

strategic report >
CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders and Stakeholders,

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

Lim Yew Hoe

Chief Executive Officer



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

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

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

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

SHARPENING OUR COMPETITIVE EDGE WITH I.C.E.

HEALTHIER & BETTER PRODUCTS

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

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

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

strategic report > CHIEF EXECUTIVE OFFICER'S STATEMENT

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

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

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



CAPTURING VALUE ALONG OUR SUPPLY CHAIN

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

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

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

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

CAPEX: SETTING UP FOR THE FUTURE

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

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

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

- **New Product Development Transformation programme in Shah Alam:** A total of RM30 million has been allocated for new equipment to enable the production of healthier products; and in smaller can format (180ml-250ml). Products such as F&N Classic series (original recipes with full flavour) will be produced in smaller cans and to be launched in time for Chinese New Year 2020.
- **Kota Kinabalu Industrial Park (KKIP) drinking water line and finished goods warehouse:** We have allocated RM20 million capex and started construction work on our first drinking water line in Sabah. The plant, which also houses a finished goods warehouse for products shipped from our Peninsular Malaysia plants, is expected to be completed in FY2020.
- **Solar roof in Rojana plant:** The RM4 million system, with a capacity to produce 1MW of electricity, will be up and running in 2020.
- **In addition, the development of a RM40 million fresh milk line in Pulau Indah is ongoing and is expected to be completed in FY2020.**

PURPOSEFUL ENGAGEMENT WITH CONSUMERS AND CUSTOMERS

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

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

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

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

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

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

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



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

strategic report > CHIEF EXECUTIVE OFFICER'S STATEMENT

CATALYSING GROWTH FROM WITHIN

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

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

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

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

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

PERFORMANCE IN FY2019

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

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

F&B MALAYSIA

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

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

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

F&B THAILAND

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

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

EXPORTS*

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

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

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

WAY FORWARD – TOWARDS INCLUSIVE GROWTH

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

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

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



ESTABLISHING OUR FOURTH PILLAR

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

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

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

DELIVERING VALUE: GOING HEALTHIER & GREENER

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

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

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

SCALING UP E-COMMERCE/ DIGITALISATION

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

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

ACKNOWLEDGEMENTS

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

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

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

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

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

Lim Yew Hoe
 Chief Executive Officer

strategic report > MARKET REVIEW

THE MACROENVIRONMENT

The Malaysian economy has maintained a steady momentum, with gross domestic product expected to come in at 4.7 per cent for the year 2019, equaling growth recorded in 2018. This has been driven primarily by domestic demand, particularly household spending, thanks to a stable labour market and low inflation.¹ However, the consumer sentiment index is normalising following an extraordinary peak post-general elections in the second quarter of 2018.² Malaysian consumers have always been thrifty and even now maintain cautious optimism in terms of spending, with close to nine out of 10 Malaysians saying they have adjusted their purchasing habits to save on household expenditure.³

In contrast, economic growth in Thailand has been slowing down and is forecasted by the Finance Ministry to come in at 3.0 per cent for the year, as opposed to expansion of 4.1 per cent in 2018. A key reason is the strengthening Baht, which has negatively impacted two primary economic drivers: exports and tourism.⁴ Consumer confidence, meanwhile, has been on a downward trend since February 2019, measuring 72.2 in September 2019.⁵ However, a USD10 billion stimulus package from the government is expected to boost the economy, as well as consumer sentiment.

1 <https://www.edgeprop.my/content/1597691/economic-outlook-2020-report-malaysian-economy-grow-48-2020-vs-47-2019>

2 <https://www.mier.org.my>

3 <https://www.thestar.com.my/business/business-news/2019/06/03/consumer-confidence-stabilising>

4 <https://www.bangkokpost.com/business/1733675/finance-ministry-cuts-2019-gdp-growth-forecast-to-3->

5 <https://tradingeconomics.com/thailand/consumer-confidences>

6 Intended Nationally Determined Contributions (INDC) under the UN Framework Convention on Climate Change, <https://magazine.scientificmalaysian.com/issue-13-2017/tackling-climate-change-malaysias-emission-reduction-target/>

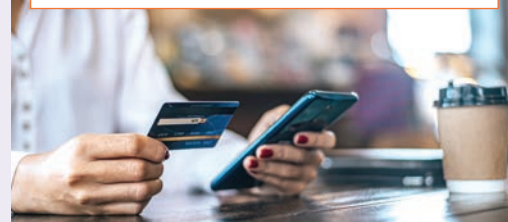
CONSUMER BEHAVIOUR



Market Trends Affecting Us

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

DIGITAL REVOLUTION



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

Our Response

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

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

Highlights

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

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

HEALTH CONSCIOUSNESS



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

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

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

ENVIRONMENTAL SUSTAINABILITY



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

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

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

strategic report > VALUE CREATION BUSINESS MODEL

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

VALUE ADDED BY F&NHB

OUR CAPITALS (INPUTS)

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

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

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

Total No. of Employees : 2,600 employees
Local Senior Management : Malaysia – 95%
 Thailand – 100%

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

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

Research and Development (R&D) at F&N is guided by the following five principles:

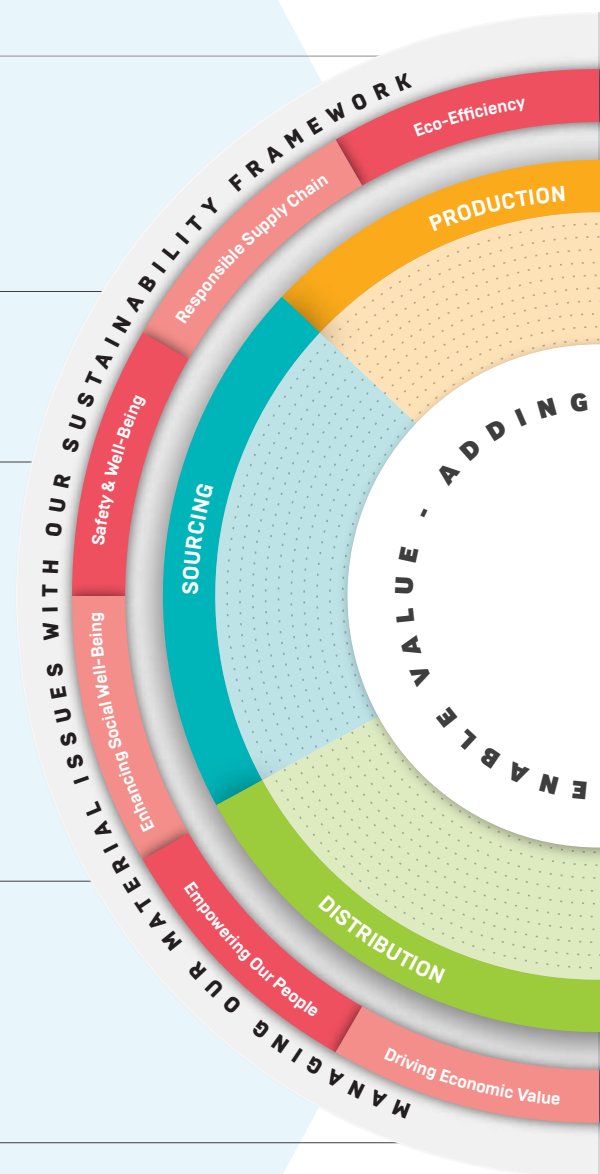
- **Innovation & Creation in terms of** processes, packaging and sensory science
- **Scientific Advances** for application in our processes and products
- **Technical Developments** which support quality improvement and cost optimisation
- **Regulatory Compliance** of our local and export business
-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

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

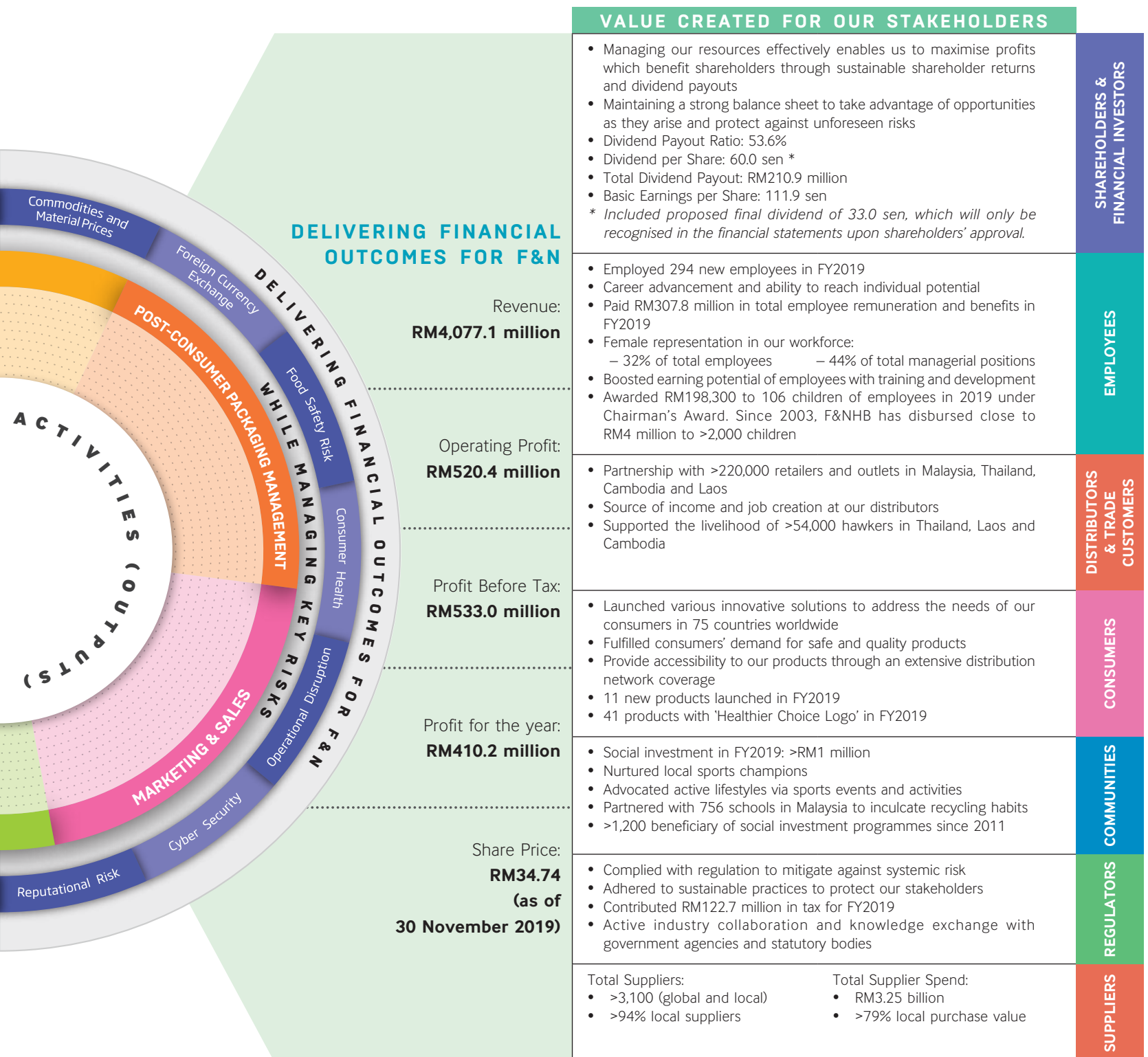
MANUFACTURED CAPITAL encompasses our business structure and operational processes, production and logistics assets including our physical and digital infrastructure, as well as information technology which provide the framework and mechanics on how we do business and meet the demands of our stakeholders.

