intermediate holding corporation, related parties and subsidiaries are unsecured, interest free and repayable on demand.

7.2 Other receivables

Included in other receivables are staff loans of the Group and of the Company amounting to RM2,347,000 (30.6.2015: RM1,445,000) and RM1,611,000 (30.6.2015: RM923,000) respectively of which RM1,484,000 (30.6.2015: RM787,000) and RM1,050,000 (30.6.2015: RM512,000) are repayable after the next 12 months for the Group and the Company respectively.

7.3 Prepayments

Included in prepayments of the Group are prepaid contractual promotion expenses for promotional activities of RM43,531,000 (30.6.2015: RM49,015,000) of which RM20,125,000 (30.6.2015: RM26,218,000) are to be amortised over a period of more than 12 months. The prepaid contractual promotion expenses are made to the Group's distribution channels to carry out promotional activities specified in the contract. The amount is amortised to profit or loss based on the volume purchased by outlets from the distributors or the time period as stipulated in the contract.

NOTES TO THE FINANCIAL STATEMENTS

8. INVENTORIES

	Group		Company	
	31.12.2016 RM'000	30.6.2015 RM'000	31.12.2016 RM'000	30.6.2015 RM'000
Raw materials	13,574	9,296	13,574	9,296
Work-in-progress	2,664	2,570	2,664	2,570
Finished goods	36,401	27,371	5,212	1,612
Packaging materials	3,733	4,553	3,733	4,553
Engineering stores and spares	5,520	5,259	5,027	4,724
	61,892	49,049	30,210	22,755
Recognised in profit or loss:				
Inventories recognised as cost of sales	1,694,833	1,065,083	1,696,680	1,041,611

9. SHARE CAPITAL

	Group and Company			
	Amount 31.12.2016 RM'000	Number of shares 31.12.2016 '000	Amount 30.6.2015 RM'000	Number of shares 30.6.2015 '000
Authorised:				
Shares of RM0.50 each	200,000	400,000	200,000	400,000
Issued and fully paid:				
Ordinary stock units of RM0.50 each	151,049	302,098	151,049	302,098

The holders of ordinary stock units are entitled to receive dividends as declared from time to time, and are entitled to one vote per ordinary stock unit at meetings of the Company.

10. BORROWINGS

		Group and Company	
	Note	31.12.2016 RM'000	30.6.2015 RM'000
Non-current			
Medium Term Notes (unsecured)	10.1	-	50,000
Current			
Revolving credit and trade financing (unsecured)	10.2	74,000	-
Commercial Papers (unsecured)	10.1	-	25,000

10.1 On 25 November 2011, the Company obtained the approval of the Securities Commission for the issuance of Commercial Papers ("CPs")/Medium Term Notes ("MTNs") Programme of up to RM500 million ("CP/MTN Programme"). The CP/MTN Programme is for a tenure of 7 years. CPs and MTNs which bore interest of 4.35% and 3.78% respectively were fully repaid during the period.

NOTES TO THE FINANCIAL STATEMENTS

10. BORROWINGS (CONTINUED)

10.2 Revolving credit and trade financing as at 31 December 2016 consist of the following:

	Tenure (weeks)	Interest rate (per annum)	Maturity date	Nominal value RM'000
Revolving credit (unsecured)	2 - 3	3.54%	6 January 2017	30,000
Revolving credit (unsecured)	2 - 3	3.64%	10 January 2017	24,000
Trade financing (unsecured)	2 -3	3.52%	20 January 2017	20,000

The principals and interests are repayable in full upon maturity.

11. TRADE AND OTHER PAYABLES

	Note	Group 31.12.2016 RM'000	Group 30.6.2015 RM'000	Company 31.12.2016 RM'000	Company 30.6.2015 RM'000
Trade					
Amount due to related parties	11.1	2,955	1,248	2,955	1,248
Trade payables		52,390	37,724	28,011	16,709
		55,345	38,972	30,966	17,957
Non-trade					
Amount due to intermediate holding corporation	11.1	7,286	-	18	-
Amount due to related parties	11.1	6,094	9,672	2,823	-
Amount due to a subsidiary	11.1	-	-	100	100
Other payables		3,866	1,923	2,015	1,445
Accrued expenses	11.2	219,688	142,440	18,759	22,726
		236,934	154,035	23,715	24,271
		292,279	193,007	54,681	42,228

11.1 Amount due to related parties, intermediate holding corporation and a subsidiary

The trade amount due to related parties is subject to normal trade terms.

The non-trade amounts due to intermediate holding corporation, related parties and a subsidiary are unsecured, interest free and repayable on demand.

11.2 Accrued expenses

Included in accrued expenses of the Group are accruals for promotion expenses of RM162,130,000 (30.6.2015: RM 89,751,000).

NOTES TO THE FINANCIAL STATEMENTS

12. FINANCE INCOME

	Group		Company	
	1.7.2015 to 31.12.2016 RM'000	Year ended 30.6.2015 RM'000	1.7.2015 to 31.12.2016 RM'000	Year ended 30.6.2015 RM'000
Interest income received from deposits placed with licensed banks	2,943	2,622	2,917	2,588
Interest income received from staff loans	13	9	8	4
Recognised in profit or loss	2,956	2,631	2,925	2,592

13. FINANCE COSTS

	Group		Company	
	1.7.2015 to 31.12.2016 RM'000	Year ended 30.6.2015 RM'000	1.7.2015 to 31.12.2016 RM'000	Year ended 30.6.2015 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Commercial Papers	631	1,299	631	1,299
- Medium Term Notes	2,827	3,872	2,827	3,872
- Revolving credit and trade financing	1,326	255	1,326	255
- Export billing	-	167	-	167
Recognised in profit or loss	4,784	5,593	4,784	5,593

NOTES TO THE FINANCIAL STATEMENTS

14. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	1.7.2015 to 31.12.2016 RM'000	**Year ended 30.6.2015 RM'000**	**1.7.2015 to 31.12.2016 RM'000**	**Year ended 30.6.2015 RM'000**
Current tax expense				
Malaysian				
- current period/year	132,532	72,496	21,720	20,711
- under/(over) provision in prior year	9,819	67	(2,283)	(452)
Total current tax recognised in profit or loss	142,351	72,563	19,437	20,259
Deferred tax expense				
Origination and reversal of temporary differences	(6,955)	2,787	1,133	(2,498)
(Over)/Under provision in prior year	(13,433)	2,856	(34)	537
Total deferred tax recognised in profit or loss (Note 6)	(20,388)	5,643	1,099	(1,961)
Total income tax expense	121,963	78,206	20,536	18,298
Reconciliation of tax expense				
Profit for the period/year	427,260	214,193	455,330	187,825
Total income tax expense	121,963	78,206	20,536	18,298
Profit excluding tax	549,223	292,399	475,866	206,123
Income tax calculated using Malaysian tax rate of 24% (30.6.2015: 25%)	131,814	73,100	114,208	51,531
Non-deductible expenses	2,005	2,183	946	868
Recognition of previously unrecognised deferred tax assets	(8,242)	-	-	-
Tax exempt dividend	-	-	(92,301)	(34,186)
(Over)/Under provision in prior year	(3,614)	2,923	(2,317)	85
	121,963	78,206	20,536	18,298

NOTES TO THE FINANCIAL STATEMENTS

15. PROFIT FOR THE PERIOD/YEAR

	Group		Company	
	1.7.2015 to 31.12.2016 RM'000	Year ended 30.6.2015 RM'000	1.7.2015 to 31.12.2016 RM'000	Year ended 30.6.2015 RM'000
Profit for the period/year is arrived at after charging:				
Amortisation of prepaid contractual promotion expenses	92,203	46,489	-	-
Amortisation of intangible assets	17,308	10,758	17,305	10,756
Auditors' remuneration				
- Statutory audit				
KPMG	198	160	119	96
- Other services				
KPMG	122	87	102	33
Affiliates of KPMG	150	61	-	32
Depreciation of property, plant and equipment	52,017	30,968	38,814	22,896
Hire of equipment	2,971	1,623	1,607	660
Impairment loss on trade receivables	-	824	-	-
Intangible assets written off	-	214	-	214
Personnel expenses (including key management personnel):				
- Contributions to state plans	17,846	11,232	5,421	3,298
- Wages, salaries and others	130,393	90,079	39,423	27,027
Property, plant and equipment written off	15,304	2,791	15,263	2,779
Rental expense on buildings	3,782	3,027	114	503
and after crediting:				
Dividend income from unquoted subsidiary	-	-	384,588	136,742
Gain on disposal of property, plant and equipment	2,032	1,111	420	206
Net realised gain on foreign exchange	113	1,262	427	703
Net unrealised gain on foreign exchange	70	40	40	44
Reversal of impairment loss on trade receivables	272	-	-	-

16. EARNINGS PER ORDINARY STOCK UNIT

Basic earnings per ordinary stock unit

The calculation of basic earnings per ordinary stock unit at 31 December 2016 was based on the profit attributable to the holders of ordinary stock units of RM427,260,000 (30.6.2015: RM214,193,000) and a weighted average number of ordinary stock unit outstanding of 302,098,000 (30.6.2015: 302,098,000).

