



Entertaining

Taste for Decades



Financial Calendar

The appeal of F&N’s brands has been the foundation of our strength through the years. Our efforts go beyond merely delivering high quality products that meet changing tastes and needs. We look further - to add a touch of fun, pleasure and even entertainment into the lives of all segments of society. As a forward-looking organisation, we will keep innovating attractive new products to strengthen our brand portfolio even more.

Financial Results Announcements

First quarter	09 February 2006
Second quarter	04 May 2006
Third quarter	03 August 2006
Fourth quarter	07 November 2006

Dividend Interim

• announcement	04 May 2006
• entitlement	24 May 2006
• payment	05 June 2006

Proposed Final

• announcement	26 December 2006
• entitlement	18 January 2007
• payment	05 February 2007

Press & Analyst Briefings Held

Second quarter	05 May 2006
Fourth quarter	08 November 2006

General Meeting

Annual	17 January 2007
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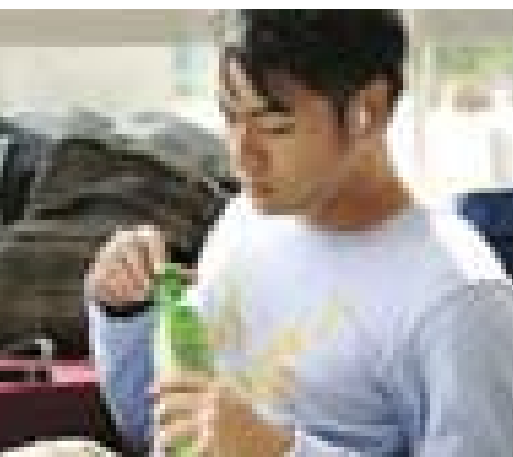
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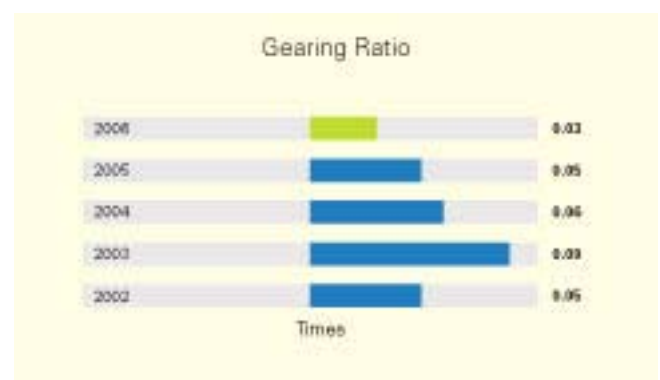
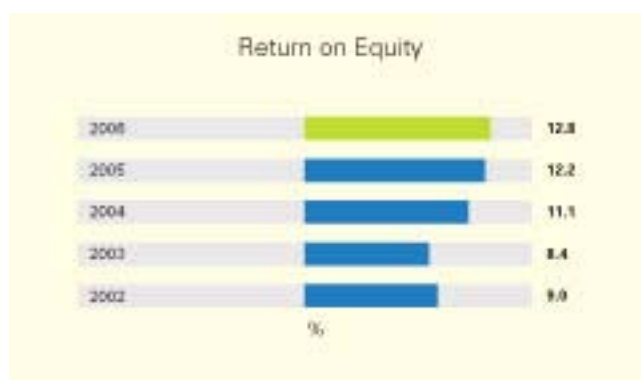
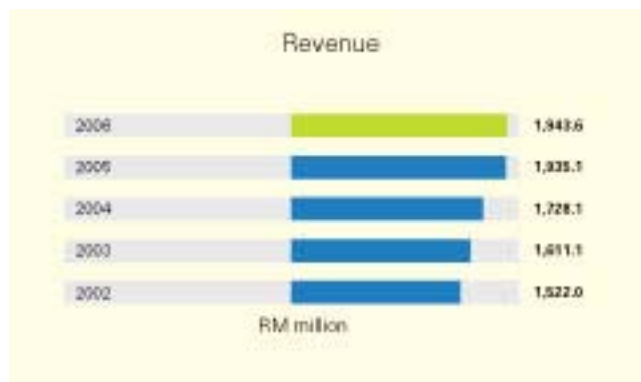


Five-Year Group Performance

	2006	2005	2004	2003	2002
Results (RM million)					
Revenue	1,943.6	1,935.1	1,728.1	1,611.1	1,522.0
Profit before taxation (PBT)	194.2	183.8	157.1	122.8	122.3
Attributable profits	142.8	132.0	116.4	84.0	87.7
Dividend					
Per share					
– Earnings (sen)	40.1	37.0	32.7	23.5	24.6
– Dividend – net (sen)	32.7*	30.0	25.0	20.0	12.0
– Dividend cover (times)	1.3	1.2	1.3	1.2	2.1
Balance Sheet (RM million)					
Share capital	356.5	356.5	356.5	356.5	356.5
Shareholders' equity	1,115.3	1,084.9	1,050.2	998.0	974.7
Total assets	1,739.5	1,676.6	1,652.1	1,613.6	1,448.0
Long term borrowings	16.9	23.3	32.1	51.1	47.9
Net tangible assets per share (sen)	313	304	295	280	273
Ratio					
PBT on revenue (%)	10.0	9.5	9.0	7.6	8.0
Return on equity (%)	12.8	12.2	11.1	8.4	9.0
Gearing ratio (times)	0.03	0.05	0.06	0.09	0.05

* Include proposed dividend of 21.17 sen, which will only be recognised in the financial statements upon shareholders' approval

Five-Year Group Performance Charts



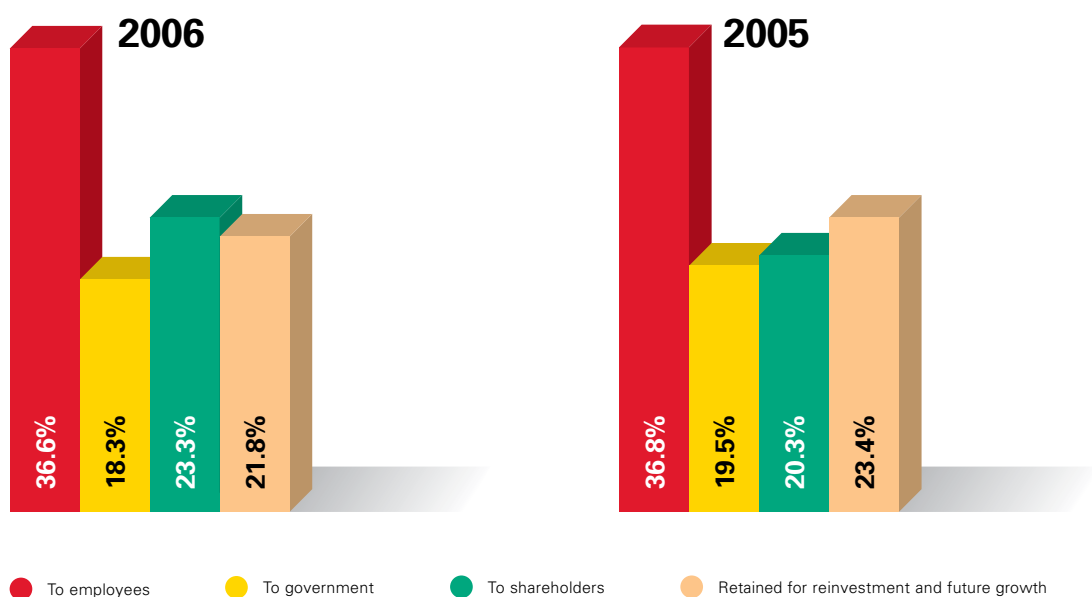
Statement of Value Added

	2006 RM'000	2005 RM'000
Revenue	1,943,630	1,935,106
Purchase of goods and services	(1,412,125)	(1,404,239)
Value added available for distribution	531,505	530,867

Distribution

To employees	194,602	195,379
To government as taxation (Direct & Indirect)	97,423	103,758
To shareholders	123,693	107,777
Retained for reinvestment and future growth	115,787	123,953
	531,505	530,867

Distribution of Value Added



corporate

review

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Chairman's Statement

Kenyataan Pengerusi / 主席献词



F&N Holdings continued to perform well in 2006 recording a profit after tax of RM153.6 million, an improvement of 10 per cent compared to last year. This double digit profit growth is the sixth consecutive year of record profit registered by the Group. Attributable profit to shareholders, after minority interest stood at RM142.8 million – eight per cent above last year and also a new record for the Group.

Revenue at RM1.94 billion was slightly ahead of last year. A challenging consumer market subjected domestic sales of soft drinks to intense pressure following substantial hikes in the price of petrol and diesel early in 2006. Volume was stabilised in the last quarter of the financial year, but full year revenue of soft drinks was still RM45 million or four per cent below the previous year, while operating profit was RM10 million or nine per cent lower.

The dairies division showed more resilience due to the nature of its products and increased exports. Improved revenue and operating profit (both plus four per cent) were achieved despite record raw material prices.

The glass containers division rebounded after two years of poor results. The China joint venture was turned around convincingly following successful diversification of its customer base and closed the year with a positive operating profit of RM1.8 million compared to a loss of RM8.5 million in the year prior. Overall, the glass division managed to improve revenue and operating profit by 12 per cent and 80 per cent, respectively.

Phase One of the Fraser Business Park development contributed revenue of RM67 million and an operating profit of RM21 million to the Group. As at September 30, 2006, we had completed and recognised 83 per cent of the project revenue and profit.

Delivering Value To Shareholders

Our Group remains committed to delivering attractive and lasting value to our shareholders. In order to ensure that returns are sustainable, we continue to invest to grow our core businesses and focus on quality earnings. Over the past five years, return on equity (ROE) has improved from nine per cent to 12.8 per cent, an improvement of more than 40 per cent.

We also seek to return value to shareholders through a strong, sustainable dividend policy. In line with this year's improved performance, directors are proposing a final dividend of 29 sen gross per share (21.17 sen net of tax).

Together with an interim dividend of 16 sen gross per share (11.52 sen net of tax), the total dividend for the year would stand at 45 sen gross per share (32.69 sen net of tax). This would represent an 82 per cent payout of net profit and an improvement of eight per cent compared to the previous year. It would also mark the seventh straight year of increased dividend and shareholders will note that since 1999, we have increased our dividend payout from 2.2 sen (net of tax) to 32.69 sen (net of tax), an improvement of 14.86 times.

On the back of 12 per cent appreciation in our share price during the year, total shareholders' return was 18 per cent. Our market capitalisation stood at RM2.21 billion at September 30, 2006 compared to RM1.21 billion five years ago, an improvement of 83 per cent, or an average compounded annual growth of 16 per cent.

Notwithstanding the robust dividend policy, the Group has a net cash position of RM206 million compared to RM146 million in the previous year.

Building a Foundation for Long Term Growth

We continue to invest in our core revenue streams and focus on business strategies that will deliver sound returns as well as long term growth to the Group.

During the year, the soft drinks division made a relatively modest but strategically important acquisition of two water wells. These water sources – one located in Kuching, Sarawak and the other in Bentong, Pahang – will assist in growing our mineral water business under the Aquarius and Borneo brands and will further consolidate our soft drinks division's dominance of the ready-to-drink market.

The 70 per cent-owned green field glass plant in Saraburi, Thailand, is at an advanced stage of construction and is due to commence operations as scheduled in the last quarter of 2007. On completion, this plant will add to our existing glass container plants in Malaysia, Vietnam and China and will position us as a regional glass player with five plants in four countries.

Subsequent to the year end, F&N announced the acquisition from the Nestle Group of the latter's canned liquid milk, UHT, chilled milk and juices businesses for certain countries in South East Asia. The acquisition offers significant growth potential for the dairies division and on completion on 1 February 2007 will add RM900 million, on an annual basis, to revenue. This represents a 47 per cent improvement to the Group's top-line. It also opens up Thailand and the Indochina markets where Nestle has leading positions in this product category and further consolidates F&N's dominant position in Malaysia.

Chairman's Statement

On full realisation, the acquisition will increase the dairies division's revenue to RM1.5 billion and will for the first time make its contribution to the Group greater than the soft drinks contribution of around RM1 billion. This acquisition will enable the Group to reduce its dependency on soft drinks sales, although the latter will continue to be the leading contributor to the Group's operating profit in the immediate future.

This expansion of the dairies division represents a major step forward for F&N Holdings Bhd and we have reasons to be optimistic that the latest acquisition will contribute significantly to the Group's profit, while providing a platform for future expansion in the years ahead.

Corporate Governance

We remain committed to good corporate conduct and governance and strive continuously to improve the effectiveness of the board and its committees. (More detailed information on the Group's corporate governance can be found in the appended Statement on Corporate Governance.)

Corporate Social Responsibility

This year, the F&N Chairman's Awards scheme disbursed a record sum of RM214,600 to 172 children of the F&N Family. Since its inception four years ago to commemorate F&N's 120th Anniversary, I have been pleased to note a year-on-year increase in the number of children benefiting from the scheme. To date, a total of 528 children have received awards totalling RM591,500.

Our operating subsidiaries continued to sponsor many worthwhile and deserving community, youth and sports events during the year. Employee participation was encouraged in these events, more details of which can be found in the operating review section of this report.

Outlook and Prospects

During the past five years, our operations have demonstrated the ability to deliver sustainable earnings and growth, notwithstanding the challenging business environment of the period. Looking ahead, we do not expect a quick recovery of consumer sentiment due to inflationary fears and the cautious economic outlook. Furthermore, our operations continue to face cost pressures from higher fuel, packaging and raw material prices.

We expect the recent acquisition of the liquid milk business to begin contributing in the second half of the financial year, but it is too early to determine its impact. Much depends on the speed of integration and management's ability to extract synergies from the enlarged business.

During the year, we successfully launched Phase Two of Fraser Business Park and this will sustain contribution from the property division following the completion of Phase One, expected in early 2007.

Overall, we expect another challenging year ahead although we are optimistic of the long-term future of the Group.

Board Changes

On November 7, 2006, Dr Radzuan bin A Rahman stepped down as director after serving as a member for nine years. Mr Huang Hong Peng, the alternate director to Dr Han Cheng Fong, also resigned as director following his transfer within the F&N Ltd Group. The board will miss their wise counsel and I would like to express our appreciation to both Dr Radzuan and Mr Huang for their invaluable contributions and distinguished service to the Group.

I also would like to welcome Dato' Dr Nik Norzrul Thani bin Nik Hassan Thani and Dr Kwok Kain Sze (alternate director to Dr Han Cheng Fong) who have joined the board. I look forward to their contributions and participation in future board deliberations.

A Note of Thanks

On behalf of the board, I would like to thank the management and staff for their commitment and dedication to the delivery of consistent, sustainable and competitive returns. I also thank our customers, business partners and associates for their support and the collectively vital role they play in our success.

Last, but not least, thanks must go to all our shareholders for your continued confidence in F&N Holdings Bhd.

Yours sincerely,

**Tengku Syarif Bendahara Perlis Syed Badarudin
Jamalullail Ibni Almarhum Tuanku Putra Jamalullail**

Chairman

November 30, 2006

Kenyataan Pengerusi

F&N Holdings terus mencatat prestasi yang memberangsangkan pada 2006 dengan mencapai keuntungan selepas cukai berjumlah RM153.6 juta, iaitu kenaikan 10 peratus berbanding tahun lepas. Pertumbuhan dua angka ini merupakan kali keenam berturut-turut Kumpulan mencatatkan keuntungan tertinggi. Keuntungan yang boleh diagihkan kepada pemegang saham, selepas menolak kepentingan minoriti, berjumlah RM142.8 juta – lapan peratus lebih tinggi daripada tahun lepas dan juga rekod baru bagi Kumpulan.

