



HEINEKEN MALAYSIA BERHAD
 (formerly known as Guinness Anchor Berhad)
 (Company No. 5350-X)
 (Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE QUARTER AND PERIOD ENDED 31 MARCH 2017**

The Board of Directors of Heineken Malaysia Berhad (formerly known as Guinness Anchor Berhad) (“the Company”) wishes to announce the unaudited results of the Group for the quarter and period ended 31 March 2017.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD 3 MONTHS ENDED 31 March 2017 RM'000	CUMULATIVE PERIOD 3 MONTHS ENDED 31 March 2017 RM'000
1. Revenue	401,114	401,114
2. Operating expenses	(335,924)	(335,924)
3. Operating profit	65,190	65,190
4. Interest income/(expense)	(706)	(706)
5. Profit before tax	64,484	64,484
6. Taxation	(15,511)	(15,511)
7. Net profit for the period	48,973	48,973
8. Profit attributable to owners of the Company	48,973	48,973
9. Total comprehensive income attributable to owners of the Company	48,973	48,973
10. Earnings per share :		
(a) Basic (based on 302,098,000 stock units) (sen)	16.21	16.21
(b) Fully diluted (based on stock units) (sen)	N/A	N/A

On 25 November 2015, the Company announced the change of financial year end from 30 June to 31 December. The last audited financial statements were for an 18-month reporting period from 1 July 2015 to 31 December 2016. As such, there are no comparative figures for the preceding year corresponding periods.

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group’s Annual Audited Financial Statements for the 18 months financial period ended 31 December 2016.

HEINEKEN MALAYSIA BERHAD

(formerly known as Guinness Anchor Berhad)

(Company No. 5350-X)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 31 March 2017 RM'000	AUDITED AS AT 31 December 2016 RM'000
Non-current assets		
Property, plant and equipment	216,523	221,687
Intangible assets	29,513	33,509
Deferred tax assets	-	10,371
Other receivables	16,010	21,609
	<u>262,046</u>	<u>287,176</u>
Current assets		
Inventories	46,521	61,892
Trade and other receivables	377,346	447,977
Current tax assets	-	12,551
Cash and cash equivalents	23,465	4,045
	<u>447,332</u>	<u>526,465</u>
Current liabilities		
Trade and other payables	244,030	292,279
Current tax liabilities	10,475	16,326
Borrowings	-	74,000
	<u>254,505</u>	<u>382,605</u>
Net current assets	<u>192,827</u>	<u>143,860</u>
	<u>454,873</u>	<u>431,036</u>
Financed by:		
Capital and reserves		
Share capital	151,049	151,049
Reserves		
Retained earnings	290,479	241,506
Shareholders' funds	<u>441,528</u>	<u>392,555</u>
Non-current liabilities		
Deferred tax liabilities	13,345	38,481
Borrowings	-	-
	<u>454,873</u>	<u>431,036</u>
	<u>454,873</u>	<u>431,036</u>
Net Assets per share attributable to owners of the Company (RM)	1.46	1.30

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The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's Annual Audited Financial Statements for the 18 months financial period ended 31 December 2016.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE 3 MONTHS ENDED 31 MARCH 2017

	3 MONTHS ENDED 31 March 2017 RM'000	18 MONTHS ENDED 31 December 2016 RM'000
Cash flows from operating activities		
Profit before tax	64,484	549,223
Adjustments for:		
Amortisation of intangible assets	4,121	17,308
Depreciation of property, plant and equipment	8,812	52,017
Loss on disposal of property, plant and equipment	2,325	13,272
Amortisation of prepaid contractual promotion expenses	9,649	92,203
Interest expense	963	4,784
Interest income	(257)	(2,956)
Reversal of impairment losses	-	(272)
Unrealised foreign exchange differences	(18)	(70)
Operating profit before changes in working capital	90,079	725,509
Movements in working capital		
Inventories	15,371	(12,843)
Receivables, deposits and prepayment	66,581	(238,243)
Payables and accruals	(48,231)	99,342
Cash generated from operations	123,800	573,765
Tax paid	(23,576)	(123,438)
Interest paid	(963)	(4,784)
Net cash from operating activities	99,261	445,543
Cash flows from investing activities		
Acquisition of property, plant and equipment	(5,605)	(69,695)
Acquisition of intangible assets	(688)	(17,500)
Interest received	257	2,956
Proceeds from disposal of property, plant and equipment	195	2,300
Net cash used in investing activities	(5,841)	(81,939)
Cash flows from financing activity		
Dividends paid	-	(410,853)
Repayment of borrowings	(74,000)	(1,000)
Net cash used in financing activity	(74,000)	(411,853)
Net change in cash and cash equivalents	19,420	(48,249)
Cash and cash equivalents at beginning of year	4,045	52,294
Cash and cash equivalents at end of period	23,465	4,045

