QUESTIONS RAISED BY MSWG for CBMB 42AGM

Operations & Financial Performance:

1. **As reported in the Review of Operations by Managing Director (the Review), the Group remained cautiously optimistic about the prospects for the Malaysian Malt Liquor Market (MLM) in 2012. The MLM had been relatively resilient amidst the economic slowdown these last few years and had maintained a steady level of low single-digit annual growth (in term of volume), and the Group believed there would be little disruption to its progress in 2012.**

(a) What is the Group's current position on the volatile raw material prices given the increased write down to net realizable value and write-off at inventories in 2011?

The increased in write down of inventories to net realizable value was due to write down of slow moving stock in Taiwan and the write off of packaging materials as a result of the Carlsberg brand packaging change under the new global brand tagline " That Calls for a Carlsberg". This is not expected to recur.

The Group expects that key raw material prices would increase in 2012. As such, the Group has already secured most of the requirements of key raw materials for 2012.

(b) What is the expected profit contribution from the premium beer portfolio given that the Group had shifted its focus from a single brand to a diverse portfolio of brands and was awarded the rights to locally manufacture, sell and distribute Asahi Super Dry in December 2011?

The initiative to diversify into a portfolio of brands was started a few years ago and is now given a boost with new brands Kronenbourg and Asahi Super Dry. As it stands in 2011, profit contribution from the premium segment is reasonable and expected to grow by double digit in 2012.

(c) As noted in the Review that More local production of premium beers will follow in 2012.

Could the Board share and update on the plan?

The group has already started to brew Asahi Super Dry locally. This was towards the end of 2011 and Kronenbourg is expected to be locally brewed in the second half of 2012.

What is the Group's current capacity utilisation given that the Malaysian operations had been producing higher volume for Singaporean market?

The Group's current brewery capacity is sufficient for our needs. We believe we will be able to cope with additional capacity requirements as a result of the work we are undertaking to free up bottlenecks in our production process.

(d) What is the reason for the huge allowance for impairment loss in trade receivables amounting to RM15.3 million (2010: RM3.5 million) and what steps are taken to improve the collection (please see Note 8)?

The impairment loss in trade receivables was mainly due to the termination of one of the key distributors in Singapore (RM8.9m). There were also impairment losses involving Malaysian direct customers. The Group already has stringent credit control procedures in place and will strive for stronger enforcement of those procedures across all the companies within the Group.

2. **In Note 27, "On 22 February 2012, Carlsberg Distributors Taiwan Ltd. (CDTL), a jointly-controlled entity of the Company, had undertaken a capital restructuring exercise. The capital restructuring exercise is expected to result in the dilution of the Company's shareholding in CDTL from 50% to 0.36%. This exercise is expected to be completed by the end of the first quarter of 2012. The Directors do not expect any material financial impact arising from the capital restructuring exercise to the Group."**

(a) Kindly brief on the capital restructuring exercise in CDTL and why was the Company's shareholding diluted?

The company had invested in CDTL in 2006 when the Taiwanese market was more affluent than today's market. Market condition have changed significantly and it is now requires a lot more money, effort and time in order to get the company into a profitable position. CDTL has been suffering losses since 2006, its financial position is already negative and as such a capital restructuring exercise is necessary to deal with the accumulated losses.

As part of the capital restructuring exercise, CDTL will issue 200 million new shares of NTD10 each. As the company has decided not to subscribe for the new share, the company's share holding in CDTL will reduce from 50% to 0.36%.

(b) The Company acquired CDTL back in October 2006 and had since fully written off its investments in CDTL over the years, What had happened to the investments and what was the total loss to the Group over the years?

Due to the accumulated loss incurred by CDTL, the company had impaired the entire investment in CDTL in 2008. The Group consolidates CDTL's results through proportionate accounting.

Total share of losses to the Group were as follows:-

Year ended 31 December	Share of losses (RM'000)
2006	939
2007	2,320
2008	2,981
2009	2,179
2010	1,932
2011	2,874
Total	13,225

2. **What is the reason for the non-current assets of Singapore amounting to RM402. 1 million (2010: RM393.0 million) to be for greater than that of Malaysia of RM154.2 million (2010: RM148.0 million) given that the Group's Singapore operation only includes marketing and distribution of both alcoholic and non-alcoholic beverages, while the Malaysia operation includes manufacturing, marketing and distribution of the same beverages in the respective markets (Please see Note 20)?**

The non-current assets of Singapore reported under Note 20: Operating Segment, is mainly the value of Distribution Rights for the Singapore market and Goodwill as a result of Carlsberg Brewery Malaysia Berhad acquisition of Carlsberg Singapore in year 2009.

Corporate Governance:

4. We note that the Board had identified a Senior Independent Non-Executive Director (INED) to whom concerns may be conveyed. We would encourage the Board to provide the contact details of the Senior INED for stakeholders to raise their concerns and queries, including whistle blowing.

   We have indicated in page 62 our 2011 Annual Report that the Senior INED is Datuk M.R. Gopala Krishnan C.R.K Pillai. The Carlsberg Company address can be used to contact him.

5. MSWG is promoting good standards of corporate governance best practices in PLCs. In this regards, we hope the Board addresses the following:

   (a) Formalising the approach to gender diversity and disclosing its policies, approaches and implementation to meet the Government's 30% women directors target by 2016.

   We take note of the suggestion.

END