Operating and Financial Review

Overview

Listed on the Singapore Exchange Securities Trading Limited (SGX-ST), Fraser and Neave, Limited (F&N) is an Asia-Pacific consumer group with core expertise and leading market positions in the Food & Beverage, Properties and Publishing & Printing industries.

As at 30 September 2006, F&N had shareholders' funds of $3.6 billion and total assets employed of over $9 billion. F&N is present in more than 20 countries across Asia Pacific, Europe and United States of America (USA) and employs more than 14,000 employees worldwide.

Today, F&N owns an impressive array of renowned brands that enjoy market leadership spanning beer, dairies, soft drinks and beverages; residential properties, retail malls and serviced residences; as well as publishing and printing services.

F&N's Group Structure

FRASER AND NEAVE, LIMITED

"To be a world-class multinational enterprise with an Asian base, providing superior returns with a focus on the Food & Beverage, Properties and Publishing & Printing businesses."

Food & Beverage

ASIA PACIFIC BREWERIES GROUP
- *39 Subsidiary companies (9 dormant)*
- *4 Joint venture companies*
- *2 Associated companies*

FRASER & NEAVE HOLDINGS BERHAD
- *22 Subsidiary companies (4 dormant)*

OTHER LISTED AND UNLISTED COMPANIES
- *13 Subsidiary companies (6 dormant)*
- *1 Joint venture company*
- *1 Associated company*

Properties

FRASERS CENTREPOINT LIMITED GROUP
- *94 Subsidiary companies (8 dormant)*
- *2 Joint venture companies*
- *6 Associated companies*

FRASERS CENTREPOINT TRUST

FRASERS PROPERTY CHINA GROUP
- *75 Subsidiary companies (8 dormant)*
- *5 Associated companies (2 dormant)*

Publishing & Printing

TIMES PUBLISHING GROUP
- *68 Subsidiary companies (10 dormant)*
- *2 Joint venture companies*
- *2 Associated companies*

OTHER LISTED COMPANIES
- *1 Associated company*

Others

- *10 Subsidiary companies (4 dormant)*

GROUP FINANCIAL PERFORMANCE – FIVE-YEAR STATISTICS

F&N registered another year of strong earnings growth with record profit of $604.0 million. Despite the impact of rising costs, the Group is able to sustain its earnings growth momentum through business expansion, a singular focus on brands, and geographic diversification. The Group has achieved growth of close to 9% for both revenue and APBE to $3,795.6 million and $295.4 million, respectively. Earnings per share increased to 25.3 cents from 23.3 cents.

Notes	Year ended 30 September	2002	2003	2004	2005	**2006**
1	**Profit Statement** ($ million)					
	Revenue	2,932	3,022	2,724	3,488	**3,796**
	Profit before taxation					
	– before exceptional items	389	462	456	484	**543**
	– after exceptional items	407	516	479	513	**577**
	Attributable profit					
	– before exceptional items	226	273	264	271	**295**
	– after exceptional items	241	333	290	296	**320**
1 & 2	**Balance Sheet** ($ million)					
	Net asset value					
	(Share capital & reserves)	2,986	2,839	2,926	3,097	**3,600**
	Total assets employed	7,240	7,131	7,459	8,219	**9,672**
	Long-term borrowings	1,446	1,442	2,114	2,185	**2,835**
	Market Capitalisation ($ million) at close of business on the first trading day after preliminary announcement of results	2,069	2,628	3,271	3,944	**5,231**
	Financial Ratio					
	Return on average shareholders' equity					
	– profit before taxation and exceptional items (%)	12.8	15.9	15.8	16.1	**16.2**
3	– attributable profit before exceptional items (%)	7.4	9.4	9.2	9.0	**8.8**
4	Gearing ratio (%)					
	– without minority interest	81.1	78.5	84.1	89.7	**83.0**
	– with minority interest	71.0	67.9	72.5	74.7	**64.9**
	Per Share (cents)					
	Profit before taxation and exceptional items (cents)	27.7	34.9	39.5	41.6	**46.4**
	Attributable profit					
	– before exceptional items (cents)	16.1	20.6	22.8	23.3	**25.3**
	– after exceptional items (cents)	17.1	25.2	25.1	25.4	**27.3**
5	Net asset value ($)	2.24	2.46	2.52	2.65	**3.07**
	Dividend					
	– net (cents)	7.0	10.0	11.0	11.0	**12.0**
6	– cover (times)	2.3	2.1	2.1	2.1	**2.1**
	Stock Exchange Prices ($) at close of business on the first trading day after preliminary announcement of results	1.55	2.28	2.82	3.38	**4.46**

Notes:

1. *In 2006, the Group adopted new FRS 102 Share-Based Payment. The profit statement and balance sheet for 2004 and 2005 have been restated from that previously reported to reflect the adoption of this new accounting policy.*
   In 2006, the Group also changed its accounting policy for Joint Venture Companies, from equity accounting to proportionate consolidation. The profit statement and balance sheet for 2002 to 2005 have been restated from that previously reported to reflect this change in accounting policy.
2. *Pursuant to a Capital Reduction and Capital Distribution Exercise carried out in 2002 and 2003, the share capital and reserves of the Group were reduced by a sum of $237.2 million in 2002 and $317.6 million in 2003.*
3. *Attributable profit before exceptional items: Profit after taxation and minority interest but before exceptional items.*
4. *Gearing ratio: Sum of bank borrowings and term loans, less fixed deposits and cash and bank balances, expressed as a percentage of shareholders' funds.*
5. *Net asset value: Share capital and reserves.*
6. *Dividend cover: Attributable profit before exceptional items per share divided by net dividend per share.*
7. *Pursuant to the approval given by the shareholders at an Extraordinary General Meeting of the Company held on 31 May 2006 each ordinary share was sub-divided into 5 ordinary shares on 4 July 2006. The above ratios for 2002 to 2005 have been adjusted from that previously reported to reflect this sub-division of ordinary shares.*

Food & Beverage

$1,936.10 million

Revenue increased by 3.5%

$227.88 million

PBIT increased by 10.3%

$85.55 million

APBE increased by 10.2%

SOFT DRINKS – MAINTAINING MARKET LEADERSHIP

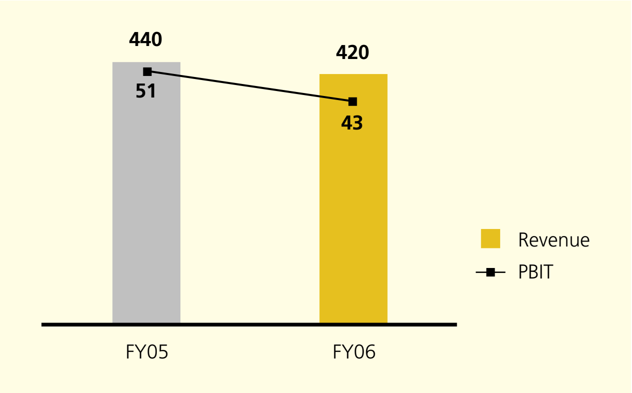
After delivering 7% average volume growth in the preceding four years, the Group's soft drinks business in Malaysia dipped by 4.6% in FY06 due to weak consumer sentiment, arising from higher fuel costs and resultant higher cost of living. Although selling prices were raised in the second half of last year, this could not fully offset the lower volume and higher distribution and packaging costs. PBIT as a result fell 14%.

