

# Message from CHAIRMAN



**Mr Lee Hsien Yang**  
*Chairman*

## Historical Milestones Achieved

### Overview

I am pleased to be able to report that the F&N Group turned in good results in FY2008.

Group revenue grew 5% to reach an all-time high of close to S\$5 billion. Group revenue was buoyed by strong volume growth and higher selling prices in our Food & Beverage (F&B) division and higher occupancy and rental rates from our commercial properties.

At the operating level, Group PBIT, before FRS40 fair value gain on investment properties and impairment of investments, rose 6% to a new peak of S\$777 million. This was despite a S\$26 million provision for our land bank. The improvement in profit came mainly from our enlarged Dairies business, stronger Soft Drinks and Beer sales, better contributions from Frasers Hospitality and our commercial properties, and higher progressive recognition of profit from our residential projects in Singapore.

Group Attributable Profit, after fair value gain and exceptional items, increased by 15% to S\$436 million. With the adoption of FRS40, the Group recorded a net gain of S\$37 million from fair value adjustments of our investment properties. As a prudent measure, the Group provided for a S\$74 million impairment charge on our investments, fixed assets and properties held for sale.

Earnings per share after exceptional items (EPS) was 9% higher than last year, at 31.4 cents. Since the Asian crisis (FY1998), our EPS has rebounded strongly over the past 10 years to grow at a compounded annual growth rate of 22.3%.

We ended FY2008 with a strong balance sheet, which will stand us in good stead in the trying times ahead. The Group has good liquidity with S\$1 billion in cash and S\$1.6 billion of credit available under its revolving credit facilities. At the end of FY2008, our gearing increased to 69% (from 59%) as a result of borrowings to finance our expansion drive. Interest coverage ratio improved to 12.0 times, up from 10.3 times a year ago.

The Group's total debt of S\$5.4 billion has an average debt maturity of 2.75 years. Of the S\$2.1 billion due within 12 months, S\$0.8 billion has been re-financed

for maturity in 2011. The remaining S\$1.3 billion will be funded by short-term bank loans and supported by cash flow from operations and projects under development.

Our return on average shareholders' equity dipped slightly to 8.3%, from 8.6% a year ago. This dip was due mainly to the S\$900 million share placement to Temasek Holdings in mid-January 2007 and the revaluation surplus of S\$312 million on investment properties credited to revaluation surplus at end FY2007. These had caused average shareholders' equity in FY2008 to rise.

The FY2008 performances of our F&B, Properties and Publishing & Printing businesses are reviewed by the respective CEOs in the Business Review section of this Annual Report.

A strategic review to consider options for our Publishing & Printing business has been conducted. We hope to reach a conclusion and announce our decision in the first calendar quarter of 2009.

## Maintaining Our Dividend Payout

### Dividends

The Directors recommend for shareholders' approval, a final dividend of 8.5 cents per share (tax exempt). Taken with the interim dividend of 5 cents (tax exempt) paid on 12 June 2008, this will make a total payout of 13.5 cents per share for FY2008. This dividend payment is unchanged from FY2007. The payout ratio of 49.5% is in line with the Board's stated policy of paying up to 50% of the Group's Attributable Profit before exceptional items and changes in fair value of investment properties. If approved by shareholders at the Annual General Meeting (AGM) on 22 January 2009, the final dividend will be paid on 12 February 2009.

## Preparing for Difficult Times Ahead

### Outlook

Since the close of our financial year, market conditions have continued to deteriorate. We expect FY2009 to be a difficult year given the global economic crisis. We will seek to position the Group to cope with the challenges that lie ahead. We will also remain alert to opportunities that may be presented by this financial and economic crisis.

### Corporate Governance

We have a good composition of talent at the Board and Management levels to guide us through these extraordinary times. During the year, we were privileged to welcome Mr Tan Chong Meng to our Board. The varied expertise and experience of Board Members (as listed on pages 74 to 75) make for lively and fruitful discussion. I would like to thank Directors for their wise counsel and commitment of their precious time.

Mr Stephen Lee has decided not to seek re-election at the forthcoming AGM. Mr Lee, a board member since July 1997, chairs the Remuneration & Staff Establishment Committee. He is also a member of the Board Exco, Nominating and Audit & Risk Management Committees. We owe him a huge debt of gratitude for services rendered to the Company.

At the start of the year, we streamlined our corporate governance structure to expedite the decision-making process within the Group. The Boards of Frasers Centrepoint Limited and Times Publishing Limited were subsumed into the main board but their respective Executive Committees were retained. The Audit Committee was re-constituted to incorporate the Risk Management Committee to simplify corporate oversight.

During the year, we also announced a new management and organisation structure, which takes into account the distinct characteristics of the Group's businesses, the presence of management talent within the Group, and the difficulty of recruiting one person with the necessary combined skill sets to realise the full potential of our businesses.

We were pleased to be able to appoint Mr Koh Poh Tiong as CEO of our F&B Division on 1 October 2008. Mr Koh, formerly the CEO of Asia Pacific Breweries Limited, successfully implemented its ambitious regional expansion strategy. We look forward to accelerated growth of our F&B business under his leadership. This will be crucial to the achievement of our objective of increasing F&B's contribution to Group profits.

Mr Lim Ee Seng (CEO – Frasers Centrepoint Limited) and Dato' Ng Jui Sia (CEO – Times Publishing Limited) continue to head our Properties and Publishing & Printing businesses respectively. The CEOs of our F&B, Properties and Publishing & Printing businesses report to the Board of F&NL through the Chairman's Office, which coordinate reporting lines together with corporate services support. The frequency of Management Committee meetings has been stepped up to ensure that issues are highlighted and dealt with more expeditiously.

### Acknowledgements

The global credit crunch has underscored the importance of solid support from shareholders and the financial community. I would like to thank these stakeholders as well as management and staff, customers and strategic partners, whose contributions have enabled us to achieve another successful year.



**Mr Lee Hsien Yang**  
Chairman  
30 December 2008