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DIRECTORS' REPORT

The directors of HEINEKEN MALAYSIA BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

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 12 to the financial statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	270,058	215,064

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Since the end of the previous financial period, the amount of dividend paid or proposed by the Company are in respect of the following:

- (i) A final ordinary dividend of 60 sen per stock unit under the single tier tax system totalling RM181,258,800 in respect of the financial period ended 31 December 2016 on 16 May 2017;
- (ii) An interim ordinary dividend of 40 sen per stock unit under the single tier tax system totalling RM120,839,200 in respect of the financial year ended 31 December 2017 on 9 October 2017;

The directors now recommend the declaration of a final ordinary dividend of 50 sen per stock unit under the single tier system totalling RM151,049,000 in respect of the financial year ended 31 December 2017 which if approved by the owners of the Company will be payable on 6 June 2018.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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

- (a) which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which 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:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; and
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year except as disclosed in Note 24 to the financial statements.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, 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, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Sri Idris Jala

Hans Essaadi

Martin Giles Manen

Datin Ngiam Pick Ngoh, Linda

Choo Tay Sian, Kenneth

Yong Weng Hong

Lim Rern Ming, Geraldine (appointed on 1 November 2017)

Frans Erik Eusman (resigned on 1 November 2017)

DIRECTORS' REPORT

DIRECTORS (CONTINUED)

The directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Datuk Dominic Joseph Puthucheary
Hans Essaadi
Szilard Voros [^]
Teo Hong Keng [#]

[^] Appointed during the financial year.

[#] Resigned during the financial year.

DIRECTORS' INTERESTS

The interest in the stock units of the Company of a director at the end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, are as follows:

	Balance as at 1.1.2017	Number of ordinary stock units		Balance as at 31.12.2017
		Bought	Sold	
Datin Ngiam Pick Ngoh, Linda	6,700	–	–	6,700

By virtue of the director's interest in the stock units of the Company, she is also deemed to have interest in stock units/shares of the subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year held shares or had beneficial interest in the stock units/shares of the Company or its related corporation during or at the beginning and end of the year.

DIRECTORS' BENEFITS

Since the end of the previous financial period, save for the consultancy services fee payable to a director of the Company with effect from 1 January 2017, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the Note 20 to 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 he is a member, or with a company in which he has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY OF INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains a directors and officers liability insurance for the purposes of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate insurance cover for the directors and officers of the Group. The amount of insurance premium paid during the financial year amounted to RM27,865.

No indemnity was given to or insurance effected for auditors of the Company and the Group during the financial year.

HOLDING CORPORATIONS

The directors regard GAPL Pte. Ltd. (GAPL) and Heineken Asia Pacific Pte. Ltd. (HAPPL), both corporations incorporated in the Republic of Singapore, as the immediate and intermediate holding corporations.

HAPPL is owned by Heineken N.V., a corporation incorporated in the Netherlands, which in turn is the ultimate holding corporation of the Company.

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial year ended 31 December 2017 is as disclosed in Note 7 to the financial statements.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

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

DATO' SRI IDRIS JALA

HANS ESSAADI

Petaling Jaya,
14 February 2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HEINEKEN MALAYSIA BERHAD (Incorporated in Malaysia)

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 of the Group and of the Company as at 31 December 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 126 to 170.

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 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our 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 year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition - Accruals for promotional discounts and rebates

Accounting for promotional allowances and volume rebates impacts the amounts of revenue recognised during the year. The revenue accounting policies are disclosed in Note 3 to the financial statements. Significant management judgement is required to estimate the value of promotional allowances and volume rebates. This estimate is considered to be a key audit matter relevant to our audit of the financial statements.

Our audit response

Our audit procedures included, amongst others, evaluating controls relating to management's process for determining the value of promotional allowances and the volume rebates. In addition, we performed substantive testing and analytical procedures to test the accuracy and completeness of the underlying calculation of the accruals. These procedures included challenging the appropriateness of management's assumptions and estimates, and agreeing input data, including pricing and allowance data to the underlying agreements entered into with customers. We also compared the actual promotional discounts and rebates incurred against the accrual made in the prior year.

KEY AUDIT MATTERS (CONTINUED)

Contingent liability on additional excise duty & sales tax

On 3 September 2015, the Company 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 the Company has appealed 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.

Our audit response

We obtained an understanding of the status of the bills of demand from RMC through discussion with management. Written representation from management was obtained and we read the legal opinion from the Company's external solicitor on the status of the bills of demand from RMC to corroborate with the Company's assessment of the bills of demand from RMC. We involved our tax specialist in assessing the appropriateness of the tax position as stated in the legal opinions. We considered the appropriateness of disclosure in Note 24 to the financial statements regarding the contingent liability.

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

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises Chairman's Statement, Management Discussion and Analysis, Analysis of Group Revenue and Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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 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 THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability 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 (Incorporated in Malaysia)

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 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 Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express 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.

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

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

OTHER MATTERS

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

The financial statements of the Group and of the Company for the preceding financial period ended 31 December 2016 were audited by another firm of auditors whose report thereon dated 15 February 2017 expressed unmodified opinion on those financial statements.

DELOITTE PLT
(LLP0010145-LCA)
Chartered Accountants (AF0080)

LAI CAN YIEW
Partner - 02179/11/2018 J
Chartered Accountant

14 February 2018

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017
(WITH COMPARATIVE FIGURES FOR THE PERIOD 1 JULY 2015 TO 31 DECEMBER 2016)

	Note	Group		Company	
		2017 (12 months) RM'000	2016 (18 months) RM'000	2017 (12 months) RM'000	2016 (18 months) RM'000
Revenue		1,929,963	2,810,308	1,259,874	1,846,919
Cost of sales		(1,267,191)	(1,806,844)	(1,196,621)	(1,708,742)
Gross profit		662,772	1,003,464	63,253	138,177
Other operating income		9,442	8,854	2,343	4,503
Distribution, marketing and selling expenses		(224,014)	(355,087)	(5,268)	(17,026)
Administrative expenses		(72,501)	(88,472)	(20,390)	(19,891)
Other operating expenses		(9,296)	(17,708)	(8,062)	(12,626)
Dividend income		–	–	189,303	384,588
Results from operating activities		366,403	551,051	221,179	477,725
Finance income	5	1,065	2,956	1,059	2,925
Finance costs	6	(4,294)	(4,784)	(4,294)	(4,784)
Net finance costs		(3,229)	(1,828)	(3,235)	(1,859)
Profit before tax	7	363,174	549,223	217,944	475,866
Income tax expense	8	(93,116)	(121,963)	(2,880)	(20,536)
Profit/Total comprehensive income for the year attributable to:					
Owners of the Company		270,058	427,260	215,064	455,330
Basic/Diluted earnings per ordinary stock unit (sen)	9	89.4	141.4		

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

Group	Note	31.12.2017 RM'000	31.12.2016* RM'000	1.7.2015* RM'000
Non-current Assets				
Property, plant and equipment	10	241,837	221,687	219,581
Intangible assets	11	23,238	33,509	33,317
Deferred tax assets	13	1,605	10,371	–
Other receivables and prepaid expenses	14	19,085	21,609	27,005
Total Non-current Assets		285,765	287,176	279,903
Current Assets				
Inventories	15	66,899	61,892	49,049
Current tax assets		19,926	12,551	15,138
Receivables, deposits and prepaid expenses	14	483,885	475,990	317,516
Cash and bank balances		11,305	4,045	52,294
Total Current Assets		582,015	554,478	433,997
Total Assets		867,780	841,654	713,900
Equity				
Share capital	16	151,049	151,049	151,049
Retained earnings		209,466	241,506	225,099
Total Equity Attributable to Owners of the Company		360,515	392,555	376,148
Non-current Liabilities				
Borrowings		–	–	50,000
Deferred tax liabilities	13	29,475	38,481	48,498
Total Non-current Liabilities		29,475	38,481	98,498
Current Liabilities				
Borrowings	17	101,000	74,000	25,000
Trade and other payables	18	358,421	320,292	214,254
Current tax liabilities		18,369	16,326	–
Total Current Liabilities		477,790	410,618	239,254
Total Liabilities		507,265	449,099	337,752
Total Equity and Liabilities		867,780	841,654	713,900

* Prior year comparatives are restated to conform to current year's presentation as explained under Note 27 to the financial statements. The restatement has no impact on the statements of profit or loss and cash and bank balances in the statements of cash flows.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

Company	Note	2017 RM'000	2016 RM'000
Non-current Assets			
Property, plant and equipment	10	220,330	198,236
Intangible assets	11	23,235	33,505
Investment in subsidiaries	12	14,344	14,344
Other receivables and prepaid expenses	14	905	1,050
Total Non-current Assets		258,814	247,135
Current Assets			
Inventories	15	31,823	30,210
Current tax assets		19,926	11,636
Receivables, deposits and prepaid expenses	14	60,096	131,607
Cash and bank balances		11,205	3,995
Total Current Assets		123,050	177,448
Total Assets		381,864	424,583
Equity			
Share capital	16	151,049	151,049
Retained earnings		19,338	106,372
Total Equity Attributable to Owners of the Company		170,387	257,421
Non-current Liability			
Deferred tax liabilities	13	29,475	38,481
Total Non-current Liability		29,475	38,481
Current Liabilities			
Borrowings	17	101,000	74,000
Trade and other payables	18	81,002	54,681
Total Current Liabilities		182,002	128,681
Total Liabilities		211,477	167,162
Total Equity and Liabilities		381,864	424,583