Strong sales of 100PLUS and SEASONS strengthened the division's isotonic and non-carbonated portfolio, which helped to soften the impact of the weak carbonated soft drinks segment.

The Group maintained its dominance in the overall ready-to-drink market with 40% market share. Brands F&N and Coca-Cola maintained their respective shares despite the weakness in the carbonated soft drinks market. The isotonic market continues to be buoyant with 100PLUS consolidating its position as Malaysia's favourite isotonic drink, capturing 93% market share. The Group's non-carbonated portfolio with brands such as SEASONS and Fruit Tree performed better than expected against a backdrop of weak consumer sentiment.

Despite the slowdown in consumption, the Group did not stint on efforts to enhance brand recognition and loyalty via various marketing channels, including TV and radio, endorsements and sponsorships. This year's major promotion and marketing events included the 2006 FIFA World Cup, the introduction of ShiZen, marking the Group's participation in the ready-to-drink oriental tea category, 100PLUS product extension, and packaging innovation.

Soft Drinks: Revenue and PBIT ($ million)



The Group's quest for a stronger market presence and a wider portfolio of beverages culminated in the acquisition of East Malaysia's largest producer of bottled water, Borneo Springs Sdn Bhd. In addition, it also broke ground for a new state-of-the-art warehousing facility at its Kuching plant, which will provide for projected volume growth.

Going forward, the Group will continue to drive operational excellence to maximise brand presence. Additionally, it will continue to differentiate its brands from its competitors via exceptional marketing execution and pursue the strategy of building a strong and balanced portfolio of carbonated and non-carbonated beverages.

Outside Malaysia, the Group pursues its soft drinks business through licensees in Singapore and Indonesia. In line with the Group's regional expansion strategy, this year, F&N marked its foray into India, one of the fastest growing economies in the world, and Philippines, with the appointments of two licensees. In addition, the Group is also in discussions with strategic partners to strengthen and widen its footprint in Indonesia.

DAIRIES – DELIVERING HEALTHY GROWTH

Revenue and PBIT from dairies grew marginally by 2% and 4% respectively, despite higher raw material and marketing costs.

F&N bolstered its market position in the core territories of Singapore and Malaysia through product innovation and renovation. Together with a series of successful marketing activities, its Singapore dairies brands – Magnolia, Daisy, Farmhouse and Nutrisoy – continued to register good sales growth over last year.

Magnolia Fresh Milk and Magnolia UHT Milk continued to be market leaders in their respective categories in Singapore. Low Fat High Calcium milk volumes grew by 60%, with the introduction of Magnolia Oat Milk. In addition, Magnolia Smoo retained its top position in the Kids' UHT milk segment. Daisy also successfully launched Daisy Multigrain Milk in July.

Meanwhile, in Malaysia, Magnolia, Farmhouse and Daisy sales grew by 6%, led by Farmhouse's strong double-digit growth. Daisy High Calcium Low Fat Milk was relaunched with an improved taste while Magnolia Fresh Milk launched the first of its kind Magnolia Oat Milk.

In addition, the Group's core canned milk business in Malaysia, F&N sweetened condensed milk, continued to dominate the category, maintaining a 49% market share. This year, the Group's position in the canned milk category was also further strengthened by a 7% growth in evaporated milk sales volume.

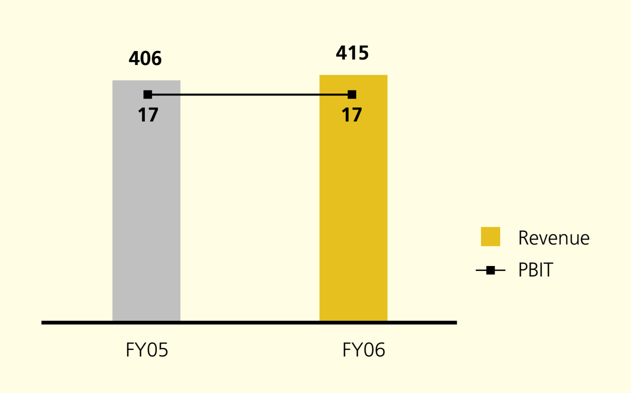
Nutrisoy continued to enjoy its No.1 status in the fresh soya beverage category in Singapore, claiming more than half the market share. Since the launch of the Nutrisoy Omega range, the brand has seen successful growth, enabling the healthy soya drink brand to make further headway into the healthy enjoyment market.

Fruit Tree Fresh and Sunkist continued to register healthy growth in combined sales volumes as a result of various product innovations and successful execution of brand building activities. This year, Fruit Tree Fresh successfully launched several new variants under its Juicy Bits range.

In the ice cream segment, Magnolia ice cream launched its latest sub-brand, the Italian-style Magnolia Gelazia. It was launched in Singapore and Malaysia in three distinctly premium flavours – French Vanilla and Tiramisu, Strawberry, and Dark Chocolate. In addition, the new Mag-a-Cone Supremo was launched. The roll-out of two new variants under the Magnolia Petite Bites variants also received favourable response from consumers.

NutriTea, the first pasteurised range of teas in Singapore, was launched in June as yet another option for health-conscious consumers. The NutriTea range comprises three flavours with health-promoting ingredients – Genmai Green Tea, Chrysanthemum with Wolfberry, and Herbal Tea.

Dairies: Revenue and PBIT ($ million)



In line with its strategy to expand its presence in China, the Group is setting up a joint venture company to produce and market infant milk powder products with its strategic partner, China Dairy Group in Xi'an, Shaanxi province. The launch is targeted for early 2007 and more products will be added to expand the product offering and improve income stream.

After the close of the financial year, the Group announced the proposed acquisition of Nestle's liquid milk products business in Malaysia, Thailand, Singapore and Brunei, further realising its vision to become a leading regional dairy player. This acquisition will enable the Group to significantly increase the size of its dairy business. It will also provide significant opportunities to extract operational synergies and present a platform for future growth.

