HEINEKEN

Heineken Malaysia Berhad

Annual Report 2019

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Note:
This annual report focuses on our activities, performance and results for the financial year ended 31 December 2019. This report has been prepared in accordance with the GRI Standards: Core option.

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HOW WE ARE GOVERNED

WE ARE HEINEKEN

We build true human connections and break down barriers, because we believe great moments of shared experiences are the best in life.

We are inspired by consumers to brew the best beers and extend that same passion to all of our brands, products and activities.

We are proud of our family history and Dutch heritage and derive from them our entrepreneurial spirit that takes us to every corner of the world.

We are brand builders. The Heineken® brand defines and unites us while our many local, regional and global brands make our portfolio diverse and unique.

People are at the heart of our company. We see our strength in trust, diversity and progress.

We stand by our values: passion for quality, enjoyment of life, respect for people and for the planet.

We always advocate for responsible consumption. We are committed to our communities and strive to consistently improve the impact we make on the planet.

We work with our customers and partners to grow together and seek to win with integrity and fairness.

And we are convinced that by staying true to these commitments, we create value for our shareholders.

WE ARE HEINEKEN.

About Us

Heineken Malaysia Berhad (HEINEKEN Malaysia) is the leading brewer in the country, with a portfolio of iconic international brands that includes: The World's No. 1 international premium beer - Heineken®; The great taste of Heineken® with zero alcohol - Heineken® 0.0; The World-acclaimed iconic Asian beer - Tiger Beer; The crystal-cold filtered beer - Tiger Crystal; The World's No. 1 stout - Guinness; The World's No. 1 cider - Strongbow Apple Ciders; The New Zealand inspired cider - Apple Fox Cider; The all-time local favourite - Anchor Smooth; The premium Irish ale - Kilkenny; The real shandy - Anglia

HEINEKEN Malaysia also produces the wholesome, premium quality non-alcoholic Malta. HEINEKEN Malaysia's brand portfolio also includes the No. 1 German wheat beer Paulaner and Japan's No. 1 100% malt beer Kirin Ichiban.

Heineken Malaysia Berhad's (HEINEKEN Malaysia) history in the country dates back to 1964, and the Company's shares have been listed on the Main Market of Bursa Malaysia since 1965.

HEINEKEN Malaysia is 51% owned by GAPL Pte Ltd (GAPL) and 49% by the public. The Company's name was changed to Heineken Malaysia Berhad on 21 April 2016 following Heineken N.V.'s acquisition of Diageo Plc's stakes in GAPL in October 2015. GAPL is now a subsidiary 100% owned by Heineken N.V., the world's most international brewer.

Our 23.72-acre Sungei Way Brewery is the first in Malaysia to receive the MS 1480: 2007 Hazard Analysis Critical Control Point (HACCP) Certification from the Ministry of Health in August 2002. The brewery also received the ISO 9002 Certification since 1995 and has upgraded to MS ISO 9001: 2008 in 2010 and, subsequently, to ISO 9001: 2015 in 2018.

HEINEKEN Malaysia employs over 600 people at our headquarters and brewery in Petaling Jaya, Selangor, as well as 13 sales offices throughout Peninsular and East Malaysia.

Our people are the heart of the Company, driving us forward with their energy and dedication. Through their every action and day-to-day interactions, they reflect HEINEKEN's values of Passion for Quality, Enjoyment of Life, as well as Respect for People and for the Planet.

These values strengthen our stakeholder relationships From Barley to Bar, and underline our global sustainability strategy of Brewing a Better World. We believe it is critical to be responsible in order to be sustainable, and take our responsibility to our people, planet and performance seriously.

While promoting the enjoyment of our beers and ciders, we take the lead in advocating responsible consumption through our Drink Sensibly campaign. Through HEINEKEN Malaysia's corporate social responsibility arm SPARK Foundation, we extend our commitment to grow with local communities in the areas of environmental conservation and education for a better tomorrow.

Our Purpose

Brewing a Sustainable Future for Our People, Business & Planet.

Our Ambition

To be the undisputed market leader in volume, revenue and sustainability.

Our Chairman's Message

DEAR SHAREHOLDERS,

2019 has been a challenging year. Against a backdrop of global trade wars, heightened geopolitical risks, increased volatility in financial markets, weakness in commodity sectors, and domestic uncertainties leading to weaker growth, we saw consumer confidence remain below the optimal threshold.

DATO' SRI IDRIS JALA
Chairman

Our Chairman's Message

I am proud that we launched two new products in 2019 – the dealcoholised beer Heineken® 0.0 as well as the sessionable beer Tiger Crystal. Both products garnered widespread interest and will play a key role in HEINEKEN Malaysia's portfolio of brands.

With the increase in uncertainties, consumers became more prudent by deferring spending on discretionary products and seeking greater value in their purchases. The Malaysian Institute of Economic Research noted that the domestic spending momentum may deteriorate in the near term due to anxieties over rising living cost, which may limit shopping plans due to weakening purchasing power. On the bright side, consumer spending is sustained on the back of a steady labour market and stable inflation.

I am happy to report that Heineken Malaysia Berhad (HEINEKEN Malaysia) has delivered a commendable performance amidst challenging market conditions and the intensifying competitive landscape. In 2019, we grew our revenue by 14% (10% if we exclude the impact from the Sales & Services Tax) driven by robust sales performance across all core brands and new product launches. On the back of the solid revenue growth, Profit Before Tax rose 8% supported by improved cost efficiency.

+14%

GROUP REVENUE

(10% if we exclude the impact from the Sales & Services Tax)

The impressive results were achieved due to the effective execution of key business strategies, in particular Management's focus on our core brands and big innovations. In this regard, I am proud that we launched two new products in 2019 – the dealcoholised beer Heineken® 0.0 as well as the sessionable beer Tiger Crystal. Both products garnered widespread interest and will play a key role in HEINEKEN Malaysia's portfolio of brands.

With consumer behaviour continually evolving in this digital age, in 2019, we saw the acceleration of online shopping, the proliferation of e-Wallets, and expansion of delivery services, notably for food and beverages. I am happy to report that HEINEKEN Malaysia has taken steps in the right direction with its e-Commerce platform for the drinks industry. With the launch of Drinkies.my, we now deliver our beers in a faster way to our consumers, even to the extent of bringing the complete bar experience and draught beer to our consumers' homes.

I take this opportunity to thank the Government for keeping excise duties on beer and stout stable in 2019. As it is, Malaysia's excise rate for beer and stout ranks second highest in the world behind Norway and alongside Singapore. We also commend the Government for increasing penalties for smuggling offences. Based on Industry observations, we believe the efforts of the authorities have helped address the illicit market. As such, we remain committed in working with the Government on educating and creating awareness on the issue amongst our stakeholders.

We also take note of the Government's intention to increase penalties for drink driving in 2020. As a responsible and progressive brewer, HEINEKEN Malaysia has consistently advocated for responsible consumption. Leveraging on the reach of the Heineken® brand as a global F1 partner, we continue to educate consumers by reinforcing the message "When You Drive, Never Drink" through our social media campaigns. I am proud to share that annually, we spend 10% of the Heineken® media budget on promoting the message of responsible consumption.

Sustainability remains at the core of our business, in 2019 we continued to strengthen our initiatives in line with HEINEKEN's global sustainability strategy – Brewing a Better world. I am happy to report that as of 2019, we have cut our carbon emissions by 18.4% and reduced our water consumption by 15% since 2014. Through our Corporate Social Responsibility arm, SPARK Foundation, we continued to lead the water stewardship agenda beyond production. In 2019, we constructed a 305-metre clay dyke in Raja Musa Forest Reserve, that is expected to help store an additional 150 million litres of water. In the same location, we also reforested one hectare of degraded peatland forest which offsets CO_2 emissions from 1,400 cars.

For education, Tiger Beer continued its collaboration with Sin Chew Daily to organise two successful rounds of the Tiger Chinese Education Charity Concert, which has helped raise a total of RM355 million for Chinese schools in Malaysia since 1994. Through SPARK Foundation's continued investment in the English Enrichment Training Programme, we have now trained more than 630 educators across seven states in Malaysia, helping to improve English language competencies for over 10,000 students in rural areas.

Acknowledgements: On behalf of the Board, I would like to thank Kenneth Choo for his valuable contributions. In his place, we would like to welcome Leo Evers to the Board. Leo brings on board a wealth of experience in the HEINEKEN company. His strong business acumen and passion for sustainability will no doubt add a new perspective to the Board. I would also like to thank our Management, led by Roland Bala, as well as employees throughout the Company for their passion and commitment. Our appreciation extends to all our business partners – our suppliers, distributors and customers – for their continued partnership with HEINEKEN Malaysia.

As we move into 2020, we are faced with an unprecedented global crisis in the form of the Covid-19 pandemic. As a direct result, we will face greater uncertainty as the world fights to contain the pandemic. As a responsible Company, HEINEKEN Malaysia's first priority is the safety and health of our people. I am proud to see that the team is quickly working to support our stakeholders through this difficult period. Whilst it is clear that our business will be significantly impacted, I have full confidence that the Management is taking the right actions to safeguard the continuity and sustainability of our business in 2020 and beyond.
Thank you.

Dato' Sri Idris Jala
Chairman
20 May 2020

Board of Directors

From Left To Right:
Yu Yu-Ping, Lim Rern Ming, Geraldine and Martin Giles Manen

Board of Directors

From Left To Right:
Dato' Sri Idris Jala, Roland Bala, Datin Ngiam Pick Ngoh, Linda and Evers, Leonard Cornelis Jorden

Directors' Profile

DATO' SRI IDRIS JALA

Chairman,
Independent Non-Executive Director

Appointment Date

1 January 2017

Malaysian I Male I 61

Board Committees Membership

- Nomination & Remuneration Committee (Chairman)
- Audit & Risk Management Committee

Qualifications

- Bachelor's Degree in Development Studies and Management, Universiti Sains Malaysia
- Master's Degree in Industrial Relations, University of Warwick

Working Experience

- Presently, President and Chief Executive Officer (CEO) of PEMANDU Associates.
- Former Managing Director of BFR Institute and CEO of PEMANDU, a unit in the Prime Minister's Department, Malaysia, the organisation tasked with spearheading Malaysia's transition towards high income status by 2020.
- Served as Minister in the Prime Minister's Department for 6 years, and later as the Advisor to the Prime Minister on the National Transformation Programme.
- A renowned transformation guru in turning around companies' performance through his big fast results methodology and transformational strategies that are innovative, rigorous and relevant to today's demands.
- Has continuously delivered sustainable social economic reforms which, in 2014, saw Bloomberg place him among the top 10 most influential policy makers in the world.
- Founder and Executive Chairman of the Global Transformation Forum (GTF), the world's singular platform for influential, global leaders to engage and share experiences and best practices on how to drive transformation.
- An Expert Resource Speaker at the Harvard Health Leaders' Ministerial Forum and a Visiting Fellow of Practice at the Oxford Blavatnik School of Government.
- Served on the Advisory panel for the World Economic Forum (WEF) on New Economic Growth and also on the Advisory Panel of World Bank.
- Former Managing Director / CEO at Malaysia Airlines (MAS) for 3 years. He was brought on board to turn around the airline which was in crisis brought about by a prolonged bout of losses from operational inefficiencies.
- Prior to MAS, he spent 23 years at Shell, rising up the ranks to hold senior positions including Vice President, Shell Retail International and Vice President Business Development Consultancy, based in UK. This included successful business turnarounds in Malaysia and Sri Lanka.

Directorships

Listed Entity

- Sunway Berhad

Public Companies

- Jeffrey Cheah Foundation

Directors' Profile

ROLAND BALA

Managing Director,
Non-Independent Executive Director

Appointment Date

1 September 2018

Malaysian | Male | 54

Board Committees Membership

- Nil

Qualifications

- Bachelor's Degree in Business Administrations, UiTM Malaysia

Working Experience

Within the HEINEKEN Group:

- From February 2012 to August 2018, Managing Director of Cambodia Brewery Ltd (CBL), HEINEKEN's operating company in Cambodia. In this role, he has led CBL to increase its market share by more than double, establishing CBL as the market leader in Cambodia.
- From March 2009 to February 2012, General Manager for Danang and Quang Nam Breweries in the central region of Vietnam.
- February 2008 to February 2009, Special Assistant to the Regional Director of Asia Pacific Breweries.

Previous Experience:

- Started his career with British Petroleum (BP) where he spent 16 years working in sales, logistics, operations and planning roles in retail, gas and lubes businesses.
- He was then appointed as the General Manager for BP Vietnam from 2003 to 2005 and subsequently as the Sales Director for the lubes business for Malaysia and Singapore from 2005 to 2007.

Directorships

Listed Entity

- Nil

Public Company

- Confederation of Malaysian Brewers Berhad

MARTIN GILES MANEN

Senior Independent
Non-Executive Director

Appointment Date

24 August 2008

Malaysian | Male | 65

Board Committees Membership

- Audit & Risk Management Committee (Chairman)
- Nomination & Remuneration Committee

Qualifications

- Chartered Accountant
- Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants

Working Experience

- Served more than 21 years with Sime Darby Group, holding various senior positions including Group Tax Controller, Group Company Secretary, Group Finance Director and Divisional Director of the Allied Products & Services Division.
- After leaving the Sime Darby Group in 2007, he served as Chief Executive Officer of a public relations and communications consultancy until May 2009.
- Started his career at KPMG with whom he served 11 years in Malaysia and the United Kingdom, undertaking audit, tax and business advisory assignments.
- Served as a member of the Malaysian Accounting Standards Board, the Executive Committee of the International Fiscal Association (Malaysia Branch) and the Task Force on the formation of an Audit Oversight Board chaired by the Securities Commission (SC) and the Accounting Technical Panel of the SC.

Directorships

Listed Entity

- Nil

Public Companies

- Hong Leong MSIG Takaful Berhad
- BOS Wealth Management Malaysia Berhad (formerly known as Pacific Mutual Fund Bhd)

Directors' Profile

DATIN NGIAM PICK NGOH, LINDA

Independent Non-Executive Director

Appointment Date

3 December 2012

Malaysian | Female | 65

Board Committees Membership

- Audit & Risk Management Committee
- Nomination & Remuneration Committee

Qualifications

- Bachelor of Arts (Hons) in Social Sciences, University of Malaya
- Diploma in Advertising and Marketing Institute of Communications, Advertising and Marketing (CAM) of United Kingdom

Working Experience

- Former Group Managing Director/Chief Executive Officer of Star Publications (M) Bhd (The Star) from 1 July 2008 to 30 June 2011. First employed in The Star as Advertising Sales Promotions Manager in 1985 before serving as General Manager, Advertising and Business Development in 1995. In 2004, she was appointed as Deputy Group General Manager and in 2007 she was promoted to Executive Director/ Group Chief Operating Officer before assuming the office as Group Managing Director/Chief Executive Officer of The Star in 2008, a position she held till her retirement in 2011.
- Former Board Member of the Audit Bureau of Circulations (ABC) Malaysia and Chairperson of the ABC Content & Communications Committee.
- Represented The Star on the Malaysian Newspapers Publishers Association (MNPA) as its Honorary Secretary.
- Former Board Member of the Advertising Standards Authority (ASA) Malaysia.

Directorships

Listed Entity

- MUI Properties Berhad

Public Companies

- Hong Leong Assurance Berhad

Others

- Yayasan Sin Chew
- Make a Wish Malaysia Welfare Association

EVERS, LEONARD CORNELIS JORDEN

Non-Independent Non-Executive Director

Appointment Date

1 October 2019

Dutch | Male | 56

Board Committees Membership

- Audit & Risk Management Committee
- Nomination & Remuneration Committee

Qualifications

- Master in Business Administration, Erasmus University, Rotterdam

Working Experience

- Presently, Managing Director of Heineken Asia Pacific Pte Ltd (APAC) responsible for the business of its operating companies within the Asia Pacific region.
- A globally experienced business leader with a successful track record in general management, marketing and logistics.
- Has worked for HEINEKEN for 30 years including in the Netherlands, Japan, Poland, New Caledonia, Indonesia and Vietnam.
- During his extensive career with HEINEKEN, he has held the position of Managing Director/CEO at HEINEKEN's operating companies in New Caledonia (2006 – 2010), Indonesia (2010 – May 2013) and most recently in Vietnam (May 2013 – August 2019).

Directorship

Listed Entity/Public Companies

Nil

Directors' Profile

LIM RERN MING, GERALDINE

Non-Independent Non-Executive Director

Appointment Date

1 November 2017

Singaporean | Female | 49

Board Committees Membership

- Nil

Qualifications

- LLB Honours National University of Singapore

Working Experience

- Presently, Regional Legal Director for HEINEKEN, responsible for the functional oversight of legal in Asia Pacific. She is also a member of the HEINEKEN APAC Leadership team and the HEINEKEN Legal Affairs Leadership Team.
- Started her tenure at HEINEKEN in 2013 following its take-over of Asia Pacific Breweries Limited, where she had been General Counsel since 2004. She was closely involved in the de-listing and integration process and now heads HEINEKEN's APAC legal function.
- More than 20 years of experience in legal practice and in the in-house legal function for various Singapore listed companies. At Asia Pacific Breweries Limited, she was responsible for legal, compliance and enterprise risk management.
- Other experience includes joint ventures, mergers and acquisitions, setup of greenfield breweries and managing high profile litigation and arbitration in the Asia Pacific region.
- Listed in the 2019 GC Powerlist Southeast Asia (Most Influential Lawyers in Business).

Directorship

Listed Entity/Public Companies

Nil

YU YU-PING

Non-Independent Non-Executive Director

Appointment Date

10 December 2018

Taiwanese | Female | 51

Board Committees Membership

- Audit & Risk Management Committee
- Nomination & Remuneration Committee

Qualifications

- Master in Business Administration Babson College, Massachusetts

Working Experience

- Presently the Senior Director, Human Resources (HR) of HEINEKEN APAC.
- Began her career with HEINEKEN in April 1996 as Singapore's Regional HR Manager Far East before moving to Heineken International Amsterdam in September 1998 as a Benchmarking Analyst with Corporate HR. She subsequently took on a different role as a Policy & OD Consultant before relocating back to Asia in 2005 as the Regional HR Manager, Asia Pacific.
- In October 2010, she assumed the role of Group HR Director with Asia Pacific Breweries Limited (APB). In that position, she played a key role in creating a shared HR Vision for a diverse HR team across Asia Pacific. With the successful integration of APB business into the HEINEKEN Group, she was then appointed as the Regional HR Director.
- Promoted to Senior Director, Human Resources on 1 July 2015.

Directorship

Listed Entity/Public Companies

Nil

Management Team's Profile

ROLAND BALA

Managing Director

Qualification

- Bachelor's Degree in Business Administrations, UiTM Malaysia

Appointment Date

1 September 2018

Malaysian | Male | 54

Working Experience

Within the **HEINEKEN** Group:

- Managing Director of Cambodia Brewery Ltd (CBL), HEINEKEN's operating company in Cambodia, from February 2012 to August 2018. In this role, he has led CBL to increase its market share by more than double. Thus, establishing CBL as the market leader in Cambodia.
- General Manager for Danang and Quang Nam Breweries in the central region of Vietnam from March 2009 to February 2012.
- Joined Asia Pacific Breweries (APB) as Special Assistant to the Regional Director from February 2008 to February 2009.

Previous Experience:

- Started his career with British Petroleum (BP) where he spent 16 years working in sales, logistics, operations and planning roles in retail, gas and lubes businesses.
- He was then appointed as the General Manager for BP Vietnam from 2003 to 2005 and subsequently as the Sales Director for the lubes business for Malaysia and Singapore from 2005 to 2007.

SZILARD VOROS

Finance Director

Qualification

- Master of Science Degree in Corporate Finance and Accounting, University of Pecs, Hungary
- Bachelor's Degree in Foreign Economics, College of Commerce and Economics, Hungary

Appointment Date

1 November 2017

Hungarian | Male | 43

Working Experience

Within the **HEINEKEN** Group:

- Joined HEINEKEN in July 2015 as Finance Director in HEINEKEN Hungary, where he led the Finance, Procurement and IT functions and co-pilot the business to drive HEINEKEN Hungary back on a growth path after years of decline.

Previous Experience:

- Over 15 years of experience working with the British American Tobacco (BAT) Group in various financial roles.
- Among some of the positions he held at BAT were Regional Marketing Investment Manager for BAT European Region, and Head of Finance Baltic Cluster.

Management Team's Profile

VASILY BARANOV

Sales Director

Qualification

- Bachelor's Degree in Environmental Engineering & Ecology, Russian State Environmental University, St. Petersburg, Russia

Appointment Date

4 February 2019

Russian | Male | 42

Working Experience

Within the **HEINEKEN** Group:

- Head of Sales at HEINEKEN Hanoi from November 2015 to January 2019. In this tenure, he developed and implemented long-term company commercial strategy; as well as maximised company top line and profit growth; while he also strengthened and built the sales team with talent development and succession planning programs implementation.
- He was previously the Commercial Manager at Mongolian Beverages Company Pte Ltd, HEINEKEN's operating company in Mongolia, from 2012 to 2013; then as a Sales Development Manager at HEINEKEN APAC from 2013 to 2015. In total, he has 7 years of experience managing sales performance in the Asia Pacific region.
- First joined HEINEKEN in 2001 at its Russia operating company where he worked his way up from Area Sales Manager to Business Development Manager and finally Regional Sales Manager before pursuing a career outside of HEINEKEN in 2009.

Previous Experience:

- He worked at Nike Russia from 2009 to 2012, where he held various roles such as Regional General Manager (St. Petersburg region), Field Sales Director, and Football & Team Sports Category Sales Manager.

PABLO CHABOT

Marketing Director

Qualification

- Master of Science in Marketing Management, Erasmus University Rotterdam, Netherlands

Appointment Date

1 May 2019

Dutch | Male | 37

Working Experience

Within the **HEINEKEN** Group:

- Joined HEINEKEN in 2008 as a Commercial Management Trainee and has held various roles in both Marketing and Trade Marketing across multiple HEINEKEN operating companies, including Netherlands, Nigeria, and Switzerland.
- In his most recent role, he was Heineken® Marketing Manager at HEINEKEN China from November 2017 to April 2019. In this role, he focused on building a winning team while championing a more digital and mobile first marketing approach. He also leveraged on partnership platform such as F1 and thematic campaigns to drive growth.
- He was with HEINEKEN China from April 2016, where he was first appointed as the Commercial Organisation & Capability Manager then subsequently the Head of Innovation.
- A strong track record of working across the Heineken® brand and other portfolio brands, driving both equity and commercial performance.

Management Team's Profile

RENUKA INDRARAJAH

Corporate Affairs & Legal Director

Qualification

- Formerly an Advocate and Solicitor of the High Court of Malaya
- Solicitor of the High Court of Australia
- Solicitor of the Supreme Court of Queensland
- Post Graduate Diploma in Legal Practice (QUT)
- Bachelor of Laws, University of Queensland

Appointment Date

1 February 2002

Malaysian | Female | 52

Working Experience

Within the **HEINEKEN** Group:

- 18 years of experience within the Group.
- Held various roles including Head of Legal Affairs before being promoted to Corporate Affairs & Legal Director.
- Trustee of SPARK Foundation since 2013.

Others:

- Since June 2007, serving as a Governing Council Member of the Confederation of Malaysian Brewers Berhad
- General Committee Member of Malaysian International Chamber of Commerce & Industry (MICCI).

Previous experience:

- Over 20 years of working experience in legal including over 10 years of experience in corporate affairs.
- Advocate & Solicitor specialising in corporate law at Skrine.
- Regional Legal Counsel at Sema Group.
- Vice President of Legal at Schlumberger Sema.

SALIMA BEKOEVA

Supply Chain Director

Qualification

- Economist - Mathematician
  Moscow Plekhanov University of Economics
- Certified Professional Accountant and Auditor
  Moscow Professional Educational Center, Russia

Appointment Date

1 April 2019

Russian | Female | 49

Working Experience

Within the **HEINEKEN** Group:

- Brewery Manager at Sampang Agung, Multi Bintang Indonesia (MBI), HEINEKEN's operating company in Indonesia, from October 2017 to March 2019. During her time with MBI, she enhanced its route to market efficiencies and cost management, as well as played a key role in the brewery's expansion.
- Previously the Branch Director at the Volga Brewery in Russia where she developed and implemented the vision and strategic direction of the brewery amongst others. Under her leadership, Volga Brewery was the first brewery to achieve TPM Bronze and was nominated as the best employer in Nizhegorodsky region in 2014. In 2017, the brewery achieved the highest productivity and lowest cost results, successfully passed ISO 14000 and OHSAS standards audits. Volga Brewery became a winner of HEINEKEN AMEE region Supply Chain award on a basis of 2017 results.
- Joined the HEINEKEN Group in 2005 and has held multiple roles across the finance and supply chain divisions.

Previous Experience:

- More than 13 years of experience in audit and finance; 3 years in sales and distribution; and more than 8 years in supply chain.

Management Team's Profile

KUKARAJAN (KUHAN) KANAGARAJAN

Human Resources Director

Qualification

- Masters in Human Resource Management & Industrial Relations, University of Newcastle, Australia

Appointment Date

6 May 2019

Malaysian I Male I 47

Working Experience

Previous Experience:

- More than 17 years of experience in the Human Resources (HR) industry.
- Most recently the Head of HR Corporate Services at OCBC Bank Malaysia, from 2014 to 2019, where he was responsible for strategic and operational functional direction and alignment encompassing both the HR specialist and operations functions.
- He spent the early part of his career in finance with DiGi Telecommunications before moving into HR with Grey Worldwide as a Senior Human Resource Manager, from 2002 to 2006.
- His experience in HR led him back to DiGi as Head of Performance Management before subsequently joining the banking industry, where he then took on increasingly senior HR roles with Citibank, AmBank, and HSBC Bank Malaysia.

JANINA VRIESEKOOP

Transformation & Technology Director

Qualification

- Pre-master Culture, Organisation & Management Vrije University Amsterdam
- Bachelor of Communications INHolland Rotterdam

Appointment Date

15 January 2020

Dutch I Female I 37

Working Experience

Within the HEINEKEN Group:

- Started her career in HEINEKEN Netherlands in 2013 as a Digital Media Consultant and worked her way up to a Senior Digital Consultant and then as Innovation Digital Manager.
- Key milestones included kick-starting iDDM (Individualised Data Driven Marketing), creating an Innovation mindset within her organisation and being the frontrunner in Agile by defining the organisation's ambition and programmes.

Previous Experience:

- Owner and founder of online publisher 'Ons Woord'.
- Account Manager & Project Manager in Internet agency, Virtual Affairs.
- Site Manager Internet & Intranet, AkzoNobel.

People ▪ Planet ▪ Performance

At HEINEKEN Malaysia, we believe in the long-term sustainability of our business and in creating value for our key stakeholders. We believe that business growth and sustainability go hand in hand with our focus on people, planet and performance.

People

624 Employees

Board of Directors

57% Male

43% Female

Middle to Senior Management

50% Male

50% Female

Talent Development

International assignments to accelerate talent and Asia Pacific Graduate Programme

Growing with Communities:

Engaged **46,000** Malaysians and **158** communities through SPARK Foundation

Since 1994, **RM355 million** raised for schools through Tiger Sin Chew Chinese Education Charity Concert

Since 2017, built **19** alternative water supply solutions for needy communities

People ▪ Planet ▪ Performance

Planet

15%
reduction in water usage vs 2014

18.4%
reduction in CO_2 emissions since 2014

Zero Waste
to landfill

Reforested
1 hectare of degraded peatland forest with more than **600 trees** to offset CO_2 emissions of **1,400 cars** annually

Built
305-metre
clay dyke in Raja Musa Forest Reserve to help store **150 million litres** of water annually

Performance

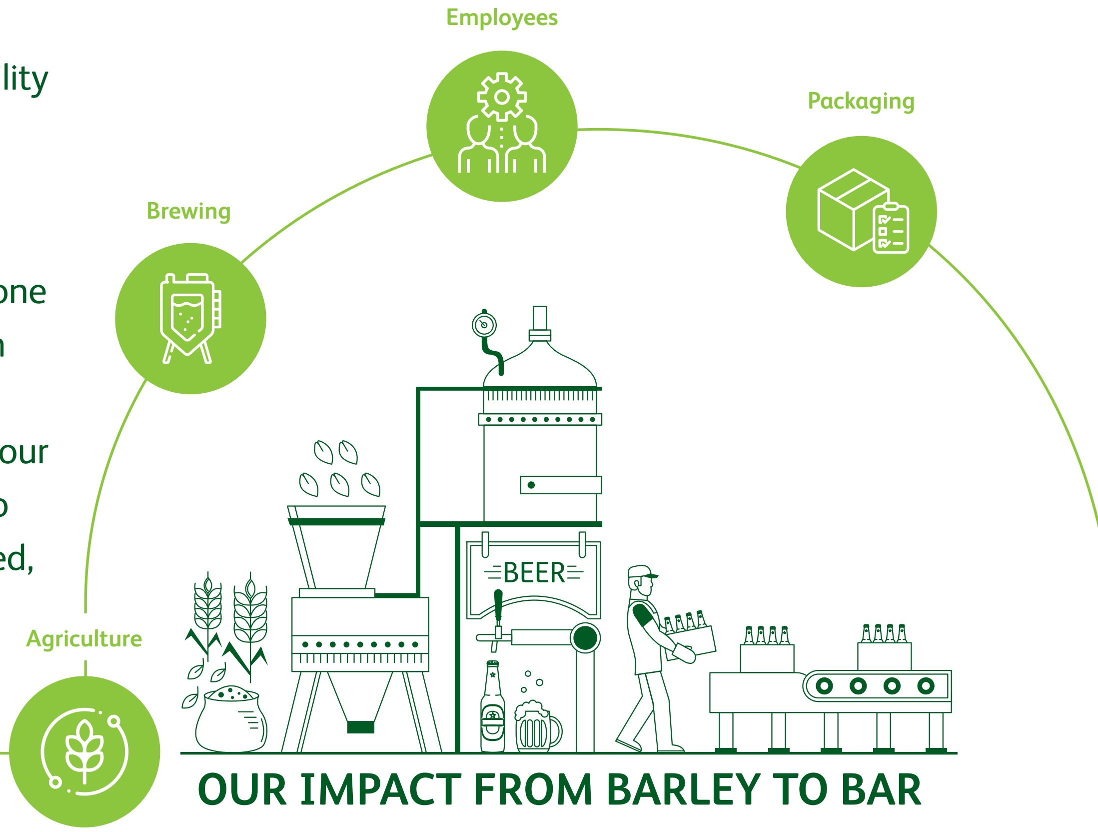
+14%
Revenue growth vs 2018

+8%
Profit before tax growth vs 2018

Contributed
RM1.26 billion
in taxes to the Government

Our Business Model

We are committed to embedding sustainability at the core of our business. This means looking at Brewing a Better World in every one of our activities – from sourcing, producing, marketing and selling our products all the way to how they are consumed, and how we can reuse and recycle waste.



Agriculture

6 8 12 17

We brew beer and make cider from natural ingredients. We support the sustainable cultivation of agricultural raw materials to brew our drinks. Our suppliers comply with the HEINEKEN Supplier Code, which details our commitment and enforcement of ethical business conduct, human rights, and environment.

Brewing

6 7 12 13 15 17

At our Sungei Way Brewery in Petaling Jaya, Selangor, the highest quality and safety standards are adhered to in the brewing process. We are committed to improving energy and water efficiencies, including increasing our use of renewables.