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

Group	Note	Distributable -		Total RM'000
		Share capital RM'000	Retained earnings RM'000	
As at 1 July 2015		151,049	225,099	376,148
Total comprehensive income for the period		–	427,260	427,260
Dividends	19	–	(410,853)	(410,853)
As at 31 December 2016/1 January 2017		151,049	241,506	392,555
Total comprehensive income for the year		–	270,058	270,058
Dividends	19	–	(302,098)	(302,098)
As at 31 December 2017		151,049	209,466	360,515
Company				
As at 1 July 2015		151,049	61,895	212,944
Total comprehensive income for the period		–	455,330	455,330
Dividends	19	–	(410,853)	(410,853)
As at 31 December 2016/1 January 2017		151,049	106,372	257,421
Total comprehensive income for the year		–	215,064	215,064
Dividends	19	–	(302,098)	(302,098)
As at 31 December 2017		151,049	19,338	170,387

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017
(WITH COMPARATIVE FIGURES FOR THE PERIOD 1 JULY 2015 TO 31 DECEMBER 2016)

	Note	Group		Company	
		2017 (12 months) RM'000	2016* (18 months) RM'000	2017 (12 months) RM'000	2016 (18 months) RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Profit before tax		363,174	549,223	217,944	475,866
Adjustments for:					
Amortisation of prepaid contractual promotion expenses		52,555	92,203	–	–
Depreciation of property, plant and equipment	10	35,413	52,017	28,337	38,814
Property, plant and equipment written off	10	16,100	15,304	15,964	15,263
Amortisation of intangible assets	11	15,677	17,308	15,676	17,305
Finance costs	6	4,294	4,784	4,294	4,784
Net unrealised loss/(gain) on foreign exchange		194	(70)	174	(40)
Finance income	5	(1,065)	(2,956)	(1,059)	(2,925)
Gain on disposal of property, plant and equipment		(506)	(2,032)	(223)	(420)
Dividend income from a subsidiary		–	–	(189,303)	(384,588)
Reversal of impairment loss on trade receivables		–	(272)	–	–
Operating Profit Before Working Capital Changes		485,836	725,509	91,804	164,059
Movement in working capital:					
(Increase)/Decrease in:					
Receivables, deposits and prepaid expenses		(57,926)	(245,009)	71,656	(85,833)
Inventories		(5,007)	(12,843)	(1,613)	(7,455)
Increase in trade and other payables		37,935	106,108	26,147	12,493
Cash Generated From Operations		460,838	573,765	187,994	83,264
Income tax paid		(98,688)	(123,755)	(20,176)	(22,630)
Interest paid		(4,294)	(4,784)	(4,294)	(4,784)
Income tax refunded		–	317	–	317
Net Cash From Operating Activities		357,856	445,543	163,524	56,167
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	10	(71,829)	(69,695)	(66,551)	(61,994)
Acquisition of intangible assets	11	(5,406)	(17,500)	(5,406)	(17,500)
Interest received		1,065	2,956	1,059	2,925
Proceeds from disposal of property, plant and equipment		672	2,300	379	505
Dividend received		–	–	189,303	384,588
Net Cash (Used In)/From Investing Activities		(75,498)	(81,939)	118,784	308,524

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017
(WITH COMPARATIVE FIGURES FOR THE PERIOD 1 JULY 2015 TO 31 DECEMBER 2016)

Note	Group		Company	
	2017 (12 months) RM'000	2016* (18 months) RM'000	2017 (12 months) RM'000	2016 (18 months) RM'000
CASH FLOWS FROM/(USED IN)				
FINANCING ACTIVITIES				
Dividends paid	(302,098)	(410,853)	(302,098)	(410,853)
Proceeds from repayment of commercial papers	–	(25,000)	–	(25,000)
Drawdown of revolving credit and trade financing	27,000	74,000	27,000	74,000
Repayment of medium term notes	–	(50,000)	–	(50,000)
Net Cash Used In Financing Activities	(275,098)	(411,853)	(275,098)	(411,853)
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES	7,260	(48,249)	7,210	(47,162)
CASH AND BANK BALANCES AT BEGINNING OF YEAR/PERIOD	4,045	52,294	3,995	51,157
CASH AND BANK BALANCES AT END OF YEAR/PERIOD	11,305	4,045	11,205	3,995

* Prior year comparatives are restated to conform to current year's presentation as explained under Note 27 to the financial statements. The restatement has no impact on the statements of profit or loss and cash and bank balances in the statements of cash flows.

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Heineken Malaysia 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 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 12.

The registered office and principal place of business of the Company is located at Sungei Way Brewery, Lot 1135, Batu 9, Jalan Klang Lama, 46000 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 14 February 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Standards and Amendments in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards, Amendments and Interpretations (IC Int.) which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

Effective for annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers (and the related clarifications)
Amendments to MFRS 2	Classification of Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Transfer of Investment Property
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle
IC Int. 22	Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle
IC Interpretation 23	Uncertainty over Income Tax Payments

Effective for annual periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts
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Effective date deferred to a date to be announced by MASB

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

The directors anticipate that the abovementioned Standards, IC Int. and Amendments will be adopted in the annual financial statements of the Company when they become effective and that the adoption of these Standards, IC Int. and Amendments will have no material impact on the financial statements of the Company in the period of initial application except as further discussed below:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduces new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes the requirements for the classification and measurement of financial liabilities and for derecognition, and in February 2016, the new requirements for general hedge accounting was issued by MASB. MFRS 9 will be effective for annual periods beginning on or after 1 January 2018.

The director have reviewed the impact of MFRS 9 as follows:

- With regard to the revised classification and measurement principles, MFRS 9 contains three classification categories of 'measured at amortised cost', 'fair value through other comprehensive income' (FVTOCI) and 'fair value through profit and loss' (FVTPL). MFRS 9 eliminates the existing MFRS 139 categories of 'loans and receivables', 'held-to-maturity' and 'available-for-sale'. This new classification only means that the assets currently classified as available-for-sale will be measured at FVTOCI which constitutes no significant change, except for the accounting for accumulative gains or losses when equity securities measured at FVTOCI are disposed of. These cumulative gains or losses will not be recognised in the statement of profit or loss and other comprehensive income upon disposal but kept in the fair value reserve. The Group and the Company have no investments classified as held-to-maturity and the other categories involve no change in measurement for the Group and the Company.
- In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. With regard to the impact of the expected loss model on trade receivables and advances to customers, the directors do not anticipate that the application of expected credit loss model of MFRS 9 will have a material financial impact to the Group and the Company's financial statements.
- The new hedging accounting requirements of MFRS 9 retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about any entity's risk management activities have also been introduced. The directors do not anticipate that the application of MFRS 9 hedge accounting requirements will have a material impact on the Group and the Company's financial statements.

MFRS 15 Revenue from Contracts with Customers

In May 2014, MFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Subsequently, amendments to MFRS 15 were issued in April 2016 which provide clarifications on certain requirements of MFRS 15 and provide additional transitional relief upon implementing MFRS 15. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretation when it becomes effective.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

MFRS 15 Revenue from Contracts with Customers (Continued)

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The Group and the Company will apply the new standard effectively on 1 January 2018. For implementation, the retrospective method will be applied without any practical expedient, meaning prior period financial information will be fully restated. The directors anticipated that MFRS 15 will not impact the timing of revenue recognition. However, the amount of recognised revenue will be impacted by payments to customers and by the accounting for excise duties. The Group and the Company have evaluated the available practical expedients for application of the standard and concluded that these options have no significant impact on the Group and the Company's revenue recognition. The practical expedients will therefore not be applied.

MFRS 15 will impact the accounting for certain payments to customers, such as listing fees and marketing support expenses. Most of these payments are currently recorded as marketing expenses in the statement of profit or loss and other comprehensive income, but these payments will be considered as a reduction of revenue under MFRS 15. The payments to customers will continue to be recorded as marketing expenses only when these payments relate to a distinct service.

The MFRS 15 changes described above will have no impact on operating profit, net profit and earning per ordinary stock unit.

The directors do not anticipate that the application of MFRS 15 will have a material impact on Company's financial statements but there is a material impact on Group's financial statements.

The estimated impact of applying MFRS 15 on the Group's financial statements as disclosed below is based on the assessments undertaken to date and subject to changes arising from further detailed analysis or additional reasonable and supportable information being made available to the Group and the Company in the future.

Group	As reported RM'000	Estimated impact of applying MFRS 15 RM'000	Estimated amount RM'000
For the year ended 31 December 2017			
Revenue	1,929,963	(24,372)	1,905,591
Distribution, marketing and selling expenses	(224,014)	21,955	(202,059)
Administrative expenses	(72,501)	2,417	(70,084)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

MFRS 16 Leases

MFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. MFRS 16 will supersede the current lease guidance including MFRS 117 Leases and the related interpretations when it becomes effective.

MFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance lease are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows; whereas under MFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The directors of the Group and Company anticipate that the application of the above mentioned Standards in the future may have an impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of the abovementioned Standards until the Group and the Company perform a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of MFRS 117 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Basis of Consolidation and Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation and Subsidiaries (Continued)

All intra-group assets and liabilities, equity income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Subsidiaries

Investment in subsidiaries, which are eliminated on consolidation, are stated at cost less any accumulated impairment losses, if any, in the Company's financial statements.

Translation of Foreign Currency Transactions

Transactions denominated in foreign currencies are translated and recorded at the rates of exchange prevailing at the respective dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the period (i.e. the closing rates). Non-monetary items carried at fair values that are denominated in foreign currencies are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items that are measured at their historical cost amounts continue to be translated at their respective historical rates and are not retranslated.

All exchange differences arising on settled transactions and on unsettled monetary items are recognised in profit or loss in the period in which they arise.

