

**MANAGEMENT'S RESPONSES TO QUESTIONS RAISED DURING THE 63RD ANNUAL GENERAL MEETING OF FRASER & NEAVE HOLDINGS BHD ("FNHB") HELD ON 15 JANUARY 2025**

**Questions from Mr. Frankie Koh Eng Kee, a proxy**

1. The FNHB Group is advancing towards its sustainability and ESG goals, including promoting active lifestyles and offering healthy products for future generations. What actions and initiatives has the Group taken to address issues relating to non-sustainable packaging materials, such as plastic bottles, pollution, and post-consumption packaging waste?

Response (Mr. Lim Yew Hoe, CEO):

The Company, together with key industry players such as Nestle (Malaysia) Berhad and Coca-Cola Malaysia, is a member of Malaysian Recycling Alliance Berhad ("MAREA"). Through MAREA, the Company has participated in pilot initiatives to collect used plastic bottles, tin cans, and other recyclables. To uphold post-consumption responsibilities and drive ESG transformation, the Group has implemented various initiatives, including collaborating with government agencies on recycling projects and exploring the use of recyclable materials, such as plastics. Additionally, our affiliate in Singapore works with relevant stakeholders to establish a collection agency aligned with government-led recycling schemes.

2. Does the use of palm oil in condensed milk products conflict with the Group's commitment to providing healthy offerings?

Response (CEO):

Today, condensed milk products mainly serve the purpose as taste enhancer rather than for nutrition. As such, palm oil is commonly used as a lower cost substitute for dairy fats to make the condensed milk products more affordable. The Group is committed to balancing affordability, taste and health-conscious options to meet diverse consumer needs.

3. The Company should consider reducing the number of Board members and flattening the management structure to improve cost-efficiency.

Response (CEO):

Our Board members work diligently and remain highly dedicated to guiding the Group's strategy and driving Management's success, thereby contributing to the Group's strong performance. Under the current optimised structure, the Board ensures effective governance and strategic direction, delivering the best value for money. The year-on-year increase in Directors' remuneration for the financial year 2024 is considered minimal.

**Questions from Mr. Ho Yueh Weng, a proxy**

4. The CEO's presentation provided a comprehensive overview of the Group's operations. What is the financial impact of losing tax incentives and rebates due to the Group's investments, and what is the anticipated loss in relation to these tax benefits for this financial year?

Response (CEO):

The loss of tax incentives impacts both corporate tax in our Thailand Operations and withholding tax on the Group's dividend remittances to Malaysia. The Group anticipates additional costs of approximately RM30 million per quarter, affecting two quarters in the financial year 2025.

5. Regarding the Group's dairy farming project, which involves significant capital investment, what measures are in place to address issues such as cow diseases, farm productivity, temperature control, and feed sources? Additionally, what are the plans for managing cows at the Group's integrated dairy farm in Gemas, Negeri Sembilan ("Gemas Farm")?

Response (CEO):

The Group has conducted extensive studies on dairy farming and has staff and consultants with relevant expertise to support the project. One of our Board members, Mr. Michael Chye, serves on the board of Vietnam Dairy Products Joint Stock Company ("Vinamilk"), an associated company of Fraser and Neave, Limited ("FNL"), the holding company of FNHB. Vinamilk successfully operates many mega dairy farms in Vietnam.

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Robust measures will be implemented to address the challenges associated with the operations of the Gemas Farm. The use of enclosed barns and the Gemas Farm's isolation from neighbouring areas will help mitigate disease risks. Cooling systems will regulate barn temperatures to approximately 25°C during warm weather, consistently maintaining optimal conditions for productivity.

The farm will be using sexed semen which will result in up to 95% female calves which will then be raised to adulthood and produce up to 35 to 40 litres of fresh milk per day. On the other hand, male calves (some 5% only), will be humanely raised and supplied as livestock after 18 to 24 months for beef production. No calves will be culled at the Gemas Farm. In the initial phase of farm operations, some feed may need to be imported; however, the Group plans to achieve as much self-sufficiency as possible over time.

6. The Group imports a significant portion of its production inputs, including milk powder. How does the Group manage product pricing in light of rising commodity costs? Are these increased costs passed on to consumers? Additionally, how does the Group address concerns about product quality, such as the potential dilution of milk products?