8 Manufacturing Facilities : 6 in Malaysia, 2 in Thailand
21 Warehouses : 19 in Malaysia, 2 in Thailand
Production Capacity : 130 million cases per year

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










VALUE CREATED FOR F&NHB AND OUR STAKEHOLDERS



strategic report > STAKEHOLDER ENGAGEMENT



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

	Engagement Channels	Typical Issues Raised	F&NHB Actions
 Shareholders & Investors	<ul style="list-style-type: none"> Annual General Meetings (AGMs) Face-to-face meetings & conference calls Office/plant visits Investor Days/briefings 	<ul style="list-style-type: none"> Transparent and accurate disclosure Return on investment Sustainable financial and operational performance 	Refer to F&NHB Sustainability Report 2019: <ul style="list-style-type: none"> Our Sustainability Approach (pages 020-029) Economic Performance (page 035)
 Employees	<ul style="list-style-type: none"> Biennial employee engagement survey Annual CEO town hall/roadshow Annual dinner Festive gatherings Sports tournament F&N Chairman Award iConnect (intranet), F&N DIGEST (newsletter), monthly email news highlights, digital TV F&N Voice WhatsApp channel Dialogues with unions 	<ul style="list-style-type: none"> Compensation and benefits Competency development Senior leadership Learning & development Rewards & recognition Safety at work 	Refer to F&NHB Sustainability Report 2019: <ul style="list-style-type: none"> Economic Performance (page 035) Talent Management (pages 042-051) Market Presence (page 052) Occupational Health and Safety (pages 089-091)
 Distributors & Trade Customers	<ul style="list-style-type: none"> Annual customer meetings Annual factory visits Annual business planning Business development activities Joint supply chain meetings Quarterly business reviews Customer appreciation events 	<ul style="list-style-type: none"> Latest consumer & shopper trends Product innovation Customer relationship management Shopper loyalty programmes Improving customer service level Business practices & ethics Efficient delivery systems 	Refer to F&NHB Sustainability Report 2019: <ul style="list-style-type: none"> Innovation (pages 036-041) Consumer Health and Safety (pages 092-096)
 Consumers	<ul style="list-style-type: none"> Marketing & sales promotions Brand communication through advertising Social media interactions On-ground events & activities Dedicated consumer hotline 	<ul style="list-style-type: none"> Product quality & safety Consumer health & safety Fair & reasonable product pricing Social & community engagement Environment-friendly packaging 	Refer to F&NHB Sustainability Report 2019: <ul style="list-style-type: none"> Innovation (pages 036-041) Consumer Health and Safety (pages 092-096) Product and Service Labelling (page 097)

	Engagement Channels	Typical Issues Raised	F&NHB Actions
 Communities	<ul style="list-style-type: none"> • Collaborations & partnerships • Meetings • Outreach programmes • Meetings/dialogues with community representatives • Leadership programmes • Sponsorships 	<ul style="list-style-type: none"> • Social & environmental responsibility • Job opportunities for locals • Promotion of good health & quality of life • Skills development in sports & leadership Stimulating local economies 	Refer to F&NHB Sustainability Report 2019: <ul style="list-style-type: none"> • Economic Performance (page 035) • Creating Value for Society (pages 053-065) • Market Presence (page 052) • Water Stewardship (pages 070-071) • Effluents and Waste (pages 072-075)
 Regulators	<ul style="list-style-type: none"> • Active collaborations e.g. Federation of Malaysian Manufacturers • Meetings with government agencies and statutory bodies • Collaboration & partnerships with local councils 	<ul style="list-style-type: none"> • Good governance • Fair labour practices • Safety at work • Compliance with laws & regulations • Water & waste management • Environment friendly labelling & packaging • Greenhouse gas emissions (GHG) • Recycling awareness 	Refer to F&NHB Sustainability Report 2019: <ul style="list-style-type: none"> • Our Sustainability Approach (pages 020-029) • Consumer Health and Safety (pages 092-096) • Product and Service Labelling (page 097) • Water Stewardship (pages 070-071) • Effluents & Waste (pages 072-075) • Packaging (page 076) • Energy & Climate Change (pages 077-082) • Occupational Health and Safety (pages 089-091)
 Suppliers	<ul style="list-style-type: none"> • Supplier meetings • Annual audits • Tender Management System 	<ul style="list-style-type: none"> • Fair & robust procurement system • Support of local businesses • Social & environmental responsibility • Ethics – anti-bribery & corruption 	Refer to F&NHB Sustainability Report 2019: <ul style="list-style-type: none"> • Sustainable Sourcing (pages 083-088)

strategic report > MATERIAL ISSUES

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

MATERIAL ISSUES	OUR RESPONSE	TARGET
 <p>INNOVATION</p> <p>Critical to maintaining leadership and competitive advantage in the marketplace. Customers' needs and demands have evolved towards healthier lifestyles and convenience. Innovation is critical not only for long term business success but also in response to growing concerns on social and environmental issues.</p>	<p>Invest in Product and Process Innovation to increase our product range and improve efficiency and productivity.</p> <p>i. Product Innovation</p> <ul style="list-style-type: none"> • Continuous products improvement and refinement to meet the changing needs and preferences of consumers and deliver high-quality products, and with the right nutritional values and taste. • Develop new products to expand target consumer groups and usage occasions. • Collaborate with health authorities and the industry such as MoH, FMM and FDA to adhere to food safety regulations, and support national health priorities. • Collaborate with research institutes to access cutting-edge research and scientific studies. • Offer innovative packaging formats to reduce environmental footprint, as well as appeal to consumers' demand for convenience and flexibility without compromising product quality and integrity. <p>ii. Process Innovation</p> <ul style="list-style-type: none"> • Investing in more advanced equipment and technology to expand innovation capability. • Adopt technical and scientific advances to improve eco-efficiency of our supply chain. • Inculcate employee-driven innovation initiatives to enhance productivity, quality and cost savings. 	<p>To invest in product and process innovation to increase our product range, and improve efficiency and productivity.</p>
 <p>SUSTAINABLE SOURCING</p> <p>Our business sustainability hinges on the inter-dependence relationship between our suppliers and us to create long lasting value. Therefore, it is imperative to ensure all our vendors and suppliers along our entire value chain abide by the same principles of sustainability that we do.</p>	<p>Promote sustainable and responsible sourcing via risks management, conscientious supplier selection and local sourcing.</p> <ul style="list-style-type: none"> • Procurement Policy is in place to ensure adherence to principles of ethical business practice and fair play. • Yearly audits to assess quality assurance, food safety standards, safety standards and environmental performance of critical suppliers. • Pre-qualifying new vendor checklist on environmental and ethical/responsible sourcing aspects, as well as anti-child labor policy. • Source materials that are certified by eco-credentials, such as Forest Stewardship Council (FSC) to certify paper use for all our products in tetra packaging. • Support local economy and minimise environmental impact from transportation by engaging local suppliers. • Commitment to using Certified Sustainable Palm Oil (CSPO) in our products. 	<p>To purchase 100% of Roundtable on Sustainable Palm Oil (RSPO) credits for palm oil usage by 2020.</p>

OPPORTUNITIES

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

RISK

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

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

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

strategic report > MATERIAL ISSUES

MATERIAL ISSUES



CONSUMER HEALTH AND SAFETY

Maintain the highest quality and safety standards and providing healthier options to meet evolving consumer needs.

OUR RESPONSE

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

i. Healthier Options

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

ii. Halal Assurance

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

iii. Quality & Safety

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

iv. Nutritional goodness

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

TARGET

To introduce at least one healthier choice option in all our product categories by 2020.



OCCUPATIONAL HEALTH AND SAFETY

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

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

i. Creating a Safety Culture

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

ii. Healthy Workforce

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

To have Zero Lost Time Injury Frequency Rate by 2020.

OPPORTUNITIES

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

RISK

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

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

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

strategic report > MATERIAL ISSUES

MATERIAL ISSUES



TALENT MANAGEMENT

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

OUR RESPONSE

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

Our Talent Management strategy is guided by:

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

TARGET

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



ENVIRONMENTAL STEWARDSHIP

Managing Our Environmental Impact

- i. **Water Stewardship**
Efficient water management practices are fundamental for business growth, especially in beverage manufacturing.
- ii. **Effluents and Waste**
To ensure the waste from our manufacturing processes do not have a negative impact on the environment or communities.
- iii. **Energy and Climate Change**
The need to reduce carbon footprint and reinvent our procedures and adopt energy efficient systems across our value chain.