Employees

5 8

We employ over 600 full-time employees and we are committed to developing our people. At HEINEKEN Malaysia, we always aim to dream big and uncage our courage to inspire with our world class brands, guided by a purpose to brew a sustainable future for our people, business and planet.

Packaging

12

Our beers and ciders are served in bottles, cans and kegs. We aim for our packaging design to stand out from the crowd while we also strive to reduce its environmental footprint by innovating the materials we use as well as improve recycling and reusing.

United Nations Sustainable Development Goals

Our Business Model

Distribution

We work to optimise efficiencies throughout our distribution networks across Malaysia. Put Safety First is our number one behaviour and we continually engage our employees and distributors to stay safe on the road.

Customers

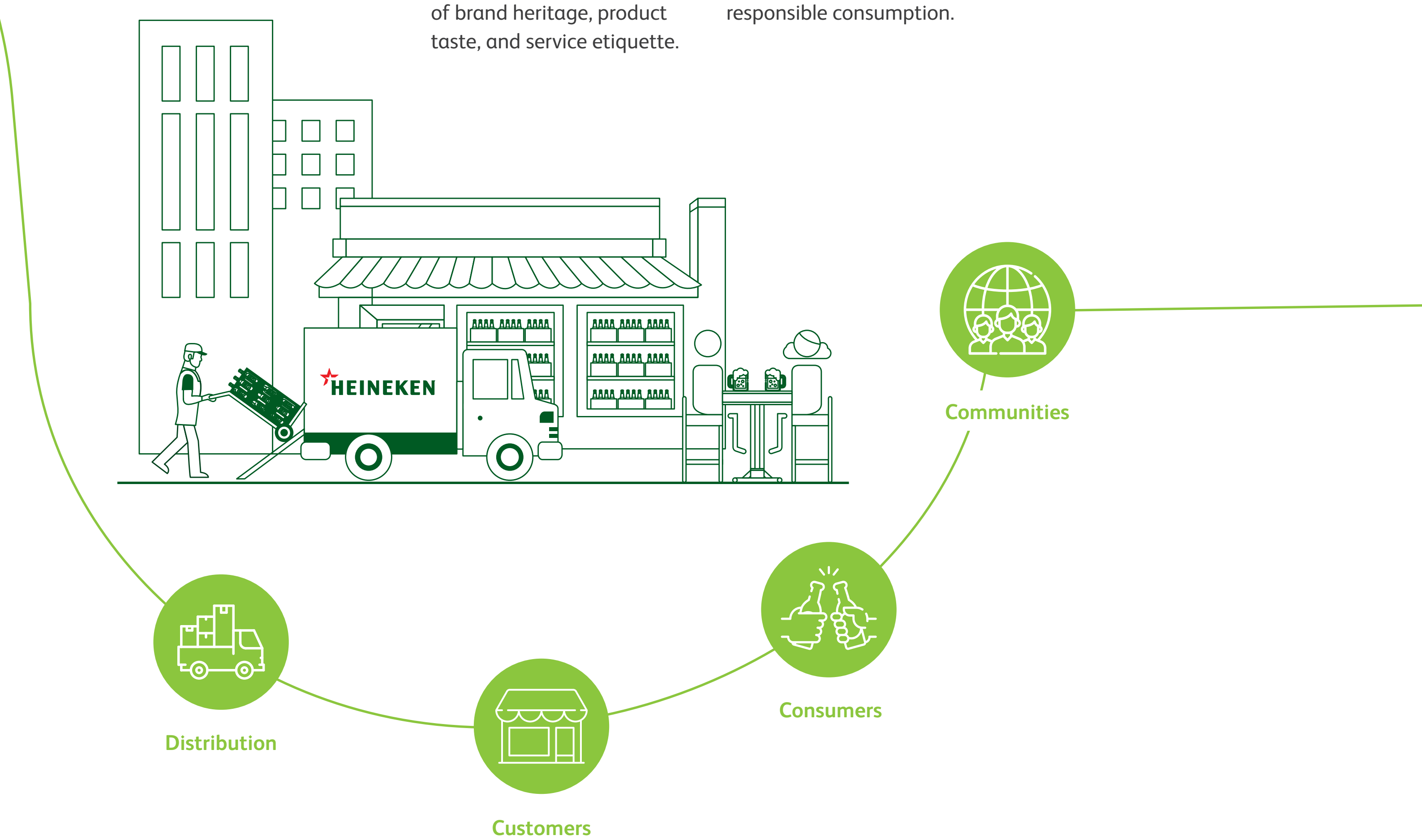
Thousands of businesses rely on selling our products for a source of revenue. We promote awareness of responsible serving with the aim of ensuring our products are enjoyed responsibly. Through our quality programmes, we also improve product knowledge and empower our customers to promote appreciation of brand heritage, product taste, and service etiquette.

Consumers

Millions of consumers enjoy the great tasting beers and ciders brewed by HEINEKEN Malaysia. We strictly market our products to those who are non-Muslims and aged 21 and above only. We are committed to advocate responsible consumption and dedicate 10% of the Heineken® brand's media spend annually to promote responsible consumption.

Communities

We believe in growing with our surrounding communities. Through our corporate social responsibility arm, SPARK Foundation, we reach out to communities with projects that focus on three key areas – Environment, Education and Partnerships.



Brewing a Better World

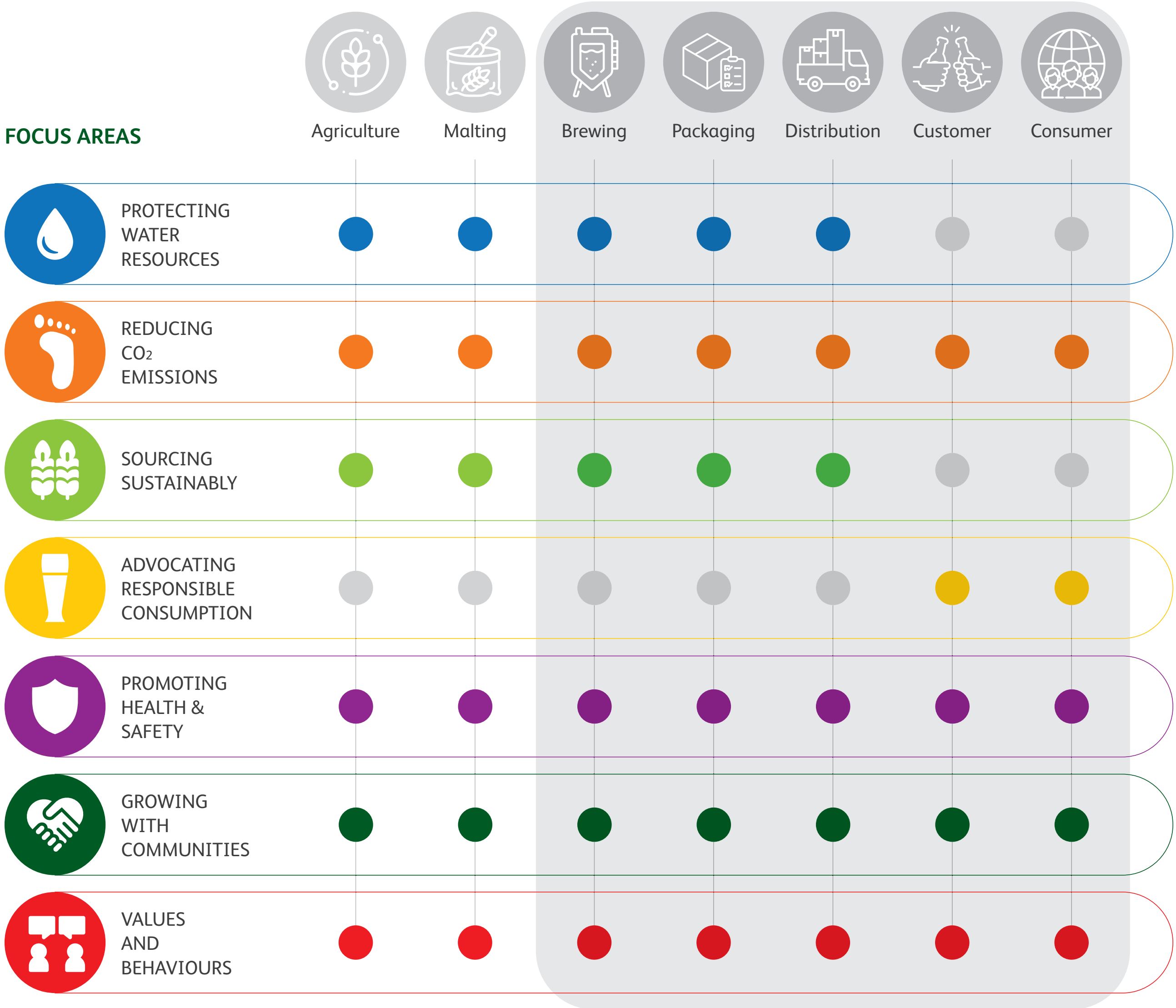
SCOPE

This section covers our performance under the six focus areas outlined by the HEINEKEN Global sustainability strategy, Brewing a Better World (BaBW). We are pleased to share that we are making good progress towards fulfilling our BaBW commitments and targets set for 2020. Through our sustainability strategy, we are supporting eight out of 17 of the United Nations Sustainable Development Goals, mainly Good Health & Well-being, Quality Education, Gender Equality, Clean Water & Sanitation, Affordable & Clean Energy, Decent Work & Economic Growth, Responsible Consumption & Production, Climate Action, Life on Land and Partnerships for the Goals.

Brewing a Better World

HEINEKEN MALAYSIA'S VALUE CHAIN

Our sustainability strategy is aligned with HEINEKEN Global's approach. Our raw materials, mainly malted barley and hops, are imported from HEINEKEN pre-approved suppliers in Europe and Australia and our agricultural sourcing practices are aligned with the HEINEKEN Supplier Code. In Malaysia, our commitments and responsibilities begin from the brewing process and end with the consumer. We aim to report our sustainability performance annually to create transparency in our actions and to be accountable to our valued stakeholders.



Brewing a Better World

SUSTAINABILITY GOVERNANCE

HEINEKEN N.V. and HEINEKEN Malaysia

HEINEKEN N.V.	HEINEKEN Malaysia - Corporate Affairs	HEINEKEN Sustainability Governance	Business Units / Support Functions
Curates sustainability strategy, sets commitments, assesses our progress and discusses challenges and opportunities.	Receives advice, leads implementation of BaBW Sustainability Strategy in Malaysia and ensure compliance.	Ensures BaBW sustainability strategy is embedded across operations in Malaysia.	Implements BaBW initiatives in Malaysia.

HEINEKEN Malaysia

Our sustainability governance is led by the Sustainability Committee, which meets on a quarterly basis and reports to the Board of Directors and Managing Director on a bi-annual basis, the Committee comprises of key stakeholders across various functions with the objective to ensure that key sustainability targets are met. The Committee is led by the Corporate Affairs & Legal Director, supported by the Corporate Responsibility Manager and advised by the Head of Process & Controls Improvement, who consults and reviews on the internal controls within the framework. In May 2018, the structure was further aligned, taking into consideration HEINEKEN global goals and HEINEKEN Malaysia deliverables.

Sustainability Committee
Led by Corporate Affairs & Legal Director
Managed by Corporate Responsibility Manager
Advised by Head of Process & Controls Improvement

Board of Directors

Managing Director

Supply Chain
- REDUCING CO_2 EMISSIONS – Production
- PROTECTING OUR WATER RESOURCES – Water Effeciency & Water Circularity

Procurement
- REDUCING CO_2 EMISSIONS – Green Cooling Packaging: Reduce/Renew
- SOURCING SUSTAINABLY

Marketing
- REDUCING CO_2 EMISSIONS – Packaging: Recycle/Rethink
- RESPONSIBLE CONSUMPTION – 10% Heineken® Media Buy Budget Transparency in Nutritional Labelling

Corporate Affairs & Legal
- REDUCING CO_2 EMISSIONS – Packaging: Recycle/Rethink
- PROTECTING OUR WATER RESOURCES – Water Stewardship
- RESPONSIBLE CONSUMPTION – Partnership/Labelling
- GROWING WITH COMMUNITIES

Human Resource
- RESPONSIBLE CONSUMPTION – Alcohol, Policy & Employees
- SAFETY FIRST
- VALUES & BEHAVIOURS

Internal Control Process Owners:
- *ARISO*
- *Annual Sustainability Survey*
- *BCS*
- *CIL*
- *Green Gauge*
- *HeiQuest*

Reliability, Completeness and Methodology

We aim to improve our sustainability milestones by seeking feedback from our stakeholders, refining our internal controls and better extracting meaningful data from our data collection systems.

Our data are extracted from internal control system as below:

1. Accident Reporting & Investigation Software (ARISO) system, for safety reporting
2. Annual Sustainability Survey, for all other sustainability-related reporting
3. Business Comparison System (BCS) for environmental reporting
4. Company Information Logistic (CIL), for business control and taxation tracking
5. Green Gauge reporting system, for progress reporting on HEINEKEN global sustainability commitments
6. HeiQuest for the monitoring of the 12 HEINEKEN Life Saving Rules

WHAT WE SAID AND WHAT WE HAVE DONE

Focus Areas	2018 Achievement	2019 Achievement	Indicator	2020 Global Commitments	Materiality
Protecting Water Resources	Water efficiency: 3.79 hl/hl Water circularity: All wastewater treated Water Stewardship: 3 year strategy launched RM2.5 million invested for projects in Sungei Way, Sungai Penchala and Sungai Selangor	Water efficiency: 3.67 hl/hl I Reduced by 15% since 2014 Water circularity: All wastewater treated beyond the standards of the Department of Environment Water Stewardship: Year 2 implementation of strategy. A science based method to quantify water stewardship programme identified. Results will be reported in the Annual Report 2020	Ongoing	Reduce specific water consumption to 3.5 hl/hl	Regulatory compliance Water management Community investment and development
Reducing CO_2 Emission	15.4% reduction since 2014 Sustained zero by-product waste status since September 2017	Reduced CO_2 emission by 18.4% since 2014 resulting in 11.42 kg CO_2eq/hl Zero waste to landfill.	Ongoing	Reduce CO_2 emissions from production by 40% as compared to 2008	Regulatory compliance Waste management Energy and carbon management
	Purchased 425 fridges in compliance with HEINEKEN policy	Purchased 284 fridges in compliance with HEINEKEN policy.	Ongoing	All new fridges must be environmentally friendly as defined by HEINEKEN Global standards	Energy and carbon management
Sourcing Sustainably	100% of our suppliers have signed our HEINEKEN Supplier Code together with the HEINEKEN Malaysia Supplementary code	100% of suppliers compliant with HEINEKEN Supplier Code	Achieved ahead of schedule.	100% compliance with HEINEKEN Supplier Code	Supply Chain management

Brewing a Better World

Focus Areas	2018 Achievement	2019 Achievement	Indicator	2020 Global Commitments	Materiality
Advocating Responsible Consumption	Partnered with GRAB Malaysia (ride hailing service) and 3 social media influencers Ongoing education on responsible consumption to more than 18,000 consumers on Drink Sensibly Facebook page 100% transparency on nutritional information for all brands available on brand and corporate websites	Partnered with GRAB Malaysia (ride hailing service) and 2 social media influencers 10% of the HEINEKEN® brand's media budget committed to advocate responsible consumption Ongoing education on responsible consumption to more than 18,000 consumers on Drink Sensibly Facebook page 100% transparency on nutritional information for all brands available on brand and corporate websites	Achieved	Reports publicly on a measurable partnership aimed at addressing alcohol abuse.	Responsible marketing and consumption Regulatory compliance
Promoting Health and Safety	100% employees have been educated on HEINEKEN Life Saving Rules (LSR) Safety Council established.	Ongoing implementations of LSR action plans	Achieved	Life Saving Rules action plans fully implemented	Product safety, quality and hygiene Occupational health and safety
Growing with Communities	Contributed RM1.2 billion through taxes to the Malaysian government More than 8,300 people engaged through the W.A.T.E.R project. Built 6 alternative water supply solutions in Sabah benefitting more than 5,000 villagers since 2017 English Enrichment Programme: Reached out to 70 teachers from underprivileged schools across 7 states	Contributed RM1.26 billion through taxes to the Malaysian government Reached out to 46,000 Malaysians Built 19 alternative water supply solutions in Selangor and Sabah since 2017 English Enrichment Programme: Reached out to 70 teachers from underprivileged schools across 7 states	N/A	Global commitments to be decided in the coming years	Economic impact and tax Community investment and development

STAKEHOLDER ENGAGEMENT

Our stakeholders are important to our sustainability journey. Through engagement and communication, we are able to work towards delivering our BaBW commitments through cross-functional collaboration and partnerships with external stakeholders.

Brewing a Better World

Our engagement with key stakeholders and communication strategies to address our materiality are as below:

Who We Engage	How We Engage	Our Focus	Materiality
Regulators and Public Authorities	▪ Courtesy visits ▪ Dialogue sessions ▪ Workshops and training ▪ Regular scheduled meetings ▪ Round-table discussions ▪ Industry and F&B sector engagement	▪ Industry issues ▪ Excise duty ▪ Licensing and regulatory matters ▪ Anti-contraband initiatives ▪ Support for business operations	Regulatory compliance Economic impact and tax
Employees	▪ Online communication platform – Workplace by Facebook ▪ Employee Climate Survey ▪ Quarterly Townhalls ▪ Department Away Day/Teambuilding ▪ Quarterly meet & lunch with Union employees ▪ Inclusive, supportive & open work environment ▪ Quarterly Leadership Team meetings ▪ Union Work-Site Committee engagements ▪ Department meetings ▪ On-boarding program for new employees ▪ Employer value proposition agenda ▪ Festive get-together ▪ Monthly Management Team meetings ▪ Periodic visits from regional offices ▪ Opportunities for career growth through assignments ▪ SpeakUp Platform	▪ Insight gathering for better work environment ▪ Industrial relationship management ▪ Strategic direction and cross-functional collaboration ▪ Developing talents ▪ Fostering industrial harmony and positive employee relations ▪ Employee welfare ▪ Employer value proposition ▪ Asia Pacific Graduate Programme ▪ Short term assignment ▪ Addressing employee grievances	Responsible marketing and consumption. Human capital development Employees' labour relation Human rights
Suppliers	▪ Engagement and education programme on new requirements ▪ Familiarisation of the HEINEKEN Supplier Code	▪ All suppliers to comply with HEINEKEN Supplier Code and HEINEKEN Malaysia Supplementary code ▪ Win-win situation ▪ Long-term partnership ▪ Communication on changes i.e. payment terms	Product Safety, Quality, Hygiene Regulatory compliance Water management Supply chain management
Customer/ Trade partners	▪ Annual trade partner engagement ▪ Distributor engagement session ▪ One-on-one engagements ▪ Joint business planning meeting	▪ Business strategy and targets ▪ Identification of areas for improvement	Responsible marketing and consumption Regulatory compliance

Brewing a Better World

Who We Engage	How We Engage	Our Focus	Materiality
Media/Analysts	▪ Media and analyst briefings ▪ One-on-one interviews	▪ Strategic direction and business performance	Regulatory compliance Economic impact and tax Community investment and development
Shareholders and potential investors	▪ Q&A session at Annual General Meeting ▪ Write-in to Company Secretary and Investor Relations (IR) ▪ Enquiry via telecommunications ▪ Analysts and media briefings ▪ One-on-one meetings with investors ▪ Timely announcement to Bursa Securities and press releases ▪ Annual Report and quarterly financial results report. ▪ IR platform on Company website	▪ Strategic direction and business performance ▪ Shareholders' returns ▪ Sustainability agenda	Responsible marketing and consumption Regulatory compliance
Chambers of Commerce	▪ Engagement session ▪ Dialogue sessions ▪ Regular scheduled meetings	▪ Industry issues	Regulatory compliance Economic Impact and Tax
Consumers	▪ Brand events ▪ Social media contest ▪ Third party one-on-one interviews / online interview ▪ Focus groups	▪ Brand campaigns and engagement activities ▪ Drink Sensibly ▪ Product quality and freshness ▪ Consumer attitude and behaviour	Responsible marketing and consumption Product safety, quality and hygiene
Communities	▪ Direct engagement through SPARK Foundation ▪ Facilitated engagement through local non-governmental organisation ▪ Engagement with local communities through one-on-one meeting ▪ Positive social impact programmes ▪ Collaboration with like-minded partners	▪ W.A.T.E.R Project in collaboration with the Global Environment Centre ▪ English Enrichment Training Programme ▪ Tiger Sin Chew Chinese Education Charity Concert (CECC) ▪ East Malaysia alternative potable water solution project	Community investment and development

Five-Year Financial Indicators

	2015	2016*	2017	2018	2019
KEY OPERATING RESULTS (RM'000)					
Revenue	1,748,885	2,810,308	1,874,322#	2,029,672	**2,320,249**
PBIT	295,361	551,051	366,403	383,134	**414,399**
Tax Expense	(78,206)	(121,963)	(93,116)	(98,244)	**(99,159)**
Profit After Tax	214,193	427,260	270,058	282,520	**312,968**
Net Cash from Operating Activities	295,017	445,543	357,856	348,437	**411,333**
OTHER KEY DATA (RM'000)					
Total Assets	713,900	841,654	867,780	940,323	**1,099,993**
Total Liabilities	(337,752)	(449,099)	(507,265)	(569,176)	**(705,892)**
Reserves	225,099	241,506	209,466	220,098	**243,052**
Total Equity	376,148	392,555	360,515	371,147	**394,101**
Capital Expenditures	38,429	87,195	77,235	99,522	**117,112**
FINANCIAL RATIOS (%)					
Operating working capital % of revenue	8.7	7.7	10.3#	8.3	**6.1**
EBITDA margin	19.3	22.1	22.3#	21.1	**20.3**
Return on equity	78.5	140.4	101.6	103.2	**105.2**
SHARE INFORMATION					
Earnings per stock unit (sen)	70.9	141.4	89.4	93.5	**103.6**
Net dividend per stock unit (sen)	71.0	145.0^	90.0	94.0	**108.0**
Dividend yield (%)	5.0	8.9^	4.8	4.6	**4.0**
Net assets per stock unit (sen)	125.0	130.0	119.0	123.0	**130.0**
Market capitalisation (RM'billion)	4.3	4.9	5.7	6.2	**8.2**

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

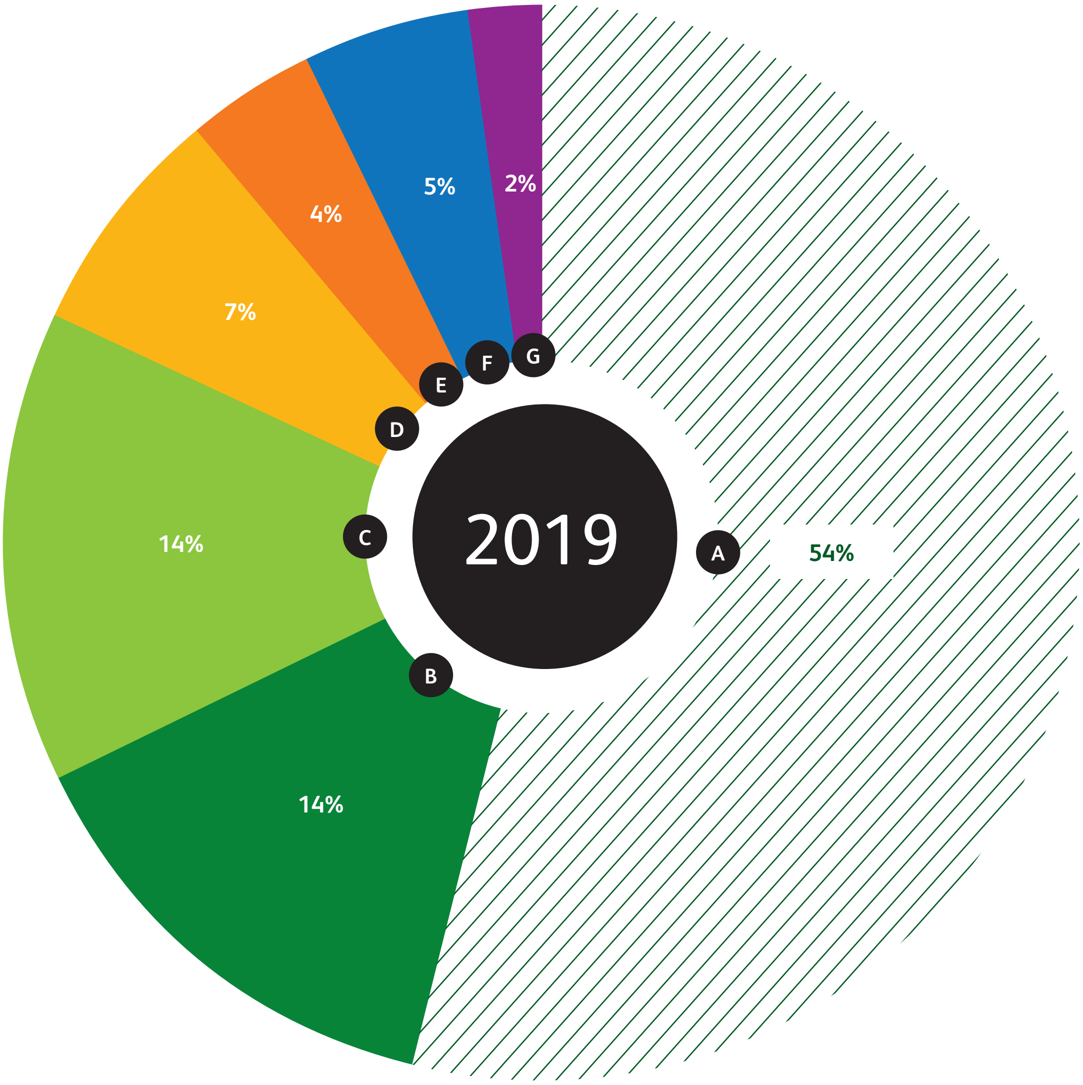
* The financial reporting period in 2016 is for an 18-month period from 1 July 2015 to 31 December 2016 as a result of the change of financial year end from 30 June to 31 December in November 2015.

^ Includes special dividend.

Revenue was restated to conform to Malaysian Financial Reporting Standard 15 : Revenue from Contracts with Customers.

Analysis Of Group Revenue

For The Financial Year Ended 31 December 2019



A	Excise, Custom Duties & Sales Tax 54%
B	Profit After Taxation 14%
C	Distribution, Sales & Administrative Expenses 14%
D	Raw Materials & Packaging Costs 7%
E	Corporate Tax 4%
F	Personnel Expenses 5%
G	Depreciation & Amortisation 2%

Management Discussion & Analysis

ROLAND BALA
Managing Director

Management Discussion & Analysis

Heineken Malaysia Berhad delivered a commendable performance in 2019 and continued to maintain market leadership despite the challenging external environment. The focus on our core brands and big innovations are bringing results, as we continued to excite consumers with world-class experiences, whilst ensuring we create value sustainably for our stakeholders.

OVERVIEW

2019 was a challenging year with consumer confidence sliding downwards after peaking in the previous year attributed to new found optimism partly due to the change in Government as well as the Goods and Services Tax (GST) holiday for several months that helped spur consumption.

Since my appointment as Managing Director in September 2018, I have completed my first full year at the helm of this great Company and I am proud to report that the organisation is in good shape as we continued building on the strong foundations and our 55-year history of growing together with Malaysia.

We made sure to reflect on our vision, values and what we wanted to achieve as One Strong Winning Team. We asked difficult questions of ourselves, who we are and what drives us forward. And this resulted in the realisation of our collective purpose as HEINEKEN Malaysia. We Are HEINEKEN. Our Purpose: Brewing a Sustainable Future for Our People, Business & Planet. Our Ambition: To be the undisputed market leader in volume, revenue and sustainability.

OUR STRATEGY

At HEINEKEN Malaysia, we embed focus and simplicity at the core of our strategy. We are the leading brewer in the country, with a portfolio of iconic international and local brands that are supported by consumers who share the same Passion for Quality that is a key HEINEKEN value. In 2019, we put our focus into growing our core brands and big innovations. This approach has given the team greater clarity and enabled us to leverage the key drivers of our revenue and earnings. And we can only do this by taking care of our people with the number one HEINEKEN behaviour in mind – Put Safety First, whilst also ensuring we do the right things for our planet today for a sustainable future.

In 2019, we put our focus into growing our core brands and big innovations. This approach has given the team greater clarity and enabled us to leverage the key drivers of our revenue and earnings.

Looking back, we have sharpened our commercial execution, enabling us to grow our mainstream and premium categories. 2019 was an eventful year and we continued to excite consumers with world-class brand activations and promotions. Amongst notable campaigns, Heineken®, the proud official partner of UEFA Champions League, offered Malaysians the ultimate football experience through its "Unmissable" campaign. Staying true to its identity as a beer born on the streets of Asia, Tiger Beer uncaged Malaysian talents and brought football legend Rio Ferdinand to Kuala Lumpur for its Tiger Street Football Festival. Guinness, the World's No. 1 Stout, once again hosted the iconic St Patrick's celebration, while Apple Fox Cider made it into the Malaysia Book of Records with its giant fox installation in conjunction with the brand's 'Wayyyy More Apples' campaign.

The big highlights included the launch of Heineken® 0.0 and Tiger Crystal, the two new additions to our winning portfolio. Heineken® 0.0 is a dealcoholised beer that caters to new occasions for beer drinkers who enjoy the taste of beer but not necessarily the effects of alcohol. Heineken® 0.0 is also a great choice for those seeking to moderate their alcohol consumption as part of a balanced lifestyle. Globally, we observe a growing demand for healthier food options, thus we are confident that Heineken® 0.0 is an excellent proposition that addresses the needs of both today's and tomorrow's consumers.

Tiger Crystal, meanwhile, is an ultra-refreshing, easy-to-drink, and less bitter beer. Crystal cold filtered at -1°C to lock in the most desirable flavours and aromas, we are already seeing positive reception and growing demand for this less bitter proposition, which is what we call a sessionable beer. Another big innovation that we continued growing in 2019 is Apple Fox, a New Zealand inspired cider, that continued to help us engage new consumers and drive penetration. With these three big innovations on the table, we are well poised to grow for the future.

Management Discussion & Analysis

I am pleased to report that HEINEKEN Malaysia's world-class brand building efforts were once again recognised by Malaysian consumers at the Putra Brand Awards 2019. Heineken® won the Platinum award, while both Tiger Beer and Guinness secured Gold. HEINEKEN Malaysia's portfolio of brands have received a total of 30 awards at the Putra Brand Awards since 2010, truly securing its place amongst Malaysia's favourite brands.

Innovation does not stop with our brands. It is also about our route-to-market as well as our ways of working. With the rapid growth of technology and increasing importance of data-driven solutions, we are readying ourselves to be at the forefront of this revolution by investing in strategic platforms and channels that will be crucial for the future success of our business. Launched in 2018, Drinkies.my is a one-stop-shop that curates drinks, snacks, and services for all party occasions. Beyond enhancing the end-to-end consumer experience from purchasing to delivery of alcoholic beverages, the online platform is the first in the country to deliver chilled beers and ciders on demand to consumers' doorstep within 60 minutes for selected areas. The on-demand delivery service is currently available in major cities of Peninsular Malaysia.

OUR PERFORMANCE

Revenue for the year ended 31 December 2019 grew by 14% to RM2.32 billion for the year primarily driven by robust sales performance of all core brands and successful new product launches of Heineken® 0.0 and Tiger Crystal.

