CHAIRMAN'S STATEMENT

OVERVIEW

FY2007 was another successful year for the Group. I have great pleasure in reporting that the Group's attributable profit (before exceptional items) reached an all time high of $378 million, an increase of 28% over last year. Earnings per share (before exceptional items) on an enlarged share capital was 13% higher, at 28.6 cents. Top-line growth was healthy and broad based, with Group revenue rising 25% to $4.7 billion.

Return on equity was marginally below last year, at 8.6%, due mainly to a $900 million share placement to Temasek Holdings and a revaluation surplus of $312 million on investment properties, which was credited to revaluation reserve. Overall, our balance sheet remains strong and our core businesses are well positioned to seize strategic opportunities in the year ahead.

The proceeds from the share placement to Temasek Holdings have been earmarked for investments to accelerate the growth of the Group's Food & Beverage business. In February 2007, our Malaysian subsidiary acquired Nestle's liquid canned milk business in Malaysia, Indochina, Singapore and Brunei at a cost of RM285 million. This acquisition gave Fraser & Neave Holdings Bhd a quantum improvement in sales, entry into new markets as well as opportunities to extract economies of scale. Our search for more value-creating strategic acquisitions to radically transform our Food & Beverage business will continue with renewed vigour in the new year.

In the year under review, all our core businesses recorded solid growth in PBIT despite significant cost pressures. Group PBIT grew 23% to $732 million.

- Properties continued to be the key driver of earnings growth, with PBIT surging ahead by $100 million (or 29%), to reach $450 million.

- PBIT from our Food & Beverage business rose about 11% to $236 million.

- Within our Publishing & Printing businesses, PBIT improved by 62%, to $33 million as a result of further consolidation and rationalisation initiatives.

Mr Lee Hsien Yang
Chairman

DIVIDENDS

In view of the strong profits, the Directors recommend for shareholders' approval, a final dividend of 8.5 cents per share (1-tier tax exempt). Taken with the interim dividend, this will give a total distribution of 13.5 cents per share (1-tier tax exempt). This is 12.5% higher than last year's distribution. Since FY1998, our dividend payment has grown steadily and at a compound annual growth rate of about 17.5%.

If approved by shareholders at the AGM on 31 January 2008, the final dividend will be paid on 26 February 2008 to shareholders on our register on 13 February 2008.

The proposed dividend is in line with the Board's stated dividend policy of paying up to 50% of attributable profit before exceptional items. With effect from FY2008, the Group will be required to adopt FRS 40. This means that changes in fair values of investment properties will have to flow through the Group's profit statement (instead of being taken directly to the balance sheet). With this change in accounting treatment, we will refine our dividend policy to pay up to 50% of attributable profit before exceptional items and changes in fair value of investment properties.

OPERATIONS

Development Property

The residential property development business remained our main contributor to Group PBIT, growing 35% to $306 million. During the year under review, Frasers Centrepoint Limited ("FCL"), our wholly owned property arm sold close to 1,700 residential units in 19 developments in Singapore and about 200 units from five development projects overseas. Profits from these sales will underpin development earnings over the next two to three years.

The Group also has a stream of projects to sustain profit growth. Depending on market conditions, FCL plans to launch Martin Place Residences and Waterfront Waves in early 2008, followed by three other residential projects in Singapore; and about 10 projects in Australia, China and United Kingdom ("UK") over the course of FY2007/08.

In Singapore, FCL's current land bank can yield an estimated 2,250 residential units when fully developed. In China, Australia/New Zealand and UK, the Group has accumulated about 34 million sq ft of land for development on its own or via joint ventures.

Details of these sites (including the keenly contested former Carlton United Brewery site in Sydney) are contained in the Operations Report. When fully developed over the next five years or so, these overseas sites can yield about 18,000 residential units and 12 million sq ft of commercial space. The Group has stepped up our search for opportunities in the growth markets of India and Vietnam.

Commercial Property

Commercial Property (comprising our investment properties and real estate investment trust) recorded a PBIT improvement of 17%, to $144 million. This was due mainly to the high occupancy of our malls, offices and industrial parks, better rental rates and fees from new hospitality management contracts.

Our wholly-owned Frasers Hospitality is on track to double its portfolio to 5,000 owned and/or managed serviced apartments by 2009. During the year, Frasers Hospitality commenced operations at Fraser Suites Sydney, Fraser Place Queensgate (London) and Fraser Suites Urbana Sathorn (Bangkok), and signed new contracts with owners to manage properties in Bangalore, Beijing, Chengdu, Hanoi, Hong Kong, Kuala Lumpur, Shanghai, Tianjin and Tokyo.