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 nearest thousand, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Other Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) **Sales of Goods**

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.

Employee Benefits

(i) **Short-Term Benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which employees of the Group and of the Company render the associated services. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) **Defined Contribution Plan**

The Group and the Company and their eligible employees are required by law to make monthly contributions to Employees Provident Fund (EPF), a statutory defined contribution plan, at certain prescribed rates based on the employees' salaries. The Group's and the Company's contributions to EPF are disclosed separately while the employees' contributions to EPF are included in staff costs. Once these contributions have been paid, the Group and the Company have no further payment obligations.

(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.

Borrowing Costs

Borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is provided for, using the "liability" method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting date. Deferred tax is recognised in profit or loss except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Non-Financial Assets

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in profit or loss.

Recoverable amount is the higher of net selling price and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the Company and the cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss in the year in which they are incurred.

Returnable bottles and kegs in circulation are recorded within property, plant and equipment and a corresponding liability is recorded in respect of the obligation to repay the customers' deposits. Deposits paid by customers for returnable items are reflected in the consolidated statement of financial position within current liabilities.

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.

The following annual rates based on the estimated useful lives of the various assets:

Long term leasehold land	61 - 95 years
Buildings	50 years
Plant and machinery	13 - 20 years
Movable plant	2 - 10 years

Where significant parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

At each reporting date, the residual values, useful lives and depreciation method of property, plant and equipment are reviewed, and the effects of any change in estimates are recognised prospectively. 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.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Computer software that are acquired by the Group, which have finite useful lives, are stated at cost less 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.

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.

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.

Inventories

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

The cost of inventories is calculated using weighted average method, and includes cost of raw materials, duties where applicable, and other expenses incurred in acquiring 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.

Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

(i) Financial Assets

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss” (FVTPL), “held-to-maturity” investments, “available-for-sale” (AFS) financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

(i) Financial Assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(ii) Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

(ii) Financial Liabilities and Equity Instruments (Continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities “at FVTPL” or “other financial liabilities”.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

Provisions

Provisions are made when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are measured at the directors’ best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

At each reporting date, the provisions are reviewed by the directors and adjusted to reflect the current best estimate. The provisions are reversed if it is no longer probable that the Group and the Company will be required to settle the obligation.

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.

Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

4. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

(i) **Critical judgements in applying the Group's and the Company's accounting policies**

In the process of applying the Group's and the Company's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) **Key sources of estimation uncertainty**

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Group and the Company within the next financial year except as discussed below:

Accruals for promotional discounts and rebates

Significant management judgement is required relative to the consideration of the Company's ability to estimate the promotional allowance and volume rebates, which impact revenue recognition. This year end estimate is considered a significant risk for all components, especially related to the risk that inaccurate or inappropriate transaction or volume detail is being used to determine the provision and that not all promotional activities are accounted for.

Contingent liabilities

Contingent liabilities are recognised when a possible obligation pending on whether some uncertain future events occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably. Significant management estimate is required to determine likelihood of the obligations to be realised.

Depreciation of property, plant and equipment

The Group and the Company estimate the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimate due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

5. FINANCE INCOME

	Group		Company	
	2017 (12 months) RM'000	2016 (18 months) RM'000	2017 (12 months) RM'000	2016 (18 months) RM'000
Interest income received from deposits placed with licensed banks	1,058	2,943	1,056	2,917
Interest income received from staff loans	7	13	3	8
Recognised in profit or loss	1,065	2,956	1,059	2,925

6. FINANCE COSTS

	Group		Company	
	2017 (12 months) RM'000	2016 (18 months) RM'000	2017 (12 months) RM'000	2016 (18 months) RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
Revolving credit and trade financing	4,294	1,326	4,294	1,326
Medium term notes	–	2,827	–	2,827
Commercial papers	–	631	–	631
Recognised in profit or loss	4,294	4,784	4,294	4,784

7. PROFIT BEFORE TAX

Profit before tax is arrived at after the following:

	Group		Company	
	2017 (12 months) RM'000	2016 (18 months) RM'000	2017 (12 months) RM'000	2016 (18 months) RM'000
After charging:				
Amortisation of prepaid contractual promotion expenses	52,555	92,203	–	–
Depreciation of property, plant and equipment	35,413	52,017	28,337	38,814
Property, plant and equipment written off	16,100	15,304	15,964	15,263
Amortisation of intangible assets	15,677	17,308	15,676	17,305
Personnel expenses (including key management personnel):				
Contributions to state plans	11,114	17,846	3,437	5,421
Wages, salaries and others	78,401	130,393	25,008	39,423
Rental expense on buildings	2,751	3,782	124	114
Hire of equipment	1,442	2,971	976	1,607
Net unrealised loss on foreign exchange	194	–	174	–
Auditors' remuneration:				
Statutory audit	183	198	112	119
Other services	50	272	50	102
And after crediting:				
Dividend income from unquoted subsidiary	–	–	189,303	384,588
Gain on disposal of property, plant and equipment	506	2,032	223	420
Net realised gain on foreign exchange	296	113	237	427
Net unrealised gain on foreign exchange	–	70	–	40
Reversal of impairment loss on trade receivables	–	272	–	–

NOTES TO THE FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE

	Group		Company	
	2017 (12 months) RM'000	2016 (18 months) RM'000	2017 (12 months) RM'000	2016 (18 months) RM'000
Estimated tax payable:				
Current year	91,976	132,532	11,004	21,720
Under/(Over)provision in prior years	1,380	9,819	882	(2,283)
	93,356	142,351	11,886	19,437
Deferred tax:				
Current year	(2,772)	(6,955)	(3,482)	1,133
Under/(Over)provision in prior years	2,532	(13,433)	(5,524)	(34)
	(240)	(20,388)	(9,006)	1,099
	93,116	121,963	2,880	20,536

The Finance (No. 3) Act 2017 gazetted on 16 January 2017 reduced the corporate income tax rate from 24% to rates below based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment:

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point of reduction on income tax rate	Reduced income tax rate on increase in chargeable income %
Less than 5%	Nil	24
5% - 9.99%	1	23
10% - 14.99%	2	22
15% - 19.99%	3	21
20% and above	4	20

8. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of income tax expense applicable to profit before tax at the applicable statutory income tax rate to the income tax expense at the effective income tax rates of the Group and of the Company is as follows:

	Group		Company	
	2017 (12 months) RM'000	2016 (18 months) RM'000	2017 (12 months) RM'000	2016 (18 months) RM'000
Profit before tax	363,174	549,223	217,944	475,866
Tax at statutory tax rate of 24% (2016: 24%)	87,162	131,814	52,307	114,208
Tax effects of:				
Expenses not deductible for tax purposes	2,042	2,005	648	946
Under/(Over) provision in prior years:				
Current tax	1,380	9,819	882	(2,283)
Deferred tax	2,532	(13,433)	(5,524)	(34)
Tax exempt dividend	–	–	(45,433)	(92,301)
Recognition of previously unrecognised deferred tax assets	–	(8,242)	–	–
	93,116	121,963	2,880	20,536

9. EARNINGS PER ORDINARY STOCK UNIT**Basic earnings per ordinary stock unit**

The calculation of basic earnings per ordinary stock unit at 31 December 2017 was based on the profit attributable to the holders of ordinary stock units of RM270,058,000 (2016: RM427,260,000) and the number of ordinary stock unit outstanding of 302,098,000 (2016: 302,098,000).

	Group	
	2017	2016
Issued ordinary stock unit ('000)	302,098	302,098
Basic earnings per ordinary stock unit (sen)	89.4	141.4

There were no diluted earnings per ordinary stock unit for the Group as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

10. 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 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 offs	–	–	(373)	(8,835)	(35,018)	–	(44,226)
Disposals	–	–	–	–	(9,041)	–	(9,041)
Reclassifications	–	–	3,752	13,832	49,003	(66,587)	–
At 31 December 2016/ 1 January 2017	4,037	20,191	99,137	353,137	189,251	3,226	668,979
Additions	–	–	44	399	26,215	45,171	71,829
Write offs	–	–	(21,097)	(3,129)	(25,403)	–	(49,629)
Disposals	–	–	–	(293)	(3,345)	–	(3,638)
Reclassifications	–	–	1,869	8,099	8,588	(18,556)	–
At 31 December 2017	4,037	20,191	79,953	358,213	195,306	29,841	687,541
Accumulated Depreciation							
At 1 July 2015	–	7,869	54,009	249,557	121,535	–	432,970
Charge for the period	–	384	6,795	15,256	29,582	–	52,017
Write offs	–	–	(206)	(8,798)	(19,918)	–	(28,922)
Disposals	–	–	–	–	(8,773)	–	(8,773)
At 31 December 2016/ 1 January 2017	–	8,253	60,598	256,015	122,426	–	447,292
Charge for the year	–	256	3,415	10,887	20,855	–	35,413
Write offs	–	–	(17,595)	(3,068)	(12,866)	–	(33,529)
Disposals	–	–	–	(137)	(3,335)	–	(3,472)
At 31 December 2017	–	8,509	46,418	263,697	127,080	–	445,704
Carrying amounts							
At end of year	4,037	11,682	33,535	94,516	68,226	29,841	241,837
At beginning of year	4,037	11,938	38,539	97,122	66,825	3,226	221,687

