Message From Chairman

distinctive leadership

"Our results for FY2010 were buoyed by stronger-than-expected economic recovery in Singapore and the region. I am pleased to report that the Group delivered a consecutive year of record profit in FY2010."

MR LEE HSIEN YANG
CHAIRMAN

REVENUE INCREASED 11% TO

$5.7B

PBIT INCREASED 34% TO

$1.1B

** before discontinued operations, fair value adjustment and exceptional items*

Corporate Developments

Structural Changes Underway to Transform the Group

In our financial year ended 30 September 2010, we made good progress in our ongoing efforts to strengthen the Group's foundation for sustainable growth in shareholder value. Outlined below are the major structural changes and strategic initiatives that were implemented.

Arising from an agreement reached between the Company and Heineken, our partner in Asia Pacific Breweries Limited ("APB"), APB was able to divest its fledgling Indian operations to Heineken and simultaneously acquire Heineken's controlling interests in PT Multi Bintang Indonesia ("MBI") and Grande Brasserie de Nouvelle-Calédonie S.A. These transactions (which were completed in February 2010) significantly improved the geographical mix and profit growth trajectory of the APB Group. The positive impact of these transactions is one of the reasons for APB's record-breaking performance in FY2010. Strategically, the acquisition of MBI has fortified APB's position in the South-East Asian beer market.

In November 2009, the Group embarked on a strategic review of its long-held glass containers business, which had expanded over the years to encompass four glass factories in Malaysia, Vietnam, Thailand and China under the ownership of Malaya Glass Products Sdn Bhd ("MGP"). Our Malaysian subsidiary, Fraser & Neave Holdings Bhd ("F&NHB"), which owned MGP, decided to exit this business in order to sharpen its focus on the Group's Food & Beverage ("F&B") business. Conducive conditions in FY2010 resulted in attractive tender bids, which enabled the Group to realise good value from this divestment.In May 2010, F&NHB announced the divestment of its 100 per cent stake in MGP for a cash consideration of $310m. On completion of this divestment in July 2010, F&NHB realised a gain of $161m. This divestment paved the way for resources to be strategically deployed towards the realisation of the Group's vision of building a world-class regional F&B enterprise.

This is a defining period for us as we gear up to meet the challenge of a new competitive landscape. Our bottling agreements with The Coca-Cola Company ("TCCC") in Singapore, Malaysia and Brunei (the earliest of which dates back to 1936) expired in January 2010. F&NHB continues to bottle, distribute and sell TCCC brands in Malaysia, while TCCC continues to bottle, distribute and sell brands from F&NL in the Singapore and Brunei markets under transition agreements that will expire on 30 September 2011.

For our Soft Drinks business, FY2010 was characterised by substantially higher brand investments, a faster pace of new product introductions, a new distribution agreement for *Red Bull* energy drink (in Malaysia) and fundamental changes to our organisation structures and operations in order to extract synergies, improve controls and maximise cost efficiencies. We also laid the groundwork for the regional expansion of our Soft Drinks business now that we are free from constraints previously imposed under our licensing agreements with TCCC.

Message From Chairman

The Group's strategy to substantially enhance our Dairies business gained further traction with the start-up of F&NHB's $106m state-of-the-art plant in Rojana (Thailand) in early FY2010. Another new $149m dairy plant in the halal hub in Pulau Indah (Malaysia) is on schedule to begin operations by the end of 2011. F&NHB's acquisition of Nestle's liquid canned milk business in Malaysia, Thailand, Indochina, Singapore and Brunei in February 2007 and its enlarged dairy capacity have solidified the Group's regional position within this market segment.

On 26 July 2010, Kirin Holdings Company Limited ("Kirin") announced that it had signed a Share Purchase Agreement with Temasek Holdings (Private) Limited ("Temasek") to acquire the latter's 14.7 per cent shareholding in the Company. Kirin has stated its intention to work closely with F&N to enhance the enterprise value of both companies. I am glad to report that collaborative efforts are currently underway to implement specific non-alcoholic F&B projects to meet the strategic objectives of both F&N and Kirin.

In October 2010, we announced the conditional acquisition of King's Creameries (S) Pte Ltd ("King's"), previously owned by Kirin through its subsidiary National Foods (S) Pte Ltd. Upon completion, this acquisition will enable us to extract economies of scale and alleviate the capacity constraint at our only ice cream plant in Thailand. King's plants in Sham Alam and Kuching (in Malaysia) will help lower the cost of transporting our complementary range of *Magnolia* and *King's* ice cream products to consumers throughout Malaysia, Thailand and Singapore.

In November 2010, F&NHB completed the acquisition of a 23 per cent stake in Cocoaland Holdings Bhd, a Bursa-listed company, which is involved in the manufacturing and distribution of biscuits, savory snacks, sweets and candies. This investment is a strategic foothold into the fast-growing packaged food business.

Frasers Centrepoint Trust ("FCT") ceased to be a subsidiary in February 2010. In line with the Group's asset-light strategy for its Properties business, our wholly-owned subsidiary, Frasers Centrepoint Limited ("FCL") sold two of its malls - *Northpoint Extension* and *YewTee Point* - to FCT for a total cash consideration of $290m. The favourable investment climate enabled FCT to place out new units to partly finance these acquisitions. In view of strong institutional demand, and in order to improve the free float of FCT units, the Group chose not to subscribe to the new FCT units, thereby reducing its interest in FCT from about 52 per cent to about 43 per cent. Under a right of first refusal, the next FCL mall in the pipeline to be sold to FCT is likely to be *Bedok Point*, which commenced operations in December 2010.

