



Triumph Over Adversity

Mangroves exist in the transient world of land and sea having to endure the relentless rhythm of the tides. Life at land's end is harsh, yet many have triumphed over the adverse environment with each inhabitant playing a role in making the ecosystem a viable and dynamic one. The past year has been a very challenging one for everyone here at F&N, as we were faced with a global financial crisis and a contraction in consumption. But through our resilience, we have been able to weather the economic tide and now look forward to continuing our quest for success and excellence.

FINANCIAL CALENDAR

Financial Results Announcements

First quarter	11 February 2009
Second quarter	04 May 2009
Third quarter	06 August 2009
Fourth quarter	09 November 2009

Dividend

Interim

• Announcement	04 May 2009
• Entitlement	09 July 2009
• Payment	06 August 2009

Proposed Final

• Announcement	24 December 2009
• Entitlement	4 February 2010
• Payment	3 March 2010

Press Conference & Analysts Briefings Held

Half Year	05 May 2009
Full Year	10 November 2009

General Meeting

Annual	21 January 2010
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Proxy Form

FIVE-YEAR GROUP PERFORMANCE

Year Ended 30 September	2009	2008	2007	2006	2005
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Results (RM million)

Revenue*	3,737.1	3,674.2	2,931.5	2,007.6	1,989.8
Profit before taxation (PBT)	299.8	239.7	220.9	194.2	183.8
Attributable profits	224.4	166.8	152.9	142.8	132.0

Dividend

Per share					
- Earnings - basic (sen)	63.0	46.8	42.9	40.1	37.0
- Earnings - diluted (sen)	62.9	46.8	NA	NA	NA
- Dividend - net (sen)	41.8 **	40.1	34.2	32.7	30.0
- Dividend - cover (times)	1.5	1.2	1.3	1.2	1.2

Balance Sheet (RM million)

Share capital	356.5	356.5	356.5	356.5	356.5
Shareholders' equity	1,293.1	1,182.2	1,157.0	1,115.3	1,084.9
Total assets	2,759.9	2,514.1	2,455.7	1,739.5	1,676.6
Long term borrowings	360.4	359.4	83.1	16.9	23.2
Net assets per share (RM)	3.63	3.32	3.25	3.13	3.04

Ratio

PBT on revenue (%)	8.0	6.5	7.5	9.7	9.2
Return on shareholders' equity (%)	17.4	14.1	13.2	12.8	12.2
Debt to equity ratio (net) (%)	26.7	20.1	17.0	-	-

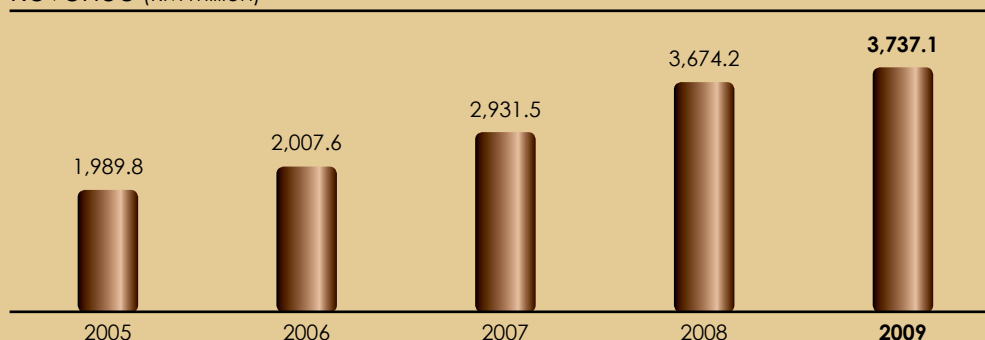
* Prior years revenue have been restated to conform with current year's presentation.

** Include proposed dividend of 29 sen, which will only be recognised in the financial statements upon shareholders' approval.

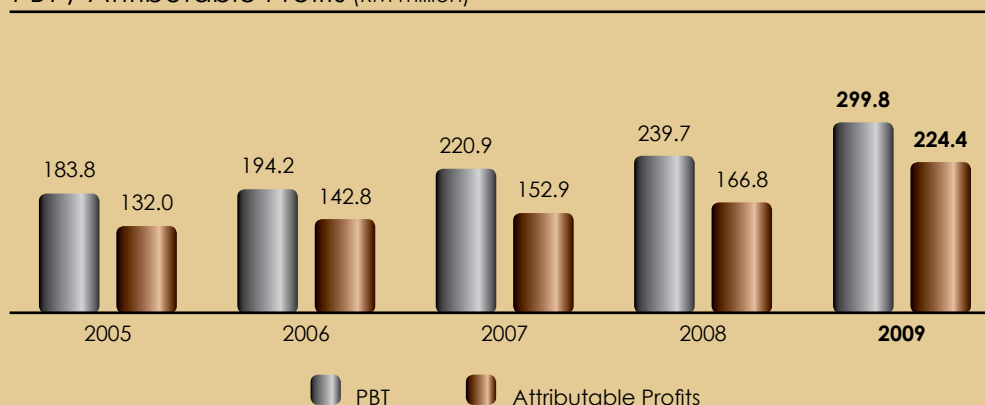
NA - Not applicable

FIVE-YEAR GROUP PERFORMANCE CHARTS

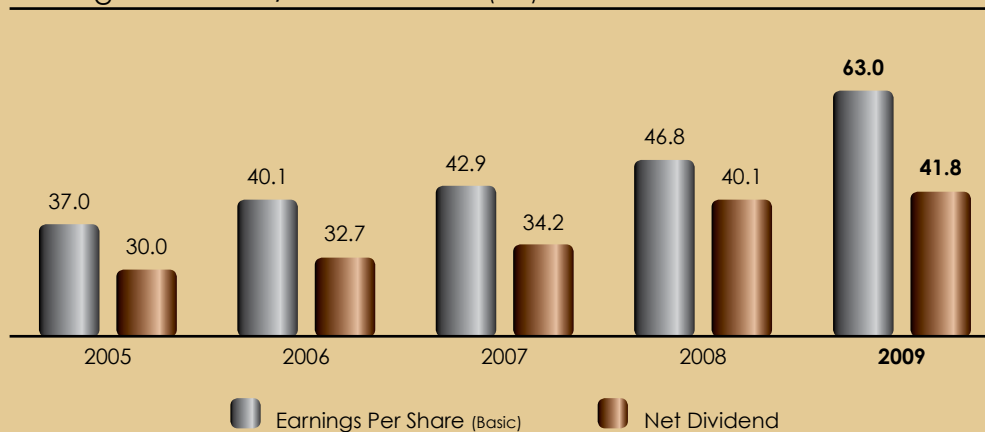
Revenue (RM million)



PBT / Attributable Profits (RM million)

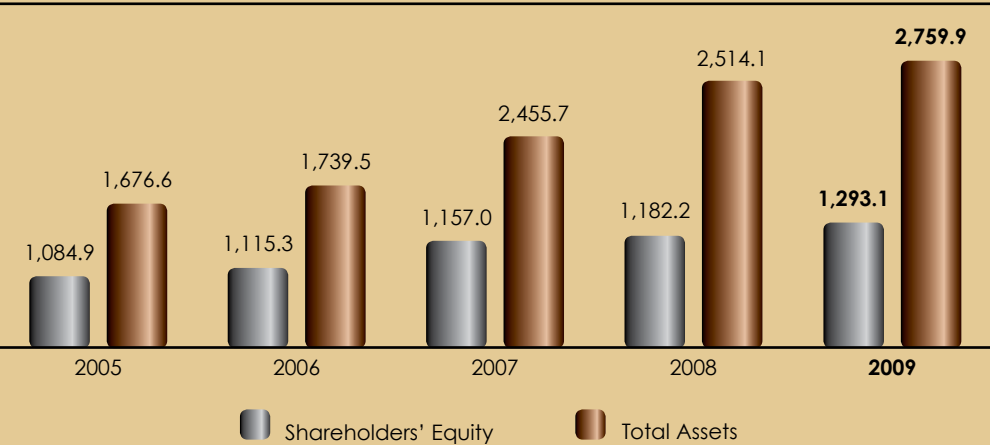


Earnings Per Share / Net Dividend (sen)

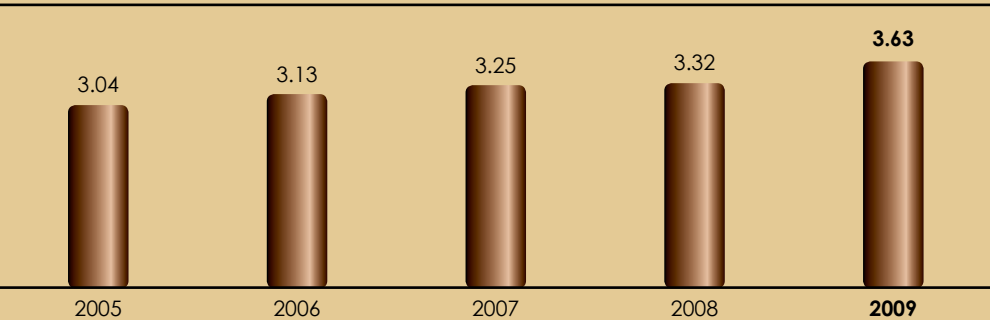


FIVE-YEAR GROUP PERFORMANCE CHARTS

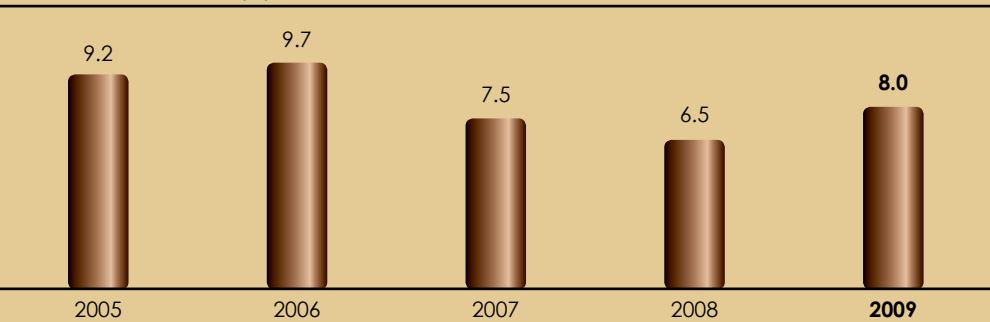
Shareholders' Equity / Total Assets (RM million)



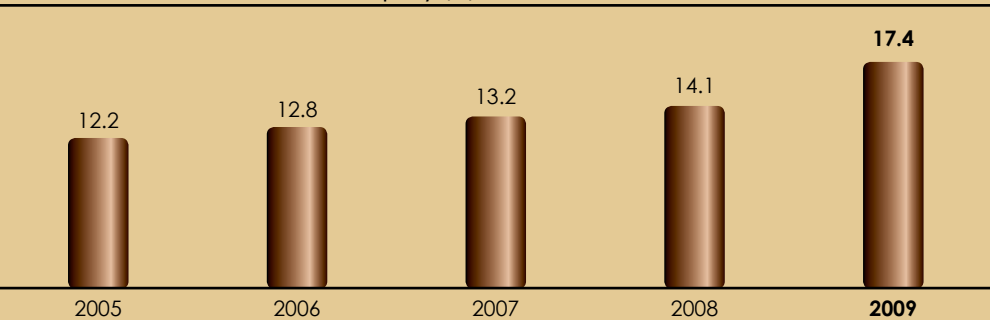
Net Assets Per Share (RM)



PBT On Revenue (%)



Return On Shareholders' Equity (%)



STATEMENT OF VALUE ADDED

	2009 RM'000	2008 RM'000
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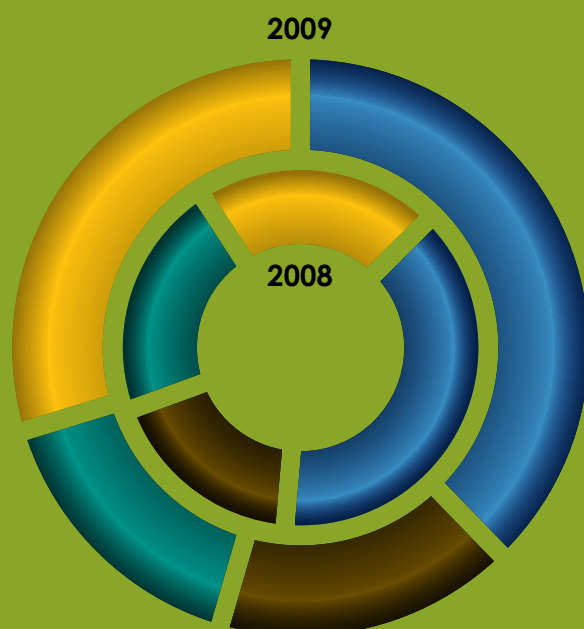
Value Added

Revenue	3,737,063	3,674,216
Purchase of goods and services	(2,941,254)	(2,976,628)
Value added available for distribution	795,809	697,588

Distribution

To employees	300,710	272,319
To government as taxation (Direct & Indirect)	130,749	126,090
To shareholders - dividend	125,581	149,103
Retained for reinvestment and future growth	238,769	150,076
	795,809	697,588

DISTRIBUTION OF VALUE ADDED



	2009	2008
To employees	38%	39%
To government	16%	18%
To shareholders	16%	21%
Retained for reinvestment and future growth	30%	22%



Taking Root

Unlike other plants, the mangrove tree is able to grow where no other trees have grown before. How is this possible? The answer lies in its roots, which not only provide support in unstable soil to withstand strong currents and storms, but also breathe air. Having already taken root and laid a strong foundation in the ASEAN region, we will continue to expand into new markets and uncharted territories which can help propel F&N into a truly global brand.