10. 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 2015	20,191	88,411	347,631	129,770	1,589	587,592
Additions	–	2	509	915	60,568	61,994
Write offs	–	(368)	(8,835)	(28,227)	–	(37,430)
Disposals	–	–	–	(2,955)	–	(2,955)
Reclassifications	–	2,600	13,832	42,710	(59,142)	–
Transfer to subsidiary	–	(1,748)	–	(1,355)	–	(3,103)
At 31 December 2016/ 1 January 2017	20,191	88,897	353,137	140,858	3,015	606,098
Additions	–	10	399	25,828	40,314	66,551
Write offs	–	(17,461)	(3,129)	(20,584)	–	(41,174)
Disposals	–	–	(293)	(1,703)	–	(1,996)
Reclassifications	–	1,798	8,099	6,612	(16,509)	–
At 31 December 2017	20,191	73,244	358,213	151,011	26,820	629,479
Accumulated Depreciation						
At 1 July 2015	7,869	49,215	249,557	88,234	–	394,875
Charge for the period	384	4,312	15,256	18,862	–	38,814
Write offs	–	(201)	(8,798)	(13,168)	–	(22,167)
Disposals	–	–	–	(2,870)	–	(2,870)
Transfer to subsidiary	–	(655)	–	(135)	–	(790)
At 31 December 2016/ 1 January 2017	8,253	52,671	256,015	90,923	–	407,862
Charge for the year	256	2,612	10,887	14,582	–	28,337
Write offs	–	(13,969)	(3,068)	(8,173)	–	(25,210)
Disposals	–	–	(137)	(1,703)	–	(1,840)
At 31 December 2017	8,509	41,314	263,697	95,629	–	409,149
Carrying amounts						
At 31 December 2017	11,682	31,930	94,516	55,382	26,820	220,330
At 31 December 2016	11,938	36,226	97,122	49,935	3,015	198,236

NOTES TO THE FINANCIAL STATEMENTS

11. INTANGIBLE ASSETS

Group	Computer software RM'000	Capital work-in- progress RM'000	Total RM'000
Cost			
At 1 July 2015	56,288	2,556	58,844
Additions	8	17,492	17,500
Reclassifications	18,158	(18,158)	–
At 31 December 2016/1 January 2017	74,454	1,890	76,344
Additions	66	5,340	5,406
Write offs	(1,041)	–	(1,041)
Reclassifications	6,774	(6,774)	–
At 31 December 2017	80,253	456	80,709
Amortisation			
At 1 July 2015	25,527	–	25,527
Amortisation for the period	17,308	–	17,308
At 31 December 2016/1 January 2017	42,835	–	42,835
Amortisation for the year	15,677	–	15,677
Write offs	(1,041)	–	(1,041)
At 31 December 2017	57,471	–	57,471
Carrying amounts			
At 31 December 2017	22,782	456	23,238
At 31 December 2016	31,619	1,890	33,509

11. INTANGIBLE ASSETS (CONTINUED)

Company	Computer software RM'000	Capital work-in-progress RM'000	Total RM'000
Cost			
At 1 July 2015	56,271	2,556	58,827
Additions	8	17,492	17,500
Reclassifications	18,158	(18,158)	–
At 31 December 2016/1 January 2017	74,437	1,890	76,327
Additions	66	5,340	5,406
Write offs	(1,041)	–	(1,041)
Reclassifications	6,774	(6,774)	–
At 31 December 2017	80,236	456	80,692
Amortisation			
At 1 July 2015	25,517	–	25,517
Amortisation for the period	17,305	–	17,305
At 31 December 2016/1 January 2017	42,822	–	42,822
Amortisation for the year	15,676	–	15,676
Write offs	(1,041)	–	(1,041)
At 31 December 2017	57,457	–	57,457
Carrying amounts			
At 31 December 2017	22,779	456	23,235
At 31 December 2016	31,615	1,890	33,505

NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENT IN SUBSIDIARIES

	Group	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	14,344	14,344

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Effective ownership interest and voting interest		Principal activities
		2017 %	2016 %	
Heineken Marketing Malaysia Sdn. Bhd.	Malaysia	100	100	Marketing and distribution of beverages primarily alcoholic in Malaysia
Ramaha Corporation (M) Sdn. Bhd.	Malaysia	100	100	Property holding and land development
Heineken East Malaysia Sdn. Bhd.	Malaysia	100	100	Dormant

13. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Assets				
Property, plant and equipment	1,140	1,629	–	–
Other items	772	8,756	305	8
Tax assets	1,912	10,385	305	8
Set off of tax	(307)	(14)	(305)	(8)
	1,605	10,371	–	–
Liabilities				
Property, plant and equipment	(29,780)	(38,476)	(29,780)	(38,476)
Other items	(2)	(19)	–	(13)
Tax liabilities	(29,782)	(38,495)	(29,780)	(38,489)
Set off of tax	307	14	305	8
	(29,475)	(38,481)	(29,475)	(38,481)
Net				
Property, plant and equipment	(28,640)	(36,847)	(29,780)	(38,476)
Other items	770	8,737	305	(5)
Tax liabilities	(27,870)	(28,110)	(29,475)	(38,481)

Movement in temporary differences during the year:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At beginning of year/period	(28,110)	(48,498)	(38,481)	(37,382)
Recognised in profit or loss (Note 8):				
Property, plant and equipment	8,207	(454)	8,696	(1,038)
Other items	(7,967)	20,842	310	(61)
At end of year/period	(27,870)	(28,110)	(29,475)	(38,481)

NOTES TO THE FINANCIAL STATEMENTS

14. RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Group	31.12.2017 RM'000	31.12.2016* RM'000	1.7.2015* RM'000
Non-current			
Other receivables	1,687	1,484	787
Prepaid expenses	17,398	20,125	26,218
	19,085	21,609	27,005
Current			
Trade			
Amount due from related parties	–	–	2,493
Trade receivables	418,313	421,581	280,948
Less: Impairment losses	(1,565)	(1,565)	(2,783)
	416,748	420,016	280,658
Non-trade			
Amount due from intermediate holding corporation	11,221	13,900	–
Amount due from related parties	7,087	6,896	3,540
Deposits	4,408	3,782	2,973
Other receivables	13,956	6,540	4,995
Prepaid expenses	30,465	24,856	25,350
	67,137	55,974	36,858
Total	483,885	475,990	317,516

* Restated to present the returnable packaging deposits and trade receivables separately at their respective gross amounts. Refer to Note 27 for further details.

Company	2017 RM'000	2016 RM'000
Non-current		
Other receivables	905	1,050
Current		
Trade		
Amount due from a subsidiary	38,071	117,608
Trade receivables	1,883	1,453
	39,954	119,061

14. RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONTINUED)

Company	2017 RM'000	2016 RM'000
Non-trade		
Amount due from related parties	416	154
Amount due from a subsidiary	4,043	4,043
Deposits	2,267	2,021
Other receivables	13,027	5,001
Prepaid expenses	389	1,327
	20,142	12,546
Total	60,096	131,607

(a) **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 of 30 days.

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

(b) **Other receivables**

Included in other receivables are staff loans of the Group and of the Company amounting to RM2,637,000 (2016: RM2,347,000) and RM1,544,000 (2016: RM1,611,000) respectively of which RM1,687,000 (2016: RM1,484,000) and RM905,000 (2016: RM1,050,000) are repayable after the next 12 months for the Group and the Company respectively.

(c) **Prepaid expenses**

Included in prepaid expenses of the Group are prepaid contractual promotion expenses for promotional activities of RM47,474,000 (2016: RM43,531,000) of which RM17,398,000 (2016: RM20,125,000) 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

15. INVENTORIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Raw materials	14,043	13,574	14,043	13,574
Work-in-progress	3,140	2,664	3,140	2,664
Finished goods	37,199	36,401	2,634	5,212
Packaging materials	6,611	3,733	6,611	3,733
Engineering stores and spaces	5,906	5,520	5,395	5,027
	66,899	61,892	31,823	30,210

	Group		Company	
	2017 (12 months) RM'000	2016 (18 months) RM'000	2017 (12 months) RM'000	2016 (18 months) RM'000
Recognised in profit or loss:				
Inventories recognised as cost of sales	1,130,952	1,694,833	1,183,483	1,696,680

16. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2017 (‘000)	2016 (‘000)	2017 RM'000	2016 RM'000
Authorised				
Shares	–	400,000	–	200,000
Issued and fully paid				
Ordinary stock units	302,098	302,098	151,049	151,049

Pursuant to the Companies Act 2016 (“Act”) which came into effect on 31 January 2017, the concept of authorised capital has been abolished and all shares issued before or upon the commencement of the Act shall have no par or nominal value.

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.

17. BORROWINGS

	Group and Company	
	2017	2016
	RM'000	RM'000
Current		
Revolving credit and trade financing (unsecured)	101,000	74,000

Revolving credit and trade financing as at 31 December 2017 consist of the following:

	Tenure (weeks)	Interest rate (per annum)	Maturity date	Nominal value RM'000
Revolving credit (unsecured)	3	3.50%	26 January 2018	65,000
Trade financing (unsecured)	2 - 3	3.49%	26 January 2018	36,000

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.

18. TRADE AND OTHER PAYABLES

Group	31.12.2017 RM'000	31.12.2016* RM'000	1.7.2015* RM'000
Trade			
Amount due to related parties	5,842	2,955	1,248
Trade payables	80,230	52,390	37,724
	86,072	55,345	38,972
Non-trade			
Amount due to intermediate holding corporation	106	7,286	–
Amount due to related parties	13,905	6,094	9,672
Returnable packaging deposits	25,290	28,013	21,247
Other payables	472	3,866	1,923
Derivative financial liabilities	118	–	–
Accrued expenses	232,458	219,688	142,440
	272,349	264,947	175,282
	358,421	320,292	214,254

* Restated to present the returnable packaging deposits and trade receivables separately at their respective gross amounts. Refer to Note 27 for further details.

