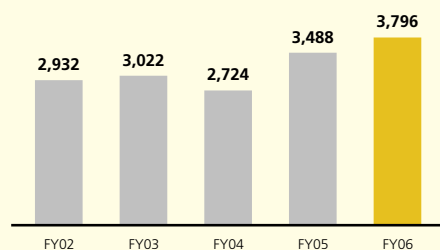


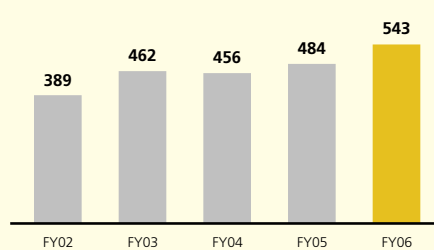
GROUP FINANCIAL HIGHLIGHTS

Year ended 30 September 2006

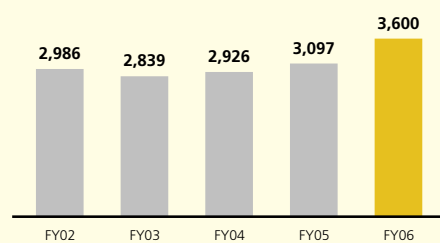
Revenue (\$ million)



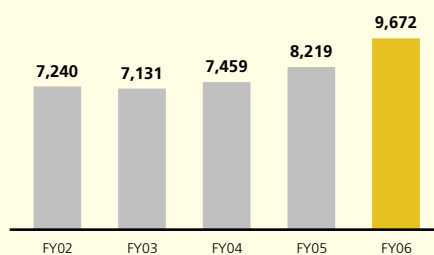
Profit before Taxation and Exceptional Items (\$ million)



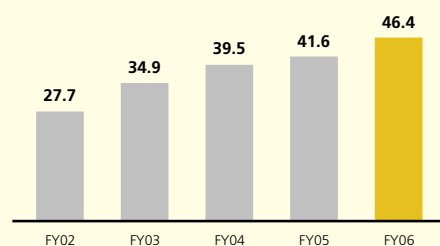
Net Asset Value (\$ million)



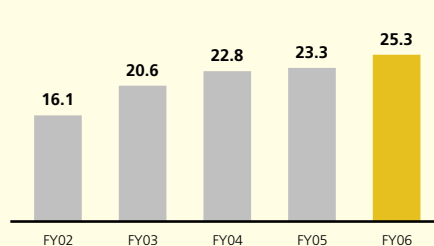
Total Assets Employed (\$ million)



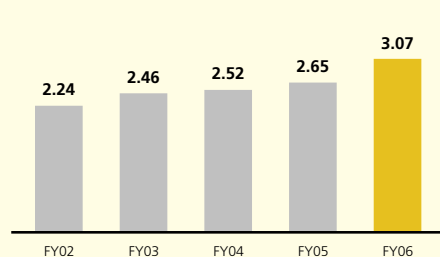
Profit before Taxation and Exceptional Items (cents per share)



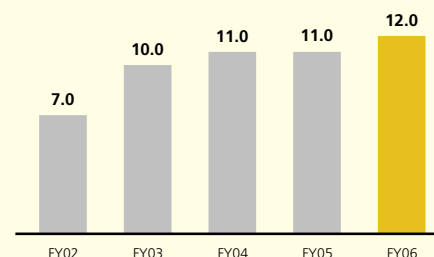
Attributable Profit before Exceptional Items (cents per share)



Net Asset Value (\$ per share)



Dividend – Net (cents per share)