The Group registered higher profits before tax, which grew 8% to RM412 million. The growth was supported by our effective execution in commercial initiatives and improved operational efficiency. Earnings per share increased by 10.6% from RM0.94 to RM1.04 per share.

Net cash from operating activities was RM411 million for the year, an increase of 18% resulted mainly from higher operating profits and improved operational efficiency which drives favorable working capital movement.

+14%
REVENUE
RM2.32 billion

+8%
PROFIT BEFORE TAX
RM412 million

+10.6%
EARNINGS PER SHARE
RM1.04 per share

+18%
NET CASH FROM OPERATING ACTIVITIES
RM411 million

Management Discussion & Analysis

Net assets increased to RM394 million as compared to RM371 million as at 31 December 2018, in line with the continued capex investments to support supply chain capacity upgrades along with the enhancement to digital and IT capabilities.

HEINEKEN Malaysia paid a total of RM1.26 billion in excise, custom duties, and sales tax for the year. For income taxes, the Group has incurred a total of RM99 million, translated into an effective tax rate of 24%.

Based on our 2019 results, the Board has proposed a single tier final dividend of 66 sen per stock unit for the financial year ended 31 December 2019. Subject to approval of the shareholders at the forthcoming Annual General Meeting, the single tier dividend will be paid on 12 November 2020 to shareholders registered at the closing of business on 15 October 2020. Together with a single tier interim dividend of 42 sen, which was paid on 25 October 2019, our total dividend payout for the year amounts to 108 sen per stock unit. The dividend payout ratio and shareholder return for the year is 104.2% and 37% respectively.

PEOPLE & PLANET

The results of our performance in 2019 is due to the hard work and dedication of our people - our One Strong Winning Team. During the year, our efforts in listening to our people better, speeding up processes, reviewing rewards and benefits, and embedding safety, focus and clarity as winning mindsets have contributed to the creation of a sharper team. Putting the right people in the right roles and empowering them to do the right things have an overall effect of motivating people to contribute above and beyond the call of duty. In 2019, HEINEKEN Malaysia's employee engagement score improved to 82% from 62% the previous year, whilst performance enablement improved to 77% from 71%.

We recognise that diversity and inclusion as important drivers of performance. Women's representation on the Board has exceeded the Malaysian Government's target of 30% for public listed companies, with a 57:43 male to female ratio. Amongst our employees, we have a 50:50 male to female ratio in middle to senior management positions. We continue to tap on the rich diversity and experience of HEINEKEN's global community as we work towards creating a more inclusive workplace for all.

The safety of our people is always a top priority at HEINEKEN Malaysia. Our goal is for zero accidents and for everyone to go home safely at the end of every day. In 2019, we had zero fatalities, but reported seven accidents ranging from minor to serious, of which four were amongst employees and three amongst contractors. We take safety seriously and continuously engage and remind our people to practice the HEINEKEN Life Saving Rules, whilst following the following principles:
(1) Safety is everyone's responsibility,
(2) If it is not safe, don't do it, and
(3) If there is a rule, don't test it. Moving forward, it is important we further improve on our efforts, encourage proactive reporting of near misses and incidents and embed a safety mindset in every person, be it our direct employee, contractor, or our business partners including distributors and retailers.

Sustainability is at the core of our business. I take pride in the fact that HEINEKEN Malaysia won three awards at the Sustainable Business Awards 2019 – winning the Best Water Management award for the second consecutive year, in recognition of the Company's outstanding efforts in protecting and managing water resources for production and beyond. HEINEKEN Malaysia also received a Special Recognition for Sustainability in the Community and a Special Recognition for Waste & Material Productivity.

We reaffirm our commitment to the HEINEKEN Global sustainability strategy, Brewing a Better World. Compared to 2014, we have reduced our water consumption for production by 15%, cut CO_2 emissions by 18.4%, and continued to increase use of renewable sources of energy, practice sustainable sourcing, and ensure zero waste to landfill through proper waste management. We remain focused on improving our environmental performance but we also go beyond our immediate operations to do

our part in helping to conserve our watershed. Our community outreach and education programmes through HEINEKEN Malaysia's corporate social responsibility arm SPARK Foundation have made significant impact to our surrounding communities, especially in creating greater awareness and participation in environmental protection initiatives.

Over the years, we have invested RM19.5 million in river rehabilitation, watershed health protection initiatives, education and partnership programmes. SPARK Foundation's programmes have engaged more than 46,000 people across 158 communities. In 2019, we collaborated with our partners from Government agencies, NGOs, as well as local communities and our employees to reforest 1 hectare of degraded peat swamp in the Raja Musa Forest Reserve. We also became the first corporation to build a 305-metre clay dyke in the forest, which is estimated to store up to 150 million litres of water for Sungai Selangor annually.

Besides the environment, education is another key focus area in HEINEKEN Malaysia's corporate responsibility efforts. In 2019, our Tiger Sin Chew Chinese Education Charity Concert (Tiger CECC) raised more than RM20 million for 12 schools. Since 1994, we have helped raise more than RM355 million for 559 schools nationwide. We are proud to see this platform resonate well with local communities as we strive to create a positive and lasting impact through better access to education. I take this opportunity to salute all who have supported the Tiger CECC platform whether through monetary donations or in volunteering time and effort in organising the fundraising activities. Such acts of generosity and kindness remind us of the power of community spirit, and how society is able to come together to build a better future together.

Through SPARK Foundation, we also run the English Enrichment Training Programme (EETP) with the aim of building up the capabilities of English Language teachers in rural communities. Since EETP's launch in 2012, we have invested close to RM6.5 million in the programme and successfully trained more than 630 educators from 366 schools in rural communities. In 2019, we are proud to report that the Foundation expanded the programme to benefit more teachers and schools in Sabah and Sarawak.

We believe that investing in our people and protecting the planet will enable us to grow sustainably and continue contributing positively to the socioeconomic wellbeing of Malaysia.

MANAGING OUR RISKS

Our approach to risk management is detailed in our Statement on Risk Management and Internal Control on page 77 to 83. The following table contains a general description of different areas of risks and actions undertaken by Management to mitigate the risk:

REGULATORY & TAX

We continue to engage the Government on key issues affecting the industry, in support of the country's growth ambition as well as recovery from the significant economic impact attributed to the ongoing global pandemic.

ILLICIT ALCOHOL

We fully support the Government's efforts in eradicating illicit alcohol, which represents a loss of revenue to both Government and Industry. We continue to work proactively to raise awareness about the dangers of illicit alcohol through engagements with relevant enforcement authorities, our trade partners and consumers.

GROWING SENSITIVITIES

We advocate responsible consumption. The Heineken® brand spends 10% of its media budget annually on promoting moderation and responsible consumption. Through our global partnership with F1, we reinforce a bold message – When You Drive, Never Drink. We also adhere strictly to the HEINEKEN Responsible Marketing Code to ensure that all promotional activities are in line with cultural sensitivities in Malaysia.

SAFETY & SECURITY

We continue to increase awareness and practice of the HEINEKEN Life Saving Rules amongst our people. With regards to the ongoing Covid-19 pandemic, we have put in place strict guidelines and practices which are in line with the Government's Standard Operating Procedures, with daily monitoring and reporting that ensure compliance.

OUR OUTLOOK

In 2020, we are faced with a global health crisis of unprecedented proportions. The Covid-19 pandemic is expected to pose major challenges to our business. Our top 3 priorities are (a) ensuring the health, safety and wellbeing of our people, (b) ensuring business continuity, and (c) preserving cash.

As I write this, the ongoing containment measures introduced by the Government in the form of various Movement Control Orders have affected all forms of economic activity. This included the mandatory closure of business activities deemed as non-essential by the Government whilst social distancing measures continue to post unprecedented challenges to on-trade businesses and consumers' purchasing power. These, as well as the closure of the brewery from 18 March 2020 to 3 May 2020, resulted in a material decline in our revenue and the disruption from this is expected to persist and continue to have a significant adverse impact on the overall business performance of the Group for the financial year 2020.

The Board has stress-tested the Group's balance sheet, profit and loss, and cash flow across multiple scenarios. Group operating cash flow is expected to be significantly impacted in the second quarter of 2020 and over the rest of the financial year given slower cash collections from the trade and weak demand particularly from the on-trade and tourism channels.

In order to mitigate the impact on the business, various initiatives have been implemented to accelerate business activities and improve operational efficiency to protect profitability and preserve cash. These include:

- Aggressive cost saving measures which include revision of commercial and marketing spend.
- Optimising working capital management and utilising borrowing facilities to ensure the ongoing liquidity of the Group.
- Acceleration of e-commerce channel and digital campaigns.
- Continuing to support key stakeholders to restart their respective business.
- Actionable and pragmatic commercial initiatives to adapt to the new business conditions.

We expect the overall business environment to remain challenging, particularly also with the continued challenges related to contraband beer. I take this opportunity to commend the Government and enforcement authorities for the efforts in combating illicit trade, which represent a loss of revenue to both Government and Industry. Undoubtedly, the economic impact of Covid-19 is expected to affect the spending power of consumers. With the high excise duties on beer (Malaysia ranks second highest in the world behind Norway and alongside Singapore), legal duty paid beer may become relatively less affordable for many and this phenomenon may spur the growth of illicit trade as consumers seek cheaper albeit illegal options. We are committed to continue engaging the Government on this key Industry issue.

Management Discussion & Analysis

SUPPORTING OUR STAKEHOLDERS

I am also pleased to share that HEINEKEN Malaysia has proactively reached out to support our stakeholders through this challenging period. As soon as the economic restrictions due to the Government's Movement Control Order kicked in, we launched a working group internally to identify all relevant stakeholders who needed our support. During this difficult time, we reached out with a helping hand to support in whatever little ways we can. A summary of key initiatives is available below, but you may read more about our efforts which are published on www.heinekenmalaysia.com/covid-19.

PROTECTING OUR EMPLOYEES	▪ Safety & Health of people as a top priority ▪ Working from home ▪ Split teams back to the brewery and offices ▪ Health screening, social distancing and increased sanitisation measures at the workplace ▪ HEINEKEN Malaysia has committed until the end of 2020 that it will not carry out structural lay-offs as a consequence of Covid-19
SUPPORTING OUR BUSINESS PARTNERS	▪ Tiger Beer launched the Save our Street Food campaign, pledging RM1.5 million to support Malaysian restaurants, coffee shops and street food vendors during the challenging period ▪ HEINEKEN Malaysia launched the Raise Our Bars initiative, pledging RM1 million to support bars and pubs in recovering from financial difficulties during the crisis ▪ We equipped restaurants and bars with the necessary tools to continue selling beers for delivery and take away ▪ Additionally we published useful information for trade partners to understand available financing support from the Government, relevant health and safety guidelines, and standard operating procedures on reopening their business ▪ We also worked closely with our distributors nationwide to ensure they have access to the right financing support to sustain cash flow needs during this period
HELPING OUR COMMUNITIES	▪ We reached out to our neighbouring communities and provided B40 families with access to basic food items. ▪ This initiative, in collaboration with MyKasih Foundation, enabled us to provide 80,000 meals to 3,120 Malaysians during the Movement Control Order period
ENGAGING OUR CONSUMERS	▪ We engaged consumers to "Socialise Responsibly" through the use of technology to be together while staying apart ▪ Heineken® 0.0 launched a campaign that encouraged consumers to stay fit, connected and safe at home featuring social media influencers who demonstrated creative dance and workout routines ▪ In preparation of restaurants and bars reopening, we engaged consumers on new habits to stay safe by practising social distancing, personal hygiene, as well as reminders to never drink and drive.
KEEPING OUR INVESTORS INFORMED	▪ We proactively updated investors, media and analysts on key developments on HEINEKEN Malaysia's operational continuity and business impact via company announcements to Bursa Securities, media releases and our corporate website

ACKNOWLEDGEMENTS

In 2019, we welcomed several new Management Team members including Vasily Baranov (Sales Director) who joined us from HEINEKEN Vietnam, Salima Bekoeva (Supply Chain Director) who joined us from Multi Bintang Indonesia, Pablo Chabot (Marketing Director) who joined us from HEINEKEN China, and Kuhan Kanagarajan (Human Resources Director) who has wide experience in the HR field and comes from the banking and finance industry. With the additions of these capable leaders, the Management Team was able to focus on driving ahead on key business priorities, which contributed to sharper commercial execution and improved results.

In January 2020, we welcomed Janina Vriesekoop from HEINEKEN Netherlands as our new Transformation & Technology Director. Reporting to me and joining the Management Team, Janina now leads the transformation agenda at HEINEKEN Malaysia with an aim to make digital technology a key enabler for our business.

Recently on 1 June 2020, our Asia Pacific President Dolf van den Brink succeeded Jean-François van Boxmeer as Chairman of the Executive Board and Chief Executive Officer (CEO) Heineken N.V. I take this opportunity to record our sincere appreciation to Jean-François for his outstanding leadership and invaluable contributions throughout his 15-year leadership that helped transform HEINEKEN into a truly global company. Jean-François leaves behind an impressive legacy and we wish Dolf many congratulations and all the best as he takes over the baton of leadership. I am sure we will miss Dolf's direct presence in the Asia Pacific region, and we will remember how he made the time to visit HEINEKEN Malaysia twice in the past two years, nevertheless we look forward with excitement to a new era with Dolf at the helm of HEINEKEN globally.

Thank you.

Roland Bala
Managing Director
20 May 2020

Heineken Malaysia Berhad
Home of World Class Brands

Heineken®

The World's No. 1
International Premium Beer

Tiger Crystal

Crystal cold
filtered beer

Heineken® 0.0

Dealcoholised beer, great
taste of Heineken®

Kilkenny

The premium Irish ale

Strongbow Apple Ciders

The World's No. 1 cider

Tiger Beer

World-acclaimed Asian lager and
Malaysia's No.1 beer

Heineken Malaysia Berhad
Home of World Class Brands

Guinness
The World's No. 1 stout

Apple Fox Cider
The New Zealand inspired cider

Kirin Ichiban
Japan's No. 1 100% malt beer

Anglia
The real shandy

Malta
Premium quality non-alcoholic malt beverage

Paulaner
No. 1 German wheat beer

Anchor Smooth
A Malaysian favourite since 1933

Brand Management

HEINEKEN Malaysia celebrated yet another year of success led by an iconic portfolio of international and local brands. We continued to connect and engage with consumers, growing our premium portfolio with a focus on delivering world-class experiences to our consumers.

PUTRA
BRAND AWARDS

PUTRA BRAND AWARDS 2019

HEINEKEN Malaysia cemented the unparalleled position of its brands by clinching three awards at the Putra Brand Awards for the tenth consecutive year. This year's wins have brought HEINEKEN Malaysia's total awards won at the Putra Brand Awards to 30 since 2010.

In 2019, the Putra Brand Awards introduced for the first time its highest-ranking Platinum Award. Heineken® was awarded with the Platinum Award thanks to its exceptional position among Malaysian consumers as the beer brand of choice. Tiger Beer and Guinness both won Gold. This prestigious award recognises brand-building excellence across various platforms, measured by consumer preference.

The wins at the Putra Brand Awards demonstrate HEINEKEN Malaysia's strong efforts in engaging with consumers through innovative commercial and marketing campaigns that provide our consumers with exceptional experiences.

Brand Mangement

Heineken®
World's No.1 International Premium Beer Brand

Heineken®'s "Unmissable" UEFA Champions League Campaign

Heineken® once again offered Malaysians the ultimate football experience with its "Unmissable" UEFA Champions League campaign. The launch saw the introduction of the Limited Edition Heineken® Trophy Bottles & Cans nationwide alongside two TV commercials featuring football legend, Andrea Pirlo. Six of the biggest fans who journeyed through the football season with Heineken® each won an all-inclusive trip to Madrid to watch the final match. A core component of our premium category, Heineken® enables us to continue exciting consumers with world-class experiences.

Brand Mangement

Heineken® 2020 New Year Eve Party at TREC

Heineken® celebrated the New Year's Eve with a high energy countdown party. Partygoers joined Heineken® at TREC, in the heart of KL to usher in the new year with a myriad of activities specially curated to create a night to remember. Throughout the celebration, guests were interacting with the virtual Count Your Lucky Stars game projected on the Heineken® Star Tower. Guests also took home their own personalised Heineken® bottles and experienced their 15 seconds of fame in the Heineken® Cheers Cam. As the night drew closer to midnight, the energy from the crowd showed no signs of slowing down and as the clock struck 12, guests were treated to a dazzling display of fireworks to officially welcome the start of a new decade.

Heineken® 0.0 launched in Malaysia

In 2019, we launched our latest innovation Heineken® 0.0, a dealcoholised beer brewed with a unique recipe for a distinct balanced taste. Heineken® 0.0 caters to new occasions for beer drinkers who enjoy the taste of beer but not necessarily the effects of alcohol and for those seeking to moderate their alcohol consumption as part of a balanced lifestyle. Available in bars, restaurants, supermarkets and convenience stores nationwide, as well as on HEINEKEN Malaysia's e-commerce site - Drinkies.my, Heineken® 0.0 is for non-Muslim consumers aged 21 and above.

Brand Mangement

Tiger Beer

Malaysia's No.1 Beer

Tiger Beer Uncage New Beginnings 2019 Chinese New Year (CNY) Campaign

The lunar year of the Pig was welcomed with an exciting nationwide consumer promotion. Themed Uncage New Beginnings, the campaign invited consumers to toast to a fresh start as they usher in the new year with HEINEKEN Malaysia's portfolio of brews, with thousands of ringgit in angpows, limited edition Tiger Beer Mahjong sets, exclusive Tiger Beer Prosperity bowl sets and so many other branded merchandise up for grabs. With a sharp focus and strengthened commercial execution, the CNY campaign led by Tiger Beer contributed to the improved top line in Q1 2019.

Introducing Tiger Crystal - Crystal Cold Filtered for Ultimate Refreshment

Crystal cold filtered at -1°C to lock in the most desirable flavours and aromas, Tiger Crystal was launched as an ultra-refreshing, easy-to-drink, and less bitter beer. Tiger Crystal is packaged in a beautiful colourless 'flint' bottle and was launched to the public at 'KL's Coolest Bar' – a specially-constructed cold room with a sub-zero temperature – at The Square in Publika Mall. Tiger Crystal is available for purchase from bars, clubs, coffee shops, food courts, convenience stores, supermarkets, and Drinkies.my.

Tiger ROAR Project

The Tiger ROAR Project inspired Malaysians to 'Uncage' themselves and create unexpected possibilities. In 2019, Tiger Beer selected four unique and emerging talents from the streets of Malaysia to front this project. They are hip-hop artist and rapper Dato' Maw; musician and chef Kent Lee; fashion designer Yong Sheng; as well as pyrographer and artist Sonia Luhong. Celebrating raw, emerging talent from the streets of Malaysia, the Tiger ROAR Project champions musicians, artists, fashion designers and chefs who challenge conventions, giving them a community, voice, and the courage to roar for all the world to hear.

Tiger Street Football 2019: Legend Rio Ferdinand visits Malaysia

Tiger Beer brought Tiger Street Football Ambassador Rio Ferdinand to Malaysia for the Tiger Street Football Festival held at TREC KL, which saw the best eight teams from across Peninsular Malaysia competing for the championship. In addition to receiving their prize and trophy from Rio Ferdinand, the winning team also had the once-in-a-lifetime experience of playing against the legend in an exhibition match. Tiger Street Football celebrates those who have uncaged their footie skills on the street, where many of the world's best footballers – including Rio Ferdinand himself – started out honing their craft.

Brand Mangement

Guinness

No. 1 Stout in Malaysia and the world over

Guinness St. Patrick's Festival

In March 2019, Guinness, the World's No. 1 Stout, organised a vibrant two-day festival filled with live performances, fun and games, Guinness-infused food, and cold, creamy Guinness Stout, creating the largest "Sláinte" in Malaysia. Across the country, Guinness fans celebrated all things Irish and enjoyed their favourite brew with Guinness promotions that lasted the month of March. As a core brand of our portfolio of world class brands, Guinness continues to play an important role in our premium category growth.

Open Up, It's Guinness Time

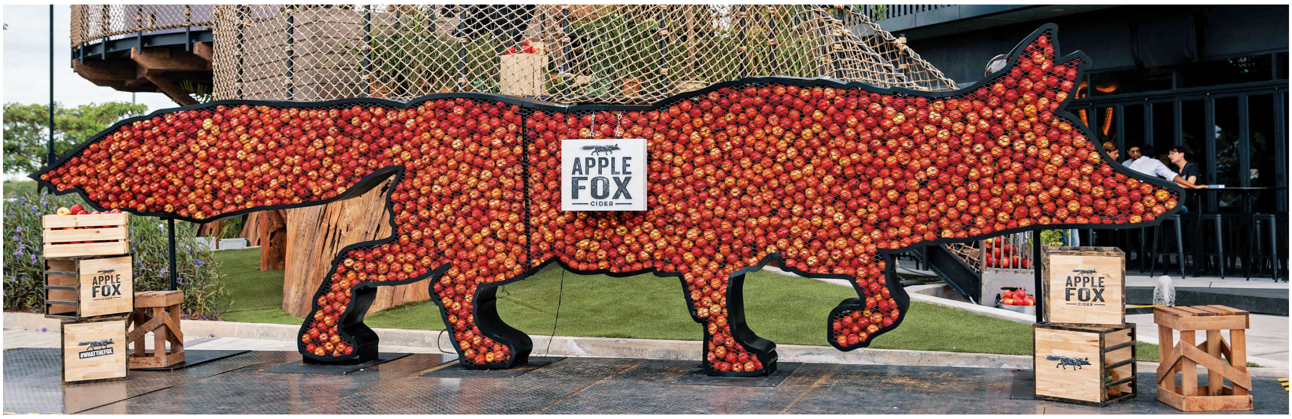
With a series of promotions and activations from September until November 2019, Guinness encouraged drinkers to get to know their colleagues and friends better over a pint after work. Throughout the month of September, bars and pubs across the country saw a special deal on Guinness Draught – buy one set and get another Guinness free – which is perfect for sharing. The Guinness Time fun continued throughout October, with a series of parties taking place in bars and pubs, featuring promotions, music, entertainment and specially-curated food to pair with Guinness.

Guinness 'Flavour by Fire'

In November 2019, the Guinness 'Flavour by Fire' food festival gave fans the opportunity to pair the flavour of Guinness' roasted barley with rich flavours of roasted meat for an unforgettable culinary experience. Fire is a force with an awesome transformative power. When it comes to food, fire is what turns simple raw ingredients into mouth-watering meals. Guinness understands this better than anyone – the barley used to brew Guinness is roasted at exactly 232° Celsius, which gives the beer its distinctive dark colour and delicious roasted flavour notes. The Guinness Flavour by Fire festival brought together some of KL's hottest chefs and musicians for a two-day feast for the senses at The Gasket Alley in Petaling Jaya. Serving up a range of delectable dishes for the thousands of hungry party-goers in attendance were five chefs, each with their own signature styles and techniques.

Brand Mangement

Apple Fox
the New Zealand inspired cider



Bringing Wayyyy More Apples into the Malaysia Book of Records

Apple Fox Cider takes its quality seriously as it emphasises on the quantity and quality of the ingredients it uses. This represents the core of the 'Wayyyy More Apples' campaign, where the brand also revealed a record setting giant fox installation made with 6,148 real apples. Standing tall at 6.5 feet and 24 feet long this Apple Fox installation was officially certified by the Malaysia Book of Records as the first ever fox shaped display made with the most number of real apples in Malaysia. The installation is a representation of Apple Fox Cider which is made with wayyyy more apples giving consumers the delicious taste of apples in every sip.

Apple Fox "Why The Fox Not" Can Exchange Promotion

To drive further trials in the fast growing cider category, Apple Fox Cider's campaign in Q12019 featured a promotion that enabled consumers to exchange an empty can/bottle of any cider brand for a can of Apple Fox Cider. Held at over 60 participating outlets nationwide, more than 10,000 cans of Apple Fox Cider were redeemed during the period. The cider category continues to attract new consumers and penetrate new occasions, and as part of our innovation strategy, extends our portfolio to cater to the evolving tastes and needs of the modern consumer.

A Celebration of Wayyyy More Apples with Apple Fox Cider

Apple Fox Cider invited consumers to experience wayyy more apples through a series of exciting activities in the month of October 2019. The Fox Mobile toured Klang Valley and across the region to bring consumers a taste of Apple Fox Cider, whilst educating fans on the process cider making and organising exciting activities for exclusive Apple Fox merchandise to be won. In the spirit of Apple Day, consumers enjoyed a free glass of Apple Fox Cider by participating in the "bring your own" (B.Y.O) glass activity to participating outlets nationwide.

Creating Value For People

HEINEKEN Malaysia's results are powered by the passion of our One Strong Winning Team. Together, we are guided by our purpose, which is Brewing a Sustainable Future for our People, Business and Planet. Our ambition is clear, we aim to be the undisputed market leader in volume, revenue and sustainability. With the shared purpose and ambition, the team is engaged with an "all hands on deck" attitude and a clear focus on the strategy enabling excellent execution with speed. We also go beyond our immediate duties, ensuring that we create value for our stakeholders, who range from our suppliers to our contractors, as well as from our customers to our consumers.

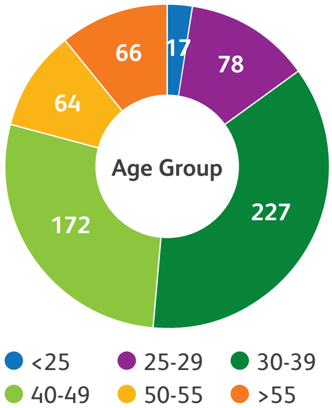
EMPLOYEE ENGAGEMENT

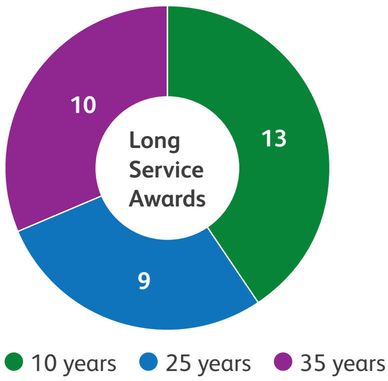
Our people are our most valuable asset. We stepped up efforts to engage our employees better, reflecting on our culture and what we can improve as a team to make HEINEKEN Malaysia a better workplace. As a result of the various efforts, we recorded significant improvement in our annual Climate Survey. In 2019, our Employee Engagement improved to 82% whilst Performance Enablement improved to 77%.

INCLUSION & DIVERSITY

As part of the HEINEKEN global group of companies with operations in over 70 markets, we are essentially multi-cultural. We use the power of our diversity to create an inclusive environment where everyone matters and where we all have equal opportunity to contribute to our business success.

In terms of gender balance, HEINEKEN Malaysia has a 57:43 male to female ratio at the Board of Directors level, exceeding the 30% minimum target set by the Government. At middle to senior management positions, we have achieved a 50:50 balance. We also have a good balance of people across different age groups and are proud of many loyal and long serving employees who continue to contribute to HEINEKEN Malaysia's success.





Climate Survey Scores 2019

Employee Engagement improved to **82%** from 62% in 2018

My Manager improved to **77%** from 70% in 2018

Performance Enablement improved to **77%** from 71% in 2018

Gender Diversity

57% | 43%
Percentage for Board of Directors

50% | 50%
Middle to Senior Management

Creating Value For People

TALENT DEVELOPMENT

Asia Pacific Graduate Programme

Since 2016, we have sought to attract the best talent through the Asia Pacific Graduate Programme (APGP). Fresh graduates hired at the end of a comprehensive selection process undergo a two-year cross-functional training programme that involves four six-month rotations, two of which take place in other HEINEKEN operating companies in the Asia Pacific (APAC) region outside of Malaysia. Throughout the programme the participants are mentored by senior leaders across the business.

In 2019, we received 850 applicants for the APGP compared to 689 the year before. After a competitive and stringent assessment process, we selected three recruits in 2019 compared to one in the year before.

Accelerate Your Talent

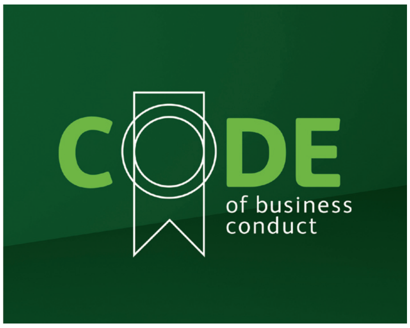
At the junior to middle management level, we provide high-performers the opportunity to gain exposure in other operating companies through Accelerate Your Talent short-term assignments of between three and nine months. The goal is to prepare potential leaders for longer-term global mobility, while filling local skills gaps through the provision of expertise and knowledge transfer.

In 2019, HEINEKEN Malaysia sent three talents to Vietnam, Indonesia and the Netherlands. At the same time, we welcomed eight talents from Cambodia, Vietnam and Taiwan.

850 APGP
applicants in 2019,
3 Recruits Selected in 2019

Short Term Assignments
3 Outbound
Vietnam Indonesia Netherlands

3 Inbound
Cambodia Vietnam Taiwan



ETHICS & INTEGRITY

We are built on a strong foundation of ethics that has seen the Heineken® brand grow over the period of 155 years. The same values that guided the Company through its initial years continue to be shared with our employees and partners. Our manifesto, WE ARE HEINEKEN, explains the ideas that form our identity both collectively as a team and individually for our employees. It is with these beliefs that we strive to move forward to create sustainable value for all of our stakeholders.

HEINEKEN Code of Business Conduct & HEINEKEN Rules (HeiRules)

Our commitment to conduct business with integrity, fairness and respect for the law and values is demonstrated through this code as it sets clear expectations for our people when taking action on behalf of the Company. The HEINEKEN Code of Business Conduct can be read at https://www.heinekenmalaysia.com/corporate-governance/

Creating Value For People

HeiRules is a set of rules that define how we work and conduct our day-to-day business. Each HeiRule has reference to relevant HEINEKEN standards and procedures which help us achieve our business objectives, minimise financial and reputational risk and protect the health and safety of our people.

Speak Up

Speak Up is a HEINEKEN Global process that allows our stakeholders to raise concerns about suspected misconduct in a confidential manner. Employees can also file reports directly on an externally operated Speak Up service that is reviewed at the corporate level to ensure they are dealt with appropriately and confidentially.

Greenprint to Win Behaviours

This represents a set of behaviours we expect all our employees to exhibit to drive our core values and entrench our culture of safety, learning and zero accidents. The behaviours are used in the annual appraisals of all employees.

HEINEKEN Supplier Code

We seek to ensure that ethics and integrity are upheld not only by those employed by HEINEKEN Malaysia, but also by those involved at all stages across the value chain, including our suppliers. Much of our impact lies indirectly with our suppliers, so we work with them to embed the right practices throughout our upstream value chain. Every supplier is asked to abide by the HEINEKEN Supplier Code, which cover prevention of child labour, anti-bribery and conflicts of interest. For further information, the HEINEKEN Supplier Code is available at https://www.heinekenmalaysia.com/corporate-governance/

Safety & Health

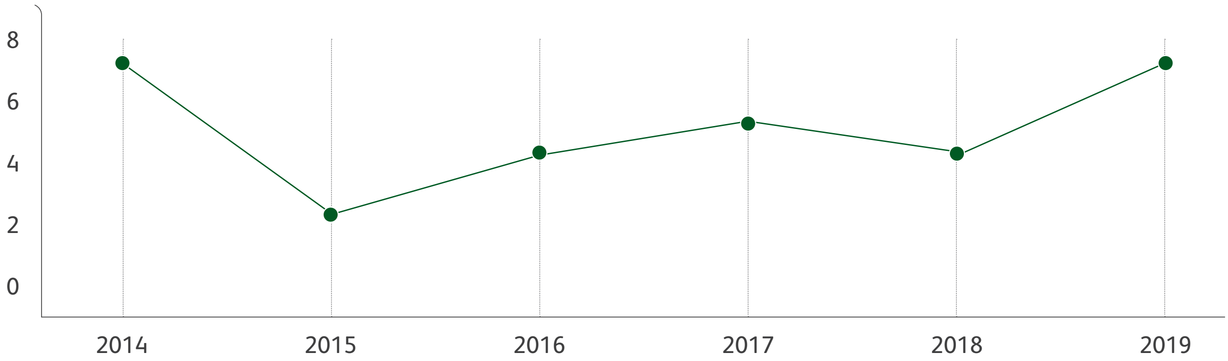
Safety continues to be given top priority at HEINEKEN Malaysia. To attain this goal, we keep reinforcing a safety mindset among our people and those with whom we work closely.