Weighted average number of ordinary stock unit

	Group	
	31.12.2016 '000	30.6.2015 '000
Issued ordinary stock unit	302,098	302,098
Basic earnings per ordinary stock unit (sen)	141.4	70.9

Diluted earnings per ordinary stock unit

There were no diluted earnings per ordinary stock unit for the Group as at 31 December 2016 and 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

17. DIVIDENDS

Dividends recognised by the Company are:

	Sen per stock unit	Total amount RM'000	Date of payment
31.12.2016			
Second interim 2016 ordinary	35.00	105,734	7 October 2016
Special 2016	30.00	90,629	15 April 2016
Interim 2016 ordinary	20.00	60,420	15 April 2016
Final 2015 ordinary	51.00	154,070	31 December 2015
Total amount		**410,853**	
30.6.2015			
Interim 2015 ordinary	20.00	60,420	22 April 2015
Final 2014 ordinary	44.50	134,434	31 December 2014
Total amount		194,854	

The Directors now recommend the declaration of a final ordinary dividend of 60 sen per 50 sen stock unit under the single tier tax system totalling RM181,258,800 in respect of the financial period ended 31 December 2016 which if approved by the owners of the Company will be payable on 16 May 2017.

18. OPERATING SEGMENT

The Group's business is focused in malt liquor brewing including production, packaging, marketing and distribution of its products, principally in Malaysia. Approximately 1% (30.6.2015: 1%) of the total sales is exported, mainly to Asian countries. As such, only one reportable segment analysis is prepared. The Managing Director of the Company (the chief operating decision maker) reviews internal management reports at least on a monthly basis.

Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Managing Director of the Company. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segment relative to other entities that operate within this industry.

Segment assets and liabilities

Segment assets and liabilities information is neither included in the internal management reports nor provided regularly to the Managing Director of the Company. Hence, no disclosure is made on segment assets and liabilities.

Segment capital expenditure

Segment capital expenditure is the total costs incurred during the financial period to acquire property, plant and equipment, and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

18. OPERATING SEGMENT (CONTINUED)

	Group	
	1.7.2015 to 31.12.2016 RM'000	**Year ended 30.6.2015 RM'000**
Total additions to property, plant and equipment and intangible assets	87,195	38,429
Segment profit	549,223	292,399
Included in the measure of segment profit are:		
Revenue from external customers	2,810,308	1,748,885
Depreciation and amortisation	(69,325)	(41,726)
Not included in the measure of segment profit but provided to the Managing Director of the Company		
Net finance costs	(1,828)	(2,962)

Reconciliation of reportable segment revenue, profit and other material items

	Group	
	1.7.2015 to 31.12.2016 RM'000	**Year ended 30.6.2015 RM'000**
Net finance costs		
Finance income	2,956	2,631
Finance costs	(4,784)	(5,593)
Consolidated net finance costs	(1,828)	(2,962)

No reconciliation is performed for reportable segment profit, revenue, depreciation and amortisation to consolidated figures as there are no differences.

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS

19.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R/ (FL) RM'000
31.12.2016		
Financial assets		
Group		
Receivables and deposits	424,605	424,605
Cash and bank balances	4,045	4,045
	428,650	428,650
Company		
Receivables and deposits	131,330	131,330
Cash and bank balances	3,995	3,995
	135,325	135,325
Financial liabilities		
Group		
Trade and other payables	(292,279)	(292,279)
Borrowings	(74,000)	(74,000)
	(366,279)	(366,279)
Company		
Trade and other payables	(54,681)	(54,681)
Borrowings	(74,000)	(74,000)
	(128,681)	(128,681)
30.6.2015		
Financial assets		
Group		
Receivables and deposits	271,706	271,706
Cash and bank balances	52,294	52,294
	324,000	324,000
Company		
Receivables and deposits	42,390	42,390
Cash and bank balances	51,157	51,157
	93,547	93,547
Financial liabilities		
Group		
Trade and other payables	(193,007)	(193,007)
Borrowings	(75,000)	(75,000)
	(268,007)	(268,007)
Company		
Trade and other payables	(42,228)	(42,228)
Borrowings	(75,000)	(75,000)
	(117,228)	(117,228)

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.2 Net gains and losses arising from financial instruments

	Group		Company	
	1.7.2015 to 31.12.2016 RM'000	**Year ended 30.6.2015 RM'000**	**1.7.2015 to 31.12.2016 RM'000**	**Year ended 30.6.2015 RM'000**
Net gains/(losses) on:				
Loans and receivables	2,914	2,366	2,925	2,592
Financial liabilities measured at amortised cost	(4,287)	(4,850)	(4,317)	(4,846)
	(1,373)	(2,484)	(1,392)	(2,254)

19.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

19.3.1 Credit risk

Credit risk is the risk of a financial loss to the Group 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 trade receivables. The Company's exposure to credit risk arises principally from trade amount due from and advances to subsidiaries.

(a) 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 all customers requiring credit over a certain amount. The Group requires collateral to be pledged by most of its customers to cover a percentage of the credit limit granted to them.

Exposure to credit risk, credit quality and collateral

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

The Group has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. Due to the nature of the industry, a significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.3 Financial risk management (continued)

19.3.1 Credit risk (continued)

(a) Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group	
	31.12.2016 RM'000	**30.6.2015 RM'000**
Malaysia	390,550	256,918
Others	1,453	2,493
	392,003	259,411

The carrying amounts of collaterals for trade receivables as at the end of the reporting period were:

	Group Carrying amounts	
	31.12.2016 RM'000	**30.6.2015 RM'000**
Type of collateral		
Bank guarantees	55,268	48,298
Properties charged*	37,106	29,762
Quoted shares pledged*	735	1,344
	93,109	79,404

* The carrying amounts of properties charged and quoted shares pledged are based on the market value at the date they were charged or pledged to the Group.

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group			
31.12.2016			
Not past due	387,875	-	387,875
Past due 1 - 30 days	4,098	-	4,098
Past due 31 - 120 days	-	-	-
Past due more than 120 days	1,595	(1,565)	30
	393,568	(1,565)	392,003

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.3 Financial risk management (continued)

19.3.1 Credit risk (continued)

(a) Receivables (continued)

Impairment losses (continued)

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group			
30.6.2015			
Not past due	251,933	-	251,933
Past due 1 - 30 days	3,876	-	3,876
Past due 31 - 120 days	75	-	75
Past due more than 120 days	6,310	(2,783)	3,527
	262,194	(2,783)	259,411

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

	Group	
	31.12.2016 RM'000	**30.6.2015 RM'000**
At 1 July	2,783	6,384
Impairment loss recognised	-	824
Impairment loss reversed	(272)	-
Impairment loss written off	(946)	(4,425)
At 31 December/30 June	1,565	2,783

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

(b) Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Group and the Company undertake trade and non-trade transactions with the intermediate holding corporation and related parties. The Company also provides unsecured advances to subsidiaries. The Group and the Company monitor their results regulary.

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.

Advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the inter-company balances are not recoverable.

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.3 Financial risk management (continued)

19.3.1 Credit risk (continued)

(c) Cash and bank balances

Risk management objectives, policies and processes for managing the risk

The Group and the Company are also exposed to counterparty credit risk from financial institutions through fund placement activities. These exposures are managed in accordance with the existing guidelines and procedures that define the parameters within which the investment activities shall be undertaken in order to achieve the Group's investment objective of preserving capital and generating additional returns above appropriate benchmarks within allowable risk parameters. Fund placements are only made with reputable licensed financial institutions with high creditworthiness.

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.

In view of the sound credit rating of counterparties, management does not expect any counterparties to fail to meet their obligations.

19.3.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its trade and other payables and borrowings.