Perolehan sebanyak RM1.94 bilion yang dicatat adalah lebih tinggi sedikit berbanding tahun lepas. Pasaran pengguna yang mencabar memberi tekanan besar kepada prestasi jualan minuman ringan berikutan kenaikan ketara harga petrol dan diesel pada awal 2006. Volum kembali stabil pada suku terakhir tahun kewangan, tetapi hasil minuman ringan bagi setahun penuh tetap merosot RM45 juta atau empat peratus berbanding tahun sebelumnya, manakala keuntungan operasi susut RM10 juta atau sembilan peratus lebih rendah.

Bahagian produk tenusu lebih mantap disebabkan ciri-ciri produknya dan juga jumlah eksport yang lebih tinggi. Peningkatan hasil dan keuntungan operasi (kedua-duanya naik empat peratus) telah dicapai walaupun menghadapi tekanan harga bahan mentah yang sangat tinggi.

Bahagian bekas kaca kembali kukuh selepas dua tahun dalam prestasi yang kurang memuaskan. Usaha sama di China telah mencatatkan pemulihan kukuh berikutan kejayaan mempelbagaikan asas pelanggan dan mengakhiri tahun dengan keuntungan operasi positif RM1.8 juta berbanding kerugian RM8.5 juta pada tahun sebelumnya. Secara keseluruhan, bahagian kaca berjaya meningkatkan hasil dan keuntungan operasi sebanyak 12 peratus dan 80 peratus.

Fasa Satu pembangunan Fraser Business Park menyumbang hasil berjumlah RM67 juta dan keuntungan operasi sebanyak RM21 juta kepada Kumpulan. Pada 30 September 2006, kami telah menyiapkan dan mengiktiraf 83 peratus daripada hasil dan keuntungan projek tersebut.

Menghasilkan Nilai untuk Pemegang Saham

Kumpulan F&N beriltizam untuk menghasilkan nilai yang tinggi dan berkekalan kepada pemegang saham kami. Untuk memastikan keuntungan boleh dikekalkan, kami akan terus melabur untuk meluaskan perniagaan teras dan memberi tumpuan menjana keuntungan berkualiti. Sepanjang tempoh lima tahun lepas, pulangan ke atas ekuiti (ROE) meningkat dari sembilan peratus kepada 12.8 peratus, iaitu kenaikan lebih 40 peratus.

Kami juga berhasrat mengagihkan keuntungan yang diperolehi kepada pemegang saham menerusi dasar dividen yang lumayan dan berkekalan. Sejajar dengan prestasi lebih baik pada tahun ini, para pengarah mengesyorkan dividen akhir 29 sen kasar sesaham (21.17 sen selepas ditolak cukai).

Apabila dicampurkan dividen interim kasar 16 sen sesaham (11.52 sen selepas ditolak cukai), dividen yang dibayar tahun ini berjumlah 45 sen kasar sesaham (32.69 sen selepas ditolak cukai). Bayaran tersebut merangkumi 82 peratus daripada untung bersih dan merupakan peningkatan lapan peratus berbanding tahun sebelumnya. Perisytiharan ini menandakan peningkatan dividen buat tahun ketujuh berturut-turut. Sekiranya ditinjau rekod pembayaran dividen kami, pemegang saham akan mendapati bahawa sejak 1999, kami telah meningkatkan bayaran dividen daripada 2.2 sen (selepas ditolak cukai) kepada 32.69 sen (selepas ditolak cukai), iaitu kenaikan 14.86 kali.

Berasaskan peningkatan harga saham sebanyak 12 peratus pada tahun ini, jumlah pulangan yang diperolehi oleh pemegang saham ialah 18 peratus. Modal saham kami berjumlah RM2.21 bilion pada September 30, 2006, berbanding RM1.25 bilion lima tahun lepas, dengan itu mencatat pertambahan 83 peratus, atau pada kadar purata terkompau 16 peratus.

Walaupun membayar jumlah dividen yang besar, Kumpulan tetap mempunyai tunai bersih berjumlah RM206 juta berbanding RM146 juta pada tahun sebelumnya.

Kenyataan Pengerusi

Membina Asas Untuk Pertumbuhan Jangka Panjang

Kami terus melabur dalam perniagaan teras yang menjana hasil dan memberi tumpuan merangka strategi perniagaan yang akan menghasilkan pulangan mantap dan juga pertumbuhan jangka panjang bagi Kumpulan.

Pada tahun yang dilaporkan, bahagian minuman ringan telah membeli dua telaga air yang kecil tetapi penting dari segi strategik. Sumber air ini – satu terletak di Kuching, Sarawak dan lagi satu di Bentong, Pahang – akan membantu mengembangkan perniagaan air mineral kami di bawah jenama Aquarius dan Borneo, dan mengukuhkan penguasaan kami dalam pasaran air yang sedia diminum.

Kilang kaca kawasan baru yang dimiliki 70 peratus oleh Kumpulan di Saraburi, Thailand, kini berada di peringkat pembinaan lanjut dan sedia memulakan operasi seperti yang dijadual pada suku terakhir 2007. Apabila siap kelak, kemudahan ini akan menjadi kilang terbaru dalam rangkaian kemudahan yang sedia ada di Malaysia, Vietnam dan China dan akan memantapkan lagi kedudukan kami sebagai pengeluar kaca serantau dengan lima kilang di empat buah negara.

Selepas akhir tahun kewangan, F&N telah mengumumkan pembelian perniagaan susu cecair bertin, UHT, susu dingin dan jus Kumpulan Nestle di beberapa negara Asia Tenggara. Pengambilalihan ini menawarkan potensi pertumbuhan penting bagi bahagian tenusu dan apabila disempurnakan pada 1 Februari 2007, akan menambah hasil sebanyak RM900 juta setiap tahun, iaitu 47 peratus daripada hasil Kumpulan. Pembelian ini juga membuka pasaran Thailand dan Indochina di mana Nestle menguasai pasaran kategori produk tersebut, selain mengukuhkan lagi penguasaan F&N di Malaysia.

Apabila disempurnakan sepenuhnya, pengambilalihan ini akan meningkatkan hasil bahagian tenusu kepada RM1.5 bilion dan buat pertama kali menjadikan sumbangannya lebih tinggi daripada hasil bahagian minuman ringan yang berjumlah kira-kira RM1 bilion. Pembelian ini akan membolehkan Kumpulan mengurangkan penggantungannya kepada jualan minuman ringan, walaupun bahagian tersebut terus menjadi penyumbang utama kepada keuntungan operasi Kumpulan dalam tempoh terdekat.

Perkembangan bahagian tenusu ini adalah satu kemajuan besar bagi F&N Holdings Bhd dan kami amat yakin bahawa pemerolehan terbaru ini akan memberikan sumbangan besar kepada keuntungan Kumpulan, sambil menyediakan landasan untuk terus berkembang pada masa hadapan.

Urus Tadbir Korporat

Kami beriltizam untuk mengguna pakai amalan dan urus tadbir korporat yang baik dan akan berusaha meningkatkan keberkesanan Lembaga Pengarah dan jawatankuasanya. (Maklumat lebih terperinci mengenai urus tadbir korporat Kumpulan dibentangkan dalam Penyata Urus Tadbir Korporat).

Tanggungjawab Sosial Korporat

Pada tahun ini skim Anugerah Pengerusi F&N telah menyampaikan jumlah terbesar iaitu RM214,600 kepada 172 anak anggota Keluarga F&N. Semenjak ia diasaskan empat tahun lalu sempena Ulang Tahun Ke-120 F&N, saya amat gembira kerana semakin ramai kanak-kanak kakitangan yang mendapat manfaat daripada skim ini. Setakat ini, 528 kanak-kanak telah menerima anugerah yang berjumlah RM591,500.

Anak-anak syarikat operasi kami terus menaja pelbagai aktiviti kemasyarakatan, acara belia dan sukan yang bermakna dan berfaedah dalam tahun yang dilaporkan. Penyertaan kakitangan amat digalakkan dalam aktiviti seumpamanya, malah butiran lanjut dibentangkan dalam bahagian tinjauan operasi laporan ini.

Tinjauan dan Prospek

Sejak lima tahun lepas, operasi kami telah berjaya mencatatkan keuntungan dan pertumbuhan lestari, walaupun dalam persekitaran perniagaan yang mencabar. Meninjau ke hadapan, kami tidak meramalkan pemulihan sentimen pengguna yang pantas kerana kebimbangan tentang inflasi dan unjuran ekonomi yang sederhana. Tambahan lagi, operasi kami terus menghadapi tekanan kos akibat harga minyak, pembungkusan dan bahan mentah yang lebih tinggi.

Kami mengunjurkan bahawa perniagaan susu cecair yang diambil alih akan terus menyumbang pada separuh kedua tahun kewangan, tetapi masih terlalu awal untuk menentukan kesannya. Semuanya bergantung kepada kepantasan proses penyepaduan dan keupayaan pengurusan meraih sinergi daripada perniagaan tergabung yang lebih besar ini.

Pada tahun yang dilaporkan, kami berjaya melancarkan Fasa Dua Fraser Business Park yang akan terus mengekalkan sumbangan daripada bahagian hartanah berikutan penyiapan Fasa Satu yang dijangkakan pada awal 2007.

Secara keseluruhan, kami meramalkan suasana yang mencabar pada tahun depan, namun kami tetap yakin dengan potensi jangka panjang Kumpulan.

Perubahan Ahli Lembaga Pengarah

Pada 7 November 2006, Dr Radzuan bin A. Rahman telah meletak jawatan sebagai pengarah selepas berbakti kepada Kumpulan selama sembilan tahun. Encik Huang Hong Peng, pengarah silih ganti kepada Dr Han Cheng Fong, juga meletakkan jawatan berikutan pertukaran jawatannya di dalam F&N Ltd Group. Nasihat dan pandangan mereka telah membawa manfaat kepada Lembaga Pengarah dan saya ingin merakamkan penghargaan kami kepada Dr Radzuan dan Encik Huang atas sumbangan berharga dan perkhidmatan cemerlang kepada Kumpulan.

Saya juga ingin mengalu-alukan penyertaan Dato' Dr Nik Norzrul Thani bin Nik Hassan Thani dan Dr Kwok Kain Sze, (pengarah silih ganti kepada Dr Han Cheng Fong) dalam Lembaga Pengarah. Saya pasti mereka akan melibatkan diri dan memberikan sumbangan dalam mesyuarat lembaga pengarah pada masa depan.

Penghargaan

Bagi pihak Lembaga Pengarah, saya mengucapkan terima kasih kepada pihak pengurusan dan kakitangan kerana komitmen dan dedikasi mereka telah menghasilkan pulangan yang konsisten, lestari dan kompetitif. Saya juga mengucapkan terima kasih kepada rakan niaga dan sekutu kami kerana sokongan dan peranan penting yang mereka mainkan dalam memastikan kejayaan kami.

Akhir kata, kami mengucapkan terima kasih kepada para pemegang saham atas sokongan padu mereka yang berterusan kepada F&N Holdings Bhd.

Yang benar,

**Tengku Syarif Bendahara Perlis Syed Badarudin
Jamalullail Ibni Almarhum Tuanku Putra Jamalullail**

*Pengerusi
November 30, 2006*

主席献词

花莎尼控股有限公司于2006年继续保持良好的业绩，取得1亿5千360万令吉的税后盈利。比去年增加10%，这是集团连续6年来保持破记录的双位数增长。在扣除少数股东利益后发给股东的盈利为1亿4千280万令吉，比去年增加8%，而且也是集团有史以来最高的一次。

营业额为19亿4千万令吉，比去年略高。由于2006年初汽油和柴油价格上涨，而导致本地市场的汽水销量在充满挑战的消费市场上面对很大的压力。不管怎样，销量在财政年度的最后一季回稳，汽水组的全年营业额却比早一年少了4千500万令吉，或下跌4%，而营运盈利则减少1千万令吉或相等於下跌9%。

乳制品组的业绩却保持稳定，这主要是因为产品的性质和出口增加所致。虽然原料价格创下历来最高的水平，但是营业额和营运盈利仍上升(双双取得4%增长)。

玻璃包装组经历了2年的欠佳表现后，业绩也已经回弹。中国方面的联营业务随着成功进行客户市场的多样化重组后，也已经转亏为盈，营运盈利从去年的850万令吉亏损转为180万令吉盈利。总的来说，玻璃包装组的营业额和营运盈利分别增长12%及80%。

花莎尼商业园(Fraser Business Park)的第一期发展计划为集团贡献6千700万令吉的营业额及2千100万令吉的营运盈利。至2006年9月30日为止，这项计划的83%的营业额和营运盈利已实现及受到认可。

体现股东的价值

集团继续秉持承诺，为股东带来可观的利益及持久的价值。为确保本集团的盈利持续，我们继续投资，以便在核心业务方面取得增长和专注于具有优质收入的业务。过去5年来，股东的资本收益(ROE)从9%提高到12.8%，即增加超过40%。

我们也决定通过稳固及持续的股息政策，让股东享有可观的投资回报。所以，配合今年的良好业绩，董事部建议派发每股29仙的终期毛股息(或21.17仙净股息)。

加上每股16仙的中期毛股息(或每股11.52仙净股息)，集团所发给的全年毛股息为每股45仙(或每股32.69仙净股息)。这相当于将集团净盈利中的82%派给股东，比去年增加8%。这就是说，集团的派息率连续7年增加，而股东们也会看出自1999财政年度以来，我们派给的股息从每股2.2仙(净股息)增加到32.69仙(净股息)，即相等於之前的14.86倍。

在有关的财政年度里，除了股价上升12%以外，股东的总回报也达到18%。截至2006年9月30日，我们的市场资本达到22亿1千万令吉，而5年前是12亿1千万令吉，增加了83%或每年平均16%的复数增长。

除了强稳的股息政策以外，集团所持的现金高达2亿零600万令吉，而前一年的数额为1亿4千600万令吉。

为长期增长奠定基础

我们继续专注于重要收入来源的核心业务，并着重于那些可为集团带来可观回报和长期增长的商业策略。

在本财政年度里，汽水组进行了两项谨慎而策略性的水源收购计划。其中一座水源位於砂拉越的古晋，另一座在彭亨的文冬 - 它们将对扩充 Aquarius 和 Borneo 品牌名下矿泉水的业务有所帮助，而且进一步巩固汽水组在饮用水市场的支配地位。

集团拥有70%股权在泰国 Saraburi 兴建的玻璃厂已近将完工，预料会如期于2007年最后一季投入生产。这座工厂建成之后，将与集团在马来西亚、越南和中国现有的玻璃厂同时作业，也使我们成为本区域里的一个在4个国家里拥有5座玻璃厂的玻璃制造业业者。

在今年财政年度结束后，花莎尼也宣布了收购雀巢集团属下的在东南亚一些国家的罐装液状乳品、超高温加工处理(UHT)乳品、冷藏乳制品和果汁业务。收购计划在2007年2月1日完成后，集团乳制品组的成长将充满潜力，每年的营业额会增加9亿令吉。这相等将集团的营业额提升47%，并在雀巢的乳制品向来领先的泰国和印支市场进一步开拓商机；此外，这项收购也进一步巩固花莎尼在马来西亚的领先地位。

在整个收购计划完成后，集团乳制品组的营业额将增加到15亿令吉，将第一次超越汽水组，为集团贡献大约10亿令吉的收入。这项收购也减少集团对汽水组的依赖。不过，在短期内，后者仍然是集团营运盈利的主要来源。

乳制品组的扩充是花莎尼控股有限公司的一项大跃进，我们有理由感到乐观。这项最新的收购行动将为集团的盈利作出重大的贡献，并成为集团未来扩充业务的平台。

企业监督

我们秉持严谨的企业监督信念，并不断地提升董事部和属下各委员会的效率[有关详情收录在集团的企业监督附文内]