100% of our employees are educated on the HEINEKEN Life Saving Rules, which set out clear and simple 'do's and 'don'ts' for our highest risk activities. These must be followed by employees across all our operations and we further reach out to educate our contractors, distributors and trade partners on the importance of adhering to these rules.

Creating Value For People

In 2019, although we had no fatalities, we reported seven accidents ranging from minor to serious accidents to our employees and contractors. We recognise that there is more work to be done to prevent accidents from happening and that each person has a responsibility to care for his or her own safety as well as the wellbeing of others who are around us.

Number of Accidents (Employees and Contractors)



Put Safety First!

COMMON CAUSES
- Mindset
- Leadership
- Unsafe Conditions

SAFETY PRINCIPLES
- Safety is everyone's responsibility
- If it is not safe, don't do it
- If there is a rule, don't test it

OUR FOCUS AREA
- Promote Strong Safety Culture
- Road Safety-Telematics & Coaching
- Process Safety-CO_2, Ammonia and Boiler Safety
- Behavioral Based Safety
- Life Saving Rules-Simply a way of Life
- Safety Guidelines for Contractors & Suppliers

BUILDING OUR BUSINESS PARTNERS

Star Academy

Through the HEINEKEN Malaysia Star Academy, we run various programmes to elevate the level of professionalism among bartenders in the country, focused specifically on knowledge of serving our two most iconic brands – Heineken® and Guinness. We organise two separate programmes – Heineken® Star Serve and Guinness Perfect Pour – to train bartenders in the art of serving our brews and recognise the winners who are judged as the best bartenders of the year.

In 2019, Draught Masters and Heineken® Star Serve professional trainers travelled across Malaysia to teach the Heineken® Star Serve pouring ritual. Covering eight cities, over 600 bartenders were trained. This journey saw the competition whittled down to the eight finalists who battled for the crown at the Heineken® Star Serve Bartender Finals 2019. The high-stakes finale saw eight of Malaysia's finest bartenders go head-to-head to prove their mastery of the perfect serve. Here, Jack Loh from Maze Eatery and Bar, Ipoh emerged victorious, bagging the title of the best Heineken® bartender in the nation and was selected to represent Malaysia at the Heineken® Global Bartender Finals in an all-expense-paid trip in Amsterdam.

The Guinness Perfect Pour programme aims to further establish the quality of Guinness Draught amongst HEINEKEN Malaysia's trade partners by means of a nationwide training programme

Creating Value For People

run for bartenders, covering over 180 outlets and 640 bar staff in 2019. Through the programme, Guinness goes further to prove its quality amongst consumers by elevating the experience of what goes into a Guinness and how to master the 2-part pour that is unique to Guinness Draught.

In 2019, The Guinness Perfect Pour programme was boosted with the presence of Guinness Brand Ambassador Cian Hulm who travelled to eight states training participating bartenders, which culminated in 16 finalists selected to compete at the Kuala Lumpur Guinness Perfect Pour Finale. Hailing from the home of Guinness – the legendary St James's Gate in Dublin – Hulm is recognised as one of the foremost experts on Guinness in the world and leads a team which travels the globe sharing knowledge, while ensuring the perfect quality standards are carried out everywhere.

Creating Value For People

ADVOCATING RESPONSIBLE CONSUMPTION

We are committed in building a responsible consumption culture. As a responsible and progressive brewer, we believe that our products should be enjoyed sensibly and in moderation. Our progress is in line with the commitments and aligned with the UN SDG 12. We have channeled RM7.3 million since 2010 to promote responsible consumption amongst Malaysians.

COMMITMENTS	MILESTONES
Reducing underage drinking	▪ Rolled out Drink Sensibly in 2010 and established presence on Facebook with over 18,000 followers ▪ Engaged close to 700,000 consumers through digital campaigns and partnership with like-minded partners and social media influencers ▪ All marketing campaigns are strictly targeted at non-Muslims aged 21 and above only
Strengthening and expanding marketing codes of practice	▪ Guided by the HEINEKEN Responsible Marketing Code ▪ Introduced Brand Promoters Policy in 2018
Providing consumer information and responsible product innovation	▪ All product ingredients and nutritional information are available on our brand and corporate websites
Reducing drinking and driving	▪ Offered over 21,000 GRAB promo codes to revellers to encourage the use of e-hailing services that help avoid drinking and driving ▪ 10% media budget for Heineken® brand invested annually on promoting the 'Enjoy Responsibly' and 'When You Drive, Never Drink' messages since 2016
Enlisting the support of retailers to reduce harmful drinking	▪ Through Star Academy's training programmes, we educate frontliners at restaurants and bars on responsible consumption and responsible serving ▪ Invested RM100, 000 in the Retailers' Education Programme to engage and educate our retailers on the Food Regulation (Amendments) 2016, through posters at business premises

Responsible Marketing Code

At the heart of HEINEKEN Malaysia's commitment to responsible consumption lies our Responsible Marketing Code (RMC), which serves to ensure our brands are enjoyed in the way that we intend. To ensure compliance with the RMC, we have a process in place where marketing materials including point of sales materials are reviewed according to eight principles below:

1. We do not primarily appeal to minors
2. We actively restrict exposure of our branding to minors
3. We are always legal, ethical and truthful
4. We advocate drinking responsibly, driving responsibly and general safety
5. We do not associate our brands with anti-social behaviour or over-consumption
6. We never claim that consuming our brands leads to social or sexual success or enhanced performance
7. We are committed to our brands being part of a healthy lifestyle
8. We are progressive about cultural context and its evolution

Responsible Marketing Code Approval Process Flow

Creating Value For People

GROWING WITH COMMUNITIES

English Enrichment Training Programme

English Enrichment Training Programme (EETP) was introduced in 2012 through HEINEKEN Malaysia's corporate social responsibility arm, SPARK Foundation. EETP aims to equip English language teachers in rural communities with contemporary and creative teaching techniques. Teachers who participated in the EETP are provided support to conduct additional English language classes for Year 1 to Year 3 students in their respective schools, creating a fun and engaging platform that helped inspire interest in learning the language. The educators undergo an intensive three-day programme in which they apply the techniques in 22 English supplementary classes over 10 months. Post-training support is provided while the teaching content is reviewed every year to ensure the topics and modules are in line with the national school curriculum.

In 2019, SPARK Foundation increased its efforts in expanding the EETP to benefit more teachers and schools in Sabah and Sarawak. In total, 54 teachers from 46 rural schools across Kedah, Perak, Negeri Sembilan, Melaka, Johor, Sabah and Sarawak participated in the English Enrichment Training Programme. Of the seven states in Malaysia, 8th EETP focused on Sabah and Sarawak schools in which Sabah having the highest number of participants, covering 16 schools representing the regions of Kota Marudu and Tambunan. In Sarawak, five new schools were introduced bringing the total to 10 schools from Miri, Bau, Limbang and Semantan.

Since EETP's inception, SPARK Foundation has invested close to RM 6.5 million in the programme, successfully training more than 630 educators from 366 schools in rural communities and in turn benefitted approximately 9,700 students in Malaysia.

Tiger Sin Chew Chinese Education Charity Concert

Tiger Beer stands by its philosophy of giving back to the community in which it operates and from which it receives much support. Hence, since 1994, we have organised the Tiger Sin Chew Chinese Education Charity Concert (Tiger CECC) together with Sin Chew Daily and Guang Ming Daily to help raise fund for financially strapped Chinese schools. Through charity concerts held in 2019, we raised more than RM20 million for 12 schools to improve the condition of their premises and resources. To-date, we had organised 500 shows that raised over RM355 million for 559 schools nationwide.

EETP

Invested over
RM6.5 million

Empowered over
630
educators

From
366
schools

Across
7 states

Benefitted more than
9,700
students

An average of
20%
improvement in English proficiency

Tiger CECC

RM355 million
for 559 schools since 1994

We raised more than
RM20 million
for 12 schools to improve the condition of their premises and resources through charity concerts held in 2019

Protecting Our Planet

HEINEKEN's Brewing a Better World sustainability strategy ensures that our operations support the United Nations Sustainable Development Goals (UN SDG) 6, 7, 12, 13 and 15, which cover responsible use and management of water, energy and resources for the benefit of our planet. The Brewing a Better World sustainability strategy ensures we go beyond our immediate operations in identifying areas where we can contribute as a responsible and progressive corporate citizen. For 2019, we are pleased to report that we have recorded good progress in our environmental performance in all areas as compared to 2018, and a double-digit improvement as compared to 2014.

PROTECTING WATER RESOURCES

Heineken N.V. launched the 2030 Every Drop strategy in 2019, with the ultimate goal to work together towards a healthy watershed in water stressed-areas for the benefit of the surrounding communities. The triangular approach is in line with the UN SDG 6: Clean Water and Sanitation, and to be achieved by 2030:

WATER STEWARDSHIP

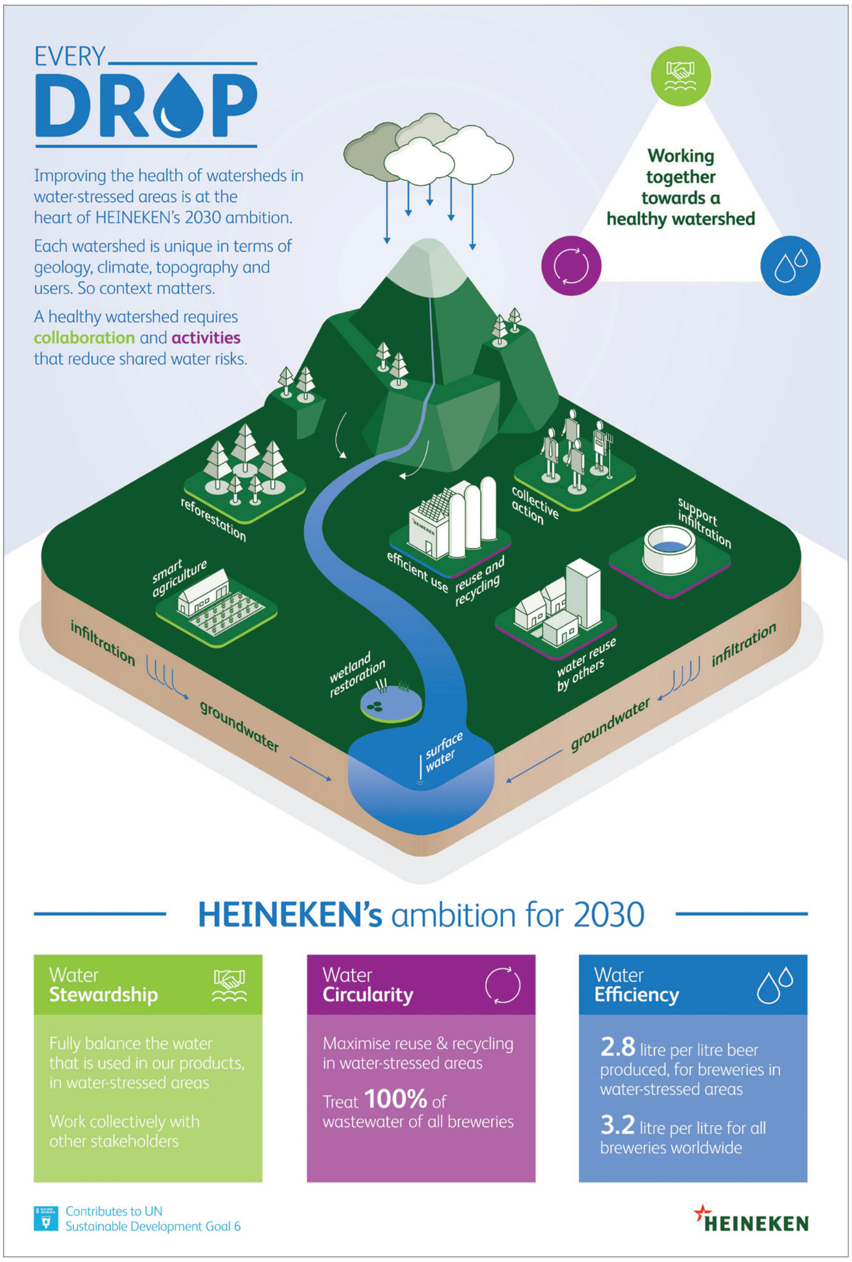
Fully balance the water we use for our products in water stressed areas, by working collectively with other stakeholders.

WATER CIRCULARITY

Treat 100% of wastewater of all breweries, and maximise reuse and recycling of water for non-potable purposes i.e. irrigation and cleaning

WATER EFFICIENCY

To reach water target of 2.80 litre per litre of beer produced in water stressed areas



Protecting Our Planet

In 2019, for every 1 litre of beer we brewed, 3.67 litres of water was used. Measuring the outcomes and impacts of water balancing through our water stewardship programmes is essential and complex. We use the Volumetric Benefit Accounting (VBA) standard by the World Resources Institute. By doing this, we will be able to map out our water stewardship programmes backed by data to manage our impact in a holistic manner and be 100% water balanced before 2030.

The positive improvements in water efficiency and circularity is attributed to the upgrading efforts that took place to optimise our brewery efficiencies, and greater focus on energy saving practices such as investment in leak detection tools and review of existing processes that are water intensive. On water circularity, we ensure that the quality of treated wastewater was above the standard set by the Department of a Environment. Overall, we recorded a reduction of 15% for water usage when compared to 2014.

REDUCING CO_2 EMISSIONS

In line with our commitment to Drop the C, we undertook several measures and invested in innovations to manage our energy consumption, including thermal insulations, boiler pressure reduction in addition to cooling plant assessment and steam trap audit. These initiatives led to reduction in total energy consumption, electricity, thermal and CO_2 emissions. We continue to reduce CO_2 emissions by increasing the utilisation of renewable energy through biogas optimisation.

ZERO WASTE TO LANDFILL

We continued to manage waste responsibly by investing in recycling and upcycling initiatives through licensed waste management vendors. In 2019, we generated close to 30,260 tonnes of waste, of which 100% was recycled and generated RM 1.41 million in revenue. This has enabled us to bear the cost of managing our waste materials, whilst allowing us to channel the revenue into other environment improvement projects at our brewery.

ENVIRONMENTALLY FRIENDLY REFRIGERATORS

HEINEKEN Malaysia has purchased 709 environmental friendly fridges since 2016. In 2019 alone, 284 environmentally friendly fridges were procured. We continue to ensure that 100% of our fridges purchased are in this category, using hydrocarbon natural refrigerant and cyclopentane insulation for minimal environmental impact and enhanced effectiveness. In addition, the fridges are equipped with energy efficient LED lighting.

RETURNABLE PACKAGING

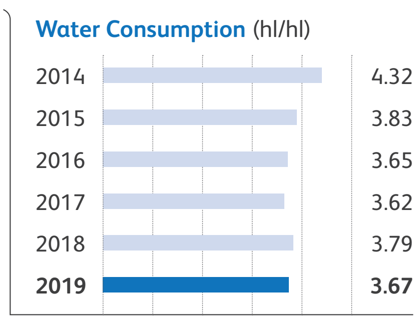
Our packaging material represents the largest components of HEINEKEN's global footprint. In Malaysia, we apply the reduce, reuse and recycle method in managing our bottles, kegs and crates. We work with our trade partners through a deposit system and ensure reusable kegs, bottles and crates are returned to the brewery.

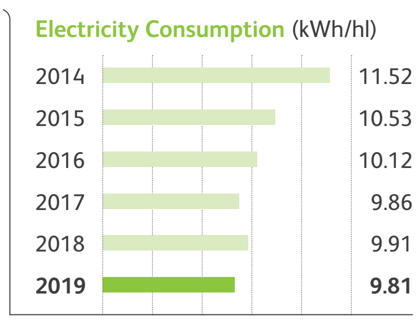
MATERIAL RETURN RATE (12-MONTH MOVING AVERAGE)

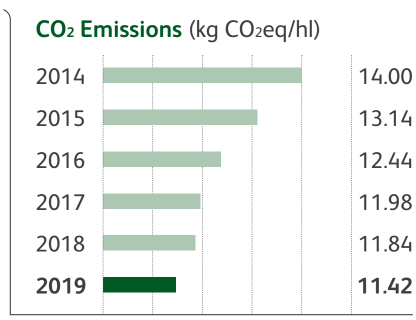
KEGS
2018 (%) - 95.8
2019 (%) - 101.3

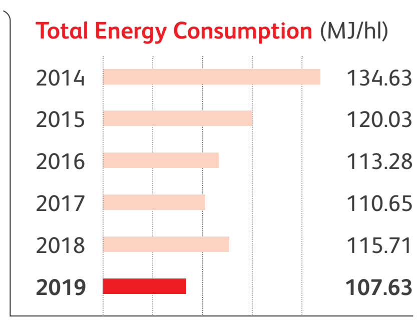
BOTTLES
2018 (%) - 81.1
2019 (%) - 90.2

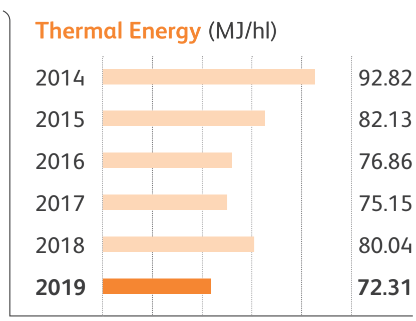
PLASTIC CRATES
2018 (%) - 100.1
2019 (%) - 99.5

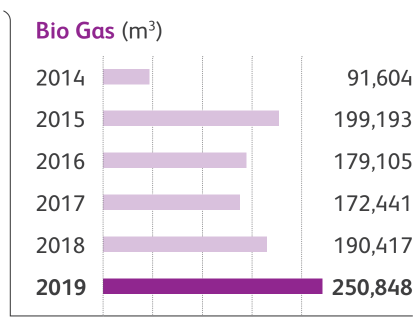












Protecting Our Planet

SOURCING SUSTAINABLY

We are committed to conduct business with integrity and fairness, with the respect for people and for the planet. And we expect our suppliers to share the same values and commitment to responsible business conduct. In partnership with our suppliers, we maximise our positive impact and grow together in a responsible way. We also encourage our suppliers to report any violations of HEINEKEN Malaysia policies through the independent reporting platform Speak Up. We are pleased to report that 100% of our suppliers are compliant to the HEINEKEN Supplier Code. More information on the relevant policies can be read on https://www.heinekenmalaysia.com/corporate-governance/ and https://www.heinekenmalaysia.com/procurement/

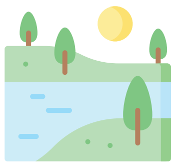
GROWING WITH COMMUNITIES THROUGH ENVIRONMENTAL PROTECTION

HEINEKEN Malaysia's efforts to protect the planet extends beyond its immediate operations. Our community programmes are carried out by SPARK Foundation, the corporate social responsibility arm of HEINEKEN Malaysia. SPARK Foundation was established in 2007 to support initiatives in the areas of environmental protection and education enrichment. Today, we continue to spark change in the three key areas of Environment, Education and Partnerships.

SPARK Foundation Milestones

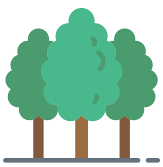
RM19.5Mil
invested in river rehabilitation, watershed health protection initiatives, education and partnership programmes

Engaged
46,000
Malaysians and
158
communities

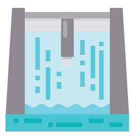


Rehabilitated
5
Rivers in Selangor and Perak

Built
19
alternative water solutions in Selangor and Sabah



Reforested
1 Hectare
of degraded peatland at Raja Musa Forest Reserve



Built a
305-metre
clay dyke at Raja Musa Forest Reserve

Protecting Our Planet

Working Actively Through Education and Rehabilitation (W.A.T.E.R Project)

W.A.T.E.R Project is the flagship initiative by the SPARK Foundation, in collaboration with Global Environment Centre, government agencies and local communities. Our purpose is to educate the public on the importance of conserving and protecting water resources.

In 2018, we shifted our strategy from river rehabilitation to watershed health protection in line with the HEINEKEN Every Drop strategy, to safeguard our water withdrawal area and to manage the impact where our treated wastewater is channeled. Our water stewardship roadmap through 2030 is being built based on data points collected from high-impact projects under the three-year Water Stewardship Agenda 2018 to 2020, which we launched to balance the water we do not return to the environment by investing in nature based solutions. Our aim is to reduce stress on local water resource and ensure watershed security through strategic partnerships and projects, in line with the UN SDG 6: Clean Water and Sanitation.

Reforesting degraded peatland forest

The protection and rehabilitation of peatland will help sustain water supply in the long run, besides functioning as an efficient carbon storage to regulate earth temperature. Through SPARK Foundation, we collaborated with the Global Environment Centre and worked together with the Sungai Selangor communities to plant over 600 trees on one hectare of peat swamp forest in the Raja Musa Forest Reserve. One hectare of fully developed peatland forest offsets 2,000 tonnes of carbon, which is equivalent to the annual emissions from 1,400 cars.

Constructing clay dyke to increase water storage capacity

It takes holistic efforts when it comes to water source protection. In 2019, we worked with our partner, Globl Environment Centre, to support its work with the Selangor State Forestry Department to build a 305-metre clay dyke at the Raja Musa Forest Reserve. Clay dyke is an innovative method as it helps prevent water drainage and maintains an optimum water table during the dry season. It also acts as an effective fire prevention method as drained peatland is prone to fire occurrences. The efforts on Sungai Selangor helps to store up to 150 million litres of water annually. This peatland restoration will help maintain the long-term water supply function and reduce the risk of water shortages in Klang Valley during extreme weather conditions. HEINEKEN Malaysia is the first corporate in the country to build a clay dyke in a forest reserve .

Protecting Our Planet

Water thimble – a cost effective and innovative method to reduce water consumption

We believe that people have the power to make a difference. We embarked on a six-month study on the effectiveness of the water thimble, a 'button-like' innovation to manage the flow of water from faucets. We organised water conservation workshops and distributed water thimble kits to close to 1,000 people in located in the Sungai Penchala and Sungai Selangor basins. The study revealed that households that installed the water thimble on their faucets were able to reduce water consumption by an average of 18 litres per day per person. In total, 13 million litres of water was saved as a direct result of this study. We will continue our efforts educate and distribute water thimbles to our surrounding communities in 2020.

Repurposing rainwater for non-potable uses

With the aim to reduce wastage of treated water, we built rainwater-harvesting systems for Sungei Way and Sungai Selangor communities. The water from these systems are used for irrigation, cleaning and gardening. The systems benefitted 6,450 communities and led to storage of more than 4 million litres of treated water.

Every Drop Roadshow

In conjunction with the World Water Day, we conducted the Every Drop roadshows for our internal and external stakeholders. Four roadshows were conducted to increase awareness and most importantly to offer enablement programmes to galvanise stakeholders to do their part for the environment. More than 500 people participated in the roadshow, which also made visits to media companies including Star Media Group, Sin Chew Media Corporation and The Edge Media Group to raise awareness amongst media stakeholders. The roadshow presented a unique opportunity to directly engage participants on our reforestation efforts, enabled them to be part of a water conservation study, as well as take part in a fun Every Drop Squat Challenge, which allowed people to learn about the difficulties faced by communities living in water scarce areas.

Protecting Our Planet

SUSTAINABILITY RECOGNITIONS

Sustainable Business Awards 2019

HEINEKEN Malaysia clinched three awards at the Sustainable Business Awards (SBA) 2019 for the second consecutive year. We received the Best Water Management award, in recognition of the company's outstanding efforts in protecting and managing water resources for production as well as beyond its business operations. It established a positive reinforcement of its efforts through its three-year water stewardship agenda as well as recognised for its commitment in driving water efficiency. The Company also received a Special Recognition under two categories, namely Sustainability in the Community and Waste & Material Productivity.

The Special Recognition for Sustainability in the Community recognises the Company's long-standing Tiger Sin Chew Chinese Education Charity Concert programme as well as the English Enrichment Training Programme. Meanwhile, the Special Recognition for Sustainability in Waste & Material Productivity is in line with HEINEKEN Malaysia's zero waste to landfill goal. The Sustainable Business Awards is organised by Global Initiatives Singapore in partnership with PricewaterhouseCoopers (PwC) Malaysia.

CSR Malaysia Award 2019

HEINEKEN Malaysia was awarded "Company of the Year" by CSR Malaysia Awards 2019 in the manufacturing sector for its water and education initiatives including altenative potable water systems in Sabah, the English Enrichment Training Programme in seven states and the Tiger Sin Chew Chinese Education Charity Concert programme. CSR Malaysia Awards 2019 is organised by CSR Malaysia Publications to honour outstanding corporations in Malaysia that have excelled as agents driving the socio-economic transformation of Malaysia.

The Edge Billion Ringgit Club 2019

HEINEKEN Malaysia was named amongst "Top 5 best CR initiatives in Malaysia – Below RM10 Billion Market Cap" for The Edge Billion Ringgit Club 2019 recognising its corporate responsibility efforts for water and education. The Edge Billion Ringgit Club is organised by The Edge Media Group to recognise Malaysia's best-performing companies that have innovated and grown, created jobs, rewarded shareholders, paid taxes and contributed to the nation's economic development.

Corporate Governance Overview Statement

The Board of Directors (the Board) of Heineken Malaysia Berhad (HEINEKEN Malaysia or the Company) firmly believes that commitment to good business ethics and corporate governance is essential to the long term sustainability of the business and performance of the Company and its subsidiaries (the Group). The Company supports the principles of good governance and the recommended practices provided in the Malaysian Code on Corporate Governance (MCCG).

The Board is pleased to present this statement to provide shareholders and investors with an overview of the corporate governance (CG) practices adopted by the Company over the financial year ended 31 December 2019 (FY2019), guided by the main principles and recommended practices as set out in the MCCG. This overview is to be read together with the CG Report 2019 of the Company which provides more details on the application of the Company's CG practices vis-à-vis the MCCG during FY2019.

As of 31 December 2019, the Company in principle endorses the key principles of good corporate governance and applies all recommended practices in the MCCG with the exception of the following practices:

Recommended CG Practices in MCCG	
Practice 4.2	For Large Companies, the Board comprises a majority independent directors.
Practice 7.2	Disclosure of top five (5) senior management's remuneration on a name basis.
Practice 12.3	Leveraging technology to facilitate remote participation and voting at general meetings.

Explanation on the departure from the said practices are provided in the CG Report 2019 which is available on the Company's website at https://www.heinekenmalaysia.com/corporate-governance/

PRINCIPLE A
BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board is collectively responsible for leading and determining the strategic direction and overseeing the overall management of the Group. The Board is accountable to the Company shareholders in that it provides an effective oversight of the conduct of the Group's businesses, ensures appropriate risk management and internal control systems are in place as well as regularly reviews such systems to ensure their adequacy, integrity and effectiveness. The Board takes into consideration the interests of all stakeholders in its decision-making to ensure the Group's objectives of creating long-term sustainable value for the benefit of our stakeholders are met.

The Board is guided by its Charter which sets out the purpose, composition, key roles and principal responsibilities as well as the internal procedural matters for the Board. The principal responsibilities of the Board are in line with that provided in the MCCG. The Board Charter serves as a source of reference for Board members to assist them in discharging their fiduciary duties as Directors. It is available on the Company's website at https://www.heinekenmalaysia.com/corporate-governance/

The Board is assisted by the following Board Committees, which are entrusted with specific responsibilities, in the discharge of its oversight function:

- Audit & Risk Management Committee (ARMC)
- Nomination & Remuneration Committee (NRC)

The Board Committees are granted the authorities to function in accordance with their respective terms of reference approved by the Board. The Chairman of the respective Board Committees reports on matters deliberated and recommendations made by the Board Committees.

The Board delegates, with appropriate oversight, to the Management Team for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on Company's business in the ordinary course, managing Company's cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The responsibilities and authorities of the Management Team are defined in the Statement of Authority approved by the Board.

There is a schedule of key matters reserved specifically for the Board deliberation and decision to ensure the direction and control of the Group are in its hands, among others, it includes setting of the strategic direction of the Group, material acquisitions and disposals of assets, investments, financial related matters, remuneration policy and succession planning for the Board and the Management Team. The list of matters are provided in the Board Charter approved by the Board.

Corporate Governance Overview Statement

Separation of functions between the Chairman and the Managing Director

The primary responsibility of the Chairman is to lead the Board in its collective oversight of Management and ensure it functions effectively in all aspects of its roles.

The roles of the Chairman and the Managing Director are distinct and separate with a clear division of responsibilities to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. The Chairman of the Company is an Independent Non-Executive Director, who provides effective oversight over Management and reflects the Company's commitment to uphold corporate governance.

The Managing Director is appointed by the Board to implement the policies and strategies approved by the Board for the purposes of running the business and the day-to-day management of the Group. The Managing Director is supported by a Management Team who is assisted by several functional committees that are tasked to oversee key operating areas.

Senior Independent Non-Executive Director

Mr Martin Giles Manen, the ARMC Chairman, is designated as the Senior Independent Non-Executive Director of the Company. His roles, as defined in the Board Charter, are as follows:

- To act as a sounding board for the Chairman;
- To serve as a designated contact for direct communication with shareholders and other stakeholders on concerns that cannot be resolved through normal channels of contact with the Chairman or the Managing Director; and
- To act as a point of contact between the Independent Directors and Chairman on sensitive issues.

Board Meetings

In order to facilitate Directors to plan ahead, a meeting schedule is prepared and circulated to the Directors before the commencement of each new financial year. The meeting schedule includes dates for meetings of the Board and Board Committees, annual general meeting (AGM) as well as the closed period for dealings in the Company's securities based on the targeted date of announcement of quarterly results of the Group.

The Board meets on a quarterly basis to review the business, operational and financial performance of the Group and discuss issues and challenges impacting the Group. Additional meetings are convened as and when necessary, to deliberate urgent and important matters. Directors may participate at a Board / Board Committee Meeting via telephone or video conferencing.

During FY2019, the Board had four (4) meetings and the attendance of each Director at the meetings, was as follows:

Name	Attendance
Dato' Sri Idris Jala Chairman, Independent Non-Executive Director	4/4
Martin Giles Manen Senior Independent Non-Executive Director	4/4
Datin Ngiam Pick Ngoh, Linda Independent Non-Executive Director	4/4
Lim Rern Ming, Geraldine Non-Independent Non-Executive Director	3/4*
Roland Bala Managing Director, Non-Independent Executive Director	4/4
Yu Yu-Ping Non-Independent Non-Executive Director	4/4
Evers, Leonard Cornelis Jorden Non-Independent Non-Executive Director *Appointed on 1 October 2019*	1/1
Choo Tay Sian, Kenneth Non-Independent Non-Executive Director *Resigned on 1 October 2019*	3/3

* *Absent from one Board Meeting due to other meeting commitment abroad.*

At Board Meetings, Directors are encouraged to participate in the meeting and share their views and insight in the course of deliberation. They are also encouraged to pose queries (if any) to Management prior to each Board Meeting to enable them to better prepare for the meeting. Any Director who has a direct or deemed interest in the subject matter shall abstain from deliberation and voting on the respective resolution. Decisions of the Board are made by consensus.