NOTES TO THE FINANCIAL STATEMENTS

18. TRADE AND OTHER PAYABLES (CONTINUED)

Company	2017 RM'000	2016 RM'000
Trade		
Amount due to related parties	5,839	2,955
Trade payables	48,517	28,011
	54,356	30,966
Non-trade		
Amount due to intermediate holding corporation	106	18
Amount due to related parties	7,889	2,823
Amount due to a subsidiary	100	100
Other payables	4	2,015
Derivative financial liabilities	118	–
Accrued expenses	18,429	18,759
	26,646	23,715
	81,002	54,681

(a) **Amount due to related parties, intermediate holding corporation and a subsidiary**

The trade amount due to related parties is subject to normal trade terms of 30 days.

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

(b) **Accrued expenses**

Included in accrued expenses of the Group are accruals for promotion expenses of RM166,567,000 (2016: RM162,130,000).

19. DIVIDENDS

Dividends recognised by the Group and the Company are:

	Sen per stock unit	Total amount RM'000	Date of payment
31.12.2017			
Interim 2017 ordinary	40.00	120,839	9 October 2017
Final 2016 ordinary	60.00	181,259	16 May 2017
Total amount		<u>302,098</u>	
31.12.2016			
Second interim 2016 ordinary	35.00	105,734	7 October 2016
Interim 2016 ordinary	20.00	60,420	15 April 2016
Special 2016	30.00	90,629	15 April 2016
Final 2015 ordinary	51.00	154,070	31 December 2015
Total amount		<u>410,853</u>	

The directors now recommend the declaration of a final ordinary dividend of 50 sen per stock unit under the single tier tax system totalling RM151,049,000 in respect of the financial year ended 31 December 2017 which if approved by the owners of the Company will be payable on 6 June 2018.

20. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include the directors of the Company and subsidiaries and certain members of senior management of the Group and the Company. Their compensation are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors:				
Fees	602	910	596	904
Remunerations	1,549	2,514	1,549	2,514
Meeting attendance allowance	56	101	56	101
Other short term benefits [including estimated monetary value of benefits-in-kind of RM38,560 (2016: RM68,640)]	611	864	611	864
	<u>2,818</u>	<u>4,389</u>	<u>2,812</u>	<u>4,383</u>
Other key management personnel:				
Short term employee benefits	6,502	11,712	4,693	8,695
	<u>9,320</u>	<u>16,101</u>	<u>7,505</u>	<u>13,078</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

21. OPERATING SEGMENTS

The Group's business is focussed only in malt liquor brewing including production, packaging, marketing and distribution of its products, principally in Malaysia. Approximately 1% (2016: 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, 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 segments 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 year to acquire property, plant and equipment, and intangible assets.

	2017 (12 months) RM'000	Group 2016 (18 months) RM'000
Total additions to property, plant and equipment and intangible assets	77,235	87,195
Segment profit	366,403	551,051
<i>Included in the measure of segment profits are:</i>		
Revenue from external customers	1,929,963	2,810,308
Depreciation and amortisation	(51,090)	(69,325)
<i>Not included in the measure of segment profit but provided to the Managing Director of the Company:</i>		
Net finance costs	(3,229)	(1,828)
Reconciliation of reportable segment revenue, profit and other material items.		
Net finance costs		
Finance income	1,065	2,956
Finance costs	(4,294)	(4,784)
Consolidated net finance costs	(3,229)	(1,828)

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

22. OPERATING LEASES**Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

	Future Minimum Lease Payments			
	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Less than one year	5,837	3,759	2,498	1,949
Between one to five years	8,367	7,167	3,370	3,667
	14,204	10,926	5,868	5,616

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.

23. CAPITAL COMMITMENTS

	Group and Company	
	2017 RM'000	2016 RM'000
Capital expenditure commitments		
Property, plant and equipment:		
Authorised but not contracted for	–	548
Authorised and contracted for within one year	4,713	11,568
	4,713	12,116

24. 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 are:

- 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.

NOTES TO THE FINANCIAL STATEMENTS

25. 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.

The directors regard GAPL Pte. Ltd. (GAPL) and Heineken Asia Pacific Pte. Ltd. (HAPPL), both corporations incorporated in the Republic of Singapore, as the immediate and intermediate holding corporations.

HAPPL is owned by Heineken N.V., a corporation incorporated in the Netherlands, which in turn is the ultimate holding corporation of the Company.

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 14 and 18.

	Group		Company	
	2017 (12 months) RM'000	2016 (18 months) RM'000	2017 (12 months) RM'000	2016 (18 months) RM'000
Intermediate holding corporation				
<i>Heineken Asia Pacific Pte. Ltd.</i>				
Royalties paid and payable	(24,342)	(38,542)	–	–
Marketing and advertising service fees received and receivable	11,100	27,844	–	–
Subsidiary				
<i>Heineken Marketing Malaysia Sdn. Bhd.</i>				
Dividend income	–	–	189,303	384,588
Sale of products	–	–	1,237,105	1,809,380
Management service fee received and receivable	–	–	31,382	47,820

25. RELATED PARTIES (CONTINUED)**Significant related party transactions (Continued)**

	Group		Company	
	2017 (12 months) RM'000	2016 (18 months) RM'000	2017 (12 months) RM'000	2016 (18 months) RM'000
Related corporations				
<i>Diageo Plc and its related corporations (the "Diageo Group")*</i>				
Purchase of goods	–	(2,519)	–	(2,519)
Sale of products	–	5,939	–	5,939
Royalties paid and payable	–	(3,174)	–	–
<i>Related corporations of Heineken N.V.</i>				
Purchase of goods	(20,642)	(30,547)	(20,363)	(29,719)
Royalties paid and payable	(9,190)	(13,917)	–	–
Marketing and technical fees paid and payable	(8,368)	(5,062)	(6,585)	(3,876)
Marketing and advertising service fees received and receivable	6,600	9,868	–	–

* 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.

26. FINANCIAL INSTRUMENTS AND CAPITAL RISK 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 results 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 year.

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.

26.1 Significant Accounting Policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

26.2 Categories of financial instruments

Group	31.12.2017 RM'000	31.12.2016* RM'000	1.7.2015* RM'000
Financial assets			
Loans and receivables:			
Receivables and deposits	455,107	452,618	292,953
Cash and bank balances	11,305	4,045	52,294
Financial liabilities			
Other financial liabilities:			
Trade and other payables	(358,421)	(320,292)	(212,254)
Borrowings	(101,000)	(74,000)	(75,000)

* Restated to present the returnable packaging deposits and trade receivables separately at their respective gross amounts. Refer to Note 27 for further details.

Company	2017 RM'000	2016 RM'000
Financial assets		
Loans and receivables:		
Trade receivables	60,612	131,330
Cash and bank balances	11,205	3,995
Financial liabilities		
Other financial liabilities:		
Trade and other payables	(81,002)	(54,681)
Borrowings	(101,000)	(74,000)

26. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)**26.3 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 credit policy in place and the exposure to credit risk is monitored on an on-going 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 credit quality of the receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

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

	31.12.2017 RM'000	Group 31.12.2016* RM'000	1.7.2015* RM'000
Malaysia	414,872	418,563	278,165
Others	1,876	1,453	2,493
	416,748	420,016	280,658

* Restated to present the returnable packaging deposits and trade receivables separately at their respective gross amounts. Refer to Note 27 for further details.

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

Type of collateral	Group Carrying amounts	
	2017 RM'000	2016 RM'000
Bank guarantees	56,090	55,268
Properties charged*	34,286	37,106
Quoted shares pledged*	735	735
	91,111	93,109

* 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.

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

26.3 Credit Risk (Continued)

(a) Receivables (Continued)

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:

	31.12.2017 RM'000	Group 31.12.2016* RM'000	1.7.2015* RM'000
Neither past due nor impaired	415,670	415,887	270,687
Past due but not impaired	1,078	4,129	7,478
Past due and impaired	1,565	1,565	2,783
	418,313	421,581	280,948
Ageing of past due but impaired			
1 to 30 days	1,078	4,129	3,876
31 to 120 days	–	–	75
More than 120 days	–	–	3,527
Ageing of past due and impaired			
More than 120 days	1,565	1,565	2,783

* Restated to present the returnable packaging deposits and trade receivables separately at their respective gross amounts. Refer to Note 27 for further details.

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

	Group 2017 RM'000	2016 RM'000
At beginning of year/period	1,565	2,783
Impairment loss reversed	–	(272)
Impairment loss written off	–	(946)
At end of year/period	1,565	1,565

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.

26. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)**26.3 Credit Risk (Continued)****(b) Amount due from subsidiaries, intermediate holding corporation and related parties***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 regularly.

Exposure to credit risk, credit quality and collateral

As at the end 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 intercompany balances are not recoverable.

26.4 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) Foreign 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 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:

Group	Denominated in				
	USD RM'000	SGD RM'000	EURO RM'000	GBP RM'000	THB RM'000
31.12.2017					
Trade receivables	449	–	–	–	–
Trade payables	(401)	(4,722)	(10,679)	(273)	–
Net Exposure	48	(4,722)	(10,679)	(273)	–
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)

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

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

26.4 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 of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of reporting period was:

	Group and Company	
	2017 RM'000	2016 RM'000
Fixed rate instruments		
Borrowings	(101,000)	(74,000)

Interest rate risk sensitivity analysis

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 reporting period would not affect profit or loss.

26.5 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 significant earlier, on at significant different amounts.

26. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

26.5 Liquidity risk (Continued)

Maturity analysis

The table below summaries 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:

Group	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000
As at 31 December 2017					
Borrowings					
- Revolving credit & trade financing	101,000	3.49% - 3.50%	101,000	101,000	-
Trade and other payables	358,421		358,421	358,421	-
	459,421		459,421	459,421	-
As at 31 December 2016					
Borrowings					
- Revolving credit & trade financing	74,000	3.52% - 3.64%	74,000	74,000	-
Trade and other payables*	320,292		320,292	320,292	-
	394,292		394,292	394,292	-
As at 1 July 2015					
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*	214,254		214,254	214,254	-
	289,254		292,086	241,144	50,942

* Restated to present the returnable packaging deposits and trade receivables separately at their respective gross amounts. Refer to Note 27 for further details.

Company	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000
As at 31 December 2017				
Borrowings				
- Revolving credit & trade financing	101,000	3.49% - 3.50%	101,000	101,000
Trade and other payables	81,002		81,002	81,002
	182,002		182,002	182,002
As at 31 December 2016				
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

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

26.6 Fair values

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.

27. RESTATEMENT OF COMPARATIVE FIGURES

In prior years, the Group had presented the trade receivables balance net of returnable packaging deposits in the statement of financial position. In the current financial year, the returnable packaging deposits and trade receivables are presented separately at their respective gross amounts in accordance with MFRS 132 Financial Instruments - Presentation.

The following prior period balances have been restated by way of retrospective adjustments. The restatement has no impact on the statements of profit or loss.

	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Statements of Financial Position:			
As at 31 December 2016			
Receivables, deposits and prepaid expenses	447,977	28,013	475,990
Trade and other payables	(292,279)	(28,013)	(320,292)
As at 1 July 2015			
Receivables, deposits and prepaid expenses	296,269	21,247	317,516
Trade and other payables	(193,007)	(21,247)	(214,254)
Statements of Cash Flows for the period ended 31 December 2016			
Movement in working capital:			
Increase in receivables, deposits and prepaid expenses	(238,243)	(6,766)	(245,009)
Increase in trade and other payables	99,342	6,766	106,108

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details the reconciliation of the opening and closing amounts in the statements of financial position for each liability for which cash flows have been, or would be, classified as financing activities in the statements of cash flows:

	Note	As at 1.1.2017 RM'000	Cash Flows		As at 31.12.2017 RM'000
			Drawdown RM'000	Repayment RM'000	
Group and Company					
Current liability					
Borrowings	17	74,000	1,311,000	(1,284,000)	101,000

STATEMENTS BY DIRECTORS

The directors of **HEINEKEN MALAYSIA BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

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

DATO' SRI IDRIS JALA

HANS ESSAADI

Petaling Jaya,
14 February 2018

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **SZILARD VOROS**, the officer primarily responsible for the financial management of **HEINEKEN MALAYSIA BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

SZILARD VOROS

Subscribed and solemnly declared by
the abovenamed **SZILARD VOROS** at
PETALING JAYA this 14th day of February, 2018.

Before me,

GUNALAN
B459
Persurujaya Sumpah
No. 13, (Tingkat 1)
Jalan 52/10
PJ New Town
46200 Petaling Jaya
Selangor

PROPERTIES OWNED BY THE GROUP

Address	Land area (acres)	Existing use	Tenure	Approximate age of building (years)	Audited Net Carrying Amount as of 31 December 2017 RM'000	Date of Acquisition/ Revaluation*
Lot 1135, Batu 9 Jalan Klang Lama 46000 Petaling Jaya Selangor	20.84	Office building & factory	Leasehold expiring 23 September 2063	51	39,172	30 September 1984*
120 Air Keroh Industrial Estate 75450 Melaka	1.07	Office building & store	Leasehold expiring 13 January 2080	35	297	30 September 1984*
Lot 123 Semambu Industrial Site 25350 Kuantan Pahang	0.52	Office building & store	Leasehold expiring 5 March 2046	35	241	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
					43,747	

* 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 Deloitte PLT in relation to the audit and non-audit services rendered to Heineken Malaysia Berhad and its subsidiaries for the financial year ended 31 December 2017 are as follows:

	Company RM'000	Group RM'000
Statutory audit services	112	183
Non-audit services		
▪ Review of the supplementary financial information on the breakdown of realised and unrealised retained earnings	10	10
▪ Review of the Statement on Risk Management and Internal Control	10	10
▪ Review of reporting deliverables to Deloitte Netherlands	30	30
	162	233

UTILISATION OF PROCEEDS

There was no corporate proposal undertaken by Heineken Malaysia Berhad to raise proceeds during the financial year ended 31 December 2017.

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 year ended 31 December 2017 or entered into since the end of the previous financial year.

CONFLICT OF INTEREST / CONVICTION OF OFFENCES / SANTIONS / PENALTIES

None of the Directors and the members of the Management Team 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 financial year ended 31 December 2017

ANALYSIS OF STOCKHOLDINGS as at 22 March 2018

Issued and Paid-up Capital : 302,098,000 stock units
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	899	7.73	6,527	0.00
100 – 1,000	5,021	43.15	3,478,563	1.15
1,001 – 10,000	4,512	38.78	17,400,558	5.76
10,001 – 100,000	1,050	9.02	30,543,585	10.11
100,001 – 15,104,899	152	1.31	96,598,867	31.98
15,104,900 and above	1	0.01	154,069,900	51.00
TOTAL	11,635	100.00	302,098,000	100.00

SUBSTANTIAL STOCKHOLDERS AS PER REGISTER OF SUBSTANTIAL STOCKHOLDERS

Name of Stockholder	Direct		Indirect	
	No. of stock units	%	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 22 March 2018 had any interest in the ordinary stock units of the Company or its related corporations:

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

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. Cartaban Nominees (Asing) Sdn Bhd SSBT Fund MMGN for Mawer Global Small Cap Fund	3,738,300	1.24
4. UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Huan Pte Ltd (A/C Clients)	3,642,707	1.21
5. HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs SVS Jersey for Aberdeen Asian Income Fund Limited	3,477,600	1.15
6. CIMB Group Nominees (Asing) Sdn Bhd Exempt An for DBS Bank Ltd (SFS)	3,329,007	1.10
7. HSBC Nominees (Asing) Sdn Bhd JPMBL SA for JPMorgan Funds	2,399,700	0.79
8. DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon for Virtus Kar International Small-Cap Fund	2,256,800	0.75
9. HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs SVS Paris for Aberdeen Asian Smaller Companies Investment Trust PLC	2,250,000	0.74

30 LARGEST STOCKHOLDERS	No. of stock units	%
10. CIMB Group Nominees (Asing) Sdn Bhd Exempt An for DBS Bank Ltd (SFS-PB)	2,208,000	0.73
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. Key Development Sdn Berhad	2,037,000	0.67
14. Hong Leong Assurance Berhad As beneficial owner (Life Par)	2,000,000	0.66
15. ChinChoo Investment Sdn Berhad	1,865,000	0.62
16. HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Stichting Depository APG Emerging Markets Equity Pool	1,813,300	0.60
17. DB (Malaysia) Nominees (Asing) Sdn Bhd State Street London Fund LYFB for BMO LGM Global Emerging Markets Smaller Companies Fund (BMO INV II IRL)	1,608,900	0.53
18. Ho Han Seng	1,530,000	0.51
19. CIMSEC Nominees (Asing) Sdn Bhd Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,380,244	0.46
20. Kam Loong Mining Sdn Bhd	1,320,000	0.44
21. HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Bureau of Labor Funds – Labor Pension Fund	1,295,945	0.43
22. Gan Teng Siew Realty Sdn Berhad	1,277,000	0.42
23. HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Bureau of Labor Funds – Labor Insurance Fund	1,269,300	0.42
24. Cartaban Nominees (Asing) Sdn Bhd RBC Investor Services Bank S.A. for Vontobel Fund – Far EastEquity	1,240,909	0.41
25. HLB Nominees (Asing) Sdn Bhd Tan Eng Chin Holdings (Pte) Limited (Cust.SIN 40555)	1,150,000	0.38
26. Cartaban Nominees (Asing) Sdn Bhd Exempt An for RBC Investor Services Trust (Clients Account)	1,109,588	0.37
27. Cartaban Nominees (Asing) Sdn Bhd BBH (Lux) SCA for Fidelity Funds Asean	1,064,400	0.35
28. Citigroup Nominees (Asing) Sdn Bhd Exempt An for OCBC Securities Private Limited (Client A/C-NR)	1,029,189	0.34
29. UOBM Nominees (Asing) Sdn Bhd Banque De Luxembourg for BL Emerging Markets	1,021,100	0.34
30. Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	961,000	0.32
TOTAL	216,893,769	71.79

NOTICE OF 54TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 54th Annual General Meeting of Heineken Malaysia Berhad (the Company) will be held at Grand Ballroom, Connexion @ Nexus, No. 7, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur, Malaysia on Friday, 11 May 2018 at 9.30 a.m. for the following purposes:

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors' and Auditors' Reports thereon. **Ordinary Resolution 1**
2. To approve the payment of a single tier final dividend of 50 sen per stock unit in respect of the financial year ended 31 December 2017. **Ordinary Resolution 2**
3. To re-elect Datin Ngiam Pick Ngoh, Linda 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 Hans Essaadi who retires by rotation pursuant to Article 89 of the Company's Constitution as a Director of the Company. **Ordinary Resolution 4**
5. To re-elect Ms Lim Rern Ming, Geraldine who retires pursuant to Article 96 of the Company's Constitution as a Director of the Company. **Ordinary Resolution 5**
6. To approve the payment of Directors' fees and benefits up to an amount of RM710,000 to the Non-Executive Directors of the Company for the financial year ending 31 December 2018. **Ordinary Resolution 6**
7. To re-appoint Messrs Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

Special Business

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

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

"THAT, Mr Martin Giles Manen, having served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, 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 8**
9. 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 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 the Circular to Shareholders dated 12 April 2018 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,

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 9

10. Proposed Adoption of New Constitution of the Company

"THAT, the existing Constitution of the Company be deleted in its entirety and that the proposed new Constitution as set out in the Circular to Shareholders dated 12 April 2018 accompanying the Company's Annual Report 2017 be and is hereby adopted as the Constitution of the Company with immediate effect and THAT the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary and/or expedient to give full effect to the foregoing."

