

## CHAIRMAN'S STATEMENT

**Dear Shareholders and Stakeholders,**

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



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

Profit after tax surged **19.1 per cent**

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

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

**FINANCIAL PERFORMANCE: POISED FOR GROWTH**

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

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

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

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

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

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

**SHAREHOLDER'S WEALTH**

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

An investor who held on to his F&NHB shares over the last 10 years to-date would enjoy a return on investment (ROI) of more than 300 per cent. This is contributed by a steady increase in our share price - from RM9.05 in October 2008 to RM33.32 as at 30 November 2018. I am also pleased to report that our basic earnings per share has increased from 88.3 sen to 104.9 sen in FY2018.

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

**VALUE CREATION FOR ALL**

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

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

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

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

## CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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



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



### SUSTAINABILITY AT THE CORE

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

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

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



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

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

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

**CORPORATE GOVERNANCE AT ITS BEST**

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

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

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

For details, refer to Governance section on page 84.

**AWARDS AND RECOGNITION**

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

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

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

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

For more industry awards, refer to page 1.

**ACKNOWLEDGEMENTS**

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

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

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

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

