

MANAGEMENT'S RESPONSES TO QUESTIONS RAISED DURING THE 62ND ANNUAL GENERAL MEETING

Questions from Mr. Veiven Goon, a shareholder

1. Management achieved very good results for the financial year 2023 ("FY2023"). Referring to page 257 of the Annual Report 2023, note 29 to the Financial Statements – Operating Segments, the Group's FY2023 operating profit contributed by "Others" for FY2023 of RM75.9 million increased significantly from RM3.5 million. Was the increase attributed to the Group's acquisition of the entire equity interest in Cocoaland Holdings Berhad ("Cocoaland") in November 2022? Were Cocoaland and Sri Nona part of F&B Malaysia?

Response (Mr. Tiong Yean Yau, Director, Group Finance):

The increase in operating profit of "Others" for FY2023 of RM75.9 million (FY2022: RM3.5 million) arose mainly from the remeasurement gain on previously held equity interest in an associate, Cocoaland amounting to RM89.3 million. Both Cocoaland and Sri Nona were included as part of F&B Malaysia's results in the financial statements for FY2023.

2. Is there any overlap in terms of product categories between the Group's exports from Thailand Operations and Malaysia Operations? Are both the operations competing with each other?

Response (Mr. Lim Yew Hoe, CEO):

The Group's export business is primarily handled by the International Markets Development team. The team sources the stock from both Thailand and Malaysia Operations, taking into consideration relevant factors such as costs and duplication.

Questions from Mr. Warren Teoh, a shareholder

3. Management works hard to grow the Group's business. Will the Group be entitled to any tax incentives for expanding its business into integrated dairy farming, and what is the expected contribution from this business?

Response (CEO):

The Group is approaching the relevant authorities, including the Malaysian Investment Development Authority (MIDA), to explore potential collaboration with the authorities in support of the national food security agenda. Additionally, the Group is currently looking at synchronising both its upstream and downstream commercial business. Management will share more information about the dairy farming business, including the related tax incentives and contributions in the future.

4. What are the differences between the new Borneo Springs Mineral Water and the existing products in the water category of the Group? What are the Group's sources of mineral water and the market share for the mineral water category?

Response (CEO):

The Group's market share for Borneo Springs Mineral Water was not yet available as Borneo Springs Mineral Water was just launched in January 2024. The mineral water is rich in essential minerals and is sourced from the foothills of Gunung Serapi within the 130-million-year-old Borneo rainforest in Matang, Sarawak.

Questions from Mr. Ho Yueh Weng, a proxy

5. While focusing on nutritional and healthy products, specifically dairy products and farm milk, what impact does this have on the Group's soft drinks? In response, does the Group need to grow the saturated market for soft drinks?

Response (CEO):

The Group continues to grow both the beverages as well as nutritional and wellness products by exploring export opportunities. Additionally, the Group is actively looking at adding value to the existing products. Amongst those value-added products are 100PLUS Pro High Protein and 100PLUS Zero Sugar.

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6. In Thailand, the dairy business has been successful, with over 2,000 farmers and milk is primarily sourced from collection points. How many integrated farms exist in Thailand? Does the dairy business model in Thailand have advantages over the Group's proposed integrated dairy farm business model in Malaysia in terms of total cost?

Response (CEO):

In Thailand, individual dairy farms operate on a very small scale and with each milking cow producing about 10 litres milk per day as compared to the Group's integrated farm of the intended scale, i.e. three to four times higher than the indicated daily milk production. The Group expects to lower its fresh milk cost by up to half of that in Thailand, which today is more than RM3 per litre.

7. A successful dairy farm requires a lot of milking cows, and managing calves at the Group's dairy farm is a crucial aspect. Will calves be culled as is practised in other countries?

Response (CEO):

Our strategy involves artificial insemination with sex-semen from genetically desirable male cows, aiming for an 80% to 90% likelihood of producing female calves. This approach also enhances the productivity of female cows, optimising the milk production of the Group's dairy farm.

Regarding male calves, we will raise them for 24 months and then sell them, contributing to beef sufficiency in the market. There will be no culling of calves at our farm.

8. What are the side effects of artificial sweeteners, which are used in the Group's products including 100PLUS Zero?

Response (Dr. Yap Peng Kang, Senior Director, Group Research & Development):

The Group utilises artificial sweeteners that are approved by the US Food and Drug Administration (FDA) and deemed safe for consumption. And the Group does not use aspartame in its products. Nevertheless, it is important to note that moderation in consumption of food and beverages, including those containing artificial sweeteners, is advised to prevent potential adverse effects on our bodies.

Questions from Mr. Chua Song Yun, a shareholder

9. The Group's impairment of plant and equipment for FY2023 increased to RM36.7 million from RM3.2 million in FY2022, as detailed on page 252 of the Annual Report 2023. Could you provide information on which business this impairment loss was related to and what caused the increase? Does this indicate that some of the old plants have become obsolete?

Response (Director, Group Finance)

The increase in impairment loss on plant and equipment is mainly due to impairment for certain machineries and equipment in Malaysia and Thailand operations. These machineries and equipment are not obsolete and are still being used/fit for use in operations but their value-in-use as of reporting date is below the carrying amount (i.e. net book value).

10. Why was the Group's year-on-year increase in wages and salary (28.0%) much higher than the revenue increase (11.9%) for FY2023?

Response (CEO)

The increase in FY2023 wages and salary was partly due to the acquisition of new companies. Additionally, better incentives including share grants and bonuses were provided to employees in recognition of the good financial performance achieved by the Group for FY2023. The Group's basic salary is well controlled.

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Questions from Mr. Chong Fook Khing, a shareholder

11. Is there any category in the Company's financial statements reporting the Group's online performance?

Response (CEO)

Currently, the Group's online channel is incorporated as part of the regular channel, and detailed breakdown of the channel is not provided in the financial statements. The Group continues to focus on e-business with retailers and distributors to further expand the online business.

12. What is the expected yield from the cows at the Group's integrated dairy farm?

Response (CEO)

We expect a yield of more than 30 litres per day from each milking cow at the Group's dairy farm. The cows are projected to have a productive life span of five years, which exceeds the three-year standard commonly seen in American practices.

13. Does the Group participate in international activities or sporting events, and how does this involvement impact the Group's products and revenue?

Response (Dr. Ronnie Teo, First Vice-President, Marketing & Deputy Chief People Officer)

The F&N Group engages in international activities and sporting events, leveraging both brand presence and sales force to contribute to product promotion and revenue generation.