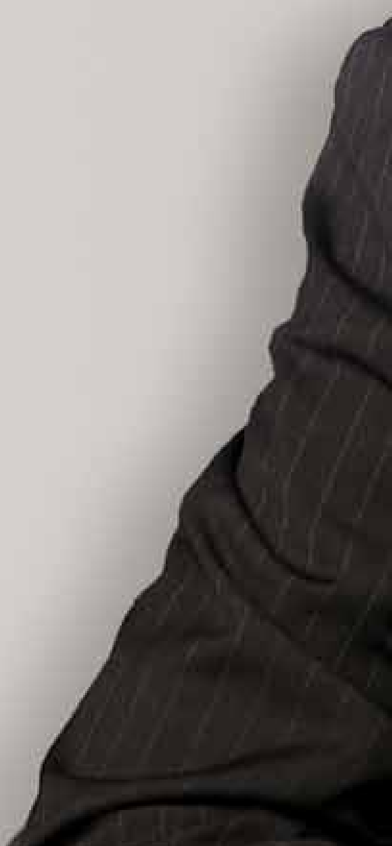
# JOURNEY of Achievements

## CORPORATE DEVELOPMENTS

This year has been an eventful one, beginning with the extended flooding of our dairy facility in Thailand, the sale of our 81-year old brewery business and a takeover situation for the Company, the outcome of which is yet unknown.

18 July 2012 marked the dawn of a new era for the Company. On that day, the OCBC Group and Lee Rubber Company (Pte) Limited ("Lee Rubber") agreed to sell their combined 22% stake in F&NL at $8.88 per share and 8.6% stake in Asia Pacific Breweries Limited ("APBL") at $45 per share, to Thai Beverage Public Company Limited ("Thai Beverage") and Kindest Place Groups Limited, respectively. The attractive premiums negotiated for these transactions set record benchmarks then for the share prices of the Company and APBL. We also want to thank the OCBC Group and Lee Rubber for their support over the many years which have facilitated the Group's growth to what it is today.

These transactions triggered a series of events (see Timeline on page 8) culminating in the sale of the Company's interests in APBL. F&NL is now also the subject of competing takeover bids from TCC Assets Limited ("TCC Assets") and a consortium led by Overseas Union Enterprise Limited ("OUE").



**"The value created for all shareholders of F&NL and APBL was only possible because of the concerted regionalisation and expansion efforts since the 1990s..."**

**MR LEE HSIEN YANG**
CHAIRMAN

**20 Jul 12**
Heineken NV offers $50 per share for F&NL's direct/indirect stakes in APBL and $163 million for non-APBL assets in APIPL

**18 Jul 12**
OCBC Group and Lee Rubber agree to sell:
- 22% stake in F&NL, at $8.88 per share to Thai Beverage
- 8.6% stake in APBL, at $45 per share, to Kindest Place

**18 Aug 12**
F&NL Board announces recommendation for sale of direct and indirect stakes in APBL to Heineken NV, at an improved offer of $53 per share and non-APBL assets in APIPL for $163 million

**14 Aug 12**
OCBC Group completes the sale of their stakes in F&NL & APBL

**28 Sep 12**
F&NL Shareholders approve sale of APBL to Heineken NV

**13 Sep 12**
TCC Assets launches a mandatory conditional cash offer at $8.88 per share

**15 Nov 12**
OUE announces a voluntary conditional cash offer for F&NL at $9.08 per share

**Timeline – Series of Significant Events Since 18 July 2012**

APBL had been an important part of our Food & Beverage ("F&B") strategy. However, with the prospect of Thai Beverage becoming a substantial shareholder of the Company, Heineken NV asserted that this had altered the fabric of the 50:50 joint venture in Asia Pacific Investment Pte Ltd ("APIPL").

After careful deliberation and taking into consideration that the Company may not be able to realise the full potential of APBL's business in the future, given the constraints of the APIPL joint venture structure, the Board recommended the sale of F&NL's direct and indirect interests in APBL at an improved and attractive price of $53 per APBL share. The total consideration from our divestments was $5.6 billion, including $163 million for non-APBL assets held directly by APIPL.

F&NL shareholders overwhelmingly approved these divestments at an extraordinary general meeting ("EGM") on 28 September 2012, enabling the Company to unlock substantial value in the beer business and maximise overall returns for shareholders. Completion of these divestments took place on 15 November 2012.

The value created for all shareholders of F&NL and APBL was only possible because of the concerted regionalisation and expansion efforts since the 1990s, the unstinting support of both partners in the APIPL joint venture and the excellent execution of APBL management.