Members of the Management Team are also invited to attend Board Meetings to report and update on areas within their responsibility to provide Board members insights into the business and operations, and clarify any issues raised by the Directors.

The proceedings of all meetings, including all issues discussed, decisions and conclusions including dissenting views made and whether any Director abstained from voting or deliberating on a particular matter at the Board/Board Committee Meeting with required actions to be taken by responsible parties raised are documented in the minutes of meetings by the Company Secretary. Where appropriate, decisions may be taken by way of Directors' Circular Resolutions for matters which are administrative in nature.

Corporate Governance Overview Statement

Access to Information

All Directors have unrestricted access to and interaction with the Management Team in that they may have informal meetings with Management Team members to brief them on matters or major developments concerning the Group operations. The Board also has access to any form of independent prosfessional advice, information and the advice and services of the Company Secretary in carrying out its functions.

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

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

Prior to each meeting, a structured agenda together with management reports and proposals will be furnished to the Directors at least five (5) days (or in any event not less than three (3) days) prior to the meeting, to enable them to prepare for these meetings. In order for meetings to be more effective, the meeting agenda is organised taking into consideration the priority of the matters / proposals to be deliberated. An indication will also be provided in the agenda to guide the Board / Board Committees as to whether the matters are for approval, discussion or for notation purpose with adequate time allocated for each agenda item in order for the meetings to be conducted efficiently. As an initiative to promote environmental sustainability and efficiencies, the Board has adopted paperless meetings which allow immediate and secure access to meeting materials.

Training and Professional Development of Directors

The Board recognises the importance of continuing education for its Directors to keep abreast with developments in the market place and changes to the statutory and regulatory requirements to assist them in the discharge of their duties. During FY2019, the Directors have attended various development and learning programmes according to their individual needs to enhance their ability in discharging their duties and responsibilities more effectively. Some of the learning programmes in which Directors have participated during FY2019 are listed in Appendix 1 of this statement.

Under the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities), newly appointed Directors (if appointed for the first time in a listed issuer) are required to complete the Mandatory Accreditation Programme (MAP) within four (4) months from the date of appointment. Mr Evers, Leonard Cornelis Jorden, the newly appointed Director of the Company, will complete the MAP in June 2020. He has been granted an extension of time by Bursa Securities to complete the MAP in June 2020.

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

The Board is of view that the training programmes attended and/or participated by the Directors, and the updates provided to the Directors from time to time are sufficient to enable them to carry out their duties as Directors of the Company. Nevertheless, the Board will, on a continuous basis, evaluate and determine the training needs of the Directors.

Code of Business Conduct and Ethics

The Board understands that it has the responsibility to set the tone and standards of the Company and is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders business integrity, fairness and approach to health and safety.

The Group has adopted the following codes which outline its commitment to conducting business with integrity, fairness, respect for the laws and the values and principles for ethical and business conduct expected from relevant stakeholders in their business conduct and dealing with the Group.

HEINEKEN Code of Business Conduct ("HeiCode")

The HeiCode has embedded 19 policies that covers all aspects of the Group's business operations, categorised under four (4) key commitments namely:

- We advocate for responsible consumption
- We respect people and the planet
- We conduct business with integrity and fairness
- We safeguard our Company's assets

Corporate Governance Overview Statement

The HeiCode and the underlying policies are reviewed and updated periodically to reflect the changing business environment and the last review was carried out in 2018. On an annual basis, all employees are required to attend an awareness session and complete an e-learning programme to assess their understanding of the HeiCode.

HEINEKEN Responsible Marketing Code

The Group strictly adheres to legal and regulatory guidelines and has a stringent Responsible Marketing Code that governs how we do business. The Code also covers low and no-alcohol business as well as our digital media and self-regulation initiatives. Our license to operate depends on our efforts in marketing our brands responsibly and in driving sensible consumption. All marketing materials undergo a diligent check against our Responsible Marketing Code before they are published.

HEINEKEN Supplier Code

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

Distributor Code of Conduct

The Distributor Code of Conduct outlines the standard for ethical and business conduct expected from distributors in their business dealing with the Group. Briefing sessions are conducted nationwide for distributors to drive awareness and assess the understanding of the Code and the underlying principles relating to, among others, bribery, fraud and offering and acceptance of gifts and entertainment.

HEINEKEN Speak Up Policy

The HEINEKEN Speak Up Policy provides employees with a standard process to report concerns about suspected misconduct within the Group in confidence and without fear of retaliation.

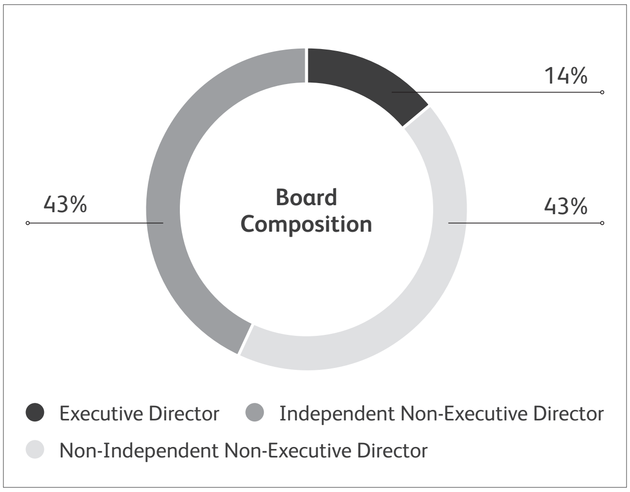
The Speak Up Service is managed by an independent third party and is available 24/7, 365 days a year. Report can be submitted through the Speak Up Service via online or phone call. All Speak Up reports are handled by a Case Manager who works under the supervision and instruction of the HEINEKEN Global Integrity Committee which comprises representatives from the HEINEKEN Business Conduct Office, Global Audit, Global Human Resources and Global Legal Affairs.

The Speak Up Policy was communicated to all employees to create awareness that there is an established channel for them to raise concerns about suspected misconduct within the organisation.

In 2019, nine (9) reports were received via the HEINEKEN Speak Up channel and investigated by the Internal Audit Department. The nature of these Speak Up reports were centered around allegations of fraudulent claims, conflict of interest and non-compliances with the Company's policies and procedures. Corrective and preventive actions including disciplinary measures as well as process and control improvements were taken by the Company subsequent to the investigations. None of the nine (9) Speak Up cases has caused any material financial impact to the Company. The Company will continue to educate and encourage employees to Speak Up given that this is an effective mechanism to protect the Company against fraud and non-compliance with rules and policies.

The HeiCode and the HEINEKEN Speak Up Policy are available on the Company's website at https://www.heinekenmalaysia.com/corporate-governance/

Board Composition



The Board has seven (7) Directors, led by a Non-Executive Independent Chairman, and supported by a Managing Director as well as five (5) Non-Executive Directors. Three (3) of the Non-Executive Directors (including the Chairman) are Independent Directors, representing 43% of the Board whilst the remaining three (3) Non-Executive Directors are Non-Independent Directors.

The primary responsibility of Independent Directors is to protect the interests of minority shareholders and other stakeholders. They play a key role in providing independent views and advice and their effective participation serves to promote greater accountability and balance in the Board's decision-making process.

The Board acknowledged the practice recommended under the MCCG for large companies to have a majority Independent Non-Executive Directors in the Board. Based on the current shareholding structure of the Company in which 51% of its equity interest are held indirectly by Heineken N.V. via its wholly-owned subsidiary, GAPL Pte Ltd, the Board was of the view that to fully leverage on the experience of the HEINEKEN Group and to ensure focus on long-term value creation, it is in its best interest and that of its stakeholders that the Board includes a fair and adequate representation of the major shareholders.

Board Effectiveness Assessment

The Board, through its NRC, conducts an annual assessment on the Board's effectiveness to ensure that the Board functions effectively. The purpose of the assessment is also to identify and address any areas of concern which may require improvements for the Board and the Board Committees. The assessment revolves around the following aspects:

How the Board leads

Examine how the Directors were chosen, the skills and experience, independence and knowledge, and diversity including the gender of the Board members.

How the Board manages

Evaluate the manner in which meetings and boardroom activities are conducted, including strategic and operational risk oversight, risk management and internal control reviews.

How the Board contributes

Review the manner in which Board members interact and participate as well as how decisions are made.

For FY2019, the NRC had conducted the assessment internally. The assessment was led by the NRC Chairman and supported by the Company Secretary. Based on the assessment, the Board concluded that the Board as a whole and its Board Committees have been effective in their discharge of function and duties:

- The current size and composition of the Board was optimum and well balanced with diversity of competencies, capabilities, business experience and knowledge required, taking into consideration the nature and the scope of the Group operations and its business requirements.
- Board members have good understanding of the business strategy, external trends and opportunities critical to the Group's future performance as well as knowledge of major business and industry issues. They provided valuable input and devoted enough time in discussing the business strategy, financial performance and annual business plan.
- The working relationship between the Board members has been good with open and constructive conversations when discussing issues, driven by the strong leadership demonstrated by the Chairman. There was also sufficient support provided by Management to enable the Board to effectively discharge its function and duties.

Tenure of Independent Non-Executive Directors

The Board is guided by the recommended approach under the MCCG for retention of Independent Directors beyond the cumulative term limit of nine (9) years and twelve (12) years. Independent Directors who exceed the cumulative term limit shall be re-designated as Non-Independent Director, unless shareholder approval is sought for him/her to remain as Independent Director providing justification. Notwithstanding this, the Board will continue to evaluate and assess this approach and take appropriate steps to adopt the recommended practice, taking into consideration the best interest of the Company.

Mr Martin Giles Manen had served as an Independent Non-Executive Director of the Company for eleven (11) years as of 28 August 2019. The shareholders of the Company had, at the 55th AGM held on 24 May 2019, approved the continuing in office of Mr Martin Giles Manen as an Independent Non-Executive Director of the Company until the conclusion of the next AGM. The Board had via the NRC conducted an assessment on the contribution of Mr Martin Giles Manen and recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:

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

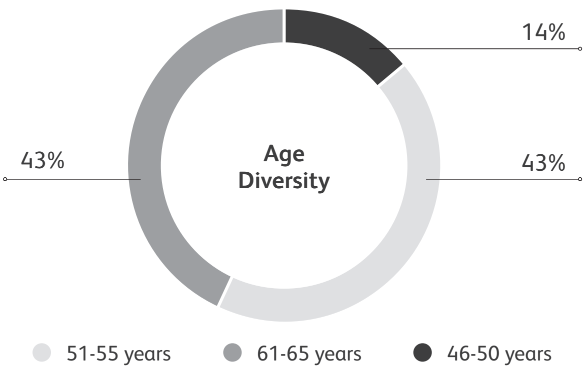
Corporate Governance Overview Statement

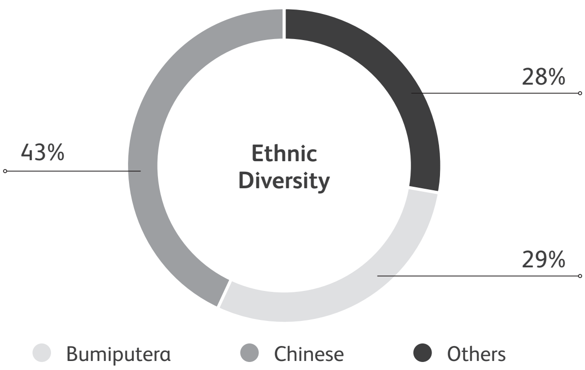
Based on the above recommendation of the Board, shareholders' approval will be sought through a two-tier voting process in accordance to the MCCG at the forthcoming AGM of the Company to allow Mr Martin Giles Manen to continue to act as an Independent Non-Executive Director of the Company.

Board Diversity

The Board recognises the importance of diversity in its membership, including gender, ethnicity and age, and strives to maintain the right balance for effective functioning of the Board. The Board Diversity of HEINEKEN Malaysia as of 31 December 2019 is depicted as follows:

The female representation on the Board has exceeded the Malaysian Government's target of 30% for public listed companies.





The Board is also committed to building a corporate culture that embraces all aspects of diversity and inclusion practices in the Group.

Appointments to the Board

There is a process for selection, nomination and appointment of suitable candidates to the Board of the Company. Potential candidates can be identified by the NRC, existing Directors or any shareholder or other senior executive within the Company, through internal or external sources via recruitment agencies.

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

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

For appointment of Independent Directors, considerations will also be given on whether the candidate meets the independence criteria adopted by the Company and requirements for independence as defined in the MMLR.

Nomination & Remuneration Committee

The NRC comprises the following five (5) Non-Executive Directors of the Company with a majority being Independent Director:

Dato' Sri Idris Jala Chairman Independent Non-Executive Director	
Datin Ngiam Pick Ngoh, Linda Member Independent Non-Executive Director	**Evers, Leonard Cornelis Jorden** Member Non-Independent Non-Executive Director *Appointed on 1 October 2019*
Martin Giles Manen Member Senior Independent Non-Executive Director	**Yu Yu-Ping** Member Non-Independent Non-Executive Director

Corporate Governance Overview Statement

The roles and responsibilities of the NRC are defined in the NRC's Terms of Reference which is available on the Company's website at https://www.heinekenmalaysia.com/corporate-governance/.

The NRC met once during FY2019 and the attendance of each member at the meeting was as follows:

Name	Attendance
Dato' Sri Idris Jala Chairman, Independent Non-Executive Director	1/1
Martin Giles Manen Member, Senior Independent Non-Executive Director	1/1
Datin Ngiam Pick Ngoh, Linda Member, Independent Non-Executive Director	1/1
Yu Yu-Ping Member, Non-Independent Non-Executive Director	1/1
Evers, Leonard Cornelis Jorden Members, Non-Independent Non-Executive Director *Appointed on 1 October 2019*	**
Choo Tay Sian, Kenneth Member, Non-Independent Non-Executive Director *Ceased as a member on 1 October 2019*	1/1

** *No meeting was held during the period from 1 October 2019 to 31 December 2019*

The NRC Meeting is normally held before or in conjunction with the Board Meeting. When necessary, decisions can also be made via circular resolutions. At Board Meeting, the Chairman of the NRC reports to the Board on matters deliberated at the NRC Meeting. During FY2019, the NRC performed the following activities:

- Assessed the effectiveness of the size, mix and the composition of the Board and the Board Committees and the contribution of individual Directors in relation to the effective decision-making of the Board and the independence of Independent Directors.
- Reviewed the re-nomination of Directors who were due for retirement at the Company's AGMs.
- Reviewed the re-appointment of Independent Non-Executive Director who served on the Board beyond nine years.
- Reviewed Management's proposals on performance bonus payout to the Group employees, salary increment and performance bonus KPIs.

Remuneration

The remuneration matters of the Group fall under the purview of the NRC. The NRC is guided by the following principles:

- Remuneration should reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performance individuals and promoting the enhancement of the value of the Company to its shareholders.
- Remuneration practices are benchmarked against external market data through the use of remuneration surveys to ensure staff are fairly remunerated.
- The process of remuneration management shall be transparent, conducted in good faith and in accordance with appropriate levels of confidentiality.

The Company has in place a remuneration framework for the Non-Executive Directors, designed to attract and retain high calibre Directors to drive the Group's strategic objectives, business sustainability and create long-term value for shareholders. The NRC is responsible to review the remuneration framework to ensure the same is appropriately reflective of experience and the level of responsibilities and contributions; and competitive compared with the prevalent market practices. Any changes to the remuneration framework will be presented to the Board for approval. The Board, collectively, determines the remuneration of the Non-Executive Directors based on the recommendation of the NRC. Each of the Non-Executive Directors shall abstain from deliberating and voting on their own remuneration. Fees of Directors, and any benefits payable to Non-Executive Directors shall be subject to shareholders' approval at AGM.

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

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

Corporate Governance Overview Statement

Non-Executive Directors are paid an annual fee for serving as members of the Board and Board Committees. They are also paid a meeting attendance allowance for each meeting they attended. The Chairmen of the Board and the Board Committees receive an annual allowance for the additional responsibility and commitment required. The above remuneration structure was determined based on a benchmarking exercise conducted by the Company with advice from an external consultant. The benchmarking exercise was done based on information and survey data on the remuneration practices of comparable companies obtained from independent sources.

The remuneration of the Managing Director and other members of the Management Team is guided by the HEINEKEN Global Senior Management Reward Policy. Their remuneration package consists of both fixed and performance-linked elements. Salaries payable to the Managing Director shall not include a commission on or percentage of the Group turnover. The performance of the Managing Director is reviewed annually taking into consideration the corporate and individual performance. The Managing Director is not entitled to annual fee nor any meeting allowances for the Board and Board Committees Meetings he attended.

The shareholders of the Company had, at the 55th AGM held on 24 May 2019, approved the payment of Directors' fees and benefits up to RM700,000 to the Non-Executive Directors for FY2019. Total remuneration paid to the Non-Executive Directors of the Company for FY2019 was RM681,550. The breakdown of the remuneration of all the Directors (including the Managing Director) of the Company who served during FY2019 is as follows:

	RM				
Directors of the Company	**Fees & Chairman Allowance**	**Meeting allowance**	**Salary & Other Emoluments**	**Benefits-in-kind**	**Total**
Non-Executive Directors					
Dato' Sri Idris Jala	186,000	10,800	-	23,950	220,750
Martin Giles Manen	87,000	10,800	-	-	97,800
Datin Ngiam Pick Ngoh, Linda	84,000	10,800	-	-	94,800
Lim Rern Ming, Geraldine	75,000	3,600	-	-	78,600#
Yu Yu-Ping	84,000	10,800	-	-	94,800#
Evers, Leonard Cornelis Jorden *Appointed on 1 October 2019*	21,000	2,400	-	-	23,400#
Choo Tay Sian, Kenneth *Resigned on 1 October 2019*	63,000	8,400	-	-	71,400#
Total	**600,000**	**57,600**	**-**	**23,950**	**681,550**
Managing Director					
Roland Bala	-	-	2,266,792	355,910	2,622,702
Total	**600,000**	**57,600**	**2,266,792**	**379,860**	**3,303,252**

Benefits-in-kind include rental, motor vehicle, fuel consumption, club membership and leave passage.
Other emoluments include children's education allowance, entertainment allowance, healthcare insurance and house maintenance expenses.
 # Paid directly to Heineken Asia Pacific Pte Ltd for Directors who represent the major shareholder

For FY2019, the Chairman of the Board namely Dato' Sri Idris Jala was also paid an annual consultancy services fee of RM142,000 for assisting the Company in managing its industry issues and providing consultancy support to Management and employees of the Group for business improvement. Pursuant to Section 232 of the Companies Act 2016, a copy of the consultancy services agreement is kept at the registered office of the Company and is available for shareholders' inspection.

Dato' Dominic Joseph Puthucheary, a Director of Heineken Marketing Malaysia Sdn Bhd (HMMSB), was paid an annual fee of RM6,000 for serving as a Director of HMMSB for FY2019.

For the financial year ending 31 December 2020, the aggregate remuneration payable to the Non-Executive Directors of the Company is estimated to be around RM700,000 calculated based on the above fees and allowances and the current composition of the Board and Board Committees. Shareholders' approval will be sought at the 56th AGM of the Company on the payment of Directors' fees and benefits up to the said amount to the Non-Executive Directors of the Company in 2020.

Corporate Governance Overview Statement

PRINCIPLE B
EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit & Risk Management Committee (ARMC)

The ARMC is responsible to establish and oversee the effectiveness of the Group's risk management and internal controls system and its financial reporting process.

The ARMC comprises five (5) members, all of whom are Non-Executive Directors; three (3) including the Chairman, are Independent Non-Executive Directors. The Chairman of the ARMC is not the Chairman of the Board. The members of the ARMC are financially literate and have sufficient understanding of the Group's business. Details of the composition and responsibilities of the ARMC are set out in the Audit & Risk Management Committee Report in this Annual Report.

Annually, the Board, via the NRC assesses the composition, performance and effectiveness of the ARMC. The Board is satisfied that the ARMC and its members discharged their functions, duties and responsibilities in accordance with the ARMC's Terms of Reference.

Suitability and Independence of External Auditors

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

The ARMC meets with the external auditors at least twice a year to discuss their audit plan, audit findings and their reviews of the Group's financial statements with the presence of the Managing Director and the Management staff. The ARMC also meets the external auditors twice annually without the presence of the Managing Director and the Management staff to discuss the audit findings and any other observations they may have during the audit process.

The ARMC assesses the independence and objectivity of the external auditors in carrying out statutory audit for the Group and prior to the engagement of non-audit services of the external auditors. The ARMC also reviews the nature of the non-audit services and the related fee levels individually and in aggregate relative to the audit fee to ensure they do not compromise their independence and objectivity.

The external auditors are engaged mainly to perform statutory audit on the Group's financial statements. For FY2019, the external auditors also undertook the following non-audit related reviews:

- Review of reporting deliverables to Deloitte Netherlands
- Review of the Statement on Risk Management and Internal Control

The amount of fees paid for the above services were reported in the Audit & Risk Management Committee Report in this Annual Report.

The ARMC also considers the re-appointment, remuneration and terms of engagement of the external auditors, guided by the following criteria:

Calibre	▪ Adequacy of resources and relevant specialists/experts employed to conduct the audit.
Quality processes	▪ Audit approach, judgements, issues and key risks factored into the audit plan. ▪ Audit conducted in line with the audit scope, plan and the required timing.
Audit Team	▪ Requisite skills and expertise, including industry knowledge. ▪ Level of involvement in the audit process. ▪ Ability to provide a clear and understandable explanation on auditing and accounting issues.
Independence & Objectivity	▪ Highlight concerns over non-audit services which might be perceived to affect the independence of the auditors and measures put in place to safeguard against impairment to their independence. ▪ Maintain professional and open dialogues with the ARMC and share findings in a frank manner.
Audit Communications	▪ Highlight significant issues and discuss critical accounting treatment and quality of financial reporting, including the reasonableness of accounting estimates and judgements. ▪ Update ARMC on new applicable accounting practices and auditing standards and new developments regarding risk management, corporate governance and control matters. ▪ Seek feedback on the quality and effectiveness of the services they are providing.
Audit fees	▪ Fair and reasonable and on par with other similar sized fast moving consumer goods companies.

Corporate Governance Overview Statement

The external auditors, Messrs Deloitte PLT, have confirmed that they have complied with the independence requirements set out in the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.

Risk Management and Internal Control

The Group has adopted the HEINEKEN Risk Management and Internal Control Systems which enables Management to identify, assess, prioritise and manage risks on a continuous and systematic basis.

The Board is assisted by the ARMC who provides an objective review of the adequacy, integrity and effectiveness of the risk management and internal control systems to ensure that the same are soundly conceived, in place, effectively administered and regularly monitored.

As an integral part of the risk management and internal control framework, an assessment is performed on key controls surrounding the Group financial reporting process on an annual basis, focusing on transparency, accountability and safeguarding of the Group assets. Outcome of the assessment is reported to the ARMC during their quarterly meetings.

The Group's Internal Audit function, which is carried out in-house, assists the ARMC and the Management in the effective discharge of their responsibilities in respect of risk management, internal control and governance. It is guided by its Charter and its principal responsibility is to provide independent and objective reviews on the Group's internal control system so as to ensure that controls which are instituted are appropriate and can effectively address acceptable risk exposures. The Internal Audit function also ensures that recommendations to improve controls are followed through by Management.

The Internal Audit function, which is led by the Head of Internal Audit, has a clear line of reporting to the ARMC and its performance is reviewed by the ARMC on an annual basis. The ARMC also reviews the internal audit plan including the adequacy of the scope, approach, methodology, resources and authority of the Internal Audit function in carrying out its audit activities. As such, it is independent of the operational and management activities they audit.

Based on the assessment carried out by the ARMC on the effectiveness of the Internal Audit function for FY2019, the Internal Audit function was found to be effective in discharging its responsibilities in that it has completed all the audit assignments in accordance with the plan with appropriate recommendations provided and implemented to strengthen the internal controls within the Group.

The Board is of the view that the overall risk management and internal control systems in place for FY2019 are operating adequately and effectively for the purpose of safeguarding the Group's assets, as well as shareholders' investments and the interests of customers, employees and other stakeholders. The key features of the risk management and internal control systems are set out in the Statement on Risk Management and Internal Control in this Annual Report.

Financial Reporting

The Board is committed to ensure that a balanced, clear and meaningful assessment of the Group's financial position and prospects is presented in the disclosures in the quarterly financial reports and the annual financial statements to shareholders and investors.

The Board, assisted by the ARMC, oversees the financial reporting of the Group. The ARMC reviews the Group's quarterly financial reports and annual financial statements, the appropriateness of the Group's accounting policies and the changes to these policies to ensure that these financial statements are prepared in accordance with the requirements of the Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the Companies Act, 2016 and the MMLR, and give a true and fair view of the financial position of the Group at the end of the financial year.

The Directors are satisfied that in preparing the financial statements for FY2019, the Group has adopted and applied consistently appropriate accounting policies, supported by reasonable and prudent judgements and estimates; and implemented relevant internal controls to ensure the financial statements are free from material misstatement. The Directors also consider that all applicable approved accounting standards in Malaysia have been adopted and the financial statements have been prepared on a going concern basis.

The Chairman's Statement and the Management Discussion and Analysis in this Annual Report provide additional analysis and insights on the state of the Group's business. The Statement by Directors pursuant to the Companies Act, 2016 is set out in the Financial Statements section of this Annual Report.

PRINCIPLE C
INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

The Company maintains an active and proactive communication approach with its shareholders and other stakeholders to facilitate mutual understanding of each other's objectives and expectations. To enable shareholders and other stakeholders to make informed decisions with respect to the Group's business, its policies on governance, the environment and corporate responsibility, the Company is committed to:

- complying with the continuous disclosure principles stipulated in the Companies Act 2016 and the MMLR;
- preventing the selective or inadvertent disclosure of material price sensitive information;
- ensuring shareholders and the market are provided with full and timely information about the Company's activities; and
- ensuring that all shareholders and investors have equal opportunity to information published by the Company.

The Company is guided by the following policies and guidelines:

(i) HEINEKEN Media Policy and HEINEKEN Financial Disclosure Guidelines which stipulate the authorised spokepersons through which/whom certain information shall be disclosed to internal and external stakeholders and specific guidance on the disclosure of material information, maintenance of confidentiality of information and dissemination of information.

    The Company's authorised spokespersons are the Chairman and the Managing Director of the Company. In appropriate circumstances, the Managing Director may from time to time authorise other spokespersons on particular issues and those within their area of expertise.

(ii) Corporate Disclosure Guide issued by Bursa Malaysia which provides guidance on:

    - how to assess whether a particular information is material and warrants an immediate announcement;
    - when to make the announcement including when to withhold making the announcement;
    - minimum contents to be included in the announcements; and
    - how to comply in substance rather than in form when making disclosures pertaining to transactions.

Communication with Stakeholders

The Company leverages on various communication platforms to reach out to shareholders and stakeholders. These include among others:

- Company's website and social media maintained by the Company.
- Bursa LINK maintained by Bursa Securities.
- Investors and media briefings organised by the Investor Relations Team and the Corporate Communications Team.
- Direct engagement via face-to-face meetings and conference calls with investors outside the silent or closed periods.
- Corporate events and community outreach programmes.
- AGM.
- Enquiries / feedback via email and calls, the contact details are available on the Company's website.

In 2019, numerous engagement activities were carried out by the Company to engage its stakeholders. Details of the engagement activities are reported in the Stakeholder Engagement section in this Annual Report.

Investors Relations (IR)

The IR function of the Company is led by the Head of Accounting, Tax & IR who reports directly to the Finance Director. It organises briefings and discussions with investment analysts, fund managers, institutional investors and the media post-announcement of financial results.

Briefings are conducted by the Managing Director and the Finance Director to disseminate the financial results of the Group, provide comprehensive insights and address concerns raised about the Group's business strategies, market prospects, major development of the Group's business initiatives and matters affecting the Group and the industry. Presentation materials used in the briefing sessions are uploaded to the Company's website as soon as practicable after the briefing.

The Company considers that one-on-one discussions and meetings with investors and stockbroking analysts are an important part of proactive IR management. The Head of Accounting, Tax and IR together with the Finance Director meet with equity research analysts, fund managers, institutional shareholders and investors on a one-on-one basis outside the Company's silent / closed periods. Unpublished price sensitive information about the Company will not be disclosed in any meeting with an investor or stockbroking analyst unless such information has previously been fully disclosed and disseminated to the public.

Corporate Governance Overview Statement

During FY2019, the Company had 12 face-to-face meetings and three (3) conference calls with institutional investors and held two (2) briefing sessions for investors and media, including brewery tours. Throughout the year, the Company received relatively extensive coverage from large equity research analysts.

The Finance Director reports to the Board on investor relations activities, recommendations by analysts, comments from the investment community as well as commentary on stock price information and performance.

Integrated Reporting

Driven by a commitment to transparency, the Company has since 2016 adopted the International Integrated Reporting Framework (IIRF) in its annual report with the objective of demonstrating how the Company's strategy, actions, performance, governance and prospects lead to stakeholder value creation. For 2019, the Company continued to adopt the same integrating reporting approach based on IIRF in this Annual Report.

Conduct of General Meetings

Company's AGM is a principal platform for Directors and Senior Management to engage shareholders to facilitate a greater understanding of the Group's business, governance and performance. Shareholders are encouraged to attend and participate at AGM through the following means:

- AGMs are held in a central location which is easily accessible by public transportation.
- Shareholders are notified on the AGM and the relevant reports are published via the Company's and Bursa Malaysia's website at least 28 clear days before the meeting to provide shareholders adequate time to prepare and make necessary arrangements for attendance and voting at the AGM.
- Comprehensive review of the progress and performance of the Group's business together with an overview of the Group's activities, key challenges and market outlook will be presented at each AGM.
- Shareholders are given the opportunity and time to raise questions, seek clarification on the Group performance as well as to share views and suggestions for improvement. The Chairman, Managing Director, Chairman of respective Board Committees, Finance Director and other Board members are available to respond to queries raised during the meeting. Other members of the Management Team also attend the AGM to handle other face-to-face enquiries from shareholders. Where appropriate, a written response will be provided to any significant question that cannot be readily answered at the meeting.
- External auditors are invited to attend the AGM to answer any questions relating to the conduct of the audit in respect of the Group audited financial statements.
- The Chairman, on behalf of the Board, also addresses questions submitted in advance by the Minority Shareholder Watch Group for the meeting. A written reply will be published on the Company's website after the meeting.

In line with the requirements of the MMLR, the Company has implemented electronic poll voting for all resolutions proposed at AGMs since year 2017. A scrutineer is appointed to validate the votes cast at the AGM. Poll results are announced to shareholders / proxies present immediately after each poll is conducted and such results are also published on the Company's website and via Bursa Securities on the same day after the meetings. Minutes of AGMs are published on the Company's website as soon as practicable following the meeting.

The Company will leverage on technology to enhance the quality of engagement and provide ease for shareholders participation at the 56th AGM.