We implement environmentally sustainable business practices and guided by the principles in our Environmental, Safety & Health Policy.

i. **Water Stewardship**

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

ii. **Effluents and Waste**

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

iii. **Energy and Climate Change**

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

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

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

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

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



CREATING VALUE FOR SOCIETY

Sustainable business development occurs when our communities develop alongside us.

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

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

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

To provide outreach and engagement programmes across Malaysia and Thailand by exploring and implementing appropriate outreach programmes to address community needs

OPPORTUNITIES

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

RISK

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

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

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

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

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

strategic report >
STRATEGIC DIRECTION AND FOCUS, ACHIEVEMENTS & 2020 PRIORITIES

INCLUSIVE GROWTH STRATEGY

INCLUSIVE GROWTH

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

INCLUSIVE GROWTH OBJECTIVES



GROWTH DRIVERS



Innovation

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



Cost Competitiveness

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



Excellence in Execution

- Driving operational excellence in our core businesses

GLOBAL VALUES: COLLABORATION, CREATING

2019 HIGHLIGHTS

- ▶ Successful applications in formulating/reformulating new and existing products which are healthier and better
- ▶ Enhanced in-home penetration through the launch of innovative product format such as squeeze tubes
- ▶ Investment of various capital expenditures to better equipped ourselves to meet consumers' needs and counter challenging operating environment

- ▶ Improved cost efficiencies through various initiatives to reduce consumption of resources, improve productivity and/or enhance product quality
- ▶ Reduced cost to market through collaborations with trade partners and key customers as well as serving some larger outlets directly
- ▶ Introduced value products in smaller pack sizes and economical packaging to meet consumers' and customers' distinct needs

- ▶ Improved distribution points through focusing on strengths of respective distribution channel
- ▶ Clear deployment of strategies in each category to drive volume and profits contributed to sales growth in all our core categories
- ▶ Strong relationships with key business partners to win in the markets

PRIORITIES FOR 2020

- ▶ Continuous effort in developing healthier products as well as extension to adjacent categories to meet the evolving needs of our consumers
- ▶ Develop an integrated and sustainable dairy farming business model as the fourth pillar of growth
- ▶ Scale up digitalisation across our businesses, including establishing e-Commerce platform and digital-led marketing initiatives

- ▶ Continuous improvement in production automation and upskilling of competency focused workforce
- ▶ Insourcing and forming of new strategic partnerships
- ▶ Cost reduction initiatives across all facets of operations, including sourcing of materials, marketing, logistics and distribution, and manufacturing

- ▶ Accelerate brands growth in domestic markets and abroad through disciplined portfolio management across different channels
- ▶ Strengthen our reach to consumers via expansion of distribution networks and strategic collaborations with ThaiBev Group
- ▶ Optimisation of data to enhance effectiveness and efficiency across the value chain

strategic report >
KEY PERFORMANCE INDICATORS

HOW WE TRACK OUR PROGRESS

INCLUSIVE GROWTH

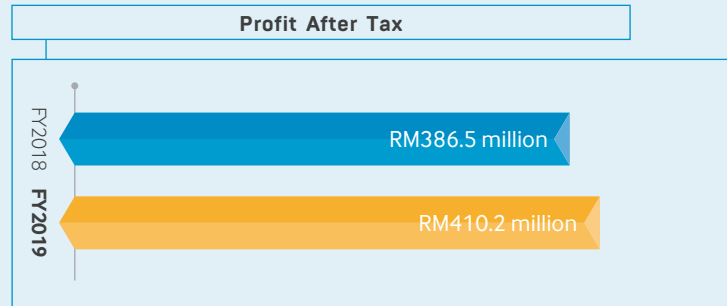
At F&N, we believe sustainable and profitable growth requires a balanced approach where our brands stay relevant to consumers, and our people, stakeholders and communities grow together as we strengthen our presence in the market, where we have presence in. Our Inclusive Growth Strategy drives our strategic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

INCLUSIVE GROWTH OBJECTIVES



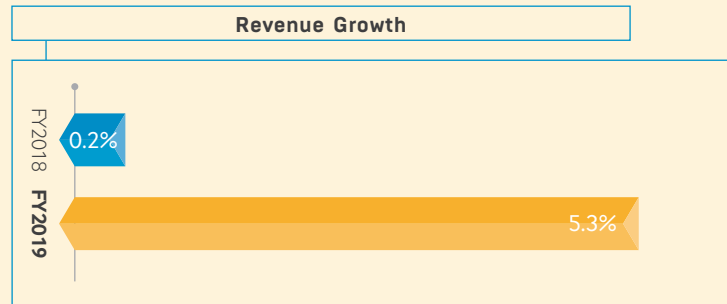
FINANCIAL INDICATORS

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



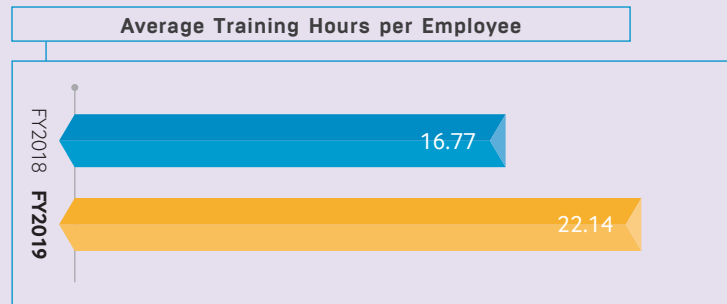
OPERATIONAL EXCELLENCE

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



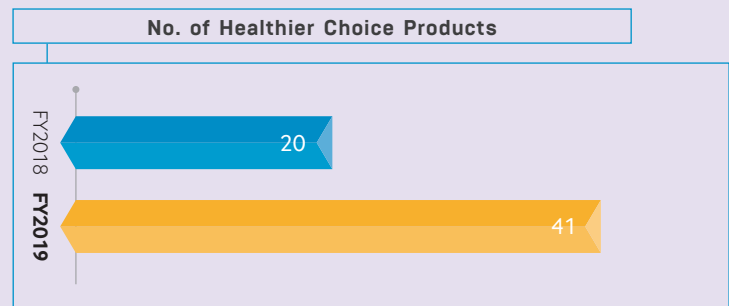
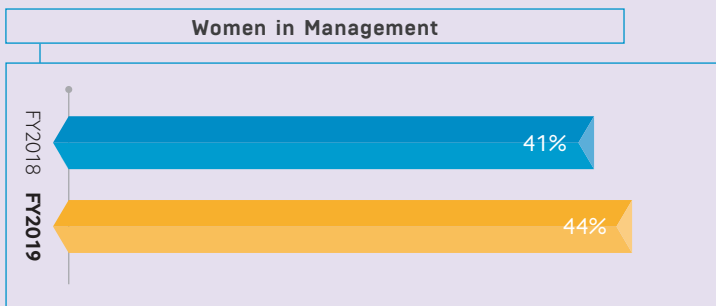
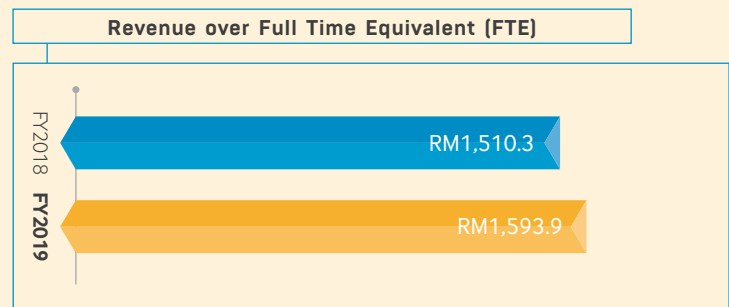
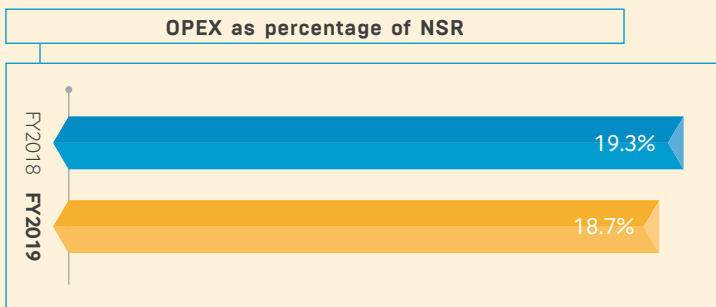
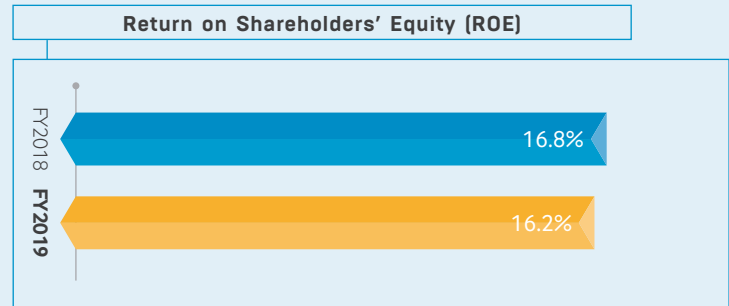
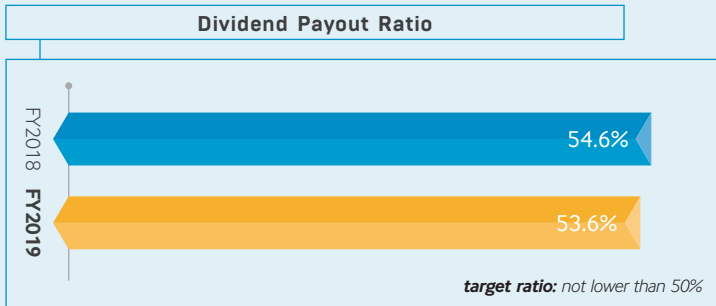
ORGANISATIONAL CAPABILITY

