



**FRASER & NEAVE HOLDINGS BHD**  
(4205-V)



**THE WAY  
FORWARD  
2013**  
**ANNUAL REPORT**

# OUR PROFILE

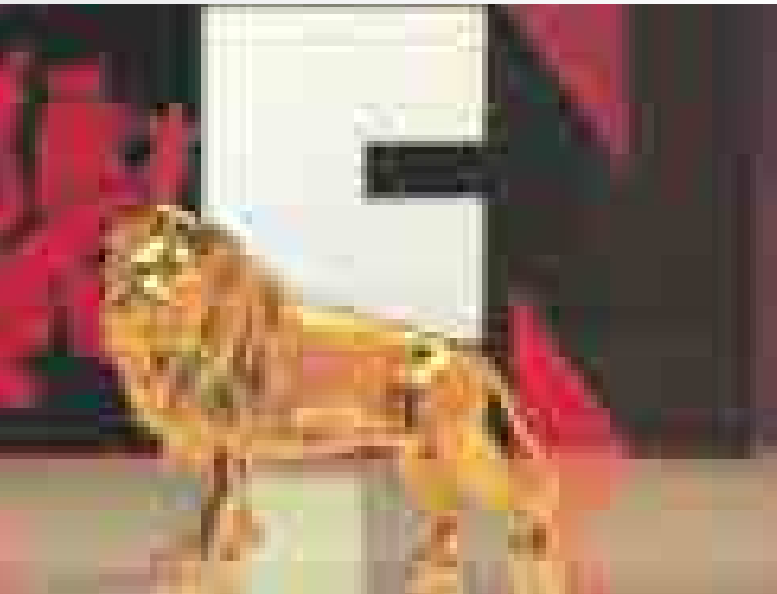
Founded in 1883 by John Fraser and David Chalmers Neave, from whom the instantly recognisable initials 'F&N' are derived, F&N has evolved into an iconic household brand and the F&N Group today is among the oldest, most recognised and most successful businesses in Singapore and Malaysia with core expertise and leadership in the Food & Beverage, Property and Publishing & Printing sectors.

Listed on Bursa Malaysia, Fraser & Neave Holdings Bhd is a subsidiary of Fraser and Neave, Limited and one of Malaysia's diversified blue chip companies with leadership in the nation's

beverages and dairy products sectors. Fraser & Neave Holdings Bhd operates in Malaysia, Brunei, Thailand and Indochina and employs over 3,000 employees.

As a brand that has been closely integrated into the nation's fabric for over a century, F&N enjoys a special place in the hearts of Malaysians, one that is trusted by generations while fulfilling its promise of 'Pure Enjoyment, Pure Goodness' through its wide portfolio of brands and products.

The core strengths of its 130-year enterprise, as reflected in its vision, brands and products, strong distribution network, resources, and experience, distinguish F&N and set it apart in the market. These core strengths, moreover, enable it to deliver sustainable performance and growth, in harmony with the well-being of local communities and the environment, to meet consumers' present and future expectations.



# CONTENTS

- 002 Vision
- 003 Mission
- 004 Our Exports
- 006 Five Years' Statistics  
Group Financials
- 007 Five Years' Statistics  
Group Financial Charts

## CORPORATE REVIEW

- 010 Chairman's Statement
- 014 Profile of Board of Directors
- 026 Corporate Information
- 027 Corporate Structure

## BUSINESS REVIEW

- 030 CEO's Message
- 034 Soft Drinks
- 040 Dairies Malaysia
- 046 Dairies Thailand
- 052 Property

## CORPORATE SUSTAINABILITY

- 056 Workplace Principles
- 059 Community Principles
- 063 Environmental Principles
- 068 Marketplace Principles

## CORPORATE GOVERNANCE

- 072 Statement on Corporate  
Governance
- 077 Report on Audit Committee
- 079 Statement on Risk Management &  
Internal Control
- 082 Statement on Directors'  
Responsibility

## FINANCIAL STATEMENTS

- 086 Directors' Report
- 093 Statement by Directors  
and Statutory Declaration
- 094 Independent Auditors' Report
- 096 Income Statements

- 097 Statements of Comprehensive  
Income
- 098 Statements of Financial Position
- 101 Statements of Changes in Equity
- 105 Statements of Cash Flows
- 107 Notes to the Financial Statements
- 181 Supplementary Information