GROUP FINANCIAL HIGHLIGHTS

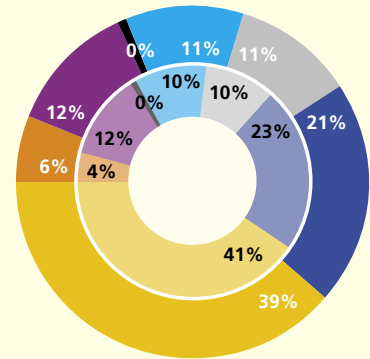
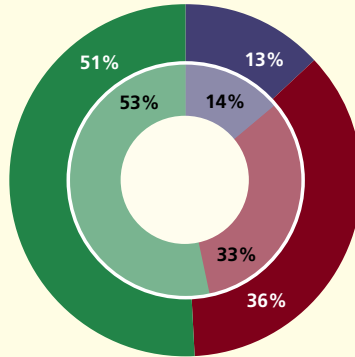
Year ended 30 September 2006

By Business Segment (%)

By Geographical Segment (%)

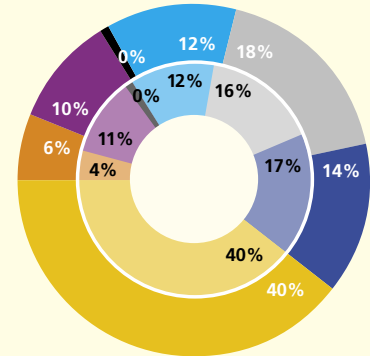
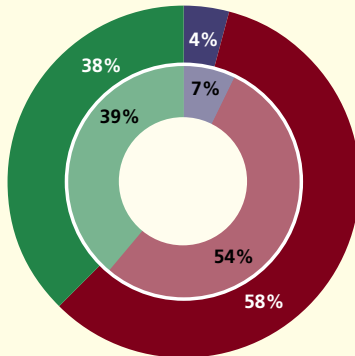
Revenue

FY06: \$3,796 million
FY05: \$3,488 million



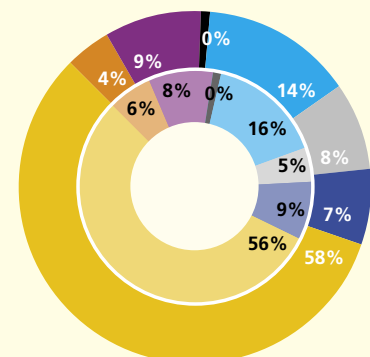
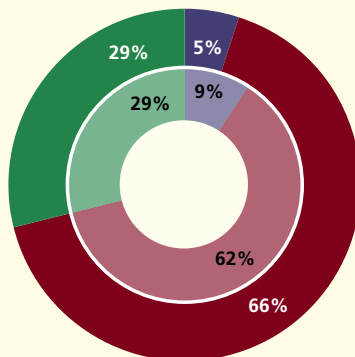
Profit before Interest, Taxation and Exceptional Items (PBIT)

FY06: \$604 million
FY05: \$525 million



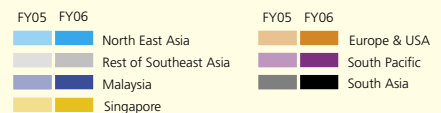
Attributable Profit before Exceptional Items (APBE) by Business Segment

FY06: \$295 million
FY05: \$271 million



Assets Allocation by Geographical Segment

FY06: \$8,813 million
FY05: \$7,632 million





Driving Leadership Value

Driving leadership value as visionary leaders with clear foresight in Asia and beyond, F&N is making quantum leaps in achieving its goal to become a world-class multinational enterprise.



CHAIRMAN'S STATEMENT



“During the year, the Company remained focused on *Driving Value*. This has been our *raison d’etre* since our formation in 1883 and explains why F&N has been able to stand the test of time. Your Board and Management recognise that the interests of all our stakeholders are best served when we are committed to creating long-term sustainable earnings growth for our shareholders.”

Dr Michael Fam, Chairman

I am very pleased to report that our management succession process has been smooth and that the Group was able to achieve another banner year. You may recall that I stepped down as Executive Chairman in January 2006 and at the Board's request, I have stayed on as non-executive Chairman and consultant to ensure a seamless transition to a new management team. Dr Han Cheng Fong was appointed Group CEO in February 2006. This separation of roles of Chairman and CEO complies with best practice in Corporate Governance.