企业的社会责任

本集团今年拨出21万4千600令吉作为花莎尼主席奖学金，颁发给花莎尼职员的172名子女。这项奖学金是于4年前设立以纪念花莎尼创业120周年，本人感到欣慰受惠的职员子女逐年增加。至今为止，已有528名职员子女领取总额达到59万1千500令吉的奖学金。

在相关的财政年度里，我们的子公司也继续赞助许多有意义的社会公益、青年和体育活动。公司的职员受鼓励参与这些活动，有关详情可参阅本年报所记载的营运检讨文段。

前景和展望

在过去5年里，即使在充满挑战性的环境下，我们仍然展现出持续的赚幅和扩充的营运能力。虽然人们对经济前景抱持谨慎的态度，但是，我们不认为消费情绪会很快地从通胀的忧虑及经济加紧保持谨慎的态度中好转过来。况且，我们的营运持续面对燃料、包装和原料成本上涨的压力。

我们希望，不久前进行的液状乳制品收购行动将对集团的下半年财政年度盈利有所贡献。不过，要估计其目前的影响程度仍言之过早。一切有视于整合的速度和管理层如何在大型业务方面取得协作的能力。

随着花莎尼商业园第一期计划的完成，我们在这个财政年度里又成功推展第二期的计划，而让产业组继续对集团的盈利作出贡献；而第一期预料会于2007年初的财政年度里完成。

总的来说，虽然我们对集团的长远前景充满乐观，但是，未来的一年对我们来说，仍然充满挑战。

董事部的变动

Dr Radzuan bin A Rahman 于2006年11月7日辞去担任了9年的董事职位。Dr Han Cheng Fong 的替代董事 Mr Huang Hong Peng 在花莎尼集团的内部职位调动后也辞去董事职位。董事部感激他们在位期间提供宝贵的意见，而在此向他俩致以万分谢意，感激他们对集团的服务和贡献。

本人也在此欢迎 Dato¹ Dr Nik Norzri Thani bin Nik Hassan Thani 和 Dr Kwok Kain Sze (Dr Han Cheng Fong的替代董事) 加入董事部，希望他们参与未来的董事部活动及作出贡献。

谢词

本人谨此代表董事部，感谢管理层和全体职员的献身服务精神，为集团带来可观的业绩和收入。本人也藉此机会向我们的客户、生意及业务伙伴致谢。感激他们给予支持，对我们今日的成就作出贡献。

最后，本人也要感谢所有股东对花莎尼控股有限公司的持续信赖。

主席

**Tengku Syarif Bendahara Perlis Syed Badarudin
Jamalullail ibni Almarhum Tuanku Putra Jamalullail**

谨启

2006年11月30日

Board of Directors



From left to right

Mr Lee Kong Yip

Y.Bhg. Dato' Dr Nik Norzrul Thani
bin Nik Hassan Thani



From left to right

Dr Han Cheng Fong

Mr Anthony Cheong Fook Seng



From left to right

Y.A.M. Tengku Syed Badarudin Jamalullail

Mr Tan Ang Meng

From left to right

Y. Bhg. Datuk Fong Weng Phak

Dato' Anwarrudin bin Ahamad Osman



From left to right

Dr. Kwok Kain Sze

Mr Leslie Oswin Struys



From left to right

Y.Bhg. Tan Sri Dato' Dr Lin See Yan

Y.Bhg. Dato' Dr Mohd Shahar bin Sidek



Profile of Board of Directors

Y.A.M. Tengku Syarif Bendahara Perlis Syed Badarudin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail

Malaysian, age 61, Chairman of the Board, Independent and non-executive director,
Chairman of the Nominating and Remuneration Committees, Member of the Audit Committee

Tengku Syed Badarudin graduated from Cambridge University in 1968 with Master of Arts degree in Law & History. From 1968 to 1978, he was employed and held various executive positions in Fraser & Neave (Malaya) Sdn Bhd. Currently Tengku is involved in his family business and he is a Director of Hwang-DBS (Malaysia) Berhad / Hwang-DBS Securities Berhad. He is also a board member of Yayasan Tuanku Syed Putra, a charitable foundation.

He was appointed to the Board on 24 February 1987 and on 27 February 2001 was appointed its Chairman. During the financial year, he attended all the 8 scheduled meetings of the Board. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company.

Y.Bhg. Tan Sri Dato' Dr Lin See Yan

Malaysian, age 67, Independent and non-executive director, Chairman of the Audit Committee,
Member of the Nominating Committee

Tan Sri Lin is an independent strategic and financial Consultant. Qualified as a Chartered Statistician, he graduated from the University of Malaya in Singapore and Harvard University (where he received 3 degrees, including a PhD in economics). He is also Professor of Economics (Adjunct), Universiti Utara Malaysia, and an Eisenhower Fellow.

Prior to 1998, he was Chairman/President and CEO of Pacific Bank and for 14 years previously, Deputy Governor of Bank Negara Malaysia, having been a central banker for 34 years. Tan Sri Lin continues to serve the public interest; some current appointments include: Member of the National Economic Action Council Working Group, The Prime Minister's Private Investment Advisory Panel, and the National Steering Committee to Transform Higher Education; Economic Advisor, Associated Chinese Chambers of Commerce and Industry of Malaysia; Member, Asian Shadow Financial Regulatory Committee; Pro-Chancellor, Universiti Sains Malaysia; Governor, Asian Institute of Management, Manila; Trustee, Malaysia University for Science & Technology and Monash University (Sunway Campus); and Chairman Emeritus, Harvard Graduate School Alumni Council at Harvard University in Cambridge (USA) as well as Regional Director for Asia, Harvard Alumni Association in addition to being Member, Visiting Committee on Asian Studies at the University and President, Harvard Club of Malaysia. Tan Sri Lin advises and sits on the Boards of a number of publicly listed and private businesses in Malaysia, Singapore and Indonesia, including Chairman, Cabot (Malaysia) Sdn Bhd and is Director of Ancom Berhad, Genting Berhad, Resorts World Bhd, Wah Seng Bhd, Jobstreet Corporation Bhd and KrisAssets Holdings Bhd.

He was appointed to the Board on 12 March 1996. During the financial year, he attended all the 8 scheduled meetings of the Board. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company.

Dr Han Cheng Fong

Singaporean, age 64, Non-independent and non-executive director,
Member of the Nominating and Remuneration Committees

Dr Han Cheng Fong holds a Bachelor of Science (First Class Honours) degree in Physics from the University of Singapore, as well as a Master of Science and Doctor of Philosophy from the University of Birmingham.

He was awarded a Singapore State Scholarship (1963-1966) and a Commonwealth Scholarship (1966-1969). In 1995 he was awarded Singapore's Outstanding Chief Executive Officer, a prestigious award presented by the Singapore Business Times and international courier firm, DHL.

Dr Han was appointed Director of Fraser and Neave, Limited in April 2002 and Joint-Managing Director that same year. At the same time, he relinquished his position as Chief Executive Officer of Centrepont Properties Ltd but retained his position as Deputy Chairman of the Company.

Dr Han currently holds directorship positions in Asia Pacific Investment Pte Limited, Asia Pacific Breweries Limited and subsidiaries, Centrepont Properties Limited and subsidiaries, Times Publishing Limited and subsidiaries, Frasers Property (China) Limited, DB Breweries Ltd and Kingway Brewery Holdings Ltd. Until April 2000, he held directorships in companies related to 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. Dr Han also took on regional appointments in the business scene, as Chairman of Australand Holdings Ltd and Deputy Chairman of United Land Bhd.

He was appointed to the Board on 8 May 2002. During the financial year, he attended all the 8 scheduled meetings of the Board. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company except in his capacity as the Group Chief Executive Officer of Fraser and Neave, Limited, a major shareholder of the Company.

Mr Anthony Cheong Fook Seng

Malaysian, age 52, Non-independent and non-executive director, Member of the Audit Committee

Mr Anthony Cheong is a member of the Institute of Chartered Accountants in England & Wales and the Institute of Certified Public Accountants in Singapore.

He worked in the Audit & Corporate Advisory Services Division of Ernst & Young till 1989 when he joined CarnaudMetalbox Asia Ltd as Internal Audit Manager, later on assuming the position of Company Secretary. He joined the F&N Group in Times Publishing Ltd as Corporate General Manager (Group Finance) and Company Secretary in 2001. He was appointed the Group Company Secretary of the Fraser and Neave, Limited Group on 1 October 2002 and a director on 1 February 2005. He represents the F&N Group on the boards of a number of subsidiaries.

He was appointed to the Board on 1 October 2002. During the financial year, he attended all the 8 scheduled meetings of the Board. Except for his position as a director of, and the Group Company Secretary of Fraser and Neave, Limited, a major shareholder of the Company, he does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company.

Profile of Board of Directors

Y.Bhg. Dato' Dr Mohd Shahr bin Sidek

Malaysian, age 59, Non-independent and non-executive director

Dato' Dr Mohd Shahr bin Sidek graduated from the University of Malaya with a Bachelor of Economics (Accounting) Hons in 1971. Upon graduation, he joined the Federal Treasury of Malaysia as Assistant Secretary. In 1980, he was transferred to INTAN as a lecturer where he completed his Masters in Economics (Public Administration) at the University of Malaya in the same year. He pursued his PhD in Public Finance at the Temple University, USA and completed it in 1989.

Upon completion of his doctorate in Finance, Dato' Dr Mohd Shahr joined the Penang State as its State Financial Officer in 1991 and held the position until 1994. He was promoted as the Director General of Biro Tata Negara in 1994. In 1997, he was posted to the Federal Treasury of Malaysia as Secretary for Supply and Procurement Division and was transferred to MAMPU as Deputy Director General in 1999. He was promoted as Director General of the Road Transport Department in the Ministry of Transport in 2000 until his retirement in April 2003.

He was appointed to the Board on 30 September 2003. During the financial year, he attended 6 of the 8 scheduled meetings of the Board. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company except that he is a nominee director of Permodalan Nasional Berhad, a major shareholder of the Company.

Y.Bhg. Datuk Fong Weng Phak

Malaysian, age 65, Non-independent and non-executive director, Member of the Audit Committee

Datuk Fong graduated from the University of Malaya with a degree in BA (Hons) majoring in Economics in 1964 and a Masters in Public Administration from Harvard University in 1973.

He started his career with Bank Negara Malaysia in 1964 and before he left in 1982 was the Head of the Economics Department. He then joined Oversea-Chinese Banking Corporation Ltd. as Deputy General Manager, Malaysian Operations. Subsequently, he was promoted to General Manager in 1986 and after the establishment of OCBC Bank (M) Bhd, he was appointed its Chief Executive Officer and director in 1994. Shortly after that, he was appointed for a 3 year term as Deputy Governor of Bank Negara. He is a director of United Malacca Bhd, Pacific Mutual Fund Bhd, Great Eastern Life Assurance Bhd, Overseas Assurance Corp. Bhd, Emas Kiara Industries Bhd, Tan Sri Tan Foundation and Assunta Hospital.

He was appointed to the Board on 10 May 2000. During the financial year, he attended all the 8 scheduled meetings of the Board. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company except that he is a nominee director of Fraser and Neave, Limited, a major shareholder of the Company.

Mr Lee Kong Yip

Malaysian, age 62, Non-independent and non-executive director, Member of the Remuneration Committee

Mr Lee graduated from the University of Malaya with a Bachelor in Economics (Hons) majoring in statistics in 1969. He completed the Executive Program in the Graduate School of Business Administration in the University of California Berkeley, USA in 1988.

From 1969 to 1994, he has held various executive positions in the Oversea-Chinese Banking Corporation Limited and its finance subsidiary, the Oversea-Chinese Finance Company Berhad. In 1995, he was appointed the Executive Vice President and director of the OCBC Bank (Malaysia) Berhad, a post he held until his retirement in April 2000. He is a director of Overseas Assurance Corporation (Malaysia) Berhad, Overseas Assurance Corporation (Holdings) Bhd, Great Eastern Capital (Malaysia) Berhad and Great Eastern Life Assurance (Malaysia) Berhad and Hua Yang Berhad.

He was appointed to the Board on 10 May 2000. During the financial year, he attended all the 8 scheduled meetings of the Board. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company except that he is a nominee director of Fraser and Neave, Limited, a major shareholder of the Company.

Mr Tan Ang Meng

Malaysian, age 51, Non-independent and executive director, Chief Executive Officer

Mr Tan is a Certified Public Accountant and was admitted to the membership of the Malaysian Institute of Certified Public Accountants in 1980.

In 1975 to 1981, he was employed in the Kuala Lumpur office of PriceWaterhouseCoopers, then known as Price Waterhouse. He then joined UMW. In 1983, he joined Guinness Malaysia Berhad as Assistant Chief Accountant. Following the merger between Guinness Malaysia Bhd and Malayan Breweries (M) Sdn Bhd, he was transferred to Malayan Breweries Limited in 1991 (which later changed its name to Asia Pacific Breweries Ltd) and worked in various executive capacities as well as in various regional offices in the group. His last position held was that of Regional Director based in Singapore with responsibility for the brewery operations in China, Vietnam, Cambodia and Myanmar. In March 2001, he was appointed the Chief Executive Officer of the Company.

He was appointed to the Board on 24 May 2001. During the financial year, he attended all the 8 scheduled meetings of the Board. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company.

Mr Leslie Oswin Struys

Singaporean, age 69, Senior Independent and non-executive director, Member of the Audit, Nominating and Remuneration Committees

Mr Struys graduated from the University of Malaya in 1960 with a Bachelor of Arts degree in Economics.

He joined Fraser and Neave, Limited in 1960 and in his career worked in numerous capacities in sales, marketing and production. He was based in various locations including KL and Ipoh and was the first Branch Manager of the new F&N bottling plant in Johor which was built in 1967. His last position was Product Manager in the soft drinks operations in Malaysia and Singapore in 1972. He was then transferred to Malaya Glass Berhad (which later became Fraser & Neave Holdings Bhd.) as its General Manager and held that position until his retirement in December 1997. He was also a director of Malaya Glass Berhad from 1985 and later of Fraser & Neave Holdings Bhd. until December 1997. He is a director of Causeway Investment Ltd based in Singapore.

He was re-appointed to the Board on 24 May 2001. During the financial year, he attended 7 of the 8 scheduled meetings of the Board. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company.

Y.Bhg. Dato' Anwarudin bin Ahamad Osman

Malaysian, age 63, Independent and non-executive director

Dato' Anwarudin Ahamad Osman graduated from the University of Malaya in 1966 with a Bachelor of Arts degree.

Upon graduation, he joined the Malaysian Civil Service in 1966 and served in the Ministry of Defence. In May 1975, he joined Petronas and served in various capacities until his retirement on 1 September 1998 as MD/CEO of Petronas Dagangan Berhad.

During the 23 years in Petronas, Dato' Anwarudin held various senior positions. He was the General Manager of Corporate Planning Division in 1984, General Manager, Human Resources Management Division in 1985 before heading the International Marketing Division of Petronas responsible for sales of crude and products and processing of crude. He was a member of the Asean Council On Petroleum (ASCOPE) technical committee for several years and spoke at the ASCOPE oil marketing management seminars and local seminars on prospects of bumiputera in the marketing and distribution industry; represented Malaysia in the OPEC/NON-OPEC dialogues from 1989 – 1991.

Currently, Dato' Anwarudin holds directorship positions in KKB Engineering Bhd, UEM Builders Bhd and Aker Kvaerner Process System Asia Pacific Sdn Bhd. He is also Executive Chairman of TDW Sdn Bhd and Chairman of Tokai Engineering Sdn Bhd.

He was appointed to the Board on 19 January 2005. During the financial year, he attended 7 of the 8 scheduled meetings of the Board. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company.