Looking ahead, the Group will continue to seek growth through brand building and product innovations, and expanding its footprint in the region via strategic acquisitions and alliances that add synergies to its current operations.

BREWERIES – CONTINUING REGIONAL EXPANSION

The Group's breweries business continued its regional expansion during the year. Today, the Group has 29 operational breweries compared to 24 breweries last year.

This year, revenue and PBIT grew 7% and 17% respectively against last year. PBIT was also boosted by a one-off cancellation of prior years' royalties in Vietnam.

The beer market in **Singapore** grew last year on the back of the improving economy and growth in visitor numbers. Despite growing competition and increasing raw material costs, Singapore performed well, registering volume growth of 7%.

In July, the Archipelago Brewery (Archipelago) range of craft beers, namely Traveller's Wheat, Straits Pale and Traders Brown Ale were launched in Singapore. The launch of Archipelago is consistent with APB's objective of adding a new dimension to Singapore's beer industry and to continue to grow its presence and stature locally.

The successive years of excise duty hikes in **Malaysia** in the past years continued to weaken consumer sentiment, resulting in a 2% fall in sales volume. To overcome the challenges, emphasis was placed on organisational effectiveness, operational efficiency and on growing brand equity. In September 2006, Anchor Strong was launched and Malta rebranded.

The Group's **Vietnam** operations continued to perform strongly delivering volume growth and PBIT improvement over last year despite increasing foreign participation and growing strength of local brewery groups.

In the year, the Group continued to build its position in the mainstream market with Anchor whilst capturing the premium segment with Heineken and Tiger.

To meet increasing demand of its beer brands, the Group's brewery in the south expanded its capacity to 2.3 million hectolitres in March 2006. The Group also acquired Foster's Vietnam breweries in Danang and Tien Giang in August 2006 and added Foster's, La Rue and BGI brands to its portfolio.

In **Thailand**, volume grew 6% mainly driven by its new brand, Cheers while Heineken continued to garner a good following in the premium segment of the beer market. During the year, Tiger retained its focus on brand building and increasing its penetration into the Thai beer market.

Thanks to its excellent distribution as well as efficient and effective marketing programs, **Cambodia** reported a double-digit volume gain. All brands saw improved sales versus a year ago.

Papua New Guinea posted a 28% increase in PBIT and 13% volume growth. The robust performance was attributable to strong distribution and concerted promotional efforts which were successfully executed.

New Zealand had a challenging year. The beer market contracted and industry margins were squeezed by competitive pricing. Despite the unfavourable situation, Heineken, Monteith's, Tiger, Tui, Amstel Light, Sol and Budvar showed continued volume growth.

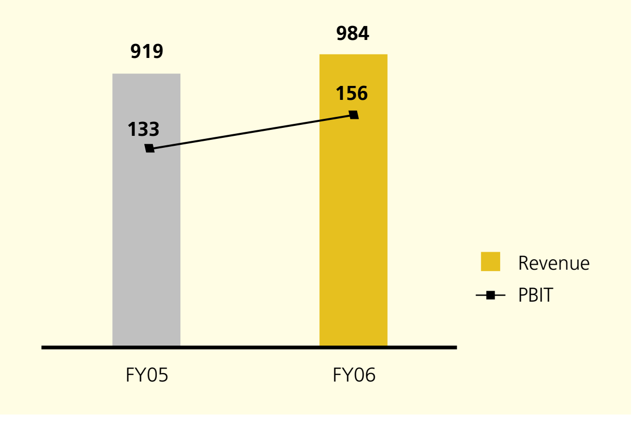
China turned in its full year maiden profit with strong volume growth of 30%, after years of losses. China owed its positive contribution at PBIT level to improved operations in Shanghai; strong performance in Hainan; and profit contribution from the Group's joint venture and associated companies – Jiangsu DaFuHao Breweries and Kingway Breweries, respectively.

During the year, Hainan widened its footprint and made tremendous progress in building its distribution network in Southern China.

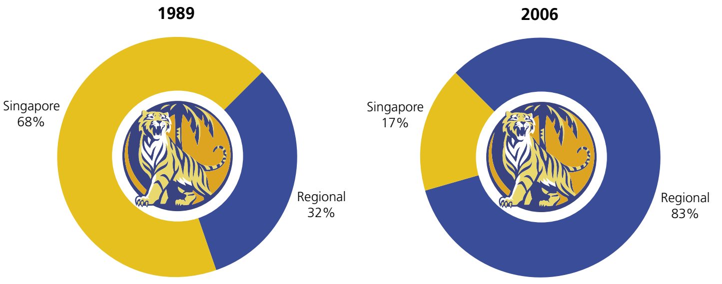
The same year also saw DaFuHao commissioning its fifth plant in Wujiang while Kingway started new brewery operations in Tianjin. Through its investment in Kingway, the Group's footprint would be extended to Chengdu, Xi'an and Foshan when the three breweries are commissioned by 2007/08.

In September 2005, APB made its entry into South Asia with the acquisition of a 60% stake in Asia Pacific Brewery (Lanka) in **Sri Lanka**. In **India**, the Group acquired a 76% stake in Aurangabad Breweries Limited which is located in Maharashtra and entered into a 67% joint venture to build a 250,000-hectolitre greenfield brewery in Hyderabad, Andhra Pradesh.

Breweries: Revenue and PBIT ($ million)



PBIT – Before and After Regionalisation



Via **Export**, the Group continued to seed new markets around the world and expanded the global footprint of Tiger. Tiger entered eight new markets during the year and they included Spain, Ukraine, Cyprus and Togo, amongst others.

Tiger once again re-affirmed its status as a Cool Brand Leader in the UK where it is available in 8,000 premium bars and clubs in the major cities of UK.

Since May 2006, Anheuser-Busch was appointed the importer of Tiger for USA. The tie-up gave Tiger access to 500 wholesalers and today, the brand is traded in 48 out of 50 states.

The Group's second phase of regionalisation is well on track with greenfield breweries being built in China, India, Laos and Mongolia. By the end of 2007/08, the Group will have 35 breweries in operation in 13 countries.

GLASS PACKAGING – STRENGTHENING REGIONAL LEADERSHIP

The glass packaging division registered revenue and PBIT growth of 12% and 79% respectively. All operating units performed better than last year except for Kuala Lumpur Glass (KL Glass) where the conversion to natural gas during the first quarter of the year and ageing machineries interrupted production.