FINANCIAL RESULTS

During the year, the Company remained focused on *Driving Value*. This has been our *raison d'être* since our formation in 1883 and explains why F&N has been able to stand the test of time. Your Board and Management recognise that the interests of all our stakeholders are best served when we are committed to creating long-term sustainable earnings growth for our shareholders.

From FY01 to FY03, we have reduced our share capital by 23.6%, returning \$578.7 million to shareholders. Despite a smaller capital base, we have steadily expanded the geographical footprint of our core businesses and intensified our presence in key markets. It is noteworthy that we were able to achieve consistent earnings growth over the past few years, whilst investing steadfastly for future growth. Earnings per share (before exceptional items) grew at a compound annual growth rate of 12.9% over the FY00 to FY06 period. Net asset value of the Group grew from \$3.1 billion in FY00 to \$3.6 billion in FY06, in spite of the return of capital to shareholders.

In the year under review, the Group continued to register improvements in all the key measures of value creation for shareholders:

- Group turnover was up 8.8%, to \$3.8 billion. As explained in the Notes to The Financial Statements (page 91), Group turnover reflects our switch to proportionate consolidation of our joint ventures.
- Group attributable profit before exceptional items (at \$295.4 million) was 9.0% higher than the record earnings of the previous year.

- Net asset value per share grew 15.8% to \$3.07.
- Assuming shareholders' approval for the proposed final dividend, the dividend per share (net of tax) represents an increase of 9.1% to 12 cents.
- Our share price rose 20% over the year ended 30 September 2006. During this period, the Straits Times Index was up 11%. Assuming a purchase of 1,000 shares of F&N at the start of the financial year, the total return on your investment, including dividends, would be about 23%.

One important value-creating initiative during the year was the restructuring of three of our shopping malls for injection into Frasers Centrepoint Trust, which was successfully listed on the SGX-ST on 5 July 2006. This REIT vehicle will provide Frasers Centrepoint Ltd with a competitive edge when acquiring malls for growth. The Group has a 51% interest in Frasers Centrepoint Trust.

I am happy to report that the sub-division of each F&N share into five shares on 4 July 2006 has succeeded in increasing the number of shareholders on our register. Based on the Register of Members as at 8 December 2006, we had a 65% increase to 9,141 shareholders. As anticipated, the reduced price of each share following the sub-division has increased the affordability of our shares, encouraged greater participation and broadened our shareholder base. We expect that the sub-division will enhance the market liquidity of our shares over time.

DIVIDENDS

The Directors recommend for shareholders' approval, a final dividend of 8 cents per share. Due to the issuance of new shares (as explained under Subsequent Event), the final dividend will comprise 4 cents after deduction of Singapore tax at 20% and 4 cents 1-tier tax exempt. Taken with the interim dividend of 4 cents per share, this will give a total distribution of 12 cents, comprising 8 cents net of tax and 4 cents 1-tier tax exempt. Last year, the distribution was 11 cents per share, net of tax.



CHAIRMAN'S STATEMENT

If approved by shareholders at the Annual General Meeting on 25 January 2007, the dividend will be paid on 14 February 2007. With this payment, the Company will have fully utilised its Section 44 tax credits before they expire on 31 December 2007 ⁽¹⁾.

Barring unforeseen circumstances, it is the intention of the Company to maintain its net dividend at not less than 12 cents per share for the year ending 30 September 2007.

SUBSEQUENT EVENT

On 8 December 2006, the Company announced that it entered into a subscription agreement with Seletar Investments Pte Ltd, a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Under this agreement, the Company will issue 205.5 million new ordinary shares to Seletar, representing about 14.9% of the enlarged share capital of the Company. This issuance of new shares is expected to be completed in January 2007.