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






SUSTAINABLE PRACTICES









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



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

strategic report > PRINCIPAL/KEY RISKS AND MITIGATION

RISK	MITIGATION ACTIONS	LINK TO MATERIAL ISSUES
<p>COMMODITIES AND MATERIAL PRICES</p> <p>Commodities and material prices are influenced by the global & local supply and demand, weather conditions as well as regulatory changes imposed by the government. As such, any significant increase in prices of commodities and materials could materially affect the cost of our products.</p>	<ul style="list-style-type: none"> Commodities and materials price risk is managed through forward purchase of key commodities, active monitoring of commodities price trends, and vigilant sales forecasting and production planning. In addition, we also source from multiple suppliers and origin of commodities/materials as listed in our approved vendors list to enable us to respond ably in the event of shortage in supply and/or increase in price. We also hedge our purchases using our enlarged and collective purchasing capability. 	
<p>FOREIGN CURRENCY EXCHANGE EXPOSURE</p> <p>In times of foreign currency market volatility, the Group is exposed to the risk of fluctuations in foreign exchange rates against the local currency due to:</p> <ul style="list-style-type: none"> Importation of materials for production; Exports of goods are traded in foreign currency; and Overseas operations are valued in foreign currencies. 	<ul style="list-style-type: none"> The Group is guided by the Group Treasury Policy which outlines the policy in hedging the identified and committed foreign exchange exposure. Typically, at least 60 per cent of our forex requirements are hedged to manage fluctuating prices of commodities as well as forex movements. Exports serve as additional natural hedge to cushion the impact of depreciating local currencies. 	
<p>EXPOSURE TO FOOD SAFETY RISK</p> <p>As a player in the food & beverage industry, the Group is exposed to the risks associated with product quality and standards as product safety and quality are of paramount importance to the Group.</p> <p>The exposure in product quality and standards may bring serious ramifications in terms of financial impact as well as reputational impact.</p>	<ul style="list-style-type: none"> Quality assurance cycle begins with suppliers' pre-qualification and approval, source or origin of raw materials, manufacturing facilities and procedures, up to the distribution and storage of our products. Comprehensive policies and procedures established on processing, packaging and storage, equipment and plant sanitisation as well as employee personal hygiene to prevent contamination. Compliance with stringent quality systems in place such as ISO 22000, Food Safety System Certification 22000 and HACCP Certification by Ministry of Health. Contingency plans on product traceability and product recall/ withdrawal should such circumstances arise. 	

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

RISK	MITIGATION ACTIONS	LINK TO MATERIAL ISSUES
<p>INCREASING AWARENESS ASSOCIATED WITH EXCESSIVE SUGAR CONSUMPTION</p> <p>Consumers are becoming more informed on possible health effects associated with excessive sugar consumption. While adapting to the recently implemented and/or impending policy changes on sugar tax within the region, the challenge faced by the Group today is how do we move beyond sugar reduction.</p> <p>Should we fail to address the shift in the consumer trends nimbly and effectively, it may result in financial as well as reputational impact in the longer term.</p>	<ul style="list-style-type: none"> • Continuous improvement on the offerings of healthier choice products in our innovations roadmap with target to offer a healthy option in every product category that we are in by 2020. • Prioritise R&D on developing new products and further improve existing products to meet consumers' demand for healthier choices such as low-sugar, non-sugar added and mid-calorie beverages, without compromising on taste. • Proactively decrease our sugar index (amount of sugar contained per millilitre of all our beverages). • Introduce new pack size as part of our portion control commitment. • Promote sports and active lifestyles through programmes that target schools and communities. 	
<p>OPERATIONAL DISRUPTION IN THE EVENT OF CRISIS OR DISASTER</p> <p>The Group is exposed to risks associated with anticipated or unanticipated disruption to the normal operations of the Group which could be due to internal or external factors.</p>	<ul style="list-style-type: none"> • Group Business Continuity Management Framework (BCMF) has been established which sets out the policies and procedures in relation to response, recovery and restoration of business in the event of a crisis or disaster. • Business Continuity Plans (BCP) are in place and being tested in accordance with the BCMF. 	
<p>CYBER SECURITY THREATS</p> <p>Amid the evolving technology-reliant business environment, the Group is exposed to cyber security threats from cyber criminals which may compromise data integrity and even leakage of confidential and sensitive information which is valuable to the Group.</p> <p>Loss of data can also result in operational disruption and have financial impact.</p>	<ul style="list-style-type: none"> • The Group has developed Cybersecurity Framework to provide guidance to businesses on managing cyber security risks. • Regular trainings and constant updates related to cyber threats are provided to all employees to maintain awareness level. • Strengthen security measures through system hardening, multi factor authentication, stringent password policy, regular vulnerability scanning and close monitoring of suspicious activities. • Robust data backup procedures to protect critical information for business continuity. 	
<p>FALSE ALLEGATIONS RELATING TO PRODUCT SAFETY AND HALAL COMPLIANT STATUS</p> <p>Living in the age of social media and instant messaging platform, it is difficult to be immune from false allegations in particularly where the Group's food safety and Halal compliant status are concerned. It is also challenging to fully monitor social media due to users' privacy settings.</p> <p>The effect from reputational damage could potentially bring serious implication to the Company financially.</p>	<ul style="list-style-type: none"> • Halal Governance and Assurance Framework is put in place with dedicated resources to implement the framework and uphold the Halal standards. • Stringent compliance with Halal standards from sourcing of raw materials to delivery of products. • Continuous engagement with key agencies and relevant authorities like JAKIM and Ministry of Health. • Close monitoring of news published in the media and response procedures are in place to manage situations. • Established response and recovery plan in managing social media issues. • Mitigation actions relating to product safety are included under "Exposure & Food Safety Risk". 	

Creating Innovative Solutions

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



**Asmah binti Hj
Ibrahim Astar**

**Owner, Asma Cake
House – Kuching,
Malaysia**

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

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



business review >

FOOD & BEVERAGES

MALAYSIA

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

Bart Lim Siang Chin

Managing Director,
Domestic Commercial Operations
(Peninsular Malaysia)

Bryan Lee Chee Kong

Director, Domestic
Commercial Operations
(East Malaysia & Brunei)

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

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

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

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

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

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

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

Innovative product launches, combined with initiatives to defend and grow our markets, enabled us to further entrench our leadership positions for core brands. We maintained our market leading positions in Malaysia, within the carbonated soft drink category¹, ready-to-drink tea segment in asian drinks category², sweetened condensed milk category³ and evaporated milk category⁴.

New products in FY2019



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

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

business review > FOOD & BEVERAGES MALAYSIA

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

OUR FINANCIAL PERFORMANCE

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

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

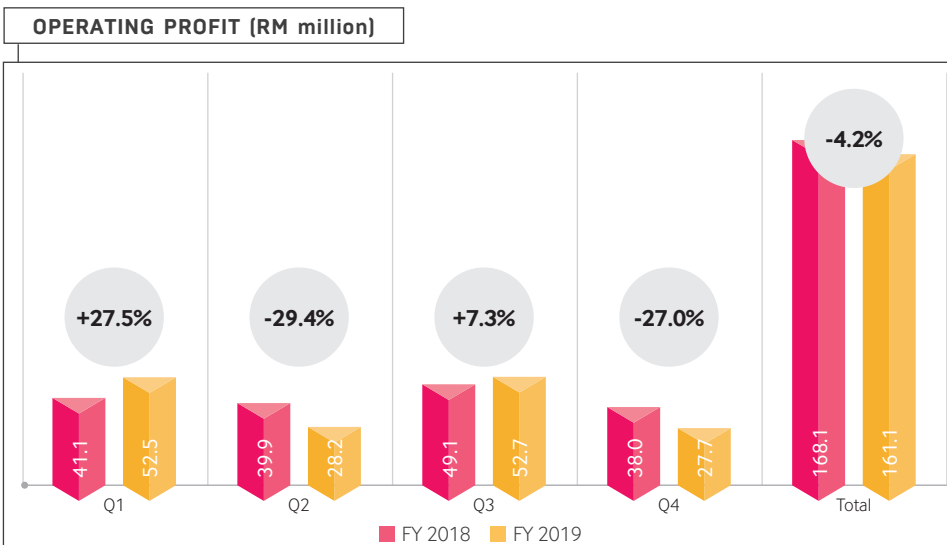
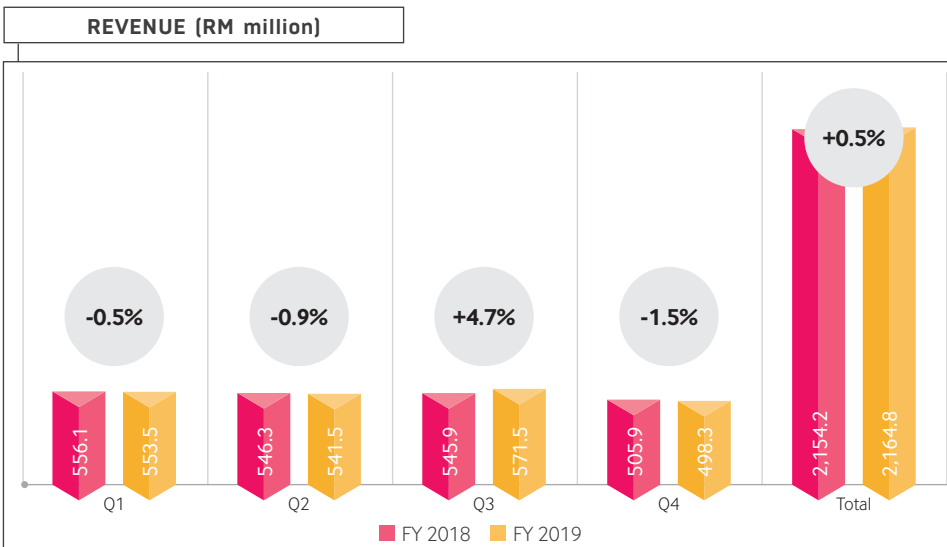
OUTLOOK