Appendix 1 - Directors' Training List

Directors	Training attended during the financial year ended 31 December 2019
Dato' Sri Idris Jala	▪ International Conference on Emerging Africa 2019 ▪ Administrative Development in light of Saudi Vision 2030, National Center for Performance Management ▪ Djibouti Presidential and Cabinet Retreat by World Bank ▪ Harvard Ministerial Leadership Forum for Finance Ministers ▪ Harvard Ministerial Leadership Forum for Health and Education Ministers ▪ Pakistan Trade and Investment Growth Knowledge Transfer by World Bank ▪ 6 Secrets of Corporate Transformation ▪ Economic Management Retreat for Edo State ▪ Corporate Transformation ▪ Transformational Leadership
Roland Bala	▪ HEINEKEN Forum 2019 ▪ HEINEKEN GMs Gathering 2019 ▪ HEINEKEN Asia Pacific (APAC) General Managers (GMs) Conference 2019 ▪ HEINEKEN APAC GMs Forum 2019 ▪ HEINEKEN APAC Inclusive Leadership Workshop ▪ Revive & Renew Workshop ▪ Guinness Immersion ▪ Crisis Management Training ▪ Uncage Capabilities to Win ▪ Uncage Our Courage to Win Big ▪ Transformation of Leadership Culture
Martin Giles Manen	▪ Directors' Duties & Powers – Recent Developments in law and how it affects you ▪ Audit Committee Institute (ACI) Breakfast Roundtable :Evolving Global and Local Landscape of Anti-Money Laundering (AML) & Sanction - Should I be concerned, Cyber Security An Enterprise Risk – AC's Perspective; and Tax Risk Management and Board Responsibility ▪ Integrated Reporting – Leaping to Sustainable Value Creation ▪ Financial Industry Conference 2019 : Launch of MyFintech Week "Shifting Tides: Future of Finance" ▪ Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001: Risk, Challenges, Governance & Transparency in Managing Business & Compliance ▪ Malaysian Financial Reporting Standard (MFRS) 17 : Insurance Contracts ▪ ACI Breakfast Roundtable : Corporate Liability Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (MACC), Governance Revelations from Inquest Reports; and Business Continuity Management (BCM) - Counting the costs and benefits: A Critical Perspective ▪ Bursa Thought Leadership : Convergence Digitalisation and Sustainability ▪ Financial Institutions Directors' Education Forum : Leadership in a Disruptive World: The Changing Role of Boards ▪ Securities Commission Malaysia Audit Oversight Board Conversations with Audit Committees
Datin Ngiam Pick Ngoh, Linda	▪ Directors' Duties & Powers – Recent Developments in the law and how it affects you ▪ Enhancing Corporate Governance by Understanding Legal Liabilities. Act or Resign. ▪ Corporate Liability Provisions under the MACC Amendment Act 2018 ▪ Leadership Greatness in Turbulent Times : Building Corporate Longevity ▪ The Convergence of Digitisation and Sustainability

Appendix 1 - Directors' Training List

Directors	Training attended during the financial year ended 31 December 2019
Lim Rern Ming, Geraldine	▪ HEINEKEN Forum 2019 ▪ HEINEKEN GMs Conference 2019 ▪ HEINEKEN GMs Forum 2019 ▪ HEINEKEN Regional Legal Roundtable 2019 ▪ HEINEKEN APAC Inclusive Leadership Workshop ▪ HEINEKEN APAC GMs Forum 2019 ▪ HEINEKEN Build Our Own Sustainable Talent (BOOST) : BTF Mentor Training Session ▪ HEINEKEN Ambition Workshop ▪ American Conference Institute's 8th Asia Pacific Summit on Anti-Corruption ▪ Clifford Chance's Risk Series ▪ YSIAC (Singapore International Arbitration Centre) Event – The Spirit of Arbitration
Yu Yu-Ping	▪ HEINEKEN Forum 2019 ▪ HEINEKEN Boost Forum 2019 ▪ HEINEKEN Ambition Workshop ▪ HEINEKEN Regional HR Conference 2019 ▪ HEINEKEN APAC GMs Conference 2019 ▪ HEINEKEN APAC Inclusive Leadership Workshop ▪ Impactt Harassment Training ▪ Optimal Workshop with Ryan Ross – A Safer Personality ▪ Rapid Innovation Workshop ▪ Digital Deep Dive Workshop ▪ Senior HR Leadership Programme : HR Leading in the Boardroom ▪ Insead Future – Ready Summit on the topic of "Leading Transformation" ▪ Mandatory Accreditation Programme for Malaysian Directors
Evers, Leonard Cornelis Jorden	▪ Commerce Strategy in Digital Age ▪ HEINEKEN GMs Forum 2019 ▪ HEINEKEN APAC GMs Conference 2019

Audit & Risk Management Committee Report

COMP0SITION

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

Dato' Sri Idris Jala
Independent Non-Executive Director

Datin Ngiam Pick Ngoh, Linda
Independent Non-Executive Director

Yu Yu-Ping
Non-Independent Non-Executive Director

Evers, Leonard Cornelis Jorden
Non-Independent Non-Executive Director
Appointed on 1 October 2019

The Audit & Risk Management Committee (ARMC) comprises five members, all of whom are Non-Executive Directors; three including the Chairman, are Independent Non-Executive Directors. The ARMC Chairman, Mr Martin Giles Manen is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. Accordingly, the Company complies with paragraph 15.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR).

During the financial year ended 31 December 2019 (FY2019), Mr Evers, Leonard Cornelis Jorden was appointed as a Director and a member of the ARMC on 1 October 2019, replacing Mr Choo Tay Sian, Kenneth who resigned from the Board on the same day.

The Board, via the Nomination & Remuneration Committee, assesses the composition and performance of the ARMC and its members through an annual Board Committee effectiveness evaluation. Based on the assessment conducted for FY2019, the Board was of the view that the present composition in the ARMC was appropriate. The representation of the major shareholders in the ARMC was essential in that it provides an avenue for the major shareholder's representatives to share insights on HEINEKEN Global best practices and learning with the Company. The Board was also satisfied that the ARMC and its members have effectively discharged their functions, duties and responsibilities in accordance with the ARMC's Terms of Reference in that the ARMC has provided useful recommendations in assisting the Board in making informed decisions and enabling effective functioning of the Board.

The ARMC is guided by its Terms of Reference which, inter alia, sets out the purpose, composition, roles and responsibilities, authority as well as the internal procedural matters for the ARMC. The ARMC assists the Board in fulfilling its statutory duties and responsibilities by ensuring:

- accurate and timely financial reporting and compliance with applicable financial reporting standards;
- adequate internal control in the systems and processes which enable the Group to operate effectively and efficiently;
- that an effective risk management framework is in place to manage risks impacting the Group;
- that Internal Audit functions effectively and audits are performed by external auditors objectively and independently; and
- the Group complies with applicable laws, rules and regulations and has in place an appropriate code of business conduct.

The Terms of Reference of the ARMC is available on the Company's website at https://www.heinekenmalaysia.com/corporate-governance/

MEETINGS

During FY2019, the ARMC had four meetings and the attendance of each member at the meetings was as follows:

Name	Attendance
Martin Giles Manen Chairman, Senior Independent Non-Executive Director	4/4
Dato' Sri Idris Jala Member, Independent Non-Executive Director	4/4
Datin Ngiam Pick Ngoh, Linda Member, Independent Non-Executive Director	4/4
Yu Yu-Ping Member, Non-Independent Non-Executive Director	4/4
Evers, Leonard Cornelis Jorden Member, Non-Independent Non-Executive Director (Appointed on 1 October 2019)	1/1
Choo Tay Sian, Kenneth Member, Non-Independent Non-Executive Director (Ceased as member on 1 October 2019)	3/3

Audit & Risk Management Committee Report

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

The ARMC met with the Group's external auditors to discuss the external audit plan prior to the commencement of the audit and audit findings and any other observations they may have during the audit process. The ARMC also met the external auditors without the presence of the Managing Director and Management staff twice during the year under review. The ARMC enquired about Management's co-operation with the external auditors, their sharing of information, proficiency and adequacy of resources in financial reporting functions and key areas of concern or issues encountered by the external auditors during their audit.

Separately, the ARMC Chairman had two meetings with the external auditors without the Management's presence. The ARMC Chairman also held separate meetings with the Managing Director, Finance Director and the Head of Internal Audit prior to every scheduled ARMC Meeting.

The ARMC Chairman reports to the Board on matters deliberated at every ARMC Meeting and recommendations made by the ARMC.

ACTIVITIES OF THE ARMC

The ARMC carried out its duties in accordance to its Terms of Reference. The main activities carried out by the ARMC during FY2019 were as follows:

<u>Financial Reporting</u>

- Reviewed the Group's unaudited quarterly financial results and the annual audited financial statements, and the relevant announcements to Bursa Securities before recommending them for the Board's approval. In deliberating the financial results and statements, the ARMC focused particularly on the following areas to ensure that the financial reporting and disclosures are in compliance with the MMLR, provisions of the Companies Act, 2016, applicable International Financial Reporting Standards, approved accounting standards issued by the Malaysian Accounting Standards Board and any other relevant legal and regulatory requirements:

  - changes in or implementation of major accounting policy or accounting standards;
  - significant matters or unusual events or exceptional transactions highlighted including the adequacy of disclosures in the financial reports and statements;
  - Management's judgements, estimates or assessments made on the recognition, measurement and presentation of the financial results and statements;

<u>Risk Management and Internal Control</u>

- Reviewed the risk management approach, risk assessment and the risk management plan for 2019.
- Reviewed the quarterly top strategic risks and emerging risks including fraud and bribery risks, changes to the risk profiles of the Group and the mitigation strategies and measures put in place to manage risks.
- Reviewed the adequacy and effectiveness of the Group's risk management and internal control systems based on the following assessments performed by Management:
  - Control Self-Assessment which assesses the implementation and execution of the mandatory standards and procedures required under the HEINEKEN Rules.
  - Assessment under the HEINEKEN Risk and Control Matrix compliance programme which assesses the key controls surrounding the Group financial reporting processes.
- Reviewed Management's initiatives among others, the continuous process improvement programme and the review, documentation and communication of Group policies through roadshows to drive awareness on the HEINEKEN Code of Business Conduct including the Policy on Fraud and Bribery.

<u>Related Party Transactions</u>

- Reviewed the quarterly related party transactions as disclosed in the quarterly financial report to ensure that transactions with related parties were carried out within the ambit of the shareholders' mandate approved by shareholders on 24 May 2019.
- Reviewed the proposed shareholders' mandate for recurrent related party transactions to be entered into by the Group for the ensuing year.
- Reviewed the processes that the Company has in place for identifying, evaluating, approving, reporting and monitoring of recurrent related party transactions. The ARMC was satisfied that the processes are adequate to ensure that transactions will be made at arm's length basis and not prejudicial to the interest of the Group or its minority shareholders and will be tracked and reported in a timely manner.

Audit & Risk Management Committee Report

External Audit

- Reviewed the audit scope and the audit plan of the external auditors as well as their proposed fees prior to the commencement of the annual statutory audit.
- Reviewed the external audit finding report, particularly on key audit matters and key accounting and audit adjustments as well as the unadjusted differences identified during the audit.
- Discussed with the external auditors the significant accounting and auditing issues, impact of new or proposed changes in accounting standards and regulatory requirements applicable to the Group, and the plans, processes and controls in place to ensure effective and efficient financial reporting and disclosures under the financial reporting standards.
- Met privately with the external auditors at the ARMC meetings held on 20 February 2019 and 28 November 2019 to provide the external auditors and the ARMC an opportunity to discuss area of concern or additional matters which may be of a confidential nature in a frank and open forum.
- Assessed the independence and objectivity of the external auditors in carrying out statutory audit for the Group and prior to the engagement of the external auditors for non-audit services. The ARMC received confirmation from the external auditors that they have complied with the independence requirements set out in the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (By-Laws) and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) regarding communication of breaches of auditor independence requirements; and that they have fulfilled their ethical responsibilities in accordance with the By-Laws and the IESBA Code. Based on this, the ARMC was satisfied that they were not likely to create any conflict of interest nor impair the independence and objectivity of the external auditors.
- Evaluated the performance of the external auditors and made recommendation to the Board on their re-appointment and remuneration for FY2019.

For FY2019, the fees paid / payable to the external auditors, Messrs Deloitte PLT in relation to the audit and non-audit services rendered to Heineken Malaysia Berhad and its subsidiaries are as follows:

	Company RM'000	Group RM'000
Statutory audit services	120	198
Non-audit services		
(i) Review of reporting deliverables to Deloitte Netherlands	30	30
(ii) Review of the Statement on Risk Management and Internal Control	10	10
	160	238

The ARMC believes that the provision of these services by the external auditors to the Group was fair and reasonable given the scope of the audit and the size of the Group business as well as their knowledge and understanding of the Group operations, and they did not compromise their independence and objectivity.

Internal Audit

- Reviewed the annual Internal Audit Plan including the adequacy of the audit scope, approach, methodology, resources and authority of the Internal Audit function in carrying out its audit activities and provided input on key areas to be included in the plan.
- Reviewed the quarterly Internal Audit reports which encompassed the audit issues, audit recommendations, Management's responses to these recommendations and improvement actions in the area of internal controls, systems and efficiency enhancements suggested by the Internal Auditors.
- Reviewed findings from audits for selected operating processes which were carried out by the HEINEKEN Global Audit Team.
- Reviewed the progress of the implementation of Internal Audit Department (IAD) recommendations on outstanding audit findings on a quarterly basis to ensure all key risks and control issues were addressed.
- Suggested additional improvement opportunities in the areas of internal control, systems and efficiency improvement.
- Reviewed outcome of ad-hoc investigations/special reviews conducted by the IAD on internal misconduct and suspicion of fraud or operational failures within the Group.
- Reviewed the effectiveness of the audit process, resource requirements for the year and assessed the performance and contributions of the IAD as well as the competency and performance of the Head of Internal Audit.

Audit & Risk Management Committee Report

Other Activities

- Reviewed dividend payments proposed by Management taking into consideration the Group's cash flow requirements and its solvency position.
- Reviewed the Corporate Governance Overview Statement, ARMC Report and the Statement on Risk Management and Internal Control and recommended to the Board to approve the same for inclusion in the Annual Report.

INTERNAL AUDIT FUNCTION

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

The Internal Audit function is carried out in-house and led by the Head of Internal Audit who reports functionally to the ARMC and administratively to the Managing Director. The Head of Internal Audit, Mr Eugene Ding Diew Ping, is a holder of a Bachelor's Degree of Business (Accounting) from the University of Technology Sydney, Australia. He is a Chartered Accountant of the Malaysian Institute of Accountants. He is also a Chartered Member of the Institute of Internal Auditors Malaysia. The Head of Internal Audit is currently supported by an Internal Audit Manager, two Assistant Managers and an Internal Audit Executive.

The IAD has direct access to the ARMC Chairman on all internal control and audit issues. The Internal Auditors may also communicate with the external auditors to assist in clarifying matters raised by the external auditors when necessary.

The IAD is governed by an Internal Audit Charter approved by the ARMC. The charter sets out the purpose, scope, responsibility and authority of the IAD.

The IAD adopts a risk-based audit approach towards the planning and conduct of audit consistent with the established audit framework of the HEINEKEN Global Audit Team in designing, implementing and monitoring of control systems. The IAD also works collaboratively with the Process & Controls Improvement Team to review the risk management processes of the Group as a whole. The monitoring process and the controls and risk management assessment approach are in line with the HEINEKEN Business Framework adopted by the Group.

The IAD carried out its activities based on the annual audit plan approved by the ARMC. During FY2019, the IAD completed 14 audit assignments in accordance with the annual audit plan and performed four special reviews at the request of the Management. The audit covered various operational areas within the Group, which included:

(a) Regional sales operations and distributor management
(b) Contract management processes
(c) E-commerce and trade marketing operations
(d) Management of equipment loaned to outlets, premiums, amenities and point of sales materials
(e) Procurement processes
(f) Stock management processes
(g) Packaging material store operations

In addition to the above, the IAD carried out the following activities during FY2019:

- Nine investigative audits on suspicion of fraud or operational failures which were reported via the HEINKEN Speak-Up channel.
- Assisted the HEINEKEN Global Audit Team on the review of the procurement processes.

The IAD also reviewed the status of implementation of corrective actions and preventive measures recommended by IAD. Findings of the IAD were highlighted to Management who is responsible for ensuring that corrective actions on reported weaknesses are taken within the required timeframe. The audit findings were also deliberated at Risk and Control Workgroup meetings and presented to the ARMC for review at their respective quarterly meetings.

The total expenses incurred by IAD in discharging its functions and responsibilities for FY2019 amounted to RM997,000 (FY2018 : RM834,000). The expenses incurred comprised mainly salaries, traveling and training expenses.

Statement on Risk Management and Internal Control

The Board of Directors (the Board) is pleased to present this Statement on Risk Management and Internal Control, which outlines the nature and key elements of the risk management and internal control systems of Heineken Malaysia Berhad (HEINEKEN Malaysia) and its subsidiaries (the Group) for the financial year ended 31 December 2019 (FY2019). This statement is prepared in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers which is in line with Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements (MMLR) and Principle B of the Malaysian Code on Corporate Governance (MCCG).

BOARD'S RESPONSIBILITY

The Board is responsible and accountable for the Group's system of risk management and internal control and for reviewing the effectiveness, adequacy and integrity of the system. In this regard, the Board is assisted by the Audit & Risk Management Committee (ARMC) who is responsible to ensure that appropriate methods and procedures are adopted in the risk management and internal control activities and to obtain the level of assurance required by the Board.

BUSINESS FRAMEWORK

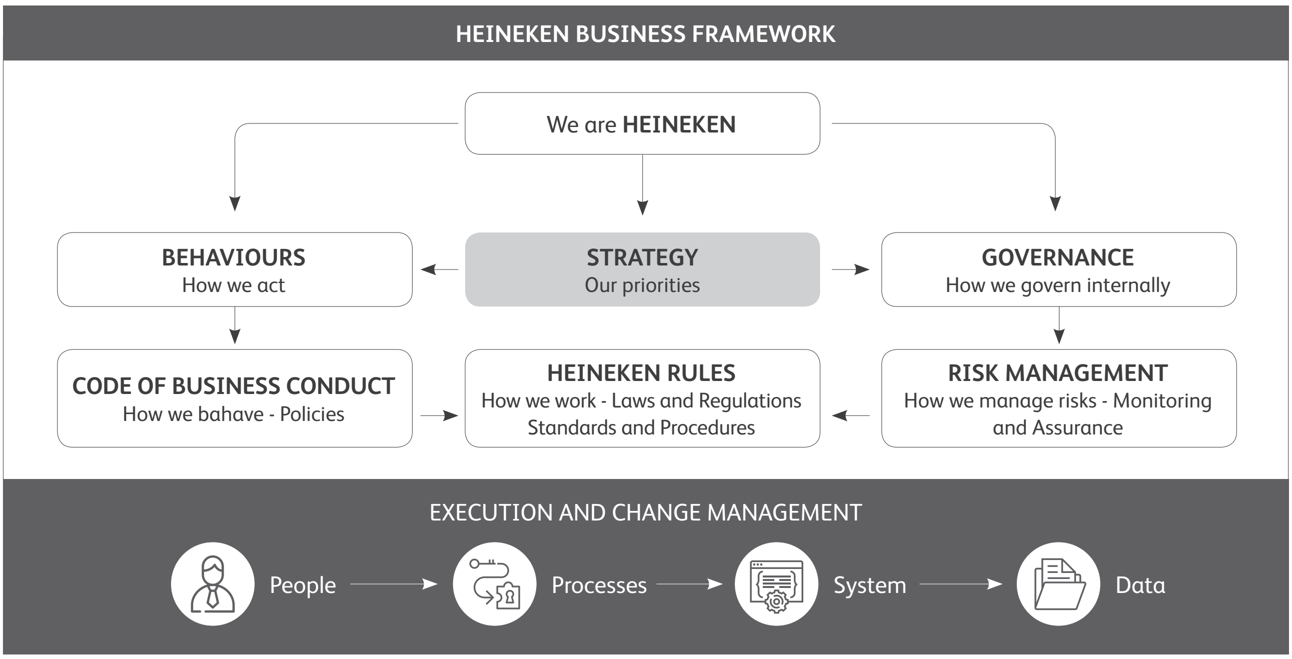
As part of the HEINEKEN Group, the Group has adopted the HEINEKEN Business Framework (the Framework) established by Heineken N.V. The Framework articulates the key elements that the Company relies on to operate effectively and deliver long-term value creation while protecting the Company's people, assets and reputation.

HEINEKEN's Vision, Purpose and Values "We are HEINEKEN" underpin the Company's strategic objectives, enabled by our organisational structure and Governance.

Behaviours provide clear guidance to all employees on how to act and foster a culture of achievement, collaboration and growth, underpinned by the Behaviours framework that reflects the expected attitudes in decision making.

Risk Management is an on-going activity supporting the achievement of our business objectives, and it is supported by the Risk Assessment Cycle, the HEINEKEN Code of Business Conduct (HeiCode) and the HEINEKEN Rules (HeiRules). As part of the Risk Assessment Cycle, the Management Team reviews and updates the Group risks on a continuous basis throughout the year. The HeiRules articulate how we work and the standards to which we commit. They are a key element for managing the risks faced by the Group and translate our objectives into clear instructions on how to conduct our daily business. The HeiCode and its underlying policies set out our commitment to conducting business with fairness, integrity and respect for the law and our values.

The Group systems of risk management and internal control, which are established based on the Committee on Sponsoring Organisations (COSO) Enterprise Risk Management and Internal Control Reference model, form a fundamental part of the HEINEKEN Business Framework.



Statement on Risk Management and Internal Control

RISK MANAGEMENT

At HEINEKEN Malaysia, risk management is an integral part of doing business and is supported by clear governance. The Group has adopted the HEINEKEN Risk Management Framework which is embedded within the HEINEKEN Business Framework.

How we do business
Risk management is an integral part of how we do business, and is at the core of HEINEKEN Business Framework

How it is structured
To manage risks, we are structured around the HEINEKEN "Three Lines of Defence" model

How it is embedded
Risk management is embedded in operations at all levels of the organisation

The Risk Management Framework comprises of four-step processes and it is supported by six key capabilities:

OBJECTIVE ALIGNMENT

Strategic and business objective is aligned to the Group strategy

↓

RISK ASSESSMENT

Risk assessment is performed on identified risk based on impact and likelihood of occurrence

↓

ACTIONS & CONTROLS

Management actions to mitigate the identified risk are periodically monitored

↓

EVALUATION OF ACTUAL PLANS

Performance of management action plan is reviewed as part of business performance review and risk assessment cycle

KEY CAPABILITIES

STRUCTURE
Risk Management is an integral part of how we do business and is embedded in operations at all levels of the organisation.

GOVERNANCE
The risk management governance aligns with the organisational governance, with strong tone at the top and functional integration.

PROCESSES & TASKS
Processes are key for effective risk management, this is done via a continuous four-step processes, embedded in our daily activities.

PEOPLE COMPETENCIES
Having people with the right mindset and behaviour, equipped to address opportunities, risks and required actions.

REWARD & RECOGNITION
Employees are recognised for their contribution to risk management.

INFORMATION SYSTEM
Utilising risk management information system that contains a comprehensive database of key risks faced by the Group.

Statement on Risk Management and Internal Control

The risk profile of the Group is established during risk assessment sessions with the Management Team. This exercise is facilitated by the Process & Control Improvement (P&CI) Team and is fully embedded as a key activity of the Risk and Control Workgroup (RCW). At each assessment session, members of the Management Team are engaged to identify and update the existing risk profiles of their specific areas. The risks identified as well as mitigating action plans are assessed and categorised based on the level of impact and likelihood as set out in the following Risk Management Matrix adopted by the Group:

IMPACT	RISK MANAGEMENT MATRIX				
Major	Medium	Medium	High	High	Major
Significant	Medium	Medium	Medium	High	High
Moderate	Low	Medium	Medium	Medium	High
Minor	Low	Low	Medium	Medium	Medium
Insignificant	Low	Low	Low	Low	Medium
	Nearly Impossible	**Unlikely**	**Possible**	**Likely**	**Almost Certain**
	LIKELIHOOD				

The identified risks are then deliberated by the Management Team members collectively during the quarterly RCW meeting. In determining the most appropriate risk response actions to be taken to address the risk, the following risk mitigation strategy will be considered and action plans will be drawn up once the appropriate response action is determined:

RISK RESPONSE ACTIONS

TAKE
Accept the risk, the probability and possible impact on the business are accepted

TREAT
Take action to reduce the risk by lessening the impact. This can involve improved procedures and internal controls.

TRANSFER
Decide to pass the risk or costs of the impact outside the organisation through third party contracts or take out insurance to cover the costs of the impact

TERMINATE
Decide to eliminate the risk by terminating the activity or the pursuance of the objective that causes the risk

Statement on Risk Management and Internal Control

For the organisation of risk management activities, the Group applies the HEINEKEN "Three-lines of Defence" model.

BOARD AND ARMC		
1st Line - Management ▪ Ownership and Responsibility	**2nd Line - Process & Control Improvement (P&CI)** ▪ Improve, Monitor, Design & Implement	**3rd Line - Internal Audit** ▪ Independent, Objective Assurance
Management has the ownership, responsibility and accountability for assessing, controlling and mitigating risks.	Management is supported by the P&CI Team that oversees compliance with the Group policies, processes and controls, facilitate the implementation of risk management practices and drive continuous improvements of internal controls.	Internal Audit function is tasked to review key control processes and systems based on the Group's strategic priorities and key risk areas and provide objective assurance on the effectiveness of governance, risk management and internal control processes.
The above is supported by an assurance activity carried out by external audit service providers whose responsibility is to evaluate and provide an independent and objective assurance on the organisation's governance and risk management processes including reliability of information, compliance with regulations and procedures; and efficient and effective use of resources.		

The RCW, which is made up of members of the Management Team and is chaired by the Managing Director, oversees the areas of risk management and internal control of the Group. It meets on a quarterly basis to review the risk management activities and internal control issues raised. Matters deliberated in the RCW meetings are reported to the ARMC. The RCW is supported by the P&CI Team who is tasked to oversee compliance with the Group's Risk Management and Internal Control Systems and drive continuous process improvement.

The P&CI Team is administered as a function within the Finance Department and it reports to the Finance Director.

INTERNAL CONTROL

As an integral part of the Framework, internal control activities are carried out with the aim of providing reasonable assurance as to the accuracy of financial information, non-financial disclosures, the Company's compliance with applicable laws and internal policies, and the effectiveness of internal processes. The internal control standard within the Group is evaluated via the Control Self-Assessment (CSA) to be performed by each function inclusive the IT and tax management functions on an annual basis to assess the implementation and execution of the mandatory standards and procedures required under the HeiRules. The Group has also adopted the HEINEKEN Risk and Controls Matrix (RACM) compliance programme that emphasises on internal controls over financial reporting where assessment is performed on key controls surrounding the Group financial reporting process based on materiality level; and it focuses on transparency, accountability and safeguarding of assets in its review mechanism.

The P&CI Team coordinates both CSA and RACM assessment on an annual basis. The assessments are performed by competent assessors and the outcome of the assessments are tested by qualified testing reviewers. The P&CI Team discusses non-compliance areas, if any, and control deficiencies with relevant process owners to ensure a remediation action plan is undertaken. Completed actions are then retested to ensure adequate remediation. Unremediated deficiencies, if any, will be assessed and reported to the RCW and the ARMC during their quarterly meetings.

INTERNAL AUDIT

The internal audit function is performed in-house by the Internal Audit Department (IAD). IAD's primary role is to provide independent and objective assessment on the adequacy and effectiveness of the governance, risk management and internal control processes established by Management and the Board within the Group.

The IAD has a clear line of reporting to the ARMC and its performance is reviewed by the ARMC annually. IAD is independent of the operational and management activities they audit and has unrestricted access to information, records, physical properties, and personnel, in order for it to complete the audit assignments.

Statement on Risk Management and Internal Control

Audits are carried out based on the audit plan approved by the ARMC. The audit plan is developed based on the risk profiles identified in accordance with the Group's Risk Management Framework in consultation with the Management Team. The audit reports which highlight significant findings and corrective measures in respect of effectiveness of governance, risk management and internal control processes are presented to the RCW and the ARMC at their quarterly meetings.

Details of activities carried out by the IAD during the financial year ended 31 December 2019 are further disclosed in the ARMC Report in the Annual Report.

KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

Authority and Responsibility

- As part of the Risk Management Framework, and in line with the MCCG, the Board has an organisational structure with clearly defined lines of accountability and responsibilities and delegated authority to the Board Committees and the Management to ensure they discharge their duties. Matters concerned risk management and internal control are under the purview of the ARMC that is chaired by the Senior Independent Director.

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

- Internal policies and procedures of core business processes with limits of authority delegated to appropriate levels of employees are documented and are stored in a document repository portal. These documents are subject to review and improvement to reflect changing risks or resolve operational deficiencies.

Monitoring, Reporting and Performance Measurement

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

- The RCW meets on a quarterly basis to review risk management and internal control activities and discuss risk mitigation strategy and follow-up on action plans implemented in response to matters raised as a result of review, assessment and test performed by the P&CI Team and the Internal and External Auditors.

- Compliance audit in line with the ISO 9001:2015 Quality Management System and the Hazard Analysis Critical Control Point (HACCP) requirements are conducted annually and based on the frequency determined by the Ministry of Health respectively to monitor compliance with product safety requirements.

- Annual planning process where respective functions review and prepare their strategies and activity plans including budgets before a new financial year commences. The annual plan which embeds the budget is reviewed by the Management Team and approved by the Board. Monthly review of performance and expenditure versus the plan is carried out by the Management Team to ensure effectiveness of execution and spends are managed in line with the strategic and financial objectives of the organisation and performance gaps or key variances, if any, are followed up and addressed by respective functions.

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

- Regular stakeholder engagement with employees, investors, analysts, media, trade partners and relevant authorities are held to better gauge the needs of the stakeholders and gather feedback on effectiveness and efficiency for continuous improvement.

- On behalf of the Management Team, the Managing Director and the Finance Director sign-off a bi-annual Letter of Representation (LOR) to the Chief Financial Officer of Heineken N.V., demonstrating management's accountability over financial and non-financial reporting disclosures, financial reporting controls, compliance with the HeiCode and HeiRules and reporting of fraud and irregularities.

Integrity and Ethical Values

- The Group has adopted the HeiCode which governs the standards of ethics and responsible business conduct expected from employees at all levels. The HeiCode has embedded 19 policies which covers all aspects of the Group's business operations, categorised under four broad areas namely, Responsible Consumption, Respect People and the Planet, Conducting Business with Integrity and Fairness and Safeguarding Company's

Statement on Risk Management and Internal Control

assets. Among the areas covered are responsible alcohol consumption; commitment to health and safety, human rights and sustainable initiatives, avoidance and disclosure of conflicts of interest, management of confidential information, data protection; fair competition practices, fraud, bribery, offering and acceptance of gifts, entertainment, hospitality and donations; and money laundering.

- Reviews are conducted on new regulatory requirements relevant to the Group to ensure the Group has in place adequate procedures to comply with the relevant requirements. In 2019, the P&CI Team conducted an assessment on the Group's Anti-Bribery and Anti-Fraud Procedures versus the Guidelines on Adequate Procedures issued pursuant to Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act with a view to identify the procedural gaps and areas for improvement. The outcome of the assessment together with the action plan implemented was reported to the RCW and the ARMC.