The negotiated price of \$4.38 per subscription share (cum dividend) took into account of, and approximated, the weighted average market price for the 10 trading days up to the close of 5 December 2006. The subscription price was a 2.2% discount to the weighted average price of trades on 6 and 7 December 2006. At the Company's request, trading was halted from 2 pm on Thursday, 7 December and resumed at 9 am Monday, 11 December 2006.

The proceeds of \$900 million from the placement of new shares to Temasek will be deployed to achieve more exciting growth in our Food & Beverage business.

Under the terms of the subscription agreement, Temasek is entitled to nominate a maximum of two persons for appointment as Directors of F&N at the completion of the subscription. As prescribed in Article 122 of the Company's Articles of Association, the Board intends to appoint Temasek's nominee, Mr Simon Israel, as a Director of F&N with effect

from the completion of the subscription. If completion occurs before the AGM, Mr Simon Israel will come up for re-election and we look forward to your support. With Temasek as our strategic investor and partner, we will accelerate the growth of our Food & Beverage business in the region.

ACKNOWLEDGEMENTS

During the year, we were fortunate to be able to welcome Mr Timothy Chia and Mr Koh Beng Seng to our main Board and Mr Bobby Chin, Mr Philip Eng and Mr Soh Kim Soon to the Board of Frasers Centrepoint Asset Management Ltd, the Manager of Frasers Centrepoint Trust.

I would like to thank all my directors on the main and subsidiary boards for their active support in yet another eventful year. With their expertise in various fields, they have provided rich insights to issues under deliberation and I am grateful for their wise counsel.

It is with sadness that I record the passing of our former Chairman of Times Publishing Ltd, Mr Lim Kim San, on 20 July 2006. We are indebted to him for laying solid foundations for our wholly-owned Publishing & Printing business.

I would like to commend the management and staff, under the strong leadership of Dr Han Cheng Fong, for delivering another set of record profits. My appreciation also extends to our shareholders, customers, consumers and all our strategic business partners. Your continued support has contributed in great measure to our good performance.



DR MICHAEL FAM

Chairman

3 January 2007

⁽¹⁾ With effect from 1 January 2003, Singapore changed from an imputation system of taxation to a one-tier corporate tax system. Under the one-tier corporate tax system, dividends paid to shareholders are tax exempt and hence do not have any tax credits. However, transitional provisions allow companies such as F&N to remain on the imputation system so as to use up the Section 44 tax credits still remaining as at 31 December 2002 to pay tax-franked dividends to shareholders up to 31 December 2007.

INTERVIEW WITH GROUP CHIEF EXECUTIVE OFFICER



Dr Han Cheng Fong
Group Chief Executive Officer

Dr Han Cheng Fong who became Group CEO in February 2006 shares his vision for the Group.

Under the stewardship of Dr Michael Fam, F&N has grown from strength to strength over the last two decades, both locally and regionally. Now that you have succeeded him as the Group CEO, what is your strategic vision and management philosophy for F&N?

Dr Han: When Dr Fam was appointed as Chairman in 1983, F&N's profits was \$30 million. By the time I succeeded him as the Group CEO in FY05, profits had grown almost 10 fold to \$271 million. The quantum leap in F&N's profitability was the product of the following strategies which he pursued:

- Grow our existing businesses by investing in our brands and human capital;
- Extend the reach of our businesses through acquisitions and business development; and
- Manage our capital well to deliver maximum shareholder value.

The overall direction remains relevant today.

However, for F&N to continue growing at the rates that it has achieved in the past, I intend to place even more emphasis on growing our overseas businesses while preserving F&N's strong positions in our core markets.

We are also faced with a situation where competition for talent has gotten more intense and it is my belief that we have to retain and reward talent well to ensure that our growth objectives are met and F&N remains one of the most desired employers to work for.

There will be challenges ahead of us as the competition gets keener and the world more globalised but I am confident that with talent that is motivated and a sound strategy, we can seize the many opportunities presented by the rapid growth in the region.



