

LETTER TO SHAREHOLDERS

FRASER AND NEAVE, LIMITED

(Incorporated in Singapore)
(Company Registration No.189800001R)

Directors:

Mr Charoen Sirivadhanabhakdi
(Non-independent and non-executive Chairman)
Khunying Wanna Sirivadhanabhakdi
(Non-independent and non-executive Vice-Chairman)
Tengku Syed Badarudin Jamalullail
(Lead independent and non-executive Director)
Mrs Siripen Sitasuwan (Independent and non-executive Director)
Mr Timothy Chia Chee Ming (Independent and non-executive Director)
Mr Charles Mak Ming Ying (Independent and non-executive Director)
Mr Chan Heng Wing (Independent and non-executive Director)
Dr Sujitra Sombuntham (Independent and non-executive Director)
Mr Koh Poh Tiong (Non-independent and non-executive Director)
Mr Chotiphat Bijananda (Non-independent and non-executive Director)
Mr Thapana Sirivadhanabhakdi
(Non-independent and non-executive Director)
Mr Sithichai Chaikriangkrai (Non-independent and non-executive Director)
Mr Michael Chye Hin Fah (Non-independent and non-executive
Alternate Director to Mr Thapana Sirivadhanabhakdi)
Mr Prapakon Thongtheppairot (Non-independent and non-executive
Alternate Director to Mr Sithichai Chaikriangkrai)

Registered Office:

438 Alexandra Road
#20-00 Alexandra Point
Singapore 119958

4 January 2019

To: The Shareholders of Fraser and Neave, Limited (the “**Company**”)

Dear Sir/Madam

1. INTRODUCTION

1.1 **Background.** We refer to:

- (a) the Notice of the 120th Annual General Meeting (“**AGM**”) of the Company dated 4 January 2019 (the “**Notice**”), accompanying the Annual Report for the financial year ended 30 September 2018, convening the 120th AGM of the Company to be held on 29 January 2019 (the “**2019 AGM**”);
- (b) Ordinary Resolution No. 9 relating to the proposed renewal of the IPT Mandate (as defined in paragraph 2.1 below, as proposed in the Notice);
- (c) Ordinary Resolution No. 10 relating to the proposed renewal of the Share Purchase Mandate (as defined in paragraph 3.1 below, as proposed in the Notice); and

- (d) Ordinary Resolution No. 11 relating to the proposed adoption of the F&N RSP 2019 (as defined in paragraph 4.1 below, as proposed in the Notice).
- 1.2 **Letter to Shareholders.** The purpose of this Letter is to provide shareholders of the Company (“**Shareholders**”) with information relating to Ordinary Resolution Nos. 9, 10 and 11 proposed in the Notice (collectively, the “**Proposals**”).
- 1.3 **SGX-ST.** The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.
- 1.4 **Advice to Shareholders.** Shareholders who are in any doubt as to the course of action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

2. THE PROPOSED RENEWAL OF THE IPT MANDATE

- 2.1 **IPT Mandate.** At the 119th AGM of the Company held on 29 January 2018 (the “**2018 AGM**”), Shareholders approved the renewal of a mandate (the “**IPT Mandate**”) to enable the Company, its subsidiaries and associated companies that are considered to be “entities at risk” under Chapter 9 of the listing manual of the SGX-ST (the “**Listing Manual**”), or any of them, to enter into certain interested person transactions with specified classes of interested persons, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions.
- 2.2 **Proposed Renewal of IPT Mandate.** The IPT Mandate was expressed to take effect until the conclusion of the next AGM of the Company, being the 2019 AGM which is scheduled to be held on 29 January 2019. Accordingly, the directors of the Company (the “**Directors**”) propose that the IPT Mandate be renewed at the 2019 AGM, to take effect until the 121st AGM of the Company.
- 2.3 **Particulars of IPT Mandate.** The nature of the interested person transactions and the classes of interested persons in respect of which the IPT Mandate is sought to be renewed remains unchanged. As at 12 December 2018 (the “**Latest Practicable Date**”), Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi are each Directors and controlling shareholders of the Company, and their respective associates include Thai Beverage Public Company Limited, TCC Assets Limited and Frasers Property Limited. Mr Charoen Sirivadhanabhakdi, Khunying Wanna Sirivadhanabhakdi and their respective associates are regarded as “interested persons” of the Company for the purposes of Chapter 9 of the Listing Manual. Particulars of the IPT Mandate, including the rationale for the IPT Mandate, the benefits to be derived by the Company, as well as the review procedures for determining transaction prices with the specified classes of interested persons (including the persons who shall abstain from participating in the review and approval process of the Audit Committee of the Company (“**Audit Committee**”) in relation to the interested person transactions¹), and other general information relating to Chapter 9 of the Listing Manual, are set out in the Appendix to this Letter.

¹ In particular, if a member of the Audit Committee has an interest in a transaction or is a nominee for the time being of an Interested Person (as described in paragraph 4 of the Appendix to this Letter), he shall abstain from participating in the review and approval process of the Audit Committee in relation to that transaction.

- 2.4 **Audit Committee Confirmation.** The Audit Committee, comprising Mrs Siripen Sitasuwan, Mr Timothy Chia Chee Ming and Mr Sithichai Chaikriangkrai as at the Latest Practicable Date, confirms (with Mr Sithichai Chaikriangkrai abstaining) that:
- (a) the methods or procedures for determining the transaction prices under the IPT Mandate have not changed since the 2018 AGM; and
 - (b) the methods or procedures referred to in sub-paragraph (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.
- 2.5 **Rationale.** The IPT Mandate (and its subsequent renewal thereafter on an annual basis) will enhance the ability of companies in the EAR Group (as described in paragraph 2 of the Appendix to this Letter) to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for the Company to announce, or to announce and convene separate general meetings, on each occasion to seek Shareholders' prior approval for the entry by the relevant company in the EAR Group into such transactions. This will substantially reduce the expenses associated with the convening of general meetings on an *ad hoc* basis, improve administrative efficacy considerably, and allow manpower resources and time to be channelled towards attaining corporate objectives.

3. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

- 3.1 **Share Purchase Mandate.** At the 2018 AGM, Shareholders approved the renewal of a mandate (the "**Share Purchase Mandate**") to enable the Company to purchase or otherwise acquire issued ordinary shares of the Company ("**Shares**"). The rationale for, the authority and limitations on, and the financial effects of, the Share Purchase Mandate were set out in the Letter to Shareholders dated 4 January 2018 and Ordinary Resolution No. 10 set out in the Notice of the 2018 AGM.

The Share Purchase Mandate was expressed to take effect on the date of the passing of Ordinary Resolution No. 10 at the 2018 AGM and will expire on the date of the forthcoming 2019 AGM which is scheduled to be held on 29 January 2019. Accordingly, Shareholders' approval is being sought for the renewal of the Share Purchase Mandate at the 2019 AGM.

- 3.2 **Rationale.** The rationale for the Company to undertake the purchase or acquisition of its Shares is as follows:
- (a) In managing the business of the Company and its subsidiaries (the "**Group**"), management will strive to increase Shareholders' value by improving, *inter alia*, the return on equity ("**ROE**") of the Company. In addition to growth and expansion of the business, share purchases may be considered as one of the ways through which the ROE of the Company may be enhanced.
 - (b) In line with international practice, the Share Purchase Mandate will provide the Company with greater flexibility in managing its capital and maximising returns to its Shareholders.

To the extent that the Company has capital and surplus funds which are in excess of its financial needs, taking into account its growth and expansion plans, the Share

Purchase Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner.

- (c) The Share Purchase Mandate will provide the Company the flexibility to undertake share repurchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.
- (d) Shares which are purchased by the Company pursuant to the Share Purchase Mandate and held in treasury may be transferred for the purposes of employee share schemes implemented by the Company, to enable the Company to claim relevant tax deductions under the current taxation regime. The use of treasury shares in lieu of issuing new Shares would also mitigate the dilution impact on existing Shareholders.

The purchase or acquisition of Shares will only be undertaken if it can benefit the Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full limit as authorised. No purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the financial condition of the Group as a whole and/or affect the listing status of the Company on the SGX-ST.

3.3 Authority and Limits. The authority and limitations placed on the Share Purchase Mandate, if renewed at the 2019 AGM, are substantially the same as previously approved by Shareholders at the 2018 AGM. These are summarised below:

3.3.1 *Maximum Number of Shares*

The total number of Shares which may be purchased or acquired by the Company is limited to that number of Shares representing not more than 7% of the issued Shares as at the date of the 2019 AGM at which the renewal of the Share Purchase Mandate is approved. Treasury shares and subsidiary holdings (as defined in the Listing Manual)² will be disregarded for purposes of computing the 7% limit.

As at the Latest Practicable Date, the Company had 131,126 treasury shares and no subsidiary holdings.

Purely for illustrative purposes, on the basis of 1,448,252,279 Shares in issue as at the Latest Practicable Date and disregarding 131,126 Shares held in treasury as at the Latest Practicable Date, and assuming that on or prior to the 2019 AGM:

- (a) no further Shares are issued;
- (b) no further Shares are purchased or acquired by the Company;
- (c) no further Shares are held by the Company as treasury shares; and
- (d) no Shares are held as subsidiary holdings,

² "Subsidiary holdings" is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50 of Singapore.

the purchase or acquisition by the Company of up to the maximum limit of 7% of its issued Shares will result in the purchase or acquisition of 101,368,480 Shares.

However, as stated in paragraph 3.2 above and paragraph 3.8 below, purchases or acquisitions pursuant to the Share Purchase Mandate need not be carried out to the full extent mandated, and, in any case, would not be carried out to such an extent that would result in the Company being delisted from the SGX-ST. Thus, notwithstanding that the Share Purchase Mandate may enable purchases or acquisitions of up to 7% of the issued Shares (excluding treasury shares and subsidiary holdings) to be carried out, it should be noted that in order to maintain the listing status of the Shares on the SGX-ST, the Company must ensure (pursuant to Rule 723 of the Listing Manual) that there is at all times a public float of not less than 10% of the issued Shares (excluding treasury shares). Accordingly, assuming solely for illustrative purposes that 173,774,538 Shares (or approximately 12% of the issued Shares (excluding treasury shares)) are held in public hands as at the Latest Practicable Date, in order to preserve the listing status of the Shares on the SGX-ST by maintaining a public float of not less than 10% in the issued Shares (excluding treasury shares), the Company would not purchase or acquire more than 28,962,423 Shares (or 2% of the issued Shares (excluding treasury shares) as at that date) pursuant to the Share Purchase Mandate as at the Latest Practicable Date. The public float in the issued Shares as at the Latest Practicable Date is disclosed in paragraph 3.8 below.