## Group Revenue

# $5,570M

## Group PBIT

# $952M

I would like to place on record our thanks to Directors and management of APBL, past and present, especially our past chairman Dr Michael Fam, who proposed the APIPL joint venture which reserved the Asia Pacific region for APBL. I would also like to extend F&NL's best wishes to Heineken NV and APBL for continued progress. We are pleased to note that Heineken NV has stated that both the *Heineken* and *Tiger* brands will spearhead their brand portfolio in this region.

Today, the Company still retains a 55% stake in Myanmar Brewery Limited ("MBL"), which has a leadership position in the Myanmar beer market. Given its first-mover advantage, our investment in MBL continues to be of significant value at a time when Myanmar is attracting foreign investments in the wake of the recent political and economic developments in the country.

The ongoing rival contest for control of F&NL reflects the attractiveness of our established portfolio of brands in the Soft Drinks and Dairies businesses, and our extensive distribution network in Malaysia, Singapore and Thailand. Our property arm is also one of Singapore's leading integrated real estate companies with a sound reputation as a quality developer of homes and an experienced manager of commercial properties and gold-standard serviced apartments.

### Group Financial Review

The results of our Financial Year ended 30 September 2012 ("FY2012") were affected by the adoption of INT FRS 115 which permits the recognition of development profits from the sale of Executive Condominiums in Singapore and overseas development projects only upon completion. Going forward, this change in accounting is likely to cause volatility in the reporting of our Development Property earnings.

For FY2012[1],

- Group turnover fell by 12% to $5.6 billion compared to last year. This was due mainly to a 45% decline in revenue from Development Property and a 9% drop from Dairies arising from floods in Thailand.
- At the operating level, Group Profit Before Interest, Taxation and fair value gain and exceptional items declined 19% from last year to $952 million. The reduction from last year was due mainly to lower recognition of Development Property earnings, the absence of one-off gain from the sale of 50% of the Group's stake in *Central Park* in Australia and lower contribution from Soft Drinks and Dairies.
- This year, the Group recorded a net gain of $340 million from fair value adjustments of our investment properties (versus $113 million last year), bringing the Group Attributable Profit, after fair value gain and exceptional items to $836 million, 7% lower than last year.
- Our balance sheet was further strengthened with net asset value per share at $5.31 at the end of FY2012, an increase of about 9% over last year. After the close of FY2012, net asset value rose by a further $3.41 per share upon the completion of the divestment of our stakes in APIPL and APBL.
- Group gearing improved to 27% (from 31% last year). The average cost of Group debt fell to 2.91% (versus 3.23% in FY2011). We ended FY2012 with a stronger balance sheet.

On 15 November 2012, the Company received $5.6 billion cash from the proceeds of the sale of the beer business. Together with undrawn facilities of $3.1 billion[2] under our revolving credit facilities, the Group stands in good stead to pursue opportunities for growth.

**Note:**

1 *The results in this section includes the Group's share of APIPL/APBL FY2011 and FY2012 results which were presented separately as Discontinued Operations in the Group Financial Statements*

2 *As at 30 September 2012*

## Operations Review

The Business Review section of this Annual Report presents our CEOs' reviews of the FY2012 performance by our F&B, Properties and Publishing & Printing businesses.

Our F&B division had a busy and challenging year. The expiry of our licensing agreement with The Coca-Cola Company on 30 September 2011 gave us a fresh start. During the year, we successfully defended our leading positions in Malaysia and Singapore and laid the groundwork for expansion into new ASEAN markets. Excluding the Coca-Cola business in Malaysia, we achieved volume growth across our Soft Drinks brand portfolio as a result of our focus on brand and market building campaigns.

We reported in October last year that massive floods affected large parts of Thailand, including our Rojana dairy plant which was closed for about 200 days. The plant re-commenced operations in April 2012 and was in full production by May 2012, one of the first companies in the Rojana Industrial Estate to do so. During the plant closure, products were imported from around the region to meet consumer demand and to maintain market positions. Thanks to our colleagues in Thailand for a job well done.

Take-up rates for residential units in Singapore were encouraging in FY2012 despite cooling measures implemented by the Singapore Government. Frasers Centrepoint Limited ("FCL") launched four projects and sold 3,047 units[3] during the year. FCL remains one of Singapore's top three developers in terms of number of private non-landed residential (including Executive Condominium) units sold for FY2012.