INTERVIEW WITH GROUP CHIEF EXECUTIVE OFFICER

With the rise of Asia, how would you drive and position F&N going forward? Is there a need to re-balance the portfolio, or does F&N have any plans to explore and venture into new industries or regions?

Dr Han: We remain steadfast in our multiple-core business model. Business expansion, geographical diversification and brand focus remain the key elements of our growth strategy. The intent is to broaden our earnings base by capturing the numerous opportunities in the region.

Planting seeds for our future growth is a key priority and we continue to expend significant resources on this front. Besides setting up breweries in an increasing number of territories, we have made strategic investments in enterprises with potential to become market leaders.

An example of this is Fung Choi Media, which has expanded beyond printing into magazines and outdoor media. In the dairies sector, construction of our joint venture infant milk powder plant with China Dairy Group is in progress, while our investment in Vinamilk has paid good dividends. We are also building on the success of our property business in China and now have a near full strength China division. The combination of our international expertise and the knowledge of locals will enable us to ride on that country's transformation into a global economic powerhouse.

F&N has achieved another year of record profit in FY06. Trading profit for FY06 rose nearly 20% to \$563.2 million, resulting in an improvement in margins to 14.8%. What are the key drivers of growth, and how do you intend to drive value in F&N's portfolio of businesses?

Dr Han: Indeed, despite rising costs, we have achieved another year of record profit. This continued growth momentum is sustained through successful execution of our business expansion strategy.

Once again, Properties and Breweries were the key contributors to the Group's earnings, accounting for about 84% of profits. Properties earnings grew by 31% while Breweries delivered a 17% increase in earnings.

In Food & Beverage, we will continue to build on the strength of our existing business to drive growth through product innovations, regionalisation, strategic acquisitions and alliances with strategic partners. The second phase of regionalisation for our breweries is on track and I'm pleased to report that in the span of a year, the number of breweries in operation has grown from 24 to 29. In addition, this year, marks our entry into the important Indian sub-continent market.

More recently, with the acquisition of Nestle's liquid milk business, we are on track to significantly increase the size of our dairy operations. This acquisition is well placed to provide a platform for growth in markets like Malaysia, Singapore, Thailand and Brunei.

In Property, we want to build a strong base for sustainable future earnings. To achieve this, we will leverage on our core competencies to drive growth through strengthening our presence in three overseas hubs of China, Australia, and United Kingdom and accelerating the pace for our asset-light strategy. The Group will transform its business model to be less reliant on asset ownership and to increase fee-based earnings and to maximise returns from its existing assets by our continuing focus on cost and capital management.

Publishing & Printing has been a weak spot for the Group. The new CEO for this division has been tasked with halting the decline and to focus on recovering earnings back to its previous levels.

With the launch of Frasers Centrepoint Trust, the Company has embarked on its asset-light strategy, leading to a more efficient capital structure. How far will you push this new financial strategy?

Dr Han: We have been talking about an asset-light strategy for some time and had taken an initial step through securitising Compass Point back in 2002. The launch of Frasers Centrepoint Trust (FCT) marks the next stage of implementation of this strategy. Besides the asset-light strategy, we have created a vehicle through which the Group will grow its retail property portfolio while seeding a fee-based Fund and Property Management business.

One of the challenges for F&N has been the need to balance return on equity against the desire to grow recurring earnings that investment properties offer. Forming REITs allows Frasers Centrepoint Limited (FCL) to continue adding properties by maximising total returns from development gains, property yield and management fees.

The success of this strategy provides compelling reasons for the Group to look at the possibility of launching two more REITs to hold industrial and office properties and serviced residences. This strategy allows us to unleash financial resources and release debt capacity to take on new projects and expand into new markets.

Will mergers and acquisitions play a more significant role than organic growth in F&N's future plans?

Dr Han: Acquisitions play a complementary role to the Group's organic growth endeavours. Our existing businesses provide very stable and incremental earnings at very low risk. Acquisitions offer a quantum leap; typically with infrastructure and routes to market, skill-sets, and in certain cases, useful brands.