## OTHER INFORMATION

- 183 List of Properties
- 186 Shareholdings Statistics
- 188 Share Price Charts
- 189 Recurrent Related Party Transactions

- **NOTICE OF  
ANNUAL GENERAL MEETING**

- **PROXY FORM**



# OUR MILESTONES



# 1883-2013

This is a snapshot of F&N's long and storied history, one which is 130 years old and remains woven into the fabric of Malaysian and Singaporean society. The F&N story begins in 1883, in a registered office in the British colony of Singapore, when two partners in a printing business, John Fraser and David Chalmers Neave, signed their names on a document that brought the Singapore and Straits Aerated Water Company into existence.

**1883** - The Singapore and Straits Aerated Water Company was founded.

**1898** - The Singapore and Straits Aerated Water Company went public under its present name, Fraser and Neave, Limited on 27 January 1898.

**1913** - By this year, F&N had branches across the peninsula, including Kuala Lumpur, Malacca, Seremban, Ipoh and Penang. Additionally, overseas expansion had begun and F&N had set up branches in Bangkok and Saigon.

**1941** - Archipelago Brewery was acquired, which produced *Anchor* beer, another well-known brew in the region.

**1948** - Lion Ltd was incorporated to manage *Coca-Cola*.

**1959** - The Group entered into a joint venture with Beatrice Foods of Chicago, USA, to manufacture Sweetened Condensed Milk, setting the foundation for the company eventually known as F&N Dairies (Malaysia) Sdn Bhd.

**1968** - Dairy production commenced in Singapore and F&N Powdered Milk was introduced the following year.

**1971** - Several new products were launched: *Fanta*, *Daisy* long-life milk in Tetrapak, *Zapple* drinks and *Sunkist Orange*.

**1973** - Sweetened Condensed Filled Milk was launched, followed by the launch of *Meadow Gold* range of ice cream products the following year.

**1989** - F&N acquired the interests of Beatrice Foods and restructured its dairy operations under F&N Dairies (Malaysia) Sdn Bhd.

**1990** - F&N acquired the dairies and property interests of Cold Storage Holdings Ltd.

**1992** - Joint venture agreement was signed between Fraser and Neave, Limited and The Coca-Cola Company (TCCC), which saw the birth of F&N Coca-Cola Pte. Ltd.

**1999** - F&N started the Thailand Ice Cream business with the setting up of F&N United Ltd.

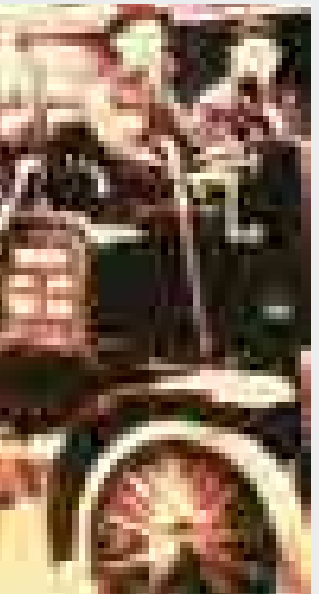
**2000** - F&N took control of Times Publishing after acquiring a 20 per cent stake in 1999.

**2004** - F&N's property division started construction on Fraser Business Park in Sungai Besi, Kuala Lumpur.

**2006** - F&N acquired the *Borneo* brand of Mineral Water business in East Malaysia.

**2010** - *Red Bull* joined the F&N product line-up. Construction of F&N Dairies manufacturing plant in Pulau Indah began. End of licensing arrangement with The Coca-Cola Company in Malaysia, Singapore and Brunei.

**2011** - Official opening of the F&N Dairies manufacturing plant in Rojana, Thailand.



**1931** - Fraser and Neave, Limited formed Malayan Breweries Limited in a joint venture with Heineken of Holland. The result of this joint venture was the much-loved and iconic *Tiger Beer*.

**1936** - Fraser and Neave, Limited acquired the franchise rights to *Coca-Cola* drinks. In later years, the company acquired the rights to *7-Up*, *Fanta* and *Sunkist* as well.