Notwithstanding the above, the Company anticipates that the public float percentage of the issued Shares will change from time to time consequent upon the dynamic changing profile of public shareholders of the Company. For this reason, the Company is therefore seeking Shareholders' approval to enable the Company to purchase or acquire Shares up to a maximum of 7% of the issued Shares (excluding treasury shares and subsidiary holdings) for flexibility to prospectively cater to any future increase in the number of issued Shares held in public hands of up to 17%. If this occurs, the Company will be able to purchase or acquire in excess of 2% of its issued Shares (excluding treasury shares and subsidiary holdings) up to a maximum of 7%.

3.3.2 ***Duration of Authority***

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2019 AGM, at which the renewal of the Share Purchase Mandate is approved, up to:

- (a) the date on which the next AGM of the Company is held or required by law to be held;
- (b) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied; or
- (c) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earliest.

3.3.3 **Manner of Purchases or Acquisitions of Shares**

Purchases or acquisitions of Shares may be made by way of:

- (a) on-market purchases ("**Market Purchases**"), transacted through the trading system of the SGX-ST or on any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose; and/or
- (b) off-market purchases ("**Off-Market Purchases**"), otherwise than on a securities exchange, in accordance with an equal access scheme.

The Directors may impose such terms and conditions as they consider fit in the interests of the Company and which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") in connection with or in relation to any equal access scheme or schemes. An equal access scheme must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers are the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

- (I) the terms and conditions of the offer;
- (II) the period and procedures for acceptances; and
- (III) the information required under Rules 883(2), (3), (4), (5) and (6) of the Listing Manual.

3.3.4 **Purchase Price**

The purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for a Share will be determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors pursuant to the Share Purchase Mandate (both Market Purchases and Off-Market Purchases) must not exceed 105% of the

Average Closing Price of the Shares, excluding related expenses of the purchase or acquisition (the “**Maximum Price**”).

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of a Share over the five consecutive market days on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period; and

“**date of the making of the offer**” means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

3.4 **Status of Purchased Shares.** A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company, which are cancelled and are not held as treasury shares.

3.5 **Treasury Shares.** Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

3.5.1 **Maximum Holdings**

The number of Shares held as treasury shares³ cannot at any time exceed 10% of the total number of issued Shares.

3.5.2 **Voting and Other Rights**

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

³ For these purposes, “treasury shares” shall be read as including shares held by a subsidiary under Sections 21(4B) or 21(6C) of the Companies Act, Chapter 50 of Singapore.

3.5.3 **Disposal and Cancellation**

Where Shares are held as treasury shares, the Company may at any time (but subject always to the Singapore Code on Take-overs and Mergers (the “**Take-over Code**”)):

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

In addition, under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date of the sale, transfer, cancellation and/or use of such treasury shares, the purpose of such sale, transfer, cancellation and/or use of such treasury shares, the number of treasury shares which have been sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed before and after such sale, transfer, cancellation and/or use and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

- 3.6 **Source of Funds.** The Companies Act permits the Company to purchase or acquire its own Shares out of capital, as well as from its distributable profits.

The Company will use internal resources or external borrowings or a combination of both to fund purchases of Shares pursuant to the Share Purchase Mandate. In purchasing or acquiring Shares pursuant to the Share Purchase Mandate, the Directors will, principally, consider the availability of internal resources. In addition, the Directors will also consider the availability of external financing.

- 3.7 **Financial Effects.** The financial effects on the Group and the Company arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the Group and the Company, based on the audited financial statements of the Group and the Company for the financial year ended 30 September 2018, are based on the assumptions set out below.

3.7.1 **Purchase or Acquisition out of Capital and/or Profits**

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's profits and/or capital so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

3.7.2 **Number of Shares Purchased or Acquired/Maximum Price**

As at the Latest Practicable Date, the Company has 1,448,252,279 Shares in issue (before disregarding 131,126 Shares held in treasury), and has granted awards under the F&N Restricted Share Plan and the F&N Performance Share Plan.

(l) **Scenario I: Purchase or acquisition of 2% of the issued Shares by the Company**

Purely for illustrative purposes, on the basis of 1,448,252,279 Shares in issue and a public float of approximately 12% as at the Latest Practicable Date, and disregarding 131,126 Shares held in treasury as at the Latest Practicable Date, and assuming that on or prior to the 2019 AGM:

- (a) no further Shares are issued;
- (b) no further Shares are purchased or acquired by the Company;
- (c) no further Shares are held by the Company as treasury shares; and
- (d) no Shares are held as subsidiary holdings,

the exercise of the Share Purchase Mandate, on the Latest Practicable Date, up to an extent that would not affect adversely the listing status of the Shares on the SGX-ST, may result in the purchase or acquisition by the Company of 28,962,423 Shares representing 2% of such issued Shares (excluding treasury shares) (instead of a purchase or acquisition of 101,368,480 Shares representing 7% of such issued Shares (excluding treasury shares)).

Assuming that the Company purchases or acquires the 28,962,423 Shares at the Maximum Price of S\$1.88 for one Share (being the price equivalent to 5% above the average of the closing market prices of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 28,962,423 Shares is approximately S\$54,449,355.

(II) **Scenario II: Purchase or acquisition of 7% of the issued Shares by the Company**

The illustrative financial effects below are prepared assuming a prospective hypothetical scenario after the Latest Practicable Date whereby future circumstances permit up to 7% of the issued Shares (excluding treasury shares and subsidiary holdings) to be purchased or acquired by the Company without resulting in the listing status of the Shares on the SGX-ST being adversely affected.

Purely for illustrative purposes, on the basis of 1,448,252,279 Shares in issue and a public float of approximately 17% as at the Latest Practicable Date, and disregarding 131,126 Shares held in treasury as at the Latest Practicable Date, and assuming that on or prior to the 2019 AGM:

- (a) no further Shares are issued;
- (b) no further Shares are purchased or acquired by the Company;
- (c) no further Shares are held by the Company as treasury shares; and
- (d) no Shares are held as subsidiary holdings,

the exercise of the Share Purchase Mandate, on the Latest Practicable Date, up to an extent that would not affect adversely the listing status of the Shares on the SGX-ST, may result in the purchase or acquisition by the Company of 101,368,480 Shares representing 7% of such issued Shares (excluding treasury shares).

Assuming that the Company purchases or acquires the 101,368,480 Shares at the Maximum Price of S\$1.88 for one Share (being the price equivalent to 5% above the average of the closing market prices of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 101,368,480 Shares is approximately S\$190,572,742.

For the avoidance of doubt, the Company would not purchase or acquire more than 28,962,423 Shares (or 2% of the issued Shares (excluding treasury shares) as at the Latest Practicable Date), unless the Company can ensure that there is at all times a public float of not less than 10% of the issued Shares (excluding treasury shares), pursuant to Rule 723 of the Listing Manual.

3.7.3 **Illustrative Financial Effects**

The financial effects on the Group and the Company arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, and the consideration paid at the relevant time and whether the Shares purchased or acquired are cancelled or held as treasury shares.

For illustrative purposes only and on the basis of the assumptions set out in paragraph 3.7.2 above, the financial effects of:

- (a) the acquisition of 28,962,423 Shares representing 2% of the issued Shares (excluding treasury shares) by the Company pursuant to the Share Purchase Mandate by way of purchases made entirely out of capital and held as treasury shares;
- (b) the acquisition of 28,962,423 Shares representing 2% of the issued Shares (excluding treasury shares) by the Company pursuant to the Share Purchase Mandate by way of purchases made entirely out of profits and cancelled;
- (c) the acquisition of 28,962,423 Shares representing 2% of the issued Shares (excluding treasury shares) by the Company pursuant to the Share Purchase Mandate by way of purchases made entirely out of capital and cancelled;
- (d) the acquisition of 101,368,480 Shares representing 7% of the issued Shares (excluding treasury shares) by the Company pursuant to the Share Purchase Mandate by way of purchases made entirely out of capital and held as treasury shares;
- (e) the acquisition of 101,368,480 Shares representing 7% of the issued Shares (excluding treasury shares) by the Company pursuant to the Share Purchase Mandate by way of purchases made entirely out of profits and cancelled; and
- (f) the acquisition of 101,368,480 Shares representing 7% of the issued Shares (excluding treasury shares) by the Company pursuant to the Share Purchase Mandate by way of purchases made entirely out of capital and cancelled,

on the audited financial statements of the Group and the Company for the financial year ended 30 September 2018 are set out below:

Scenario I

- (a) *Acquisition of 28,962,423 Shares representing 2% of the issued Shares (excluding treasury shares) made entirely out of capital and held as treasury shares⁽¹⁾*

	Group		Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
As at 30 September 2018				
Share Capital	851,941	851,941	851,941	851,941
Reserves	1,969,542	1,969,542	860,910	860,910
	2,821,483	2,821,483	1,712,851	1,712,851
Treasury Shares	(267)	(54,716)	(267)	(54,716)
Total Shareholders' Equity	2,821,216	2,766,767	1,712,584	1,658,135
Net Assets	2,821,216	2,766,767	1,712,584	1,658,135
Current Assets	1,106,621	1,106,621	223,820	223,820
Current Liabilities	(775,847)	(775,847)	(202,329)	(202,329)
Total Borrowings	(871,419)	(925,868)	(180,000)	(234,449)
Cash and Cash Equivalent	530,125	530,125	200,967	200,967
Net Cash	(341,294)	(395,743)	20,967	(33,482)
Number of Shares ('000) (excluding treasury shares)	1,448,121	1,419,159	1,448,121	1,419,159
Financial Ratios				
Net Asset Value per Share (S\$)	1.95	1.95	1.18	1.17
Gross Debt Gearing (%) ⁽²⁾	30.9	33.5	10.5	14.1
Net Debt Gearing (%) ⁽²⁾	12.1	14.3	N.A.	2.0
Current Ratio (times)	1.43	1.43	1.11	1.11
Basic EPS (cents)				
(before fair value adjustment and exceptional items)	8.4	8.5	5.0	5.0
(after fair value adjustment and exceptional items)	8.4	8.5	5.0	5.0

Notes:

⁽¹⁾ 28,962,423 Shares to be held as treasury shares and is computed based on 1,448,121,153 Shares in issue as at the Latest Practicable Date (this is based on 1,448,252,279 Shares in issue as at the Latest Practicable Date and disregarding 131,126 Shares held in treasury as at the Latest Practicable Date).

⁽²⁾ Gross and Net Debt measured against Total Shareholders' Equity.

