



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Email: admin@sias.org.sg
www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Fraser and Neave, Limited

Stock code: F99

Meeting details:

Date: 16 Jan 2025

Time: 9.30 a.m.

Venue: Grand Ballroom, Level 2, InterContinental Singapore, 80 Middle Road, Singapore 188966

Q1. Based on Note 5 Segment information (page 142 of the annual report), Malaysia is the largest contributor of the group's total revenue, accounting for approximately 40% of revenue. 50.4% of the group's total non-current assets is also in Malaysia.

Separately, the group's 20.4% investment in Vietnam Dairy Products Joint Stock Company (Vinamilk) is recognised as an associated company, valued at \$2.52 billion. As such, Vinamilk's revenue is not consolidated at the group level.

- (i) **Could management elaborate further on how it contributes to the operations of Fraser & Neave Holdings Bhd Group, given its separate board, management team, and shareholder base? What measures are in place to ensure alignment between Fraser & Neave Holdings Bhd Group and the company's strategic goals?**
- (ii) **Can the company clarify its role in approving major decisions at the subsidiary, especially its major projects and acquisitions, such as the upstream investment in F&N AgriValley and the acquisition of Cocoland Holdings Berhad Group?** For instance, the total cash consideration for the acquisition of 72.4% of Cocoland in November 2022 resulted in goodwill of \$69.0 million.
- (iii) **Does the group actively contribute or influence operations and strategy at Vinamilk, or is the \$2.52 billion stake treated as a passive investment? What tangible benefits do shareholders, particularly minority shareholders, derive from this substantial but non-controlling interest? Has the board explored options to unlock greater value from Vinamilk, including the feasibility of a distribution-in-specie?**

Q2. The group’s business model is detailed on pages 8 and 9 of the annual report, including an outline of the activities and focus areas of its value chain (shown below).



(Source: company annual report)

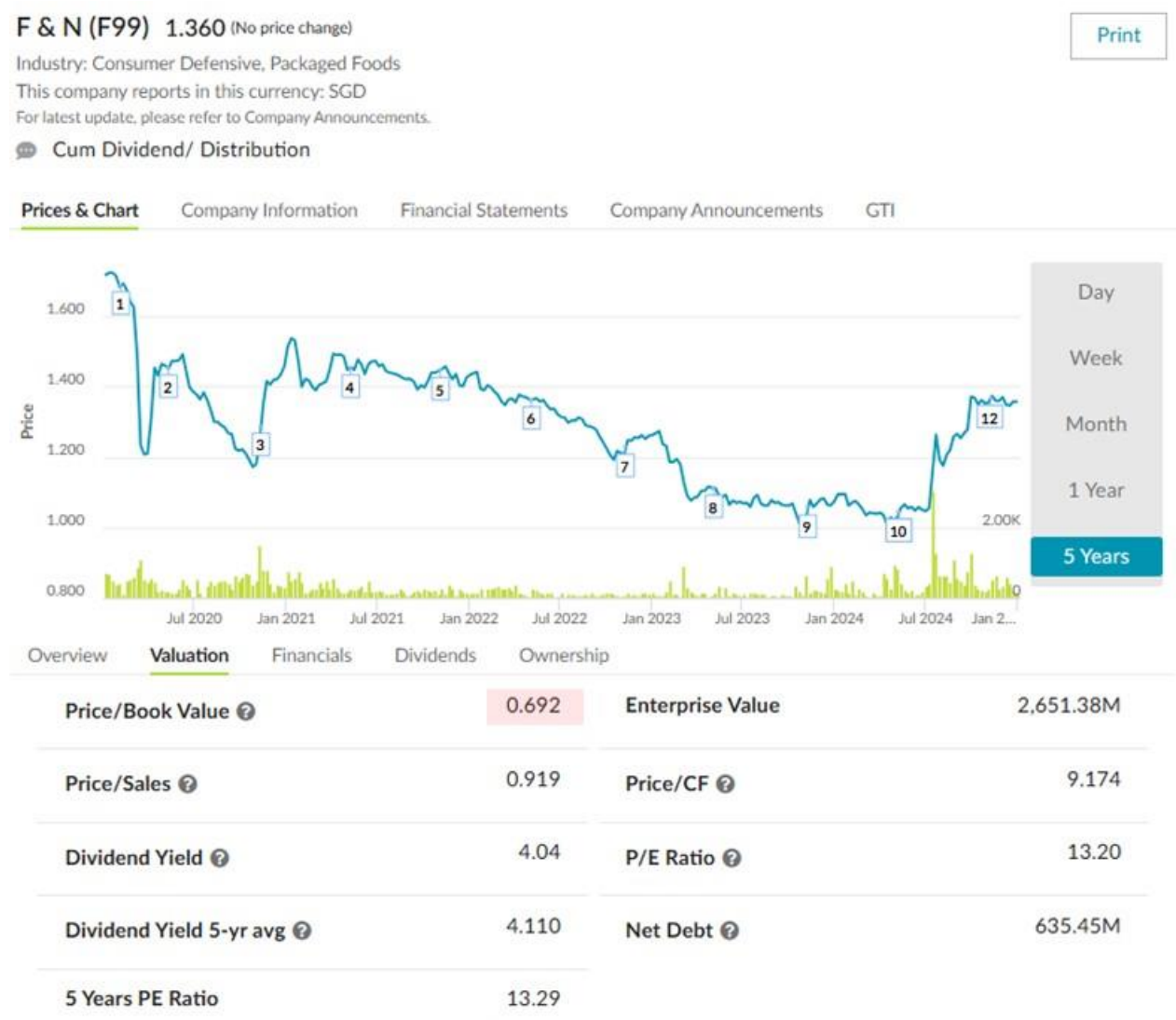
The group’s “ambitious project” of an integrated dairy farming in Gemas, Negeri Sembilan, known as F&N AgriValley, has experienced delays due to the suspension of livestock delivery by the Malaysian authorities.