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

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

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

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



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

Marketing Highlights



F&N 135TH ANNIVERSARY FIESTA

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



100PLUS

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

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

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

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

CARNATION

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



F&N SEASONS

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

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



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

OYOSHI

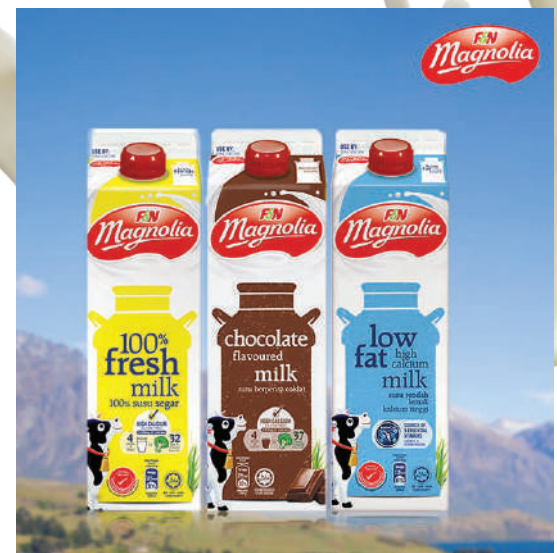
OYOSHI continued to reinforce its Japanese connection by sponsoring the Japan Expo Malaysia 2019 (JEMY 2019). Held at Pavillion, Kuala Lumpur from 26-28 July, JEMY 2019 showcased popular Japanese exports such as J-POP, anime, fashion, tourism and food. More than 180,000 visitors were attracted to what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

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



F&N MAGNOLIA

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



FOOTNOTE:

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

business review >

FOOD & BEVERAGES

THAILAND

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

Suchit Riewcharoon

Managing Director,
F&N Dairies (Thailand) Limited

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

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

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

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

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

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

We continue to be recognised for our quality products, continuous improvement programmes and corporate social responsibility (CSR) initiatives. We received the FDA Quality Award 2019 from the Food and Drug Administration, Ministry of Public Health Thailand, marking the seventh

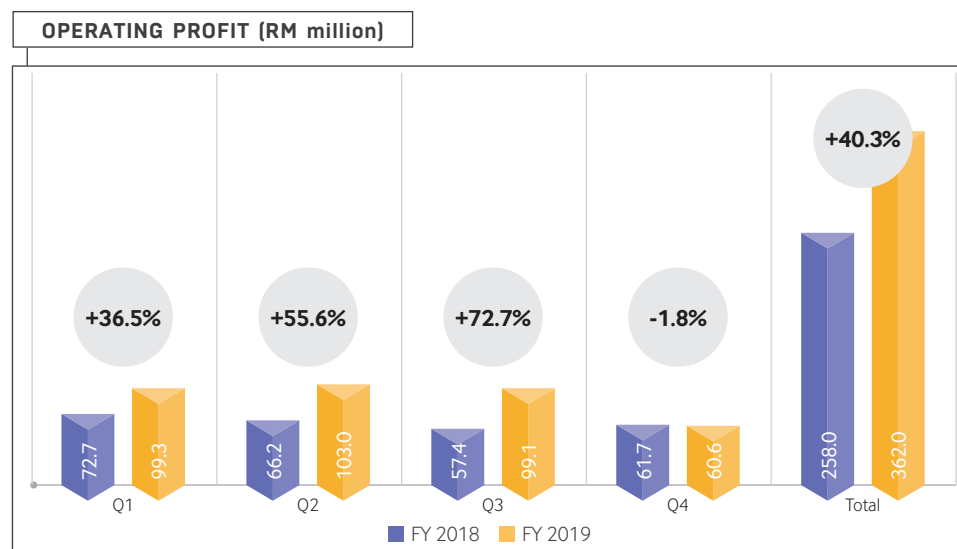
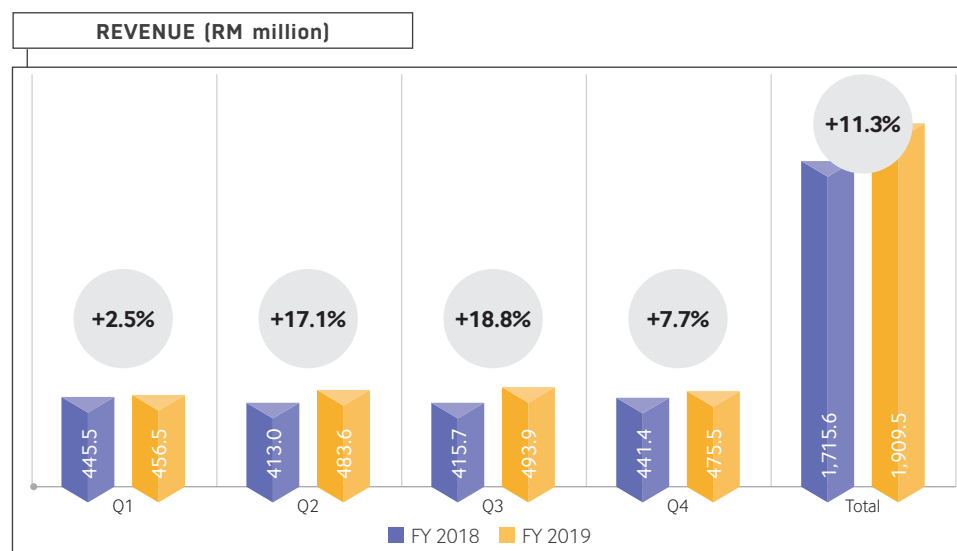
consecutive win for us. Recognising our manufacturing team’s innovative projects, we were awarded both Gold and Silver medals at the Thailand Kaizen Award 2019, by the Technology Promotion Association (Thailand – Japan). Meanwhile we also received the CSR-DIW Continuous Award 2019 from the Ministry of Industry Thailand, for the ninth consecutive year.

OUR FINANCIAL PERFORMANCE

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

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

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



business review > FOOD & BEVERAGES THAILAND

OUR JOURNEY AHEAD

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

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

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

Marketing Highlights

New products in FY2019



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



F&N MAGNOLIA

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

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

FOOTNOTE: F&N Dairies (Thailand) Limited ranked first as a manufacturer in both value share and volume share in total Condensed Milk Market since 1 August 2016 to 30 September 2019. The Nielsen retail index report covers Supermarkets, Hypermarkets, Convenience Stores and Traditional Trades.



TEAPOT

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

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



CARNATION

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



BEAR BRAND

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

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

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

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



AMPAN RADADOK @ TING

Owner, Sor Nor Coffee – Bangkok, Thailand



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

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

Energising Body & Mind

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





performance review > 5-YEAR GROUP FINANCIAL SUMMARY

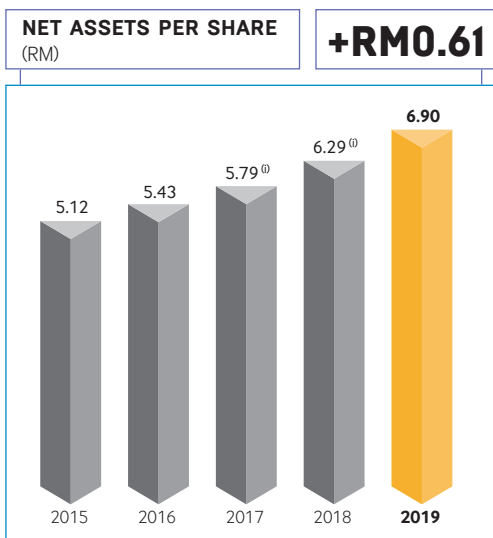
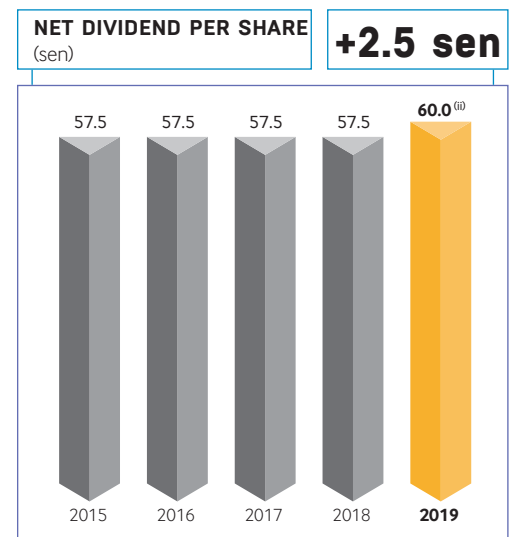
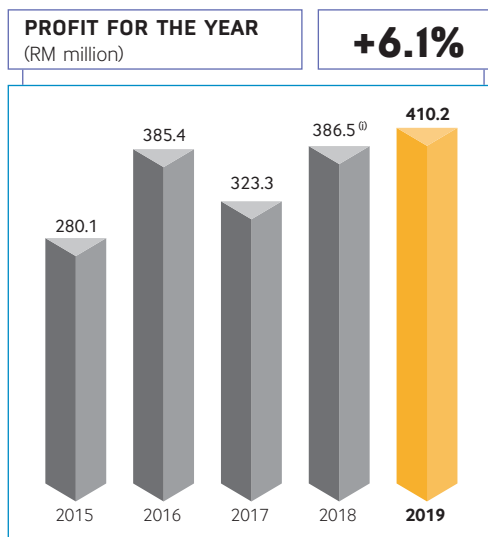
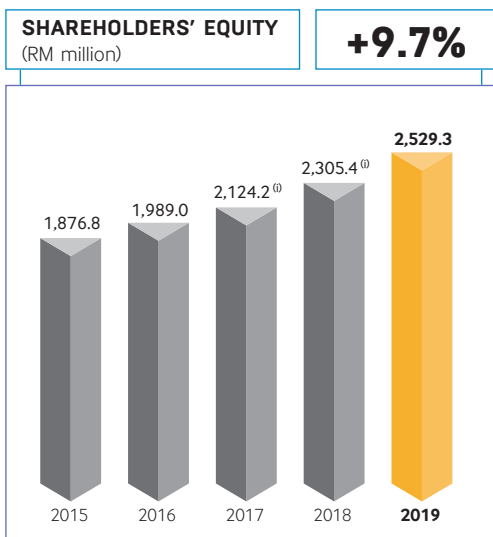
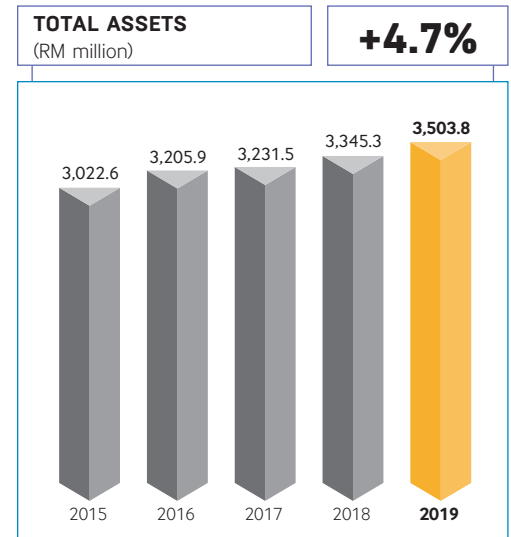
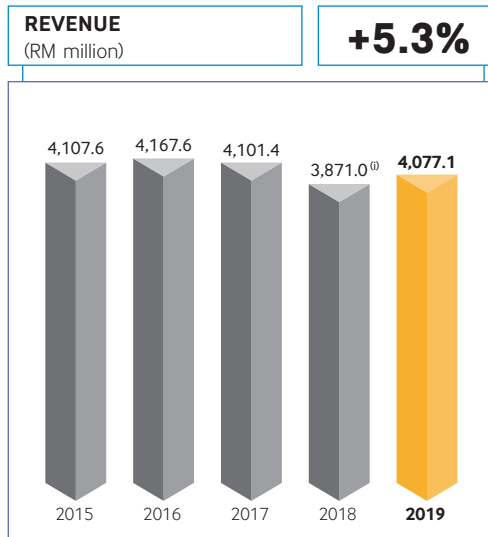
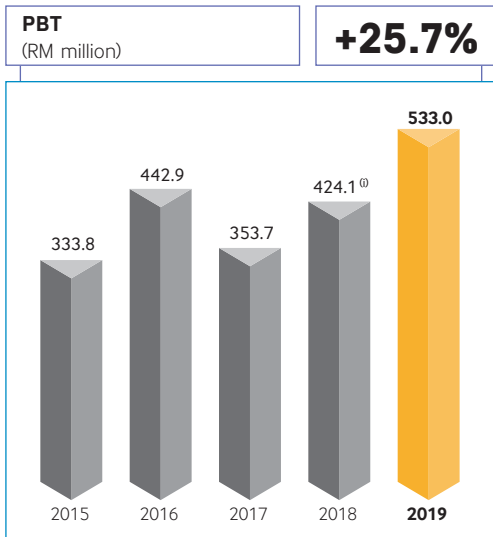
Year ended 30 September	2015	2016	2017	2018	2019
Results (RM million)					
Revenue	4,107.6	4,167.6	4,101.4	3,871.0 ⁽ⁱ⁾	4,077.1
Profit before tax ("PBT")	333.8	442.9	353.7	424.1 ⁽ⁱ⁾	533.0
Profit for the year	280.1	385.4	323.3	386.5 ⁽ⁱ⁾	410.2
Dividend					
Dividend per share					
Earnings – basic (sen)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