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CHAIRMAN'S STATEMENT





“I am pleased and proud to report that despite the prevailing external environment and to some extent, the anxiety of our various stakeholders, external as well as internal, F&N was able to deliver another solid set of results.”

As I reflect on FY 08/09, it was indeed a year of unparalleled economic turbulence and market volatility fraught with uncertain consequences. Starting from the collapse of leading financial institutions, firstly in the United States, the contagion quickly spread to Europe and Asia, pushing many major economies into recession in spite of concerted efforts by governments to inject liquidity and confidence into the banking systems.

Malaysia and Thailand, which are our core markets were not spared from this economic downturn and both countries suffered deep recession in the first half of 2009 as exports, the lifebuoy of both economies decelerated sharply. Tourism-related industries were also badly affected with the advent of H1N1 influenza and consumer confidence of milk products was dented with the melamine crisis emanating from China.

On the Company front, we had to face head-on new challenges brought on by the non-renewal of the Coca-Cola franchise agreement expiring in January 2010. The announcement, made on 18 February, 2009 marks the end of the 73-year relationship with Coca-Cola. This also brought into sharp focus the Group's ability to exit this arrangement and realize our vision of a regional world-class food and beverage company by leveraging on our 126-year-old heritage, the foundation of which is supported by the F&N formidable brands and extensive distribution network. In May 2009, we unveiled an agreement to extend the Coca-Cola franchise for a period of 20 months until 30 September, 2011. This transition agreement also included F&N's acquisition of the remaining 10 per cent of F&N Coca-Cola Malaysia Sdn Bhd and F&NCC Beverages Sdn Bhd from Coca-Cola making them fully-owned subsidiaries of Fraser & Neave Holdings Bhd.

I am pleased and proud to report that despite the prevailing external environment and to some extent, the anxiety of our various stakeholders, external as well as internal, F&N was able to deliver another solid set of results. Revenue increased two per cent from the last financial year to RM3.73 billion while operating profit rose 22 per cent to RM313.9 million. Profit after taxation surged 35 per cent to RM243 million on the back of strong performance of the Group's soft drinks and dairies divisions. Operating profit of the dairies division surged 59 per cent over the previous year, elevating it as a key contributor on par with the soft drinks division.

This set of commendable results marks the Group's 9th consecutive year of record operating profit and is praiseworthy amidst the backdrop of a deep regional economic recession. The increased operating profit was due to the strong performance of the soft drinks and dairies divisions which maintained their momentum and jointly chalked up an impressive 31 per cent growth. Soft drinks sales grew by 10.5 per cent boosted by stronger volume demand. For the dairies division, margins improved as it successfully defended selling prices in the premium market segment and shifted its product mix to take advantage of new opportunities arising from lower input cost.

CHAIRMAN'S STATEMENT

DELIVERING VALUE TO SHAREHOLDERS

In recognition of the good performance and to reward shareholders' loyalty, the directors are recommending a bonus tax exempt dividend of 5 sen per share on top of a final net dividend of 24 sen (gross 4 sen less tax and 21 sen tax exempt). If approved by shareholders, the total net dividend for the year would be 41.75 sen, a rise of 4.2 per cent compared to 40.08 sen paid last year. In all, shareholders will receive net dividend totaling RM148.8 million for this financial year. All remaining Section 108 tax credit will be fully utilized by the next financial year before it expires on 31 December 2013.

I am pleased to note that for the past 10 years (since FY 99/00), the Group has consistently been rewarding shareholders with an increased payout of dividends year after year in line with improved financial performance. It is noteworthy that the market capitalization of F&N was a mere RM830 million on 30 September, 2000 and it has risen to RM3.68 billion on 30 September, 2009. This is a 4.4 fold increase over the past 10 years which is in line with profit improvement. Shareholders who had invested RM3.20 per share back in 30 September, 2000 would have received cash dividend amounting to RM2.53 over the past decade and based on the closing share price of RM10.23 at 30 September, 2009, this would translate to an attractive 17% compounded annual return over the initial investment. Depending on Group performance, we will endeavour to maintain or increase dividend payout in the years ahead.

Our gearing remains healthy despite our major investment in capital expenditure and generous dividend payout due to strong operating cash flows generated by our F&B businesses. We are therefore, well positioned to ride on new growth opportunities and continue to return value to our shareholders.

INVESTING FOR THE FUTURE

On the corporate front, it was an eventful year for the Group. The RM250 million greenfield dairy plant in Rojana, Thailand commenced production in September 2009 and should be fully operational by early 2010. We also broke ground for another greenfield dairy plant in Pulau Indah, Port Klang costing RM350 million which is scheduled for completion by 2012. These two state-of-the-art plants when fully operational should position F&N as a leading dairy company in South East Asia and will provide a strong platform for sustained growth. We were also able to secure tax incentives of RM150 million for the above plants which will translate to lower effective tax in the future.

During the year under review a RM25 million warehouse and an in-house PET blowing plant in Kuching, Sarawak was opened to cater for the increased demand and storage capacity of raw materials and finished goods, effectively tripling storage capacity to meet projected volume growth in Sabah and Sarawak.

A second mineral water facility in Bentong, Pahang was commissioned to cater to the growing demand of packaged water in Peninsular Malaysia. This will strengthen the Group's position in package water and complements its leadership already enjoyed in East Malaysia.

The closure of the glass furnace in Petaling Jaya has consolidated the Malaysian glass entity into a single site operation in Johor Bahru to maximize operating efficiencies and facilitate a leaner management structure. In Vietnam, F&N is investing USD43 million in a new glass plant under its subsidiary, Malaya-Vietnam Glass Limited to meet growing demand generated by the improvement of the Vietnamese economy.

CORPORATE GOVERNANCE

In the management of our business, we are guided by our commitment to maintain the public trust that we have been given by listening to stakeholders, delivering on our commitments, monitoring results, anticipating risks and putting the governance and excellence agenda at the heart of all our activities.

Thus we remain committed to ensuring a sound system of policies, practices and internal controls to sustain the long-term growth of the Group's business and performance. Further information can be obtained in the statement of our Corporate Governance found in the Annual Report.

CORPORATE RESPONSIBILITY

The F&N Out-Do Yourself Award (OYA) honoured another three recipients during the financial year under review, bringing to seven the total number of outstanding Malaysians who have been recognized for their acts of bravery, chivalry, compassion and kindness. The winners of the award and a brief synopsis of their achievements are found in the Annual Report.

Families of our best asset were not forgotten as another RM276,000 was disbursed to 179 children of F&N Group employees under the auspices of the Chairman's Award 2009 to recognize their academic excellence in the 2008 public examinations. Since the introduction of the award in 2003, a total of RM1.34 million has been disbursed to deserving students.

F&N also undertook a myriad of other Corporate Responsibility initiatives ranging from educational and environmental preservation efforts to health and safety activities as well as sports sponsorships that focused on promoting the social and physical well-being of society.

OUTLOOK AND PROSPECTS

The economies of Malaysia and Thailand are projected to return to positive growth next year and this should translate to stronger consumer spending for F&N products. However prices of raw materials remain volatile and the trending upwards could erode margins. Our preparations are in full swing to launch new products and to strengthen distribution in the soft drinks division, as management gears up for the expiry of the Coca-Cola transition agreement in September 2011. Nevertheless we are cautiously optimistic of the prospects for the next year and will strive to sustain and build on our current performance.

BOARD DEVELOPMENTS

On 1 March, 2009 we welcomed Mr Huang Hong Peng as a non-independent and non-executive director of the Group. Mr Huang is currently the Deputy Chief Executive Officer (Food & Beverage) of F&N Limited and sits on the boards of F&N Group subsidiaries and associates. He was previously regional director of the China/CEO's office of Asia Pacific Breweries Limited. Mr Huang's insights and guidance to the Group, especially in the F&B business, will be an invaluable asset.

ACKNOWLEDGEMENTS

I wish to take this opportunity to thank the Board for their wise counsel and guiding management through a challenging year, our customers and partners for their continued trust and commitment to work with us, our staff for their professionalism, loyalty and commitment to grow our business, and shareholders for their continued support.

Yours sincerely

TENGKU SYARIF BENDAHARA PERLIS SYED BADARUDIN
JAMALULLAIL IBNI ALMARHUM TUANKU SYED PUTRA JAMALULLAIL

Chairman
30 November 2009

KENYATAAN PENGGERUSI

Ketika mengimbas kembali TK 08/09, perkara yang masih jelas dalam fikiran saya ialah kegawatan ekonomi dan ketidakstabilan pasaran yang menyebabkan keadaan menjadi tidak menentu. Tercetus daripada keruntuhan beberapa institusi kewangan utama yang bermula di Amerika Syarikat, kesan krisis menular pantas ke Eropah dan Asia, menyebabkan banyak ekonomi utama dilanda kemelesetan walaupun kerajaan masing-masing berusaha sedaya upaya untuk meningkatkan kecairan dan keyakinan terhadap sistem perbankan.

Malaysia dan Thailand yang merupakan pasaran operasi teras kami, turut tidak terlepas daripada merasai tempias kegawatan ini dan kedua-dua negara tersebut mengalami kemelesetan yang serius pada separuh pertama 2009 disebabkan oleh aktiviti eksport, yang menjadi pendorong utama kedua-dua ekonomi telah menyusut dengan ketara. Industri berkaitan pelancongan turut mengalami kesan negatif akibat penularan wabak influenza H1N1 di samping keyakinan pengguna terhadap produk susu terjejas akibat krisis melamin yang bermula di China.

Di peringkat Syarikat, kami terpaksa menghadapi cabaran baru akibat keputusan untuk tidak melanjutkan perjanjian francais Coca-Cola yang dijadualkan berakhir pada Januari 2010. Pengumuman yang dibuat pada 18 Februari lalu menandakan berakhirnya hubungan yang terjalin selama 73 tahun dengan Coca-Cola. Oleh yang demikian, tumpuan diberikan kepada keupayaan Kumpulan untuk keluar daripada perjanjian ini dan mencapai wawasan kami untuk menjadi sebuah syarikat makanan dan minuman (F&B) serantau bertaraf dunia dengan memanfaatkan kekuatan warisan jenama yang dibina selama 126 tahun, serta disokong oleh jenama kukuh dan rangkaian pengedaran luas F&N.

Namun begitu pada Mei 2009, kami telah memeterai satu perjanjian untuk melanjutkan francais Coca-Cola untuk tempoh 20 bulan lagi, iaitu sehingga 30 September 2011. Perjanjian peralihan ini turut membabitkan pengambilalihan baki 10 peratus dalam F&N Coca-Cola Malaysia Sdn Bhd dan F&NCC Beverages Sdn Bhd oleh F&N daripada Coca-Cola, menjadikannya anak syarikat milik penuh Fraser & Neave Holdings Bhd.

Saya gembira dan berbangga untuk melaporkan bahawa walaupun menghadapi pelbagai cabaran dalam menangani keadaan ekonomi semasa dan juga kebimbangan para pemegang kepentingan kami, baik di dalam mahupun di luar, F&N telah berjaya mencatatkan satu lagi keputusan cemerlang. Hasil meningkat sebanyak dua peratus daripada tahun kewangan lepas kepada RM3.73 bilion manakala keuntungan operasi meningkat sebanyak 22 peratus kepada RM313.9 juta. Keuntungan selepas cukai naik sebanyak 35 peratus kepada RM243 juta berlandaskan prestasi kukuh bahagian minuman ringan dan produk tenusu. Keuntungan operasi bahagian tenusu meningkat sebanyak 59 peratus berbanding tahun sebelumnya, menjadikannya penyumbang utama yang kini setanding dengan bahagian minuman ringan.