Frasers Centrepoint Trust ("FCT"), 51% owned by FCL, completed its first full year of operations, with distribution per unit 12% above forecast (at 6.55 cents). FCT is poised for further growth given its pipeline of quality malls for future injection, rising rental reversions, asset enhancement initiatives and overseas expansion thrust. In its first foray overseas, FCT acquired a 27% stake in Hektar REIT, Malaysia's only pure retail REIT, during the year.

Food & Beverage

Breweries
Our Breweries business delivered steady PBIT growth of 8% to $165 million, despite start-up losses from new breweries, non-recurring items and translation differences.

This year, Asia Pacific Breweries Limited ("APB"), which we jointly control with Heineken NV, our strategic partner, expanded its portfolio to 32 breweries in 11 countries by adding four new plants in Mongolia (1), Vietnam (1) and China (2). Three more new breweries in China, India and Laos are on schedule to begin operations in the 1st Quarter of 2008.

In the year under review, APB chalked up a 44% volume growth in its largest market, Indochina. Excluding the effects of gestation losses, one-off adjustments and translation differences, PBIT from Indochina grew organically by 23%. APB achieved PBIT improvements in all its other markets except for operations in Malaysia, where PBIT was down 8% due to higher commercial expenses and overheads. In China, PBIT turned positive ($3 million) due to volume growth of 14% and integration of operational activities.

Soft Drinks & Dairies
Soft drinks sales in Malaysia were buoyed by improved consumer sentiment. Revenue was 10% higher but PBIT grew 7% (to $47 million) due to rising raw material and other costs.

Our Dairies business in Singapore, Malaysia, Thailand and Vietnam recorded accelerated growth arising from the acquisition of Nestle's liquid canned milk business. Revenue was 88% higher but PBIT grew 39% (to $24 million), reflecting sharply higher raw material and packaging prices and start-up costs associated with the integration of the newly acquired dairy operations.

Publishing & Printing

PBIT from our Printing business rose by 47% (to $25 million). This was due to optimisation of capacity, improvement in operational efficiencies and better inventory management. We also had a higher share of profits from our listed associate, Fung Choi Media Group Limited, which posted strong growth. During the year, we raised our interest in Fung Choi to 29.5% (from 25%).

In September 2007, Times Publishing Limited ("TPL") entered into a conditional agreement to sell Times Printers (Australia) to PMP Limited for about A$80 million to be paid in the form of PMP shares and some cash. PMP is an ASX Top 200 listed company and Australasia's largest commercial printer. The merger of the two companies will yield operating synergies. With the approval of the relevant Australian authorities for the transaction in November 2007, TPL is now the largest corporate shareholder in PMP.

Within our Publishing business, strong PBIT growth from Education Publishing and Business Directories in Singapore, Hong Kong and Malaysia was offset by restructuring costs in United States of America ("USA") and UK.

Our Retail and Distribution businesses turned in better results reflecting good demand for books and magazines during the year.

OUTLOOK

The new financial year is fraught with uncertainties arising from the US sub-prime mortgage issue and the high price of crude oil. The Group will need to address the challenges of more cautious consumer spending and higher costs of doing business. However, economic growth in Asia is expected to continue albeit at a slower rate. Barring unforeseen circumstances, the Group remains cautiously optimistic that underlying profit (before exceptional items) can continue to improve in the new year, underpinned by progressive recognition of profits from our successful property launches.

ACKNOWLEDGEMENTS

As you know, I took over the chairmanship of the Company from Dr Michael Fam on 15 October 2007. The astute leadership of Dr Fam, the strong support of an able Board and dedication and drive of our management and staff contributed in no small measure to the Group's achievement of its ninth consecutive year of growth in attributable profit before exceptional items.

On 5 October 2007, the Company announced the departure of Dr Han Cheng Fong, our former Group CEO. I would like to thank him for his contributions and wish him well in his new endeavor. Our search for a new Group CEO is underway.

I wish to express my gratitude also to all members on the main and subsidiary boards for their active support during the past year. Mr Lee Ek Tieng and Dr Lee Tih Shih have decided not to stand for re-election as directors of F&NL. Mr Anthony Cheong will relinquish his seat to further increase the representation of independent directors on the F&NL Board. He will continue as Group Company Secretary. Dr Andrew Chew and Mr Alan Choe have decided to step down as directors on the FCL Board. I would like to thank them all for their contributions.

Mr Soon Tit Koon has offered himself for election as F&NL director. He is the Chief Financial Officer of OCBC Bank and was appointed Dr Lee's alternate on the F&NL Board in May 2007. Mr Soon's experience and expertise will be of value to the Board's deliberation so I urge you to give him your support at the AGM on 31 January 2008.

My appreciation also extends to our strategic partners, especially Heineken NV and The Coca-Cola Company, our customers and our shareholders.

Mr Lee Hsien Yang
Chairman
08 January 2008