Special Resolution

11. To consider any other business of which due notice shall have been given in accordance with the Companies Act, 2016 and the Company's Constitution.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Subject to the approval of Stockholders, a single tier final dividend of 50 sen per stock unit in respect of the financial year ended 31 December 2017 will be paid on 6 June 2018 to Stockholders registered at the close of business on 18 May 2018.

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 16 May 2018 in respect of shares which are exempted from mandatory deposit;
- (b) shares transferred into the Depositor's securities account before 4.00 pm on 18 May 2018 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
12 April 2018

NOTICE OF 54TH ANNUAL GENERAL MEETING

NOTES:

1. Entitlement to attend 54th Annual General Meeting

For the purpose of determining a member who shall be entitled to attend the 54th Annual General Meeting (AGM) of the Company, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at **3 May 2018** in accordance with the Company's Constitution and Section 34 of the Securities Industry (Central Depositories) Act 1991. Only a depositor whose name appears on the Record of Depositors as at **3 May 2018** shall be entitled to attend or appoint proxies to attend and/or vote on his/her behalf at the said meeting.

Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR), 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 authorised 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.

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.

If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or signed by an officer or attorney duly authorised. Any alteration to the Form of Proxy must be initialed.

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 at 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 at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia no later than **Thursday, 10 May 2018 at 9.30 a.m.** or in the event of any adjournment, no later than 24 hours before the time appointed for the adjourned meeting.

3. Agenda Item 2: Payment of Final Dividend

Pursuant to Section 131 of the Companies Act, 2016, a company may only make a distribution to the shareholders out of profits of the company available if the company is solvent. On 14 February 2018, the Board had approved the proposed final dividend and recommended the same for shareholders' approval. The Board is satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within 12 months immediately after the distribution is made on 6 June 2018 in accordance with the requirements of Section 132 of the Companies Act, 2016.

4. Agenda Items 3, 4 and 5: Re-election of Retiring Directors

Article 89 of the Company's Constitution provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at each AGM of the Company and all Directors shall retire from office at least once every 3 years but shall be eligible for re-election. Pursuant to this, Datin Ngiam Pick Ngoh, Linda and Mr Hans Essaadi are due for retirement by rotation and they have offered themselves for re-election at the 54th AGM.

Article 96 of the Company's Constitution provides that any new Director appointed by the Board during the year shall hold office only until the next AGM shall be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting. Ms Lim Rern Ming, Geraldine, who was appointed on 1 November 2017, retires pursuant to this Article and she has offered herself for re-election at the 54th AGM.

The Board, had via the Nomination & Remuneration Committee (NRC), conducted an assessment on the effectiveness and contribution of the above retiring Directors to the activities of the Board. Based on the assessment, the Board believes that each Director standing for re-election at this AGM continues to fulfill effectively and remains committed to their role on the Board. The Board, on 14 February 2018, recommended that the aforesaid retiring Directors be re-elected to the Board at the 54th AGM of the Company. All Directors standing for re-election have abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant NRC and Board Meetings and will continue to abstain from deliberations and decisions on their own eligibility to stand for re-election at the 54th AGM of the Company.

The profile of the Directors standing for re-election is set out in the Directors' Profile in the Annual Report 2017.

5. Agenda Item 6: Payment of Directors' Fees and Benefits

At the 53rd AGM of the Company held on 13 April 2017, shareholders approved the payment of Directors' fee and benefits up to an amount of RM760,000 to the Non-Executive Directors of the Company for the financial year ended 31 December 2017. Details of the payment of the Directors' fees and benefits for the said financial year are set out on page 99 of the Annual Report 2017.

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 in the Statement on Corporate Governance in Annual Report 2017. The Directors' fees and benefits payable to the Non-Executive Directors for the financial year ending 31 December 2018 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 2018. The Board is of the view that it is just and equitable for the Non-Executive Directors to be paid the Directors' remuneration during the financial year, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the year. Non-Executive Directors who are shareholders of the Company shall abstain from voting on this motion at the 54th AGM.

6. Agenda Item 7: Re-appointment of Auditors

The Audit & Risk Management Committee (ARMC) at its meeting held on 14 February 2018 undertook an annual assessment of the suitability and independence of the external auditors, Deloitte PLT, based on the criteria set out on page 100 of the Annual Report 2017.

The ARMC was satisfied with the suitability of Deloitte PLT based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group. The ARMC was also satisfied in its review that the provision of non-audit services by Deloitte PLT to the Group for the financial year ended 31 December 2017 did not in any way impair their objectivity and independence as external auditors of the Company.

Based on the ARMC's recommendation, the Board approved the proposed re-appointment of Deloitte PLT as external auditors of the Company for the financial year ending 31 December 2018 and recommended the same for shareholders' approval. Deloitte PLT, the external auditors, have indicated their willingness to continue in office.

NOTICE OF 54TH ANNUAL GENERAL MEETING

7. Agenda Item 8: Continuing in Office as Independent Non-Executive Director of the Company

The Board, had via the NRC, conducted an assessment on the contribution of Mr Martin Giles Manen, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, and recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:

- (a) He has met the independence criteria adopted by the Company and fulfilled the independence definitions as prescribed under the MMLR and therefore he was able to bring independent and objective judgement to the Board;
- (b) His vast experience in the audit and accounting fields enable him to contribute to the Group's performance monitoring and enhancement of good corporate governance;
- (c) He has been with the Company for long and therefore understands the Group's business operations which enable him to participate actively and contribute at Board Committees and Board Meetings;
- (d) He has devoted sufficient time and efforts and attended all the Board Committees and Board Meetings for informed and balanced decision-making;
- (e) He has discharged his role as Chairman of the ARMC with due care and diligence and has carried out his professional duties as an Independent Non-Executive Director of the Company in the interest of the Company and shareholders.

8. Agenda Item 9: Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

Ordinary Resolution 9, 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 12 April 2018.

9. Agenda Item 10: Proposed Adoption of New Constitution of the Company

The Special Resolution, if passed, will bring the Company's Constitution in line with the Companies Act, 2016 which came into force on 31 January 2017, the updated provisions of the MMLR and the prevailing statutory and regulatory requirements. Details of which are set out in the Circular to Shareholders dated 12 April 2018.

Pursuant to Section 36 of the Companies Act, 2016, the proposed adoption of the new Constitution of the Company, if passed by a majority of not less than 75% of the members who are entitled to vote in person or by proxy, shall take immediate effect and it shall bind the Company and the members accordingly.

ADMINISTRATIVE DETAILS FOR 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) or Passport (for foreigners) at the registration counter. Only original identity card (MyKad) or Passport will be accepted for the purpose of identity verification. Please ensure that you collect your MyKad thereafter.
- Upon verification and registration:
 - a) Please sign on the attendance list and identification wristband will be provided at the registration counter;
 - b) 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; and
 - c) No person will be allowed to enter the meeting hall without wearing the identification wristband. The said wristband has a passcode printed on it, which will be required for electronic voting purpose.
- No person will be allowed to register on behalf of another person even with the original identity card (MyKad) or passport (for foreigner) 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 vehicles that are parked within the Connexion @ Nexus premises

DOOR GIFT & PRODUCT SAMPLING

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 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 door gift.

Please note that in line with our Drink Sensibly initiative, there will be no product sampling after the AGM. Instead, as part of the door gift, we will distribute to members or proxies who attend the AGM a voucher for shareholders/proxies to purchase our products from designated outlets at a discount and enjoy our products at home.

ANNUAL REPORT

The Annual Report 2017 is available on 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.