Keputusan yang memberangsangkan ini menandakan kejayaan tahun ke-9 berturut-turut Kumpulan mencatatkan keuntungan operasi tertinggi dan harus dibanggakan lebih-lebih lagi ketika kemelesetan ekonomi serantau yang serius masih mengancam. Keuntungan operasi yang lebih tinggi berjaya dicapai berdasarkan prestasi kukuh bahagian minuman ringan dan barangan tenusu, yang meneruskan momentum dan bersama-sama mencatatkan pertumbuhan mengagumkan sebanyak 31 peratus. Jualan minuman ringan meningkat sebanyak 10.5 peratus disokong oleh permintaan volum yang lebih kukuh.

MEMBERIKAN NILAI KEPADA PEMEGANG SAHAM

Sebagai mengiktiraf prestasi cemerlang dan sebagai ganjaran kepada semua pemegang saham, para pengarah mengesyorkan pembayaran dividen bonus dikecualikan cukai sebanyak 5 sen sesaham selain daripada dividen bersih akhir sebanyak 24 sen (dividen kasar 4 sen ditolak cukai dan 21 sen dikecualikan cukai). Jika diluluskan oleh para pemegang saham, jumlah dividen bersih bagi tahun dilaporkan adalah sebanyak 41.75 sen, iaitu peningkatan sebanyak 4.2 peratus berbanding 40.08 sen yang dibayar pada tahun lepas. Secara keseluruhannya, para pemegang saham akan menerima dividen bersih berjumlah RM148.8 juta bagi tahun kewangan ini. Semua kredit cukai Seksyen 108 akan digunakan pada tahun kewangan akan datang sebelum ia luput pada 31 Disember 2013.

Saya gembira untuk menyatakan bahawa sejak tempoh 10 tahun lepas (sejak TK '99/00), Kumpulan telah memberikan ganjaran secara konsisten kepada para pemegang saham dengan dividen lebih tinggi setiap tahun, sejajar dengan prestasi kewangan yang bertambah baik. Harus diingat bahawa modal pasaran F&N hanyalah RM830 juta pada 30 September 2000 dan angka tersebut telah meningkat kepada RM3.68 bilion pada 30 September 2009. Peningkatan sebanyak 4.4 kali ganda tersebut dalam tempoh 10 tahun lepas adalah selaras dengan pertambahan keuntungan yang dicatatkan. Pemegang saham yang melabur sebanyak RM3.20 sesaham pada 30 September 2000 telah menerima dividen tunai sebanyak RM2.53 sepanjang dekad yang lalu dan meraih pulangan tahunan terkompoun sebanyak 17% atas pelaburan awalnya berasaskan harga saham penutup berjumlah RM10.23 pada 30 September 2009. Tertakluk kepada prestasi Kumpulan, kami akan berusaha untuk mengekalkan atau meningkatkan bayaran dividen pada tahun-tahun akan datang.

Kedudukan hutang kami masih berada pada tahap yang terkawal walaupun pelaburan yang besar telah dibuat dalam perbelanjaan modal dan pembayaran dividen yang tinggi disebabkan oleh aliran tunai operasi yang dijana oleh perniagaan F&N adalah amat kukuh. Justeru itu, kami berada pada kedudukan yang baik dan bersedia untuk memanfaatkan peluang pertumbuhan baru di samping terus memberikan nilai kepada para pemegang saham kami.

MELABUR UNTUK MASA DEPAN

Di peringkat korporat, pelbagai perkembangan penting telah berlaku pada tahun dilaporkan. Kilang produk tenusu baru bernilai RM250 juta di Rojana, Thailand telah memulakan pengeluaran pada September 2009 dan dijangka akan beroperasi sepenuhnya pada awal 2010. Kami juga telah menyempurnakan majlis pecah tanah bagi satu lagi kilang produk tenusu baru di Pulau Indah, Port Klang yang bernilai RM350 juta dan dijadualkan siap sepenuhnya menjelang 2012. Kedua-dua kilang serba canggih ini, apabila beroperasi sepenuhnya kelak, akan menjadikan F&N sebagai syarikat produk tenusu yang terulung di Asia Tenggara dan menyediakan landasan kukuh bagi pertumbuhan mapan. Kami juga berjaya mendapatkan insentif cukai bernilai RM150 juta bagi dua kilang tersebut, yang bakal diterjemahkan kepada kadar cukai efektif lebih rendah pada masa depan.

Pada tahun yang dilaporkan, sebuah gudang dan kilang peniupan PET dalaman bernilai RM25 juta di Kuching, Sarawak telah dibuka untuk memenuhi permintaan dan kapasiti simpanan yang kian meningkat bagi bahan mentah dan bahan siap, justeru meningkatkan kapasiti sebanyak tiga kali ganda untuk memenuhi pertumbuhan volum yang diunjurkan di Sabah dan Sarawak.

Syarikat juga akan membina kemudahan air mineral yang kedua di Bentong, Pahang untuk memenuhi permintaan yang semakin bertambah bagi air bungkusan di Semenanjung Malaysia. Ini akan mengukuhkan lagi kedudukan Kumpulan dalam air bungkusan dan menyokong kedudukannya sebagai pemimpin pasaran di Malaysia Timur.

Penutupan relau kaca di Petaling Jaya telah menyaksikan operasi kaca di Malaysia tertumpu kepada satu sahaja kemudahan iaitu di Johor Baru untuk meningkatkan lagi kecekapan operasi dan mewujudkan struktur pengurusan yang lebih hemat. Di Vietnam, F&N telah melaburkan sebanyak USD43 juta dalam kilang kaca baru di bawah anak syarikatnya, Malaya-Vietnam Glass Limited untuk memenuhi permintaan yang semakin meningkat daripada ekonomi Vietnam yang sedang berkembang pesat.

URUS TADBIR KORPORAT

Dalam pengurusan perniagaan, kami berpegang kepada komitmen untuk memenuhi kepercayaan yang diamanahkan oleh umum terhadap kami dengan mendengar pandangan pemegang kepentingan, menunaikan komitmen kami, memantau keputusan, meramalkan risiko dan meletakkan agenda urus tadbir dan kecemerlangan sebagai tumpuan kepada segala kegiatan kami.

Justeru itu, kami beriltizam untuk mengukuhkan lagi sistem dasar, amalan dan kawalan dalaman untuk mengekalkan pertumbuhan jangka panjang perniagaan dan prestasi Kumpulan. Maklumat lanjut boleh didapati dalam penyata Urus Tadbir Korporat dalam Laporan Tahunan kami.

KENYATAAN PENERUSI

TANGGUNGJAWAB KORPORAT

Anugerah Atasi Segalanya F&N (OYA) telah disampaikan kepada tiga lagi penerima pada tahun kewangan yang dilaporkan. Secara keseluruhan, seramai tujuh rakyat Malaysia telah diiktiraf kerana menunjukkan keberanian, kesetiaan, belas kasihan dan ketulusan hati mereka. Senarai pemenang-pemenang anugerah serta sinopsis ringkas pencapaian mereka boleh didapati dalam Laporan Tahunan.

Ahli keluarga kepada aset kami yang paling berharga juga tidak dilupakan. Sebanyak RM276,000 lagi disampaikan kepada 179 anak-anak kakitangan Kumpulan F&N di bawah Anugerah Pengerusi 2009 untuk mengiktiraf kecemerlangan akademik yang dicapai dalam peperiksaan awam 2008. Sejak anugerah tersebut diperkenalkan pada 2003, sejumlah RM1.34 juta telah disampaikan kepada pelajar-pelajar cemerlang.

F&N juga melaksanakan pelbagai inisiatif Tanggungjawab Korporat termasuk usaha pendidikan, pemuliharaan alam sekitar, kegiatan kesihatan dan keselamatan serta tajaan sukan yang memberi tumpuan untuk menggalakkan kesejahteraan sosial dan fizikal masyarakat.

TINJAUAN DAN PROSPEK

Ekonomi Malaysia dan Thailand dijangka akan kembali kepada pertumbuhan positif pada tahun hadapan dan perbelanjaan pengguna bagi produk F&N adalah lebih kukuh. Walaubagaimanapun, harga bahan mentah yang masih turun naik tetapi kini mula menunjukkan sedikit peningkatan mungkin akan menjejaskan margin kami. Kami telah membuat persediaan sepenuhnya untuk melancarkan produk baru dan mengukuhkan lagi pengedaran bahagian minuman ringan di samping pihak pengurusan bersiap sedia menghitung hari sehingga berakhirnya perjanjian pemindahan Coca-Cola pada September 2011. Namun begitu, kami agak yakin dengan prospek tahun depan dan akan berusaha untuk mengekalkan dan membina prestasi masa depan.

PERKEMBANGAN LEMBAGA PENGARAH

Pada 1 Mac, 2009, kami mengalu-alukan penyertaan En. Huang Hong Peng sebagai pengarah bukan bebas bukan eksekutif Kumpulan. En. Huang yang kini menyandang jawatan Timbalan Ketua Pegawai Eksekutif (Makanan & Minuman) F&N Limited dan merupakan ahli lembaga pengarah anak syarikat dan syarikat sekutu Kumpulan F&N. Sebelum ini, beliau merupakan pengarah serantau pejabat China/di pejabat Ketua Pegawai Eksekutif Asia Pacific Breweries Limited. Pandangan dan panduan yang akan diberikan kelak oleh En Huang kepada Kumpulan terutamanya dalam perniagaan F&B pasti amat berharga.

PENGIKTIRAFAN

Saya ingin mengambil kesempatan ini untuk mengucapkan ribuan terima kasih kepada Lembaga Pengarah kerana nasihat dan panduan berguna yang diberikan kepada pihak pengurusan dalam tahun yang sungguh mencabar ini, kepada pelanggan dan rakan niaga kami kerana kepercayaan dan komitmen berterusan mereka untuk bekerjasama dengan kami, kepada kakitangan kami kerana profesionalisme, kesetiaan dan komitmen mereka untuk mengembangkan perniagaan kami, dan kepada pemegang saham kerana sokongan berterusan mereka.

Yang benar

**TENGGU SYARIF BENDAHARA PERLIS SYED BADARUDIN
JAMALULLAIL IBNI ALMARHUM TUANKU SYED PUTRA JAMALULLAIL**

Pengerusi
30 November 2009

主席献词

正如我在08/09财政年度里所反映，本财政年度的经济状况，的确充满惊风骇浪，市场起伏不定及笼罩在疑云中。从美国金融机构接二连三倒闭，最后蔓延至欧洲和亚洲，尽管各国政府共同采取注资行动，致力于挽回人们对金融体系的信心，但仍然引起许多经济强国的经济严重衰退。

至于我们营运的主要市场马来西亚和泰国，亦因为出口业的大幅度下跌，而在2009年上半年面对严重经济衰退。在旅游相关行业受到H1N1流感冲击之际，人们对乳制品的信心，则因为中国引起的三聚氰胺毒奶事件而大受打击。

在本公司的营业方面，我们必须面对即将在2010年1月满期的可口可乐特许权不被更新而引起的新挑战。随着此项于2009年2月18日的宣布，这项长达73年的关系宣告终止。人们所极之关心的是，本集团是否有能力凭着本身的126年优良传统与F&N强大品牌和广泛市场分销网络所奠定的基础，全身而退，并实现我们的愿景，成为本区域的世界级饮食公司。2009年5月，我们和可口可乐达致一项临时协议，并将可口可乐特许权延长至2011年9月30日。此临时协议也包括由星狮集团，向可口可乐收购F&N Coca-Cola Malaysia Sdn Bhd及F&NCC Beverages Sdn Bhd所余下的10巴仙股权，使这两家公司成为星狮控股有限公司的独资子公司。

尽管面对外来环境和股东们的不安，但集团仍能在这些内外因素的困扰下，再次取得强大的业绩增长，我感到非常的欣然及骄傲。不但总收益因为集团汽水及乳制品业绩的标青表现，而从上财政年增加了2巴仙至37亿3千万令吉，同期的营业盈利也增长了22巴仙至3亿1千390万令吉。税后盈利则大幅度增长35巴仙至2亿4千300万令吉。与上财政年的业绩比较，乳制品营业盈利取得59巴仙的强大涨幅，与汽水业务双双成为集团收益的主要贡献领域。

这个可观的业绩使集团的营业盈利一连9年取得增长。在本区域深陷于经济衰退之际，集团的整体业绩表现是可喜可贺的。营业盈利增长归功于汽水及乳制品业务的强大表现，两者皆维持了成为动力，并总共取得31巴仙的涨幅。我们的汽水销量因需求剧增而增长了10.5巴仙。乳制品业务成功抵销在优质产品市场中的售价，并利用较低输进成本形成的新机会及改变产品组合，使毛利有所增长。

