



ISSUES RAISED BY MSWG AND HEINEKEN MALAYSIA'S RESPONSE

52nd & 53rd ANNUAL GENERAL MEETING

13 April 2017

Strategic & Financial Matters

1. As the Group's business is affected by foreign exchange rate fluctuations due to imported materials from overseas, to what extent has the Group carried out the hedging activities? How effective are these hedging activities.

[HEINEKEN Malaysia's response](#)

Cost largely local, as such foreign currency impact limited

- HEINEKEN Malaysia's cost base is mainly in local currency as our largest cost component comprises excise duties.
- Our exposure to foreign currency is minimal as it makes up only approximately 10% of product costs; offset partially by export sales.

Hedging strategies in place to address currency fluctuation

- We closely monitor our foreign currency exposure and we have in place hedging strategies which take into consideration the natural hedges that occur from our foreign currency collections and payments.
- These strategies minimise the impact on our financial performance.

2. Please enlighten shareholders on the negative implications on the Group's performance amid the enforcement of the Price Control and Anti-Profitteering Regulations 2016 and the significant hike in beer duties, ranging from 10% to 99%, effective 1 March 2016?

[HEINEKEN Malaysia's response](#)

Price Control and Anti-Profitteering Regulations

HEINEKEN Malaysia employs pricing strategies that are market and consumer driven to keep us competitive

- HEINEKEN Malaysia regularly reviews the pricing of its products, taking into account all necessary commercial considerations of which consumers' affordability will be one of the primary concerns.
- The 2017 Regulations that came into force on 1 January 2017 are more prescriptive. While we will ensure compliance with the regulations, we will continue to engage with the regulators to provide feedback on the impact of the regulations and the practicability of the application.

New excise duty structure

- The new excise duty structure which was implemented on 1 March 2016 is based on alcohol content where it taxes beer at alcohol percentage by volume.
- Whilst this new basis has done away with the ad valorem basis, it has not entirely addressed the inequitable tax rates for beer as compared to other category of alcohol products such as wine, spirits and compounded hard liquor.
- This new structure saw an 10% increase in taxes, which was substantially passed on to consumers taking into account market conditions. Management will continue to engage with the Royal Malaysians Customs to achieve a more equitable rate.

3. The receivables, deposits and prepayments had substantially increased from RM296.3 million to RM448.0 million in the financial period ended 2016 (FPE 2016). We also noted the cash flows change in receivables, deposits and prepayments in FPE 2016 were significantly higher than the cash flows change in financial year ended 2015. Please explain.

[HEINEKEN Malaysia's response](#)

- The increase of receivables, deposits and prepayments in the financial period 2016 was mainly driven by higher trade receivables as a result of early sell in for Chinese New Year which commenced in December 2016.
- This is a cyclical trend for the beer business which is driven by festive seasons which does not typically occur in June.
- Despite this unfavourable cash flow movement, our 18-month operating cash flow post capital expenditure remained at a healthy level of RM489 million, representing a 2.6% increase from the preceding 18-month period.

Corporate Governance

4. Under Section 334(3) of the Companies Act 2016, a proxy form should be deposited at the registered office of the Company not less than 24 hours before the time appointed for taking of the poll. However, we noted that the Company's Form of Proxy stated that the Form of Proxy must be deposited at the Share Registrar's office not less than 48 hours before the time for holding the meeting or any adjournment thereof. Please explain.

HEINEKEN Malaysia's response

- Article 85 of our Company's Constitution provides that proxy form must be deposited at the registered office or at a place other than the registered office, not less than 48 hours before the time for holding the meeting or adjourned meeting, or in the case of a poll, before the time appointed for polling to take place.
- We are currently in the process of reviewing the Constitution and will ensure this requirement is reflected and all other relevant provisions introduced under the new Companies Act 2016 are incorporated accordingly.
- We will table the proposed amendments to the Company's Constitution for shareholders' approval in due course.