- (i) **What are the alternative options available to the group, given the suspension of dairy cow imports from the United States due to concerns over an avian flu outbreak?**
- (ii) **What are the designed capacity (in terms of herd size) and capital expenditure of F&N AgriValley, and how much capital has been invested so far?**
- (iii) **Does the group possess the requisite expertise and technical capabilities - such as animal husbandry, farm operations, disease management - to manage and operate a dairy farm successfully? Given the operational complexities of upstream dairy farming, how is the group planning to mitigate potential execution risks?**

Q3. As disclosed in the company’s profile, the company, established in 1883, is a leading Southeast Asian consumer group with expertise and prominent standing in the Food & Beverage and Publishing & Printing industries..... Listed on the Singapore Stock Exchange, F&N ranks as one of the most established and successful companies in the region with an impressive array of renowned brands that enjoy strong market leadership.

- (i) **Has the board closely monitored the company’s financial performance and share price? What has been the total shareholder return (TSR) over the past 5, 8, 10 (since the demerger with FCL in 2014), and 12 years (since the divestment of APB in 2012)? Is the board satisfied with the TSR?**

Details of the company, including valuation and financial information, can be found in the SGX Stock Screener - <https://investors.sgx.com/securities/stocks?security=F99>.



Compared to the company, Fraser & Neave Holdings Bhd, the 55.5% owned subsidiary, has garnered better valuation from the market, trading at approximately 18-20 times earnings and 3 times its book value (<https://my.bursamalaysia.com/stock-details?stockcode=FRAS.KL>).

- (ii) **Has the board investigated the reasons for this valuation discrepancy? How does the board assess the market’s perception of the parent company compared to Fraser & Neave Holdings Bhd?** For reference, the company’s market capitalisation is close to S\$2 billion while the Malaysian subsidiary has a market capitalisation of more than RM10.1 billion (or approximately S\$3.1 billion).

Stock exchanges and regulators, including Tokyo Stock Exchange and Korea’s Financial Services Commission, have started to ask companies to set up and disclose valuation boosting plans. These corporate value-boosting initiatives are needed as it is recognised that “corporate values” of listed companies have to improve and that the main driver in enhancing corporate value is the company itself. Efforts have been targeted at companies that trade below a price-to-book ratio of below 1. The plans focussed on increasing awareness and literacy of the cost of capital, capital efficiency and stock prices of listed companies.

Specifically, Tokyo Stock Exchange has required companies with price-to-book consistently below 1x to disclose their policies and specific initiatives to improve their valuations.

- (iii) **Could the board, particularly the independent directors, explain the group’s efforts to increase corporate value and improve capital efficiency?**
- (iv) **Beyond attributing the company’s low valuation to external market factors, would the board consider disclosing and implementing targeted strategies to narrow the discount gap, thereby creating value for shareholders?**

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

Check out the latest questions on the annual reports of listed companies on [SIAS website](#)

Join our mailing list [here](#) to receive latest news and upcoming events.

CONNECT WITH US