- (b) *Acquisition of 28,962,423 Shares representing 2% of the issued Shares (excluding treasury shares) made entirely out of profits and cancelled⁽¹⁾*

	Group		Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
As at 30 September 2018				
Share Capital	851,941	851,941	851,941	851,941
Reserves	1,969,542	1,915,093	860,910	806,461
	<u>2,821,483</u>	<u>2,767,034</u>	<u>1,712,851</u>	<u>1,658,402</u>
Treasury Shares	(267)	(267)	(267)	(267)
Total Shareholders' Equity	<u>2,821,216</u>	<u>2,766,767</u>	<u>1,712,584</u>	<u>1,658,135</u>
Net Assets	2,821,216	2,766,767	1,712,584	1,658,135
Current Assets	1,106,621	1,106,621	223,820	223,820
Current Liabilities	(775,847)	(775,847)	(202,329)	(202,329)
Total Borrowings	(871,419)	(925,868)	(180,000)	(234,449)
Cash and Cash Equivalents	530,125	530,125	200,967	200,967
Net Cash	(341,294)	(395,743)	20,967	(33,482)
Number of Shares ('000) (excluding treasury shares)	1,448,121	1,419,159	1,448,121	1,419,159
Financial Ratios				
Net Asset Value per Share (S\$)	1.95	1.95	1.18	1.17
Gross Debt Gearing (%) ⁽²⁾	30.9	33.5	10.5	14.1
Net Debt Gearing (%) ⁽²⁾	12.1	14.3	N.A.	2.0
Current Ratio (times)	1.43	1.43	1.11	1.11
Basic EPS (cents)				
before fair value adjustment and exceptional items)	8.4	8.5	5.0	5.0
(after fair value adjustment and exceptional items)	8.4	8.5	5.0	5.0

Notes:

⁽¹⁾ 28,962,423 Shares to be cancelled and is computed based on 1,448,121,153 Shares in issue as at the Latest Practicable Date (this is based on 1,448,252,279 Shares in issue as at the Latest Practicable Date and disregarding 131,126 Shares held in treasury as at the Latest Practicable Date).

⁽²⁾ Gross and Net Debt measured against Total Shareholders' Equity.

- (c) *Acquisition of 28,962,423 Shares representing 2% of the issued Shares (excluding treasury shares) made entirely out of capital and cancelled⁽¹⁾*

	Group		Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
As at 30 September 2018				
Share Capital	851,941	797,492	851,941	797,492
Reserves	1,969,542	1,969,542	860,910	860,910
	2,821,483	2,767,034	1,712,851	1,658,402
Treasury Shares	(267)	(267)	(267)	(267)
Total Shareholders' Equity	2,821,216	2,766,767	1,712,584	1,658,135
Net Assets	2,821,216	2,766,767	1,712,584	1,658,135
Current Assets	1,106,621	1,106,621	223,820	223,820
Current Liabilities	(775,847)	(775,847)	(202,329)	(202,329)
Total Borrowings	(871,419)	(925,868)	(180,000)	(234,449)
Cash and Cash Equivalents	530,125	530,125	200,967	200,967
Net Cash	(341,294)	(395,743)	20,967	(33,482)
Number of Shares ('000) (excluding treasury shares)	1,448,121	1,419,159	1,448,121	1,419,159
Financial Ratios				
Net Asset Value per Share (S\$)	1.95	1.95	1.18	1.17
Gross Debt Gearing (%) ⁽²⁾	30.9	33.5	10.5	14.1
Net Debt Gearing (%) ⁽²⁾	12.1	14.3	N.A.	2.0
Current Ratio (times)	1.43	1.43	1.11	1.11
Basic EPS (cents) (before fair value adjustment and exceptional items)	8.4	8.5	5.0	5.0
 (after fair value adjustment and exceptional items)	8.4	8.5	5.0	5.0

Notes:

⁽¹⁾ 28,962,423 Shares to be cancelled and is computed based on 1,448,121,153 Shares in issue as at the Latest Practicable Date (this is based on 1,448,252,279 Shares in issue as at the Latest Practicable Date and disregarding 131,126 Shares held in treasury as at the Latest Practicable Date).

⁽²⁾ Gross and Net Debt measured against Total Shareholders' Equity.

Scenario II

- (d) *Acquisition of 101,368,480 Shares representing 7% of the issued Shares (excluding treasury shares) made entirely out of capital and held as treasury shares⁽¹⁾*

	Group		Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
<u>As at 30 September 2018</u>				
Share Capital	851,941	851,941	851,941	851,941
Reserves	1,969,542	1,969,542	860,910	860,910
	2,821,483	2,821,483	1,712,851	1,712,851
Treasury Shares	(267)	(190,840)	(267)	(190,840)
Total Shareholders' Equity	2,821,216	2,630,643	1,712,584	1,522,011
Net Assets	2,821,216	2,630,643	1,712,584	1,522,011
Current Assets	1,106,621	1,106,621	223,820	223,820
Current Liabilities	(775,847)	(775,847)	(202,329)	(202,329)
Total Borrowings	(871,419)	(1,061,992)	(180,000)	(370,573)
Cash and Cash Equivalents	530,125	530,125	200,967	200,967
Net Cash	(341,294)	(531,867)	20,967	(169,606)
Number of Shares ('000) (excluding treasury shares)	1,448,121	1,346,753	1,448,121	1,346,753
Financial Ratios				
Net Asset Value per Share (S\$)	1.95	1.95	1.18	1.13
Gross Debt Gearing (%) ⁽²⁾	30.9	40.4	10.5	24.3
Net Debt Gearing (%) ⁽²⁾	12.1	20.2	N.A.	11.1
Current Ratio (times)	1.43	1.43	1.11	1.11
Basic EPS (cents)				
(before fair value adjustment and exceptional items)	8.4	8.7	5.0	5.1
(after fair value adjustment and exceptional items)	8.4	8.8	5.0	5.1

Notes:

⁽¹⁾ 101,368,480 Shares to be held as treasury shares and is computed based on 1,448,121,153 Shares in issue as at the Latest Practicable Date (this is based on 1,448,252,279 Shares in issue as at the Latest Practicable Date and disregarding 131,126 Shares held in treasury as at the Latest Practicable Date).

⁽²⁾ Gross and Net Debt measured against Total Shareholders' Equity.

- (e) *Acquisition of 101,368,480 Shares representing 7% of the issued Shares (excluding treasury shares) made entirely out of profits and cancelled⁽¹⁾*

	Group		Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
As at 30 September 2018				
Share Capital	851,941	851,941	851,941	851,941
Reserves	1,969,542	1,778,969	860,910	870,337
	<u>2,821,483</u>	<u>2,630,910</u>	<u>1,712,851</u>	<u>1,522,278</u>
Treasury Shares	(267)	(267)	(267)	(267)
Total Shareholders' Equity	<u>2,821,216</u>	<u>2,630,643</u>	<u>1,712,584</u>	<u>1,522,011</u>
Net Assets	2,821,216	2,630,643	1,712,584	1,522,011
Current Assets	1,106,621	1,106,621	223,820	223,820
Current Liabilities	(775,847)	(775,847)	(202,329)	(202,329)
Total Borrowings	(871,419)	(1,061,992)	(180,000)	(370,573)
Cash and Cash Equivalents	530,125	530,125	200,967	200,967
Net Cash	(341,294)	(531,867)	20,967	(169,606)
Number of Shares ('000) (excluding treasury shares)	1,448,121	1,346,753	1,448,121	1,346,753
Financial Ratios				
Net Asset Value per Share (S\$)	1.95	1.95	1.18	1.13
Gross Debt Gearing (%) ⁽²⁾	30.9	40.4	10.5	24.3
Net Debt Gearing (%) ⁽²⁾	12.1	20.2	N.A.	11.1
Current Ratio (times)	1.43	1.43	1.11	1.11
Basic EPS (cents)				
(before fair value adjustment and exceptional items)	8.4	8.7	5.0	5.1
(after fair value adjustment and exceptional items)	8.4	8.8	5.0	5.1

Notes:

⁽¹⁾ 101,368,480 Shares to be cancelled and is computed based on 1,448,121,153 Shares in issue as at the Latest Practicable Date (this is based on 1,448,252,279 Shares in issue as at the Latest Practicable Date and disregarding 131,126 Shares held in treasury as at the Latest Practicable Date).

⁽²⁾ Gross and Net Debt measured against Total Shareholders' Equity.

- (f) *Acquisition of 101,368,480 Shares representing 7% of the issued Shares (excluding treasury shares) made entirely out of capital and cancelled⁽¹⁾*

	Group		Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
As at 30 September 2018				
Share Capital	851,941	661,368	851,941	661,368
Reserves	1,969,542	1,969,542	860,910	860,910
	<u>2,821,483</u>	<u>2,630,910</u>	<u>1,712,851</u>	<u>1,522,278</u>
Treasury Shares	(267)	(267)	(267)	(267)
Total Shareholders' Equity	<u>2,821,216</u>	<u>2,630,643</u>	<u>1,712,584</u>	<u>1,522,011</u>
Net Assets	2,821,216	2,630,643	1,712,584	1,522,011
Current Assets	1,106,621	1,106,621	223,820	223,820
Current Liabilities	(775,847)	(775,847)	(202,329)	(202,329)
Total Borrowings	(871,419)	(1,061,992)	(180,000)	(370,573)
Cash and Cash Equivalents	530,125	530,125	200,967	200,967
Net Cash	(341,294)	(531,867)	20,967	(169,606)
Number of Shares ('000) (excluding treasury shares)	1,448,121	1,346,753	1,448,121	1,346,753
Financial Ratios				
Net Asset Value per Share (S\$)	1.95	1.95	1.18	1.13
Gross Debt Gearing (%) ⁽²⁾	30.9	40.4	10.5	24.3
Net Debt Gearing (%) ⁽²⁾	12.1	20.2	N.A.	11.1
Current Ratio (times)	1.43	1.43	1.11	1.11
Basic EPS (cents)				
(before fair value adjustment and exceptional items)	8.4	8.7	5.0	5.1
(after fair value adjustment and exceptional items)	8.4	8.8	5.0	5.1

Notes:

⁽¹⁾ 101,368,480 Shares to be cancelled and is computed based on 1,448,121,153 Shares in issue as at the Latest Practicable Date (this is based on 1,448,252,279 Shares in issue as at the Latest Practicable Date and disregarding 131,126 Shares held in treasury as at the Latest Practicable Date).

⁽²⁾ Gross and Net Debt measured against Total Shareholders' Equity.