**1962** - The Kuala Lumpur plant was completed and commenced its operations.

**1965** - Carnation International of Los Angeles joined Beatrice Food and F&N to form a manufacturing company, Premier Milk (Malaya) Sdn Bhd in Kuala Lumpur. The first F&N soft drinks factory in East Malaysia was also opened in Kuching.

**1977** - F&N commenced its Ice Cream business.

**1983** - F&N celebrated its 100<sup>th</sup> anniversary and introduced the iconic *100PLUS* brand to the market, which soon became the No.1 Isotonic Drink in Malaysia and Singapore.

**1985** - F&N introduced *SEASONS'S* range of beverages.

**1995** - *Magnolia* was acquired.

**1996** - F&N Coca-Cola Malaysia moved to a new plant costing RM160 million in Shah Alam on 23 March 1996. The Group's glass, dairies and soft drinks operation in Malaysia were incorporated under the umbrella of Fraser & Neave Holdings Bhd.

**1998** - F&N Dairies commenced its Pasteurised Milk and Juice business.

**2007** - Fraser & Neave Holdings Bhd acquired Nestle's *Tea Pot* and secured the licence to manufacture and distribute Nestle's *Ideal*, *Carnation* and *Milkmaid* brands in Malaysia, Thailand and Singapore. F&N Dairies (Thailand) Limited was also established this year.

**2009** - Operations at F&N Dairies (Thailand) Limited's new plant in Rojana, Thailand, commenced.

**2012** - F&N Dairies manufacturing plant in Petaling Jaya ceased operations after 52 years, making way for the Section 13, Petaling Jaya property development project.

**2013** - The 130<sup>th</sup> anniversary of the Fraser & Neave Group and official opening of the F&N Dairies manufacturing plant in Pulau Indah.

OUR

To become the leading total beverage company in  
Malaysia and the region

# VISION &



To be a world-class multinational enterprise providing superior returns to our shareholders, excellent value for our customers and a rewarding career for our employees