Notes:

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

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

performance review >
5-YEAR GROUP FINANCIAL HIGHLIGHTS

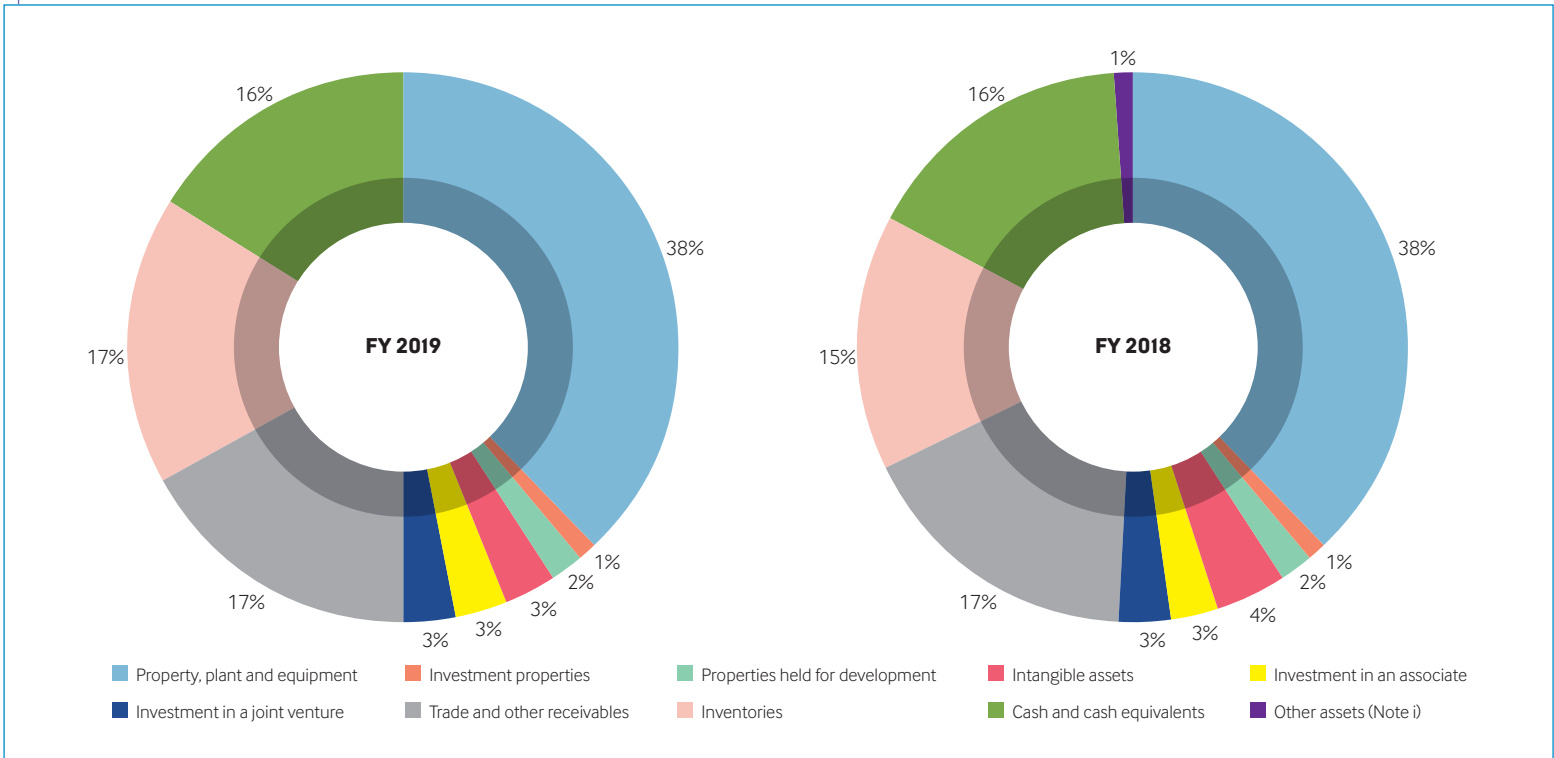


Notes:

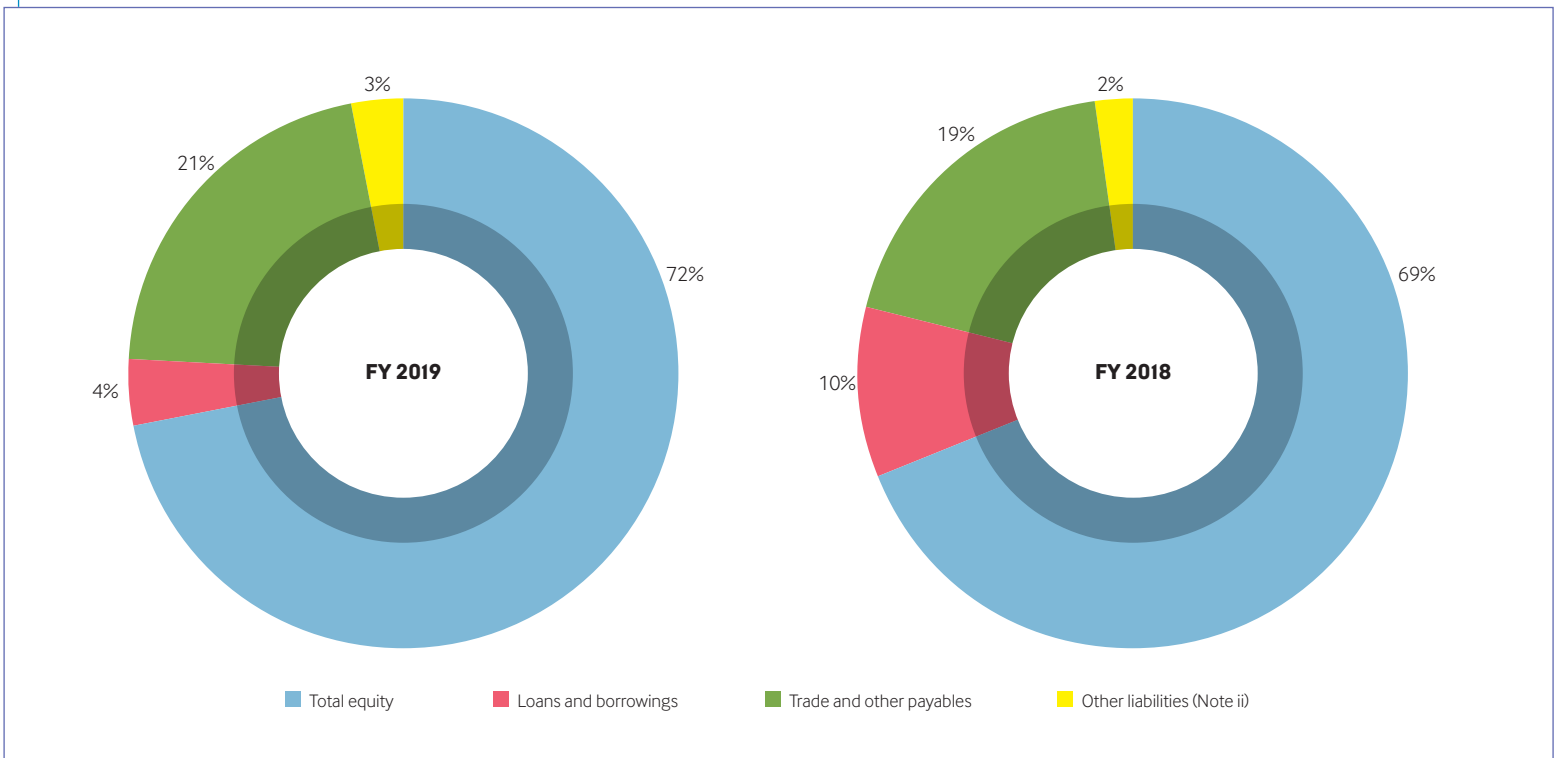
- (i) Restated for adjustments pursuant to the adoption of MFRS 15, *Revenue from Contracts with Customers*. Comparatives for financial years prior to 2018 have not been restated.
- (ii) Included proposed dividend of 33.0 sen, which will only be recognised in the financial statements upon shareholders'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