- The Group also adopted the HEINEKEN Speak Up Policy, which provides employee with a standard process to raise concerns about suspected misconduct within the Group in confidence and without fear of retaliation. Speak Up allows and encourages employees to report suspected misconduct through line manager/Human Resources representative/P&CI/legal function/trusted representatives appointed by the Company. The Speak Up Service is managed by an independent third party and is available 24/7, 365 days a year. Report can be submitted through the Speak Up Service by online or phone call. All Speak Up reports are handled by a Case Manager who works under the supervision and instruction of the HEINEKEN Global Integrity Committee which comprises representatives from the HEINEKEN Business Conduct Office, Global Audit, Global Human Resources and Global Legal Affairs. The Speak Up Policy was communicated to all employees to create awareness that there is an established channel for them to raise concerns about suspected misconduct within the organisation. The Speak Up policy is also made available for public access on the Company's website at https://www.heinekenmalaysia.com/corporate-governance/

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

Employees Competency and Awareness

- Awareness sessions were conducted nationwide and e-Learning programmes were rolled out to all employees to drive awareness and assess employees' understanding of the HeiCode and the key policies, among others, the Brand Promoters Policy, Policy on Bribery and Privacy and Data Protection Rules. It is compulsory for all employees to attend the awareness session and complete the e-Learning programmes. The results from the e-Learning assessment are closely monitored by the HR Team who will report to the RCW.

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

- Briefings and roadshows are conducted to keep employees informed of changes to legislation that are expected to affect the Group's operations or the way the Group conducts its business. During FY2019, employees were briefed on the requirements of Section 17A of the MACC Act.

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

Other Policies

- The Distributor Code of Conduct which outlines the standard for ethical and business conduct expected from distributors in their business dealing with the Group. Briefing sessions and training are conducted for all distributors appointed by the Group to drive their awareness and assess their understanding of the said code of conduct and the underlying principles relating to, among others, bribery, fraud and offering and acceptance of gifts and entertainment.

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

- The Group has adopted the HEINEKEN's Crisis Manual and has in place a Contingency Plan and an Emergency Preparedness and Response Plan which lays out contingency plans and procedures to follow in the event of a crisis. The Group has a Crisis Management Team which comprises members of the Management Team, to provide leadership and timely decision making to ensure continuity of business operations in the event of a significant disruption or disaster. Among the crisis scenarios covered under the plan are fire / explosion, product contamination and IT disaster. In 2019, a simulation on various crisis scenarios was conducted to assess the Group's preparedness in dealing with such crisis and the effectiveness of the crisis recovery plan so as to ensure that disruption to its operations and business during crisis is minimised or properly managed. All Management Team members participated in this exercise.

Board Assessment

The Board is of the view that, the overall risk management and internal control systems in place for the financial year ended 31 December 2019, and up to the date of approval of this statement are operating adequately and effectively. This is in all material aspects, based on, the same assurance provided by the Managing Director and the Finance Director who represent the Management Team of the Company via the LOR submitted to Heineken N.V. During the financial year under review, there were no material financial and non-financial losses reported as a result of weaknesses or inadequacies in internal control. The Board will continue to review the systems and ensure that measures will be taken to strengthen the risk management and internal control environment within the Group.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report 2019. Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide 3 (AAPG3) issued by the Malaysian Institute of Accountants. AAPG3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems.

Based on the review, the external auditors have reported that nothing has come to their attention that had caused them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by the Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers to be set out, nor is the Statement factually inaccurate.

Our Numbers And Others

Directors' Report

The directors of **HEINEKEN MALAYSIA BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the production, packaging, marketing and distribution of beverages, primarily alcoholic, whilst the principal activities of the subsidiaries are as stated in Note 13 to the financial statements.

RESULTS OF OPERATIONS

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

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	312,968	435,209

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

DIVIDENDS

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

(i) A final ordinary dividend of 54 sen per stock unit under the single tier tax system totalling RM163,132,920 in respect of the financial year ended 31 December 2018 on 19 July 2019; and

(ii) An interim ordinary dividend of 42 sen per stock unit under the single tier tax system totalling RM126,881,160 in respect of the financial year ended 31 December 2019 on 25 October 2019.

The directors now recommend the declaration of a final ordinary dividend of 66 sen per stock unit under the single tier system totalling RM199,384,680 in respect of the financial year ended 31 December 2019 which if approved by the owners of the Company will be payable on 17 July 2020.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

Directors' Report

SHARE OPTIONS

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

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

OTHER STATUTORY INFORMATION

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that no known bad debts to be written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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

(a) which would require the writing off of bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

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

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; and

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year except as disclosed in Note 25 to the financial statements.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

Directors' Report

DIRECTORS

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

Dato' Sri Idris Jala
Martin Giles Manen
Datin Ngiam Pick Ngoh, Linda
Lim Rern Ming, Geraldine
Roland Bala
Yu Yu-Ping
Evers, Leonard Cornelis Jorden (Appointed on 1 October 2019)
Choo Tay Sian, Kenneth (Resigned on 1 October 2019)

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

Dato' Dominic Joseph Puthucheary
Szilard Voros
Roland Bala
Renuka a/p V. Indrarajah

DIRECTORS' INTERESTS

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

	Number of ordinary stock units			
	Balance as at 1.1.2019	**Bought**	**Sold**	**Balance as at 31.12.2019**
Datin Ngiam Pick Ngoh, Linda	6,700	-	-	6,700

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, save for the consultancy services fee payable to a director of the Company during the financial year 2019, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the Note 22 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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

Directors' Report

INDEMNITY OF INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains a directors and officers liability insurance for the purposes of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate insurance cover for the directors and officers of the Group. The amount of insurance premium paid during the financial year amounted to RM24,791.

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

HOLDING CORPORATIONS

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

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

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial year ended 31 December 2019 is as disclosed in Note 7 to the financial statements.

AUDITORS

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

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

DATO' SRI IDRIS JALA

ROLAND BALA

Petaling Jaya,
21 February 2020

Independent Auditors' Report

To The Members of Heineken Malaysia Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of **HEINEKEN MALAYSIA BERHAD**, which comprise the statements of financial position of the Group and of the Company as at 31 December 2019, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 93 to 141.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

BASIS FOR OPINION

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

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

KEY AUDIT MATTERS

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

Revenue recognition - Accruals for promotional allowances and volume rebates

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

Our audit response

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

Independent Auditors' Report

To The Members of Heineken Malaysia Berhad (Incorporated in Malaysia)

KEY AUDIT MATTERS (CONTINUED)

Contingent liability on additional excise duty & sales tax

On 3 September 2015, the Company received bills of demand from the Royal Malaysian Customs of Federal Territory of Kuala Lumpur ("RMC") demanding payment on additional excise duty and sales tax totalling RM56,325,555. However, the Company has on 17 February 2020 received an official letter dated 3 February 2020 from RMC notifying that the bill of demand for sales tax amounting to RM14,772,971 and the penalty amounting to RM7,386,485 have been cancelled effective 15 January 2020 while the bill of demand for excise duty amounting to RM34,166,099 remains unchanged.

Based on the legal opinion sought, the directors of the Company are of the view that there are reasonable grounds to appeal for the revocation of the bill of demand for excise duty. The Company will continue to engage the RMC to seek an amicable solution to resolve this matter soonest possible. It is a significant area that our audit focused on because the amount involved is significant and the determination of the amount, if any, to be provided for such disputed liability is inherently subjective.

Our audit response

We obtained an understanding of the status of the bill of demand from RMC through discussion with management. Written representation from management was obtained and we read the legal opinion from the Company's external solicitor on the status of the bill of demand from RMC to corroborate with the Company's assessment of the bill of demand from RMC. We involved our tax specialist in assessing the appropriateness of the tax position as stated in the legal opinion. We considered the appropriateness of disclosure in Note 25 to the financial statements regarding the contingent liability.

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

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises Chairman's Statement, Five-Year Financial Indicators, Analysis of Group Revenue, Management Discussion and Analysis, Properties owned by the Group and Directors' Report (but does not include the financial statements of the Group and of the Company and our auditors' report thereon) which we obtained prior to the date of this auditors' report and the Corporate Governance Overview Statement, Audit and Risk Management Committee Report which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information that are expected to be made available to us after the date of this auditors' report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

Independent Auditors' Report

To The Members of Heineken Malaysia Berhad (Incorporated in Malaysia)

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS (CONTINUED)

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditors' Report

To The Members of Heineken Malaysia Berhad (Incorporated in Malaysia)

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

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

OTHER MATTERS

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

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

LAI CAN YIEW
Partner - 02179/11/2020 J
Chartered Accountant

21 February 2020

Statements of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue		2,320,249	2,029,672	1,425,875	1,341,787
Cost of sales		(1,611,324)	(1,375,871)	(1,365,619)	(1,273,815)
Gross profit		708,925	653,801	60,256	67,972
Other operating income		10,842	11,339	3,957	2,019
Distribution, marketing and selling expenses		(213,312)	(196,745)	(2,751)	(3,001)
Administrative expenses		(87,296)	(78,752)	(28,242)	(23,385)
Other operating expenses		(4,760)	(6,509)	(4,735)	(4,799)
Dividend income		-	-	413,076	239,299
Results from operating activities		414,399	383,134	441,561	278,105
Finance income	5	1,372	1,249	1,308	1,231
Finance costs	6	(3,644)	(3,619)	(3,310)	(3,619)
Net finance costs		(2,272)	(2,370)	(2,002)	(2,388)
Profit before tax	7	412,127	380,764	439,559	275,717
Income tax expense	8	(99,159)	(98,244)	(4,350)	(14,462)
Profit/Total comprehensive income for the year attributable to:					
Owners of the Company		312,968	282,520	435,209	261,255
Basic/Diluted earnings per ordinary stock unit (sen)	9	103.6	93.5		

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

Statements of Financial Position

As at 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-current Assets					
Property, plant and equipment	10	341,302	292,940	309,657	270,003
Intangible assets	11	20,593	21,294	20,593	21,293
Right-of-use assets	12	18,499	-	13,872	-
Investment in subsidiaries	13	-	-	14,344	14,344
Deferred tax assets	14	-	1,266	-	-
Other receivables and prepaid expenses	15	16,136	20,624	263	655
Total Non-current Assets		396,530	336,124	358,729	306,295
Current Assets					
Inventories	16	73,845	90,037	40,709	31,082
Current tax assets		14,704	9,593	14,704	9,593
Receivables, deposits and prepaid expenses	15	599,846	491,986	162,391	86,133
Cash and bank balances		15,068	12,583	13,668	11,475
Total Current Assets		703,463	604,199	231,472	138,283
Total Assets		1,099,993	940,323	590,201	444,578
Equity					
Share capital	17	151,049	151,049	151,049	151,049
Retained earnings		243,052	220,098	153,900	8,705
Total Equity Attributable To Owners of The Company		394,101	371,147	304,949	159,754
Non-current Liabilities					
Lease liabilities	19	3,201	-	1,095	-
Deferred tax liabilities	14	38,321	33,604	37,372	33,604
Total Non-current Liabilities		41,522	33,604	38,467	33,604
Current Liabilities					
Borrowings	18	98,000	105,000	98,000	105,000
Trade and other payables	20	531,370	414,218	147,108	146,220
Lease liabilities	19	4,303	-	1,677	-
Current tax liabilities		30,697	16,354	-	-
Total Current Liabilities		664,370	535,572	246,785	251,220
Total Liabilities		705,892	569,176	285,252	284,824
Total Equity and Liabilities		1,099,993	940,323	590,201	444,578

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

Statements of Changes In Equity

For The Year Ended 31 December 2019

Group	Note	Share capital RM'000	Distributable - Retained earnings RM'000	Total RM'000
As at 1 January 2018		151,049	209,466	360,515
Total comprehensive income for the year		-	282,520	282,520
Dividends	21	-	(271,888)	(271,888)
As at 31 December 2018/1 January 2019		151,049	220,098	371,147
Total comprehensive income for the year		-	312,968	312,968
Dividends	21	-	(290,014)	(290,014)
As at 31 December 2019		151,049	243,052	394,101
Company				
As at 1 January 2018		151,049	19,338	170,387
Total comprehensive income for the year		-	261,255	261,255
Dividends	21	-	(271,888)	(271,888)
As at 31 December 2018/1 January 2019		151,049	8,705	159,754
Total comprehensive income for the year		-	435,209	435,209
Dividends	21	-	(290,014)	(290,014)
As at 31 December 2019		151,049	153,900	304,949

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

Statements of Cash Flows

For The Year Ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Profit before tax		412,127	380,764	439,559	275,717
Adjustments for:					
Amortisation of prepaid contractual promotion expenses		46,442	52,334	-	-
Depreciation of property, plant and equipment	10	43,709	39,262	36,543	32,082
Amortisation of intangible assets	11	7,436	6,395	7,436	6,393
Property, plant and equipment written off	10	6,873	4,496	6,873	4,170
Depreciation of right-of-use assets	12	5,539	-	2,391	-
Finance costs	6	3,644	3,619	3,310	3,619
Inventories written down		2,696	4,617	480	1,171
Net unrealised gain on foreign exchange		(110)	(433)	(128)	(393)
(Gain)/loss on disposal of property, plant and equipment		(476)	(1,117)	(4)	92
Finance income	5	(1,372)	(1,249)	(1,308)	(1,231)
Dividend income from a subsidiary		-	-	(413,076)	(239,299)
Intangible assets written off	11	-	1	-	1
Operating Profit Before Working Capital Changes		526,508	488,689	82,076	82,322
Movement in working capital:					
(Increase)/Decrease in:					
Receivables, deposits and prepaid expenses		(149,814)	(61,530)	(75,866)	(25,383)
Inventories		13,496	(27,755)	(10,107)	(430)
Increase/(Decrease) in trade and other payables		108,731	38,110	(7,515)	47,531
Cash Generated From/(Used In) Operations		498,921	437,514	(11,412)	104,040
Income tax paid		(89,895)	(85,458)	(11,644)	-
Income tax refunded		5,951	-	5,951	-
Interest paid		(3,644)	(3,619)	(3,310)	(3,619)
Net Cash From/(Used In) Operating Activities		411,333	348,437	(20,415)	100,421

Statements of Cash Flows

For The Year Ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	10	(101,846)	(77,394)	(85,965)	(68,409)
Acquisition of intangible assets	11	(6,735)	(4,452)	(6,736)	(4,452)
Interest received		1,372	1,249	1,308	1,231
Proceeds from disposal of property, plant and equipment		483	1,326	4	68
Dividend received		-	-	413,076	239,299
Net Cash (Used In)/From Investing Activities		(106,726)	(79,271)	321,687	167,737
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Dividends paid	21	(290,014)	(271,888)	(290,014)	(271,888)
(Repayment)/Drawdown of trade financing - net		(7,000)	4,000	(7,000)	4,000
Repayment of lease liabilities		(5,108)	-	(2,065)	-
Net Cash Used In Financing Activities		(302,122)	(267,888)	(299,079)	(267,888)
NET INCREASE IN CASH AND BANK BALANCES		2,485	1,278	2,193	270
CASH AND BANK BALANCES AT BEGINNING OF YEAR		12,583	11,305	11,475	11,205
CASH AND BANK BALANCES AT END OF YEAR		15,068	12,583	13,668	11,475

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

Notes To The Financial Statements

1. GENERAL INFORMATION

Heineken Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is principally engaged in the production, packaging, marketing and distribution of beverages, primarily alcoholic, whilst the principal activities of the subsidiaries are as stated in Note 13.

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

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 21 February 2020.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Application of New and Revised Malaysian Financial Reporting Standards Amendments to MFRS and Issue Committee Interpretations ("IC Int.")

In the current financial year, the Group and the Company adopted all the new and revised MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") and effective for an annual financial period beginning on or after 1 January 2019:

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendments, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle
IC Int. 23	Uncertainty over Income Tax Treatments

The adoption of these new and revised MFRSs, Amendments to MFRS and IC Interpretation did not result in significant changes in the accounting policies of the Group and of the Company and had no significant effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 as discussed below:

Impacts of Application of MFRS 16 *Leases*

In the current year, the Group and the Company have applied MFRS 16 that is effective for annual periods that begin on or after 1 January 2019.

MFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of MFRS 16 on the financial statements is described below.

The directors of the Group and of the Company have applied the modified retrospective method and the Group and the Company did not reinstate comparative information. Right-of-use assets are measured at an amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy as disclosed in Note 3.

Notes To The Financial Statements

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

Impacts of Application of MFRS 16 *Leases* (Continued)

The Group and the Company have applied the practical expedients under MFRS 16 by applying the short term (one year or less) and low value (less than RM25,000) exemptions.

Upon adoption of MFRS 16, leasehold land amounting to RM11,426,000 have been reclassified to right-of-use assets together with a recognition of additional right-of-use assets and lease liabilities amounting to RM10,635,000 and RM4,408,000 on 1 January 2019 for the Group and the Company, respectively. The Group and the Company discounted the lease payments using the incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate applied is 5.72%.

The difference between the opening balance sheet impact as at 1 January 2019 and the off-balance sheet commitments is primarily due to discounting of future lease payments and short-term lease commitments which are not included in the lease liability.

Refer to the table below for the reconciliation:

	Group RM'000	Company RM'000
Operating lease commitment disclosed as at 31 December 2018	11,677	4,815
Short-term leases not recognised as lease liabilities	(665)	(60)
Impact of discounting using the incremental borrowing rate as at 1 January 2019	(377)	(347)
Lease liabilities recognised as at 1 January 2019	10,635	4,408

Standards and Amendments in issue but not yet effective

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

Effective for annual periods beginning on or after 1 January 2020

MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of a Material
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform

Effective for annual periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

Effective date deferred to a date to be announced by MASB

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

Standards and Amendments in issue but not yet effective (Continued)

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Accounting

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of MFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

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

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

The principal accounting policies are set out below:

Basis of Consolidation and Subsidiaries

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation and Subsidiaries (Continued)

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

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

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

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

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

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

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

<u>Changes in Group's ownership interest in existing subsidiaries</u>

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation and Subsidiaries (Continued)

Subsidiaries

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

Translation of Foreign Currency Transactions

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

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

Functional and Presentation Currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to nearest thousand, unless otherwise stated.

Revenue Recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or services (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's and the Company's customary business practices.

(i) Sales of Goods

Revenue is generated by the sale and delivery of products to customers. Revenue is measured based on the consideration specified in a contract with a customer. The products are mostly own-produced finished goods from the Group's brewing activities, but also contain purchased goods from related companies for resale to customers. The Group and the Company recognise revenue when they transfer control over a product or service to a customer and satisfy their performance obligation to a customer. Where applicable, rebates and discounts to customers are accounted as net of revenue according to contract. The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(ii) Dividend Income

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

(iii) Interest Income

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Benefits

(i) Short-Term Benefits

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

(ii) Defined Contribution Plan

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

(iii) Termination Benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised in the cost of those assets until the assets are substantially ready for their intended use or sale. Borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

Income Tax

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

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

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

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

Notes To The Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax (Continued)

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

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

Leases

Accounting policies applied from 1 January 2019

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment as disclosed in Note 2. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Company expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The lease term is determined as the non-cancellable period of a lease, together with both:

(a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
(b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Group and the Company apply MFRS 136 to determine whether a right-of-use asset is impaired and account for any identified impairment loss as described in “Property, Plant and Equipment” policy.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group’s and the Company’s incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets are those assets valued at less than RM25,000 each when purchased new.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Accounting policies applied until 31 December 2018

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

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

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

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

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

Impairment of Non-Financial Assets

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

Recoverable amount is the higher of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

Property, Plant and Equipment

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

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

Notes To The Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (Continued)

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use.

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

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

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

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

Freehold land is not depreciated. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

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

Intangible assets

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

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Computer software are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 5 years. Amortisation methods, useful life and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

Inventories

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

The cost of inventories is calculated using weighted average method, and includes cost of raw materials, duties where applicable, and other expenses incurred in acquiring inventories and bringing them to their existing location and condition. For finished goods and work-in-progress, cost also includes direct labour and an appropriate proportion of production overheads based on normal operating capacity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories (Continued)

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale.

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

Amortisation cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECL”) on investments in debt instruments that are measured at amortised cost, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

Impairment of financial assets (Continued)

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with MFRS 16 *Leases*.

If the Group measures the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Notes To The Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Liabilities and Equity Instruments (Continued)

Derecognition of financial liabilities (Continued)

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Provisions

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

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

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Contingent Liabilities

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

Statements of Cash Flows

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

4. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

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

(ii) Key sources of estimation uncertainty

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

Accruals for promotional discounts and volume rebates

Significant management judgment is required relative to the consideration of the Group's ability to estimate the promotional allowance and volume rebates, which impact revenue recognition. In making the estimates, the Group refers to the terms agreed with the customers and relies on the historical and current sales information to determine the accruals for promotional discounts and rebates as at the end of the reporting period.

Contingent liabilities

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

Depreciation of property, plant and equipment and right-of-use assets

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

Returnable packaging deposits

The Group collects deposits from customers on returnable packaging materials such as bottles, kegs, crates and cylinders. Management estimates the returnable packaging materials being circulated in the market and the expected return from customers. The estimate is based on circulation time and losses of returnable packaging materials in the market.

Right-of-use assets and lease liabilities

Significant management judgement is required to determine the lease term and the incremental borrowing rate. Management assesses whether the Group and the Company are reasonably certain to exercise such options impacts the lease term, which as a result could affect the amount of lease liabilities recognised. The assumptions used in the determination of the incremental borrowing rate could impact the rate used in discounting future payments, which as a result could have an impact on the amount of lease liabilities recognised.

Notes To The Financial Statements

5. FINANCE INCOME

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income received from deposits placed with licensed banks	1,369	1,238	1,305	1,228
Interest income received from staff loans	3	11	3	3
Recognised in profit or loss	1,372	1,249	1,308	1,231

6. FINANCE COSTS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
Revolving credit and trade financing	3,101	3,619	3,101	3,619
Lease liabilities	543	-	209	-
Recognised in profit or loss	3,644	3,619	3,310	3,619

Notes To The Financial Statements

7. PROFIT BEFORE TAX

Profit before tax is arrived at after the following:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
After charging:				
Personnel expenses(including key management personnel):				
Wages, salaries and others	95,248	94,681	32,806	30,297
Contributions to state plans	14,159	13,315	4,378	3,992
Amortisation of prepaid contractual promotion expenses	46,442	52,334	-	-
Depreciation of property, plant and equipment (Note 10)	43,709	39,262	36,543	32,082
Amortisation of intangible assets (Note 11)	7,436	6,395	7,436	6,393
Property, plant and equipment written off	6,873	4,496	6,873	4,170
Depreciation of right-of-use assets (Note 12)	5,539	-	2,391	-
Inventories written down	2,696	4,617	480	1,171
Rental expense on buildings	1,859	3,225	381	254
Hire of equipment	599	1,449	279	1,136
Auditors' remuneration:				
Statutory audit	198	198	120	120
Other services	40	40	40	40
Intangible assets written off	-	1	-	1
Loss on disposal of property, plant and equipment	-	-	-	92
And after crediting:				
Dividend income from unquoted subsidiary	-	-	413,076	239,299
Gain on disposal of property, plant and equipment	476	1,117	4	-
Net realised gain on foreign exchange	2,316	326	2,066	150
Net unrealised gain on foreign exchange	110	433	128	393

Notes To The Financial Statements

8. INCOME TAX EXPENSE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable:				
Current year	94,363	94,343	2,564	11,455
Overprovision in prior years	(1,187)	(567)	(1,982)	(1,122)
	93,176	93,776	582	10,333
Deferred tax (Note 14):				
Current year	7,567	2,662	6,117	2,196
(Over)/Underprovision in prior years	(1,584)	1,806	(2,349)	1,933
	5,983	4,468	3,768	4,129
	99,159	98,244	4,350	14,462

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before tax	412,127	380,764	439,559	275,717
Tax at statutory tax rate of 24% (2018: 24%)	98,910	91,383	105,494	66,172
Tax effects of:				
Expenses not deductible for tax purposes	3,020	5,622	2,325	4,911
(Over)/Underprovision in prior years:				
Current tax	(1,187)	(567)	(1,982)	(1,122)
Deferred tax	(1,584)	1,806	(2,349)	1,933
Tax exempt dividend	-	-	(99,138)	(57,432)
	99,159	98,244	4,350	14,462

Notes To The Financial Statements

9. EARNINGS PER ORDINARY STOCK UNIT

Basic earnings per ordinary stock unit

The calculation of basic earnings per ordinary stock unit at 31 December 2019 was based on the profit attributable to the holders of ordinary stock units of RM312,968,000 (2018: RM282,520,000) and the number of ordinary stock units outstanding of 302,098,000 (2018: 302,098,000).

	Group	
	2019	**2018**
Issued ordinary stock unit ('000)	302,098	302,098
Basic earnings per ordinary stock unit (sen)	103.6	93.5

There were no diluted earnings per ordinary stock unit for the Group as at 31 December 2019.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Long term leasehold land	Buildings	Plant and machinery	Movable plant	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
At 1 January 2018	4,037	20,191	79,953	358,213	195,306	29,841	687,541
Additions	-	-	276	180	19,076	75,538	95,070
Write offs	-	-	(1,043)	(913)	(9,750)	-	(11,706)
Disposals	-	-	-	(250)	(4,096)	-	(4,346)
Reclassifications	-	-	7,215	15,649	23,699	(46,563)	-
At 31 December 2018/ 1 January 2019	4,037	20,191	86,401	372,879	224,235	58,816	766,559
Additions	-	-	56	3,956	29,678	76,687	110,377
Write offs	-	-	-	(1,097)	(13,189)	-	(14,286)
Disposals	-	-	-	(225)	(1,524)	-	(1,749)
Reclassifications	-	-	12,976	56,006	48,891	(117,873)	-
Effect of adoption of MFRS 16	-	(20,191)	-	-	-	-	(20,191)
At 31 December 2019	4,037	-	99,433	431,519	288,091	17,630	840,710

Notes To The Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Movable plant RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated Depreciation							
At 1 January 2018	-	8,509	46,418	263,697	127,080	-	445,704
Charge for the year	-	256	4,625	11,150	23,231	-	39,262
Write offs	-	-	(1,014)	(899)	(5,297)	-	(7,210)
Disposals	-	-	-	(94)	(4,043)	-	(4,137)
At 31 December 2018/ 1 January 2019	-	8,765	50,029	273,854	140,971	-	473,619
Charge for the year	-	-	4,451	12,649	26,609	-	43,709
Write offs	-	-	-	(1,080)	(6,333)	-	(7,413)
Disposals	-	-	-	(225)	(1,517)	-	(1,742)
Effect of adoption of MFRS 16	-	(8,765)	-	-	-	-	(8,765)
At 31 December 2019	-	-	54,480	285,198	159,730	-	499,408
Carrying amounts							
At 31 December 2019	4,037	-	44,953	146,321	128,361	17,630	341,302
At 31 December 2018	4,037	11,426	36,372	99,025	83,264	58,816	292,940

Notes To The Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Long term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Movable plant RM'000	Capital work-in-progress RM'000	Total RM'000
Cost						
At 1 January 2018	20,191	73,244	358,213	151,011	26,820	629,479
Additions	-	260	180	18,946	66,699	86,085
Write offs	-	(214)	(913)	(8,150)	-	(9,277)
Disposals	-	-	(250)	(115)	-	(365)
Reclassifications	-	7,064	15,649	14,239	(36,952)	-
At 31 December 2018/1 January 2019	20,191	80,354	372,879	175,931	56,567	705,922
Additions	-	56	3,956	29,616	60,868	94,496
Write offs	-	-	(1,097)	(13,188)	-	(14,285)
Disposals	-	-	(225)	-	-	(225)
Reclassifications	-	12,976	56,006	31,411	(100,393)	-
Effect of adoption of MFRS 16	(20,191)	-	-	-	-	(20,191)
At 31 December 2019	-	93,386	431,519	223,770	17,042	765,717
Accumulated Depreciation						
At 1 January 2018	8,509	41,314	263,697	95,629	-	409,149
Charge for the year	256	3,812	11,150	16,864	-	32,082
Write offs	-	(197)	(899)	(4,011)	-	(5,107)
Disposals	-	-	(94)	(111)	-	(205)
At 31 December 2018/1 January 2019	8,765	44,929	273,854	108,371	-	435,919
Charge for the year	-	3,983	12,649	19,911	-	36,543
Write offs	-	-	(1,080)	(6,332)	-	(7,412)
Disposals	-	-	(225)	-	-	(225)
Effect of adoption of MFRS 16	(8,765)	-	-	-	-	(8,765)
At 31 December 2019	-	48,912	285,198	121,950	-	456,060
Carrying amounts						
At 31 December 2019	-	44,474	146,321	101,820	17,042	309,657
At 31 December 2018	11,426	35,425	99,025	67,560	56,567	270,003

Notes To The Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the financial year, the Group and the Company acquired property, plant and equipment as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash payments	101,846	77,394	85,965	68,409
Other payables	8,531	17,676	8,531	17,676
Total additions	110,377	95,070	94,496	86,085

11. INTANGIBLE ASSETS

Group	Computer software RM'000	Capital work-in-progress RM'000	Total RM'000
Cost			
At 1 January 2018	80,253	456	80,709
Additions	15	4,437	4,452
Write offs	(957)	-	(957)
Reclassifications	1,851	(1,851)	-
At 31 December 2018/1 January 2019	81,162	3,042	84,204
Additions	53	6,682	6,735
Reclassifications	5,657	(5,657)	-
At 31 December 2019	86,872	4,067	90,939
Amortisation			
At 1 January 2018	57,471	-	57,471
Amortisation for the year	6,395	-	6,395
Write offs	(956)	-	(956)
At 31 December 2018/1 January 2019	62,910	-	62,910
Amortisation for the year	7,436	-	7,436
At 31 December 2019	70,346	-	70,346
Carrying Amounts			
At 31 December 2019	16,526	4,067	20,593
At 31 December 2018	18,252	3,042	21,294

11. INTANGIBLE ASSETS (CONTINUED)

Company	**Computer software**	**Capital work-in-progress**	**Total**
	RM'000	**RM'000**	**RM'000**
Cost			
At 1 January 2018	80,236	456	80,692
Additions	15	4,437	4,452
Write offs	(957)	-	(957)
Reclassifications	1,851	(1,851)	-
At 31 December 2018/1 January 2019	81,145	3,042	84,187
Additions	53	6,683	6,736
Reclassifications	5,657	(5,657)	-
At 31 December 2019	86,855	4,068	90,923
Amortisation			
At 1 January 2018	57,457	-	57,457
Amortisation for the year	6,393	-	6,393
Write offs	(956)	-	(956)
At 31 December 2018/1 January 2019	62,894	-	62,894
Amortisation for the year	7,436	-	7,436
At 31 December 2019	70,330	-	70,330
Carrying amounts			
At 31 December 2019	16,525	4,068	20,593
At 31 December 2018	18,251	3,042	21,293

Notes To The Financial Statements

12. RIGHT-OF-USE ASSETS

Group	Long term leasehold land RM'000	Building RM'000	Motor vehicle RM'000	Total RM'000
Cost				
At 1 January 2019	-	-	-	-
Effect of adoption of MFRS 16	11,426	3,059	7,576	22,061
Additions	-	1,755	222	1,977
At 31 December 2019	11,426	4,814	7,798	24,038
Accumulated Depreciation				
At 1 January 2019	-	-	-	-
Depreciation for the year	(255)	(1,725)	(3,559)	(5,539)
At 31 December 2019	(255)	(1,725)	(3,559)	(5,539)
Carrying Amounts				
At 31 December 2019	11,171	3,089	4,239	18,499

Company	Long term leasehold land RM'000	Building RM'000	Motor vehicle RM'000	Total RM'000
Cost				
At 1 January 2019	-	-	-	-
Effect of adoption of MFRS 16	11,426	1,265	3,143	15,834
Additions	-	323	106	429
At 31 December 2019	11,426	1,588	3,249	16,263
Accumulated Depreciation				
At 1 January 2019	-	-	-	-
Depreciation for the year	(255)	(608)	(1,528)	(2,391)
At 31 December 2019	(255)	(608)	(1,528)	(2,391)
Carrying Amounts				
At 31 December 2019	11,171	980	1,721	13,872

Notes To The Financial Statements

13. INVESTMENT IN SUBSIDIARIES

	Company 2019 RM'000	Company 2018 RM'000
Unquoted shares, at cost	14,344	14,344

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Proportion of ownership interest and voting power 2019 %	2018 %	Principal activities
Heineken Marketing Malaysia Sdn. Bhd.	Malaysia	100	100	Marketing and distribution of beverages primarily alcoholic in Malaysia
Ramaha Corporation (M) Sdn. Bhd.	Malaysia	100	100	Property holding and land development
Heineken East Malaysia Sdn. Bhd.	Malaysia	100	100	Dormant

14. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets				
Property, plant and equipment	-	637	-	-
Lease liabilities	2,632	-	1,138	-
Other items	235	764	235	130
Tax assets	2,867	1,401	1,373	130
Set off of tax	(2,867)	(135)	(1,373)	(130)
	-	1,266	-	-

Notes To The Financial Statements

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Liabilities				
Property, plant and equipment	(38,439)	(33,734)	(37,637)	(33,734)
Right-of-use assets	(2,749)	-	(1,108)	-
Other items	-	(5)	-	-
Tax liabilities	(41,188)	(33,739)	(38,745)	(33,734)
Set off of tax	2,867	135	1,373	130
	(38,321)	(33,604)	(37,372)	(33,604)
Net				
Property, plant and equipment	(38,439)	(33,097)	(37,637)	(33,734)
Right-of-use assets and lease liabilities	(117)	-	30	-
Other items	235	759	235	130
Tax liabilities	(38,321)	(32,338)	(37,372)	(33,604)

Movement in temporary differences during the year:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of year	(32,338)	(27,870)	(33,604)	(29,475)
Recognised in profit or loss (Note 8):				
Property, plant and equipment	(5,342)	(4,456)	(3,903)	(3,954)
Right-of-use assets and lease liabilities	(117)	-	30	-
Other items	(524)	(12)	105	(175)
	(5,983)	(4,468)	(3,768)	(4,129)
At end of year	(38,321)	(32,338)	(37,372)	(33,604)

Notes To The Financial Statements

15. RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Non-current				
Other receivables	556	1,167	263	655
Prepaid expenses	15,580	19,457	-	-
	16,136	20,624	263	655
Current				
Trade				
Trade receivables	554,291	460,929	-	1,729
Less: Impairment losses	(1,532)	(1,532)	-	-
Amount due from a subsidiary	-	-	148,776	69,704
	552,759	459,397	148,776	71,433
Non-trade				
Amount due from intermediate holding corporation	155	309	107	209
Amount due from related parties	1,128	687	294	589
Amount due from a subsidiary	-	-	4,043	4,043
Deposits	4,566	4,976	2,823	2,695
Other receivables	9,273	7,517	6,345	7,022
Prepaid expenses	31,965	19,100	3	142
	47,087	32,589	13,615	14,700
	599,846	491,986	162,391	86,133

(a) Amounts due from related parties, intermediate holding corporation and subsidiaries

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

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

(b) Other receivables

Included in other receivables are staff loans of the Group and of the Company amounting to RM1,056,000 (2018: RM1,796,000) and RM529,000 (2018: RM1,058,000) respectively of which RM556,000 (2018: RM1,167,000) and RM263,000 (2018: RM655,000) are repayable after the next 12 months for the Group and the Company respectively.