为股东带来价值

由于业绩标青，为了奖励股东的忠实，董事部已建议每股分派5仙的免税红利股息，另加24仙(4仙扣税及21仙免税)的末期股息。此建议一旦获股东核准，本财政年度所分派的总股息将达到净41.75仙，比去年的净40.08仙高出4.2巴仙。总的来说，股东们将在本财政年获得1亿4千880万令吉的净股息。集团将在第108项税务条文下赋予的税务减免便利于2013年12月31日到期之前，充份利用余下的税务减免便利。

我感到欣慰的是，集团在过去10年(从99/00财政年度起)，每年都因为业绩增长而不断增加股东们享有的股息。值得一提的是，集团的市场资本，已从2000年9月30日的8亿3千万令吉，跃增至2009年9月30日的36亿8千万令吉。这意味着过去10年的涨幅随着盈利的增长而高达4.4倍。在2000年9月30日以每股RM3.20买进的股东们，在过去10年所获得的股息已达到RM2.53，以2009年9月30日闭市时的股价RM10.23衡量，意味着其每年回酬率比投资初期高出17%，这是非常可观的。视集团的业绩表现而定，我们将致力于维持或增加来年所将支付的股息。

虽然我们因为饮食业取得强大的营运现金流动而在资本开销上作出巨大的投资及慷慨支付股息，但是我们的资产与负债状况仍然健康。总的来说，我们有足够的实力去利用市场新机会取得业务增长，继续为股东们带来更多利益。

主席献词

为未来作出投资

公司活动方面，耗资2亿5千万令吉在泰国罗查那设立的新建乳制品工厂已在2009年9月开始运作，并预期可在2010年初全面投入生产。耗资3亿5千万令吉设在巴生港口附近的英达岛的另一间新建乳制品工厂，则预订可在2012年之前建竣。这两间设备先进的工厂，将使星狮成为东南亚首屈一指的乳制品公司，为集团的业务成长奠定强大的根基。我们也为以上工厂取得1亿5千万令吉的税务奖励，使未来能享有较低的税务。

在本财政年度里，在砂拉越古晋的一间耗资2500万令吉兴建的货仓及一间内部宝特瓶制造厂启用，为原料及制成品提供更大收纳空间，使货存量有效增加3倍，以迎合预期中的沙巴和砂拉越产量成长。

为迎合大马半岛包装水需求的彭亨文冬第2间矿泉水厂也跟着启用，这将加强集团在包装水市场，同时巩固集团在东马的领导地位。

八打灵再也玻璃熔炉的关闭，利于将大马玻璃业务整合在新山的单一工厂，优化了营运效率和整合管理结构。星狮集团在越南透过旗下子公司马来西亚越南玻璃有限公司，投资4300万美元设立了一间新玻璃厂，以迎合随着越南经济成长而增加的需求量。

公司管理

在管理公司业务方面，我们致力于透过聆听权益持有人的意见，维持公众的信任，履行我们的承诺，监视业绩进度和预算风险，业务核心以卓越的管理及议程为前提。

也因为如此，为了维持集团的长期业务成长及表现，我们继续致力于确保健全的策略、惯例及内部管制。进一步资料可从我们在常年报告中的公司管理项目栏所作的声明中获取。

公司责任

星狮推展的‘自我超越奖’(OYA)在本财政年，再表扬了3名人士，使到历年因为个人勇敢、气质、热忱及仁慈而获表扬的人数增至7名。有关得奖者的成就简介亦可在常年报告中查阅。

我们的最佳资产，也是员工的子女并未被忽略。星狮集团继续在2009年度主席奖之下，发放了27万6000令吉给179名在2008年度政府考试中成绩优良的员工子女。自从该奖于2003年设立以来，至今已总共发放了134万令吉的奖学金予有资格的学生。

星狮也展开其他公司责任活动，这些活动所涉猎的领域，从教育、环保以至健康与安全不等，还有专注于促进社会与身体健康的体育赞助。

展望

马来西亚和泰国的经济预料明年回复正面成长，意味着消费者对星狮产品的消费能力也跟着加强。不过，原料价格仍然起落不定，并往上攀升，此情况有可能损及集团的毛利。在可口可乐临时协议将于2011年9月到期之际，我们已作好全面推出新产品及加强汽水经销网络的准备。无论如何，我们对明年的展望采取谨慎乐观的态度，并将致力于维持及加强现有的业绩表现。

董事部人事变动

2009年3月1日，我们欢迎Mr. Huang Hong Peng加入成为集团的非独立及非执行董事。他目前是星狮有限公司副首席执行官(饮食部)，并担任集团旗下子公司及附属公司的董事。之前是亚洲太平洋酿酒厂有限公司驻中国/首席执行官办事处区域董事的他，对集团的业务运作了如指掌，集团尤其是饮食部在他的领导之下，将获益匪浅。

铭谢

我要趁此机会感谢董事部同仁在充满挑战的一年所给予的明智忠告及领导，同时感谢顾客和业务伙伴继续信任我们，并通力与我们合作，还有感谢我们的员工所展示的专业态度、忠诚及忠于职守，以使业务继续成长，以及感谢股东们的继续支持。

谨此致意

**TENGKU SYARIF BENDAHARA PERLIS SYED BADARUDIN
JAMALULLAIL IBNI ALMARHUM TUANKU SYED PUTRA JAMALULLAIL**

主席

2009年11月30日

BOARD OF DIRECTORS



Mr Lee Kong Yip



Mr Tan Ang Meng



Y.A.M. Tengku Syed Badarudin Jamalullail



Y.Bhg. Dato' Anwarrudin bin Ahamad Osman



Mr Leslie Oswin Struys



Mr Anthony Cheong Fook Seng



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



Mr Koh Poh Tong



Mr Huang Hong Peng



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



Y.Bhg. Dato' Dr Mohd Shahar bin Sidek



Mr Wang Eng Chin

PROFILE OF BOARD OF DIRECTORS

Y.A.M. TENGKU SYARIF BENDAHARA PERLIS SYED BADARUDIN JAMALULLAIL IBNI ALMARHUM TUANKU SYED PUTRA JAMALULLAIL

Malaysian, age 64

Chairman of the Board, Independent and non-executive director

Chairman of the Nominating & Remuneration Committees

Member of the Audit Committee

Tengku Syed Badarudin graduated from Cambridge University in 1968 with a 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 Investment Bank Berhad. He is also a board member of Yayasan Tuanku Syed Putra, a charitable foundation.

He was appointed to the Board on 8 February 1987 and on 27 February 2001 was appointed its Chairman. During the financial year, he attended all the eight 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 70

Independent and non-executive director

Chairman of the Audit Committee

Member of the Nominating Committee

Tan Sri Lin is an independent strategy Consultant. Qualified as Malaysia's first 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 Pro-Chancellor, Universiti Sains Malaysia, and also Professor of Economics (Adjunct), Universiti Utara Malaysia, Professor of International Finance & Business (Adjunct), Universiti Malaysia Sabah as well as an Eisenhower Fellow and a Chartered Scientist, London.

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. Dr. Lin continues to serve the public interest; some current appointments include: Member of the PM's National Innovation Council and the PM's Economic Action Council Working Group, as well as a member of key Steering Committees at the Ministry of Higher Education; Economic Advisor, Associated Chinese Chambers of Commerce and Industry of Malaysia; Member, Asian Shadow Financial Regulatory Committee; Governor, Asian Institute of Management, Manila; Member, Advisory Board of the Malaysian-Japanese University Centre; 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 at the University, and President, Harvard Club of Malaysia. Tan Sri advises and sits on the Boards of a number of publicly listed and private businesses in Malaysia, Singapore, Indonesia and Hong Kong including Chairman, Cabot (Malaysia) Sdn Bhd and is Director of Ancom Berhad, Genting Berhad, Genting Malaysia 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 eight 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 KOH POH TIONG

Singaporean, age 62

Non-independent and non-executive director

Member of the Nominating & Remuneration Committees

Koh Poh Tiong is the Chief Executive Officer, Food & Beverage of Fraser and Neave, Limited. Previously, he held the position of Chief Executive Officer of Asia Pacific Breweries Limited (APB) from October 1993 to September 2008. He remains as a director of APB and retains directorships in most of APB's operating companies in the region.

He is Chairman of the Singapore Kindness Movement (SKM), Chairman of the School Advisory Committee (SAC) of Gan Eng Seng School, a Director of PSA International Ltd and PSA Corporation Ltd, The Great Eastern Life Assurance Co Ltd and Board member of the Singapore Youth Olympic Games (YOG) Organizing Committee.

From April 2000 to March 2008, he was Chairman of the Agri-Food & Veterinary Authority (AVA); and, a member of the APEC Business Advisory Council representing Singapore from January 1999 to August 2001. His previous directorships include National Healthcare Group Pte Ltd, Media Corporation of Singapore Pte Ltd, Television Corporation of Singapore Pte Ltd, Wildlife Reserves Singapore Pte Ltd and Jurong BirdPark Pte Ltd.

For his contributions to AVA, he was bestowed the Public Service Medal at the National Day Awards 2007. He also received the Service to Education Award from the Ministry of Education in 2007 and the 1998 DHL/The Business Times Outstanding CEO of the Year Award.

He was appointed as a director on 1 October 2008. During the financial year, he attended all the eight 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 Chief Executive Officer, Food & Beverage of Fraser and Neave, Limited, a major shareholder of the Company.

MR ANTHONY CHEONG FOOK SENG

Malaysian, age 55

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 was a director from 1 February 2005 to 31 January 2008. 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 eight scheduled meetings of the Board. Except for his position as 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 SHAHAR BIN SIDEK

Malaysian, age 62

Non-independent and non-executive director

Dato' Dr Mohd Shahar 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 Shahar 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 all the eight 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.

MR LEE KONG YIP

Malaysian, age 65

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) Sdn Bhd and Great Eastern Life Assurance (Malaysia) Berhad.

He was appointed to the Board on 10 May 2000. 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 except that he is a nominee director of Fraser & Neave, Limited, a major shareholder of the Company.

MR TAN ANG MENG

Malaysian, age 54

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. Mr Tan was appointed as the first director of F&N Capital Sdn Bhd upon the incorporation of the Company on 16 May 2008.

He was appointed to the Board on 24 May 2001. During the financial year, he attended all the eight 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' DR NIK NORZRUL THANI BIN NIK HASSAN THANI

Malaysian, age 49

Non-independent and non-executive director

Dato' Dr Nik holds a Ph.D. in Law from the School of Oriental and African Studies (SOAS), University of London and a Masters in Law from Queen Mary College, University of London. He read 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. 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.

PROFILE OF BOARD OF DIRECTORS

Y.BHG. DATO' ANWARRUDIN BIN AHAMAD OSMAN

Malaysian, age 66

Independent and non-executive director,

Member of the Audit Committee

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 and in several non-listed companies. He is also Executive Vice-Chairman of Yasmin Engineering Sdn Bhd (formerly known as TDW Malaysia Sdn Bhd)

He was appointed to the Board on 19 January 2005. During the financial year, he attended all the eight 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 72

Senior Independent and non-executive director

Member of the Audit, Nominating & 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 also a director of Leeden Ltd based in Singapore.

He was re-appointed to the Board on 24 May 2001. During the financial year, he attended all the eight 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 HUANG HONG PENG

Singaporean, age 50

Non-independent and non-executive director

Mr Huang Hong Peng is currently the Deputy Chief Executive Officer (Food & Beverage) of Fraser and Neave Group ("F&N Group"). He sits on the boards of F&N Group subsidiaries and associates.

Before his transfer to the F&N Group on 1 October 2008, he was the Regional Director, China/CEO's Office of Asia Pacific Breweries Limited ("APB"), a subsidiary of Fraser and Neave, Limited and was responsible for brewery operations of the APB Group in the People's Republic of China ("PRC") now consolidated under Heineken-APB (China) Pte Ltd. He joined the APB Group in November 1994 and has served in various positions in Myanmar and the PRC. He also sits on the boards of APB Group subsidiaries and associates.

Before joining the APB Group, Mr Huang was Assistant Director, Airport Management in the Civil Aviation Authority of Singapore and has a degree in Air Transport from the Ecole National de l'Aviation Civile, Toulouse, France.

He was appointed as a director on 1 March 2009. During the financial year, he attended all 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 Fraser and Neave, Limited, a major shareholder of the Company.

MR WANG ENG CHIN

Malaysian, age 50

(Alternate Director to Anthony Cheong Fook Seng)

Non-independent and non-executive director

Mr Wang Eng Chin holds a Bachelor of Business Administration (1984) and a Master of Business Administration (1987) from the University of Mississippi, USA.