# MISSION



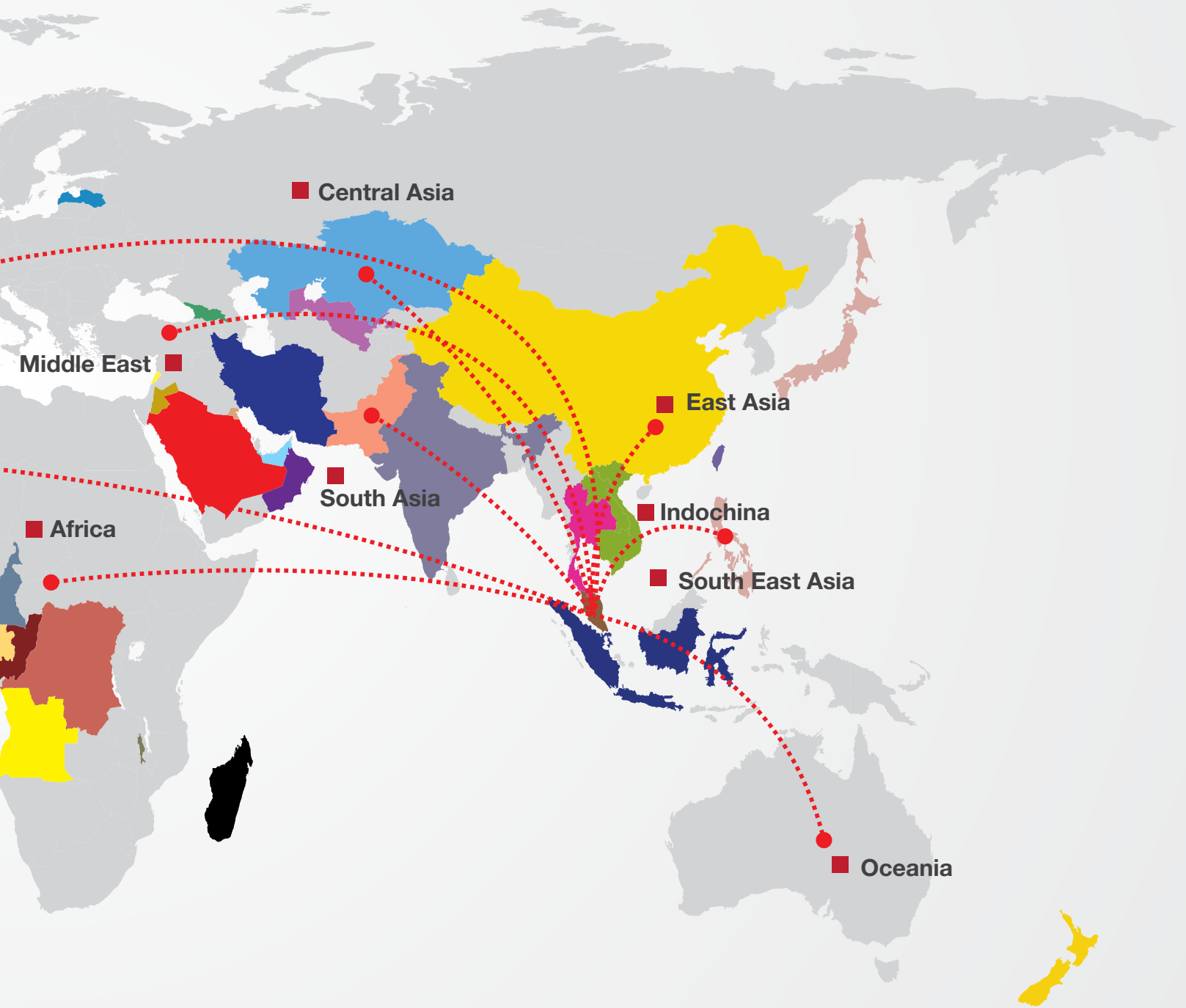


# OUR EXPORTS



F&N PRODUCTS ARE EXPORTED TO OVER  
**45** COUNTRIES  
WORLDWIDE

# Our Exports





# FIVE YEARS' STATISTICS GROUP FINANCIALS

Year ended 30 September	2013	2012	2011	2010	2009
<b>Results (RM million)*</b>					
Revenue	3,508.2	3,171.9 <sup>#</sup>	3,824.6 <sup>#</sup>	3,918.4 <sup>#</sup>	3,663.2 <sup>#</sup>
Profit before taxation (PBT)	308.7	230.2	463.7	777.9 <sup>^</sup>	299.8
Attributable profits	260.6	274.0	383.1	695.3 <sup>^</sup>	224.4
<b>Dividend</b>					
<b>Per share</b>					
- Earnings - basic (sen)	71.7	75.9	106.9	195.1	63.0
- Earnings - diluted (sen)	71.4	75.4	106.0	194.2	62.9
- Dividend - net (sen)	60.0 <sup>**</sup>	58.0	97.0	164.5	41.8
- Dividend - cover (times)	1.2	1.3	1.1	1.2	1.5
<b>Statement of Financial Position (RM million)</b>					
Share capital	364.7	363.0	360.4	357.3	356.5
Shareholders' equity	1,650.2	1,554.3	1,558.8	1,796.5	1,293.1
Total assets	2,763.6	2,654.9	2,487.8	2,968.9	2,759.9
Long term borrowings	150.0	-	150.0	150.0	360.4
Net assets per share (RM)	4.53	4.28	4.33	5.03	3.63
<b>Ratio</b>					
PBT on revenue (%)	8.8	7.3	12.1	19.9	8.0
Return on shareholders' equity (%)	15.8	17.6	24.6	38.7	17.4
Net debt to equity ratio (%)	1.7	12.6	-	-	26.7