The Group maintains 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:

	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000
Group					
31.12.2016					
Non-derivative financial liabilities					
Borrowings					
- Revolving Credit & Trade Financing	74,000	3.52% - 3.64%	74,000	74,000	-
Trade and other payables	292,279	-	292,279	292,279	-
	366,279		366,279	366,279	-

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.3 Financial risk management (continued)

19.3.2 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000
Group					
30.6.2015					
Non-derivative financial liabilities					
Borrowings					
- Medium Term Notes (unsecured)	50,000	3.78%	52,832	1,890	50,942
- Commercial Papers (unsecured)	25,000	4.35%	25,000	25,000	-
Trade and other payables	193,007	-	193,007	193,007	-
	268,007		270,839	219,897	50,942
Company					
31.12.2016					
Non-derivative financial liabilities					
Borrowings					
- Revolving Credit & Trade Financing	74,000	3.52% - 3.64%	74,000	74,000	-
Trade and other payables	54,681	-	54,681	54,681	-
	128,681		128,681	128,681	-
Company					
30.6.2015					
Non-derivative financial liabilities					
Borrowings					
- Medium Term Notes (unsecured)	50,000	3.78%	52,832	1,890	50,942
- Commercial Papers (unsecured)	25,000	4.35%	25,000	25,000	-
Trade and other payables	42,228	-	42,228	42,228	-
	117,228		120,060	69,118	50,942

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.3 Financial risk management (continued)

19.3.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

(a) Currency risk

The Group is exposed to foreign currency risk through normal trading activities on sales and purchases that are denominated in currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Singapore Dollar ("SGD"), Euro Dollar ("EURO"), Great Britain Pound ("GBP") and Thai Baht ("THB").

Risk management objectives, policies and processes for managing the risk

The Group uses forward exchange contracts to hedge its foreign currency risk. There is no outstanding forward exchange contract as at the end of the reporting period.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the respective functional currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

			Denominated in		
Group	**USD RM'000**	**SGD RM'000**	**EURO RM'000**	**GBP RM'000**	**THB RM'000**
31.12.2016					
Trade receivables	1,452	-	-	-	-
Trade payables	(2,013)	(4,935)	(9,526)	(575)	(247)
Net exposure	(561)	(4,935)	(9,526)	(575)	(247)
30.6.2015					
Trade receivables	2,492	-	-	-	-
Trade payables	(3,126)	(3,995)	(2,364)	-	(81)
Net exposure	(634)	(3,995)	(2,364)	-	(81)

As foreign currency risk arising from Group's operations is not material, sensitivity analysis is hence not presented.

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.3 Financial risk management (continued)

19.3.3 Market risk (continued)

(b) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group does not have a formal policy in place for managing the risk arising from interest rate. The fluctuation of interest rate is however monitored closely by the Group.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group and Company	
	31.12.2016 RM'000	30.6.2015 RM'000
Fixed rate instruments		
Financial liabilities	(74,000)	(75,000)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

19.4 Fair value information

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

The table below analyses the financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	31.12.2016		30.6.2015	
	Carrying amount RM'000	Fair value Level 3 RM'000	Carrying amount RM'000	Fair value Level 3 RM'000
Group and Company				
Borrowings	-	-	(75,000)	(75,000)

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONTINUED)

19.4 Fair value information (continued)

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

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 period (30.6.2015: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial liabilities. The fair value of long term liabilities are determined using the discounted cash flows valuation technique.

Interest rates used to determine fair value

The interest rate used to discount estimated cash flows, where applicable, is as follows:

	31.12.2016	30.6.2015
Borrowings	-	3.78% - 4.35%

20. 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 Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total equity attributable to owners of the Company. The Board of Directors also monitors the level of dividends to owners of the Company.

The Group monitors and maintains a balanced level of total equity to ensure the Group has adequate capital to support its future development and the payment of dividends to owners of the Company. There was no change in the Group's approach to capital management during the financial period.

Under the requirements of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

21. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	31.12.2016 RM'000	30.6.2015 RM'000	31.12.2016 RM'000	30.6.2015 RM'000
Less than one year	3,759	2,837	1,949	1,898
Between one and five years	7,167	4,117	3,667	3,688
	10,926	6,954	5,616	5,586

The Group leases a number of warehouses, residential properties, factory facilities and motor vehicles under operating leases. The leases typically run for a period of 1 to 5 years with an option to renew the leases after that date.

NOTES TO THE FINANCIAL STATEMENTS

22. CAPITAL COMMITMENTS

	Group and Company	
	31.12.2016 RM'000	30.6.2015 RM'000
Capital expenditure commitments		
Property, plant and equipment		
Authorised but not contracted for	548	39,669
Authorised and contracted for within one year	11,568	3,629
	12,116	43,298

23. CONTINGENT LIABILITY - UNSECURED

On 3 September 2015, the Company received bills of demand dated 28 August 2015 from the Royal Malaysian Customs of Federal Territory of Kuala Lumpur ("RMC") demanding payment on additional excise duty and sales tax totalling RM56,325,555. The amounts in demand were:

- Excise duty amounting to RM34,166,099 claimed under the Excise Duty Act 1976, for the period of 28 August 2012 to 31 October 2013.
- Sales tax amounting to RM14,772,971 and penalty amounting to RM7,386,485 claimed under the Sales Tax Act 1972, for the period of 1 July 2012 to 31 October 2013.

The Company does not admit liability on the bills of demand made by RMC and has taken appropriate measures to address this matter. Based on the legal opinion sought, there are reasonable grounds to appeal for the revocation of the bills of demand. Hence, the Directors are of the opinion that provision is not required at this stage, as it is not probable that a future sacrifice of economic benefits will be required.

24. 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. 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 corporations, related corporations, subsidiaries and key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

24. RELATED PARTIES (CONTINUED)

Identity of related parties (continued)

The Directors regarded GAPL Pte. Ltd. ("GAPL"), a corporation incorporated in the Republic of Singapore, as the ultimate holding corporation. GAPL was a joint venture corporation whose ultimate owners were Diageo Plc. ("Diageo"), a corporation incorporated in England and Wales, and Heineken Asia Pacific Pte. Ltd. ("HAPPL"), a corporation incorporated in the Republic of Singapore. HAPPL is owned by Heineken N.V., a corporation incorporated in Netherlands. On 7 October 2015, Heineken N.V. acquired Diageo's shares in GAPL. Heineken N.V. now owns 100% of the issued and fully paid up stock units of GAPL, which in turn holds 51% of the issued and fully paid up stock units of the Company.

Consequently, the immediate, intermediate and ultimate holding corporations are GAPL, HAPPL and Heineken N.V., respectively.

Significant related party transactions

Significant related party transactions of the Group and the Company other than those disclosed elsewhere in the financial statements are shown below. The balances related to the below transactions are shown in Notes 7 and 11.

	Group		Company	
	1.7.2015 to 31.12.2016 RM'000	Year ended 30.6.2015 RM'000	1.7.2015 to 31.12.2016 RM'000	Year ended 30.6.2015 RM'000
A. Intermediate holding corporation				
Heineken Asia Pacific Pte. Ltd.				
Royalties paid and payable	(38,542)	-	-	-
Marketing and advertising service fees received and receivable	27,844	-	-	-
B. Subsidiary				
Heineken Marketing Malaysia Sdn. Bhd.				
Dividend income	-	-	384,588	136,742
Sale of products	-	-	1,809,380	1,122,910
Management service fee received and receivable	-	-	47,820	36,299
C. Related corporations				
*Diageo Plc and its related corporations (the "Diageo Group")**				
Purchase of goods	(2,519)	(12,808)	(2,519)	(12,808)
Sale of products	5,939	23,144	5,939	23,144
Royalties paid and payable	(3,174)	(12,951)	-	-
Related corporations of Heineken N.V.				
Purchase of goods	(30,547)	(16,009)	(29,719)	(15,235)
Royalties, marketing and technical fees paid and payable	(18,979)	(32,791)	(3,876)	(686)
Marketing and advertising service fees received and receivable	9,868	19,792	-	-

* Diageo Plc was an indirect major shareholder of the Company by virtue of its indirect shareholding in GAPL Pte Ltd ("GAPL"). Diageo Plc ceased to be an indirect major shareholder of the Company following the disposal of its entire stake in GAPL to Heineken N.V. on 7 October 2015.

NOTES TO THE FINANCIAL STATEMENTS

25. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	Group		Company	
	1.7.2015 to 31.12.2016 RM'000	**Year ended 30.6.2015 RM'000**	**1.7.2015 to 31.12.2016 RM'000**	**Year ended 30.6.2015 RM'000**
Directors				
- Fees	910	597	904	591
- Remuneration	2,514	1,359	2,514	1,359
- Meeting attendance allowance	101	97	101	97
Other short term benefits (including estimated monetary value of benefit-in-kind of RM68,640 (30.6.2015: RM46,000))	864	595	864	595
	4,389	2,648	4,383	2,642
Other key management personnel:				
Short-term employee benefits	11,712	5,688	8,695	3,823
	16,101	8,336	13,078	6,465

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

26. COMPARATIVES

The Company changed its financial year end from 30 June to 31 December during the financial period. As such, the comparatives for statements of profit or loss and other comprehensive income ("SOCI"), changes in equity and cash flows as well as the comparatives in the notes to financial statements relating to the SOCI for the period from 1 July 2014 to 30 June 2015 are not comparable to the current period from 1 July 2015 to 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

27. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2016 and 30 June 2015, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	31.12.2016 RM'000	**30.6.2015 RM'000**	**31.12.2016 RM'000**	**30.6.2015 RM'000**
Total retained earnings of the Company and its subsidiaries:				
- realised profits	265,042	276,326	144,786	99,461
- unrealised losses	(29,033)	(49,054)	(38,414)	(37,566)
	236,009	227,272	106,372	61,895
Less: Consolidation adjustments	5,497	(2,173)	-	-
Total retained earnings	241,506	225,099	106,372	61,895

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 108 to 148 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial period then ended.