FCT and Frasers Commercial Trust ("FCOT") are supported by FCL through rights of first refusal over FCL's retail and commercial properties respectively which meet certain specified criteria. The performance of FCOT in FY2010 improved after its recapitalisation and refinancing exercise, which was carried out in conjunction with its acquisition of *Alexandra Technopark* from FCL in August 2009.

FCL made positive inroads in its major markets. Its residential development business benefited from our healthy inventory of well-located sites in Singapore, China and Australia. In the United Kingdom, FCL is working with its banks towards a satisfactory restructuring of its credit facilities. The rapid international expansion of FCL's hospitality management business continued unabated in FY2010. Its investment properties enjoyed better occupancies and rental rates in line with economic recovery.

Our Publishing & Printing ("P&P") business achieved a turnaround in FY2010 as restructuring efforts and new strategic initiatives bore fruit. As reported in my previous Statement, the Board remains open to strategic options for our P&P business, including a sale of this business in part or in whole.

FINANCIAL RESULTS

Emerging from the Global Financial Crisis with Stronger Fundamentals

Our results for FY2010 were buoyed by stronger-than-expected economic recovery in Singapore and the region. I am pleased to report that the Group delivered a consecutive year of record profit in FY2010. Group Attributable Profit before discontinued operations[1], fair value adjustment on investment properties and exceptional items rose by 27 per cent, to reach a new peak of $584m.

Group revenue was 11 per cent higher, at $5.7b. This was due mainly to a 16 per cent growth in revenue from our F&B business and an 8 per cent increase in progressive recognition of residential property sales.

[1] *Discontinued businesses refer to MGP's glass containers business and APB's operations in India*

Group Profit before Interest and Taxation ("PBIT"), and also before discontinued operations, fair value adjustment on investment properties and exceptional items, soared to $1.1b; an improvement of 34 per cent over last year. This figure is a historic milestone for the Group and it marks the sixth straight year of uninterrupted growth at the operating level.

PBIT growth in FY2010 was broad-based, across all our business units and in all our major markets. Our CEOs' Reports on pages 20 to 52 provide an insight into the earnings drivers and the growth strategies for our F&B, Properties and P&P businesses.

Group Attributable Profit rose by 128 per cent to $820m after taking into account fair value adjustment on investment properties and exceptional items. Our return on equity ("ROE") hit 10 per cent, surpassing the ROE of 8.5 per cent last year.

We have emerged from the global financial crisis with a stronger balance sheet. Our businesses generated robust cash flows. At the end of FY2010, the Group had a cash balance of $1.7b and total debt of $4.6b. Group gearing was 24 per cent lower (at 0.41x) and interest coverage ratio improved to 17.2x (from 12.9x in FY2009). The average cost of Group debt dropped 66 bps to 3.34 per cent and the average maturity of debt was 3.33 years (versus 3.25 years in FY2009). We have undrawn facilities of $3.3b, which can be used to seize acquisition opportunities should these arise.

At the end of FY2010, our share price was 64 per cent higher than a year ago. This outperformed the Straits Times Index's growth of 16 per cent over the same period. This surge in our share price reflects the strong earnings momentum of the Group.

DIVIDENDS

Given our record results, the Board recommends a final ordinary dividend of 12 cents per share. This brings total dividend for the year to 17 cents per share - an all-time high for the Company - and an increase of 26 per cent over last year. The final dividend, if approved by Shareholders, will be paid on 22 February 2011. The total dividend is 41 per cent of Group Attributable Profit before fair value adjustment and exceptional items for FY2010.

This recommendation to increase the annual dividend to 17 cents per share reflects the Board's confidence in the Group's future performance. It has been the Company's policy to pay out up to 50 per cent of Group Attributable Profit before fair value adjustment and exceptional items. Barring unforeseen circumstances, the Company seeks to maintain or improve absolute dividend per share.

OUTLOOK

Economic growth in Singapore and the region is expected to moderate in 2011 after the sharp rebound in 2010. The Directors expect the Group's businesses to continue to make satisfactory progress in the new financial year so long as there is no significant deterioration in market conditions.

ACKNOWLEDGEMENTS

Our Annual Report theme – *Great People. Distinctive Performance.* – aptly describes our workforce around the region. I thank Management and Staff for their enthusiasm, drive, dedication and proactive response to the rapid changes around us.

I also want to express appreciation to our former Management and Staff of MGP whose professionalism and hard work ensured continued value creation throughout the strategic review and sale process. Under the new owners, MGP is in a better position to realise its full potential and this will benefit all its stakeholders.

Mr Simon Israel, a nominee of Temasek, resigned from the Board on 31 March 2010. He was replaced by Mr Ng Yat Chung, who subsequently resigned from the Board when Temasek sold its stake in the Company to Kirin. I would like to thank them for their contributions to the growth of the Group.

On 8 September 2010, we warmly welcomed Ms Maria Mercedes Corrales as an independent and non-executive director of the Company. Her knowledge of the fast moving consumer goods market, and her experience in doing business in the region will undoubtedly help us in our efforts to build a world-class F&B business.

Kirin's nominee, Mr Hirotake Kobayashi, was appointed to the Board on 13 December 2010. We look forward to a mutually beneficial co-operation with Kirin to enhance the value of our non-alcoholic business.

In closing, I want to thank my colleagues on the Board for their wise counsel. On behalf of the Board, I also place on record our thanks to our strategic partner Heineken, our other business partners, consumers and shareholders for their support and contributions to another year of remarkable achievements.

Mr Lee Hsien Yang
Chairman
4 January 2011