However the acquisition route also presents challenges and higher risks. The Nestle transaction is a case in point. Beyond the headline of increasing the size of the Group's dairies business, F&N will gain a strong foothold in Thailand for its non-brewing food and beverage business, initially riding on Nestle's strong brand recognition and distribution network. We will also be able to consolidate our leadership in Malaysia, Singapore and Brunei. The price paid for this access is not insubstantial and we will need to manage the integration process well, otherwise we stand to lose the opportunity to create better value for the Group.

How is F&N managing its financial risks in the face of increasing volatility in the global economy?

Dr Han: In addition to managing a prudent capital structure, we also actively diversify both our business and income mix to prevent any systemic failures. Our business strategy actively manages and diversifies F&N's capital allocation over its core businesses in more than 10 geographical markets.

Additionally, F&N's financial risk management policy adopts strategies to manage the Group's liquidity risk and interest rate risk. The Group has insignificant foreign exchange exposure at

the moment and maintains a buffer of unused credit lines, a mix of committed facilities and spreading the long and short term loan maturities to insulate the Group from sudden shifts in liquidity. Funding sources are also diversified among 20 banks and various capital market instruments.

A mix of fixed and floating rate loans is also proactively managed to hedge against volatility in interest rates.

F&N's focus on people, specifically talent management has been a priority in the business. What results would you like to achieve and what changes would you make?

Dr Han: As with every successful enterprise, development and retention of talent, and smooth succession planning are critical tools to achieving growth and progress for F&N. Fundamental to F&N's success is the nurturing of a culture inherent from its earliest days – a team based approach that harnesses talent, intelligence and experience, applying it for the benefit of the Group while encouraging individuals to achieve to the best of their ability.

F&N has a well-defined strategy in place to provide the vision and capacity that will take the Group forward for another 123 years and beyond.

In closing, what was "top of your mind" when you assumed the CEO role?

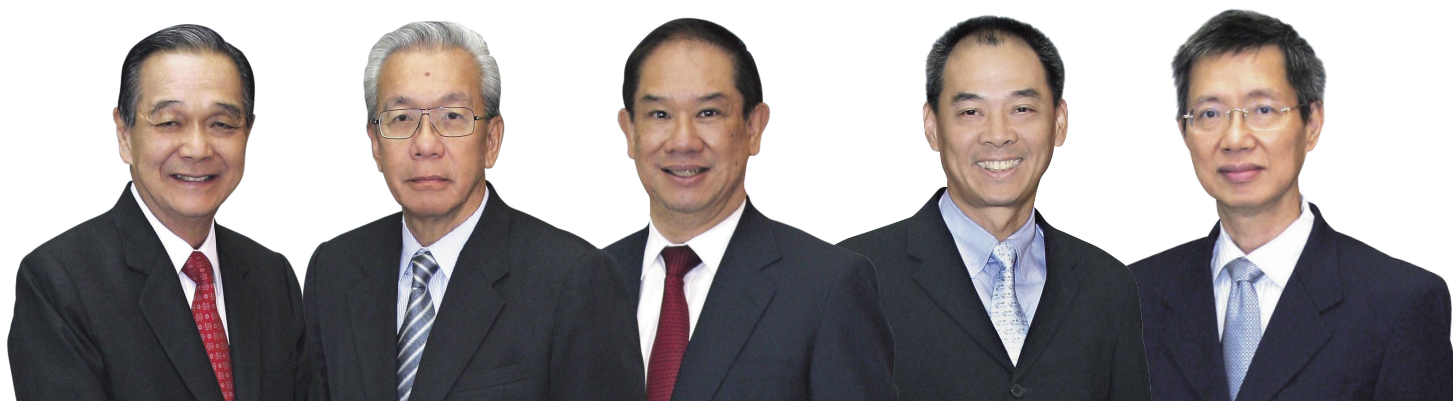
Dr Han: Dr Fam handed to me a strong and solid company. I am grateful to him for that. I am also grateful to Dr Fam and the rest of the Board members for their support and guidance, and the confidence that they have in me and my team.