Profile of Board of Directors

Y. Bhg. Dato' Dr Nik Norzrul Thani bin Nik Hassan Thani

Malaysian, age 46, Non-independent and non-executive director

Dato' Dr Nik holds a Ph.D. in Law from the School of Oriental and African Studies, University of London and a Master in Law from Queen Mary and Westfield College, University of London. He reads law at the University of Buckingham, United Kingdom.

Dato' Dr Nik also holds a post-graduate diploma in Syariah Law and Practice (with Distinction) from the International Islamic University of Malaysia. He is a Barrister of Lincoln's Inn and an Advocate & Solicitor of the High Court of Malaya. He was called to the Bar of England and Wales in 1985 and to the Malaysian Bar in 1986. He was a Visiting Fulbright Scholar, Harvard Law School in 1996 to 1997, and was formerly the Acting Dean/Deputy Dean of the Faculty of Laws, International Islamic University Malaysia. Dato' Dr Nik is a Fellow of the Chartered Institute of Marketing (United Kingdom) and is also a Fellow of the Financial Services Institute of Australia (FINSIA).

Currently, Dato' Dr Nik Norzrul Thani is a practising lawyer with Zaid Ibrahim & Co. Prior to joining Zaid Ibrahim & Co., Dato' Dr Nik was with Baker & McKenzie (International Lawyers), Singapore.

He was appointed to the Board on 7 November 2006. Since his appointment to the board, he has attended 1 of the scheduled meetings of the Board. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company except that he is a nominee director of Permodalan Nasional Berhad, a major shareholder of the Company.

Dr Kwok Kain Sze

(alternate director to Dr Han Cheng Fong)

Singaporean, age 60, Non-independent / non-executive

Dr Kwok holds a Bachelor of Science (Chemistry, First Class Honours) from the University of Singapore in 1968, a Master of Science from Cornell University (1970) and a degree of Doctor of Philosophy, Cornell University (1973).

Dr Kwok first joined Fraser & Neave (Singapore) as Chief Chemist in July 1981 and was promoted to Research & Development Manager in November 1981. He has held several senior positions with F&N Coca-Cola Ltd as GM, Operations & Research (1990) and VP/Technical Director (1993). From January 1997, he has moved on to join the Dairies Division as GM, Manufacturing Operations / R&D.

Currently, Dr Kwok is the Chief Scientific Officer (F&B). He also sits in the board of F&NCC Beverages Sdn Bhd, F&N Dairies (M) Sdn Bhd and F&N Foods Sdn Bhd.

He was appointed as an alternate director to the Board on 7 November 2006. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company except that he is a nominee director of Fraser and Neave, Limited, a major shareholder of the Company.

Note : None of the above directors have any disclosable offences as required under the Listing Requirements of Bursa Malaysia.

Corporate Information

Board of Directors

Non-Executive Directors

Y.A.M. Tengku Syarif Bendahara Perlis
Syed Badarudin Jamalullail Ibni Almarhum
Tuanku Syed Putra Jamalullail
Chairman & Independent Director
Chairman of the Nominating Committee
Chairman of the Remuneration Committee
Member of the Audit Committee

Y. Bhg. Tan Sri Dato' Dr Lin See Yan
Independent Director
Chairman of the Audit Committee
Member of the Nominating Committee

Dr Han Cheng Fong
Member of the Nominating Committee
Member of the Remuneration Committee

Mr Anthony Cheong Fook Seng
Member of the Audit Committee

Y. Bhg. Dato' Anwarudin
bin Ahamad Osman
Independent Director
Member of the Audit Committee

Y. Bhg. Datuk Fong Weng Phak
Member of the Audit Committee

Mr Lee Kong Yip
Member of the Remuneration Committee

Mr Leslie Oswin Struys
Independent Senior Director
Member of the Audit Committee
Member of the Nominating Committee
Member of the Remuneration Committee

Y. Bhg. Dato' Dr Mohd Shahar
bin Sidek

Y. Bhg. Dato' Dr Nik Norzrul Thani
bin Nik Hassan Thani
(appointed on 7 November 2006)

Dr Kwok Kain Sze
(appointed on 7 November 2006)
(Alternate Director to Dr Han Cheng Fong)

Executive Director

Mr Tan Ang Meng

Company Secretaries

Mr Tony Lee Cheow Fui
BCom CA (Aust.) (MIA 2756)

Ms Gan Mee Ling
LLB (LS03160)

Group Management

Mr Tan Ang Meng
MICPA
Chief Executive Officer

Mr Tony Lee Cheow Fui
BCom, CA (Aust.)
Chief Financial Officer

Mr Tan Hock Beng
MICPA, CA (M)
Group Corporate Planning &
Business Development Manager

Mr Simon Sim Thai Fong
MBA (Cranfield), B.Soc. Sc
Group Human Resource Manager

Ms Gan Mee Ling
LLB Hons. (Malaya)
Group Legal Manager/Company Secretary

Mr Ong Kok Choon
MA (UK), FCMA (UK), CIA (USA)
Group Internal Audit Manager

Mr Loong Wei Hin
BSc (Hons), HBS (1991)
Senior Manager, Business Development, Export

Business Unit Senior Management

Glass Containers

Mr Mogan Muniandy
B.Soc Sc (Mgmt), MBA, MCIPS
General Manager

Soft Drinks

Mr James Teo Hong Beng
B.A. Sc., MBA
Managing Director

Dairy Products

Mr Edward Liew Fui Ping
MA – Marketing (London)
General Manager Dairies, Malaysia

Property

Ir. Cheah Hong Chong
B.Sc (Hons), M.Phil (Cantab.), MBA MIEM, P.E.
General Manager

Registered Address

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E-mail: cosec@fn.com.my

Share Registrar and Transfer Office

Tenaga Koperat Sdn Bhd
20th Floor, Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur
Tel: (603) 4041-6522
Fax: (603) 4042-6352

Auditors

Ernst & Young, Kuala Lumpur

Principal Bankers

OCBC Bank (Malaysia) Berhad

Deutsche Bank (Malaysia) Berhad

Stock Exchange Listing

Bursa Malaysia : Main Board
Name & Code : F&N and 3689
Stock Sector : Consumer Products

Corporate Structure

Soft Drinks

- 90%** F&NCC Beverages Sdn Bhd
- 90%** F&N Coca-Cola (Malaysia) Sdn Bhd
- 95%** Borneo Springs Sdn Bhd
(formerly known as Sime Oleander Sdn Bhd)

Dairy Products

- 100%** F&N Dairies (Malaysia) Sdn Bhd
- 100%** F&N Foods Sdn Bhd
- 75%** Premier Milk (Malaya) Sdn Berhad

Glass Containers

- 100%** Malaya Glass Products Sdn Bhd
- 70%** Malaya-Vietnam Glass Limited
- 60%** Sichuan Malaya Glass Co Ltd
- 70%** Siam Malaya Glass (Thailand) Co Ltd
- 100%** Kuala Lumpur Glass Manufacturers Company Sdn Bhd

Property

- 100%** Wimanis Sdn Bhd
- 100%** Brampton Holdings Sdn Bhd
- 100%** Vacaron Company Sdn Bhd
- 100%** Elsinburg Holdings Sdn Bhd
- 100%** Greenclipper Corporation Sdn Bhd
- 100%** Nuvak Company Sdn Bhd
- 100%** Utas Mutiara Sdn Bhd
- 70%** Lettricia Corporation Sdn Bhd

Others

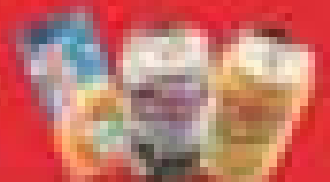
- 100%** Fraser & Neave (Malaya) Sdn Bhd
- 100%** Four Eights Sdn Bhd

Branding

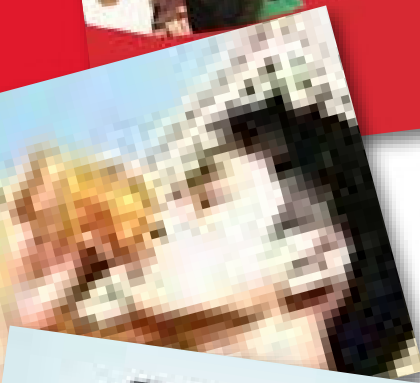
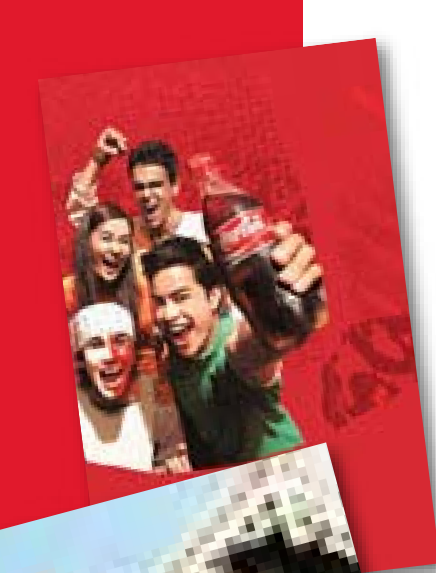
Over the course of the year, the brands in F&N's stable continued to grow from strength to strength. Our divisions worked aggressively to deliver on the respective brand promises through bringing our customers consistent and memorable brand experiences. F&N's underlying commitment to innovation, quality and excellence undoubtedly enabled the brands in our stable to weather the challenges of the marketplace as well as forge ahead in their respective market segments.

Soft Drinks

Some 123 years ago, the F&N brand first made its appearance in the form of an aerated water product. Today, the beverage brands under the umbrella of the F&N Group have become the preferred thirst quenchers for countless generations of Malaysians. Our multiple brands are leaders in most of their respective segments and offer consumers the country's most comprehensive range of soft drinks, catering to every occasion. Our stable of brands have come to epitomise the virtues of quality, fair pricing, universal availability, and, above all, the celebration of life.







Carbonated Soft Drink Portfolio

For the year under review, the soft drinks division's carbonated soft drinks portfolio incorporating the COCA-COLA, SPRITE and F&N brands continued to lead in their respective segments. Following various aggressive measures put in place by management to arrest the market decline in soft drinks consumption, market share for the carbonated soft drinks brands such as COCA-COLA and F&N was successfully maintained.

Non-carbonated Soft Drink Portfolio

An expansion in the isotonic sales of 100PLUS and our range of SEASONS Asian drinks strengthened the performance of the division's non-carbonated portfolio and softened the impact of the weak carbonated soft drinks segment. The isotonic market continues to be buoyant and 100PLUS has consolidated its position as Malaysia's favourite isotonic drink.

Non-carbonated brands such as SEASONS, Fruit Tree and Aquarius performed better than expected despite weak market sentiment: SEASONS took the Number Two spot in the Asian drinks category; the juice and water category represented by Fruit Tree and Aquarius experienced double digit growth; and the Coca-Cola Company entered the tea market with the introduction of ShiZen.

Brand Activities

Over the years, the Group's strategic branding activities have aimed to encourage thirsty Malaysians aged six to sixty to choose brands in F&N's stable that consistently set new benchmarks in Malaysia for innovation, trust and quality. Last year's branding programme was no exception. Despite the slowdown in consumption, we uncompromisingly continued to direct out efforts towards sustaining and enhancing brand recognition and loyalty via various marketing channels, including TV and radio, endorsements and sponsorships, special events exposure and packaging innovation.

The following are some of the highlights of the preceding year's brand activity for the soft drinks division as well as an insight into the various awards and accolades we garnered . . .

Coca-Cola

We All Speak Football

We leveraged Coca-Cola's strong identification with football and the 2006 FIFA World Cup to drive a five-month long branding programme. The much anticipated We all Speak Football Trophy Tour campaign saw tens of thousands of Malaysians in the Klang Valley witnessing the historic unveiling of the FIFA World Cup Trophy in Kuala Lumpur as it underwent a world tour of 31 cities and 29 nations enroute to Germany.

The trophy was granted a royal audience at the Istana Negara by the Yang DiPertuan Agong and a fun-filled on-the-ground campaign was activated which offered two lucky Malaysians the opportunity to watch the finals in Berlin, Germany. The fact that we garnered the **Best Breakthrough Advertising Award** for the online segment of this campaign at the Asia Interactive Awards, speaks volumes of this programme's success.

Making Sweet Music

As part of Coca-Cola's Thirst for Passion initiative, we brought Malaysians the inspiring The Music Executive programme which enabled viewers to view the challenges in the life of a music industry executive. The winner earned a one-year contract with a recording company and drove home an exclusive coupe. The creative and commercial success of the campaign saw Coca-Cola garnering the **Advertiser of the Year** award among several other awards at the Malaysian Media Awards.

Asia's Most Trusted Brand

Coca-Cola established itself as Asia's most trusted brand by retaining the **Reader's Digest Platinum Award** for the eighth consecutive year in the 2006 Readers Digest's Trusted Brands Annual Awards. Coca-Cola was voted top brand in Malaysia, India, Hong Kong, Singapore, Thailand, Taiwan and the Philippines based on its trustworthiness, credible image, quality value, understanding of consumer needs and innovation.

In Malaysia, Coca-Cola has consolidated its position as Malaysia's most preferred carbonated soft drink – one in every third can of carbonated soft drink consumed in Malaysia is a can of Coca-Cola.

On A Lighter Note

Coca-Cola Light continues to be the favourite choice of diet-cola aficionados and the market leader since its debut in 2002.

Go for GOL

Vanilla Coke continues to be the most successful Coca-Cola flavour in Malaysia. Latching on to the excitement of the 2006 FIFA World Cup, we launched a campaign which saw consumers collecting Vanilla Coke bottle caps to spell out the letters "G-O-L".

Sprite

Continuing to Sparkle

Sprite continued its dominance as the favourite lemon lime soft drink in Malaysia with 60 per cent market share in this category. Sprite Remix received the **Bronze Award for Best Use of Radio** at the Malaysian Media Awards 2006. The promotion aimed at students, offered winners a chance to win a hip and trendy graduation party planned by a popular local radio station.

ShiZen

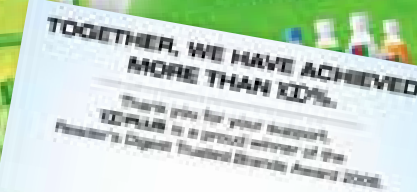
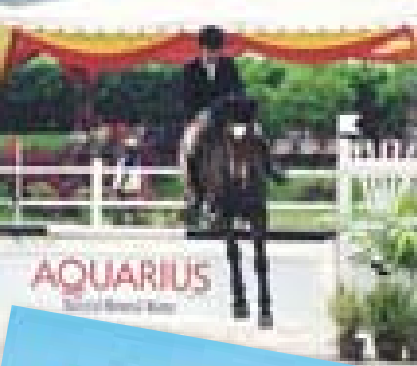
Inspiring Innovation

To augment the diversity of our total beverage offering, we introduced our first ready-to-drink health and wellness beverage, ShiZen green tea, in July 2006. This green tea drink made from the finest tea ingredients is available in a single serve 300ml can and a unique proprietary 470 ml PET bottle. It comes in two variants with flavours chosen by Malaysians – ShiZen with calamansi lime plus vitamin C and ShiZen with jasmine. Just two months after its launch, ShiZen became the third largest green tea player in Malaysia with a 10.5 per cent share of the green tea market.

Aquarius

The mineral water brand Aquarius chalked up impressive sales growth of 60 per cent in the period under review.





100PLUS

100PLUS Super Cup

The deliberate positioning of 100PLUS as a brand closely identified with sports was reinforced by our sponsorship of the 100PLUS Super Cup football programme. This is a tangible expression of the brand's support of the development of soccer and the nurturing of players at the grassroots level. The Super Cup will see 100PLUS investing RM1.5 million over a two-year period to nurture a nationwide inter-schools football programme benefiting over 120,000 students from 2,000 schools nationwide.