Mr Wang is the Group General Manager, Operations – Food & Beverage, F&N Group. Prior to his appointment as Group General Manager, Operations from 1 October 2008, he was Acting Chief Executive Officer – F&B and General Manager at various F&N's F&B subsidiaries. He has been with F&N Group for 20 years and has gained substantial experience in the fast moving consumer goods (FMCG) business in Singapore, Malaysia and Vietnam. Mr Wang is also on the boards of Vietnam Dairy Products Joint Stock Company and a number of subsidiaries of the F&N Group. Prior to joining the F&N Group, he was with Cold Storage (S) Pte Ltd from 1987 to 1991.

He was appointed as an alternate director on 13 February 2007. 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 Securities Berhad.

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

Mr Koh Poh Tiong
Member of the Nominating Committee
Member of the Remuneration Committee

Mr Anthony Cheong Fook Seng
Member of the Audit Committee

Mr Lee Kong Yip
Member of the Remuneration Committee

Mr Leslie Oswin Struys
Senior Independent 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' Anwarudin bin
Ahamad Osman**
Member of the Audit Committee

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

Mr Huang Hong Peng
(Appointed on 1 March 2009)

Mr Wang Eng Chin
(Alternate to Mr Anthony Cheong Fook Seng)

**EXECUTIVE DIRECTOR
Mr Tan Ang Meng**

COMPANY SECRETARIES

Mr Joseph Tan Eng Guan, (MIA 8834)
Ms Gan Mee Ling, LLB (LS01360)

GROUP MANAGEMENT

Mr Tan Ang Meng, MICPA
Chief Executive Officer

Mr Joseph Tan Eng Guan, ACCA, MBA
Chief Financial Officer

Mr Jeffrey Bok, B. Sc (Hons.)
Group Human Resource Manager

Ms Gan Mee Ling, LLB Hons. (Malaya)
Group Company Secretarial Manager

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

Mr Loong Wei Hin,
B.Econs (Hons.) Harvard B. School (1991)
Senior Manager, Business Development, Export

Ms Tiah Oon Su,
B.Econs (Accounting), LLB Monash University Australia
Head, Group Legal

BUSINESS UNIT SENIOR MANAGEMENT

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

DAIRY PRODUCTS
Mr Tony Lee Cheow Fui, B.Com, CA (Aust.)
Chief Operating Officer

Mr Somsak Chayapong,
BSc (Chula), PED (IMD Business
School, Lausanne)
Country Head - Thailand & Indochina

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

PROPERTY
Mr Cheah Hong Chong,
BSc (Hons), M. Phil (Cantab), MBA MIEM, P.E.
General Manager

REGISTERED ADDRESS

Level 8, F&N Point
No. 3 Jalan Metro Pudu 1
Fraser Business Park
Off Jalan Yew, 55100 Kuala Lumpur
Tel: 03-9235 2288 Fax: 03-9222 7878
Email: cosec@fn.com.my

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 03-2264 3883 Fax: 03-2282 1886

AUDITORS

Ernst & Young, Kuala Lumpur

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
Deutsche Bank (Malaysia) Berhad
Citibank Berhad

STOCK EXCHANGE LISTING

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

CORPORATE STRUCTURE

SOFT DRINKS

- 100% F&NCC Beverages Sdn Bhd
 - 100% Borneo Springs Sdn Bhd
- 100% F&N Coca-Cola (Malaysia) Sdn Bhd

DAIRY PRODUCTS

- 100% F&N Dairies (Malaysia) Sdn Bhd
- 100% F&N Foods Sdn Bhd
- 100% Premier Milk (Malaya) Sdn Bhd
- 100% F&N Dairies (Thailand) Limited
- 100% Arolys Singapore Pte Limited
- 100% Lion Share Management Limited
- 100% PML Dairies Sdn Bhd

GLASS CONTAINERS

- 100% Malaya Glass Products Sdn Bhd
 - 70% Malaya-Vietnam Glass Limited
 - 60% Sichuan Malaya Glass Co Ltd
 - 70% Thai Malaya Glass Company Limited
- 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
- 100% F&N Properties Sdn Bhd
- 100% Tropical League Sdn Bhd
- 70% Lettricia Corporation Sdn Bhd

OTHERS

- 100% Fraser & Neave (Malaya) Sdn Bhd
- 100% Four Eights Sdn Bhd
- 100% F&N Capital Sdn Bhd

A black and white photograph of a butterfly on a leaf. The butterfly is positioned on the left side of the frame, facing right. Its wings are spread, showing a pattern of dark spots on a lighter background. The leaf it is on is large and has prominent veins. The background is a soft-focus view of other leaves, creating a sense of depth. The text "Hitting The Target" is overlaid in the center-right of the image, in a white, sans-serif font.

Hitting The Target

To the unwary eye, mangrove swamps are just a messy entanglement of trees and roots. But if one looks closely, one can see the delicate balance of life within its ecosystem. Take the archer fish as an example. This secretive mangrove dweller is known for its habit of preying on land based insects by literally shooting them down with water droplets from their specialised mouths. This uncanny accuracy is a necessary trait to possess to either survive in life, or succeed in business.

BUSINESS REVIEW

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GROUP PERFORMANCE OVERVIEW





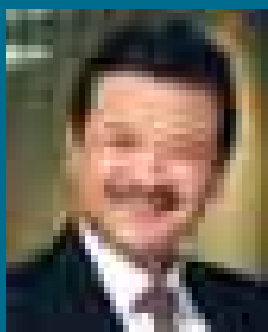
MANAGEMENT TEAM



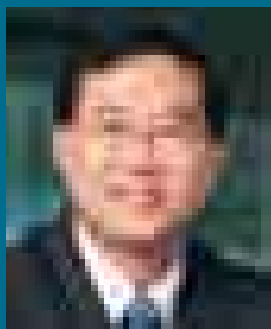
Tan Ang Meng
(Chief Executive Officer)



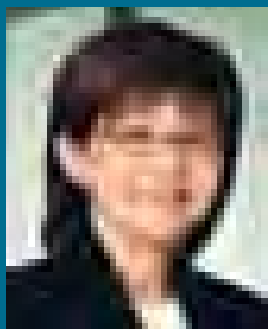
Joseph Tan
(Chief Financial Officer)



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



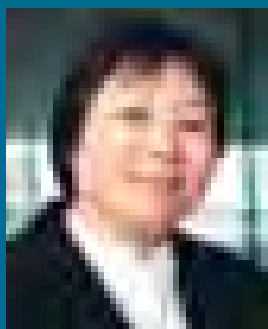
Jeffrey Bok
(Group Human Resource
Manager)



Gan Mee Ling
(Group Company
Secretarial Manager)



Ong Kok Choon
(Group Internal Audit
Manager)



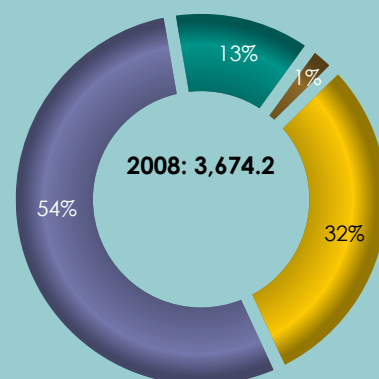
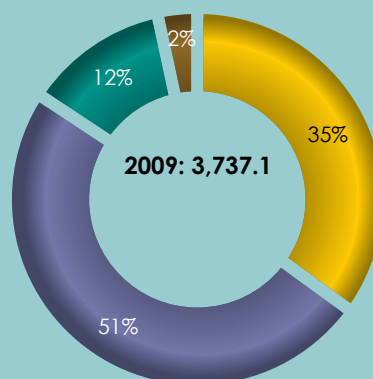
Tiah Oon Su
(Head, Group Legal)

RESILIENCE IN TURBULENT TIMES

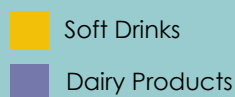
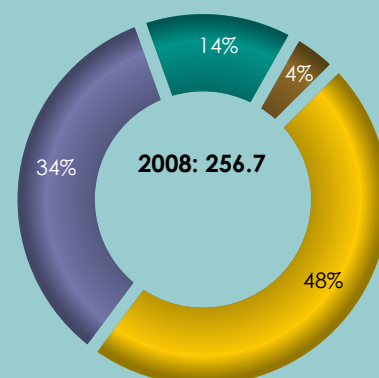
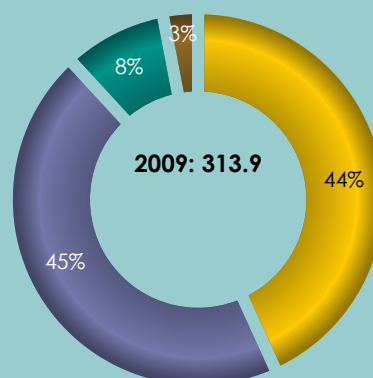
The business of the Group remained resilient, amidst the weak economic environment, exacerbated by a global recession during the financial year under review. Leveraging on its strong brand equity and market presence built on an extensive and unparalleled distribution network, the Group prevailed and consolidated its position to register modest growth in group revenue.

Group revenue increased two per cent on the back of a 25 per cent growth rate recorded the year before, a testament to the heritage, rock solid strength and resilience of F&N's business.

GROUP REVENUE



GROUP OPERATING PROFIT



GROUP PERFORMANCE OVERVIEW

Group operating profit improved by 22 per cent to RM313.9 million after accounting for unusual items of RM22.9 million. A strong second half year sales achievement and lower raw material costs contributed to the Group's improved performance.

Dairies division recorded significant profit growth and is now a major contributor to Group profits, on par with the soft drinks division. The dairies division's success in maintaining selling prices in the premium market segment, while leveraging on new opportunities from lower input costs, led to a 59 per cent surge in operating profit over the last financial year from RM89 million to RM140 million.

Just in its third year of operations, F&N Dairies Thailand contributed significantly in terms of revenue and profit. The announcement of the non-renewal of the Coca-Cola bottling agreement upon its expiry in January 2010, created much uncertainty over the future of the soft drinks division. However, the subsequent successful conclusion of a transition agreement and franchise extension to 30 September 2011 opened up a new window of opportunity for the division to launch products in other categories previously locked out after January 2010. A higher sales volume and a better product mix edged up soft drinks revenue by 10.5 per cent to RM1.31 billion from RM1.19 billion last year. Operating profits grew in tandem by 11 per cent to RM137 million from RM123 million.

In preparation for the eventual expiry of the bottling agreement with Coca-Cola, the Group also acquired the 10 per cent stake in the soft drinks subsidiaries owned by The Coca-Cola Company for RM79 million and has started to consolidate 100 per cent of the profits since September 2009.

The glass division turned in a commendable performance despite the economic slowdown and poor performance of the Thai unit as domestic demand shrunk. However the Malaysian, Vietnam and China operations achieved their respective performance targets. In Malaysia, the consolidation of the glass business with the closure of KL Glass yielded an operating profit before unusual items of RM41 million on the back of RM466 million revenue, contributing a 15 per cent and one per cent increase respectively over the preceding year's profit of RM35 million and revenue of RM461 million.

The property division focused on completion of Phase II of Fraser Business Park while offering cutting edge ICT technology in its development projects.

The Group secured two tax incentives that will save RM150 million in future tax expense for the new dairies plant investments in Thailand and Pulau Indah, laying the foundation for higher after tax profit in the coming years.

Overall the Group performed commendably, achieving its ninth consecutive year of record profits.

ALLOCATION AND MANAGEMENT OF FUNDS

Due to the strong financial position of the Group, the credit rating of the Commercial Paper/Medium Terms Notes Program (CP/MTN) was reaffirmed at AA1/P1 by RAM Ratings following an annual review. During the year, a CP of RM100 million has been issued to fund working capital requirements. Significant funds were deployed during the year for several projects including RM150 million for the new dairy plant in Rojana, Thailand, RM79 million for the 10 per cent acquisition in the soft drinks subsidiaries and RM100 million for financing construction of Fraser Business Park Phase II.

During the year, the Group continued to reward its shareholders handsomely with the high dividend payment of RM126 million.

Moving forward, with a strong operating cash flow, F&N's gearing is expected to remain at a comfortable position.

THE YEAR AHEAD

With the gradual improvement in the global business environment, economic performance is expected to improve in the new financial year.

Private consumption is envisaged to record positive growth on account of firm household disposable income with the recovery in the job market translating into stronger consumer spending for F&N products. However, prices of raw materials remain volatile, with a potential of trending upwards and this could erode margins.

Preparations are well underway for the eventual cessation of the Coca-Cola business in September 2011. Plans are afoot to introduce 50 new categories and products in teas and juices segment over the next two years, strengthen distribution in the soft drinks division as well as develop new export markets.