The financial effects of the two alternative scenarios whereby share purchases up to a maximum of 2% and 7% of the issued Shares (excluding treasury shares) are implemented by the Company, as set out above, are for illustrative purposes only. Although the Share Purchase Mandate would enable the Company to potentially purchase or acquire up to 7% of the issued Shares (excluding treasury shares and subsidiary holdings), based on a public float of approximately 12% as at the Latest Practicable Date, the Company is at present, only permitted to purchase or acquire up to 2% of the issued Shares (excluding treasury shares and subsidiary holdings) being an extent that would not affect adversely the listing status of the Shares on the SGX-ST as at the Latest Practicable Date. Even so, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 2% or, as the case may be, (if and when future circumstances permit) the entire 7% of the issued Shares (excluding treasury shares and subsidiary holdings). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

- 3.8 **Listing Rules.** The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the market day following the day of purchase or acquisition of any of its shares, and (b) in the case of an Off-Market Purchase on an equal access scheme, on the second market day after the close of acceptances of the offer. Such announcement (which must be in the form of Appendix 8.3.1 to the Listing Manual) must include, *inter alia*, details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and subsidiary holdings after the purchase, the number of treasury shares held after the purchase and the number of subsidiary holdings after the purchase.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company would not purchase or acquire any Shares through Market Purchases during the period of one month immediately preceding the announcement of the Company’s full-year results and the period of two weeks before the announcement of the first quarter, second quarter and third quarter results.

The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is at all times held by the public. As at the Latest Practicable Date, approximately 12% of the issued Shares (excluding treasury shares) are held by public Shareholders. Accordingly, the Company is of the view that as of that date, there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to potentially undertake purchases of its Shares through Market Purchases pursuant to the Share Purchase Mandate *provided that* the purchases (if carried out) are not made to such an extent as would affect adversely the listing status of the Shares on the

SGX-ST. The Company will consider investor interests when maintaining a liquid market in its securities, and will ensure that there is sufficient float for an orderly market in its securities when purchasing its Shares.

- 3.9 **Take-over Implications.** Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

3.9.1 ***Obligation to make a Take-over Offer***

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

3.9.2 ***Persons Acting in Concert***

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert:

- (a) the following companies:
- (i) a company;
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of any of (i), (ii), (iii) or (iv);
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
 - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights; and
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts).

The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

3.9.3 **Effect of Rule 14 and Appendix 2**

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the Ordinary Resolution authorising the Share Purchase Mandate.

Based solely on the interests of substantial Shareholders as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date, none of the substantial Shareholders would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase or acquisition by the Company of 2% of its issued Shares (excluding treasury shares) as at the Latest Practicable Date.

Shareholders are advised to consult their professional advisers and/or the Securities Industry Council at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share purchases by the Company.

3.10 **No Previous Purchases.** The Company has not undertaken any purchase or acquisition of its issued Shares pursuant to the Share Purchase Mandate approved by shareholders at the 2018 AGM.

4. **THE PROPOSED F&N RSP 2019**

4.1 **Existing and Previous Share Plans.** The Company currently has in place the F&N Restricted Share Plan (the "**F&N RSP**") and the F&N Performance Share Plan (the "**F&N PSP**"). The F&N RSP and the F&N PSP (together, the "**Existing Share Plans**") were adopted at an extraordinary general meeting of the Company held on 22 January 2009. The duration of the Existing Share Plans is 10 years commencing on the date of adoption, that is, 10 years commencing on 22 January 2009. The Existing Share Plans are accordingly due to expire on 21 January 2019. The expiry of the Existing Share Plans will not, however, affect awards granted prior to such expiry, whether such awards have been released (whether fully or partially) or not.

The Company proposes to adopt the new F&N Restricted Share Plan 2019 (the “**F&N RSP 2019**”) to replace the Existing Share Plans following their expiry. Details of the F&N RSP 2019 are set out in paragraphs 4.4 to 4.9 below.

The Company previously also had in place the Fraser and Neave, Limited Executives’ Share Option Scheme 1999 (the “**F&N SOS 1999**”), which was adopted at an extraordinary general meeting of the Company held on 30 September 1999. The F&N SOS 1999 expired on 30 September 2009 following the adoption of the Existing Share Plans, and there are no outstanding options under the F&N SOS 1999.

4.2 Existing Share Awards. As at the Latest Practicable Date:

- (a) there are outstanding base awards granted under the F&N RSP (“**RSP Base Awards**”) in respect of 1,884,554 Shares (representing approximately 0.13% of the issued Shares (excluding treasury shares) as at the Latest Practicable Date)⁴, 857,375 Shares (representing approximately 0.06% of the issued Shares (excluding treasury shares) as at the Latest Practicable Date) are pending final release pursuant to Awards granted under the F&N RSP, and an aggregate of 12,207,767 Shares (representing approximately 0.84% of the issued Shares (excluding treasury shares) as at the Latest Practicable Date) have been delivered upon vesting of awards granted under the F&N RSP since the commencement of the F&N RSP; and
- (b) there are outstanding base awards granted under the F&N PSP (“**PSP Base Awards**”) in respect of 229,921 Shares (representing approximately 0.02% of the issued Shares (excluding treasury shares) as at the Latest Practicable Date)⁵, and an aggregate of 1,138,000 Shares (representing approximately 0.08% of the issued Shares (excluding treasury shares) as at the Latest Practicable Date) have been delivered upon vesting of awards granted under the F&N PSP since the commencement of the F&N PSP.

Details of existing RSP Base Awards and RSP Final Awards outstanding and unvested as at the Latest Practicable Date are as follows:

Date of RSP Base Award	Number of Shares comprised in RSP Base Awards ⁶	Number of Shares comprised in RSP Final Awards (pending release) ⁵	Number of Participants
6 May 2015	N.A.	221,575	74
26 Feb 2016	N.A.	635,800	86
28 Dec 2016	943,354	N.A.	97
28 Dec 2017	941,200	N.A.	108

⁴ Depending on the level of achievement of the pre-determined targets over a two-year performance period, an achievement factor will be applied to the RSP Base Awards to determine the final number of Shares to be awarded at the end of the respective performance periods (the “**RSP Final Award**”). The achievement factor ranges from 0% to 150%. At the end of the two-year performance period, 50% of the number of Shares under the RSP Final Award will be vested to the participants. The balance will be vested in equal instalments over a period of two years.

⁵ Depending on the level of achievement of the pre-determined targets over a three-year performance period, an achievement factor will be applied to the PSP Base Awards to determine the final number of Shares to be awarded at the end of the respective performance periods (the “**PSP Final Award**”). The achievement factor ranges from 0% to 200%. All Shares under the PSP Final Award will be vested to the participants at the end of the three-year performance period.

⁶ See footnote 4 above.

Save as disclosed in this Letter, and save for the prescribed performance-based, time-based and/or other conditions attached to the RSP Base Awards and the RSP Final Awards, the RSP Base Awards and the RSP Final Awards outstanding as at the Latest Practicable Date are not subject to any material conditions.

Details of existing PSP Base Awards outstanding and unvested as at the Latest Practicable Date are as follows:

Date of PSP Base Award	Number of Shares comprised in PSP Base Awards ⁷	Number of Participants
26 Feb 2016	84,383	8
28 Dec 2016	67,538	7
28 Dec 2017	78,000	8

Save as disclosed in this Letter, and save for the prescribed performance-based and/or other conditions attached to the PSP Base Awards, the PSP Base Awards outstanding as at the Latest Practicable Date are not subject to any material conditions.

No awards have been granted to Directors, controlling shareholders of the Company or associates of such controlling shareholders, under the Existing Share Plans.

4.3 **Definitions.** For the purposes of paragraphs 4.4 to 4.10 below and in relation to the F&N RSP 2019, the following expressions shall have the following meanings:

“**Associated Company**” means a company in which at least 20% but not more than 50% of its shares are held by the Company and/or its subsidiaries, or a subsidiary of such company, and over whose management the Company has control (as defined in the Listing Manual);

“**Auditors**” mean the auditors of the Company for the time being;

“**Award**” means a contingent award of Shares granted under the F&N RSP 2019;

“**Award Date**” means, in relation to an Award, the date on which the Award is granted pursuant to the F&N RSP 2019;

“**Award Letter**” means a letter in such form as the Committee shall approve confirming an Award granted to a Participant by the Committee;

“**Committee**” means a committee comprising directors of the Company appointed by the board of directors of the Company to administer the F&N RSP 2019;

“**Group**” means the Company and its subsidiaries;

“**Group Employee**” means any employee of the Group including any Group Executive Director (provided that any employee of the Group including a Group Executive Director who meets the relevant age and rank criteria and who has been seconded to any Associated Company shall be regarded as a Group Employee for the purposes of the F&N RSP 2019);

⁷ See footnote 5 above.

“Group Executive Director” means a director of the Company and/or any of its subsidiaries, as the case may be, who performs an executive function; and

“Participant” means the holder of an Award (including, where applicable, the executor or personal representative of such holder).

- 4.4 **Rationale.** The new F&N RSP 2019 is being proposed to replace the Existing Share Plans, in order to streamline and consolidate the Company’s continuing efforts to reward, retain and motivate employees to achieve superior performance, and to strengthen the Company’s competitiveness in attracting and retaining key senior management and senior executives. Instead of adopting two separate share plans to replace the existing F&N PSP and the F&N RSP, the Company is proposing to adopt a single share incentive plan to replace both the existing F&N PSP and the F&N RSP, as the Company is of the view that one single plan is sufficient for the Company’s purposes. The new F&N RSP 2019, which contemplates the award of fully paid Shares when and after pre-determined performance and/or service conditions are accomplished, will apply to a broad base of employees, including senior executives and key senior management, and will have substantially the same rules as the existing F&N RSP.

Performance targets set under the F&N RSP 2019 are intended to primarily be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. These performance targets are stretched targets aimed at sustaining long-term growth, and include targets based on criteria such as total shareholders’ return, economic value added, market share, market ranking or return on sales. However, depending on the individual Participant, other performance targets could also be set (for example, ensuring that a particular project is completed on time or that the Company meets certain specified corporate targets). Awards may also incorporate a time-based service condition to encourage Participants to continue serving the Group beyond the achievement date of the pre-determined performance targets.

One of the primary objectives of the F&N RSP 2019 is to serve as an additional motivational tool to recruit and retain talented Group Employees whose contributions are essential to the long-term growth and profitability of the Group and to give recognition to outstanding Group Employees who have contributed to the growth of the Group. The F&N RSP 2019 will act as an enhancement of the Group’s overall compensation packages, strengthening the Group’s ability to attract and retain high performing talent. For instance, potential senior executive hires who decide on a career switch often have to forego substantial share options/share incentives when they join the Group. Through the F&N RSP 2019, the Company will be able to compensate such new hires for share options/share incentives that they may have to forego when they join the Group. A time-based Award may also be granted to a senior executive, for example, as a supplement to the cash component of his remuneration package.