The rationalisation of the two **Malaysia** operations – KL Glass and Malaya Glass Products – has resulted in improved production efficiency and improved quality. Integrating many of the operational functions of the two companies has strengthened the business further.

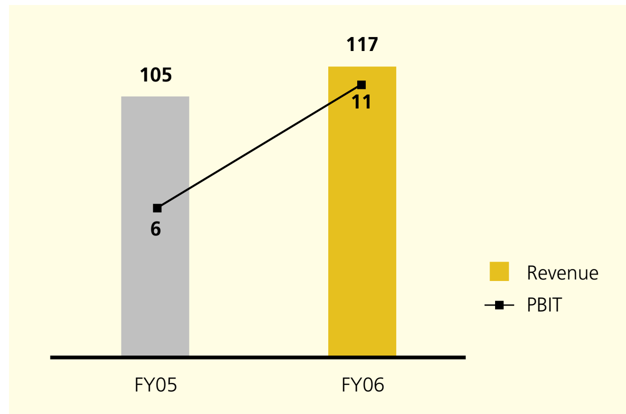
The Group's glass plant operation in Sichuan, **China** continued to show profit growth. It registered its maiden profit before interest and tax this year due to improvements in its customer base and sales revenue. The better performance was also attributed to improved production efficiency and operations.

The Group's glass plant in **Vietnam** continued to perform well and deliver its profit commitments despite cost increases. Increased sales volume, higher selling prices and improved production efficiency more than offset these cost increases.

The Group aims to drive business growth by aggressively increasing **exports** to its traditional markets, especially Australia and New Zealand. It is also focusing on new markets such as the USA, Canada, South Korea and Mauritius.

In keeping with the anticipated growth, the Group is in the midst of constructing a US$36m glass packaging plant in **Thailand**. This plant is scheduled to commence operations by October 2007. Together, these five strategically located plants – two in Malaysia, one each in Vietnam, China and Thailand – make F&N's glass packaging arm the only regional manufacturer that is capable of meeting multinational companies' demands.

Glass Packaging: Revenue and PBIT ($ million)



Properties

$1,347.64 million

Revenue increased by 20.9%

$350.90 million

PBIT increased by 31.1%

$226.98 million

APBE increased by 22.9%

REAL ESTATE INVESTMENT TRUST – ACHIEVING AN EFFICIENT CAPITAL STRUCTURE

During the year, the Group reached a milestone in implementing an asset-light strategy when Frasers Centrepoint Trust (FCT), a real estate investment trust (REIT) was launched on the SGX in July 2006. With the adoption of the new property fund business model, the Group aims to enhance its overall capital productivity, through increasing its fee-based activities as well as improving the quality of its property earnings. Moving forward, this is an efficient capital structure, which allows the Group greater access to capital for further development and ongoing fee business income.

FCT invests primarily in quality income-producing retail properties and its initial portfolio consists of three suburban malls with a combined appraised value of $936 million as at 30 September 2006. These well-established malls – Causeway Point, Northpoint and Anchorpoint, enjoy wide captive markets, good connectivity and high occupancy. This will provide the basis for a strong and sustainable income stream.

FCT will be the vehicle through which the Group will participate in future retail mall investments.

FRASERS CENTREPOINT TRUST – BUILDING QUALITY ASSETS

In its maiden report, FCT reported revenue of $17.4 million, PBIT of $10.5 million and distribution income of $8.9 million for the three months under review, exceeding forecast by 7.2%. Going forward, FCT expects to reap benefits from asset enhancement programmes, with the first initiative for Anchorpoint commencing in 2007. Furthermore, the Group intends to double FCT's assets under management within three years.

As a developer-sponsored REIT, FCT has the ability to tap into the Group's pipeline of quality assets and offer investors greater investment potential through its acquisition-led growth strategy and active asset enhancement initiatives.

The Group will continue to diversify its property development and investment incomes into fee-based income, to enhance quality of earnings. In addition, the Group has plans to launch more REITs for other classes of properties.

RESIDENTIAL PROPERTIES – PROVIDING PREMIUM RETURNS

Residential development division had another year of stellar performance. Revenue surged 22% over last year from improved sales of new developments, completed units inventory, progressive revenue recognition from projects under construction and contribution from overseas projects. PBIT was up sharply by 44%.

Frasers Centrepoint Homes launched six new projects in Singapore while Frasers Property launched numerous projects in China, UK, Australia and Thailand.

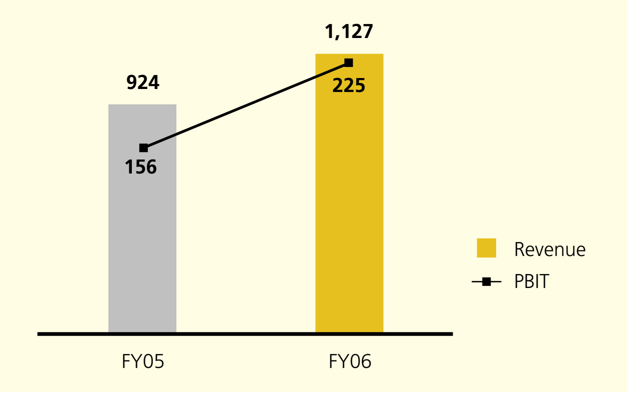
RESIDENCES	ESTIMATED NO. OF UNITS	YEAR OF COMPLETION	TENURE
Singapore			
The Raintree – *Bukit Timah Nature Reserve*	317	2008	Leasehold
One Leicester – *Leicester Road*	194	2008	Freehold
One Jervois – *Jervois Road*	275	2009	Freehold
The Infiniti – *West Coast Road*	315	2008	Freehold
The Sensoria – *Sembawang Road*	73	2007	Freehold
One St. Michael's – *St Michael's Road*	131	2009	Freehold
Overseas			
United Kingdom – *Wandsworth Riverside Quarter* – *Vincent Square*	 211 70	 2008 2006	 Freehold Freehold
Australia – *Lumière at Regent Place*	 456	 2008	 Freehold
China – *Jingan Four Seasons*	 452	 2007	 Leasehold
Thailand – *The Pano*	 397	 2009	 Freehold

In Singapore, sales were maintained at last year's level with six new residential development launches – The Raintree, One Leicester, One Jervois, The Infiniti, The Sensoria and One St. Michael's. The Group also acquired five new sites in Singapore to replenish its development land bank.