(c) Prepaid expenses

Included in prepaid expenses of the Group are prepaid contractual promotion expenses for promotional activities of RM46,917,474 (2018: RM37,746,000) of which RM15,580,259 (2018: RM19,457,000) are to be amortised over a period of more than 12 months but not exceeding 36 months. The upfront payments are made to the on-trade retailers to carry out promotional activities over the period specified in the contract. The amount is amortised to profit or loss based on actual volume sold by the on-trade retailers as stipulated in the contract.

Notes To The Financial Statements

16. INVENTORIES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Raw materials	15,626	11,711	15,626	11,711
Work-in-progress	6,710	4,818	6,710	4,818
Finished goods	36,441	61,035	4,476	3,142
Packaging materials	7,235	5,624	7,235	5,624
Engineering stores and spaces	7,833	6,849	6,662	5,787
	73,845	90,037	40,709	31,082
Recognised in profit or loss:				
Inventories recognised as cost of sales	1,355,143	1,230,705	1,356,298	1,264,882

The Group and the Company have written down inventories by RM2,696,000 (2018: RM4,617,000) and RM480,000 (2018: RM1,171,000) respectively to net realisable value.

17. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2019	2018	2019	2018
	('000)	('000)	RM'000	RM'000
Issued and fully paid				
Ordinary stock units	302,098	302,098	151,049	151,049

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

18. BORROWINGS

	Group and Company	
	2019	2018
	RM'000	RM'000
Current		
Trade financing (unsecured)	98,000	105,000

Notes To The Financial Statements

18. BORROWINGS (CONTINUED)

Trade financing as at 31 December 2019 consist of the following:

	Tenure (weeks)	Interest rate (per annum)	Maturity date	Nominal value (RM'000)
Trade financing (unsecured)	2 - 4	3.38%	17 January 2020	98,000

Trade financing as at 31 December 2018 consist of the following:

	Tenure (weeks)	Interest rate (per annum)	Maturity date	Nominal value (RM'000)
Trade financing (unsecured)	3 - 4	3.73%	18 January 2019	105,000

The principal and interest are repayable in full upon maturity.

19. LEASE LIABILITIES

	Group 2019 RM'000	Company 2019 RM'000
Non-current	3,201	1,095
Current	4,303	1,677
	7,504	2,772
Minimum lease payments:		
Not later than 1 year	4,599	1,782
Later than 1 year but not later than 5 years	3,314	1,127
	7,913	2,909
Less: Unexpired finance charges	(409)	(137)
	7,504	2,772
Present value of lease liabilities:		
Not later than 1 year	4,303	1,677
Later than 1 year but not later than 5 years	3,201	1,095
	7,504	2,772

The Group and the Company discounted the lease liabilities by using the Group's and the Company's incremental borrowing rates of 5.72%.

During the year, the Group and the Company recognised RM2,458,130 and RM659,492 respectively of short-term leases and leases of low value assets on a straight-line basis as expenses.

Notes To The Financial Statements

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Trade				
Amount due to intermediate holding corporation	8,810	8,958	47	166
Amount due to related parties	7,707	8,495	4,837	8,434
Trade payables	144,975	117,060	77,144	70,111
	161,492	134,513	82,028	78,711
Non-trade				
Amount due to intermediate holding corporation	16	-	-	-
Amount due to related parties	4,671	5,087	4,655	2,180
Amount due to a subsidiary	-	-	100	100
Returnable packaging deposits	24,599	22,781	-	-
Other payables	44,485	47,062	39,779	45,923
Derivative financial liabilities	5	55	-	55
Accrued expenses	296,102	204,720	20,546	19,251
	369,878	279,705	65,080	67,509
	531,370	414,218	147,108	146,220

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

The trade amount due to related parties and intermediate holding corporation are subject to normal trade terms.

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

(b) Accrued expenses

Included in accrued expenses of the Group are accruals for promotion expenses of RM251,831,000 (2018: RM148,187,000).

Notes To The Financial Statements

21. DIVIDENDS

Dividends recognised by the Group and the Company are:

	Sen per stock unit	Total amount RM'000	Date of payment
31 December 2019			
Interim 2019 ordinary	42.0	126,881	25 October 2019
Final 2018 ordinary	54.0	163,133	19 July 2019
Total amount		290,014	
31 December 2018			
Interim 2018 ordinary	40.0	120,839	25 October 2018
Final 2017 ordinary	50.0	151,049	6 June 2018
Total amount		271,888	

The directors now recommend the declaration of a final ordinary dividend of 66 sen per stock unit under the single tier tax system totalling RM199,384,680 in respect of the financial year ended 31 December 2019 which, if approved by the owners of the Company will be payable on 17 July 2020.

22. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors:				
Fees	606	602	600	596
Remuneration	2,267	2,189	2,267	2,189
Meeting attendance allowance	57	57	57	57
Other short term benefits [including estimated monetary value of benefits-in-kind of RM62,510 (2018: RM53,416)]	379	485	379	485
	3,309	3,333	3,303	3,327
Other key management personnel:				
Short term employee benefits	6,465	5,761	3,796	4,005
	9,774	9,094	7,099	7,332

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

Notes To The Financial Statements

23. OPERATING SEGMENTS

The Group's business is focussed only in malt liquor brewing including production, packaging, marketing and distribution of its products, principally in Malaysia. Approximately 1% (2018: 1%) of the total sales is exported, mainly to Asian countries. As such, only one reportable segment analysis is prepared. The Managing Director of the Company (the chief operating decision maker) reviews internal management reports at least on a monthly basis.

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

Segment assets and liabilities

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

Segment capital expenditure

Segment capital expenditure is the total costs incurred during the financial year to acquire property, plant and equipment, right-of-use assets and intangible assets.

	Group	
	2019	**2018**
	RM'000	**RM'000**
Total additions to property, plant and equipment, right-of-use assets and intangible assets	119,089	99,522
Segment profit		
Included in the measure of segment profits are:		
Revenue from external customers	2,320,249	2,029,672
Depreciation and amortisation	(56,684)	(45,657)
Not included in the measure of segment profit but provided to the Managing Director of the Company:		
Net finance costs	(2,272)	(2,370)

Reconciliation of reportable segment revenue, profit and other material items.

	Group	
	2019	**2018**
	RM'000	**RM'000**
Net finance costs		
Finance income	1,372	1,249
Finance costs	(3,644)	(3,619)
Consolidated net finance costs	(2,272)	(2,370)

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

Notes To The Financial Statements

24. CAPITAL COMMITMENTS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Capital expenditure commitments				
Property, plant and equipment:				
Authorised and contracted for within one year	11,673	23,804	7,276	23,804

25. CONTINGENT LIABILITY - UNSECURED

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

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

On 17 February 2020, the Company received an official letter from the RMC notifying the cancellation of sales tax amounting to RM14,772,971 and penalty amounting to RM7,386,485 with effect from 15 January 2020 whereas the excise duty amounting to RM34,166,099 remains unchanged.

The Company does not admit liability on the bill of demand for excise duty made by the RMC and has taken appropriate measures to address this matter. Based on the legal opinion sought, there are reasonable grounds to appeal for the revocation of the bill of demand. The Company will continue to engage the RMC to seek an amicable solution to resolve this matter soonest possible. Hence, the directors are of the opinion that provision is not required at this stage, as it is not probable that a future sacrifice of economic benefits will be required.

26. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the directors of the Group, and certain members of senior management of the Group.

The Group has related party relationships with its holding corporations, related corporations, subsidiaries and key management personnel.

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

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

26. RELATED PARTIES (CONTINUED)

Significant related party transactions

Significant related party transactions of the Group and the Company other than those disclosed elsewhere in the financial statements are shown below. The balances related to the below transactions are shown in Notes 15 and 20.

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Intermediate holding corporation				
Heineken Asia Pacific Pte. Ltd.				
Royalties paid and payable	(30,564)	(27,812)	-	-
Purchase of goods	(40)	-	(24)	-
Marketing and advertising service fees received and receivable	-	5,500	-	-
Subsidiary				
Heineken Marketing Malaysia Sdn. Bhd.				
Dividend income	-	-	413,076	239,299
Sale of products	-	-	1,422,243	1,332,176
Management service fee received and receivable	-	-	33,060	33,563
Related corporations				
Related corporations of Heineken N.V.				
Sales of goods	433	-	433	-
Purchase of goods	(10,624)	(11,607)	(10,356)	(11,275)
Royalties paid and payable	(9,424)	(9,331)	-	-
Marketing and technical fees paid and payable	(22,663)	(16,246)	(20,546)	(14,379)

27. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as results from operating activities divided by total equity attributable to owners of the Company. The Board of Directors also monitors the level of dividends to owners of the Company.

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

27. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

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

27.1 Significant Accounting Policies

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

27.2 Categories of Financial Instruments

Group	2019 RM'000	2018 RM'000
Financial assets		
At amortised cost:		
Receivables and deposits	568,437	474,053
Cash and bank balances	15,068	12,583
Financial liabilities		
At amortised cost:		
Trade and other payables	531,370	414,218
Borrowings	98,000	105,000
Lease liabilities	7,504	-

Company	2019 RM'000	2018 RM'000
Financial assets		
At amortised cost:		
Receivables and deposits	162,651	86,646
Cash and bank balances	13,668	11,475
Financial liabilities		
At amortised cost:		
Trade and other payables	147,108	146,220
Borrowings	98,000	105,000
Lease liabilities	2,772	-

27.3 Financial Risk Management

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

- Credit risk
- Market risk
- Liquidity risk

27. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

27.4 Credit Risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade receivables. The Company's exposure to credit risk arises principally from trade amount subsidiaries and advances to subsidiaries.

(a) Receivables

Risk management objectives, policies and processes for managing the risk

Management has credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group requires collateral to be pledged by most of its customers to cover a percentage of the credit limit granted to them.

New customers are subject to the credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further transactions are suspended and legal actions are taken to attempt recoveries and mitigate losses. Financial guarantees from certain customers may be obtained.

Exposure to credit risk, credit quality and collateral

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

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

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Malaysia	552,759	457,668
Others	-	1,729
	552,759	459,397

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

	Group Carrying amounts	
	2019	**2018**
	RM'000	**RM'000**
Type of collateral		
Bank guarantees	60,550	58,125
Properties charged	38,267	39,137
Quoted shares pledged	1,554	1,554
	100,371	98,816

27. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

27.4 Credit Risk (Continued)

(a) Receivables (Continued)

Impairment losses

The Group applies the MFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 60 days.

The Group uses an allowance matrix to measure ECLs of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due more than 180 days will be considered as credit impaired.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the end of the reporting period which are grouped together as they are expected to have similar risk nature:

	Trade receivables - days past due				
2019	**Not past due**	**1 - 30 days**	**31 - 180 days**	**More than 180 days**	**Total**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Expected credit loss rate	0%	0%	0%	100%	
Estimated total gross carrying amount at default	547,855	4,860	44	1,532	554,291
Lifetime ECL	-	-	-	(1,532)	(1,532)
					552,759
2018					
Group					
Expected credit loss rate	0%	0%	0%	100%	
Estimated total gross carrying amount at default	458,145	1,077	175	1,532	460,929
Lifetime ECL	-	-	-	(1,532)	(1,532)
					459,397

27. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

27.4 Credit Risk (Continued)

(a) Receivables (Continued)

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

	Group	
	2019	2018
	RM'000	RM'000
At beginning of year	1,532	1,565
Impairment loss reversed	-	(33)
At end of year	1,532	1,532

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

(b) Amount due from subsidiary, intermediate holding corporation and related parties

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

Impairment losses

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

27.5 Market Risk

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

(a) Foreign currency risk

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

27. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

27.5 Market Risk (Continued)

(a) Foreign currency risk (Continued)

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

	Denominated in			
Group	**USD**	**SGD**	**EURO**	**GBP**
	RM'000	**RM'000**	**RM'000**	**RM'000**
2019				
Trade payables	(4,287)	(10,083)	(29,904)	(2,203)
2018				
Trade receivables	406	-	-	-
Trade payables	(845)	(4,983)	(12,159)	(38)
Net exposure	(439)	(4,983)	(12,159)	(38)

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

(b) Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to interest rate risk

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

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Fixed rate instruments		
Borrowings	(98,000)	(105,000)

27. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

27.5 Market Risk (Continued)

(b) Interest rate risk (Continued)

Interest rate risk sensitivity analysis

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

27.6 Liquidity risk

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

The Group maintains a level of cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. It is not expected that the cash flows included in the maturity analysis could occur significant earlier, on at significant different amounts.

Maturity analysis

The table below summaries the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000
As at 31 December 2019						
Borrowings						
- Trade financing	98,000	3.38%	98,211	98,211	-	-
Trade and other payables	531,370	-	531,370	531,370	-	-
Lease liabilities	7,504	5.72%	7,913	4,599	2,777	537
	636,874		637,494	634,180	2,777	537
As at 31 December 2018						
Borrowings						
- Trade financing	105,000	3.73%	105,326	105,326	-	-
Trade and other payables	414,218	-	414,218	414,218	-	-
	519,218		519,544	519,544	-	-

27. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

27.6 Liquidity risk (Continued)

Maturity analysis (Continued)

Company	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000
As at 31 December 2019						
Borrowings						
- Trade financing	98,000	3.38%	98,211	98,211	-	-
Trade and other payables	147,108	-	147,108	147,108	-	-
Lease liabilities	2,772	5.72%	2,909	1,782	1,019	108
	247,880		248,228	247,101	1,019	108
As at 31 December 2018						
Borrowings						
- Trade financing	105,000	3.73%	105,326	105,326	-	-
Trade and other payables	146,220	-	146,220	146,220	-	-
	251,220		251,546	251,546	-	-

27.7 Fair values

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

Notes To The Financial Statements

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

Group	Note	As at 1.1.2019/ Date of initial application RM'000	Non-cash changes Addition RM'000	Cash Flows Drawdown RM'000	Cash Flows Repayment RM'000	As at 31.12.2019 RM'000
Current liabilities						
Borrowings	18	105,000	-	766,000	(773,000)	98,000
Lease liabilities	19	10,635	1,977	-	(5,108)	7,504

Company	Note	As at 1.1.2019/ Date of initial application RM'000	Non-cash changes Addition RM'000	Cash Flows Drawdown RM'000	Cash Flows Repayment RM'000	As at 31.12.2019 RM'000
Current liabilities						
Borrowings	18	105,000	-	766,000	(773,000)	98,000
Lease liabilities	19	4,408	429	-	(2,065)	2,772

Group and Company	Note	As at 1.1.2018 RM'000	Cash Flows Drawdown RM'000	Cash Flows Repayment RM'000	As at 31.12.2018 RM'000
Current liability					
Borrowings	18	101,000	1,421,000	(1,417,000)	105,000

Statement By Directors

The directors of **HEINEKEN MALAYSIA BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

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

DATO' SRI IDRIS JALA

ROLAND BALA

Petaling Jaya,
21 February 2020

Declaration By The Officer Primarily Responsible For The Financial Management of The Company

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

SZILARD VOROS

Subscribed and solemnly declared by
the abovenamed **SZILARD VOROS** at
PETALING JAYA this 21st day of February 2020.

Before me,

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

COMMISSIONER FOR OATHS

Properties Owned By The Group

Address	Land area (acres)	Existing use	Tenure	Approximate age of building (years)	Audited Net Carrying Amount as of 31 December 2019 RM'000	Date of Acquisition/ Revaluation*
Lot 1135, Batu 9 Jalan Klang Lama 46000 Petaling Jaya Selangor	20.84	Office building & factory	Leasehold expiring 23 September 2063	53	48,225	30 September 1984*
120 Air Keroh Industrial Estate 75450 Melaka	1.07	Office building & store	Leasehold expiring 13 January 2080	37	275	30 September 1984*
Lot 123 Semambu Industrial Site 25350 Kuantan Pahang	0.52	Office building & store	Leasehold expiring 5 March 2046	37	214	30 September 1984*
Lot 1136, Batu 9 Jalan Klang Lama 46000 Petaling Jaya Selangor	2.88	Storage	Freehold	Not applicable	4,037	31 December 1991
					52,751	

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

Other Information

UTILISATION OF PROCEEDS

There was no corporate proposal undertaken by Heineken Malaysia Berhad to raise proceeds during the financial year ended 31 December 2019.

MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by Heineken Malaysia Berhad and/or its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous financial year.

CONFLICT OF INTEREST / CONVICTION OF OFFENCES / SANTIONS / PENALTIES

None of the members of the Board and the Management Team has any:
- family relationship with any Director and/or major shareholder of Heineken Malaysia Berhad
- conflict of interest in any business arrangement involving Heineken Malaysia Berhad
- convictions for any offences, other than traffic offences, within the past 5 years
- public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019

Analysis of Stockholdings

As of 16 June 2020

Share Capital	:	RM151,049,000
Number of Issued Shares	:	302,098,000 ordinary stock units
Class of Shares	:	Ordinary stock units
Voting Rights	:	One vote per ordinary stock unit

Size of Holdings	No. of Stockholders	%	No. of Stock Units	%
1 – 99	1,044	8.07	7,460	0.00
100 – 1,000	6,402	49.49	3,827,037	1.27
1,001 – 10,000	4,364	33.74	16,402,446	5.43
10,001 – 100,000	969	7.49	27,738,622	9.18
100,001 – 15,104,899	156	1.20	100,052,535	33.12
15,104,900 and above	1	0.01	154,069,900	51.00
TOTAL	**12,936**	**100.00**	**302,098,000**	**100.00**

SUBSTANTIAL STOCKHOLDERS AS PER REGISTER OF SUBSTANTIAL STOCKHOLDERS

	Direct		Indirect	
Name	No. of Stock Units	%	No. of Stock Units	%
GAPL Pte Ltd	154,069,900	51.00	-	-

DIRECTORS' INTEREST

According to the Register of Directors' Shareholdings, save for the following Director, none of the other Directors (including the spouses or children of the Directors who themselves are not Directors of the Company) holding office as of 16 June 2020 had any interest in the ordinary stock units of the Company or its related corporations:

	Direct		Indirect	
Name	No. of Stock Units	%	No. of Stock Units	%
Datin Ngiam Pick Ngoh, Linda	6,700	negligible	-	-

30 LARGEST STOCKHOLDERS AS PER RECORD OF DEPOSITORS

	Name	No. of Stock Units	%
1.	GAPL Pte Ltd	154,069,900	51.00
2.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	8,420,880	2.79
3.	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon for Virtus Kar International Small-Cap Fund	5,639,100	1.87
4.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt An for AIA Bhd	5,396,900	1.79
5.	HSBC Nominees (Asing) Sdn Bhd JPMBL SA for Stichting Depositary APG Emerging Markets Equity Pool	4,634,000	1.53
6.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	4,005,159	1.33

Analysis of Stockholdings

As of 20 May 2020

	Name	No. of Stock Units	%
7.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund MMGN for Mawer Global Small Cap Fund	3,188,200	1.06
8.	Tai Tak Estates Sdn Bhd	2,156,000	0.71
9.	CIMB Group Nominees (Asing) Sdn Bhd Exempt An for DBS Bank Ltd (SFS)	2,064,200	0.68
10.	Key Development Sdn Berhad	2,037,000	0.67
11.	Hong Leong Assurance Berhad As Beneficial Owner (Life Par)	1,926,200	0.64
12.	ChinChoo Investment Sdn Berhad	1,865,000	0.62
13.	Lim Ah Choo	1,829,000	0.60
14.	Ho Han Seng	1,555,000	0.51
15.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	1,411,700	0.47
16.	Kam Loong Mining Sdn Bhd	1,320,000	0.44
17.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund KG33 for Invesco Asia Pacific Growth Fund	1,293,000	0.43
18.	Gan Teng Siew Realty Sdn Berhad	1,277,000	0.42
19.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	1,273,200	0.42
20.	HSBC Nominees (Asing) Sdn Bhd JPMBL SA for JPMorgan Funds	1,251,400	0.41
21.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Norges Bank (FI 17)	1,247,488	0.41
22.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Bureau of Labor Funds-Labor Pension Fund	1,178,045	0.39
23.	HLB Nominees (Asing) Sdn Bhd Tan Eng Chin Holdings (Pte) Limited (Cust. SIN 40555)	1,150,000	0.38
24.	DB (Malaysia) Nominee (Asing) Sdn Bhd State Street London Fund LYFB for BMO LGM Global Emerging Markets Smaller Companies Fund (BMO INV II IRL)	1,125,800	0.37
25.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund JNDP for JNL/Lazard Emerging Markets Fund	1,120,000	0.37
26.	CGS-CIMB Nominees (Asing) Sdn Bhd Exempt An for CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)	1,104,444	0.36
27.	HSBC Nominees (Asing) Sdn Bhd Banque De Luxembourg for BL-Emerging Markets	1,021,100	0.34
28.	HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs SVS Jersey for Aberdeen Asian Income Fund Limited	1,017,600	0.34
29.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Income Fund	1,015,700	0.34
30.	Yeoh Saik Khoo Sendirian Berhad	956,669	0.32
	TOTAL	**217,549,685**	**72.01**

RAPID GENESIS

Statement of External Assurance on Reporting of Environmental Performance & Activities

HEINEKEN MALAYSIA BERHAD
ANNUAL REPORT 2019

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

HEINEKEN ANNUAL REPORT 2019

RAPID GENESIS had earlier been engaged by HEINEKEN for the same verification task in 2011, 2013, 2015, 2016, 2017and 2018 for similar report publications.

For HEINEKEN's Annual Report 2019, we again have been engaged to undertake similar external assurance in in the following scope:

1. Water, electricity & thermal energy consumption & performance 2014 to 2019
2. Greenhouse gases (CO_2e) emissions & performance from 2014 to 2019
3. Biogas generation and consumption from 2014 to 2019
4. Waste recycling and repurposing in accordance to zero waste to landfill policy
5. Environmental-friendly refrigerators and coolers in supply chain
6. Projects in promoting sustainable practices among stakeholders & communities

For the verification work, the data is sourced from the Production Department, data records and reports.

Based on the performance figures and information compiled, RAPID GENESIS hereby confirmed that the performance figures and environmental activities as reported in HEINEKEN Annual Report 2019 is accurate to the best of the data and information made available to us.

12th MAY 2020
RAPID GENESIS SDN BHD

TANG KOK MUN
Lead Consultant

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

GRI Index

This report has been prepared in accordance with the GRI Standards: Core option. The following content index allows access to information we disclose, covering key impacts of our activities on People, Planet and Performance.

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Report Section	Page No
GENERAL DISCLOSURES					
GRI 102	General Disclosures	102-1	Name of the organisation	About Us	3
		102-46	Defining report content and topic boundaries	What's Inside This Report	Inside Front Cover
		102-50	Reporting period	What's Inside This Report	Inside Front Cover
		102-12	External initiative	Our Strategies	18-19, 20, 24
				Growing Our People	52
				Protecting Our Planet	56-57
		102-14	Statement from senior decision-maker	Chairman's Statement	4 - 5
		102-15	Key impact, risks and opportunities	Management Discussion & Analysis	30-37
		102-10	Significant changes in the organisation	Chairman's Statement	5
				Management Discussion & Analysis	30-37
				Directors' Profile	8-11
		102-22	Composition of the highest governance body & its committee	Directors' Profile	8-11
		102-2	Activities, brands, products, and services	About Us	3
				Brand Management	40-45
		102-3	Location of headquarters	About Us	3
		102-5	Ownership and legal form	About Us	3
		102-7	Scale of organisation	About Us, Our Strategies, Performance Review, Management Discussion And Analysis, Creating Value For People	9, 16, 18, 24, 26, 28, 29, 33, 46 & 47
		102-18	Governance structure	Our Strategies	22
		102-29	Identifying & managing economic, environment and social impact	Our Strategies	18-24
		102-8	Information on employees and other workers	Growing Our People	46
		102-15	Key impacts, risks, opportunities	Our Strategies	18-27
				Management Discussion & Analysis	34-37
				Growing Our People	
				How We Are Governed	59-70
		102-16	Values, principles, standards and norms of behavior	Who Are We	2
				Our Strategies	18-22
				Growing Our People	47

GRI Index

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Report Section	Page No
		102-21	Consulting stakeholders on economic, environment and social topics	Our Strategies	25-27
		102-40	List of stakeholder groups		25
		102-43	Approach to stakeholder engagement		25-27
		103-47	Material topics		23 - 24, 26-27
		102-33	Communicating critical concerns	Growing Our People	47-48
		102-9	Supply Chain	Protecting Our Planet	53-55
		102-20	Executive-level responsibility for economic, environmental, and social topics	Our Strategies & How Are We Governed	22 & 59
		102-22	Composition of the highest governance body & its committee	How We Are Governed	59 &60
		102-23	Chair of the highest governance body		60
		102-24	Nominating and selecting the highest governance body		60
		102-25	Conflict of interest		61-70
		102-26	Role of highest governance body in setting purpose, values, and strategy		60
		102-27	Collective knowledge of highest governance body Remunaration policy		71
		102-35	Remuneration Policy		65 & 66
		102-17	Mechanisms for Advices and Concerns		73-83
		102-30	Effectiveness of risk management processes	How We Are Governed	77-83
		102-56	External assurance	Our Numbers and Others	146
		102-53	Contact point for question regarding the report	Corporate Information	Inside Back Cover
MANAGEMENT DISCLOSURES					
103	Management Disclosure	103-1	Explaination of the material topic and its boundary	Our Strategies	23 & 24
		103-2	Management approach and its components	Chairman's Statement	4 & 5
		103-3	Evaluation of the management approach	Management Discussion & Analysis	30-37
				Growing Our People	47 &48

GRI Index

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Report Section	Page No
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GRI 200	Economic Performance	201-1	Direct economic value generated and distributed	Performance Review	28 & 29
				Our Numbers and Others	84-141
	Economic Performance	201-2	Financial implications and other risks and opportunities due to climate change	Our Strategies	16-27
	Indirect Economic Impacts	203-2	Significant indirect economic impact	Our Strategies	16-27
				Growing Our People	49-52
GRI 300	Energy	302-1	Energy consumption within the organisation	Protecting Our Planet	54
		302-4	Reduction of energy consumption	Our Strategies	16-24
	Emissions	305-1	Direct (Scope 1) GHG emissions	Protecting Our Planet	54
	Effluents and Waste	306-1	Water discharge by quality and destination	Protecting Our Planet	53-54
		306-2	Waste by type and disposal method	Protecting Our Planet	54
	Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	Growing Our People	47-48
GRI 400	Occupational Health and Safety	403-2	Rates of injury	Growing Our People	48-49
	Training and Education	404-1	Average hours of training per year per employee	Growing Our People	46-47
		404-2	Programmes for upgrading employee skills and transition assistance programmes	Growing Our People	46-47
	Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	Our Strategies	22
				Growing Our People	46 & 47
				How We Are Governed	60-65
	Freedom of Association and Collective Bargaining	407-1	Freedom of association and collective bargaining	Protecting Our Planet	55
	Local communities	413-1	Operations with local community engagement, impact assessments, and development programmes	Growing Our People	52

Group Directory

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Corporate Information

BOARD OF DIRECTORS

Dato' Sri Idris Jala
Chairman, Independent Non-Executive Director

Roland Bala
Managing Director

Martin Giles Manen
Senior Independent Non-Executive Director

Datin Ngiam Pick Ngoh, Linda
Independent Non-Executive Director

Lim Rern Ming, Geraldine
Non-Independent Non-Executive Director

Yu Yu-Ping
Non-Independent Non-Executive Director

Evers, Leonard Cornelis Jorden
Non-Independent Non-Executive Director
(Appointed on 1 October 2019)

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Ng Sow Hoong
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PRINCIPAL BANKERS

Citibank Berhad
BNP Paribas Malaysia Berhad
HSBC Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Listed on the Main Market of Bursa Malaysia
Listed since 1965
Stock name : HEIM
Stock number : 3255

WWW.HEINEKENMALAYSIA.COM

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