Awards granted under the F&N RSP 2019 will typically vest only after the satisfactory completion of time-based service conditions, that is, after the Participant has served the Group for a specified number of years (time-based Awards) or, where the Award is performance-related (performance-based Awards), after a further period of service beyond the performance target completion date. No minimum vesting periods are prescribed under the F&N RSP 2019, and the length of the vesting period(s) in respect of each Award granted to Group Employees will be determined on a case-by-case basis.

It is the intention of the Company to award performance-based Awards to ensure that the earning of Shares under the F&N RSP 2019 is aligned with the pay-for-performance principle. The use of time-based Awards will only be made on a case-by-case basis where business needs justify such Awards.

4.5 **Listing of New Shares.** The SGX-ST has granted in-principal approval for the listing and quotation of the new Shares to be issued pursuant to the F&N RSP 2019, subject to compliance with the SGX-ST's listing requirements and guidelines and independent Shareholders' approval being obtained for the adoption of the F&N RSP 2019. The SGX-ST's in-principle approval is not to be taken as an indication of the merits of the F&N RSP 2019, the new Shares, the Company and/or its subsidiaries.

4.6 **Summary of Rules.** The following is a summary of the principal rules of the F&N RSP 2019:

4.6.1 ***Eligibility***

Group Employees who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time shall be eligible to participate in the F&N RSP 2019, unless they are also controlling shareholders (as defined in the Listing Manual) of the Company or associates (as defined in the Listing Manual) of such controlling shareholders.

Non-executive directors of the Group will not be eligible to participate in the F&N RSP 2019.

4.6.2 ***Awards***

Awards represent the right of a Participant to receive fully paid Shares, their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance targets (if any) are met and upon expiry of the prescribed vesting period(s) (if any).

If a retention period is specified in an Award, Shares which are allotted and issued or transferred to a Participant pursuant to the release of an Award shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, during the specified retention period (as prescribed by the Committee in the Award Letter), except to the extent set out in the Award Letter or with the prior approval of the Committee.

4.6.3 ***Participants***

The selection of a Participant and the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the F&N RSP 2019 shall be determined at the absolute discretion of the Committee, which shall take into account such criteria as it considers fit, including (but not limited to) his rank, job performance, years of service and potential for future development, his contribution to the success and development of the Group and (in the case of a performance-related Award) the difficulty with which the performance condition(s) may be achieved within the performance period.

4.6.4 **Details of Awards**

The Committee shall decide, in relation to each Award to be granted to a Participant:

- (a) the Award Date;
- (b) the number of Shares which are the subject of the Award;
- (c) in the case of performance-related Awards:
 - (i) the prescribed performance condition(s);
 - (ii) the performance period during which the prescribed performance condition(s) are to be satisfied; and
 - (iii) the extent to which Shares which are the subject of that Award shall be released on the prescribed performance condition(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period;
- (d) the prescribed vesting period(s) (if any) and the vesting date(s) (if any);
- (e) the release schedule (if any) setting out the extent to which Shares, which are the subject of that Award, shall be released at the end of each prescribed vesting period;
- (f) the retention period (if any); and
- (g) any other condition which the Committee may determine in relation to that Award.

4.6.5 **Timing**

The Committee may grant Awards to eligible Group Employees as the Committee may determine in its absolute discretion, at any time during the period when the F&N RSP 2019 is in force. An Award Letter confirming the Award and specifying, *inter alia*, the number of Shares which are the subject of the Award, the vesting period(s) (if any), the vesting date(s) (if any), the retention period (if any), and, in relation to a performance-related Award, the prescribed performance condition(s), the performance period during which the prescribed performance condition(s) are to be attained or fulfilled and the schedule setting out the extent to which Shares will be released on satisfaction of the prescribed performance condition(s), will be sent to each Participant as soon as reasonably practicable after the making of an Award.

4.6.6 **Events prior to Vesting**

Special provisions for the vesting and lapsing of Awards apply in certain circumstances including the following:

- (a) upon an order being made or a resolution passed for the winding-up of the Company on the basis, or by reason of, its insolvency;

- (b) the misconduct on the part of a Participant as determined by the Committee in its discretion;
- (c) the Participant ceasing to be in the employment of the Group or (if seconded to an Associated Company) ceasing to be so seconded for any reason whatsoever (other than as specified in paragraphs (e), (f) and (g) below);
- (d) the bankruptcy of a Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of the Award;
- (e) the Participant ceasing to be in the employment of the Group or (if seconded to an Associated Company) ceasing to be so seconded by reason of:
 - (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
 - (ii) redundancy;
 - (iii) retirement at or after the legal retirement age;
 - (iv) retirement before the legal retirement age with the consent of the Committee;
 - (v) the company by which he is employed ceasing to be a company within the Group or (as the case may be) the company to which he is seconded ceasing to be an Associated Company or (as the case may be) the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group or to an Associated Company; or
 - (vi) any other event approved by the Committee;
- (f) the death of the Participant;
- (g) any other event approved by the Committee; or
- (h) a take-over, reconstruction or amalgamation of the Company or an order being made or a resolution passed for the winding-up of the Company (other than as provided in paragraph (a) above or for reconstruction or amalgamation).

Upon the occurrence of any of the events specified in paragraphs (a), (b) and (c) above, an Award then held by a Participant shall, as provided in the rules of the F&N RSP 2019 and to the extent not yet released, immediately lapse without any claim whatsoever against the Company. For the avoidance of doubt, no Award shall lapse pursuant to paragraph (c) above in the event of the transfer of employment of a Participant between the Group and any Associated Company.

Upon the occurrence of any of the events specified in paragraphs (d), (e), (f) and (g) above, the Committee may, in its absolute discretion, preserve all or any part of any Award and decide as soon as reasonably practicable following such event either to vest some or all of the Shares which are the subject of the Award or to preserve all or part of any Award until the end of the relevant performance period (if any) and/or each vesting period (if any). In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant and, in the case of performance-related Awards, the extent to which the applicable performance condition(s) and target(s) has/have been satisfied.

Upon the occurrence of any of the events specified in paragraph (h) above, the Committee will consider, at its discretion, whether or not to release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant. If the Committee decides to release any Award, then in determining the number of Shares to be vested in respect of such Award, the Committee will (if applicable) have regard to the proportion of the vesting period(s) (as the case may be) which has elapsed and, in the case of performance-related Awards, the extent to which the applicable performance condition(s) and target(s) has/have been satisfied.

4.6.7 ***Size and Duration***

The total number of Shares which may be delivered pursuant to Awards granted under the F&N RSP 2019 on any date, when added to the total number of new Shares allotted and issued and/or to be allotted and issued, and issued Shares (including treasury shares) delivered and/or to be delivered, pursuant to Awards granted under the F&N RSP 2019, shall not exceed 8% of the total number of issued Shares (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual)) on the date preceding the date of the relevant Award.

A maximum limit of 8% will provide the Company with the means and flexibility to grant Awards as incentive tools in a meaningful and effective manner to encourage staff retention and to align Participants' interests more closely with those of Shareholders. Although the 8% limit under the F&N RSP 2019 is lower than the 10% limit under the Existing Plans, based on the awards granted under the Existing Plans, the Company is of the view that an 8% limit will be sufficient to achieve the primary objective of the F&N RSP 2019 as a long-term incentive and compensation strategy for the duration of the F&N RSP 2019.

The F&N RSP 2019 shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the F&N RSP 2019 is adopted by the Company in general meeting, provided always that the F&N RSP 2019 may continue beyond the above stipulated period with the approval of the Shareholders in general meeting and of any relevant authorities which may then be required. The Committee currently does not intend, in any given year, to grant Awards under the F&N RSP 2019 which would comprise more than 0.8% of the total number of issued Shares (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual)) from time to time (the "**Yearly Limit**"), provided that if the Yearly Limit is not fully utilised in any given year, the balance of the unutilised portion of the

Yearly Limit may be carried over and used by the Company to make grants of Awards in subsequent years for the duration of the F&N RSP 2019, subject to the overall maximum limit of 8%.

Notwithstanding the expiry or termination of the F&N RSP 2019, Awards made to Participants prior to such expiry or termination, whether such Awards have been released (whether fully or partially) or not, will continue to remain valid.

4.6.8 **Operation**

Subject to the prevailing legislation and the rules of the Listing Manual, the Company will have the flexibility to deliver Shares to Participants upon vesting of their Awards by way of:

- (a) an issue of new Shares; and/or
- (b) the delivery of existing Shares (including treasury shares).

In determining whether to issue new Shares or to deliver existing Shares (including treasury shares) to Participants upon vesting of their Awards, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of either issuing new Shares or delivering existing Shares (including treasury shares).

The financial effects of the above methods are discussed in paragraph 4.10 below.

The Company has the flexibility, and if circumstances require, to approve the release of an Award, wholly or partly, in the form of cash rather than Shares.

New Shares allotted and issued, and existing Shares procured by the Company for transfer, pursuant to the release of an Award shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant vesting date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

In the case of performance-related Awards, the Committee shall have the discretion to determine whether any performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the Committee shall have the right to make reference to the audited results of the Company or the Group or an Associated Company (as the case may be) to take into account such factors as the Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend any performance condition if the Committee decides that a changed performance target would be a fairer measure of performance.

4.7 **Adjustments and Modifications.** The following describes the adjustment events under, and provisions relating to modifications of, the F&N RSP 2019:

4.7.1 **Adjustment Events**

If a variation in the ordinary share capital of the Company (whether by way of a

capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place or if the Company shall make a capital distribution or a declaration of a special dividend (whether in cash or *in specie*), then the Committee may, in its sole discretion, determine whether:

- (a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or
- (b) the class and/or number of Shares in respect of which future Awards may be granted under the F&N RSP 2019,

shall be adjusted and if so, the manner in which such adjustments should be made.

Unless the Committee considers an adjustment to be appropriate, the issue of securities as consideration for an acquisition or a private placement of securities, or upon the exercise of any options or conversion of any loan stock or any other securities convertible into Shares or subscription rights of any warrants, or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstance requiring adjustment.

Any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

The adjustment must be made in such a way that a Participant will not receive a benefit that a holder of Shares does not receive.

4.7.2 **Modifications**

The F&N RSP 2019 may be modified and/or altered at any time and from time to time by a resolution of the Committee subject to the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

However, no modification or alteration shall adversely affect the rights attached to any Award granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if their Awards were released to them in full upon the applicable vesting dates relating to their Awards, would become entitled to not less than three-quarters in number of all the Shares which would fall to be vested upon release in full of all outstanding Awards on the relevant vesting dates applicable to all such outstanding Awards.

No alterations shall be made to the rules of the F&N RSP 2019 which relate to matters contained in Rules 844 to 849 and Rules 853 to 854 of the Listing Manual to the advantage of the holders of the Awards except with the prior approval of Shareholders in general meeting.