Overseas, in the UK, Australia, China and Thailand, sales and construction of residential projects are progressing as planned. These projects include Wandsworth Riverside Quarter and Vincent Square in UK, The Lumière at Regent Place in Sydney, Jingan Four Seasons in Shanghai and The Pano in Bangkok (a joint venture with 33% owned Krungthep Land). China contributed a healthy PBIT of $46 million following the successful launch of Phase Two of Jingan Four Seasons in Shanghai. During the year, the Group also acquired four adjoining parcels of land in Perth and three properties in Sydney.

In the next few years, the Group will continue to grow its residential property business in stronghold markets such as Singapore, Australia, UK and China. The Group has a development land bank of 25.5 million sq ft to ride on the growth momentum in Asian real estate markets. In China, the Group has increased its presence in second-tier cities while UK and Australia are being earmarked as strategic hubs. Determined not to lose sight of other fast-growing markets, the Group will concurrently seek to enhance its visibility in Vietnam and explore opportunities in India and possibly Russia.

Property Development: Revenue and PBIT ($ million)



Residential Properties: The Raintree, Singapore

Residential Properties: Fraser Suites Dubai International, Dubai

Investment Properties: Retail, China

Residential Properties: The Pano (interior), Thailand

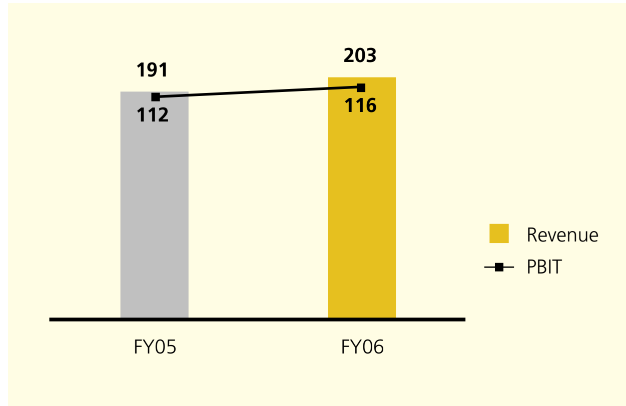
Residential Properties: The Pano (exterior), Thailand

INVESTMENT PROPERTIES – DELIVERING SUPERIOR VALUE

Revenue increased by 6% while PBIT rose by 3% over last year. This year, to improve the quality of its earnings, FCL transferred its three malls, Anchorpoint, Causeway Point and Northpoint, to the Group's retail mall REIT, Frasers Centrepoint Trust (FCT), of which it owns 51%. For comparison purposes, revenue and PBIT (both including FCT's results) rose by 15% and 13%, respectively, over last year.

Its stronger performance is attributed to improved rentals for the retail malls, better rates for serviced residences, higher occupancy for office and industrial properties, additional income from the acquired space in basement 1 of Northpoint, and higher rental income from the business parks in Shenzhen and Beijing.

Investment Properties: Revenue and PBIT ($ million)



Retail

The Group's retail malls maintained high occupancies throughout the year, with close to 100% average occupancy while average rentals also improved over last year.

On the new development front, in Singapore, FCL has acquired a piece of State land to build an extension to Northpoint. This extension is expected to be completed by the end of 2008. More recently, FCL acquired two properties with a total site area of 33,084 sq ft in Bedok Town Centre, for $40.8 million. Subject to the approval of Housing Development Board and other relevant authorities, this new site will provide FCL with the ability to develop a retail mall with a potential area of approximately 134,000 sq ft of gross floor area.

In China, FCL is developing a new shopping centre along Xin Jie Kou Road within Beijing's 2nd Ring Road, which is expected to be completed in 2008. Concurrently, FCL is also developing its Jingan Four Seasons in Shanghai, which is a 452-unit luxury residential development with a 2-storey retail podium of over 10,000 sq m of net retail space. Jingan Four Seasons is located in Shanghai's downtown, atop the existing First Shimen Lu underground mass rapid transit station along the main Nanjing West Road. This convenient location will offer proximity to the city's business hub, as well as recreational and entertainment facilities. These include international hotels such as Portman Ritz Carlton and JC Mandarin, and the Shanghai Exhibition Centre.

Singapore and overseas malls attract high shopper traffic and enjoy high occupancy rates.

MALLS	NET LETTABLE AREA (SQ FT)	OCCUPANCY AT 30 SEP 2006 (%)
REIT (FCT) – Singapore		
• Anchorpoint	71,000	95
• Causeway Point	425,239	100
• Northpoint	149,247	100
Non-REIT – Singapore		
• The Centrepoint	333,251	93
• Compass Point*	266,586	100
• Robertson Walk	97,605	94
• Valley Point	39,817	70
Non-REIT – Overseas		
• Bridgepoint (Australia)	71,819	93

** Managed by FCL*

Office and Industrial

Occupancy at the office and industrial properties improved over last year but the average rental rate was marginally lower reflecting the weaker office rental market conditions then prevailing.

Office and industrial properties in Singapore and Vietnam enjoy high occupancy rates.

OPERATING PROPERTIES	NET LETTABLE AREA (SQ FT)	OCCUPANCY AT 30 SEP 2006 (%)
Singapore		
• Alexandra Point	198,143	81
• Alexandra Technopark	1,045,920	98
• Valley Point Office Tower	182,315	98
Overseas		
• Me Linh Point (Vietnam)	199,731	94

SERVICED RESIDENCES

Frasers Hospitality

Frasers Hospitality has established recognisable brand equity with its branded properties – Fraser Suites, Fraser Place and Fraser Corporate Residences. Posting occupancy of over 90%, Frasers' properties performed better than the industry average in the past financial year.

Frasers Hospitality has serviced residences in Singapore, South Korea, Philippines, UK, France, China and Thailand.

SERVICED RESIDENCES	NO. OF UNITS
Fully Operational Properties (Average Occupancy 90%)	
Fraser Place Singapore (Singapore)	161
Fraser Suites Singapore (Singapore)	251
Fraser Suites Seoul (South Korea)	213
Fraser Place Manila (Philippines)	143
Fraser Suites Kensington (UK)	69
Fraser Place Chelsea (UK)	29
Fraser Place Canary Wharf (UK)	63
Fraser Suites La Defense Paris (France)	134
Fraser Suites Glasgow (Scotland)	102
Fraser Corporate Residences – Futian, Shenzhen (China)	165
Prince of Wales Terrace (UK)	18
Properties Opened During the Year (Average Occupancy 70%)	
Fraser Place Shekou, Shenzhen (China)	232
Fraser Place Langsuan, Bangkok (Thailand)	129
Fraser Place, Central Seoul (South Korea)	238
Claridge, Champ Elysee Paris (France)	110