It will be no easy task to match the Group's achievements under Dr Fam's leadership. However, we will do our level best in meeting all the challenges and grow this company to its fullest potential.

DR HAN CHENG FONG

Group Chief Executive Officer
3 January 2007

BOARD OF DIRECTORS



Left to right:

Dr Michael Fam; Dr Han Cheng Fong; Mr Timothy Chia Chee Ming; Mr Ho Tian Yee; Mr Koh Beng Seng; Mr Stephen Lee; Mr Lee Ek Tieng; Dr Lee Tih Shih; Mr Nicky Tan Ng Kuang; Mr Anthony Cheong Fook Seng; Mr Patrick Goh (Alternate to Dr Han Cheng Fong).

DR MICHAEL FAM

Dr Fam was appointed to the Board of Directors in 1978 and has held the position of Chairman since 1983 and Executive Chairman from 1988 to January 2006. He serves as Chairman of Asia Pacific Breweries Limited, Frasers Centrepoint Limited and is on the board of Times Publishing Limited. Dr Fam was formerly the Chairman of Singapore Airlines Limited, Housing and Development Board, Mass Rapid Transit Corporation, Public Transport Council and the Council of Nanyang Technological University. He was also on the boards of Singapore Press Holdings Ltd, Oversea-Chinese Banking Corporation Limited, Singapore International Foundation, Temasek Holdings (Pte) Ltd, Public Utilities Board and Economic Development Board and was a Member of the Council of Presidential Advisers of the Republic of Singapore.

DR HAN CHENG FONG

Dr Han was appointed Group CEO in February 2006 and has held the position of Managing Director from April 2002 and Group Managing Director cum Deputy CEO from October 2004. He joined the Group in May 2001 as Deputy Chairman of Frasers Centrepoint Limited, a position that he still holds. Dr Han currently holds directorship positions in Asia Pacific Breweries Limited, Frasers Centrepoint Limited, Fraser & Neave Holdings Berhad, Asia Pacific Investment Pte Ltd, Times Publishing Limited and DB Breweries Ltd. He is also the Chairman of Frasers Property (China) Limited. Up to 11 January 2004, he was the Deputy Chairman of the Board of Trustees of Singapore Management University. Until April 2000, he held directorships in companies related to DBS Land Limited, including Deputy Chairman and Group Chief Executive Officer of DBS Land Limited, Chairman of Raffles Hotel (1886) Ltd, Raffles City Pte Ltd, RC Hotels Pte Ltd and Ascott Ltd and was Deputy Chairman of Raffles Holdings Ltd and Parkway Holdings Ltd. Dr Han also held previous regional business appointments as Chairman of Australand Holdings Ltd and Deputy Chairman of United Malayan Land Bhd.

MR TIMOTHY CHIA CHEE MING

Mr Chia was appointed a Director in January 2006. He is currently the Founding Chairman of Hup Soon Global Pte Ltd. Mr Chia was President of PAMA Group (previously known as Prudential Asset Management Asia Limited). He also serves on the boards of several private and public listed companies and government-linked companies. They include Macquarie Pacific Star Prime REIT Management Limited, FJ Benjamin Holdings Ltd, Banyan Tree Holdings Ltd, SP PowerGrid Limited, Singapore Post Limited, Magnecomp Precision Technology Co Ltd (Thailand) and Meritz Securities Co Ltd (Korea). Mr Chia is a Trustee of the Singapore Management University.

MR HO TIAN YEE

Mr Ho was appointed a Director in December 1997. He is currently the Executive Director of Pacific Asset Management (S) Pte Ltd. Mr Ho was previously the General Manager and Managing Director of Bankers Trust Company Singapore. He also serves on the boards of Singapore Exchange Limited, Great Eastern Holdings Ltd and Singapore Power Ltd.