Outdo Yourself

The 100PLUS Outdo Yourself credo is regularly reaffirmed through the brand's high-profile sponsorship of other sports such as junior golf, badminton, traditional athletics, marathons and triathlons. One such activity saw 100PLUS helping spur participants on throughout the Malaysian leg of the Queen's Baton run to promote the 2007 Melbourne Commonwealth Games.

Active Positioning

100PLUS has set itself ahead of the competition in the isotonic segment with yet another innovative offering. The launch of 100PLUS Aqtiw, a clear and crisp drink in a natural blue tinged bottle that is specially formulated to rehydrate faster than water, was the largest and most significant launch in the history of the brand. 2006 saw the introduction of an exclusively designed C-Plus bottle for 100PLUS that offers the brand a distinctive identity.

Most Trusted Award

Despite its relative young tenure within the F&N brand portfolio, 100PLUS was accorded the **Reader's Digest Most Trusted Brand Award 2006 - Gold, Soft Drinks Category** in recognition of consumers' trust in the brand's consistent offering.

Strong Brand Equity

Brand equity for the 100PLUS brand has been growing strongly as acknowledged by the award of the **Brand Equity Award – 2006 Bronze**, Above RM 500 Mil Category to 100PLUS. This signals that the brand recognition has gone beyond mere visual identification and is now a dynamic set of beliefs entrenched in the hearts and minds of consumers.

Gol & Gincu

100PLUS reinforced its presence and relevance among young Malaysian adults and their growing love for football and futsal via the sponsorship of the Gol & Gincu TV series.

F&N

Maintaining the Momentum

Targeting the young, as well as the young-at-heart, the F&N brand's racy campaigns strike a chord with many consumers, who readily identify with the imagery the brand conjures of enjoyable, fun-filled lifestyles and strong bonds between family and friends. August 2006's AC Nielsen Retail Audit showed F&N dominating the non-cola soft drinks category, outselling its three nearest competitors by as much as three times.

Festive Favourites

Any Malaysian festive occasion is simply not festive without F&N as a companion beverage. With a great tasting range of 10 intense and innovative flavours such as F&N's flashy fruitade, groovy grape, smashing strawberry, outrageous orange, zesty zappel, punky peach zappel, cool ice cream soda, lucky lychee, blatz sarsi and ginger beer to choose from, Malaysian consumers are definitely spoilt for choice. Highly attractive promotions and clearly visible displays ensure customers have every opportunity to indulge in their favourite F&N beverage during the festivities.

We rolled out the Festive Bonus Bonanza promotion whereby consumers stood a chance to win RM48,000 worth of shopping vouchers and other attractive prizes. The promotion helped spur the F&N brand on and enabled us to become the preferred choice especially among Malay and Chinese households.

SMS2Win

Leveraging on the SMS craze among our target markets, we came up with the SMS2Win promotion, a first from F&N. In this contest everyone was a winner with grand prizes that included laptops, home theatre systems and a four-door sedan.

SEASONS

Rising Star

Targeting the contemporary Malaysian with a penchant for traditional Asian drinks, the SEASONS brand is quickly making solid inroads in the Malaysian Asian Drink category. August 2006's AC Nielsen Retail Audit indicated that SEASONS was Number Two in its category. Consistent investment into communications and promotions as well as solid insights into consumer needs, have been the key factors that have propelled this brand's rise.

Innovative Offerings

Our SEASONS Asian drinks portfolio caters to the diverse preferences of Malaysian consumers with several popular flavours that include soya bean milk, grass jelly, chrysanthemum, water chestnut, ice lemon tea, herbal tea, longan and red date tea, winter melon tea and barley.

We are continuously striving to enhance our products and recently complemented our top selling soya bean milk offering with two new flavours - rose flavoured soya and red bean flavoured soya which come in three different size variants. Throughout the year, above-the-line and below-the-line branding activities for these new flavours were carefully coordinated to ensure maximum consumer awareness and consumption.

Fruit Tree

Catering to Healthy Lifestyles

Today's health-conscious consumers are looking for beverages that contain real fruit juice, taste consistently good, and are hygienically produced and packaged. The Fruit Tree brand caters to all these – with an added twist – tasty bits of aloe vera and nata de coco are added to make the Fruit Tree experience a fun and enjoyable one.

The Fruit Tree range includes great tasting flavours such as lychee and mango with nata de coco, as well as blackcurrant, orange and apple with aloe vera. Throughout the year focussed communications and campaigns were carried out to ensure maximum brand awareness while innovative product offerings were launched to keep the brand competitive.

Brand Strategy

Going forward, F&N will continue to grow our soft drink business through the broadening of product lines, product quality and unique packaging designs, coupled with an overall value pricing strategy. We will also continue to pursue the strategy of building a strong and balanced portfolio of carbonated and non-carbonated beverages to help consolidate the soft drinks division's overall performance.



Dairy Products

F&N's dairies division has a vision of being Malaysia's leading dairy and food marketer with world-class products, standards and capabilities forming part and parcel of its offering. The many brands under the umbrella of F&N Dairies - F&N Sweetened Condensed Milk, the Magnolia, Daisy and Farmhouse brands of pasteurised milk, the Fruit Tree Fresh and Sunkist pasteurised juices, as well as Magnolia ice cream – are the embodiment of this vision as well as the F&N Group's values of innovation, family values and integrity.







Canned Milk Portfolio

In our core canned milk business, F&N Sweetened Condensed Milk (F&N SCM), continued to dominate the category, commanding almost half the total market at 49 per cent market share. F&N SCM has been the Number One brand for eight years, making it the mainstay of the dairies division's impressive market leadership. Despite a saturated and shrinking market, consumer confidence in the brand has made F&N SCM a trusted household name throughout Malaysia.

Our position in the canned milk category was further strengthened with encouraging growth in evaporated milk sales volume during the year.

Pasteurised Products Portfolio

The pasteurised milk category comprising Magnolia, Farmhouse and Daisy is growing well due to new penetration as well as pack size extension. Magnolia Fresh Milk launched the first of its kind Magnolia Oat Milk which combines low fat high calcium milk with real oats grains to cater to health conscious adults. Daisy High Calcium Low Fat Milk was also re-launched with a tastier formula.

The total pasteurised juices category also registered positive growth in sales volume for Fruit Tree Fresh and Sunkist as a result of various product innovations and launches.

Ice Cream Portfolio

Magnolia ice cream performed reasonably well as a result of an aggressive re-entry into key accounts and high traffic outlets, supported by ongoing new product launches. The major launch involved Magnolia Gelazia Gelato ice cream, the first take-home gelato ice cream offering in Malaysia.

Sterilised Milk Products

In the sterilised milk product category, Magnolia continued to dominate the children's market in the 220ml pack category with its launch of a high calcium low fat orange flavoured milk variant enriched with Vitamins A&D.

Brand Activities

The following are some of the highlights of the preceding year's brand activity for the dairies division as well as an insight into the various awards and accolades garnered . . .

F&N Sweetened Condensed Milk

Unique Platform

F&N SCM continued to bring enjoyment into consumers' lives by enriching their social and personal experiences through building programmes centred on a uniquely Malaysian platform i.e. the teh tarik culture.

To strengthen the brand equity for the new season of Cabaran TariKing F&N, a new theme was introduced. The new season featured a TV travelogue that encapsulated the brand's vision to be the "friend" who adds enjoyment to people's lives and enhances their personal and social relationships. The programme showcased the life experiences of consumers from various parts of the country and depicted how both teh tarik and F&N SCM played a role in their lives. This campaign enhanced the brand's overall appeal to consumers and was complemented by promotional activities to drive response.

Extraordinary Recognition

A 2006 survey conducted by Brand Equity Index (BEI) highlighted that the F&N SCM brand achieved an extraordinary 100 per cent brand awareness in its target market, scoring BEI of seven on a scale of 1 to 10. Only 15 per cent of other brands command a BEI of three points and above.



Daisy

Tasteful Attraction

Daisy High Calcium Low Fat Milk was re-launched with a tastier formula at a special introductory price. The innovative Daisy Milk Exchange Programme with a mobile lifestyle concept featuring attractive female samplers was a crowd puller.

Farmhouse

Upmarket Focus

Farmhouse Fresh Milk launched its premium chocolate milk in a larger 1.8 litre pack size. This was supported with sampling by elegantly attired promoters in tuxedos and evening gowns at key outlets. Sampling at international schools aimed to attract the affluent student market segment.

Magnolia

Fresh Approach

Magnolia Fresh Milk's launch of the first cereal milk in Malaysia kicked off with a mobile concept lifestyle road show where promoters dressed up in "Farm Feel" attire to promote and sample new products. A joint promotion with a popular café chain helped reinforce consumer perception of Magnolia as a quality brand.

Sunkist

Focussed Promotions

Sunkist launched a new citrus variant, its orange with grapefruit juice. Key marketing activities included consumer promotions held in conjunction with the Ramadhan month. In addition, activities such as the Live It Up consumer contest and sampling involving the Mobile Lifestyle team continued to drive higher consumption.

Fruit Tree Fresh

Juicy Variants

Another of the dairies division's brands, Fruit Tree Fresh, introduced several new variants under its Juicy Bits range. These included mango with nata de coco, lychee with nata de coco, orange with nata de coco and orange with cell sacs.

Strong Endorsement

Fruit Tree Fresh also strengthened its brand recognition when it landed two Silver Awards in the Kancil Awards 2005 Point of Sale and Innovative Media categories.

Magnolia Ice Cream

Innovative Re-entry

The major launch involving Magnolia Gelazia Gelato ice cream was complemented by consumer-oriented activities including the Mag-A-Cone Crazy Frog Promo Tour, Gotcha Soccer Ball World Cup 2006, Magnolia Gelazia Gelato Ice-Cream Road Show and Mag-A-Cone Supremo "Mag-A-Game Road Show".

Brand Strategy

In the coming year, the F&N dairies division will implement creative marketing strategies to sustain the division's market dominance in the canned milk segment and grow market share in the categories in which our portfolio is not as dominant.

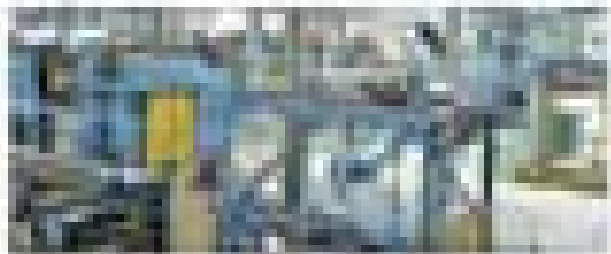
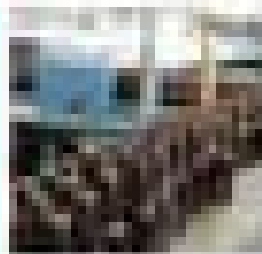
As part of our strategy to develop a global brand presence in our export markets, we will build an image of F&N as the benchmark for quality and reliability. In addition, our halal certification will be added advantage for the Middle East markets where we will leverage and complement the Government's initiatives in developing Malaysia as a halal hub for goods and services. All these will help make F&N the preferred brand among Muslims worldwide.

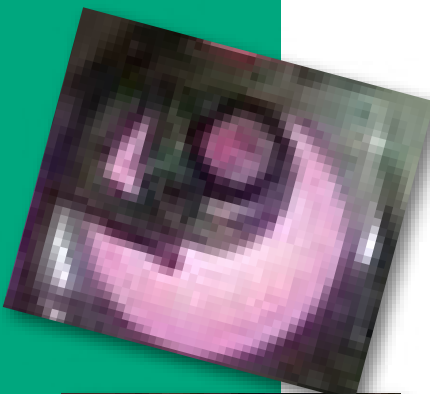


Glass Containers

F&N's glass containers division pursued a strategy of product, quality and design innovation to remain dominant in the domestic market and in new markets. The division also adopted a unified branding approach under the F&N corporate banner which enabled the many disparate entities in different countries to present a common international identity.

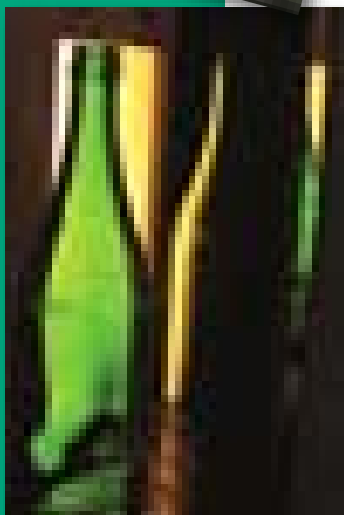






Disparate Identities

Prior to the re-branding, F&N's international production base comprised two glass container manufacturing plants in Malaysia, one each in Vietnam and China, and another under construction in Thailand. The three overseas plants each bore separate identities reflecting their joint venture ownership, while the two wholly-owned Malaysian glass subsidiaries bore different corporate names.



Unified Branding

To present a common international brand and to bolster growing export orientation, the various glass containers marketing activities were consolidated under the F&N brand. Today, the entities under F&N's glass containers division are able to leverage the parent Group's widely-respected corporate heritage as well as exploit synergies with associates such as Asia Pacific Breweries and The Coca-Cola Company; both of which have extensive bottling operations throughout the Asia Pacific that are large customers for glass containers.

By adopting a unified marketing approach under the F&N banner, the glass containers division is today able to more effectively exploit multi-nationals' desire to do business with a glassware maker that meets demanding quality standards and also guarantees delivery from multiple sources of supply.

Market Potential

Since adopting the F&N identity, the division has signed a representative agreement with a leading distributor of glass containers in the North American market and significant orders have begun flowing in to the glass group's headquarters in Johor Bharu, Malaysia. Likewise, there is strong potential to sell to niche markets commanding premium prices in Australasia. The glass containers division's first Australian road show under the F&N banner is scheduled to take place next year.

Packaging Award

Malaya Glass Products Sdn Bhd (MGP), the glass division's manufacturing subsidiary in Johor Bharu was presented a **Silver Award in the Packaging Council of Australia's National Packaging (ANP) Awards for 2006**. The Silver Award was for the MG 308 Exotic Jar, a jam jar produced for Queensland customer, Golden Circle Ltd. The jar, produced by Kuala Lumpur Glass Manufacturers Company Sdn Bhd, was jointly developed by Golden Circle and MGP, while the closure, carton and label were produced by Australian Pharma Containers Pty Ltd, Amcor Fibre Packaging Pty Ltd and Label Makers Pty Ltd.

The ANP Awards are held yearly to recognise outstanding overall packaging design for new products introduced. The ANP Awards can be seen as the barometer for the Australian packaging industry highlighting "innovation, sustainability and, quite simply, great ideas."

International Coverage

The expanding regional operations of F&N's glass containers division were the subject of a feature story in the September-October 2006 edition of Glass International, a highly regarded UK-based publication serving the global glass industry.

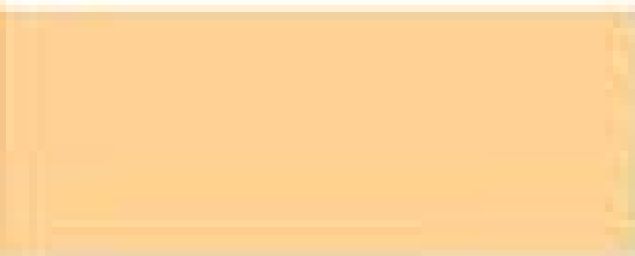




Property

The property division's F&N-branded development projects continued to generate strong market demand and garner wide recognition for their innovative concepts. Projects like Fraser Business Park with its novel ICT (Information Communication and Technology)-centric theme and complementary infrastructure, are a fitting expression of the division's capacity to formulate winning marketing strategies.