GRI Standard No.	GRI Standard Title	Disclosure Number	Disclosure Title	Report Section	Page No.
GENERAL DISCLOSURES					
GRI 102	General Disclosures	102-14, 102-15, 103-2	Statement from senior decision-maker, Key impacts, risks, and opportunities, Management approach and its components	Chairman's Statement Management Discussion and Analysis	57-59 62-64
GRI 102	General Disclosures	102-1, 102-5, 102-6	Name of the organisation, Ownership and legal form, Markets served	About us	5
GRI 102	General Disclosures	102-2	Activities, brands, products and services	Growing Our Brands	65-89
GRI 102	General Disclosures	102-3, 102-4, 102-53	Location of headquarters, Location of operations, Contact point for questions regarding the report	Corporate Information	6
GRI 102	General Disclosures	102-7	Scale of the organisation	From Barley to Bar	8
GRI 102	General Disclosures	102-8	Information on employees and other workers	Our People	10
GRI 102	General Disclosures	102-9	Supply Chain components	From Barley to Bar Brewing a Better World - Heineken Malaysia Value Chain	8-9 13
GRI 102	General Disclosures	102-47	List of material topics	Brewing a Better World	17
GRI 102	General Disclosures	102-21, 102-40, 102-42, 102-43	Consulting stakeholders on economic, environmental, and social topics, List of stakeholder groups, Identifying and selecting stakeholders, Approach to stakeholder engagement	Brewing a Better World - Stakeholder Engagement	16-17
GRI 102	General Disclosures	102-50	Reporting period	About this report	4
GRI 102	General Disclosures	102-56	External assurance	Statement on risk management Environmental Performance (www.heinekenmalaysia.com)	115
GRI 102	General Disclosures	102-18, 102-20	Governance structure, Executive-level responsibility for economic, environmental, and social topics	Sustainability Governance Statement on Corporate Governance	14 92-103
GRI 102	General Disclosures	102-30	Effectiveness of risk management processes	Statement on Risk Management & Internal Control	110-115
GRI 102	General Disclosures	102-32	Highest governance body's role in sustainability reporting	Sustainability Governance	14

GRI Standard No.	GRI Standard Title	Disclosure Number	Disclosure Title	Report Section	Page No.
GENERAL DISCLOSURES					
GRI 102	General Disclosures	102-16	Values, principles, standards, and norms of behavior	Our Purpose	Inside Front Cover
GRI 102	General Disclosures	102-17	Mechanisms for advice and concerns about ethics	How we create value for our people - Ethics and Integrity	37
SPECIFIC DISCLOSURES					
GRI 201	Economic Performance	201-1	Direct economic value generated and distributed	Enhancing our Performance Our number and others	54,55 126-131,144-175
GRI 302	Energy	302-1	From Barley and Bar Energy consumption within the organisation	Protecting the planet	8 49
GRI 302	Energy	302-4	Reduction of energy consumption	From Barley to Bar What we said and what we have done	8-9 15
GRI 303	Water	303-2	Water sources significantly affected by withdrawal of water	Protecting the Planet	46-48
GRI 303	Water	303-3	Water recycled and reused	Protecting the Planet	48
GRI 305	Emissions	305-1	Direct (Scope 1) GHG emissions	Protecting the Planet	49
GRI 305	Emissions	305-5	Reduction of GHG emissions	From Barley to Bar Protecting the Planet	8 49
GRI 306	Effluents and Waste	306-1	Water discharge by quality and destination	What we said and what we have done Protecting the planet	15 46
GRI 306	Effluents and Waste	306-2	Waste by type and disposal method	Protecting the planet - Waste management	50
GRI 308	Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	Protecting the Planet - Sustainably Sourcing	50
GRI 403	Occupational Health and Safety	403-1	Workers representation in formal joint management-worker health and safety committees	How we create value for our people - Health and Safety	38
GRI 404	Training and Education	404-1, 404-3	Average hours of training per year per employee, Percentage of employees receiving regular performance and career development reviews	How we create value for our people	35

GRI INDEX

GRI Standard No.	GRI Standard Title	Disclosure Number	Disclosure Title	Report Section	Page No.
SPECIFIC DISCLOSURES					
GRI 404	Training and Education	404-2	Programmes for upgrading employee skills and transition assistance programmes	How we create value for our people	35-36
GRI 405	Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	How we create value for our people - Diversity at Work	36
GRI 414	Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	From Barley to Bar What we said and what we have done Protecting the Planet - Sustainable sourcing	8 15 50
GRI 413	Local Communities	413-1	Operations with local community engagement, impact assessments, and development programmes	Our People - Growing our Communities, SPARK Foundation, How we create value for our people	40-43
GRI 416	Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	About Us	5



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

I/We _____

NRIC / Passport / Company No. _____

of _____

being a member or members of HEINEKEN MALAYSIA 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 54th 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 Friday, 11 May 2018 at 9.30 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated hereunder:

	FOR	AGAINST
Ordinary Business		
1. Adoption of Audited Financial Statements		
2. Payment of Final Dividend		
3. Re-election of Datin Ngiam Pick Ngoh, Linda as Director		
4. Re-election of Mr Hans Essaadi as Director		
5. Re-election of Ms Lim Rern Ming, Geraldine as Director		
6. Payment of Directors' Fee and Benefits to Non-Executive Directors		
7. Re-appointment of Deloitte PLT as Auditors		
Special Business		
8. Re-appointment of Mr Martin Giles Manen as Independent Non-Executive Director		
9. Shareholders' Mandate on recurrent related party transactions		
10. Proposed Adoption of New Constitution		

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 _____ 2018

 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 at <http://www.heinekenmalaysia.com/privacy-policy/>

Please read the notes overleaf before completing this Proxy Form.

NOTES:

1. For the purpose of determining a member who shall be entitled to attend the 54th Annual General Meeting of the Company, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at **3 May 2018** in accordance with the Company's Constitution and Section 34 of the Securities Industry (Central Depositories) Act 1991. Only a depositor whose name appears on the Record of Depositors as at **3 May 2018** shall be entitled to attend or appoint proxies to attend and/or vote on his/her behalf at the said meeting.
2. Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, 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 authorised representative shall have one vote for every stock unit 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.
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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 at 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 at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia no later than **Thursday, 10 May 2018 at 9.30 a.m.** or in the event of any adjournment, no later than 24 hours before the time appointed for the adjourned meeting.

----- Please fold here to seal -----

Affix stamp here

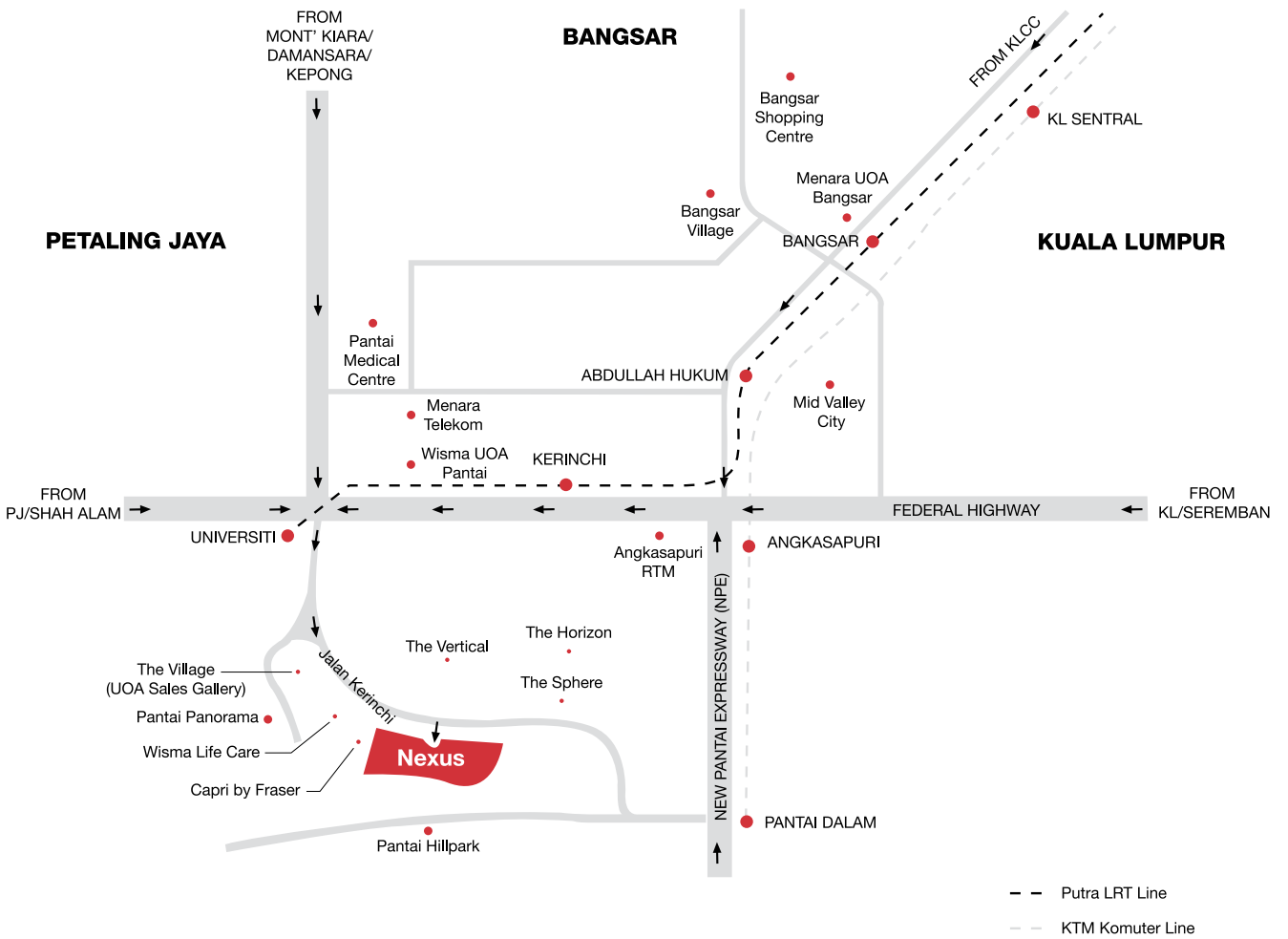
THE SHARE REGISTRAR

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 -----

Connexion @ Nexus

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



GROUP DIRECTORY

CORPORATE OFFICE

Heineken Malaysia Berhad
Sungei Way Brewery, Lot 1135
Batu 9, Jalan Klang Lama
46000 Petaling Jaya,
Selangor Darul Ehsan, Malaysia
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Wisma Hong Bee, Pengkalan Weld
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IPOH

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Taman Bukit Bendera
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T : +60 (9)2770 832

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Lot 123, Semambu Industrial Site
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Pahang, Malaysia
T : +60 (9)5661 967/900/909
F : +60 (9)5662 523

KUCHING

Lot 2087, Block 10
Kuching Central Land District
Bangunan Kueh Boon Teck
Jalan Tun Ahmad Zaidi Adruce
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