The dairies division is expected to face margin pressures if raw material prices firm up further. However, sales should improve on better economic conditions, the commencement of full commercial production at the Rojana plant in early 2010 and extension of the Group's regional footprint into the Indochina region comprising Myanmar, Cambodia, Laos and Vietnam with a 200 million population base. The groundbreaking ceremony for the new Pulau Indah dairy plant in Malaysia was held in October 2009. Once completed in 2012, the RM350 million plant will be the largest canned milk plant in Southeast Asia.

With improved economic environment, export business is expected to rebound after experiencing demand contraction this year. The export business continues to be an integral activity and will leverage on the halal accreditation of F&N products to expand export opportunities in the fast growing and relatively untapped Islamic markets in the Middle East, Africa and Indonesia.

The consolidation of the Malaysian glass operations following the closure of the Petaling Jaya plant resulted in improved operating efficiencies, economy of scale and streamlined management structure. The overall demand of the glass container business is projected to pick up, positively impacted by the recovery envisaged in both domestic and export markets.

Meanwhile, the property division will concentrate on completion of Phase II of Fraser Business Park and focus on efforts to sell the remaining units. A cautious approach will be adopted in new development projects in view of the sluggish real estate market.

While the volatility and upward trend of commodity prices will exert pressure on margins, the continued investments in strengthening the distribution network, extracted efficiency from the Rojana plant and consolidated glass operations in Malaysia will help to mitigate the impact of higher input cost.

Coupled with the development of new products and human capital, F&N will continue to strive to sustain and build on current performance and the Board is confident that the Group is firmly on track to face the challenges of the year ahead.

SOFT DRINKS

The soft drinks division defied the weak market sentiments by sustaining its upward growth trend. For the year under review, both revenue and operating profits grew, thanks to the division's aggressive sales initiatives.

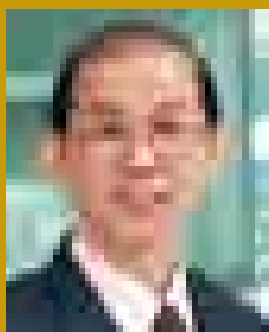




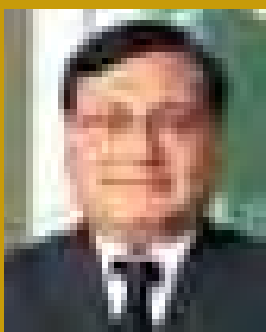
MANAGEMENT TEAM



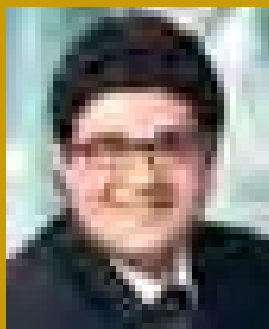
James Teo Hong Beng
(Managing Director)



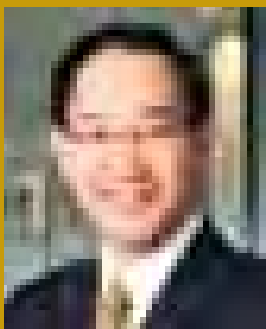
Phua Khia Goom
(General Manager, Finance)



Abdus Sami
(General Manager, Manufacturing)



Jauhar Munir
(General Manager, Marketing)



Simon Sim
(General Manager, Human Capital & Corporate Affairs)



Lim Mong Tuan
(General Manager, Sales Operations)

OVERVIEW

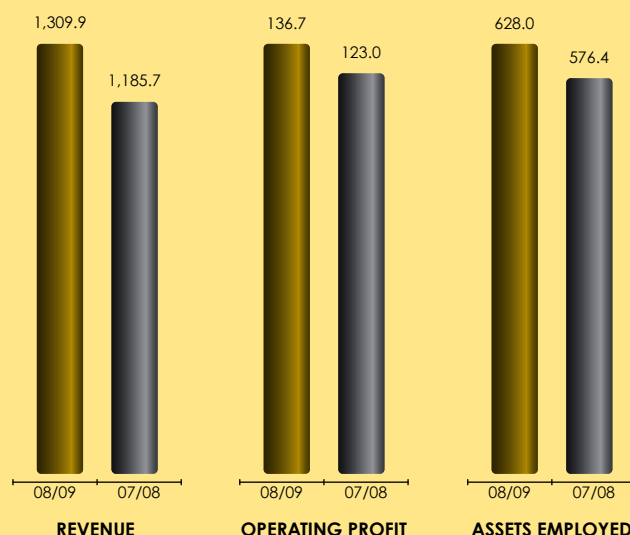
Volume surged more than nine per cent, reflecting the division's resilience in the face of the economic slowdown, while revenue climbed 10.5 per cent to RM1.31 billion from RM1.19 billion last year. Operating profits rose 11 per cent to RM137 million, driven by the higher sales volume and product mix, better cost management and gains from lower raw materials cost.

This encouraging performance was achieved on the back of market leadership, sales and distribution superiority, greater cost savings and increased organisational efficiencies.

The division continued to harness its strength in promotions to further drive volume over the festive periods. Notwithstanding the hefty increase in petrol price in the first quarter of the period under review, the division succeeded in holding its selling prices. This consumer-centred approach not only helped to check speculation but also gained the division tremendous goodwill and loyalty amongst consumers and distributors. The division derived cost savings by enhancing efficiencies across key operations and implementing innovative marketing programmes which helped to boost consumption.

BUSINESS STRATEGY

Sales, distribution and brand marketing initiatives remained the key focus in the division's push to reinforce its leadership and build brand franchise in the relevant market segments. Its broad and well-defined strategies were rewarding – enabling the division to stimulate consumption and increase profitability in a challenging period. Product visibility and presence was enhanced through more focused measures, including superior product placements and expanded distribution.



SOFT DRINKS

There was no let-up in the drive for distributor excellence as the division continued its investment in technology and equipment while implementing a new sales and distribution structure. It expanded its sales force to increase penetration of the rural and urban markets, a move vital to improve its speed to market.

Pushing the boundaries has become a necessity in an increasingly competitive environment. Thus, the division kept up its efforts to improve responsiveness in its supply chain by investing in cost-saving projects, driving production efficiency and minimising wastage. On risk management, the division maintained close monitoring of commodity price movement to keep itself ahead of the situation.

This enabled the company to seize the opportunity provided by a dip in global prices of certain key raw materials as an ongoing part of the division's cost-saving efforts.

The management's unrelenting effort in improving its logistics and inventory system was manifested in the form of a new 4,850-sq metre warehouse in Kuching. This state-of-the-art warehouse more than triples its storage capacity to 600,000 cases to enable the division to enhance its quality of service and ensure speedy delivery to customers in the region. It utilises advanced warehousing technology such as high selective racking, super flat flooring and Very Narrow Aisleway (VNA) trucks. The opening of its new in-house PET blowing line in Kuching was yet another

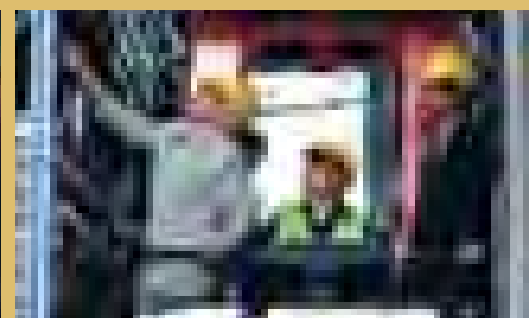
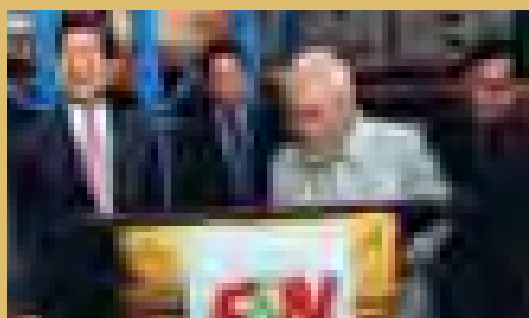
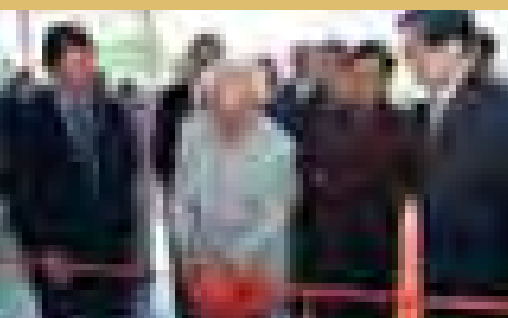
example of the division's determination to improve its entire production process and supply chain.

While building competitive advantage in technology and equipment was important, the division did not neglect the need to develop human capital. Management training programmes were executed for various levels of staff to build competencies and increase the division's competitiveness in the market place. Talent retention was given priority even as the division continued to develop fresh talent from a graduate pool via its management associate programme. This programme provided the division with a steady stream of young managers brimming with fresh, new ideas to scale greater heights. These various programmes were instrumental in driving improved performance amongst the tier-two managers.

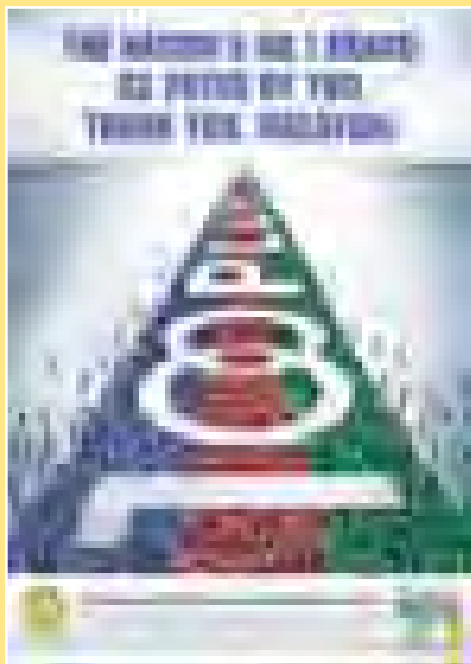


GROWING MARKET SHARE

Overall, the division's product market share showed promising growth in tandem with the huge potential of the ready-to-drink segment. 100PLUS continued to stamp its mark, garnering 90 per cent market share to consolidate its position as Malaysia's No. 1 isotonic drink. F&N Fun Flavours registered another solid year within the carbonated soft drinks category with a commendable 31 per cent market share. In the Asian soft drinks category, SEASONS recorded double-digit growth to strengthen its No. 2 position with 27 per cent market share, while maintaining its No. 2 spot within the Tea category. Meanwhile, Fruit Tree posted 10 per cent market share while the water business closed the year with a five per cent share.



■ The Chief Minister of Sarawak, YAB Pehin Sri Haji Abdul Taib Mahmud, officiated the opening ceremony of the state-of-the-art warehouse in Kuching, Sarawak



BRAND ACTIVITIES

Creative brand marketing activities were undertaken to strengthen market leadership and grow market share in the respective categories. Activities organised during the year included more eye-catching billboards and attractive point-of-sale materials to enhance product visibility and presence in the market place. The division continued to build on 100PLUS's market leadership, while nurturing its market for SEASONS and Fruit Tree. Intensive efforts to regain lost ground for F&N Fun Flavours also paid off. Targeted at youths, the programmes banked on the evergreen value of F&N as Malaysia's favourite and trusted soft drink brand. The division's branding strategies were underpinned by consumer awareness campaigns and on-ground activation.

100PLUS

One icon deserves another and it was fitting that badminton world No. 1, Malaysia's Datuk Lee Chong Wei, was appointed the first ever brand ambassador for 100PLUS. Lee will be involved in a series of events and activities



■ Datuk Lee Chong Wei, was appointed the first ever brand ambassador for 100PLUS

under a two-year appointment, including conducting coaching clinics around the country. Lee's appointment was most appropriate as he epitomised the 100PLUS "Outdo Yourself" spirit by beating the odds and pushing himself to the limit in his quest for success

Once again, 100PLUS had a winning start to the year by taking home the **Gold Award** in the category of "FMCG Above RM500 Million" in the **2008 Brand Equity Awards**.

This was followed by another accolade - 100PLUS was named Malaysia's No. 1 Brand (amongst all categories) by Superbrands 2009 based on a survey by Nielsen. This certainly ranks amongst the defining moments for 100PLUS, a brand that has captured the imagination of Malaysians with its innovative campaigns.

To encourage the rakyat's participation in fitness activities and boost consumption of 100PLUS, the **Cabaran RM1 Juta 100PLUS** was launched in April 2009. The challenge met with tremendous response and 10 lucky consumers were selected over 10 weeks to stand a chance to win a total of RM1 million based on the speed with which they

completed an obstacle course. The campaign, which was supported by television and radio commercials, media stories and attractive point-of-sale materials, generated high awareness and became the talk of the town. The winning finalist, a UiTM student, walked away with RM20,000.