Response (CEO):

The Group imports skimmed milk powder for milk production. To manage costs and maintain competitive pricing without compromising product quality, the Group has implemented an effective hedging strategy to mitigate the impact of rising prices for imported skimmed milk powder. Regarding concerns about the dilution of milk products, the perceived difference is attributed to the inherent nature of skimmed milk products, which has a lower fat content.

7. How does the Group allocate advertising funds among its products?

Response (CEO):

The Group allocates advertising funds in alignment with product strategies, focusing on consistent brand investment. By collaborating with its brand owners, including FNL, the Group ensures that sufficient resources are directed towards brand development to drive sales growth.

**Questions from Mr. Lew Tuck Wai, a shareholder**

8. As stated in Note 25 to the financial statements on page 242 of the Company's Annual Report 2024, total royalty payments to third parties increased from RM98.2 million in the financial year 2023 to RM106.4 million. What are the primary factors contributing to this increase in royalty payments?

Response (Mr. Tiong Yean Yau, CFO):

Thailand Operations accounted for the largest portion of the Group's royalty payments to third parties. These payments were primarily associated with the Nestle and Sunkist brands.

9. Despite the ongoing capital requirements for the Gemas Farm and the new dairy manufacturing facility in Cambodia ("Cambodia Plant"), the Group has projected zero borrowing for the financial year 2025. What are the sources of additional funds to meet these capital needs?

Response (CFO):

As at September 30, 2024, the Group had available cash flow of RM1.1 billion. Additional funds will be generated from the Group's existing business. The projected minimum working capital requirement of approximately RM450 million, along with the progressive CAPEX investments, particularly in the Gemas Farm and the Cambodia Plant, will be funded through internally generated funds. As such, zero borrowing is projected for the financial year 2025.

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10. What is the projected breakeven point for the Group's dairy farming business, considering the start of milk production at the Gemas Farm this financial year?

Response (CEO):

The Group projects that the dairy farming business will reach its break-even point with 6,000 to 7,000 milking cows. The Group's objective is to establish a scalable operation that optimises productivity and yield.

**Questions from Ms. Lim Cian Yai, a corporate representative of Minority Shareholders Watch Group ("MSWG")**

11. In the Company's response to MSWG's written Question 1, as presented at this meeting, could the Company clarify whether the alternative sources for the Holstein heifers from the USA for the Gemas Farm refer to alternative countries or breeds? Additionally, does the Group have any plans to establish a gene bank for its dairy farming operations?

Response (CEO):

To achieve the desired level of milk production for the Gemas Farm, the Group is seeking alternative countries as sources for heifers of similar breeds. Additionally, the Group aims to acquire the best sexed semen from genetically desirable male cows in the USA. There are no plans to establish a gene bank for now.

12. What is the Group's timeframe for achieving its carbon-neutral or net-zero sustainability targets?

Response (CEO):

The Company has not committed to a specific timeframe for achieving net-zero sustainability targets. The Group in turn focuses on doing what's right, and doing it now. For example, the Group chose to invest in solar panels to generate green electricity instead of simply acquiring green energy certificates. The Group will announce our net zero plans when we have completed our evaluation and strategies formulation.

**Question from Mr. Chong Fook Khing, a shareholder**

13. What is the maximum level of milk production anticipated from the Gemas Farm in the future, and how does this compare as a percentage to other key players in the local market? Additionally, does the Group have plans to export fresh milk from the Gemas Farm to China?

Response (CEO):

The Gemas Farm targets an annual fresh milk production of 100 million litres in Phase 1 and 200 million litres in Phase 2. China restricts fresh milk imports due to biosecurity concerns, including the risk of foot-and-mouth disease. However, the Group has been exporting products such as 100PLUS, gummies and condensed milk to China. Once fresh milk production begins at the Gemas Farm, the Group may explore value-added milk-based products, such as butter, for the Chinese market.

**Question from Mr. Rien Hashim, a proxy**

14. Can the Company provide a printed copy of Annual Report within four market days upon shareholders' request?

Response (Mr. Timothy Ooi, Director, Group Legal Counsel & Company Secretary):

The Company despatched the abridged version of the Annual Report 2024 to all shareholders on 17 December 2024. The full Annual Report 2024 was uploaded on the Company's website on the same date. Printed copies will be mailed to shareholders within four market days of receiving their request, as indicated in the request form included in the abridged Annual Report 2024.