4.8 **Disclosures in Annual Reports.** The Company will make such disclosures or appropriate negative statements (as applicable) in its annual report for so long as the F&N RSP 2019 continues in operation from time to time required by the Listing Manual including the following (where applicable):

- (a) the names of the members of the Committee administering the F&N RSP 2019;
- (b) in respect of the following Participants of the F&N RSP 2019:
 - (i) Directors; and
 - (ii) Participants (other than those in paragraph (i) above) who have received Shares pursuant to the release of Awards granted under the F&N RSP 2019 which, in aggregate, represent 5% or more of the aggregate of:
 - (1) the total number of new Shares available under the F&N RSP 2019; and
 - (2) the total number of existing Shares delivered pursuant to Awards released under the F&N RSP 2019,

the following information:

- (aa) the name of the Participant; and
- (bb) the following particulars relating to Shares delivered pursuant to Awards released under the F&N RSP 2019:
 - (i) the number of new Shares issued to such Participant during the financial year under review; and
 - (ii) the number of existing Shares transferred to such Participant during the financial year under review; and
- (c) in relation to the F&N RSP 2019, the following particulars:
 - (i) the aggregate number of Shares comprised in Awards granted under the F&N RSP 2019 since the commencement of the F&N RSP 2019 to the end of the financial year under review;
 - (ii) the aggregate number of Shares comprised in Awards which have been released under the F&N RSP 2019 during the financial year under review and in respect thereof, the proportion of:
 - (1) new Shares issued; and
 - (2) existing Shares transferred and, where existing Shares were purchased for delivery, the range of prices at which such Shares have been purchased,

upon the release of Awards granted under the F&N RSP 2019; and

- (iii) the aggregate number of Shares comprised in Awards granted under the F&N RSP 2019 which have not been released as at the end of the financial year under review.

4.9 **Role and Composition of the Committee.** The Remuneration Committee of the Company (“**RC**”), whose function is to assist the board of Directors in reviewing remuneration and human resource matters in the Company as set out in their terms of reference, will be designated as the Committee responsible for the administration of the F&N RSP 2019.

In compliance with the requirements of the Listing Manual, a Participant of the F&N RSP 2019 who is a member of the RC shall not be involved in its deliberations in respect of Awards to be granted to or held by that member of the RC.

4.10 **Financial Effects.** Singapore Financial Reporting Standards (International) 2, Share-based payment (“**SFRS(I) 2**”) applies to the financial statements of the Group and the Company. Participants may receive Shares or their equivalent cash value, or combinations thereof. In the event that the Participants receive Shares, the Awards would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

The fair value of employee services received in exchange for the grant of the Awards would be recognised as a charge to the profit and loss account over the period between the grant date and the vesting date of an Award. The total amount of the charge over the vesting period is determined by reference to the fair value of each Award granted at the grant date and the number of Shares vested at the vesting date, with a corresponding credit to reserve account. Before the end of the vesting period, at each balance sheet date, the estimate of the number of Awards that are expected to vest by the vesting date is revised, and the impact of the revised estimate is recognised in the profit and loss account with a corresponding adjustment to equity. After the vesting date, no adjustment to the charge to the profit and loss account is made. This accounting treatment has been referred to as the “modified grant date method”.

The amount charged to the profit and loss account would be the same whether the Company settles the Awards using new Shares or existing Shares. The amount of the charge to profit and loss account also depends on whether or not the performance target attached to an Award is a “market condition”, that is, a condition which is related to the market price of the Shares. If the performance target is a market condition, the probability of the performance target being met is taken into account in estimating the fair value of the Shares granted at the grant date, and no adjustments to amounts charged to profit and loss account is made if the market condition is not met. On the other hand, if the performance target is not a market condition, the probability of the target being met is not taken into account in estimating the fair value of the Shares granted at the grant date. Instead, it is subsequently considered at each accounting date in assessing whether the Awards would vest. Thus, where the vesting conditions do not include a market condition, there would be no charge to the profit and loss account if the Awards do not ultimately vest.

The following sets out the financial effects of the F&N RSP 2019:

4.10.1 **Share Capital**

The F&N RSP 2019 will result in an increase in the Company’s issued ordinary share capital only if new Shares are issued to Participants. The number of new Shares

issued will depend on, *inter alia*, the size of the Awards granted under the F&N RSP 2019. In any case, the F&N RSP 2019 provides that the aggregate number of new Shares to be issued and existing Shares delivered under the F&N RSP 2019 will be subject to the maximum limit of 8% of the issued Shares (excluding treasury shares and subsidiary holdings) from time to time. If, instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants on vesting, the F&N RSP 2019 will not have an impact on the Company's ordinary share capital.

4.10.2 **NTA**

As described below in the paragraph on earnings per Share ("**EPS**"), the F&N RSP 2019 is likely to result in a charge to the Company's profit and loss account over the period from the grant date to the vesting date of the Awards. The amount of the charge will be computed in accordance with SFRS(I) 2. If new Shares are issued under the F&N RSP 2019, there would be no effect on the net tangible assets ("**NTA**"). However, if instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants or the Company pays the equivalent cash value, the NTA would decrease by the cost of the Shares purchased or the cash payment, respectively.

Nonetheless, it should be noted that the delivery of Shares to Participants under the F&N RSP 2019 will generally be contingent upon the Participants meeting prescribed performance targets and/or service conditions.

4.10.3 **EPS**

The F&N RSP 2019 is likely to result in a charge to earnings over the period from the grant date to the vesting date, computed in accordance with the modified grant date method under SFRS(I) 2.

Nonetheless, it should again be noted that the delivery of Shares to Participants under the F&N RSP 2019 will generally be contingent upon the Participants meeting prescribed performance targets and/or service conditions.

4.10.4 **Dilutive Impact**

It is expected that the dilutive impact of the F&N RSP 2019 on the NTA per Share and EPS will not be significant.

The Existing Share Plans currently provide for a maximum limit of 10%. Accordingly, there will be no significant dilution of Shareholders' shareholding percentages as a result of the introduction of the new F&N RSP 2019, as the F&N RSP 2019 provides for a reduced maximum limit of 8%.

5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

5.1 **Directors' Interests.** The interests of the Directors in the Shares as recorded in the Register of Directors' Shareholdings as at the Latest Practicable Date are set out below:

Director	Number of Shares			
	Direct Interest	% ⁽¹⁾	Deemed Interest ⁽²⁾	% ⁽¹⁾
Mr Charoen Sirivadhanabhakdi	-	-	1,270,503,884	87.73
Khunying Wanna Sirivadhanabhakdi	-	-	1,270,503,884	87.73
Tengku Syed Badarudin Jamalullail	-	-	-	-
Mrs Siripen Sitasuwan	-	-	-	-
Mr Timothy Chia Chee Ming	-	-	-	-
Mr Charles Mak Ming Ying	-	-	-	-
Mr Chan Heng Wing	-	-	-	-
Dr Sujittra Sombuntham	-	-	-	-
Mr Koh Poh Tiong	251,315	0.017	-	-
Mr Chotiphat Bijananda	-	-	-	-
Mr Thapana Sirivadhanabhakdi	-	-	-	-
Mr Sithichai Chaikriangkrai	-	-	-	-
Mr Michael Chye Hin Fah (Alternate Director)	-	-	-	-
Mr Prapakon Thongtheppairot (Alternate Director)	-	-	-	-

Notes:

⁽¹⁾ The figures are based on 1,448,121,153 Shares in issue as at the Latest Practicable Date (this is based on 1,448,252,279 Shares in issue as at the Latest Practicable Date and disregarding 131,126 Shares held in treasury as at the Latest Practicable Date).

⁽²⁾ Deemed interests refer to interests determined pursuant to Section 4 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA").

5.2 **Substantial Shareholders' Interests.** The interests of the substantial Shareholders in the Shares as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below:

Substantial Shareholder	Number of Shares			
	Direct Interest	% ⁽¹⁾	Deemed Interest ⁽²⁾	% ⁽¹⁾
Mr Charoen Sirivadhanabhakdi	-	-	1,270,503,884	87.73
Khunying Wanna Sirivadhanabhakdi	-	-	1,270,503,884	87.73
InterBev Investment Limited	412,423,822	28.48	-	-
International Beverage Holdings Limited	-	-	412,423,822	28.48
Thai Beverage Public Company Limited	-	-	412,423,822	28.48
TCC Assets Limited	858,080,062	59.25	-	-
Siriwana Company Limited	-	-	412,423,822	28.48
MM Group Limited	-	-	412,423,822	28.48
Maxtop Management Corp.	-	-	412,423,822	28.48
Risen Mark Enterprise Ltd.	-	-	412,423,822	28.48
Golden Capital (Singapore) Limited	-	-	412,423,822	28.48

Notes:

⁽¹⁾ The figures are based on 1,448,121,153 Shares in issue as at the Latest Practicable Date (this is based on 1,448,252,279 Shares in issue as at the Latest Practicable Date and disregarding 131,126 Shares held in treasury as at the Latest Practicable Date).

⁽²⁾ Deemed interests refer to interests determined pursuant to Section 4 of the SFA.

6. DIRECTORS' RECOMMENDATIONS

- 6.1 **Proposed Renewal of IPT Mandate.** The Directors who are considered independent for the purposes of the proposed renewal of the IPT Mandate are, as at the Latest Practicable Date, Tengku Syed Badarudin Jamalullail, Mrs Siripen Sitasuwan, Mr Timothy Chia Chee Ming, Mr Charles Mak Ming Ying, Mr Chan Heng Wing, Dr Sujittra Sombuntham and Mr Koh Poh Tiong (the “**Independent Directors**”). The Independent Directors are of the opinion that the entry by the EAR Group (as described in paragraph 2 of the Appendix to this Letter) into the Interested Person Transactions (as described in paragraph 5 of the Appendix to this Letter) with the Interested Persons (as described in paragraph 4 of the Appendix to this Letter) in the ordinary course of business will enhance the efficiency of the Company and its subsidiaries, and is in the interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 9, being the Ordinary Resolution relating to the renewal of the IPT Mandate to be proposed at the 2019 AGM.

The Independent Directors, in rendering their recommendation, have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any Shareholder.

As different Shareholders would have different investment objectives, the Independent Directors recommend that any individual Shareholder who may require specific advice in relation to the IPT Mandate should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

- 6.2 **Proposed Renewal of Share Purchase Mandate.** The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. They accordingly recommend that Shareholders vote in favour of Ordinary Resolution No. 10, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2019 AGM.
- 6.3 **Proposed Adoption of F&N RSP 2019.** The Directors are of the opinion that the proposed adoption of the F&N RSP 2019 is in the best interests of the Company. They accordingly recommend that Shareholders vote in favour of Ordinary Resolution No. 11, being the Ordinary Resolution relating to the proposed adoption of the F&N RSP 2019 to be proposed at the 2019 AGM.