Innovative Positioning

Following the resounding of Phase One of Fraser Business Park, whereby the majority of the properties were snapped up within the first six months. Phase Two of the development was launched in September 2006. Called, Zon.e@Fraser Business Park, the new project is positioned as the region's first and largest purpose-built ICT hub to be equipped with cutting-edge digital technology. It comprises a seven-storey techno centre designed to house a wide range of digital entertainment facilities, a city campus of a renowned university college, the first e-hotel in Malaysia as well as dedicated ICT retail business lots.

More can be expected from future property launches as the division continues to break new ground with regard to innovative design and product development that emphasise features that are distinctive to the F&N brand name.



Engineering Achievement Award

The Zon.e@Fraser Business Park project was recently awarded the **ASEAN Outstanding Engineering Award** by the Asean Federation of Engineering Organisations (AFEO). The AFEO Award Committee in Laos acknowledged the project's innovative concept, its extensive use of e-centric facilities and its potential for transforming the entire neighbourhood into a vibrant ICT business hub. Winners of the Award from ASEAN countries were announced at the recent 24th Conference of ASEAN Federation of Engineering Organisations.

New Divisional Website

The division's renewed commitment to innovative and quality property development based on our Customer First credo, resulted in the creation of a property division web site: fnproperties.com.my. The web site offers existing and prospective property buyers and other stakeholders access to improved information resources and services.



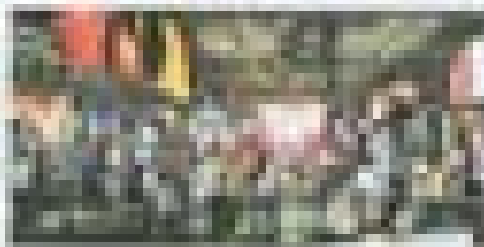
Maintaining Our Heritage

When demolition of the former F&N headquarters in Sungei Besi began, we took great pains to carefully remove a sculpted shield bearing the old F&N Lion symbol at our main entrance. Upon completion of the Fraser Business Park re-development project, the F&N Lion will once again proudly resume sentinel duty at the F&N Group's "new" headquarters.

This exercise is an apt reflection of our deep-seated commitment to nurturing our brands and our heritage for the long term.



F&N launches 2nd phase of Fraser Siz Park



F&N

2nd phase of Fraser Siz Park project to start soon

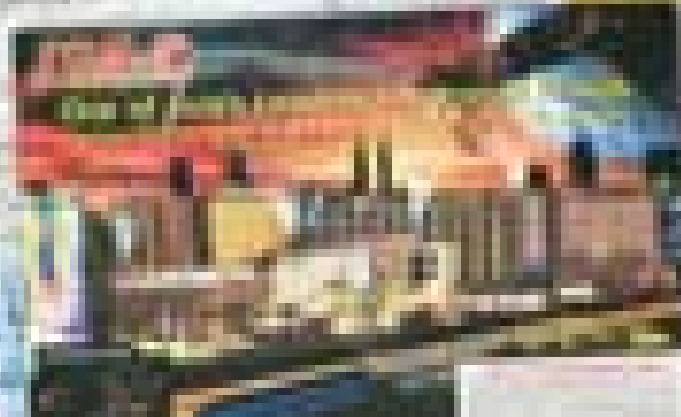
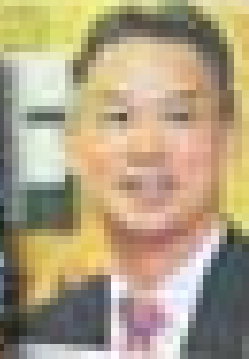
F&N unbottles e-fliz development

2nd phase of F&N project to start soon



F&N bullish on property development

2nd phase of Fraser Siz Park project to start soon



Heads of Department



Tan Ang Meng
(Chief Executive Officer)

Tony Lee
(Chief Financial Officer)

Ir. Cheah Hong Chong
(General Manager, Property)

Gan Mee Ling
(Group Legal Manager /
Company Secretary)

Loong Wei Hin
(Senior Manager, Business
Development, Export)

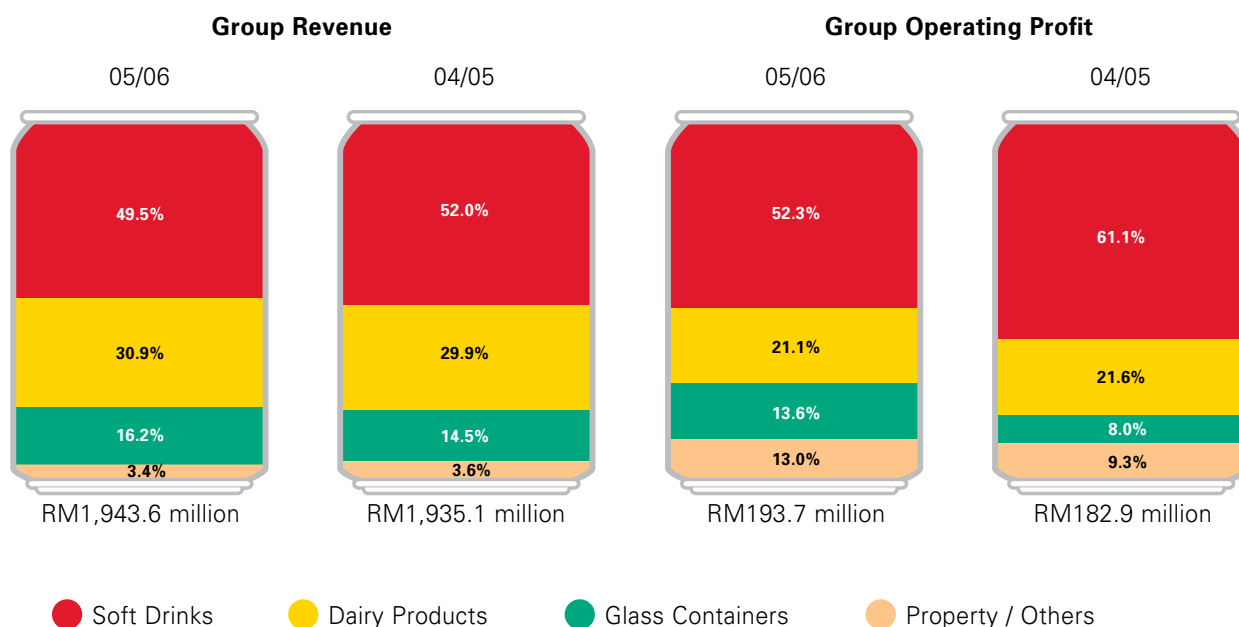
Ong Kok Choon
(General Manager, Property)

Group Performance Overview

Commendable Performance

F&N Holdings Bhd posted commendable results for the financial year ended September 30, 2006. Profit after tax stood at RM153.6 million, a 10 per cent improvement over the preceding year's results. Following deductions for tax and minority interest, attributable profit to shareholders for the year stood at RM142.8 million, an increase of eight per cent over the preceding year. This marks our sixth consecutive year of record profit and comes on the back of revenue of RM1.94 billion, a marginal increase over last year's result.

This creditable performance was achieved against a backdrop of weak consumer sentiment and economic instability shaped by steep hikes in the price of energy and commodities. The dampened consumer market saw a significant reduction in soft drinks consumption with equilibrium restored only in the last quarter of the year. As a result, full year revenue for soft drinks fell by four per cent or RM45 million from the preceding year, while operating profit declined by nine per cent or RM10 million from the preceding year.





Simon Sim
(Group Human Resource
Manager)



Tan Hock Beng
(Group Corporate Planning &
Business Development Manager)

Stable Demand

As a result of resilient demand for the dairies division's products and partly because of increased exports, the dairies division achieved a four per cent increase in revenue and a related four per cent increase in operating profit.

The glass containers division recorded a significant improvement in profitability following two years of poor results. Our China joint venture became profitable following initiatives to restructure its customer profile. It achieved an operating profit of RM1.8 million compared to a loss of RM8.5 million in the preceding year. The glass containers division increased its revenue and operating profit by 12 per cent and 80 per cent, respectively.

Phase One of the Fraser Business Park development recorded revenue of RM67 million and operating profit of RM21 million. At the end of the financial year, 83 per cent of the project revenue and profit had been recognised. Following the completion of Phase One in early 2007, the project's recently launched Phase Two is expected to continue contributing to Group revenue.

Healthy Returns

The market value of F&N shares appreciated 12 per cent while the total return on shareholders' investment was a healthy 18 per cent. The Group's market capitalisation stood at RM2.21 billion at September 30, 2006 in comparison to RM1.98 billion in the preceding year.

Over the past six years, the Group's profit before tax has registered a compounded annual growth of 13 per cent, while Group revenue has grown at a compounded five per cent per annum. The domestic market accounts for 86 per cent of the Group's annual turnover.

Over the course of the year, earnings per share rose from 37 sen to 40.1 sen, while net dividends increased from 30.24 sen to 32.69 sen per share.

Heads of Department



James Teo Hong Beng
(Managing Director)



Khalid Alvi
(General Manager,
Sales & Marketing)



Lim Mong Tuan
(General Manager,
Sales Operations)



Phua Khia Goom
(Asst General Manager,
Finance)

Soft Drinks

Operating profit for the soft drinks division declined by nine per cent to RM101.4 million for the financial year in comparison to the preceding year's RM111.8 million. Revenue also declined by four per cent to RM961.5 million against RM1.0 billion previously, largely because of weaker performance in the second half of the year. The sharp reduction in profit was attributable to a downturn in the overall soft drinks market and margin pressures due to unpredicted, steep rises in raw material and energy costs.

Strategic Growth

The division's drive for a stronger market presence and a wider portfolio of beverage products was realised with the acquisition of East Malaysia's largest producer of bottled water, Sime Oleander Sdn Bhd, which has since been renamed Borneo Springs Sdn Bhd. Together with the acquisition of assets including a water well in Bentong, Pahang, both these strategic initiatives will further consolidate the soft drinks division's dominance of the ready-to-drink market under the Aquarius and Borneo brands.

The year also saw the ground-breaking for a new state-of-the-art warehousing facility at the Kuching plant site taking place. The new facility will cater to projected volume growth and increased demand for the storage of raw materials and finished products.

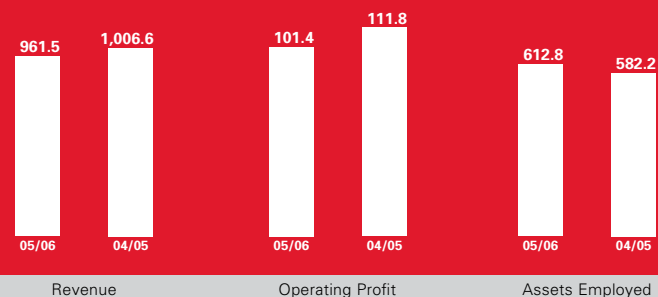
The upstream investment in an in-house PET bottle blowing facility in the preceding financial year continues to pay dividends that are helping to mitigate the significant increment in logistics costs.



Remedial Measures

The Malaysian ready-to-drink industry experienced its first market softness since the onset of the Asian economic crisis in the late 1990s. Carbonated soft drinks were particularly affected in the second half of the year when a marked change in consumer behaviour caused a sharp decline in carbonated beverage consumption.



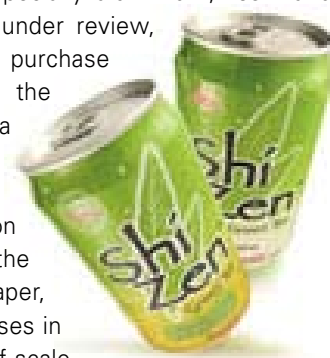


Various measures were aggressively introduced to arrest the decline in volume and the division successfully retained its brand dominance with a 40 per cent share of the overall ready-to-drink market. Commensurate shares of the carbonated soft drinks segment were held by brand leaders such as Coca-Cola and F&N. The isotonic market continued to be buoyant with 100Plus consolidating its position as Malaysia's runaway favourite brand with more than 90 per cent market share.



Operational Efficiencies

Steep price increases of key raw materials used in the manufacturing process severely impacted production and other costs of doing business. The profitability of the soft drinks business relies partly on the cost of key raw materials, especially aluminium, resin and sugar. While prices escalated sharply during the financial year under review, their impact was mitigated by the negotiation of favourable agreements for advance purchase of commodities. Price benefits were achieved by leveraging on product volume and the comprehensive market insights arising from the division's membership of the Coca-Cola Procurement Group, as well as the strengths of its own internal procurement team.



With the cost of energy escalating annually over the last few years, the implementation of various energy saving projects was fast-tracked to minimise the impact. Among the noteworthy achievements was the significant savings achieved through the use of cheaper, cleaner liquefied natural gas (LNG) within the manufacturing operations. Substantial increases in logistics and other transportation-related costs were contained by leveraging economies of scale, enabling the division to serve customers competitively with reliable, low-cost transportation.

In addition to rationalisation of costs, the division maintained its momentum of re-investment in infrastructure replacement, organisation development, bottling facilities and processes to maximise profitability. Successful efforts were made to reduce inventory, increase supply-chain efficiency and optimise headcount, while good working relationships with distributors and retailers was prioritised.



Business Outlook

The division remains alert to changes in consumer preferences and has instituted promotional, marketing and pricing initiatives geared towards sustaining the division's competitive edge in the Malaysian soft drinks market.

With these strategies in place, management is confident of the soft drinks division's ability to maintain and grow future market share and margins. The fundamentals of the business remain strong and F&N brands are set to take full advantage of the market when macro economic conditions improve.

Heads of Department



Edward Liew (General Manager)	Ben Yeong (Financial Controller)	Eileen Chan (Senior Manager, Business Development)	Ismail Ibrahim (Deputy Manager, Human Resource)	L. Krishnan (Senior Manager, External Affairs)	Ooi Peng Hock (General Manager, Manufacturing)
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Dairy Products

The F&N dairies division increased operating profit by four per cent to RM40.9 million against the preceding year’s RM39.4 million. This came on the back of a four per cent improvement in revenue to RM600.7 million over revenue of RM578.2 million in the preceding year. This creditable result was achieved despite weak consumer sentiments.

Difficult Conditions

The market environment was challenging throughout the year. The modest improvements in performance by F&N’s dairies division is all the more significant given the decline in sweetened condensed milk (SCM) market volume as well as numerous other dairies product sectors.

Consumer sentiment was weakened by the impact of higher fuel costs and related inflation that reduced households’ disposable spending budgets. Industry margins were also squeezed by sharp escalations in world sugar prices and the high price of tinplate.

Solid Performance

In the face of these challenges, the brands under the division’s umbrella performed well with F&N SCM securing almost half the market share of the saturated and shrinking total retail market in the core canned milk sector.

Cost Efficiencies

To combat inflationary pressures and the competitive squeezing of margins, costs were kept under tight surveillance. Productivity was increased through the introduction of further efficiencies in the production process. Additional cost reductions for fuel were garnered from the conversion of the manufacturing process to LNG under a joint initiative with Petronas Gas.





Poh Eng Lip
(General Manager, Sales)

Tham Su Yin
(Senior Manager,
Supply Chain & Procurement)

Mrs. Van Toh Peng
(Asst. General Manager,
Marketing)

600.7

05/06

578.2

04/05

Revenue

40.9

05/06

39.4

04/05

Operating Profit

310.6

05/06

330.9

04/05

Assets Employed

Although subjected to significantly higher costs throughout the year, the division secured adequate margins during a period of highly competitive pricing. Notwithstanding the higher costs, the division maintained its long-term policy of re-investment in manufacturing and IT systems infrastructure and human resource training.

