



FRASER & NEAVE HOLDINGS BHD

Questions from MSWG

QUESTION 1

The Malaysian government will impose an excise tax of 40 sen per litre on sweetened beverages with effect from April 1, 2019.

- i. What are the impacts that the Company foresees from this new tax regime?
- ii. What are the actions that the company is planning to take to mitigate these impacts?

Without doing any reformulation, and being a market leader in the beverage market, the impact of the excise tax is quite significant. However, our largest brand, 100PLUS is currently at 6g sugar per 100ml with a reduced sugar variant at 4g per 100ml, which means achieving 5g per 100ml threshold is within our innovation range for most of our product.

As for the volume and financial impact, we are still awaiting the implementation guideline from the government. We will only be able to fully assess the impact once we have more details.

We aim to reformulate most of our products to be below 5 per cent sugar while delivering the same great tastes. We are prioritising our efforts by focusing on product categories according to the significance of impact to our Group. We will also fast-track our innovations into healthy product categories. Hence, we are investing RM30 million this year at our beverage plant to ramp up our capability in new product offerings and packaging formats.



QUESTION 2

As stated on page 44 on the Business Review by CEO of the Annual Report 2018 (AR2018), one of the goals of the Company is to provide a healthier option in every product category that it is in by 2020. For FY2018, healthier options have been introduced for 13 products.

How many more healthier options for products will be introduced in FY2019?

Healthier option under the Healthier Choice Logo criteria by Ministry of Health Malaysia refers to products with sugar content below 6g per 100ml. In 2019, with the reformulation of our product to 5g per 100ml sugar, we will naturally see a significant increase in the healthier choice range in our portfolio.

At the same time, we are investing RM30 million capex in Shah Alam to expand the capacity and capability of existing lines to facilitate our extension into healthy product categories this year.



QUESTION 3

As stated on page 81 on the Business Review section of the AR2018, the Company's F&B Thailand is expected to commence corporate taxes this year after the utilisation of the carried forward losses from non-promoted business.

- What is the new tax rate applied on F&B Thailand?
- How will this new tax rate affect the Company's bottom-line?

The corporate income tax rate in Thailand is at 20 per cent. We are unable to project forward-looking numbers, but if you refer to page 79 of our latest annual report, operating profit for F&B Thailand in FY2018 was about RM 257 million. As we still enjoy partial corporate tax incentive from new capex projects, the estimated impact to the F&NHB Group's bottom line would be more or less RM 50 million.

To mitigate the tax impact, F&B Thailand will be focusing on operational improvement and cost optimisation this year to further lower our Cost of Goods Sold (COGS). At the same time, we will further improve our competitive edge through continued efforts in brand building, expansion of our distribution network and leverage on the synergy with ThaiBev to further extend the reach of our products into the F&B retail channels.



QUESTION 4

Revenue from Malaysia has declined from RM2.34 billion in FY2014 to RM1.93 billion in FY2018 (page 174 of the AR2018). What are the measures taken to address the decline?

The decrease in revenue is mainly attributed to the absence of Red Bull sales, rationalisation of product portfolio and intensifying competition.

During the past three years, our focus has been on the transformation programme to improve our cost structure while investing in capacity and technology for the future. Operational and cost efficiencies from the programme have led to an overall stronger bottom line for F&B Malaysia in FY2018. Our priority going forward will be on revenue growth by focusing on innovations into healthy product categories and excellence in execution.

We will also focus on completing the on-going capital expenditure (CAPEX) projects, which will increase our production capacity to meet our growing export demand.

We are confident that from FY2019, our growth will be back on track.





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Questions from PNB



RESOLUTION 6

Unlike FY18 which payment for directors fees was proposed of up to RM1.7 million for 16 months, FY19 proposal for directors fees was generally higher of up to RM1.5 million for the duration of only 12 months. Can I know the reason for the increase in the directors fees?

There have been no reviews of or changes to Directors' fees and meeting allowances of the Company since the last review by shareholders at its Annual General Meeting ("AGM") in 2015. An independent consultant was engaged to study the Directors' fees and meeting allowances in October 2018. The Board has proposed to increase the Directors' fees and adjust the meeting allowances as indicated in explanatory note A(ii) to the Notice of 57th AGM by taking into account, among others, the independent consultant's recommendations.

Compared to the estimated payment of Directors' fees and benefits of up to RM1.7 million for a period of 16 months from 1 October 2017 to 23 January 2019 ("Previous Period") as approved at the Company's previous AGM, the proposed payment of Directors' fees and benefits of up to RM1.5 million for a period of 12 months from 24 January 2019 to the Company's AGM in 2020 ("Current Period") is higher as it has been estimated by taking into account the following:



RESOLUTION 6 (Cont'd)

Unlike FY18 which payment for directors fees was proposed of up to RM1.7 million for 16 months, FY19 proposal for directors fees was generally higher of up to RM1.5 million for the duration of only 12 months. Can I know the reason for the increase in the directors fees?