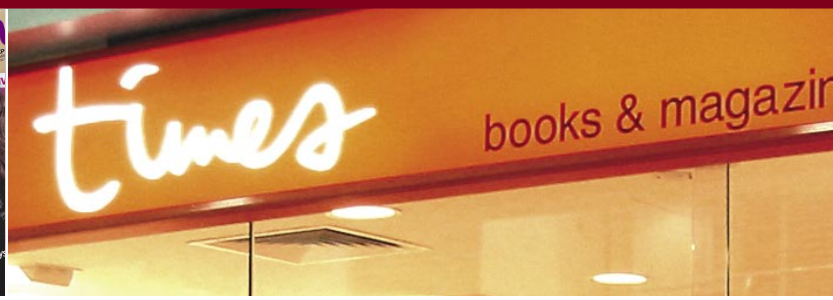
In the year under review, four properties in Seoul, Paris, Shenzhen and Bangkok, commenced management under Frasers Hospitality while six management contracts in the Middle East, Nanjing, Tokyo and Shanghai and two in Bangkok were secured. Frasers Hospitality also managed to secure two Memorandums of Understanding to manage residences in Hong Kong and India. More recently in November, the luxury Fraser Suites Sydney located in heart of the Sydney's business, shopping and entertainment hub opened its doors to guests.

Frasers Hospitality continued to expand and strengthen its global footprint. In the span of a year, it expanded into the Middle East and Japan and enlarged its presence in Australia, China and Thailand. Eight new developments – in Bahrain, Bangkok, Dubai, Nanjing, Shanghai, Tokyo, London and Singapore, will be ready in 2007 and 2008. When completed, these developments will continue Frasers Hospitality's tradition of offering premium services and excellent facilities.

With the progressive opening of new properties in the current year, the number of units under management is expected to rise to about 2,800 by September 2007.

Investment Properties: Fraser Suites Top Glory Shanghai, China

Publishing & Printing



This year TPL's sales revenue increased by 2% over last year as a result of recently acquired businesses. PBIT however fell 37% to $22.4 million due to margin erosion at the Printing Group as a result of intensified competition, rising material cost and lower margins from declining product segments. PBIT drop was partly mitigated by higher contribution from associated companies, Fung Choi Media, which ventured successfully into magazines and outdoor media and Times NewsLink which operates a chain of retail bookshops at the Singapore Changi Airport.

MARSHALL CAVENDISH PUBLISHING GROUP – BUILDING GLOBAL BRAND

In **Education Publishing**, Marshall Cavendish strengthened its position as the key educational publisher in Singapore and one of the leading educational publishers in Asia, following the acquisition of the PanPac educational publishing business. Consequently, the acquisition also led to a larger and stronger footprint in the Hong Kong and Malaysia educational publishing markets.

Marshall Cavendish Education has successfully established itself as a reputable educational publisher, bringing Singapore education to the rest of the world. Its global reach expanded into the Caribbean, Europe, South Asia, Africa and the Middle East. In addition, Marshall Cavendish Education now offers a wider suite of teaching and learning solutions as well as co-publishing expertise in these markets. Looking ahead, Marshall Cavendish Education is positioned to expand internationally to become a truly globalised brand for education.

This year, Marshall Cavendish's **Business Information** strengthened its position as the leading regional trade directory publisher with record sales for many of its directories. Sales were further boosted with the publication of two new launches, Singapore Printing Industry Directory and STB Calendar of Events.

Marshall Cavendish **Home Reference** is represented by Educational Technologies, which has been a leader in publishing and marketing children's home-education products in Asia for 32 years. It sells products in nine languages in 21 countries throughout Asia Pacific under the licensed Time Life brand, through a strong network of direct sales distributors and sales people in the region. Educational Technologies has some of the finest children's educational products including A Child's First Library of Learning and English-Time. In the year under review, one of its key initiatives was the launch of English for Modern Living English audio and book. The content of this new product was developed by Marshall Cavendish while Educational Technologies packaged the product, developed a website and an online test. Moving ahead, Education Technologies plans to gain a stronger foothold in India by tapping on the growing middle-income market.

In addition, Marshall Cavendish continues to invest in digital media with the launch of Marshall Cavendish Digital – its first online reference source for libraries, in the last quarter of 2006. This product will offer libraries in the United States the opportunity to create their own digital reference collection, based on products developed for the Marshall Cavendish Reference and Benchmark imprints.

The Group's associated company, Learning EDvantage (LEAD) was awarded the prestigious E50.Startup Award organised by Accenture and The Business Times. LEAD has gained a dominant share of the subscriptions for online e-learning portals.

TIMES INTERNATIONAL PRINTING GROUP – DEMONSTRATING QUALITY LEADERSHIP

Times Printers is one of the largest web offset printers in this region with 7 web presses that can meet the turn-around demands of its magazine publishers. It delivers international weekly magazines to the Asia region on time and without compromise on its quality.

In **Malaysia**, the magazine and book printing operation has continued to reduce its reliance on export-oriented business. Local sales contributed about one third of its revenues with increasing share of the local magazine publishing business.

The **Australia** plant has recently changed its name to Times Printers Australia to align with the Group's branding and take on the magazine and catalogue printing market in Australia. A new sales office was established in Sydney to provide better customer support and enhance business development in the capital city and the region. This strategy has been successful, boosting sales quickly and further strengthening the Group's position in the Australian market.

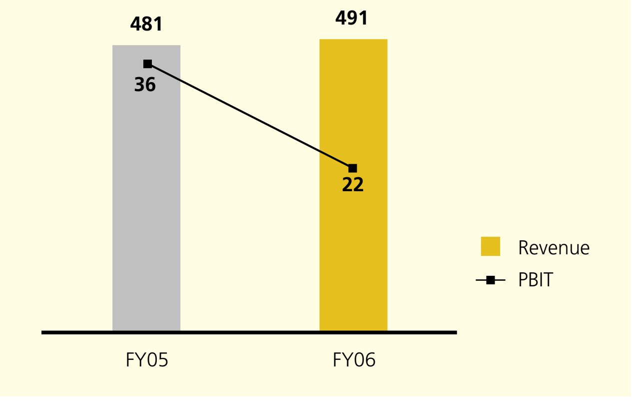
The printing plants in **China** have been set up to take advantage of the lower production cost base to cater to both domestic and export markets. The China production capabilities provide a competitive edge to meet the high quality expectations of its customers in a cost efficient manner. Everbest printing plant in South China enjoys a strong reputation amongst the major Australian, American and European publishers for its quality limp and case bound books while Shanghai Times Sanyin printing plant is the key site for the printing of telephone directories in the Asia region. The Liaoning plant produces offset cartons and labels for the pharmaceutical, food and beverage industries.