7. ABSTENTION FROM RECOMMENDATION AND VOTING

- 7.1 **Abstaining Directors.** Each of the following Directors have abstained from making any recommendation to Shareholders in relation to the proposed renewal of the IPT Mandate:
- (a) Mr Charoen Sirivadhanabhakdi, who is a controlling shareholder of the Company and an interested person in relation to the IPT Mandate;
 - (b) Khunying Wanna Sirivadhanabhakdi, who is a controlling shareholder of the Company and an interested person in relation to the IPT Mandate;
 - (c) Mr Chotiphat Bijananda, who is a director of TCC Assets Limited, Frasers Property Limited and certain other companies which are associates of Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi, both controlling

shareholders of the Company and interested persons in relation to the IPT Mandate. Mr Chotiphat Bijananda is also the son-in-law of Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi;

- (d) Mr Thapana Sirivadhanabhakdi, who is the son of Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi, both controlling shareholders of the Company and interested persons in relation to the IPT Mandate. Mr Thapana Sirivadhanabhakdi is also a director, President and Chief Executive Officer of Thai Beverage Public Company Limited, and a director of certain other companies which are associates of Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi; and
- (e) Mr Sithichai Chaikriangkrai, who is a director, Senior Executive Vice-President and Group Chief Financial Officer of Thai Beverage Public Company Limited, and a director of Frasers Property Limited and certain other companies which are associates of Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi, both controlling shareholders of the Company and interested persons in relation to the IPT Mandate.

Each of the above Directors will abstain from voting his/her holding of Shares (if any), and has undertaken to ensure that his/her respective associates (including InterBev Investment Limited and TCC Assets Limited) will abstain from voting their respective holdings of Shares (if any), on Ordinary Resolution No. 9, being the Ordinary Resolution relating to the renewal of the IPT Mandate to be proposed at the 2019 AGM. The Company will disregard any votes cast by each of the above Directors and his/her respective associates (including InterBev Investment Limited and TCC Assets Limited) in respect of their holdings of Shares (if any) on Ordinary Resolution No. 9.

Each of the above Directors will also decline to accept appointment as proxy for any Shareholder to vote in respect of Ordinary Resolution No. 9, being the Ordinary Resolution relating to the renewal of the IPT Mandate to be proposed at the 2019 AGM, unless the Shareholder concerned shall have given specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of Ordinary Resolution No. 9.

- 7.2 **Abstaining Shareholders.** The Company will procure persons who are eligible to participate in the F&N RSP 2019 to abstain from voting their holdings of Shares in respect of Ordinary Resolution No. 11, being the Ordinary Resolution relating to the adoption of the F&N RSP 2019 to be proposed at the 2019 AGM. The Company will disregard any votes cast by such persons in respect of their holdings of Shares on Ordinary Resolution No. 11.

The Company will also procure such persons to not accept appointment as proxy for any Shareholder to vote in respect of Ordinary Resolution No. 11 unless the Shareholder concerned shall have given specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of Ordinary Resolution No. 11.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the Proposals, and the Company and its subsidiaries which are relevant to the

Proposals, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

9. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company during normal business hours from the date of this Letter up to the date of the 2019 AGM:

- (a) the Annual Report of the Company for the financial year ended 30 September 2018;
- (b) the Letter to Shareholders dated 4 January 2018;
- (c) the Constitution of the Company; and
- (d) the proposed rules of the F&N RSP 2019.

The Annual Report of the Company for the financial year ended 30 September 2018, the Letter to Shareholders dated 4 January 2018 and the proposed rules of the F&N RSP 2019 may also be accessed at the URL <http://www.fraserandneave.com/investor-relations/annual-reports>.

Yours faithfully
for and on behalf of
the Board of Directors of
FRASER AND NEAVE, LIMITED

Hui Choon Kit
Company Secretary

APPENDIX

THE IPT MANDATE

1. Chapter 9 of the Listing Manual

1.1 Chapter 9 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) governs transactions between a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be “at risk”, with the listed company’s interested persons.

1.2 Except for any transaction which is below S\$100,000 in value and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9, when this Chapter applies to a transaction with an interested person and the value of the transaction alone or in aggregation with other transactions conducted with the same interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the listed company’s latest audited consolidated net tangible assets (“**NTA**”)), the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for the transaction. In particular, shareholders’ approval is required for an interested person transaction of a value equal to, or exceeding:

(a) 5% of the listed company’s latest audited consolidated NTA; or

(b) 5% of the listed company’s latest audited consolidated NTA, when aggregated with the values of all other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.

1.3 Based on the latest audited consolidated financial statements of Fraser and Neave, Limited (the “**Company**”) and its subsidiaries (the “**Group**”) for the financial year ended 30 September 2018, the consolidated NTA of the Group was S\$2,702,388,000. Accordingly, in relation to the Company, for the purpose of Chapter 9 of the Listing Manual, in the current financial year and until such time as the audited consolidated financial statements of the Group for the financial year ending 30 September 2019 are published, 5% of the latest audited consolidated NTA of the Group would be S\$135,119,400.

1.4 Chapter 9 of the Listing Manual, however, allows a listed company to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not for the purchase or sale of assets, undertakings or businesses) which may be carried out with the listed company’s interested persons. A general mandate is subject to annual renewal.

1.5 For the purposes of Chapter 9 of the Listing Manual:

(a) an “**entity at risk**” means:

(i) the listed company;

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- (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the “**listed group**”), or the listed group and its interested person(s), has control over the associated company;
- (b) an “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;
- (c) an “**associate**” in relation to an interested person who is a director, chief executive officer or controlling shareholder, includes an immediate family member (that is, the spouse, child, adopted child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or the controlling shareholder/his immediate family is a beneficiary, or in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or the controlling shareholder/his immediate family has or have an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;
- (d) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles as Chapter 9;
- (e) an “**interested person transaction**” means a transaction between an entity at risk and an interested person; and
- (f) a “**transaction**” includes the provision or receipt of financial assistance; the acquisition, disposal or leasing of assets; the provision or receipt of services; the issuance or subscription of securities; the granting of or being granted options; and the establishment of joint ventures or joint investments, whether or not entered into in the ordinary course of business, and whether entered into directly or indirectly.

2. Rationale and Benefit to Shareholders

- 2.1 It is envisaged that in the ordinary course of their businesses, transactions between companies in the EAR Group (as defined below) and the Company’s interested persons are likely to occur from time to time. Such transactions would include, but are not limited to, the provision of goods and services in the ordinary course of business of the EAR Group to the Company’s interested persons or the obtaining of goods and services from them.

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2.2 In view of the time-sensitive and recurrent nature of commercial transactions, the obtaining of the IPT Mandate pursuant to Chapter 9 of the Listing Manual will enable:

- (a) the Company;
- (b) subsidiaries of the Company (excluding other subsidiaries listed on the SGX-ST or an approved exchange); and
- (c) associated companies of the Company (other than an associated company that is listed on the SGX-ST or an approved exchange) over which the Company, or the Company and its interested person(s), has or have control,

(together, the “**EAR Group**”), or any of them, in the ordinary course of their businesses, to enter into the categories of transactions (“**Interested Person Transactions**”) set out in paragraph 5 below with the specified classes of the Company’s interested persons (“**Interested Persons**”) set out in paragraph 4 below, provided such Interested Person Transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

2.3 The IPT Mandate (and its subsequent renewal thereafter on an annual basis) will enhance the ability of companies in the EAR Group to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for the Company to announce, or to announce and convene separate general meetings, on each occasion to seek shareholders’ prior approval for the entry by the relevant company in the EAR Group into such transactions. This will substantially reduce the expenses associated with the convening of general meetings on an *ad hoc* basis, improve administrative efficacy considerably, and allow manpower resources and time to be channelled towards attaining corporate objectives.

3. Scope and Validity Period of the IPT Mandate

3.1 The IPT Mandate covers various types of Interested Person Transactions under each category of activities to which the IPT Mandate applies and describes the review procedures for ensuring that such transactions will be entered into with the specified classes of Interested Persons on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

3.2 The IPT Mandate will not apply to any transaction by a company in the EAR Group with an Interested Person that:

- (a) is below S\$100,000 in value, as the threshold and aggregation requirements contained in Chapter 9 of the Listing Manual would not apply to such a transaction; or
- (b) is equal to or exceeds S\$100,000 in value, but qualifies as an excepted transaction for the purposes of Chapter 9 of the Listing Manual and is thus exempted from the threshold and aggregation requirements contained in Chapter 9 of the Listing Manual.

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Transactions with interested persons (including the Interested Persons) that do not fall within the ambit of either of the exceptions in (a) or (b) above, or the scope of the IPT Mandate, will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

- 3.3 The IPT Mandate will take effect from the passing of the Ordinary Resolution relating thereto, and will continue in force until the conclusion of the next Annual General Meeting of the Company (unless sooner revoked or varied by the Company in general meeting). Approval from shareholders will be sought for the renewal of the IPT Mandate at the next Annual General Meeting and at each subsequent Annual General Meeting of the Company, subject to satisfactory review by the Audit Committee of the Company (“**Audit Committee**”) of its continued application to the Interested Person Transactions.

4. **Classes of Interested Persons**

The IPT Mandate will apply to the Interested Person Transactions that are carried out with the following classes of Interested Persons:

- (a) Mr Charoen Sirivadhanabhakdi and his associates; and
- (b) Khunying Wanna Sirivadhanabhakdi and her associates.

5. **Categories of Interested Person Transactions**

The Interested Person Transactions to which the IPT Mandate will apply, and the benefits to be derived therefrom, are set out below.

(a) **General Transactions**

This category relates to general transactions (“**General Transactions**”) by the EAR Group for the provision to, or the obtaining from, Interested Persons of products and services in the normal course of business of the EAR Group, or which are necessary for the day-to-day operations of the EAR Group, comprising the following:

- (i) sale and/or purchase of beer, spirits, water, soda, dairy products, ice cream and other products;
- (ii) sale and/or purchase of raw materials, energy sources, intermediate goods, packaging materials, material handling structures and by-products such as beverage concentrates, sugar, milk and dairy products, yeast, hops, fuel, new and used glass bottles, aluminium cans, cartons and caps, PET and pallets;
- (iii) provision and/or obtaining of leases or subleases of office space, warehouses, transportation vehicles, passenger cars and land;
- (iv) obtaining of property-linked services (such as property marketing, property and rental valuation services, building maintenance services

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and security services) and services relating to provision of hotel and serviced residence accommodation, meeting rooms and other related facilities;

- (v) obtaining of property development and project management services;
- (vi) obtaining of operation, maintenance, management and marketing services for properties;
- (vii) obtaining of asset management services, such as obtaining advice on repositioning, asset enhancement or leasing matters;
- (viii) obtaining of insurance and insurance-related services;
- (ix) provision and/or obtaining of office and storage supplies, and of shared data-centre storage and/or information technology services;
- (x) contract printing, publishing, distribution and/or manufacturing services;
- (xi) provision and/or obtaining of software licences and related licensing programs; and
- (xii) provision and/or obtaining of such other products and/or services which are incidental to or in connection with the provision and/or obtaining of products and/or services in sub-paragraphs (i) to (xi) above.