In the opinion of the Directors, the information set out in Note 27 on page 149 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Dato' Sri Idris Jala
Director

Hans Essaadi
Director

Petaling Jaya,
Date: 15 February 2017

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Teo Hong Keng**, the officer primarily responsible for the financial management of Heineken Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 108 to 149 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declearation to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Teo Hong Keng, E5731914A, at Petaling Jaya in the State of Selangor on 15 February 2017.

Teo Hong Keng

Before me:

Ng Say Hung
No. B185
Commissioner for Oaths
No. 69A, Jalan SS21/37
Damansara Utama (Up Town)
47400 Petaling Jaya
Selangor D.E

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HEINEKEN MALAYSIA BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Heineken Malaysia Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the period then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 108 to 148.

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 31 December 2016, and of their financial performance and cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 period. 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.

Revenue Recognition – Accruals for Promotional Discounts and Rebates

Refer to Note 2(m)(i) to the financial statements.

The Key Audit Matter

The accounting for promotional discounts and rebates impact the amounts of revenue recognised during the period as these promotional discounts and rebates were netted against revenue.

We have considered the accruals for promotional discounts and rebates as a key audit matter because it involves Directors' judgement to estimate the sales volume, there is a diverse range of contractual terms given to the customers and heavy reliance on the Group's consumers management system that generates the estimated sales volume.

How The Matter was Addressed in Our Audit

Our audit procedures included, amongst others,

- Assessed the design and implementation of the Group's internal control in relation to the estimation of the amount of promotional discounts and rebates to be accrued;
- Engaged our information technology specialists in assessing the completeness and accuracy of information generated by the Group's customers management system used in estimating the accruals;
- Agreed promotional discount and rebate rates used in estimating the accruals to underlying agreements with customers and assessed the calculation of the accruals; and
- Compared the actual promotional discounts and rebates incurred against the accrual made in the prior year.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HEINEKEN MALAYSIA BERHAD

KEY AUDIT MATTER (CONTINUED)

Contingent Liability

Refer to Note 23 to the financial statements.

The Key Audit Matter

On 3 September 2015, the Company has received bills of demand from the Royal Malaysian Customs of Federal Territory of Kuala Lumpur ("RMC") demanding payment on additional excise duty and sales tax totalling RM56 million.

The Directors of the Company are disputing the basis of the additional excise duty and sales tax raised and is currently appealing to the Director General of RMC for the bills of demand to be revoked. It is a significant area that our audit focused on because the amount involved is significant and the determination of the amount, if any, to be provided for such disputed liability is inherently subjective.

How The Matter was Addressed in Our Audit

Our audit procedures included, among others:

- Discussed with management on the status of the demand from RMC;
- Obtained written representation and read the legal opinion from the Company's external solicitiors on the status of demand from RMC and appeal to the Director General of RMC and to corroborate with the Company's assessment of the demand from RMC;
- Involved our tax specialist in assessing to the appropriateness of the tax position as stated in the legal opinions; and
- Considered the appropriateness of disclosures in the financial statements.

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 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.

RESPONSIBILITIES OF 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, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HEINEKEN MALAYSIA BERHAD

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 Directors.

- Conclude on the appropriateness of 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 auditor's 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 auditor's 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 period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HEINEKEN MALAYSIA BERHAD

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

c) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 27 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

Date: 15 February 2017
Petaling Jaya, Malaysia

Chan Chee Keong
Approval Number: 3175/04/17(J)
Chartered Accountant

PROPERTIES OWNED BY THE GROUP

Address/Location	Land area (acres)	Existing use	Tenure	Approximate age (years)	Net Book Value at 31 December 2016 RM'000	Date of Acquisition/ Revaluation*
Lot 1135, Batu 9 Jalan Klang Lama 46000 Petaling Jaya Selangor	20.84	Office building and Factory	Leasehold expiring 23 September 2063	50	44,045	30 September 1984*
120, Air Keroh Industrial Estate, 75450 Melaka	1.07	Office building and store	Leasehold expiring 13 January 2080	34	308	30 September 1984*
Lot 123 Semambu Industrial Site 25350 Kuantan, Pahang	0.52	Office building and store	Leasehold expiring 5 March 2046	34	255	30 September 1984*
Lot 1136, Batu 9 Jalan Klang Lama 46000 Petaling Jaya Selangor	2.88	Storage	Freehold	Not applicable	4,037	31 December 1991
TOTAL					**48,645**	

* The revaluation of properties was carried out primarily for the purpose of bonus issue in 1984.

OTHER INFORMATION

AUDIT AND NON-AUDIT FEES

The fees paid / payable to the external auditors, Messrs KPMG PLT and its affiliated companies in relation to the audit and non-audit services rendered to Heineken Malaysia Berhad and its subsidiaries for the 18 months financial period ended 31 December 2016 are as follows:

	Company RM'000	Group RM'000
Statutory audit services provided by Messrs KPMG PLT	119	198
Non-audit services provided by Messrs KPMG PLT		
• Review of the supplementary financial information on the breakdown of realized and unrealized retained earnings	12	12
• Review of the Statement on Risk Management and Internal Control	20	20
• Review of identified accounts and balances in the Group financial statements as of 30 September 2015	70	70
• Review of royalty fees paid to Diageo Group in respect of the period from 1 July 2015 to 30 June 2016	-	20
Advisory services provided by affiliates of Messrs KPMG PLT	-	150
TOTAL	**221**	**470**

UTILISATION OF PROCEEDS

There was no corporate proposal undertaken by Heineken Malaysia Berhad to raise proceeds during the 18 months financial period ended 31 December 2016.

MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by Heineken Malaysia Berhad and/or its subsidiaries involving the interest of Directors and major Shareholders, either still subsisting at the end of the financial period ended 31 December 2016 or entered into since the end of the previous financial year.

CONFLICT OF INTEREST / CONVICTION OF OFFENCES / SANTIONS / PENALTIES

None of the Directors has:
- any family relationship with any Director and/or major shareholder of Heineken Malaysia Berhad
- any conflict of interest in any business arrangement involving Heineken Malaysia Berhad
- any convictions for any offences, other than traffic offences, within the past 5 years
- any public sanction or penalty imposed by the relevant regulatory bodies during the 18 months financial period ended 31 December 2016

ANALYSIS OF STOCKHOLDINGS
AS AT 28 FEBRUARY 2017

Authorised Share Capital	:	400,000,000 shares
Issued and Paid-up Capital	:	302,098,000 shares
Class of Shares	:	Ordinary stock units
Voting Rights	:	One vote per ordinary stock unit

Size of Holdings	No. of stockholders	%	No. of stock units	%
1 – 99	895	7.25	6,732	0.00
100 – 1,000	5,265	42.67	3,692,064	1.22
1,001 – 10,000	4,898	39.70	18,759,836	6.21
10,001 – 100,000	1,135	9.20	32,806,875	10.86
100,001 – 15,104,899	145	1.17	92,762,593	30.71
15,104,900 and above	1	0.01	154,069,900	51.00
TOTAL	**12,339**	**100.00**	**302,098,000**	**100.00**

Substantial Stockholders as per Register of Substantial Stockholders

Name of Stockholder	Direct No. of stock units	%	Indirect No. of stock units	%
GAPL Pte Ltd	154,069,900	51.00	-	-

Directors' Interest

According to the Register of Directors' Shareholdings, save for the following Director, none of the other Directors (including the spouses or children of the Directors who themselves are not Directors of the Company) holding office as of 28 February 2017 had any interest in the ordinary stock units of the Company or its related corporations:

Name of Director	Direct No. of stock units	%	Indirect No. of stock units	%
Datin Ngiam Pick Ngoh, Linda	6,700	Negligible	-	-