During the year, the new joint venture Shanxi Xinhua Times Packaging Printing Co. commenced operation. It marked the beginning of operation in an inner city that is in line with the Group's strategy of expanding its business into the inland provinces of China. The factory is capable of five-colour printing and is the most complete and technologically advanced packaging printing plant in this region. Its clientele includes major pharmaceutical companies in cities both within and beyond the Shanxi province.

During the year, the Group's listed associate, Fung Choi Printing and Packaging Group, entered the magazine business in China through the acquisitions of businesses involved in magazine distribution and advertising sales. The company was renamed Fung Choi Media Group Ltd to better reflect its transformation into a leading media and marketing entity. Fung Choi also formed a 51% joint venture with a Chinese company to manufacture display products and commercial signages. The joint venture's contracts include one with PetroChina, which involves the design, manufacture and installation of large-scale signages at PetroChina's petrol stations in Southern China. Subsequent to the financial year end, the Group increased its stake in Fung Choi to 29.5%.

Strategy-wise, Times International Printing continues to develop and grow the business in other print segments and focuses on high growth markets like China.

Publishing & Printing: Revenue and PBIT ($ million)



PANSING DISTRIBUTION GROUP – SPREADING DISTRIBUTION NETWORK

Pansing Books continues to be very active in the marketing of the 50,000 current titles under its charge. Author tours are a vital part of this, with perhaps the most notable being Jeffrey Archer's in November 2005. Publicity for key books and authors, helped by extensive in-store promotions, was also a key driver of sales.

Moving ahead, Pansing will continue to sharpen its operational effectiveness and embark on value analysis to extract maximum value in the supply chain.

TIMES THE BOOKSHOP – INCREASING RETAIL PRESENCE

In Singapore, Times The Bookshop opened two new stores in the year at Marina Square and Funan bringing the total number of stores to seven in the Orchard tourist belt and business district. The chain together with its airport outlets will now have a total of 18 stores in Singapore, including the latest outlet in the Singapore Budget Terminal.

In the year, the Group launched Mag@zing, a chain of convenience kiosks providing a wide variety of imported magazines to people on the go. Going forward, Times The Bookshop is set to reposition itself by gearing towards more market-driven initiatives and better retail management.

Treasury Highlights

The Group aims to maintain a prudent financial structure to ensure that it will be able to access adequate capital at an attractive cost. The main sources of cash flow for the Group are from its three business divisions, and investment and management fee income. Management monitors the Group's cash flow position, debt maturity profile, cost of funds, interest rates exposures and overall liquidity position on a continuous basis. To ensure that the Group has adequate overall liquidity to finance its operations and investment requirements, the Group maintains a significant amount of available banking facilities with a number of banks.

Net Group Borrowings (net of cash) rose slightly from $2.78 billion to $2.99 billion during the financial year under review. The increase in debt resulted from the continuing expansion of the Group's assets from $8.22 billion to $9.67 billion during the financial year. Net Gearing (borrowings less cash) fell from 0.75 times to 0.65 times as a result of a 24% increase in total equity to $4.6 billion during the financial year. Group cash increased from $577.0 million to $835.0 million mainly due to strong cash flows from the Group's residential development projects.

Interest cost in 2006 was $133.2 million (of which $49.6 million was capitalised), 22.2% higher than the previous year's interest cost of $109.0 million (of which $48.0 million was capitalised) mainly due to higher borrowings and higher interest rates.

Source of Funding

The Group relies on the debt capital markets, equity market and bilateral banking facilities for its funding. As at 30 September 2006, the Group has $3.55 billion in banking facilities, $0.60 billion in Transferable Term Loan facilities and $2.1 billion in Medium Term Note Programmes to meet the funding requirements of the Group.

Available Bank Lines by Banks as at 30 Sep 2006

The Group maintains an active relationship with a network of over 20 banks of various nationalities. Four core banks provide 57% of the banking requirements to the Group. Two of these banks are headquartered in Singapore and the remaining two are international foreign banks with extensive global networks. The remaining 43% of the banking facilities are extended to the Group by a group of international banks and one Singapore bank. All banking relationships for the Group are maintained by Corporate Treasury in Singapore.

Maturity Profile of Group Debt (exclude Finance Leases)

Maturing within one year	$987	million
Maturing within two to three years	$1,065	million
Maturing within four to five years	$1,566	million
Maturing after five years	$ 201	million
	$3,819	million

Interest Rate Profile

The Group manages its interest costs by maintaining a prudent mix of fixed and floating rate borrowings. On a portfolio basis, 60% of the Group's borrowings are in fixed rates with an average fixed rate tenor of 2 years and 9 months as at 30 September 2006. Another 7% of the Group's borrowings are on floating interest rates with interest rate caps. The remaining 33% of Group borrowings are in floating rates as at 30 September 2006. The higher proportion of fixed rate funding offers protection against potential interest rate hikes. The floating rate loan portfolio allows the Group to maintain a flexible maturity profile to support divestments and expected cash inflows from sales of development properties where debt can be reduced quickly.

In managing the interest rate profile, the Group takes into account the interest rate outlook, cash flow generated from its business operations, holding period of long term investments and any acquisition and divestments plans.

Gearing And Interest Cover

The Group aims to maintain a Net Debt to Total Equity ratio of below 1. As at 30 September 2006, this ratio was 0.65. Total interest paid during the year amounted to $133.2 million, of which $49.6 million was capitalised as part of Properties Under Development. The net interest charged to profit statement for the year was $60.4 million and net interest cover was at 10 times.

Risk Factors

The operations and performance of F&N's businesses are affected by a range of risk factors.