FCL will continue to adopt a conservative approach in its efforts to replenish its land bank in Singapore, which at the end of FY2012, can yield about 1,050 apartment units[3].

In China, the launch of phase 2A *Baitang One* in Suzhou saw sales of 100 out of 244 units. Currently, our residential land bank in China can yield about 7,500 units[3] over the next few years.

On 28 September 2012, we completed the sale of our entire interest in Frasers Property China Limited ("FPCL"). This enabled us to rationalise our property development activities in China under one entity. I would like to thank the Directors and management of FPCL for their hard work and support.

In Australia, we recorded strong pre-sales of about 580 units[3] in FY2012 mainly at *Central Park*, Sydney.

At the end of FY2012, the Group had unrecognised contracted sales of $3.1 billion from Singapore and overseas pre-sold residential projects which will support its Development Property earnings over the next few years.

During the year, Frasers Commercial Trust ("FCOT") acquired the remaining 50% interest in *Caroline Chisholm Centre* in Canberra and successfully unlocked value in *Keypoint* which was divested at a gain of $73 million. On 25 October 2012, FCOT completed its portfolio reshaping strategy which began two years ago, when it divested its remaining Japanese portfolio. Moving forward, FCOT will focus on growing its portfolios in Singapore and Australia.

Frasers Centrepoint Trust ("FCT") achieved a strong performance in FY2012 with a record distribution of 10.01 cents per unit (20% higher than FY2011). The results were bolstered by a full year's contribution from *Bedok Point*, the substantial completion of the refurbishment of *Causeway Point* and a healthy rental growth across all its properties.

The mall at Changi Business Park, *Changi City Point,* commenced operations in November 2011. It is part of the *One @ Changi City* project jointly owned and developed by FCL and Ascendas Land. *One @ Changi City* is an integrated business park with retail and hotel elements. The hotel, *Capri by Fraser*, opened in September 2012.

**Note:**
3 *Including share of joint ventures*

At the end of FY2012, Frasers Hospitality owned and/or managed 7,100 apartment units, with signed management contracts for another 5,110 apartment units which are currently under construction.

Our Publishing and Printing business continued to rationalise its operations in the face of challenging competitive landscape to improve returns. Times Publishing Limited, our wholly owned subsidiary, discontinued its under-performing Library Reference business in the US to focus on Education Publishing which has gained strong traction. A new office in Chile was recently set up to drive the growth in education publishing business in Latin America.

## Dividends

The Directors recommend for shareholders' approval, a final ordinary dividend of 12.0 cents per share. If approved at the annual general meeting on 29 January 2013, this brings total dividend for the year to 18.0 cents per share. The total proposed distribution of 18.0 cents represents payout of 54% which is marginally higher than our policy of paying up to 50% of Group Attributable Profit before fair value gain and exceptional items. This is to maintain the same dividend payment as the previous year.

The final dividend, if approved by shareholders, will be paid on 21 February 2013.

The Board's proposal to distribute $4 billion of the proceeds from the sale of APBL to shareholders by way of a capital reduction did not secure the requisite 75% approval of the shareholders at the EGM on 28 September 2012. The Directors will explore options for cash distribution to shareholders when the Company is no longer the subject of any takeover offer.

## Corporate Governance

During the year, we reconstituted the Risk Management Committee as part of the Company's efforts to strengthen its risk management processes and framework. This is in line with the heightened emphasis on risk awareness within our Group and is in compliance with the revised Code of Corporate Governance.

## Acknowledgements

This has been a busy period. The Board met 18 times during the course of FY2012, on many occasions to consider the offers for APBL at short notice. After the close of the financial year, the Board also held special meetings to consider the offers for the shares of the Company. I would like to thank my fellow Board members for their invaluable counsel which enabled us to arrive at an attractive price for the divestment of our stakes in APIPL and APBL.

Mr Soon Tit Koon, a nominee of OCBC Group resigned from the Board on 14 August 2012 following completion of the sale of shares by the OCBC Group in the Company. I would like to thank him for his active participation and contributions to the growth of the Group.

On behalf of the Board, I would like to place on record our appreciation to the Boards of Fraser & Neave Holdings Bhd, Frasers Centrepoint Asset Management Limited (the manager of FCT) and Frasers Centrepoint Asset Management (Commercial) Ltd (the manager of FCOT) for their able stewardship of our listed entities.

I also thank management and staff for their contributions towards another successful year. Our gratitude also goes to all our customers and shareholders for your continued support.

**Mr Lee Hsien Yang**
Chairman