ANALYSIS OF STOCKHOLDINGS
AS AT 28 FEBRUARY 2017

30 Largest Stockholders		No. of stock units	%
1.	GAPL Pte Ltd	154,069,900	51.00
2.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	10,217,480	3.38
3.	Hong Leong Assurance Berhad As Beneficial Owner (Life Par)	3,518,900	1.16
4.	HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs Svs Jersey for Aberdeen Asian Income Fund Limited	3,477,600	1.15
5.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	3,386,427	1.12
6.	CIMB Group Nominees (Asing) Sdn Bhd Exempt An for DBS Bank Ltd (SFS)	3,366,807	1.11
7.	HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs Svs Lux for Aberdeen Global	2,815,500	0.93
8.	HSBC Nominees (Asing) Sdn Bhd Exempt An for JPMorgan Chase Bank, National Association (Taiwan)	2,326,884	0.77
9.	HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs Svs Paris for Aberdeen Asian Smaller Companies Investment Trust PLC	2,250,000	0.75
10.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund AM4N for Aberdeen Institutional Commingled Funds LLC	2,179,000	0.72
11.	Tokio Marine Life Insurance Malaysia Bhd As Beneficial Owner (PF)	2,175,400	0.72
12.	Tai Tak Estates Sdn Bhd	2,156,000	0.71
13.	Chinchoo Investment Sdn Berhad	1,865,000	0.62
14.	CIMSEC Nominees (Asing) Sdn Bhd Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,838,044	0.61
15.	HSBC Nominees (Asing) Sdn Bhd Exempt An for J.P. Morgan Bank Luxembourg S.A. (2)	1,760,000	0.58
16.	Cartaban Nominees (Asing) Sdn Bhd RBC Investor Services Bank S.A. for Vontobel Fund - Far East Equity	1,562,409	0.52
17.	Ho Han Seng	1,530,000	0.51

ANALYSIS OF STOCKHOLDINGS
AS AT 28 FEBRUARY 2017

30 Largest Stockholders	No. of stock units	%
18. Cartaban Nominees (Asing) Sdn Bhd SSBT Fund MMGN for Mawer Global Small Cap Fund	1,451,800	0.48
19. Citigroup Nominees (Asing) Sdn Bhd Exempt An for Citibank New York (Norges Bank 9)	1,368,500	0.45
20. Kam Loong Mining Sdn Bhd	1,320,000	0.44
21. Gan Teng Siew Realty Sdn Berhad	1,277,000	0.42
22. Key Development Sdn Berhad	1,250,000	0.41
23. HLB Nominees (Asing) Sdn Bhd Tan Eng Chin Holdings (Pte) Limited (Cust.SIN 40555)	1,150,000	0.38
24. Citigroup Nominees (Tempatan) Sdn Bhd Exempt An for AIA Bhd	1,112,300	0.37
25. CIMSEC Nominees (Tempatan) Sdn Bhd Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,075,600	0.36
26. Citigroup Nominees (Asing) Sdn Bhd Exempt An for OCBC Securities Private Limited (Client A/C-NR)	1,075,289	0.36
27. Chan Emily	1,052,000	0.35
28. UOBM Nominees (Asing) Sdn Bhd Banque De Luxembourg for BL Emerging Markets	1,021,100	0.34
29. Citigroup Nominees (Asing) Sdn Bhd Exempt An for Citibank New York (Norges Bank 12)	1,001,100	0.33
30. Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance Berhad (Par 3)	961,000	0.32
TOTAL	215,611,040	71.37

NOTICE OF 52ND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 52nd Annual General Meeting of Heineken Malaysia Berhad (formerly known as Guinness Anchor Berhad) ("the Company") will be held at Grand Ballroom, Connexion @ Nexus, No. 7, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur, Malaysia on Thursday, 13 April 2017 at 9.30 a.m. for the following purposes:

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the 18 months financial period ended 31 December 2016 together with the Directors' and Auditors' Reports thereon. **Ordinary Resolution 1**

2. To approve the payment of a final single tier dividend of 60 sen per stock unit in respect of the 18 months financial period ended 31 December 2016. **Ordinary Resolution 2**

3. To re-elect Mr Martin Giles Manen who retires by rotation pursuant to Article 89 of the Company's Constitution as a Director of the Company. **Ordinary Resolution 3**

4. To re-elect Mr Choo Tay Sian, Kenneth who retires by rotation pursuant to Article 89 of the Company's Constitution as a Director of the Company. **Ordinary Resolution 4**

5. To approve the payment of Directors' fees and benefits of RM1,022,957 to the Non-Executive Directors of the Company who served during the 18 months financial period ended 31 December 2016. **Ordinary Resolution 5**

6. To appoint Messrs Deloitte PLT as Auditors of the Company in place of the retiring auditors, Messrs KPMG PLT and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

7. To consider any other business of which due notice has been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Subject to the approval of Stockholders, a final single tier dividend of 60 sen per stock unit in respect of the 18 months financial period ended 31 December 2016 will be paid on 16 May 2017 to Stockholders registered at the close of business on 25 April 2017.

A Depositor shall qualify for entitlement to the dividend only in respect of:

(a) Shares deposited into the Depositor's securities account before 12.30 pm on 21 April 2017 in respect of shares which are exempted from mandatory deposit;

(b) Shares transferred into the Depositor's securities account before 4.00 pm on 25 April 2017 in respect of ordinary transfers; and

(c) Shares bought on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Ng Sow Hoong
Company Secretary
MAICSA 7027552

Petaling Jaya
22 March 2017

NOTICE OF 52ND ANNUAL GENERAL MEETING

NOTES:

1. **Annual General Meeting**

On 25 November 2015, the Company announced the change of financial year end from 30 June to 31 December. The Companies Act requires that an annual general meeting ("AGM") must be held once in every calendar year. The Companies Commission of Malaysia had granted its approval for an extension of time until 13 April 2017 for the Company to hold its AGM in respect of the calendar year 2016. The Company did not hold any AGM in the calendar year 2016. Hence, the forthcoming 52nd AGM will be held to table the 18 months Audited Financial Statements made up from 1 July 2015 to 31 December 2016 as well as to consider other ordinary businesses, and this AGM shall be deemed to be held for the calendar year 2016.

Pursuant to Article 56 of the Company's Constitution and Section 34 of the Securities Industry (Central Depositories) Act 1991, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at **5 April 2017**. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend and vote at the meeting.

Pursuant to the Bursa Securities Main Market Listing Requirements, all the motions set out in this notice will be put to vote by poll whereby every member present in person or by proxy or by attorney or other duly authorized representative shall have one vote for every stock unit held by him/her.

2. **Proxy**

A member entitled to attend and vote at the meeting is entitled to appoint more than one (1) proxy as his/her proxy or proxies to attend and vote in his/her stead. Where a member appoints more than one (1) proxy, the member shall specify the proportion of the member's shareholding to be represented by each proxy.

A proxy may but need not be a member of the Company and there shall be no restrictions as to the qualification of the proxy. If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.

Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary 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. Where an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the Form of Proxy. An exempt authorised nominee with more than one securities account must submit a separate Form of Proxy for each securities account.

For a proxy to be valid, the Form of Proxy with original signature(s) must be deposited at the Share Registrar's Office, 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, or alternatively, Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Any alteration to the Form of Proxy must be initialed.

NOTICE OF 52ND ANNUAL GENERAL MEETING

3. **Re-election of Retiring Directors**

Mr Martin Giles Manen and Mr Choo Tay Sian, Kenneth are retiring by rotation pursuant to Article 89 of the Company's Constitution at the 52nd AGM of the Company and they have indicated their willingness to seek re-election.

In line with Recommendation 3.1 of the Malaysian Code on Corporate Governance 2012, the Board, had via the Nomination and Remuneration Committee, conducted an assessment on the effectiveness and contribution of the said retiring Directors to the activities of the Board and recommended for the same to be re-elected to the Board.

The profile of the retiring Directors is set out in the Directors' Profile section on pages 12 and 15 of the Annual Report 2016. None of the said Directors has:

- any family relationship with any Director and/or major shareholder of Heineken Malaysia Berhad
- any conflict of interest in any business arrangement involving Heineken Malaysia Berhad
- any convictions for any offences, other than traffic offences, within the past 5 years
- any public sanction or penalty imposed by the relevant regulatory bodies during the 18 months financial period ended 31 December 2016.

4. **Directors' Fees and Benefits**

At the AGM of the Company held on 25 November 2015, shareholders approved the increase and payment of Directors' fee of up to RM685,000 for the period from 1 July 2015 to 30 June 2016. Details of the actual Directors' fees and benefits paid to the Non-Executive Directors of the Company for the 18 months financial period ended 31 December 2016 are set out on page 83 of the Annual Report 2016.

5. **Change of Auditors**

The existing auditors of the Company, Messrs KPMG PLT, have been the auditors of the Company since September 1999. Messrs KPMG PLT were re-appointed as the auditors of the Company at the 51st AGM of the Company held on 25 November 2015 to hold office until the conclusion of the 52nd AGM of the Company. Messrs KPMG PLT have indicated their intention to retire and they are not seeking re-appointment as auditors of the Company.

