Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Fraser and Neave, Limited

Stock code: F99

Meeting details:
Date: 18 January 2022
Time: 9.30 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the CEO Business Review, the group is committed to developing a portfolio of health-focused and purpose-led brands that rides on the group's supply chain scale and its expertise in engaging consumers. The five strategic pillars for the food and beverage (F&B) business are:

- Prioritising innovation
- Investing in brands
- Building a sustainable supply chain
- Infrastructure optimisation
- Expanding into halal food segments

The detailed review by the CEO on the F&B business can be found on pages 26 to 51 of the annual report. As seen from the consolidated cash flow statement (pages 102 and 103), net cash from operating activities increased from $42.7 million in FY2020 to $247.4 million in FY2021. Cash and cash equivalents were also higher at $471.8 million at the end of the financial year, up from $285.5 million a year ago.

(i) **Can the board/management elaborate further on how it intends to allocate its capital going forward? Please provide the breakdown by geography and by the 5 strategic pillars shown above.**

(ii) **What guidance/target has the board set for management in the "New Markets"?** Management has classified Indonesia, Myanmar, Thailand (Soft drink) and Vietnam as "New Markets" (pages 48 to 51).

(iii) In addition, the group has borrowings of $926.8 million and cash and bank deposits of $471.8 million. Net borrowings amounted to $455.0 million (FY2020: $553.1 million) and finance costs for FY2021 were higher at $25.1 million (FY2020: $24.8 million) (page 59 – Capital resources). **Is the board reviewing how it could reduce its borrowing costs and further optimise its capital structure? What are the reasons to hold $471.8 million in cash and bank deposits when borrowings are as high as $926.8 million?**

While the group's consolidated profit after taxation amounted to $195.47 million for FY2021, profit attributable to shareholders of the company was lower at $140.44 million as $55.03 million was attributable to non-controlling interests. The company has a 55.5% interest in Fraser & Neave Holdings Bhd Group, the lowest of all the major subsidiaries in the group (page 8 – Corporate structure).

(iv) **Given that Fraser & Neave Holdings Bhd Group is a major operating subsidiary and is key to the group's strategic plan, has the board considered consolidating the company's ownership of Fraser & Neave Holdings Bhd Group from the current level of 55.5%?**

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Q2. The company's vision is to be a stable and sustainable Food & Beverage leader in the ASEAN region. The focus on F&B was introduced in 2016 after the launch of a strategic roadmap to increase the size and scale of the group's businesses to become a stable and sustainable Food & Beverage leader in the ASEAN region ("Vision 2020").

Since then, the group's Printing & Publishing segment has reported the following segment results:

Financial year ended	Revenue ($'000)	Operating segment PBIT ($'000)
30 September 2016	307,687	(5,203)
30 September 2017 (restated)	293,122	(4,523)
30 September 2018	281,288	(1,231)
30 September 2019 (restated)	277,450	9,270 (due to a one-off gain of $10.7m from sale of non-core asset)
30 September 2020	230,470	(10,496)
30 September 2021	223,750	(2,547)

Over the past five years, segment revenue has decreased by over a quarter and the losses add up to $(14.73) million. If the one-off gain of $10.7 million from the sale of non-core asset in 2019 was excluded, the cumulative losses from 2016 to 2021 would be $(25.43) million.

(i) **What are the key value drivers of the Printing & Publishing (P&P) segment? How successful is P&P's digitalisation strategy?**

(ii) **Does the P&P segment have the necessary scale, market positioning and cost structure to generate sustainable returns?**

(iii) **What are management's main priorities to turnaround the segment in 2022?**

(iv) **Can the board help shareholders understand the strategic value of the P&P segment in the group's long-term plans? If the segment is non-core, has the board evaluated a sale of the Printing & Publishing segment to recycle capital to its core business?**

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Q3. As announced on 5 November 2021, Mr Timothy Chia Chee Ming will step down as a director of the company at the end of 31 December 2021 and Mr Ng Tat Pun will be appointed as a director with effect from 1 January 2022.

Mr Timothy Chia Chee Ming was first appointed to the board on 08 January 2014 and he stepped down after approximately 8 years as director. Mr Timothy Chia Chee Ming was also appointed to the board of Thai Beverage Public Company Limited as an independent director on 31 January 2020.

As disclosed in the announcement of appointment of Mr Ng Tat Pun dated 5 Nov 2021, Mr Ng Tat Pun had served on the board of Thai Beverage Public Company Limited (for approximately 15 years, from 27 March 2006 to 29 January 2021). The nominating committee ("NC") disclosed that that it had "*assessed Mr Ng's skillset, experience and independence, and is satisfied that he will be able to contribute to the Board*[1]".

(i) **Can the nominating committee elaborate further on the search and nomination process for directors, especially independent directors?**

(ii) **On what basis did the NC assess Mr Ng Tat Pun's independence given that he was a director of Thai Beverage Public Company Limited for approximately 15 years?** Provision 2.1 of the Code of Corporate Governance 2018 defines an "independent" director as one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company. **Would Mr Ng Tat Pun's ~15-year tenure as a director of Thai Beverage Public Company Limited (a substantial shareholder of the company) interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June

[1] https://links.sgx.com/1.0.0/corporate-announcements/N0VIUZB19DI59ESU/b6dfae35b24c3bfcd6196ca039e9a324bf40511de6208bc27dc30dbbf9b492bd

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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