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The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group's Annual Audited Financial Statements for the 18 months financial period ended 31 December 2016.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 3 MONTHS ENDED 31 MARCH 2017

	Attributable to equity holders of the Company			
	<i>Non-Distributable</i>	<i>Distributable</i>	<i>Distributable</i>	Total
Share Capital	Capital Reserve	Retained Earnings		
	RM'000	RM'000	RM'000	RM'000
3 months ended				
<u>31 March 2017</u>				
Balance at 1 Jan 2017	151,049	-	241,506	392,555
Total comprehensive income for the period	-	-	48,973	48,973
Dividends paid / payable	-	-	-	-
Balance at 31 March 2017	151,049	-	290,479	441,528
3 months ended				
<u>31 March 2016</u>				
Balance at 1 Jan 2016	151,049	-	224,966	376,015
Total comprehensive income for the period	-	-	50,849	50,849
Dividends paid / payable	-	-	(151,049)	(151,049)
Balance at 31 March 2016	151,049	-	124,766	275,815

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Notes:

1. Basis of Preparation

The interim financial report has been prepared in accordance with the requirements of Financial Reporting Standards ("FRS") 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's annual audited financial statements as at and for the 18-month period ended 31 December 2016.

Certain comparatives were restated to conform with the disclosure for current reporting period.

2. Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the 18-month period ended 31 December 2016.

3. Realised and Unrealised Profits/Losses

	As at 31 March 2017 RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries :	
– Realised	320,662
– Unrealised	(37,197)
	283,465
Less: consolidation adjustment	7,014
Total group retained profits / (accumulated losses) as per consolidated accounts	290,479

4. Audit Report on Preceding Annual Financial Statements

The Group annual audited financial statements for the 18-month period ended 31 December 2016 were not qualified.

5. Seasonal or Cyclical Factors

The business operations of the Group are generally affected by festive seasons.

6. Exceptional Items

There were no exceptional items for the current financial quarter under review.

7. Changes in Estimates

There were no changes in estimates that have had any material effect on current financial quarter under review.

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8. Debt and Equity Securities

There was no issuance, repayment of debt and equity securities for the current financial quarter under review, save for those as disclosed under Note 22.

9. Dividends Paid

No dividends were paid during the financial quarter ended 31 March 2017.

10. Segmental Reporting

No segmental analysis is prepared as the Group's business is focused only in malt liquor brewing including production, packaging, marketing and distribution of its products, principally in Malaysia. The Management Team of the Company reviews the financial information as a whole for decision making.

11. Property, Plant and Equipment Valuation

There were no changes in the valuation of property, plant and equipment for the current financial quarter under review.

12. Events Subsequent to the End of the Period

Between the end of the financial quarter under review and the date of this announcement, there has not been any item, transaction or event of a material and unusual nature which, in the opinion of the Directors is likely to affect substantially the results of the operations of the Group for the quarter ended 31 March 2017.

13. Changes in the Composition of the Group

There was no change to the composition of the Group during the financial period under review including business combination, acquisition or disposal of subsidiaries and long-term investments.

14. Changes in Contingent Liabilities or Contingent Assets

There were no material changes in contingent liabilities or contingent assets for the quarter ended 31 March 2017.

As announced by the Company 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 ("Customs") demanding payment of additional excise duties and sales tax, totaling RM56.3 million.

The amounts in demand were:

- RM34,166,098.81 claimed under the Excise Act 1976, for the period of 28 August 2012 to 31 October 2013.
- RM22,159,456.40 claimed under the Sales Tax Act 1972, for the period of 1 July 2012 to 31 October 2013.

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14. Changes in Contingent Liabilities or Contingent Assets (Continued)

As reported in the Company's financial report previously, Customs had imposed a new method of valuation for excise duty which came into effect on 1 November 2013. The abovementioned bills of demand are based on historic claims for excise and sales tax for the aforesaid periods. The Company's position is that all excise duties and sales tax for those periods had been paid by the Company based on valuations previously assessed and approved by Customs.

The Company maintains its previous position that the valuation method implemented on 1 November 2013 is not in line with international best practice on rules of valuation. The Company strongly believes that a retrospective application is unjustifiable.

The Company does not admit liability on the bills of demand made by Customs and will take appropriate measures to address this matter. As a result, no provision has been recognised.

The Company will make the necessary announcement on any new development relating to the above matter from time to time.