The Company has received a letter dated 6 February 2017 from its major shareholder, GAPL Pte Ltd, nominating Messrs Deloitte PLT as the new auditors of the Company, a copy of which is annexed and marked as 'Appendix A' in the Annual Report 2016. GAPL Pte Ltd is 100% owned by Heineken N.V. Currently, Messrs Deloitte Accountants B.V. are the auditors of Heineken N.V. As part of the HEINEKEN Group, it is recommended that Messrs Deloitte PLT be appointed as auditors of the Company since Messrs Deloitte PLT are part of the Deloitte Global Network. The proposed change will enable efficient information flow within the auditing entities in the HEINEKEN Group i.e. reducing non value-added work for auditors and more importantly, will help optimizing the business resources and cost of the Company.

The proposed appointment of Messrs Deloitte PLT is subject to the receipt of their consent to act as auditors and if approved, they shall hold office until the conclusion of the next AGM of the Company.

NOTICE OF 53RD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 53rd Annual General Meeting of Heineken Malaysia Berhad (formerly known as Guinness Anchor Berhad) ("the Company") will be held at Grand Ballroom, Connexion @ Nexus, No. 7, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur, Malaysia on Thursday, 13 April 2017 at 11.00 a.m. or immediately following the conclusion or adjournment (as the case may be) of the 52nd Annual General Meeting which will be held on the same day at the same venue at 9.30 a.m., whichever is later, or at any adjournment thereof, for the following purposes:

AGENDA

Ordinary Business

1. To re-elect Dato' Sri Idris Jala who retires pursuant to Article 96 of the Company's Constitution as a Director of the Company. **Ordinary Resolution 1**

2. To re-elect Mr Yong Weng Hong who retires by rotation pursuant to Article 89 of the Company's Constitution as a Director of the Company. **Ordinary Resolution 2**

3. To re-elect Mr Frans Erik Eusman who retires by rotation pursuant to Article 89 of the Company's Constitution as a Director of the Company. **Ordinary Resolution 3**

4. To approve the payment of Directors' fees and benefits of up to RM760,000 to the Non-Executive Directors of the Company for the financial year ending 31 December 2017. **Ordinary Resolution 4**

5. To re-appoint Messrs Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

Special Business

To consider and, if thought fit, to pass the following resolutions:

6. Continuing in Office as Independent Non-Executive Director of the Company

   "THAT, Mr Martin Giles Manen, who would have served as an Independent Non-Executive Director of the Company for a cumulative period of 9 years as of 28 August 2017, be and is hereby re-appointed as an Independent Non-Executive Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company." **Ordinary Resolution 6**

7. Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Proposed Shareholders' Mandate)

   "THAT, pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiaries (the Group) be and are hereby authorised to enter into any of the recurrent transactions of a revenue or trading nature as set out in Section 2.3 of the Circular to Shareholders dated 22 March 2017 with the related parties mentioned therein which are necessary for the Group's day-to-day operations, subject further to the following:

   (i) the transactions are in the ordinary course of business on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company; and

   (ii) the aggregate value of the transactions of the Proposed Shareholders' Mandate conducted during the financial year will be disclosed in the Annual Report for the said financial year,

NOTICE OF 53RD ANNUAL GENERAL MEETING

AND THAT such approval shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting 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 Annual General Meeting of the Company is required to be held pursuant to Clause 340(2) of the Companies Act, 2016 ("the Act") (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by the Company in a general meeting,

whichever is earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate." **Ordinary Resolution 7**

8. To consider any other business of which due notice shall have been given.

By Order of the Board

Ng Sow Hoong
Company Secretary
MAICSA 7027552

Petaling Jaya
22 March 2017

NOTES:

1. Annual General Meeting

The Companies Act requires that an Annual General Meeting ("AGM") must be held once in every calendar year. Therefore, the forthcoming 53rd AGM of the Company will be held in respect of the calendar year 2017. There will be no Audited Financial Statements tabled at this AGM. The Audited Financial Statements for the financial year ending 31 December 2017 will be tabled at the 54th AGM of the Company.

Pursuant to Article 56 of the Company's Constitution and Section 34 of the Securities Industry (Central Depositories) Act 1991, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at **5 April 2017**. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend and vote at the meeting.

Pursuant to the Bursa Securities Main Market Listing Requirements, all the motions set out in this notice will be put to vote by poll whereby every member present in person or by proxy or by attorney or other duly authorized representative shall have one vote for every stock unit held by him/her.

NOTICE OF 53RD ANNUAL GENERAL MEETING

NOTES:

2. Proxy

A member entitled to attend and vote at the meeting is entitled to appoint more than one (1) proxy as his/her proxy or proxies to attend and vote in his/her stead. Where a member appoints more than one (1) proxy, the member shall specify the proportion of the member's shareholding to be represented by each proxy.

A proxy may but need not be a member of the Company and there shall be no restrictions as to the qualification of the proxy. If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.

Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary 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. Where an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholding to be represented by each proxy must be specified in the Form of Proxy. An exempt authorised nominee with more than one securities account must submit a separate Form of Proxy for each securities account.

For a proxy to be valid, the Form of Proxy with original signature(s) must be deposited at the Share Registrar's Office, 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, or alternatively, Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Any alteration to the Form of Proxy must be initialed.

3. Re-election of Retiring Directors

The following Directors are retiring at the 53rd AGM of the Company and they have indicated their willingness to seek re-election:

- Dato' Sri Idris Jala, retiring pursuant to Article 96 of the Company's Constitution
- Mr Yong Weng Hong, retiring by rotation pursuant to Article 89 of the Company's Constitution
- Mr Frans Erik Eusman, retiring by rotation pursuant to Article 89 of the Company's Constitution

In line with Recommendation 3.1 of the Malaysian Code on Corporate Governance 2012, the Board, had via the Nomination and Remuneration Committee, conducted an assessment on the effectiveness and contribution of the said retiring Directors to the activities of the Board and recommended for the same to be re-elected to the Board.

The profile of the retiring Directors is set out in the Directors' Profile section on pages 10, 14 and 16 of the Annual Report 2016. None of the said Directors has:

- any family relationship with any Director and/or major shareholder of the Company
- any conflict of interest in any business arrangement involving the Company
- any convictions for any offences, other than traffic offences, within the past 5 years
- any public sanction or penalty imposed by the relevant regulatory bodies during the 18 months financial period ended 31 December 2016.

NOTICE OF 53RD ANNUAL GENERAL MEETING

NOTES:

4. **Directors' Fees and Benefits**

There is no proposed revision to the existing Directors' Remuneration Package which was approved by shareholders on 25 November 2015, the details of which are set out on page 83 of the Annual Report 2016. The Directors' fees and benefits payable to the Non-Executive Directors for the financial year ending 31 December 2017 are calculated based on the current composition of the Board and Board Committees and the number of meetings scheduled for the Board and Board Committees.

The proposed motion, if passed, will facilitate the payment to Non-Executive Directors of the Company during the financial year ending 31 December 2017.

5. **Re-appointment of Auditors**

The appointment of Messrs Deloitte PLT will be tabled for shareholders' approval at the 52nd AGM of the Company. Pursuant to the Companies Act, 2016, the auditors shall hold office until the conclusion of the next AGM following their appointment unless they are re-appointed. Subject to the shareholders' approval to be obtained for the appointment of Messrs Deloitte PLT at the 52nd AGM of the Company, shareholders' approval will be sought for the re-appointment of Messrs Deloitte PLT as auditors of the Company at the 53rd AGM of the Company.

6. **Continuing in Office as Independent Non-Executive Director of the Company**

Mr Martin Giles Manen, who is due to retire by rotation pursuant to Article 89 of the Company's Constitution at the 52nd AGM of the Company, is subject for re-election at the said AGM of the Company. If he is re-elected at the 52nd AGM of the Company, Mr Martin Giles Manen would continue to serve as Independent Non-Executive Director of the Company. However, his term of office as Independent Non-Executive Director is expected to reach the nine-year mark on 28 August 2017.

Mr Martin Giles Manen has met the independence criteria adopted by the Company and fulfilled the independence definitions as prescribed under the Bursa Securities Main Market Listing Requirements. The Board believes that Mr Martin Giles Manen is able to bring independent and objective judgements to the Board as a whole and strongly recommended him to continue as Independent Non-Executive Director of the Company.

7. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature**

Ordinary Resolution 7, if passed, will allow the Group to enter into the recurrent related party transactions in the ordinary course of business and the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur, would be eliminated. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group. The Shareholders' Mandate is subject to renewal on an annual basis.

Further information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders of the Company dated 22 March 2017.