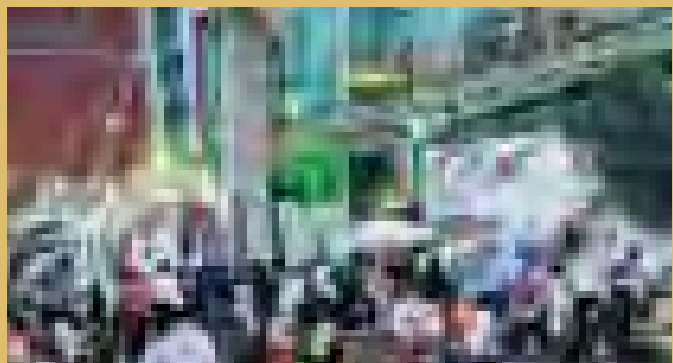
SOFT DRINKS

Over 80 per cent of those who participated in the *100PLUS Live Active Challenge 2008* said the activities had inspired them to lead a healthy and active lifestyle. The strong response provided a clear mandate to 100PLUS to bring back the challenge for a second time in 2009. This time around, 100PLUS embarked on one of its most ambitious projects to date. The **LIVE ACTIVE CHALLENGER**, a convoy of a 40-footer, 10-tonne prime mover and a 20-footer, 3.5-tonne truck, were custom-designed to showcase eight Live Active challenges and provide a free 10-point Fitness Assessment. The response was again overwhelming - the **CHALLENGER** toured 35 locations across the country drawing in over 95,000 participants and some 120,000 spectators with public feedback ranging from "inspiring" to "unique"!

In August 2009, 100PLUS recorded another major milestone by organising the first **Sports Hydration & Nutrition Seminar** in Malaysia. The half-day seminar focused on a variety of issues dealing with hydration in relation to improving sports performance featuring home-grown and international experts as speakers. Some 150 participants from the sporting fraternity such as national coaches, sports instructors, nutritionists and trainers from leading universities, sports associations, hospitals and ministries attended the seminar. The leading sports bodies represented at the seminar included the National Sports Council (NSC), National Sports Institute (ISN), Olympic Council of Malaysia (OCM), Badminton Association of Malaysia (BAM) and Football Association of Malaysia (FAM).

F&N Fun Flavours

To keep the momentum going after the Hari Raya period, the division organised the **F&N Win-A-Free Party Contest**, a consumer promotion which ran for two months from November 2008. The promise of an unforgettable experience for the winner and 25 friends was an excellent way to



■ Live Active Challenger-for a healthy and active lifestyle

showcase the brand and drive sales during the non-festive season. Hot on the heels of the win-a-free party contest, the division conducted its annual Chinese New Year promotions. This was one of the most important festive periods for the division. Consumers bought F&N 'kam sui' or F&N Orange as it symbolised prosperity, which carried special significance during Chinese New Year. The division rolled out a 12-can fortune gift pack to encourage consumers to purchase for their friends and family. A vibrantly decorated mobile truck was deployed to connect with consumers through simple yet engaging activities like games and sampling.

In June 2009, the division shook up the market with its highly innovative "jiggy can" promotion. The **I Dance, You Win** campaign was launched with the two-pronged objective of cornering the youth market and encouraging out-of-home consumption by incorporating elements of excitement, fun and surprise. Lucky consumers who chanced upon the "jiggy can" won either one of 750 Sony PSPs or one of 750 MP4 players. The campaign was a huge success with 70 per cent redemption achieved.



For the second year running, Malaysian youths were given the chance to express themselves via the **F&N Freestlyz Show Ur Moves** campaign. Spanning five months, the event this year focused on a nationwide freestyle/street dance competition targeted at the youth group, one of the key consumers of F&N soft drinks. A total of 104 groups were selected based on live auditions or video submissions. The accompanying road show toured 160 locations nationwide and reached an estimated 500,000 youths. The entire campaign, including the quarter-finals in Penang, semi-finals in Johor Bahru and grand finale in Kuala Lumpur, was supported by advertising, public relations and the use of new media including Facebook and local bloggers. The champions won an exclusive trip to Korea to train and hang out with Asia's No. 1 B-Boys, Gamblerz Crew.

SEASONS

SEASONS, the fastest growing brand within the Asian Soft Drinks category, continued its efforts to remain the

'healthy' option in consumers' minds. Its **Everyone Can be Healthy** campaign offered consumers health benefits in an easy and simple manner by focusing on awareness, engagement and



consumption. The campaign ran for five months from March 2009. By employing new thematic television commercials, some 20 new billboards across the nation and on-ground activities across eight major cities, including Kota Kinabalu and Kuching, SEASONS convinced consumers that a healthier lifestyle was easily attainable through its products. Health tips were printed on the sides of the packaging to

drive home the campaign message. Additionally, to boost take-home consumption, its 1-litre soya range was offered at a discount throughout March and April 2009.

OUTLOOK

Although the global credit crunch and ensuing economic turmoil have led to rising unemployment rates and poor consumer sentiment all round, demand for ready-to-drink beverages remains strong. However, raw material prices and utility cost remain significant factors to contend with and their volatility will continue to bear on the division's performance.

The division is cautiously optimistic amidst early signs of recovery in the global economy. The Malaysian economy is also panning out with prices of palm oil and crude oil stabilising and the re-opening of some production facilities in the semi-conductor industry is early indication of the recovery of the manufacturing sector.

Going forward, the division will continue to ride on the strengths of consumer favourites such as 100PLUS, F&N and SEASONS, confident that these brands will maintain their stellar performance. Investment in new product development to satisfy consumer needs will continue to be a mainstay, especially to tap opportunities not previously available. This includes introducing product categories that are new to Malaysia to run alongside new products such as hot filled juices and teas.

While the division will push ahead with plans to expand its regional and export markets, it will continue to grow the local market as there is scope for expansion in view of Malaysia's relatively low per capita consumption. The division's performance ahead of the Malaysian GDP growth rate is strong testimony of its resilience in contributing towards the Group's overall growth.

DAIRY PRODUCTS

The Dairies Division successfully weathered the global economic downturn by implementing a set of initiatives which produced encouraging results and set the momentum going forward.



MANAGEMENT TEAM



Tony Lee
(Chief Operating Officer)



Somsak Chayapong
(Country Head,
Thailand & Indochina)



Pratchya Hemsuchi
(Head of Technical &
Manufacturing, Thailand)



Ooi Peng Hock
(General Manager,
Manufacturing, Malaysia)



Tan Hock Beng
(Deputy Country Head /
Chief Financial Officer
Thailand)

OVERVIEW

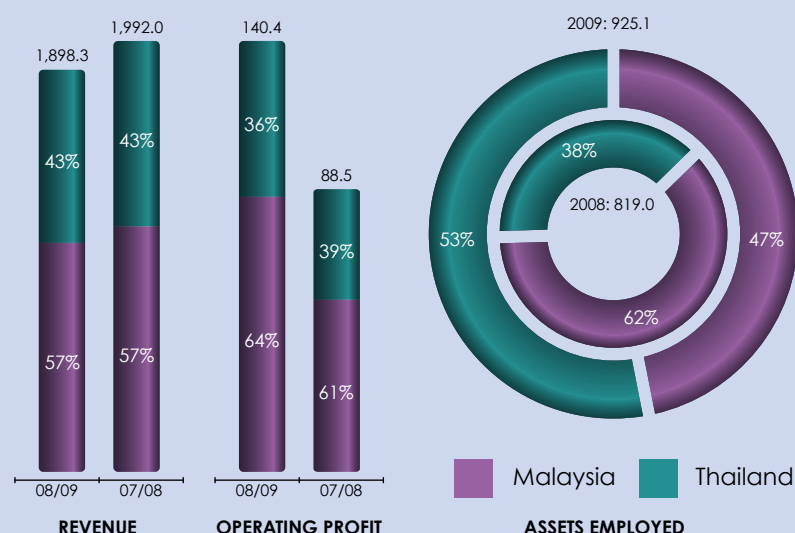
Operating profits continued its upward trend, growing 59 per cent to RM140 million despite the lacklustre market, driven by the lower costs of raw materials, better selling prices and value-added initiatives. The Division posted revenue of RM1.90 billion, shedding five per cent from RM1.99 billion last year, due to weaker consumer sentiments and a more competitive environment.

The export markets were not spared the effects of the global financial crisis, notably the melamine scare during first quarter. As anticipated, the competitive environment intensified with the emergence of new players. Despite these challenges, the division's direct export initiatives recorded positive growth in its top and bottom lines, with support from both the Petaling Jaya and Thai plants.

MALAYSIA

OVERVIEW

Even as the industry was grappling with an economic downturn, Dairies Malaysia managed to register commendable achievements on various fronts. It recorded a major milestone by posting its highest ever operating profit of RM90.5 million, representing a 69 per cent growth over the RM53.6 million achieved in the last financial year. This encouraging performance was mainly attributed to Dairies Malaysia's competitive strengths – the ability to hold prices amidst intense competition, diligent management of trade discounts and lower raw material prices. Revenue continued to exceed the RM1 billion mark to record RM1.09 billion, albeit reflecting a dip of five per cent. The lower revenue was partly caused by consumers switching to cheaper brands to mitigate the effects of the weaker economic landscape.



DAIRY PRODUCTS

The period under review saw Dairies Malaysia embarking on activities to enhance brand value and visibility, cultivate customer loyalty, sustain profitable businesses and drive volume through the introduction of innovative products and campaigns. It remains focused on improving efficiencies and performance to deliver better shareholder returns.



BUSINESS STRATEGY

It is common for companies to cut back on their advertising and marketing expenditures during a downturn. Dairies Malaysia has chosen a different path, firm in the belief that money invested in such activities would reap handsome dividends, especially when the market conditions improve. To ensure that its brands maintain their sparkle even in a recession, it increased investments in advertising and promotions by 10 per cent. Brand-building and in-store presence accounted for 65 per cent of the total marketing expenditure, with a view to enhance visibility, availability and freshness. Product innovation and renovation (I&R) remains a key element in meeting and exceeding consumer needs.



PRODUCT CATEGORIES AND ACTIVITIES

Canned Milk

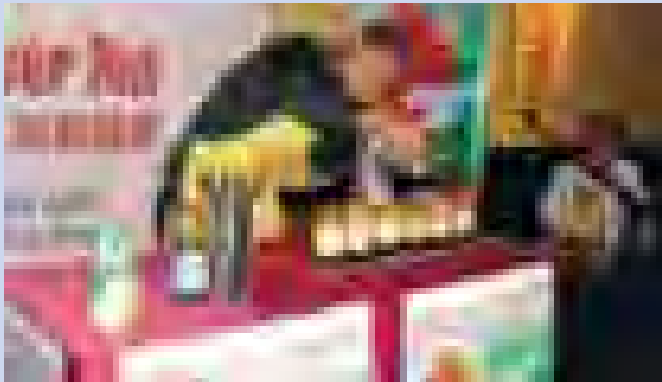
Dairies Malaysia upheld its leadership of the canned milk business in Malaysia. Spurred by Dairies Malaysia's strategy to reinforce its position in the premium segment, Dairies Malaysia led the market with 60.8 per cent market share in the sweetened condensed milk segment. It derived benefits from the packaging/label rejuvenation for F&N branded canned milk, intensified advertising and ground visibility including a merchandising blitz, and volume drive in the value segment. Its

evaporated milk segment recorded gains of five percentage points to 76.1 per cent market share, thanks to innovative product application and a continuous push in its value-for-money segment. This was driven by a broad portfolio of strong brands such as F&N, Tea Pot and Gold Coin, and licensed brands such as Cap Junjung, Carnation and Ideal.

Positive image perception is paramount to fast-moving consumer goods. Dairies Malaysia unveiled a new-look for its F&N Condensed Milk and Evaporated Milk labels which was more contemporary and refreshing to complement the changing lifestyles of consumers. It includes appetising visual elements that appeal to a premium market segment.

Dairies Malaysia continued to excite consumers by introducing an interesting beverage from East Malaysia, popularly





■ Chef Mat, the 3 Layer Tea expert demonstrating on how to make a good cup of 3 Layer Tea with F&N evaporated filled milk



■ Winner of the Ideal Celebrity Chef

known as the 3 Layer Tea. Prepared with F&N Evaporated filled milk, the beverage is aimed at generating new demand in local food outlets and increasing the operators' profitability. Relevant supports such as ingredients and point of sales materials were extended to the operators. The perfect blend of aroma, texture and taste made it an instant hit upon its launch at selected outlets in the Klang Valley in February



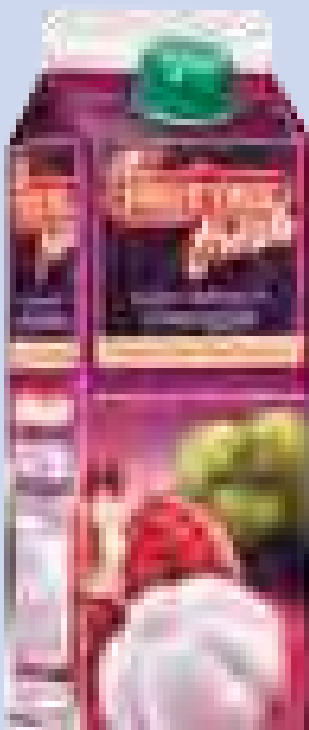
2009. Encouraged by the positive response, Dairies Malaysia had embarked on an extensive launch across Peninsular Malaysia.