The Group has established an Enterprise-wide Risk Management ("ERM") methodology to identify and manage risks under the Group. The objectives of ERM are as follows:

(a) To maximise opportunities across the F&N Group to achieve the corporate mission and vision and strategies of each business unit;

(b) To identify and prioritise risks that may impact on the F&N Group, to assess the adequacy of controls in place, and to determine management actions to be taken; and

(c) To comply with Principle 12 of the Code of Corporate Governance (the "Code"):

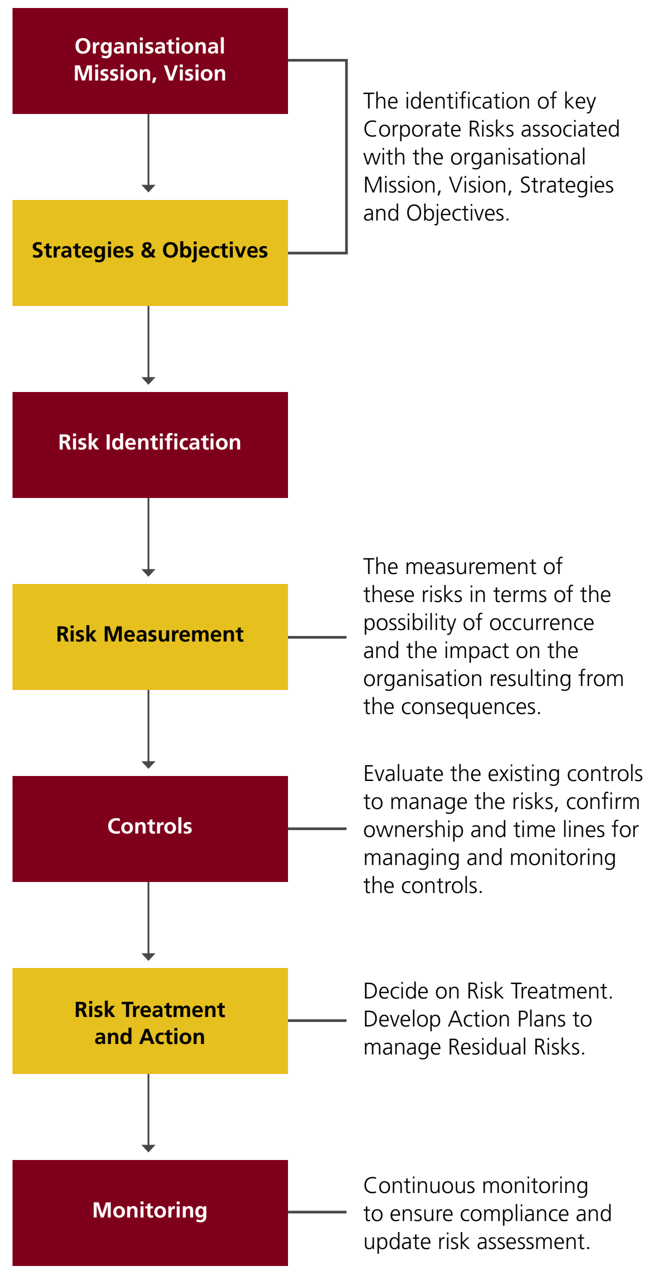
"The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investment and the company's assets."

Note:
The Guidance Note of the Code provides that:
"The Audit Committee should ensure that a review of the effectiveness of the company's material internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually."

The objective of the ERM is to provide a logical and systematic methodology for identifying, analysing, assessing, treating and monitoring risks. ERM enables the Group to formalise enterprise-wide processes, which in many cases are currently in place, but on an ad hoc basis. Risk registers are created through the use of the corporate risk scorecard records for:

(a) the risks identified;
(b) the possibility of the occurrence;
(c) the impact on the F&N Group; and
(d) the controls and management actions in place to mitigate risks, minimise losses and maximise opportunities.

The ERM process encompasses the following steps:



As many of the risks factors identified are beyond the control of the Group, the Group diversifies the risks by spreading its businesses in different geographical regions and industries. By leveraging on its strengths and core expertise in its three different core businesses, the Group can minimise the impact of any industry specific risks.

An analysis of the key risks faced by the Group:

Economic Risks
Changes in economic conditions in the markets we operate may have a material adverse effect on the demand for our products and services and the performance of the Group.

Political and Regulatory Risks
Political instability will have a material adverse impact on the economic and social conditions of the countries in which we operate. Changes in regulations may have a material adverse impact on the industry in which we operate and limit our flexibility to respond to competition and market conditions. The political and regulatory risks are generally higher in the developing countries that we operate in.

Business Interruption Risks
The Group has implemented a contingency plan to ensure business continuity and to mitigate any adverse impact on the operations of the Group by catastrophic events and interruptions. However, there are risks in plan execution and the Group's operations and financial performance may be adversely affected.

Human Resource Risks
Human Resource is a critical success factor for the Group. Any significant loss in our human capital and/or gaps in staff competencies will have a material adverse impact on the performance of our Group. The Group is constantly working on succession planning, staff training and talent identification and retention to ensure the Group remains competitive.

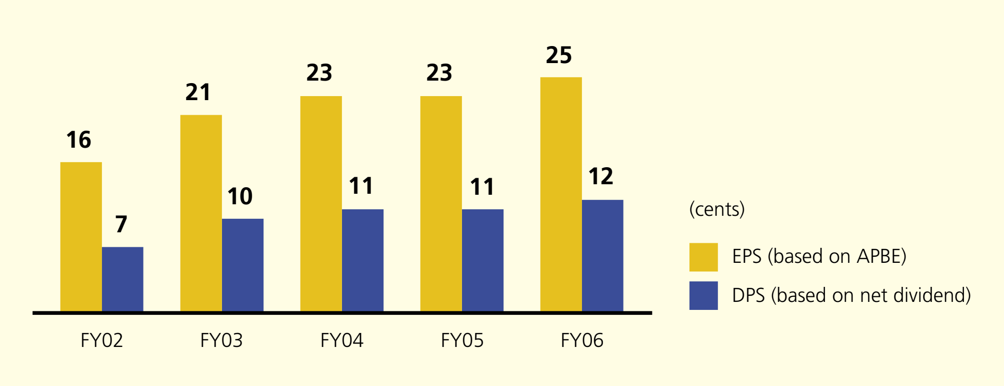
Financial Risks
The Group is exposed to various financial risks such as foreign currency risk, liquidity risk, credit risk and interest rate risk. The Group uses derivative financial instruments and other instruments to hedge against the financial risks. The Group's financial risk management is discussed in detail in Note 37 to the Financial Statements.

Shareholder Returns

The Group is committed to improving shareholder returns. Its underlying earnings per share has risen steadily over the last five years, with growth attributable to strong operational performance.

In addition, the Group maintained a track record of generous shareholder distributions and remains committed to paying close to 50 per cent of underlying profit. For the financial year ended 30 September 2006, the Board has recommended a final net dividend of 8 cents per share. Together with the interim dividend of 4 cents per share, this will give a total distribution of 12 cents per share for the year, which is 9% higher than the 11 cents (on a sub-divided basis) paid last year.

Shareholder Returns: Five-Year Earnings Per Share (EPS) and Dividend Per Share (DPS)



SHARE PRICE PERFORMANCE

F&N's share price has outperformed the Straits Times Index (STI) between October 2005 and September 2006 (+20% vs +11%).

F&N share price vs STI