ADMINISTRATIVE DETAILS
FOR 52ND AND 53RD ANNUAL GENERAL MEETING

REGISTRATION

- Registration will commence at 7.30 a.m. on the day of the meeting. Members and proxies are encouraged to come early to facilitate registration.
- For verification purpose, members and proxies are required to produce their original identity card (MyKad) at the registration counter.
- Upon verification and registration, members and proxies will be given the following:

    a) an identification wristband. If you are attending the Annual General Meeting (AGM) as a shareholder as well as proxy, you will be registered once and will only be given one identification wristband to enter the meeting hall. There will be no replacement in the event that you lose / misplace the wristband; and

    b) a passcode slip to be used for poll voting purpose. Please retain the passcode for voting.

- No person will be allowed to register on behalf of another person even with the original identity card (MyKad) of that other person.

HELP DESK

You may approach the help desk located at the registration area for the following purposes:

- Revocation of proxy's appointment and/or any clarification or enquiry
- Redemption of free parking provided by the Company for cars parked within the Connexion @ Nexus premises

DOOR GIFT

Door gift will be distributed to members or proxies upon their registration based on the following as a token of appreciation for their continued support to the Company:

- Each member or proxy who is present shall be entitled to one (1) door gift only upon registration.
- For a member who appoints more than one (1) proxy, door gift will only be provided to the first proxy stated in the proxy form.
- If you are a proxy representing more than one (1) member, you are entitled to one (1) door gift only.
- If you are a member and also appointed as proxy by another member, you are entitled to one (1) door gift only.
- If the proxy / proxies has / have obtained the door gift earlier, member(s) who decided to attend will not be given any doot gift.
- The door gift will only be distributed once for either one AGM.

ANNUAL REPORT

The Annual Report 2016 is available in the Company's website at www.heinekenmalaysia.com and the Bursa Malaysia's website at www.bursamalaysia.com. Limited hardcopy is available at the registration counter and it will be given on a first come first serve basis.

GAPL
PTE LTD
Co. Regn. No 198802749K

6 February 2017

The Board of Directors
Heineken Malaysia Berhad
(formerly known as Guinness Anchor Berhad)
Sungei Way Brewery
Lot 1135, Batu 9, Jalan Klang Lama
46000 Petaling Jaya
Selangor, Malaysia

Dear Sirs,

NOMINATION OF AUDITORS

We, GAPL Pte Ltd, being a major shareholder of Heineken Malaysia Berhad (formerly known as Guinness Anchor Berhad) ("HEINEKEN Malaysia"), hereby give notice that we wish to nominate the following external auditors as the Auditors of HEINEKEN Malaysia:

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Malaysia

Yours faithfully,

Frans Eusman
Director

9 North Buona Vista Drive, #12-01 The Metropolis Tower 1, Singapore 138588 Tel: (65) 62763488 Fax : (65) 62764287

RAPID GENESIS

Verification of Environmental Performance Reporting

HEINEKEN MALAYSIA BERHAD

ANNUAL REPORT 2016

RAPID GENESIS SDN. BHD. hereby declares that we have independently determined and verified that the environmental performance data is accurate as reported by **HEINEKEN MALAYSIA BHD.** (HEINEKEN) in their **Annual Report 2016**.

RAPID GENESIS had earlier been engaged by HEINEKEN for the same verification task in 2011, 2013 and 2015 for Corporate Responsibility Report. For the year of 2016, we again have been engaged by HEINEKEN to undertake similar verification in Annual Report 2016 in the following scope:

1. ***Water*** consumption and performance from 2014 to 2016
2. ***Greenhouse Gas (in CO2)*** emissions data and performance from 2014 to 2016
3. ***Process innovation*** in reducing water consumption in production

For the verification work, the data is sourced from the Production Department, Heineken Business Comparison System 6.0 as well as tabulated reports. We have also communicated and interviewed the relevant personnel from HEINEKEN as part of the verification process.

Based on the performance figures and information compiled and calculated, RAPID GENESIS hereby confirmed that the performance figures reported in Annual Report 2016 is accurate to the best of the data and information made available to us.

A final verification report has also been submitted to HEINEKEN for their perusal and archiving.

3rd MARCH 2017
RAPID GENESIS SDN BHD

TANG KOK MUN
Consultant

RAPID GENESIS SDN BHD is a technology and consultancy based organization with main focus is the provision of consultancy and research services in areas of environment and high technologies; in the niche areas of green technology development, R&D commercialisation projects, techno-commercial studies, carbon footprinting, environmental study and analysis. Our collaboration with local academic institutions provides us with strong linkages with local academicians and researchers as well as their valuable research resources and experience.

GRI G4 INDEX

We benchmarked our sustainability initiatives against the Global Reporting Initiative (GRI) G4 reporting standards. Please refer to relevant pages for details.

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SPECIFIC STANDARD DISCLOSURES				
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HEINEKEN MALAYSIA BERHAD (5350-X)
(formerly known as Guinness Anchor Berhad)

HEINEKEN

FORM OF PROXY

52ND ANNUAL GENERAL MEETING

No. of stock units held:	
CDS Account No.:	

I/We ____

NRIC / Passport / Company No. ____

of ____

being a member or members of HEINEKEN MALAYSIA BERHAD (formerly known as Guinness Anhor Berhad), hereby appoint:

Name	Address	NRIC No. / Passport No.	Proportion of Stockholding	
			No. of Stock Unit	%

and/or (delete as appropriate)

Name	Address	NRIC No. / Passport No.	Proportion of Stockholding	
			No. of Stock Unit	%

as my/our proxy to vote for me/us and on my/our behalf at the 52nd Annual General Meeting of the Company to be held at Grand Ballroom, Connexion @ Nexus, No. 7, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur, Malaysia on Thursday, 13 April 2017 at 9.30 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated hereunder:

Ordinary Business	FOR	AGAINST
1. Adoption of Audited Financial Statements		
2. Payment of Final Dividend		
3. Re-election of Mr Martin Giles Manen as Director		
4. Re-election of Mr Choo Tay Sian, Kenneth as Director		
5. Payment of Directors' Fee to Non-Executive Directors		
6. Appointment of Messrs Deloitte PLT as Auditors		

Please indicate with an "X" in the appropriate space as to how you wish your votes to be cast in respect of each resolution. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Dated this________________day of________________________ 2017

____
Signature or Common Seal of Member

IMPORTANT

Only forms with original signature(s) are valid. Photocopies are not acceptable. Any alteration to the proxy form must be initialed.

Personal Data Privacy
By submitting this form, I hereby confirm that I have read, understood and agree to the personal data privacy terms set out in the Personal Data Protection Act 2010 Notice which is published on the Company's website http://www.heinekenmalaysia.com/privacy-policy/

Please read the notes overleaf before completing this Proxy Form.

NOTES:

1. Pursuant to Article 56 of the Company's Constitution and Section 34 of the Securities Industry (Central Depositories) Act 1991, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at **5 April 2017**. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend and vote at the meeting.
2. Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting on all resolutions at the 52nd AGM will be by way of a poll whereby every member present in person or by proxy or by attorney or other duly authorized representative shall have one vote for every share held by him/her.
3. A member entitled to attend and vote at the meeting is entitled to appoint more than one (1) proxy as his/her proxy or proxies to attend and vote in his/her stead. Where a member appoints more than one (1) proxy, the member shall specify the proportion of the member's shareholding to be represented by each proxy.
4. A proxy may but need not be a member of the Company and there shall be no restrictions as to the qualification of the proxy. If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.
5. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary 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. Where an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholding to be represented by each proxy must be specified in the Form of Proxy. An exempt authorised nominee with more than one securities account must submit a separate Form of Proxy for each securities account.
6. For a proxy to be valid, the Form of Proxy with original signature(s) must be deposited at the Share Registrar's Office, 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, or alternatively, Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Any alteration to the Form of Proxy must be initialed.

Please fold here to seal

Affix stamp here

The 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

Please fold here to seal

HEINEKEN MALAYSIA BERHAD (5350-X)
(formerly known as Guinness Anchor Berhad)

FORM OF PROXY

53RD ANNUAL GENERAL MEETING

HEINEKEN

No. of stock units held:	
CDS Account No.:	

I/We ____

NRIC / Passport / Company No. ____

of ____

being a member or members of HEINEKEN MALAYSIA BERHAD (formerly known as Guinness Anhor Berhad), hereby appoint:

Name	Address	NRIC No. / Passport No.	Proportion of Stockholding	
			No. of Stock Unit	%

and/or (delete as appropriate)

Name	Address	NRIC No. / Passport No.	Proportion of Stockholding	
			No. of Stock Unit	%

as my/our proxy to vote for me/us and on my/our behalf at the 53rd Annual General Meeting of the Company to be held at Grand Ballroom, Connexion @ Nexus, No. 7 Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur, Malaysia on Thursday, 13 April 2017 at 11.00 a.m. or immediately following the conclusion or adjournment (as the case may be) of the 52nd Annual General Meeting which will be held at 9.30 a.m. on the same day and at the same venue.