Business Outlook

The business outlook for the dairies division is for continued steady growth in both volume and profitability. As more emphasis is placed on streamlining distribution operations and nurturing a "produce more with less" mindset in the manufacturing process – a radical departure from the past – performance improvements can be expected in the coming year. This assessment assumes that there will not be any major shocks to consumer confidence in the form of further energy price spikes and flow-on inflationary effects.

Export Contributions

Export contributions to Group turnover continue to grow with total shipments of about two million cases for the year. During the year the revitalised export unit had its first success in penetrating the Middle Eastern markets of Dubai, Abu Dhabi and Beirut.



The prospects for the Middle East and the rebuilding efforts in the ASEAN region for the year ahead appear positive. The Company will leverage on its halal certification for its sweetened condensed milk and evaporated milk to penetrate these markets. This is in line with the Malaysian Government's initiative to develop Malaysia as the world halal hub for food and services. Meanwhile, traditional sales to Singapore's export unit will continue to be promoted and sustained.

Heads of Department



Mogan Muniandy
(General Manager)



Chin Chee Wah
(General Manager,
Sichuan-Malaya Glass)



George Brook
(General Manager,
Operations)



George Yeow
(Financial Controller)



Lee Hong Cho
(Deputy General Manager,
Project & Technical Services)



Raymond Lee
(General Director,
Malaya-Vietnam Glass)

Glass Containers

The glass containers division achieved an operating profit of RM26.4 million on the back of revenue of RM314.0 million – a 80 per cent and 12 per cent increase, respectively.

Strong Rebound

The division's strong rebound was attributable to improved operating performance at all four glass container manufacturing plants. Plants exceeded their performance targets as well as maintained or grew their market share. The turnaround was aided by the success of a campaign to diversify production, find new niche markets and exploit Group synergies by establishing customer linkages with F&N-associated companies reliant on glass containers.



Ground breaking ceremony of the new glass plant in Thailand

The Sichuan, China plant achieved full operating capacity and contributed a modest maiden profit after two years of losses. The turnaround is attributable to increased volume and higher selling prices and reflects concerted efforts to diversify the domestic and export customer base.

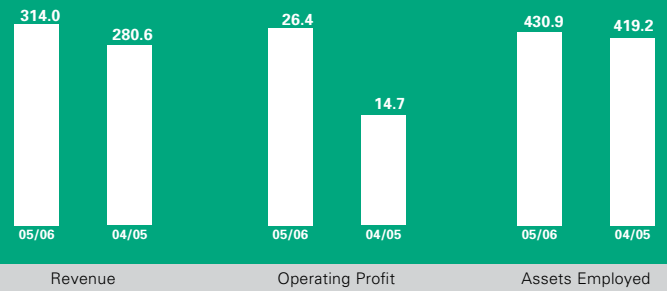
Construction of a fifth state-of-the-art glass plant in Thailand is progressing according to schedule and is on track for completion by October 2007. The Thai plant is a joint venture in which the glass division has a 70 per cent stake and management control, while Thai Asia Pacific Brewery Co Ltd has a 30 per cent stake.

Regionally, the division's four manufacturing operations – two in Malaysia and one each in Vietnam and China – all had to contend with steep increases in oil, electricity and raw materials prices.

Tough market conditions were offset by continued strategic rationalisation of resources and modernisation of plants and processes. Right-sizing (achieved via a voluntary separation scheme in the prior year), the achievement of profitability in China, and renewed attention to improving efficiency and cost containment in the Malaysian operations, all contributed to the division's stronger overall performance.

In Malaysia, efficiency and productivity increased noticeably upon transforming the Petaling Jaya factory into a manufacturing satellite of the Johor Bharu plant and by centralising all technical and sales resources in Johor Bharu. Two technical experts with international experience were seconded to the glass containers division in Johor Bharu to advise on the standardisation of manufacturing plants and systems throughout the division so as to achieve greater efficiencies and economies of scale.





Vietnam continued to maintain its consistent good performance since its establishment in 1993. Approximately 20 per cent of its production was exported, some to new markets.

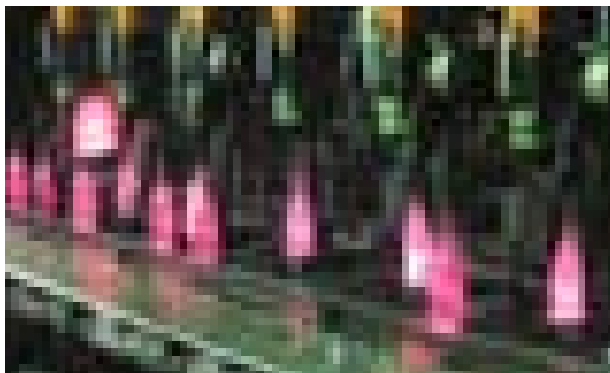
In China, turnaround was achieved by focusing on supplying good quality, higher-margin products to multi-nationals rather than to the domestic customer base as in prior years. The China operations began supplying beer and soft drinks packaging for internationally recognised brands including Anheuser Busch and Coca-Cola.

In Thailand, all major plant equipment orders have been placed for the new US\$36 million joint venture plant some 60 km north of Bangkok. Initial market assessment indicates a full order book for capacity output from the 250 tonnes per day furnace and three production lines. Studies are underway to further expand the plant's production capacity and fully exploit its marketing potential. Upon the plant's completion, F&N's glass division will be the only regional glass containers manufacturer able to offer multi-national customers sourcing from five plants in four East Asian countries.

While the new Thai plant will not be completed in time to contribute to profit in the coming year, it is anticipated that it will fulfil a pivotal role and make a solid contribution to the glass division's bottom line when it begins production in late 2007.

Business Outlook

The outlook for the coming financial year is for increased production and higher margins. Much of this is expected to come from further improvements in operating efficiencies as well as increased exports to North America and Australasia where there are opportunities to command premium prices in substantial niche markets.



The planned standardisation of plant, machinery and manufacturing systems across all plants is expected to enhance the division's capacity to produce a wider range of ware suited to high margin, niche markets. These measures will make the two Malaysian plants in particular, less reliant on the domestic market and will enable them to increase their export capacity and their contribution to the division's profitability.

Head of Department / Management Team



Ir. Cheah Hong Chong
(General Manager)



Raymond Chong
(Senior Manager)



Bay Hee Choon
(Project Manager)



Ar. Kuan Fook Yee
(Executive,
Property Development)



Pua Wah Lum
(Project Manager)

Property



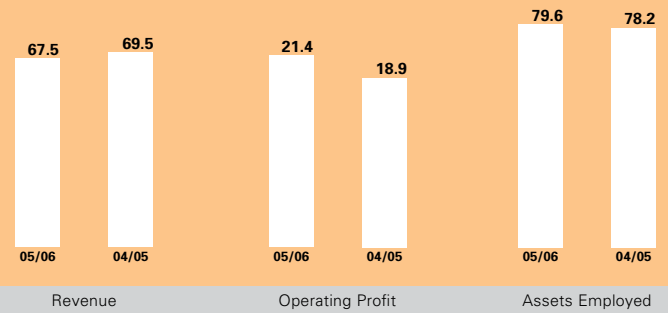
The property division continues to unlock the value of F&N's former Kuala Lumpur headquarters site in Sungei Besi via its re-development as Fraser Business Park. Construction of the RM181 million Phase One development at Fraser Business Park ran ahead of schedule during the year. Completion and handover to purchasers is scheduled to take place by the end of 2006 – five months ahead of the original planned delivery deadline. The value of the properties within the Phase One development have also appreciated by as much as 15 per cent to 20 per cent while still under construction.

Launch of Phase Two

Following the successful completion of the first phase, Phase Two of the development was launched in the financial year under review. Known as Zon.e@Fraser Business Park, Phase Two involves a RM350 million integrated commercial development comprising retail lots, a university college-cum hostel block, a budget hotel block and a serviced apartment block. Complementing the retail lots is a seven-storey Techno Centre designed to accommodate a wide range of digital entertainment activities.

A successful sales launch in September 2006, saw 75 per cent of Zon.e retail lots acquired by eager investors. A memorandum of understanding was signed in September with a university college to set up a city campus to cater for the population within the project's vicinity.





Ampang Project

The financial year also saw the property division began its planning of a prestigious development project on Jalan Ampang, Kuala Lumpur's "Embassy Row". Approval for the project is expected in the first quarter of 2007.

With a gross development value (GDV) of RM166 million, the project comprises 434 units of serviced apartments, complementary office suites and retail lots. With well-designed facilities and amenities that cater for residents, the project is expected to appeal to property investors seeking real estate situated in a prime location.



The year also saw the division renewing its commitment to innovative and high quality property development based on our Customer First credo. One result of this has been creation of a property division web site: fnproperties.com.my. The web site offers existing and prospective property buyers and other stakeholders access to improved information resources and services.



Plans have also been put in place to set up a dedicated property division service office in the new F&N corporate headquarters building in Fraser Business Park which is planned for occupancy next year.

Business Outlook

With the combined GDV of its projects worth some RM725 million (including KL Fraser Business Park Phase Two with a GDV of RM 350 million, Phase Three with a GDV of RM 61 million and the Jalan Ampang Project with a GDV of RM 166 million, among others) the property division is expected to contribute significantly to Group's profit in the future.

Group Human Resource

Our employees are our organisation's most valuable assets. Throughout the year, the Group Human Resource continuously undertook various initiatives to nurture and grow our employees.

Long Service Awards

In recognition of employees who have provided invaluable service to the Group's various business units over varying lengths of time (the minimum being 15 years), gifts of gold wafers and designer watches were awarded to eligible employees at long service award ceremonies. In an act of leadership by example, Group Chief Executive Officer, Mr. Tan Ang Meng himself received a long service award.



Mr. Tan Ang Meng accepting his long service award

Creative Training

Exciting training programmes, incorporating creative thinking techniques such as mind mapping, change management and team building, were conducted throughout the year. Such training programmes empower employees to become agents of change.

The training programmes helped imbue employees with greater self confidence and taught them how to become more dynamic and persuasive. The programmes also equipped participants with the skills to identify and present core goals in an effective manner. Techniques in the art of becoming more professional in personal conduct and communication were also shared with many employees.

Talent Pool Management

The Group Human Resource has long been attuned to the need for the creation and maintenance of a pool of talent embracing middle, senior and top management-level employees. This is being achieved via succession planning programmes which aim to ensure that career development and talent retention are achieved at every tier of management. These programmes seek to enhance employee skills, as well as ensure that the Group continues to benefit from an adequate pool of able, talented employees.

The Group Human Resource reached out to engage employees in a survey designed to disclose how they saw themselves progressing within their sphere of employment and how the Company could better support them.



Listening with rapt attention



Sharing ideas, working on solutions

Industrial Harmony

The Group has always been committed to maintaining a conducive and harmonious industrial relations climate. Throughout the year, six of the Group's 10 collective agreements came up for re-negotiation. The prevalence of good diplomatic skills and a mutual willingness to compromise for the betterment of the Group's future led to the satisfactory conclusion of several collective agreements. One such agreement was concluded in just one session. Wage adjustments agreed upon remained competitive and in tandem with the rise in living costs.

F&N Chairman's Awards

The Group once again recognised the achievement of employees' children. The F&N Chairman's Awards for Educational Excellence were conferred on 172 children of employees from the Group's five operating regions throughout the country (i.e. North, South, Central, East Coast and East Malaysia). This initiative involved the Group's soft drinks, dairies and glass divisions as well as the holdings company.

F&N's Chairman and CEO personally presented the awards to children at specially arranged ceremonies in each region. The children were commended for being high achievers in governmental examinations and for attaining entry to tertiary institutions. The Group awarded a total of RM214,800 to a record number of deserving achievers in all categories.



Recipients of 2006's F&N Chairman's Awards

The F&N Chairman's Awards scheme was initiated in 2003 to celebrate the Group's 120th anniversary with an initial allocation of RM1.2 million.

Group Human Resource will continue to pursue initiatives designed to enhance employee relations and make the F&N Family an attractive working environment and one that is conducive to the development of employees' careers.



Splashing good time during F&N Family Day

Community Involvement and Care of the Environment

In pursuit of our commitment to corporate social responsibility, F&N Group companies undertook numerous community-related projects that benefited less privileged members of society and our employees. Initiatives included the F&N Chairman's Awards, under which cash grants were disbursed to children of employees who achieve excellence in public examinations.



Distributing some gifts to the orphans

The Elderly and Orphans

The various festive seasons were marked by visits by staff members to homes for the elderly as well as outings for orphans under the supervision of dedicated members of the F&N Family.

During the holy month of Ramadan the soft drinks division hosted a berbuka puasa event for 100 orphans from two homes at the KL Communication Tower. Hampers of company products were also distributed during the festive seasons to bring joy to the less privileged members of society.

Sports Sponsorship

Brands Coca-Cola and 100PLUS continued their support of grass roots football in Malaysia and undertook a variety of other sponsorships in support of a range of other sports.



Environmental Concerns

On the environmental front, cleaner operations at our soft drinks, dairies and glass container manufacturing plants were achieved after completion of a programme to incorporate environmentally-friendly natural gas energy sources in all our manufacturing operations.

A RM2.8 million pilot plant to upgrade waste water treatment and conservation at the soft drinks division's Kuching plant was commissioned during the year. It is Sarawak's first such environmentally friendly plant and also the first waste water treatment facility of its kind to be introduced in the entire Coca-Cola system in Southeast Asia.

Utilising Taiwanese upflow anaerobic sludge bed technology, the treatment plant generates methane gas which can be tapped and used as a source of fuel to generate power for lighting. Running at maximum capacity, the Kuching plant is capable of handling 1,200 cubic metres of methane per day – enough to generate approximately 50 kw-h electric power and sufficient to give the plant a self-sustaining power source. In terms of electricity supply costs, this is equivalent to savings of some RM70,000 per year. The pilot plant is being monitored and if successful it will be replicated at the soft drinks division's main Shah Alam plant on a bigger scale.



corporate

Governance

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Statement on Corporate Governance

Introduction

The Company is fully committed to good corporate governance and fair dealing in all its activities.

It subscribed fully to the principles and best practices promoted by the Malaysian Code of Corporate Governance. This statement describes the practices that the Company had taken with respect to each of the key principles and the extent of its compliance with the code during the financial year.

The Board

The Board of Directors was elected by the shareholders and held the ultimate decision making authority, except for matters reserved by law or by its articles of association to its shareholders. Formal processes and structures were in place to assist the Board in carrying out its responsibilities and its decisions were normally taken as a whole.

The Board oversees the business affairs of the Group. It approves strategic plans, key business initiatives, major investment and funding decisions, reviewed financial performance, determined compensation and succession plans for senior management and ensured adequate internal controls. These actions were carried out directly by the Board and through Board Committees. Assisting the Board were three board committees: Nominating, Audit and Remuneration. (More details are given below.) On a day-to-day basis, the Board delegated the conduct of operating matters to its Chief Executive Officer (CEO), who is also a member of the Board.

1) Composition and Board Balance

The Company's Articles of Association currently provides for a board composed of a maximum of 11 directors. The present Board comprised 11 directors, whose varied skills and vast experience were relevant to the Group's business operations.

The Board was broadly balanced to reflect the interests of major shareholders, management and minority shareholders. Of the 11 directors, six were nominees of the two largest shareholders and four were independent. The 11th member was the CEO. With the exception of the CEO, all directors were non-executive.

An independent, non-executive chairman headed the Board. Mr. Leslie Struys is the appointed senior director to act as an additional channel for communication for corporate governance matters within the Company.

2) Board Processes and Committee Activities

During the financial year, the Board held eight meetings, while the relevant Committees had seven meetings. Record of directors' attendance (taking into account the date of their respective appointments) is contained in the table below. Six board meetings were held at the registered office of the Company, while the other two meetings were held off-site in Kuala Lumpur and Singapore.