The EAR Group will benefit from having access to competitive quotes from Interested Persons in addition to obtaining quotes from, or transacting with, non-Interested Persons.

(b) **Management Support Services**

The EAR Group may also, from time to time, receive management and support services from, or provide management and support services to, its Interested Persons in the areas of procurement, logistics, information technology, legal, compliance and trade mark management, corporate secretarial, human resource, tax, treasury, accounting and internal audit ("**Management Support Services**"). By having access to and providing such management support, the EAR Group will derive operational and financial leverage in its dealings with third parties as well as benefits from the global network of its Interested Persons.

6. Review Procedures for Interested Person Transactions

- 6.1 The EAR Group has an internal control system in place to ensure that Interested Person Transactions with the Interested Persons are made on normal commercial terms, supported by independent valuation where appropriate, and consistent with the EAR Group's usual policies and practices.

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In general, there are procedures established by the EAR Group to ensure that transactions with Interested Persons are undertaken on an arm's length basis and on normal commercial terms consistent with the EAR Group's usual business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.

In particular, the following review procedures have been put in place:

(a) **General Transactions**

Review Procedures

(i) *Provision of Services or Sale of Products*

The review procedures are:

- (1) all contracts entered into or transactions with Interested Persons are to be carried out at the prevailing market rates or prices of the service or product providers, on terms which are no more favourable to the Interested Persons than the usual commercial terms extended to unrelated third parties (including, where applicable preferential rates / prices / discounts accorded to corporate customers or for bulk purchases) or otherwise in accordance with applicable industry norms; and
- (2) in the limited circumstances where the prevailing market rates or prices are not available due to the nature of service to be provided or the product to be sold, the EAR Group's pricing for such services to be provided or products to be sold to Interested Persons is determined in accordance with the EAR Group's usual business practices and pricing policies, consistent with the usual margin to be obtained by the EAR Group for the same or substantially similar type of contract or transaction with unrelated third parties. In determining the transaction price payable by the Interested Persons for such services or products, factors such as, but not limited to, quantity, volume, consumption, customer requirements, specifications, duration of contract and strategic purposes of the transaction will be taken into account.

(ii) *Obtaining of Services or Purchasing of Products*

The review procedures are:

- (1) all contracts entered into or transactions with Interested Persons are to be carried out by obtaining quotations at the prevailing market rates or prices of the service or product providers, on terms which are no less favourable than those

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extended by the Interested Person to third parties. Further, quotations shall be obtained (wherever possible or available) from at least two other unrelated third party suppliers for similar quantities and/or quality of services or products, prior to the entry into the contract or transaction with the Interested Person, as a basis for comparison to determine whether the price and terms offered by the Interested Person are fair and reasonable and comparable to those offered by other unrelated third parties for the same or substantially similar type of services or products. In determining whether the price and terms offered by the Interested Person are fair and reasonable, qualitative and quantitative factors such as, but not limited to, delivery schedules, specification compliance, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for bulk purchases, will also be taken into account in deciding whether or not to accept a particular quotation, as it is not commercially viable, and therefore not beneficial to the Company, to transact solely on the basis of quantitative factors (such as price) alone; and

- (2) in the limited circumstance where such competitive quotations cannot be obtained (for instance, if there are no unrelated third party vendors of similar products or services, or if the product is a proprietary item such as beverage concentrates), the senior management staff of the relevant entity in the EAR Group (with no interest, direct or indirect in the transaction), will determine whether the price and terms offered by the Interested Person are fair and reasonable, having regard to the costs and benefits of entering into the transactions, as well as factors including, but not limited to, delivery schedules, specification compliance, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for bulk purchases.

The Company will maintain a register of Interested Person Transactions carried out with Interested Persons (recording the basis, including the quotations obtained to support such basis, on which they are entered into), and the Company's annual internal audit plan will incorporate a review of the Interested Person Transactions recorded in the register to ascertain that the guidelines and review procedures for Interested Person Transactions have been complied with.

Threshold Limits

For the purposes of sub-paragraphs (i), (ii) and (iii) below, the "**Financial Limit**" shall be the amount equivalent to 5% of the Company's audited consolidated net tangible assets for the time being, as determined by reference to the Company's latest announced audited consolidated financial statements.

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In addition to the above review procedures, the following review and approval procedures will apply to the General Transactions:

- (i) transactions equal to or exceeding \$100,000 but below the Financial Limit (as defined above) each in value, will be reviewed and approved prior to their entry by the chief executive officer of the relevant business division or such other senior executive(s) of the Company designated by the Audit Committee from time to time for such purpose, and tabled for review by the Audit Committee on a quarterly basis;
- (ii) transactions equal to or exceeding the Financial Limit each in value will be reviewed and approved by the Audit Committee prior to their entry;
- (iii) where the value of a transaction, when aggregated with previous transactions of the same kind in any particular financial year, is equal to or exceeds the Financial Limit, such transaction, and all future transactions of the same kind in that particular financial year will be reviewed and approved by the Audit Committee prior to their entry; and
- (iv) the chief executive officer of the relevant business division or other senior executive(s) of the Company designated by the Audit Committee from time to time for such purpose, and the Audit Committee, may, as he/it deems fit, request for additional information pertaining to the transaction under review from independent sources or advisers, including the obtaining of valuations from independent professional valuers.

(b) **Management Support Services**

Review Procedures

(i) *Provision of Management Support Services*

The EAR Group will satisfy itself that the costs for any Management Support Services provided to any Interested Person shall be on an arm's length and normal commercial basis and will be arrived at on a cost-recovery basis, based on the service provider's cost of providing such services, plus an appropriate mark-up (if any), as agreed with the Interested Person, and after taking into account factors such as the synergies and benefits derived, complexity of issues encountered, time spent and operating environment. The EAR Group will also satisfy itself that, having regard to the nature of the service to be provided to the Interested Person, the mark-up (if any) is no more favourable to the Interested Person than that applied to its other business units for the same or substantially the same service, or is otherwise fair and reasonable to the EAR Group.

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(ii) *Obtaining of Management Support Services*

The review procedures are:

- (1) quotations shall be obtained (wherever possible or available) from at least two other unrelated third party suppliers for similar quality of services, prior to the entry into the contract or transaction with the Interested Person, as a basis for comparison to determine whether the price and terms offered by the Interested Person are fair and reasonable and comparable to those offered by other unrelated third parties for the same or substantially similar type of services. In determining whether the price and terms offered by the Interested Person are fair and reasonable, factors such as, but not limited to, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts, will also be taken into account; and
- (2) in the event that such competitive quotations cannot be obtained (for instance, if there are no unrelated third party vendors of similar services), the senior management staff of the relevant entity in the EAR Group (with no interest, direct or indirect in the transaction), will determine whether the price and terms offered by the Interested Person are fair and reasonable, having regard to the costs and benefits of entering into the transactions, as well as factors including, but not limited to, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts.

The Company will maintain a register of Interested Person Transactions carried out with Interested Persons (recording the basis, including the quotations obtained to support such basis, on which they are entered into), and the Company's annual internal audit plan will incorporate a review of the Interested Person Transactions recorded in the register to ascertain that the guidelines and review procedures for Interested Person Transactions have been complied with.

Transactions equal to or exceeding the Financial Limit (as defined in subparagraph (a) above) must be approved by the Audit Committee prior to their entry, and transactions equal to or below the Financial Limit shall be reviewed on a quarterly basis by the Audit Committee.

(c) **Other Review Procedures**

The following will apply to the review and approval process for all categories of Interested Person Transactions:

- (i) if the chief executive officer of the relevant business division has an interest in the transaction or is a nominee for the time being of the Interested Person, the review and approval process shall be

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undertaken by such other senior executive of the Company designated by the Audit Committee from time to time for such purpose;

- (ii) if the chief executive officer of the relevant business division and such other senior executive have an interest in the transaction or are nominees for the time being of the Interested Person, the review and approval process shall be undertaken by the Chairman of the Audit Committee or another member of the Audit Committee (who is not a nominee of the Interested Person and has no interest in the transaction) designated by the Chairman of the Audit Committee from time to time for such purpose;
- (iii) if a member of the Audit Committee has an interest in a transaction or is a nominee for the time being of the Interested Person, he shall abstain from participating in the review and approval process of the Audit Committee in relation to that transaction; and
- (iv) if a member of the Audit Committee (who is not a nominee of the Interested Person and has no interest in the transaction) also serves as an independent non-executive director on the board of directors or (as the case may be) an audit or other board committee of the Interested Person, and he participates in the review and approval process of the Audit Committee in relation to a transaction with that Interested Person, he will abstain from participating on any decision before the board or committee of that Interested Person with respect to such transaction.

6.2 The Company will maintain a register of Interested Person Transactions carried out with Interested Persons (recording the basis, including the quotations obtained to support such basis, on which they are entered into), and the Company's annual internal audit plan will incorporate a review of the Interested Person Transactions recorded in the register to ascertain that the guidelines and review procedures for Interested Person Transactions have been complied with.

6.3 The Audit Committee will review the internal audit reports on an annual basis to ascertain that the guidelines and review procedures for Interested Person Transactions have been complied with.

6.4 If during any of the reviews by the Audit Committee, the Audit Committee is of the view that the guidelines and review procedures for Interested Person Transactions have become inappropriate or insufficient in the event of changes to the nature of, or manner in which, the business activities of the EAR Group or the Interested Persons are conducted, the Company will revert to shareholders for a fresh general mandate based on new guidelines and review procedures so that Interested Person Transactions will be carried out at arm's length, on commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

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7. Disclosures

In accordance with the requirements of Chapter 9 of the Listing Manual, the Company will:

- (a) disclose in the Company's Annual Report the aggregate value of transactions conducted with Interested Persons pursuant to the IPT Mandate during the financial year (as well as in the Annual Reports for subsequent financial years that the IPT Mandate continues in force); and
- (b) announce the aggregate value of transactions conducted with Interested Persons pursuant to the IPT Mandate for the financial periods that it is required to report on pursuant to Rule 705 of the Listing Manual (which relates to quarterly reporting by listed companies) within the time required for the announcement of such report.