My/our proxy is to vote as indicated hereunder:

Ordinary Business	FOR	AGAINST
1. Re-election of Dato' Sri Idris Jala as Director		
2. Re-election of Mr Yong Weng Hong as Director		
3. Re-election of Mr Frans Erik Eusman as Director		
4. Payment of Directors' Fee to Non-Executive Directors		
5. Re-appointment of Messrs Deloitte PLT as Auditors		
Special Business		
6. Re-appointment of Mr Martin Giles Manen as Independent Non-Executive Director		
7. Shareholders' Mandate on recurrent related party transactions		

Please indicate with an "X" in the appropriate space as to how you wish your votes to be cast in respect of each resolution. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Dated this________________day of________________________ 2017

____
Signature or Common Seal of Member

IMPORTANT

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The 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

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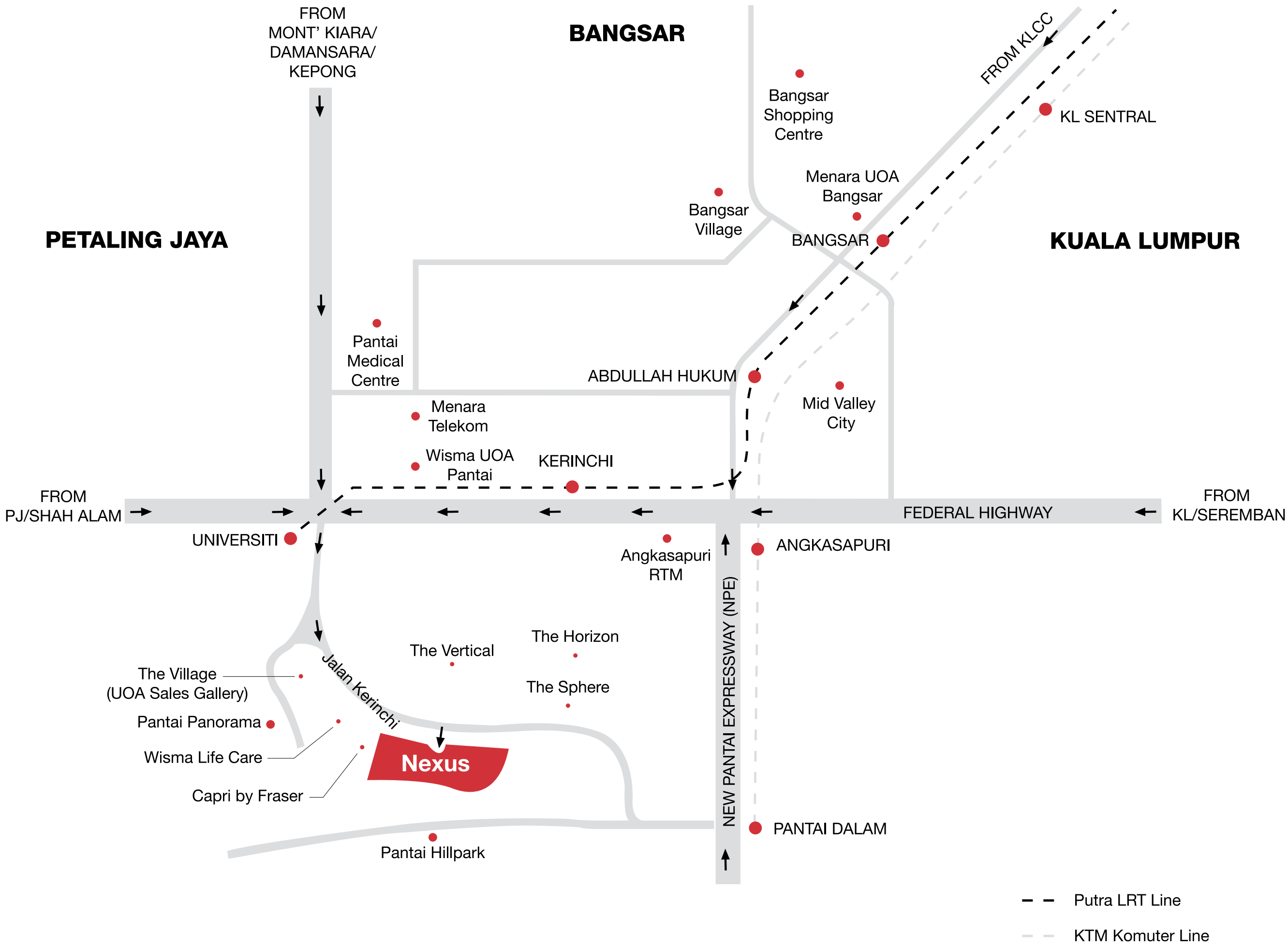
Connexion @ Nexus
No. 7, Jalan Kerinchi
Bangsar South City
59200 Kuala Lumpur
Malaysia



GROUP DIRECTORY

CORPORATE OFFICE
Heineken Malaysia Berhad
(formerly known as Guinness Anchor Berhad)
Sungei Way Brewery
Lot 1135, Batu 9
Jalan Klang Lama
46000 Petaling Jaya
Selangor, Malaysia
Tel : 603-78614688
Fax : 603-78614602

REGIONAL SALES OFFICES
Heineken Marketing Malaysia Sdn Bhd
(formerly known as Guinness Anchor Marketing Sdn Bhd)

Petaling Jaya
901A, Level 9, Tower A, Uptown 5
No. 5, Jalan SS21/39
Damansara Uptown,
47400 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 603-77311170
Fax : 603-77314380

Butterworth
No. 8 Lorong Perusahaan Maju 11
Taman Perusahaan Pelangi
13600 Seberang Prai
Butterworth, Malaysia
Tel : 604-5086288
Fax : 604-5087288

Penang
50-J, Ground Floor
Wisma Hong Bee
Pengkalan Weld
10300 Penang, Malaysia
Tel : 604-2645227
Fax : 604-2630227

Ipoh
No.1 Persiaran Sultan Azlan Shah 3
31350 Ipoh
Perak, Malaysia
Tel : 605-2493088
Fax : 605-2493089

Malacca
Lot 120, Jalan Usaha 10
Ayer Keroh Industrial Estate
75450 Malacca, Malaysia
Tel : 606-2325772
Fax : 606-2322771

Johor Baru
No. 22 (Lot 1569), Jalan Dewani
Off Jalan Tampoi
Kawasan Perindustrian Temenggong
81100 Johor Baru
Johor, Malaysia
Tel : 607-3310100
Fax : 607-3312891

Seremban
613 Jalan Haruan 4/8
Oakland Commercial Centre
70300 Seremban
Negeri Sembilan, Malaysia
Tel : 606-6334647
Fax : 606-6334650

Kuantan
Lot 123, Semambu Industrial Site
25350 Kuantan
Pahang, Malaysia
Tel : 609-5661967
Fax : 609-5662523

Mentakab
No. 46, Ground & First Floor
Jalan Bendera Mahkota
Taman Bukit Bendera
28400 Mentakab
Pahang, Malaysia
Tel : 609-2770832

Kuching
Lot 310, Section 9 KTLD
Lorong 7, Rubber Road
93400 Kuching
Sarawak, Malaysia
Tel : 6082-240099
Fax : 6082-246787

Miri
1st Floor, Lot 2302
Bulatan Commercial Centre
Jalan Dato Permaisuri
98008 Miri, Sarawak, Malaysia
Tel : 6084-326533
Fax : 6084-326533

Sibu
No. 12, Jalan Tapang Timur
96000 Sibu
Sarawak, Malaysia
Tel : 6084-326533
Fax : 6084-326533

Kota Kinabalu
Building No. 19B, Lot 21
Sedco Light Industrial Estate
Jalan Kilang, Kolombong
88450 Kota Kinabalu
Sabah, Malaysia
Tel : 6088-324488

Sandakan
Block C, Lot 5, Taman Grand View
Jalan Sim Sim
90000 Sandakan
Sabah, Malaysia
Tel : 6089-271214
Fax : 6089-274082

Tawau
Lot 3, TB 4478 Ground & First Floors,
Block A, Pusat Komersil Ba Zhong
Jalan Tawau Lama
91000 Tawau
Sabah, Malaysia
Tel : 6089-771202
Fax : 6089-773275

W W W . H E I N E K E N M A L A Y S I A . C O M

HEINEKEN MALAYSIA BERHAD **(5350-X)**
(formerly known as Guinness Anchor Berhad)
Sungei Way Brewery
Lot 1135, Batu 9, Jalan Klang Lama
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