Pages 16 to 20 of this Annual Report contain a profile of each member of the Board.

Director	Board	Audit Committee	Nominating Committee	Remuneration Committee
Tengku Syed Badarudin Jamalullail #	(8/8) ^	(4/4) ^	(1/1) ^	(2/2) ^
Tan Sri Dato' Dr Lin See Yan #	(8/8) ^	(4/4) ^	(1/1) ^	
Datuk Fong Weng Phak	(8/8) ^	(4/4) ^		
Lee Kong Yip	(8/8) ^			(2/2) ^
Leslie Oswin Struys #	(7/8) ^	(3/4) ^	(1/1) ^	(2/2) ^
Tan Ang Meng	(8/8) ^			
Dr Han Cheng Fong	(8/8) ^		(1/1) ^	(2/2) ^
Mr Anthony Cheong Fook Seng	(8/8) ^	(4/4) ^		
Dato' Dr Mohd Shahar bin Sidek	(6/8) ^			
Dato' Anwarudin bin Ahamad Osman #	(7/8) ^	(2/3) ^		
Dato' Dr Nik Norzrul Thani bin Nik Hassan Thani (appointed on 7 Nov 2006)	(1/1) ^			
Dr Kwok Kain Sze (<i>Alternate to Dr Han Cheng Fong</i>) (Appointed on 7 Nov 2006)				

Note: ^ denote membership and () indicate meetings attended out of total scheduled since the beginning of the financial year or appointment date.

denote independent member of the board

The key role of the Nominating Committee was to review recommendations for Board appointments and Board Committees. Formed in May 2001, it comprised four non-executive directors, three of whom were independent. All members attended the sole meeting scheduled during the year. Proposed changes in the composition of the main Board, committees and subsidiary boards were reviewed at this meeting prior to submission for recommendation to the Board. They also reviewed and kept abreast of developments in the area of board performance assessment.

The Remuneration Committee, formed in May 2001, comprised four non-executive board members. Apart from its responsibility of reviewing succession planning and remuneration policies and practices of the Group, it also supervised the allocation of share options to employees under the Group's ESOS scheme. Two meetings were held during the year.

A separate report on the activities of the Audit Committee is contained on pages 60 to 61 of this Annual Report.

3) Access to information

All scheduled meetings held during the year were preceded with a formal agenda issued by the Company Secretary in consultation with the Chairman and the CEO. The agenda for each meeting was also accompanied by the minutes of preceding meetings of the Board and Board Committees, reports on group financial performance, presentations by subsidiaries on their performance, industry trends, business plans including major capital expenditure and proposals, quarterly result announcements and other relevant information.

Additionally, directors were encouraged to approach management to seek clarification or obtain further information through the CEO in furtherance of their duties, including appropriate external professional consultation. All directors had direct access to the advice and services of the Company Secretaries in discharging their duties.

4) Appointments and Re-elections

Procedures relating to the appointment and re-election of directors are contained in the Company's Articles of Association. New directors are subject to election at the Annual General Meeting (AGM), following their first appointment. In addition, one-third of the directors are required by rotation to submit themselves for re-election by shareholders at every AGM of the Company.

Remuneration

The Remuneration Committee is entrusted with the role of determining and recommending suitable policies in respect of salary packages for executive directors and the Group's senior executives. The current salary packages comprised a combination of basic salary and a variable performance incentive to attract and retain talent in a competitive environment. There has been no change in the remuneration policies and practices during the year.

Non-executive directors' remuneration is based on a standard fixed fee, with the Chairman receiving a double amount in recognition of his additional responsibilities. An additional fee is also paid to non-executive directors sitting on Board committees, and where applicable, the boards of subsidiaries that were not wholly owned.

Fees payable to the Company's directors are subject to yearly approval by shareholders at the Annual General Meeting. The aggregate director's remuneration paid or payable to the directors of the Company and its subsidiaries for the financial year ended 30 September 2006 are as disclosed in the financial statements.

Directors' Training

In compliance with Bursa Malaysia Listing Requirements, all members of the Board have attended the required training programs prescribed by Bursa Malaysia Securities Berhad.

The directors do attend training, from time to time, to keep them abreast of current developments as well as the new statutory and regulatory requirements. In addition, the Group organizes training program for the directors.

Shareholder and Investor Relations

The Board recognized the need and importance of effective communication with shareholders and the investment community. During the year, results briefings were conducted for investment analysts and the media. Two such briefings were held during the year.

Apart from publishing the results in the print media, Bursa Malaysia Berhad also provides for the Company to electronically publish all its announcements, including the full version of its quarterly results and Annual Reports. These can be accessed online through Bursa Malaysia's internet web-site at <http://announcements.bursamalaysia.com.my>. The Company also maintains a web site, www.fn.com.my, where financial and other information (e.g., consumer promotions) pertaining to the Group's operations are published online.

Accountability and Audit

1) Financial Reports

In reviewing all the published annual and quarterly financial statements during the year, the directors took due care and reasonable steps to ensure that the requirements of accounting standards and relevant regulations were fully met. Their presentation reflected a balanced assessment of the Group's performance and prospects.

2) Internal Controls and Risk Management

The directors acknowledge their responsibility for the Group's system of internal controls, which is designed to protect shareholders' investment and the assets entrusted under its custody. The system was intended to provide reasonable (but not absolute) assurance against material financial mis-statement or loss. It included formal policies and operating procedures in relation to the safeguarding of assets, maintenance of proper accounting records, reliability of financial information, compliance with applicable legislation, regulation and best practice. It also included the identification and containment of business risks.

The Group has well-established internal audit and compliance functions. Formal procedures were in place for both internal and external auditors to report independently their findings and recommendations to management and the Audit Committee.

3) Relationship with external auditors

The external auditors attended all the scheduled meetings of the Audit Committee during the year. These quarterly meetings enabled the exchange of views on issues requiring attention. The role of the auditors and their participation during the year are stated in the report of the Audit Committee on pages 60 to 61 of this Annual Report.

The Group paid Ernst & Young approximately RM704,000 for professional services rendered in connection with audits and related services for the financial year ended 30 September 2006.

4) Compliance with the Code

The Company has complied with the Malaysian Code and observed its best practices throughout the year.

This statement was made in accordance with a resolution of the Board dated 7 November 2006.

Report of the Audit Committee

The Board is pleased to present the following report on the Audit Committee and its activities during the financial year ended 30 September 2006.

The Audit Committee was established by a Board resolution in 1994.

Members and Meetings

For the year under review, the Committee's chairman was Tan Sri Dato' Dr Lin See Yan. He was supported by a majority of independent Board members. Mr Anthony Cheong Fook Seng is a member with an accounting qualification.

A total of four meetings were held during the financial year. Membership status and record of members' attendance during the year (or since the date of their appointment) are as follows:-

Name	Attendance
Independent	
Tan Sri Dato' Dr Lin See Yan (Chairman)	4 of 4 meetings
YAM Tengku Syed Badarudin Jamalullail	4 of 4 meetings
Leslie Oswin Struys	3 of 4 meetings
Dato' Anwarrudin bin Ahamad Osman (appointed on 1 Jan 2006)	2 of 3 meetings
Non-Independent	
Datuk Fong Weng Phak	4 of 4 meetings
Anthony Cheong Fook Seng	4 of 4 meetings

Terms of Reference

There was no change in the following terms of reference for the Committee since its Board approval in 2001:-

Membership

The Audit Committee shall comprise at least three directors, the majority of whom is independent, including the Chairman. At least one member shall be an accountant.

Authority

1. The Committee shall have the authority to investigate any matters within its terms of reference, or as otherwise directed by the Board, to determine the resources required and to have full access to any employees for information.
2. The Committee is authorized to seek independent professional or other advice when needed and to secure the attendance of outsiders with relevant expertise if it considers this necessary.

Terms of Reference

1. The Audit Committee is a committee of the Board and the Board shall determine its membership. The members of the Audit Committee shall elect a Chairman who shall be an independent director. The Company Secretary shall be the Secretary to the Committee.
2. The Committee shall meet at least four times a year or as frequently as required. Its quorum shall be three members constituting a majority of independent directors. The proceedings of the Audit Committee shall be recorded and the minutes of meetings tabled at Board meetings.
3. The Chief Financial Officer, head of the internal audit function and the external auditors (or their representatives) shall be expected to attend all meetings of the Committee. The CEO and other officers of the company shall attend by invitation. At least once a year, the Committee shall meet with the external auditors, without the presence of executive board members.
4. The duties of the Committee shall be as follows:
 - a) To consider and recommend the appointment of the external auditors, remuneration and any issues regarding their performance.

- b) To assist the Board in the review of the adequacy and effectiveness of the internal control system.
- c) To review the risk management policies and practices of the group to ensure their effectiveness
- d) To discuss with the external auditors their audit plan and scope of audit.
- e) To review the quarterly, half-yearly and year-end consolidated financial statements and announcements of the Company, before submission to the Board, focusing in particular on:
 - Compliance with applicable accounting standards
 - Changes in major accounting policies and practices
 - Compliance with Bursa Malaysia Berhad and other statutory requirements
 - Significant adjustments arising from the audit
 - Going concern issues of any entity within the Group
 - Significant and unusual events
- f) To review the external auditor's management reports and responses by management, and to discuss any issues of concern arising from the audit.
- g) To support and provide directions to the Group's internal audit function to ensure its effectiveness.
- h) To consider the findings arising from internal audit reports or other internal investigations and responses by management and to determine appropriate corrective action required of management.
- i) To consider and resolve when needed any related party transactions that may arise within the Company and its subsidiaries.
- j) To assist the Board in the preparation of the Audit Committee Report for inclusion in the Annual Report of the Company.

Activities of the Committee

During the financial year, the Committee met in various scheduled meetings to discuss and consider each of the draft quarterly result announcements before recommending the reports to the Board. Similarly, the statutory accounts for the previous year were also reviewed. As part of the process, the provisions and any impairment thereof against the various categories of asset were reviewed to ensure their compliance with Group policies and appropriate accounting standards. Issues that arose from the review were discussed in the presence of the external auditors. The Committee also provided an oversight role to ensure that Management maintains a formal and effective risk management and documentation procedures. During the year, the Committee received and reviewed quarterly updates on the risks management processes.

The external audit plans for the financial year were presented to the Committee prior to its implementation. The external auditors were present in all the Committee meetings held during the financial year.

The internal audit reports and their findings were also discussed at Committee meetings. To ensure its independence within management, the Committee, through its Chairman, supervised the internal audit function, including evaluation of its performance. The role and scope of the internal audit department was also clarified with a documented internal audit charter. The department was headed by the Group Internal Audit Manager and supported by qualified staff.

Internal Audit Function

The principal responsibility of the internal audit department is to conduct periodic audits on internal control matters to ensure their compliance with systems and standard operating procedures in each of the Group's operations. The main objective of these audits is to provide reasonable assurance that they operated satisfactorily and effectively.

Investigations were also made at the request of the Committee and senior management on specific areas of concern to follow-up on high-risk areas identified in the regular reports. These investigations provided additional assurance and comfort on the integrity and robustness of the internal control systems.

At the end of the financial year, the department had seven employees. Twenty-eight audit reports were issued and presented to the Audit Committee with the recommended corrective actions acted upon.

This report was made in accordance with a resolution of the Board on 7 November 2006.

Statement on Internal Controls

Responsibility

The Board acknowledge its responsibility to maintain a sound internal control system aimed at ensuring its adequacy and integrity through a process of review, monitoring and assurance. The CEO and management played an integral role in assisting the design and implementation of the Board's policies on risk and control.

This statement describes the processes that form the internal control framework throughout the Group's business operations, which were regularly reviewed by the Board.

The internal control system was designed to manage, rather than eliminate, the risk of failure to achieve the Group's corporate objectives.

In pursuing these objectives, internal control can provide only reasonable, and not absolute, assurance against material misstatements or losses.

For the purposes of this statement, associated companies have been excluded as part of the Group.

Risk Management

Throughout the 120-year history of the Group's operations, risk management practices have been inherent in the way management has conducted its business. The practices, values and culture that have endured to the present day have profound effect on management's conduct. The Board has always regarded risk management as an integral part of this conduct.

There is a formal group risk management policy that had been approved by the Audit Committee for adoption throughout all its subsidiaries. It sets out the requirements for consistency reporting in identification of risks and management actions.

Management Processes and Control Framework

The Group has a set of well-established standard operating procedures covering all critical and significant facets of the Group's business processes. Procedures were primarily geared towards prevention of asset loss, but also covered other major functional aspects of the Group's business operations. These functions included cost control, asset security and occupational safety procedures, human capital management, productivity benchmarks, product quality assurance, compliance with regulatory standards and disciplines, etc. The procedures were also subject to review as processes changed, or to meet new business requirements. Compliance with these procedures was an essential element of the internal control framework.

Well-defined management structures and disciplines further reinforced the internal control framework to ensure its continued relevance and effectiveness. Among the management disciplines were a pre-defined chart of responsibility and accountability that provided clear definition of delegated authority to the various management levels along functional lines.

The Group also operated a comprehensive information system. It enabled transactions to be captured, compiled and reported in a timely and accurate manner. The information system is highly automated. It provided management with dependable data, analysis, variations, exceptions and other inputs relevant to their performance. In each of the Group's business operations, weekly meetings were held to ensure that progress, exceptions and variations were fully discussed and acted upon to meet business objectives.

For continued effectiveness of the internal control framework, the Group maintained a well-resourced human capital function to oversee its operations. This ensured that the people driving key operations are sufficiently skilled and exert the required qualities of professionalism and integrity in their conduct. Continuous education and training programs were also provided to enhance employees' skills and to reinforce such qualities.

Additionally, the Group maintained an elaborate annual business planning and review process to make certain that the interests of all its stakeholders are well balanced.

Monitoring and Review

As mentioned in the Statement of Corporate Governance, the Board delegated the day-to-day functions to the CEO, who is aided by a team of corporate officers. Part of his role was to drive each of the business operations in a manner to maintain the integrity of the internal control framework and to implement effective risk management practices throughout the year.

From a process viewpoint, the CEO presided over all regular management meetings in each of the business operations. These meetings reviewed financial performance, business issues including internal control matters and risk management.

The Group has an adequately resourced internal audit function whose primary responsibility was to assure the Board, via the Audit Committee, that the stringent internal control systems were fully implemented. In providing this assurance, the internal audit undertook compliance testing and reports on exceptions under assessment.

Summary

The system of internal controls – comprising the internal control framework, management processes, monitoring and review process – described in this statement are considered appropriate. Also, the risks undertaken were at an acceptable level within the context of the business environment throughout the Group. It should be noted that such arrangements do not eliminate the possibility of collusion or deliberate circumvention of procedures by employees. Human error and/or other unforeseen circumstances can result in poor judgment. However, the system of internal controls that existed throughout the year provided a level of confidence on which the Board relied for assurance. In the year under review it has not resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this Annual Report.

This statement was made in accordance with a resolution of the Board of Directors dated 7 November 2006.

Statement on Directors' Responsibility

As required under the Companies Act 1965 ("Act"), the Directors on page 70 of this annual report have made a statement expressing an opinion on the financial statements. The Board is of the opinion that the financial statements have been drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the financial position of the Company and the Group for the financial year ended 30 September 2006.

In the process of preparing these financial statements, and other than as disclosed in the notes to the financial statements, the Directors have reviewed the accounting policies and practices to ensure that they were consistently applied throughout the year. In cases where judgment and estimates were made, they were based on reasonableness and prudence.

Additionally, the directors have relied on the system of internal controls to ensure that the information generated for the preparation of the financial statements from the underlying accounting records is accurate and reliable.

This statement is made in accordance with a resolution of the Board dated 7 November 2006.