In November 2008, the Carnation Kitchen Secrets campaign was rolled out to drive product application. In this instance, Carnation Evaporated Milk was showcased as the favourite to enhance the taste of an omelette and give it a rich, fluffy texture. The campaign leveraged television and print advertisements to educate the public of its application.

Dairies Malaysia's consumer-focused approach in engaging and touching people launched a campaign in Ideal brand in search of a new celebrity chef. This eight-episode television show featuring three Malaysian celebrity chef as judges, evaluated the contestants on their passion for cooking and presentation skills to lend credibility to the brand's recipe.

Chilled Juice

The Sunkist Regular range was extended in January 2009 with the introduction of the 1L Orange & Pineapple variant to replace the 1L Lime variant which was phased out. The following month, Dairies Malaysia added *Blackcurrant & Cranberry 100% Juice, No Sugar Added* to its Sunkist



■ Sunkist mascots and ambassadors at the launch of Sunkist total packaging revamp

DAIRY PRODUCTS



Grower's Selection sub-range to tap into the growing health and wellness trend.

In March, Sunkist underwent a total packaging revamp to uplift its brand image and strengthen brand equity. This move was successful in enhancing Sunkist's strong reputation and heritage for quality and reliability while creating a distinct differentiation within the Sunkist sub-range. The repackaging also introduced a new Sunkist logo, which more closely reflected its association with its natural source of California-fresh fruits. The launch, in March 2009, was supported by an integrated advertising and promotional programme, including print and television advertisements, sampling and road shows,

new liveries, point-of-sale material and public relations. In line with the repackaging, Dairies Malaysia rolled out the new Sunkist 2L Bottle and introduced two new variants: Orange & Lemon and Orange & Pineapple.

Sunkist continued to strengthen its consumer franchise through national consumer promotion campaigns to boost sales volume during high consumption periods such as festive occasions. The campaigns were supported by advertising and promotional activities to build brand affinity, enhance its connection with the consumer and further reinforce Sunkist number 2 position in the chilled juice segment.

Fruit Tree Fresh leveraged its *100% Juice, No Sugar Added* range as an image builder for the brand. The launch of Fruit Tree Fresh *100% Juice, No Sugar Added Mangosteen & Pomegranate* in February 2009 was supported by a "Superfruit" campaign espousing the health benefits of fruits such as mangosteen and cranberry. This was communicated via a multitude of marketing tools including infomercials, print advertisements, outdoor materials (KTM train wraps and billboards) and aggressive on-ground activities.

Chilled Milk

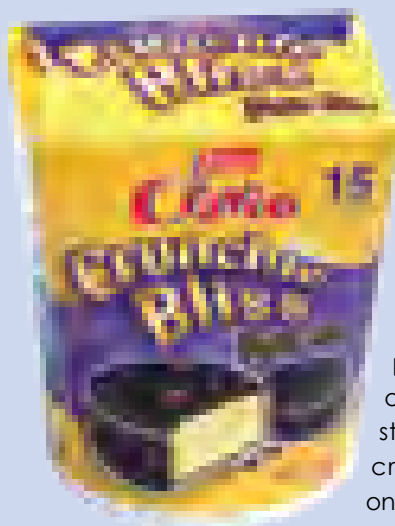
Dairies Malaysia initiated a brand rationalisation earlier in the year, which saw the exit of Daisy from the chilled milk market. This was in line with the strategy to focus and consolidate on growing its two brands, Magnolia and Farmhouse.

The benefits of milk, especially for children, were once again brought to the fore through the Magnolia WonderKids Search, which was concluded in a grand finale. The campaign which attracted children from across Malaysia, was promoted using light boards, print and freezer advertisements, POS material and road shows.



■ Magnolia Wonder Kids Search





During the year, Magnolia also brought a little Disney magic into the lives of Malaysians by sponsoring the Disney on Ice - Princess Wishes show.

The sponsorship, covering all Magnolia products inclusive of pasteurized milk, sterilised milk and ice cream was marketed on a major scale with a supporting redemption

programme and a consumer contest which offered one lucky family a visit to Hong Kong Disneyland.

Ice Cream

Magnolia Ice Cream was rejuvenated with a packaging revamp to boost its Magnolia Cravio image and increase brand visibility. It set its footprint in the cone segment, by launching the Magnolia Mag-A-Cone Neapolitan variant in March 2009. Brand offerings were improved with the introduction of Magnolia Multipack Yoghurt Petite and Magnolia Cravio Crunchie Bliss, followed by the launch of the Magnolia Delight tub range, which urged consumers to "Discover Delight In Every Bite".

In September 2009, the Magnolia Ice Cream Mobile truck rolled out to enhance visibility and generate sales in an exciting manner. The truck was stationed at shopping complexes, office blocks and cinemas with an inflatable ice-cream cone erected atop the truck. This earned Dairies Malaysia special recognition from the



■ In the Malaysian Book of Records for having the "Biggest Ice-Cream Cone"

Malaysia Book of Records for having the "Biggest Ice-Cream Cone" in Malaysia.

EXPORTS

The export markets were not spared the effects of the global financial crisis, which impacted exchange rates, availability of foreign exchange and liquidity. These issues were exacerbated by a period of declining prices, brought about by the declining cost of raw materials and competitive pressures, leading to deferment and cancellation of orders. The combined consequence was negative, notably in the African markets.

Capacity limitation at the Petaling Jaya Plant was further compounded by the relocation of the Navanakon Plant to Rojana, outside Bangkok. This imposed constraints on supplies and expansion to new markets during the year. As anticipated, competition intensified with new entrants into the market.

Exports conducted through the Group's associate in Singapore continued to be significant, although shipments recorded a dip during the year. Nonetheless this business remained important and would continue to be supported and sustained.



DAIRY PRODUCTS

OUTLOOK

Although the global market is showing signs of recovery, Dairies Malaysia will approach the year ahead with cautious optimism. Prices of raw materials such as milk powder and sugar are on an uptrend although probably less volatile.

Dairies Malaysia will focus on driving revenue growth and further reinforcing its market leadership, especially in the canned milk segment. Dairies Malaysia will press on with innovative strategies across its operations, including the deployment of product I&R to roll out new and refreshed products reflective of consumer lifestyles. Communication activities will be revamped to focus on the Y-generation who communicates largely through digital networks.

Work on the new dairy plant in Pulau Indah has commenced and is expected to be completed in early 2012. Dairies Malaysia will focus on operational readiness to ensure a seamless transition to the newly built state-of-the-art plant.

THAILAND

OVERVIEW

Dairies Thailand experienced challenging conditions fuelled by the global financial crisis and continuing political tensions which led to a sluggish economy and higher inflation in Thailand. The company initiated a number of measures that succeeded in mitigating the effects of these conditions, resulting in costs savings and higher profitability.



■ RM250 million "best in class" dairy plant at Rojana opened on 9 Sept 2009

Revenue for Dairies Thailand dipped five per cent to close at RM813 million, with domestic and Indochina sales accounting for 82 per cent of the total. Exports to Malaysian operations and third parties made up the rest. Overall, domestic (Thailand and Indochina) turnover fell marginally by two per cent while exports contracted 20 per cent, mirroring the country's export trends.

Operating profit surged 43 per cent to RM50 million, reflecting the company's resilience amidst challenging market conditions. This was due to a combination of positive factors driven by lower input cost of raw materials, better selling price, tighter management of trade discounts and cost-saving initiatives. The company also invested significantly in its brands and trade presence to strengthen and extend its market position, while continuing to deliver its top lines.

This year marked a historical milestone for Dairies Thailand with the opening of its RM250 million "best-in-class" dairy plant at Rojana, outside Bangkok, on September 9, 2009. The greenfield liquid milk plant is on schedule towards implementing full operations by early January 2010. The facility is poised to play a major role as an efficient and low-cost producer to help realise the Group's long-term investment objectives and commitment in Thailand and the Indochina region.

BUSINESS STRATEGY

Dairies Thailand continued to move forward by fulfilling a steady and stable demand for its core products and expanding its reach in the Indochina region. Distribution in Myanmar commenced in February 2009 and demand for its Sweetened Beverage Creamer and 3-in-1 coffee products has shown promise. This was supported by consumer activities and promotions to drive brand awareness and consumption.

The evaporated and condensed milk segment registered growth to account for 48 per cent of total revenue, excluding exports, mainly due to the company's ability to hold its selling price. Its sterilised and UHT products also saw recovery in the second quarter through strong and innovative marketing campaigns. This segment had earlier been impacted by the melamine scare originating from China in the first quarter.

Dairies Thailand's strategic cost-saving initiatives during the period under review also paid off with about RM4 million realised in savings through better productivity and efficiency of the supply chain and other operations.

The Group is confident of further success as Dairies Thailand is well placed to capitalize on the additional production capacity provided by the new Rojana plant outside Bangkok and its regional distribution network to tap the opportunities in a recovering economy.

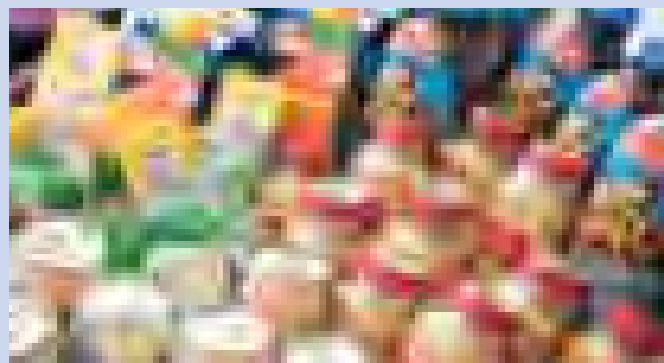
BRAND ACTIVITIES

Dairies Thailand's focus on strategic brand activities helped maintain its strong market leadership in key segments such as sterilised milk, sweetened condensed milk and evaporated milk while achieving volume growth for existing and new products.

Sterilised Milk

Dairies Thailand ran two major campaigns supported by below-the-line activities which helped Bear Brand Sterilised Milk reinforce its leadership with 98 per cent market share in its category. For two month starting in December 2008, consumers were once again exposed to the *Stars and Infinite Love* campaign which was first launched in March 2008. This campaign communicated the brand's association with "love, warmth and care". The campaign was reinforced with "gift-wrapped" packaging of the products during the New Year and Valentine's Day celebrations, reminding consumers that Bear Brand Sterilised Milk is a valuable gift for all occasions.

The highly-successful *7 Day 7 Benefits* campaign for Bear Brand Gold was followed by the launch of a consumer contest entitled *Drink & Stand a Chance to Win a Trip to Japan with Ann Thongprasom*, a popular television personality. Leveraging on a combination of marketing activities such as television commercials, print ads, in-store point-of-sale materials and product cluster packaging proved key to the campaign's success and managed



to sustain the strong brand visibility derived from the initial campaign in May 2008. Consumer participation was healthy and contributed towards Bear Brand Gold retaining its market share at an encouraging 28 per cent amidst a highly-competitive environment.

The company introduced F&N Gold Bird's Nest in July 2009, a bird's nest drink with low fat milk and ingredients like malt extract. This new, innovative product was the first to be categorised under the *Blue Ocean Concept* which focused on three new features. For F&N Gold Bird's Nest, the new product concepts were - bird's nest mixed with milk in a ready-to-drink form; the new health segment - combined market appeal for consumers of bird's nest beverage, other health beverages and the adult milk market; and its new innovative packaging - it was the first product in Thailand offered in a specially-designed milk churn glass bottle.



The product roll out was supported by an intensive campaign to create awareness

and induce consumer trial. The launch

featured a giant mock-up of the product followed by an advertising blitz through various public mediums such as television tie-ins, BTS (Bangkok Transit System) body wrap and vertical pole boards at BTS stations and in-store point-of-sale materials. Sampling activities incorporated product testimonials, trial offers in magazines and sampling booths at modern trade channels including supermarkets chains and convenience stores. A mobile mini-van was also utilised to generate awareness and excitement throughout the city of Bangkok.