



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

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Issuer: Fraser and Neave, Limited

Security: Fraser and Neave, Limited

Meeting details:

Date: 29 January 2019

Time: 9.30 a.m.

Venue: Ballrooms I, II and III, Level 2, InterContinental Singapore, 80 Middle Road, Singapore 188966

Company Description

Fraser and Neave, Limited engages in the food and beverage, and publishing and printing businesses in Malaysia, Singapore, Thailand, Taiwan, India, Australia, New Zealand, the United States, and the United Kingdom. The company operates through Beverages, Dairies, Publishing & Printing, and Others segments. It produces and sells beverages, including 100PLUS isotonic drinks, F&N NUTRISOY soya milk, F&N sparkling drinks, F&N ICE MOUNTAIN bottled water, F&N NUTRIWELL Asian drinks, F&N SEASONS Asian drinks and fruit teas, F&N FRUIT TREE juice drinks, and F&N cordials. The company also provides dairy products comprising sweetened condensed milk, evaporated milk, pasteurized milk and tea, UHT milk, juices, yoghurt, and ice cream primarily under the F&N MAGNOLIA, F&N, FARMHOUSE, F&N DAISY, F&N FRUIT TREE FRESH, F&N NUTRITEA, F&N aLIVE, KING'S, and MEADOW GOLD brand names. In addition, it engages publishes education, general interest, and business information content under the MARSHALL CAVENDISH brand; provides digital and offset print services; distributes books and magazines; and retails English language books under the TIMES BOOKSTORES brand. The company was founded in 1883 and is headquartered in Singapore. Fraser and Neave, Limited is a subsidiary of TCC Assets Limited.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=F99)

1. Would the board/management provide shareholders with better clarity on the following operational and financial matters? Specifically:

- (i) **Beverages:** External revenue from the beverages segment slipped from \$499.3 million in FY2017 to \$488.5 million in FY2018. Even though the segment loss decreased to \$(235,000) from a loss of \$(3.9) million a year ago, the beverages segment used to generate segment profit before interest and taxation (PBIT) of \$23.0 million in FY2016 and \$38.2 million in FY2015. **Can management elaborate further on the key value drivers of the beverages segment? How soon can management turn around the segment? What are the milestones/targets to be achieved to restore the profitability of the segment to the \$20-30 million range? What is the projected long-term growth rate of the segment in the various key markets?**
- (ii) **Dairies:** The growth in the dairies segment has more than compensated for the weakness in the beverages segment. **How sustainable is the growth in the dairies segment?**
- (iii) **Emerald Brewery Myanmar Ltd:** **What is the group's strategy to enter the Myanmar market given that Myanmar Brewery currently dominates this market?**
- (iv) **Tsit Wing:** **Can management update shareholders on the progress of its discussion with Tsit Wing to explore business and product development opportunities?**

2. The performance of the Publishing & printing segment is summarised in the table below:

	FY2014	FY2015	FY2016	FY2017	FY2018
Revenue (\$ million)	352	341	308	293	281
Segment PBIT (\$ million)	5.48	(15.3)	(5.2)	(4.5)	(1.23)
Attributable loss	(93.6)	(40.2)	(7.7)	(16.6)	(2.97)
Capital expenditure (\$ million)	16.4	17.0	18.3	15.4	18.5

- (i) **Would the board help shareholders understand the synergies between the Food & beverage segment and the Publishing & printing segment, if any?**
- (ii) **Given the long term trends in consumers' buying and consumption patterns, has the group adapted to the changes and positioned the Publishing & printing division accordingly? How agile is the segment in positioning itself for the future (and not just reacting to changes)?**
- (iii) **With revenue on a clear downward trend in the past 5 years, have management identified any growth drivers? How does the group return**

the division to profitability? What are the key success factors for the group's publishing & printing segment?

- (iv) Has the board considered the need to carry out a strategic review to spin-off/divest the publishing & printing division so that the group can focus on the core food and beverage operations and allocate capital according to the group's strengths?**

3. As at 30 September 2015, the board comprises nine directors (and an alternate director), all of whom are non-executive directors. At the end of the financial year ended 30 September 2018, the board now comprises twelve directors, with two alternate directors.

- (i) Can the nominating committee help shareholders understand how the current size and composition of the board facilitates effective decision-making?**
- (ii) Given the scope and nature of the group's operations, including the group's Vision 2020 (with a focus to grow the group's overseas markets) and coupled with challenges in certain key markets, how does the board ensure that the directors, as a group, possess the appropriate balance and mix of skills, knowledge, experience, to constructively challenge and help management to develop the group's strategy and to review the performance of management?**
- (iii) On 11 January 2018, Mr Charles Mak Ming Ying and Mr Chan Heng Wing were reappointed to the board. Mr Mak and Mr Chan were directors on the board from February 2013 to January 2014. Both directors also sit on the board of Frasers Centrepoint Limited since 9 January 2014. Would the board help shareholders understand the search and nomination process for independent directors?**