MR KOH BENG SENG

Mr Koh was appointed a Director in January 2006. He is currently the Chief Executive Officer of Octagon Advisors. He is also a non-executive director of Singapore Technologies Ltd, BOC Hong Kong (Holdings), Bank of China (Hong Kong) Limited and Sing-Han Financial Services. He held various positions in his 24 years, up to 1998, with Monetary Authority of Singapore and his last appointment was Deputy Managing Director, Banking and Financial Institution Group. Thereafter, he was an advisor to the International Monetary Fund to reform Thailand's financial sector until 2000. He was also the Deputy President of Singapore's United Overseas Bank Ltd, a leading banking group in the country, from 2000 to 2004.



MR STEPHEN LEE

Mr Lee was appointed a Director in July 1997. He is currently the Managing Director of Great Malaysia Textile MFG Co. Pte Ltd and Shanghai Commercial & Savings Bank (Taiwan). Mr Lee is also the Chairman of Singapore Airlines Limited, Singapore Business Federation, President of Singapore National Employers Federation and Director of Singapore Labour Foundation. He was the Chairman of PSA International Limited from September 2002 till October 2005.

MR LEE EK TIENG

Mr Lee was appointed a Director in January 2001. He is currently the Group Managing Director of the Government of Singapore Investment Corporation, a position he has held since 1989. He is also on the panel of advisors to Temasek Holdings (Pte) Ltd. Mr Lee was previously the Chairman of the Public Utilities Board and Temasek Holdings (Pte) Ltd, and Deputy Chairman of the Monetary Authority of Singapore. Prior to his retirement in 1999, Mr Lee was the Head of Civil Service and Permanent Secretary (Special Duties) in the Prime Minister's Office.

DR LEE TIH SHIH

Appointed a Director in 1997, he is currently an associate professor in Duke-NUS Graduate Medical School, Singapore. Dr Lee graduated with a MD (Doctor of Medicine) degree from Yale University, and MBA with Distinction from University of London. He also serves on the board of Oversea-Chinese Banking Corporation.

MR NICKY TAN NG KUANG

Mr Tan was appointed a Director in October 2003. He currently runs nTan Corporate Advisory Pte Ltd and is also a Director of Singapore Telecommunications Ltd. Mr Tan was previously Partner, Head of Global Corporate Finance of Arthur Andersen Singapore and ASEAN region; Partner, Head of Financial Advisory Services of Price Waterhouse Singapore and Chairman of Financial Advisory Services of PricewaterhouseCoopers Asia Pacific region.

MR ANTHONY CHEONG FOOK SENG

Mr Cheong was appointed a Director in February 2005. He joined the Fraser & Neave Group in Times Publishing Limited as Corporate General Manager (Group Finance) and Company Secretary in 2001. Mr Cheong is the Group Company Secretary, and currently holds directorships in a number of the Group's other subsidiaries as well as Frasers Centrepoint Limited, Fraser & Neave Holdings Bhd and Asia Pacific Investment Pte Ltd and is also an alternate director to Dr Han Cheng Fong on the Asia Pacific Breweries Limited Board. Mr Cheong is a member of the Institute of Chartered Accountants in England & Wales and the Institute of Certified Public Accountants of Singapore.

MR PATRICK GOH

Alternate to Dr Han Cheng Fong

Mr Goh, a member of the Institute of Certified Public Accountants of Singapore, was appointed an Alternate Director to Dr Han Cheng Fong in November 2002. He joined the Group in January 1969 and currently heads the Corporate Finance Office as Group Financial Controller. In addition, Mr Goh currently holds directorship positions in Frasers Property (China) Limited, a company listed in The Hong Kong Stock Exchange, Frasers Centrepoint Limited and other subsidiaries, joint venture and associated companies of the Group.