performance review >
SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS



TOTAL EQUITY AND LIABILITIES

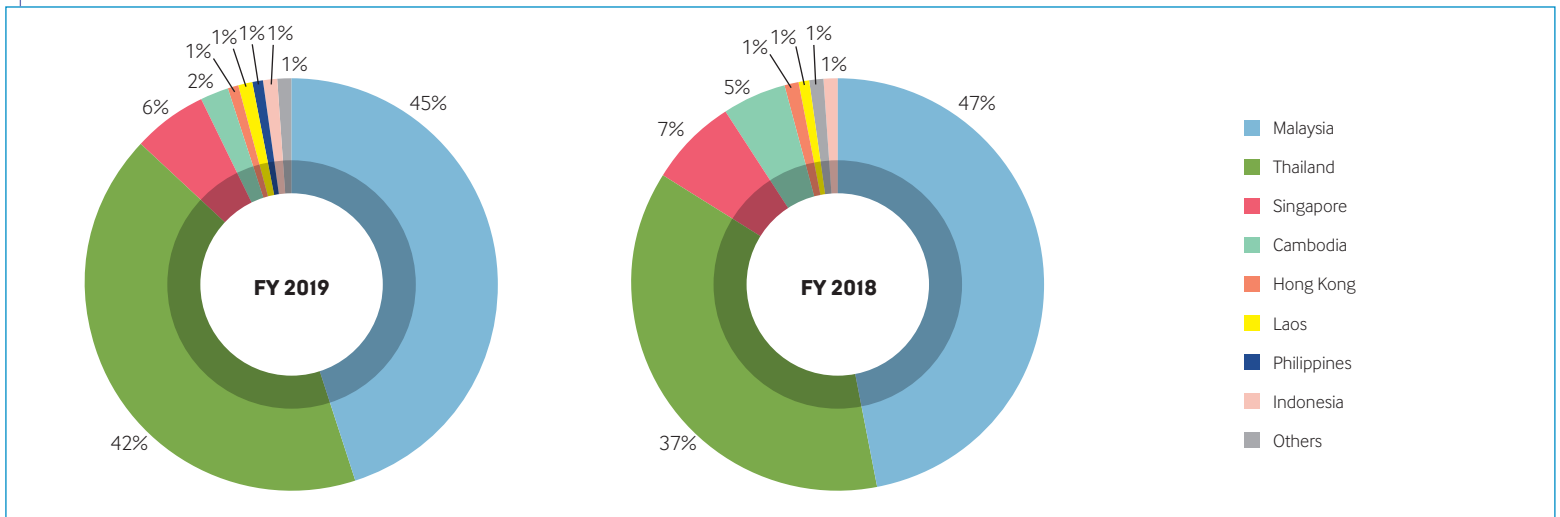


Notes:

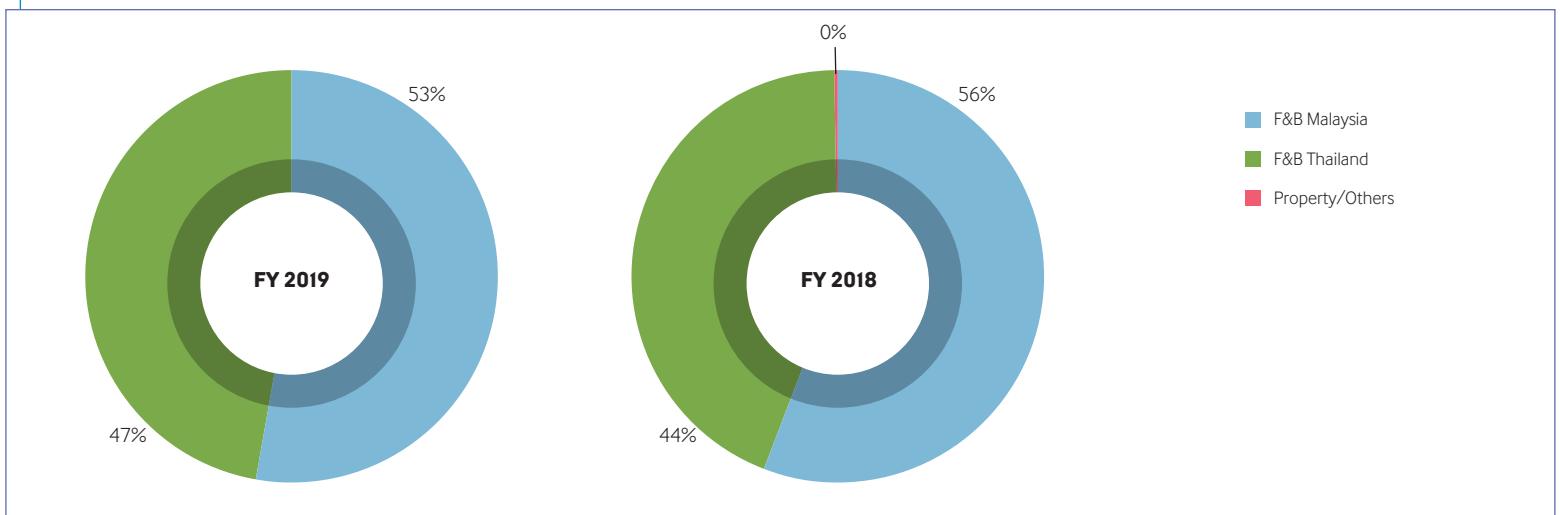
- (i) Comprise deferred tax assets, current tax assets and derivative financial assets.
- (ii) Comprise employee benefits, deferred tax liabilities, current tax liabilities and derivative financial liabilities.

performance review >
GROUP SEGMENTAL ANALYSIS

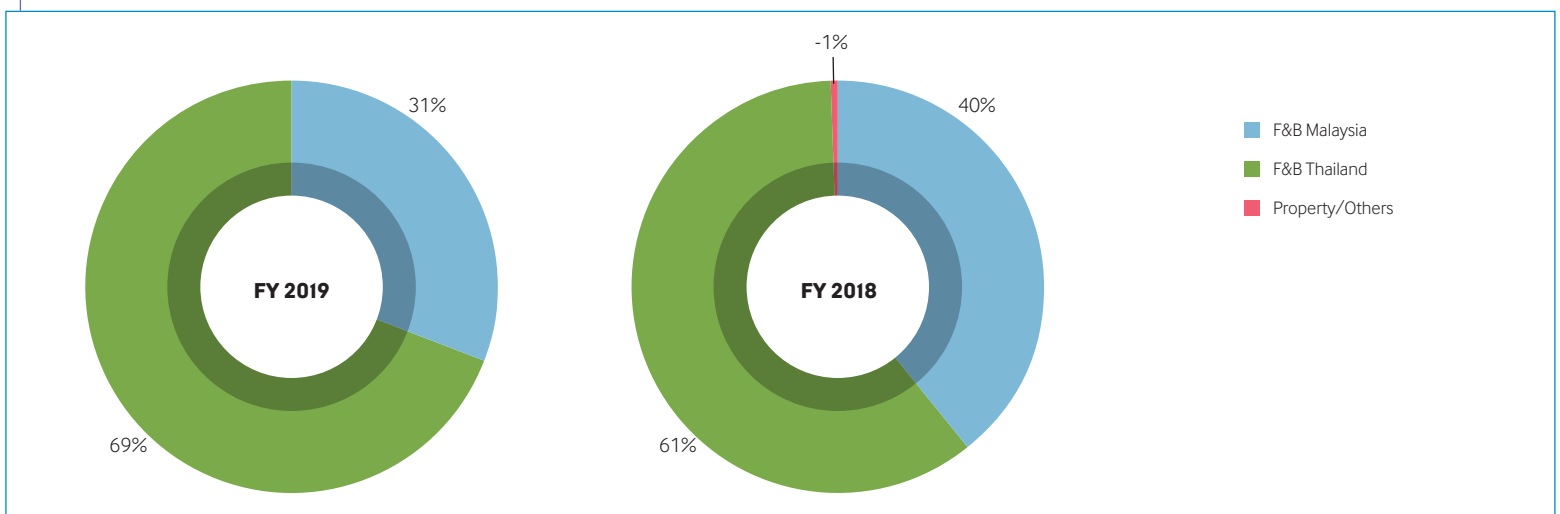
REVENUE - BY GEOGRAPHICAL SEGMENTS



REVENUE - BY BUSINESS SEGMENTS



OPERATING PROFIT - BY BUSINESS SEGMENTS



performance review > STATEMENT OF VALUE ADDED

ECONOMIC PERFORMANCE



Notes:

- (i) Restated for adjustments pursuant to the adoption of MFRS 15, *Revenue from Contracts with Customers*.
- (ii) Employee benefit expenses comprise of wages, salaries, contributions to state plans, expenses related to defined benefit plans, share-based payment expense, one-off restructuring costs and other staff costs.
- (iii) Economic value retained is calculated by direct economic value generated (revenue) – economic value distributed (annual dividends, cost of sales, employee benefit expenses and income tax expenses). Community investments are not included.

performance review >

GROUP QUARTERLY FINANCIAL PERFORMANCE

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

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

Notes:

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



performance review >
FINANCIAL CALENDAR

<p>23 JANUARY 2019</p> <p>57th Annual General Meeting</p>	<p>29 JANUARY 2019</p> <p>Date of entitlement of the final single tier dividend of 30.5 sen per share for the financial year ended 30 September 2018</p>	<p>31 JANUARY 2019</p> <p>Quarterly announcement on consolidated results for the financial year ended 31 December 2018</p>	<p>15 FEBRUARY 2019</p> <p>Date of payment of the final single tier dividend of 30.5 sen per share for the financial year ended 30 September 2018</p>
<p>29 APRIL 2019</p> <p>Quarterly announcement on consolidated results for the financial year ended 31 March 2019</p>	<p>23 MAY 2019</p> <p>Date of entitlement of the interim single tier dividend of 27.0 sen per share for the financial year ended 30 September 2019</p>	<p>13 JUNE 2019</p> <p>Date of payment of the interim single tier dividend of 27.0 sen per share for the financial year ended 30 September 2019</p>	<p>6 AUGUST 2019</p> <p>Quarterly announcement on consolidated results for the financial year ended 30 June 2019</p>
<p>5 NOVEMBER 2019</p> <p>Quarterly announcement on consolidated results for the financial year ended 30 September 2019</p>	<p>19 DECEMBER 2019</p> <p>Issuance of the Notice of 58th Annual General Meeting and Circular to Shareholders</p>	<p>20 DECEMBER 2019</p> <p>Issuance of Annual Report for the financial year ended 30 September 2019</p>	<p>20 JANUARY 2020</p> <p>58th Annual General Meeting</p>



performance review > INVESTOR INFORMATION

as at 30 November 2019

SHARE CAPITAL

RM816.8
million

NO. OF SHAREHOLDERS

5,150

TOTAL NO. OF ISSUED SHARES

366,778,501

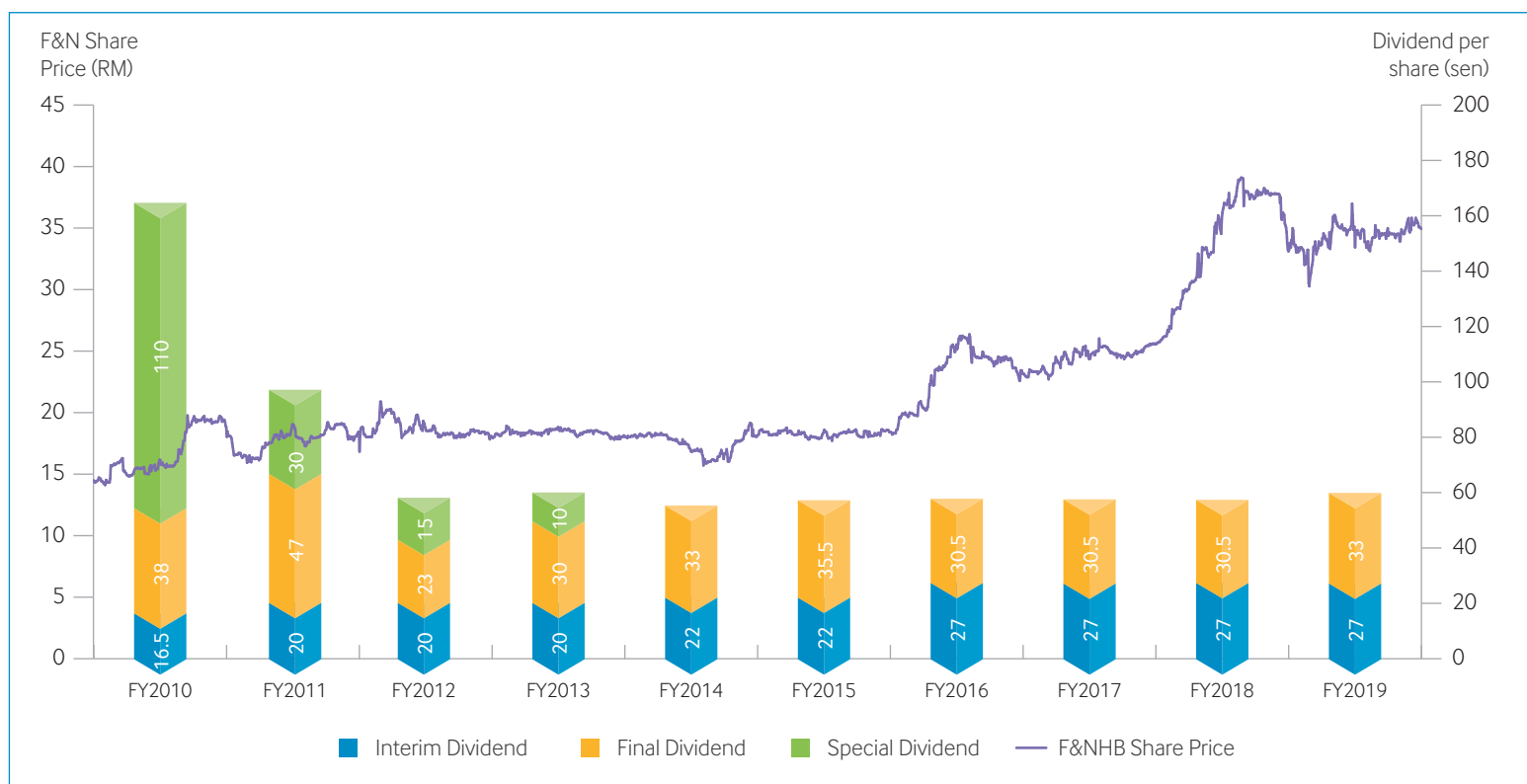
SUBSTANTIAL SHAREHOLDERS:

Fraser and Neave, Limited: **55.475%**

Employees Provident Fund Board: **10.654%**

Amanahraya Trustees Berhad
– Amanah Saham Bumiputera: **7.052%**

SHAREHOLDER RETURNS (FY2010-FY2019)



OUR INVESTOR PORTAL

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

OUR INVESTOR CALENDAR

23 January 2019

30 April 2019

6 November 2019

20 January 2020

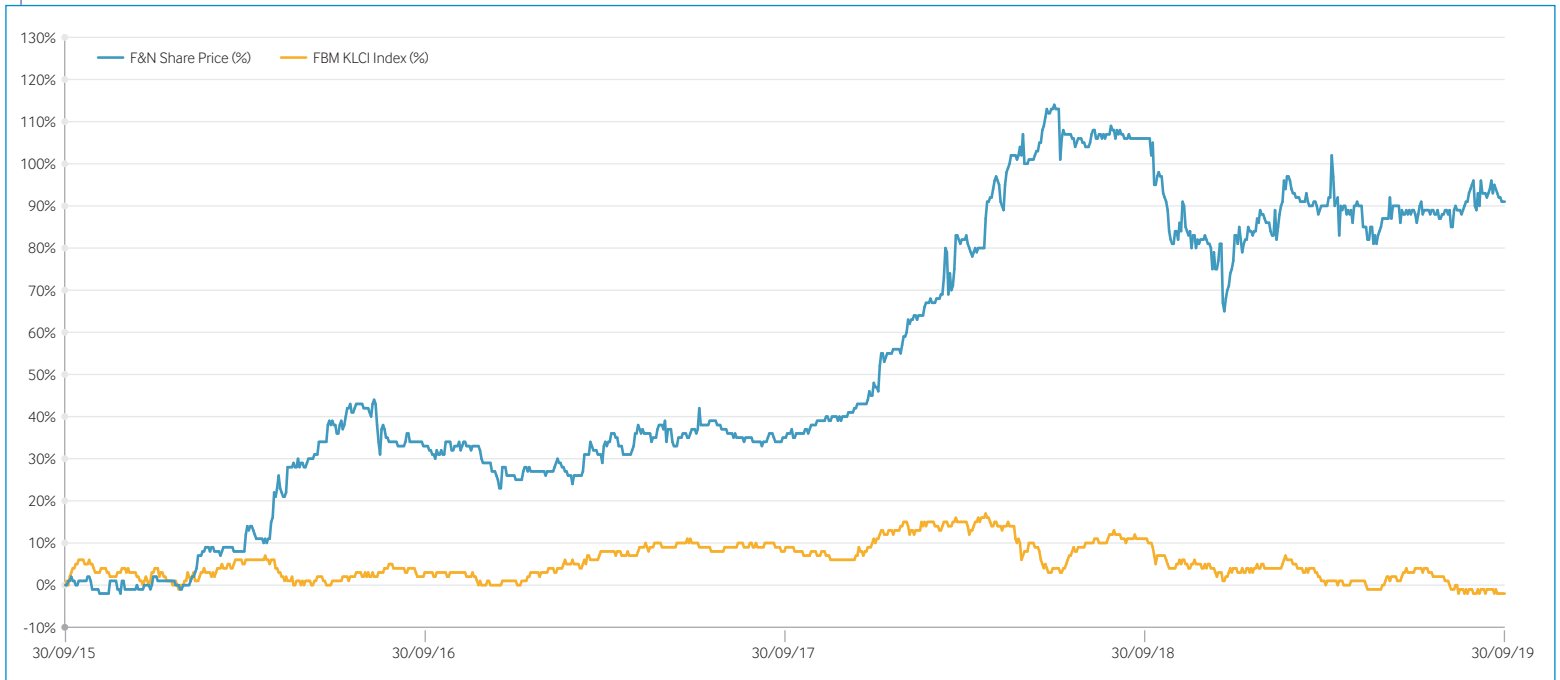
57th Annual General Meeting

Half Year Results Briefing

Full Year Results Briefing

58th Annual General Meeting

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



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