15. Capital Commitments

Capital commitments not provided for in the financial statements as at 31 March 2017 are as follows:

	<u>RM'000</u>
Property, plant and equipment	
Authorised but not contracted for	61,874
Authorised and contracted for	23,628
	<u>85,502</u>

16. Significant Related Party Transactions

As at the end of the period under review, the Group has entered into/or completed the following significant Related Party Transactions:

	<u>Heineken N.V. and its related corporations RM'000</u>
Purchase of goods	4,887
Sale of products	-
Royalties paid/payable	11,376
Engineering and technical services fees paid/payable	1,941
Marketing and advertising services fee received/receivable	<u>5,125</u>

All Related Party Transactions had been entered into in the ordinary course of business on normal commercial terms. These transactions are within the ambit of the general mandate approved by the shareholders of the Company on 25 November 2015.

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17. Review of Performance

For purpose of reference, the Company has provided an analysis on the performance for the following periods:

Quarter ended 31 March 2017 versus the same quarter in 2016

	3 months ended 31 March 2017 RM'000	3 months ended 31 March 2016 RM'000
Revenue	401,114	458,914
Profit before tax	64,484	70,202

Group revenue decreased by 12.5% to RM401 million as compared to the same quarter in 2016 mainly due to the timing of festive Chinese New Year sales, and the effect of subdued demand from soft market sentiment.

Group Profit before tax ("PBT") contracted by 8.1% as a result of lower revenue; mitigated by savings and phasing of commercial spend, savings in fixed overheads and cost efficiencies through global procurement initiatives.

Quarter ended 31 March 2017 versus 31 December 2016

	3 months ended 31 March 2017 RM'000	3 months ended 31 December 2016 RM'000
Revenue	401,114	577,519
Profit before tax	64,484	122,375

Group revenue and PBT declined by 30.5% and 47.3% respectively, principally due to year-end festive season and the earlier sell-in for 2017 Chinese New Year which mainly took place in the 3 months ended 31 December 2016.

18. Prospects

The Group continues to be wary of the current economic climate, which has seen a further downward shift in consumer sentiment and a tightening domestic economy.

In the face of these challenges, the Group will persevere in its efforts to deliver satisfactory results through execution of key strategies to grow our brands and meet the changing market needs. The Group will also continue to pursue cost saving initiatives and improve operational efficiencies and effectiveness.

19. Variance from Profit Forecast

No profit forecast was issued during the financial quarter under review.

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20. Taxation

Taxation in respect of the current financial period comprises the following:

	3 months ended 31 March 2017 RM'000
Taxation	
Malaysian – current	15,511
Deferred taxation	
Malaysian – current	–
	<hr/> 15,511 <hr/>

The Group's effective tax rate for the current year to date under review is broadly in line with the statutory tax rate.

21. Status of Corporate Proposals

There were no corporate proposals which have not been completed at the date of this report.

22. Group Borrowings and Debt Securities

During the period under review, the Company has fully repaid its revolving credit and trade financing amounting to RM74,000,000.

23. Financial Instruments

Forward foreign exchange contracts are entered into by the Group to minimise its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency, arising from the normal business activities; in accordance with the Group's foreign currency hedging policy. However, as of 31 March 2017, there were no open hedging contracts.

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Foreign currency differences arising on retranslation are recognised in comprehensive income, except for differences arising on the retranslation of a financial instrument designated as a hedge of currency risk, which is recognised in other comprehensive income.

There is minimal credit and market risk as the forward contracts are executed with creditworthy financial institutions. The Group is of the view that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

At the end of the reporting period, the Group does not have any outstanding derivatives.

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24. Notes to the Statement of Comprehensive Income**3 months ended
31 March 2017
RM'000**

Depreciation and amortisation	12,933
Provision for and write-off of inventories	1,589

Other than the items highlighted above which have been included in the Consolidated Statement of Comprehensive Income, there were no impairment of assets nor profits/losses on any other items and sale of quoted securities, investments and properties included in the results for the quarter ended 31 March 2017.

25. Material Litigation

Neither the Company nor any of its subsidiaries is engaged in any material litigation either as plaintiff or as defendant as of the date of this report.

26. Dividend

The Board of Directors does not recommend any dividend in respect of the quarter ended 31 March 2017.

27. Earnings Per Share**(a) Basic Earnings Per Share**

Basic earnings per share for the 3 months period under review is calculated by dividing the net profit attributable to the shareholders of RM48,973,000 by the weighted average number of ordinary stock units outstanding as at 31 March 2017 of 302,098,000.

(b) Diluted Earnings Per Share

Not Applicable.

For and on Behalf of the Board

Hans Essaadi
Managing Director

12 April 2017