- *The proposed increase in Directors' fees and adjustments made to Directors' meeting allowances to reflect the prevalent market rates and the duties, responsibilities and commitment of the respective Board Committees and Chairmen of Board Committees;*
- *The number of scheduled and ad-hoc meetings of the Board and Board Committees and AGM;*
- *Benefits of personal accident insurance premium for all Directors and additional benefits of a company car, petrol and the services of a driver for the Chairman of the Board; and*
- *the additional Directors for the Board and Board Committees for the Current Period vs. Previous Period as follows:*

	NO. OF DIRECTORS	
	Previous Period	Current Period
Board	10	11
Nominating Committee	3	5
Remuneration Committee	4	5



RESOLUTION 7

The FY18 auditors' remuneration increased by 26.0% from RM645,000 paid in FY17. What is the rationale behind the double digit increase?

The increase in auditors' remuneration is mainly due to the additional scope for audit in relation to the adoption of the new accounting standards – MFRS 15 Revenue from Contracts with Customers and MFRS 9 Financial Instruments. This fee increase is one-off.

RESOLUTION 9

Despite the total amount of the newly proposed RRPT for FY19 decline by 5.2%, there are some related party transactions which increased by more than 100% as follows:

- a. Receipt of corporate services fees and staff costs from the F&N Ltd Group
- b. Purchase of finished products from the ThaiBev Group
- c. Receipt of corporate services from the ThaiBev Group

What are the basis for the above increments?

- a. Receipt of corporate services fees and staff costs from the F&N Ltd Group
Relates to the fees received from the provision of SAP hosting and support fees to certain subsidiaries of F&N Ltd Group.
- b. Purchase of finished products from the ThaiBev Group
This transaction relates to the purchase of products from a subsidiary of ThaiBev Group.
- c. Receipt of corporate services from the ThaiBev Group
Relates to the subscription of SAP licences and HR systems which is now secured on a group basis to leverage on economies of scale.



RESOLUTION 10

What is the major changes in the new proposed Company's Constitution compared to the previous one?

The key changes in the Proposed New Constitution are as follows:

No.	Key changes	The amended clauses in the Proposed New Constitution
1.	Amendment to the object clauses.	(a) Adding new clauses i.e. 3(1) to 3(5) (b) Deleting clauses 3(5), 3(12) to (17), 3(19), 3(23), 3(26), 3(28), 3(29), 3(31), 3(35) to (38) and 3(40) to (42) of the existing Memorandum of Association ("M&A")
2.	Amending the Proposed New Constitution to align with the Companies Act, 2016 ("Act").	(a) New clause 5 (b) Deleting clauses 6, 7, 13(b), 81 & 83 of the M&A (c) Clauses 11, 12, 13, 21, 23, 24, 26, 30, 31, 36, 37, 38, 41, 42, 44, 46, 47, 48, 49, 50, 51, 54, 55, 62, 64, 65, 66, 67, 68, 69, 70, 71, 72, 74, 77, 84, 88, 91, 101, 107, 108, 109, 122, 127, 134, 138, 152



RESOLUTION 10 (Cont'd)

What is the major changes in the new proposed Company's Constitution compared to the previous one?

The key changes in the Proposed New Constitution are as follows:

No.	Key changes	The amended clauses in the Proposed New Constitution
3.	Aligning the concepts and terms used arising from the no par value regime and deleting terminologies such as share premium and authorised capital which are no longer relevant under the Act.	(a) New clause 6 (b) Deleting clause 3 – Authorised capital of the existing M&A (c) Clause 8

RESOLUTION 10 (Cont'd)

What is the major changes in the new proposed Company's Constitution compared to the previous one?

The key changes in the Proposed New Constitution are as follows:

No.	Key changes	The amended clauses in the Proposed New Constitution
4.	Amending the Proposed New Constitution to align with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad and to ensure the Proposed Constitution contains the prescribed contents stated in Chapter 7-Articles of Association of MMLR.	<p>(a) Clause 7-Definition</p> <ul style="list-style-type: none">➤ Exempt Authorised Nominee➤ Listing Requirements➤ "member" or "Shareholder" or "holder of shares" or any like expression <p>(a) Clauses 8, 17, 26, 28, 29, 31, 43, 52, 65, 66, 75, 82, 89, 91, 93, 99, 103, 106, 122, 138, 153</p>

RESOLUTION 10 (Cont'd)

What is the major changes in the new proposed Company's Constitution compared to the previous one?

The key changes in the Proposed New Constitution are as follows:

No.	Key changes	The amended clauses in the Proposed New Constitution
5.	Enhancing certain provisions for clarity.	Clauses 73, 78, 79, 80, 81, 93, 94, 108, 111, 113, 114, 125, 129, 141, 147, 148, 150, 155
6.	Amending to allow issuance of documents required to be sent to securities holders via electronic means.	Clauses 146 & 147
7.	Amending the manner of a resolution in writing to be signed by Directors.	Clause 117(1)





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THANK YOU