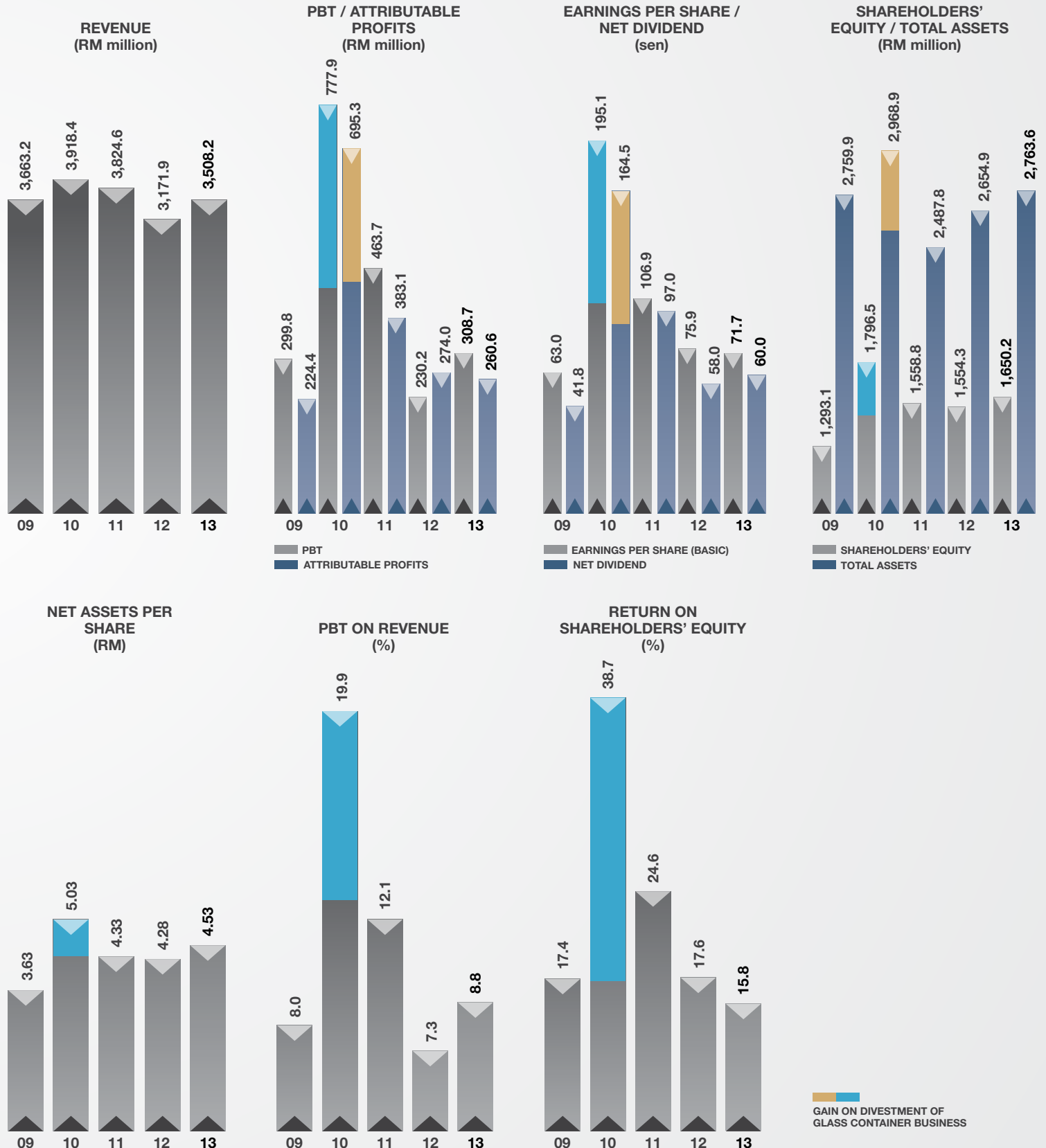
\* Results for financial years ended 30 September 2009 and 2010 were on a total group basis, which included continuing and discontinued operations.

\*\* Included proposed dividend of 40 sen, which will only be recognised in the financial statements upon shareholders' approval.

<sup>^</sup> Included exceptional gain on divestment of glass container business of RM382 million.

<sup>#</sup> Restated to reclassify sales tax incurred on intercompany transactions which was previously included in cost of sales but reclassified to revenue in financial year ended 30 September 2013.

# FIVE YEARS' STATISTICS GROUP FINANCIAL CHARTS



---

# CORPORATE REVIEW

---

<b>010</b>	Chairman's Statement
<b>014</b>	Profile of Board of Directors
<b>026</b>	Corporate Information
<b>027</b>	Corporate Structure



*innovation out of  
tradition*



# INNOVATION OUT OF TRADITION

F&N beverages continue to invigorate the market with its innovative flavours and inspiring Malaysians to push their limits on or off the playing field. Already the market leader in many of the ready-to-drink segments in Malaysia, our mission is to keep our consumers delighted with an ever-increasing range of beverages that leave them thirsting for more!



# CHAIRMAN'S STATEMENT

---





---

# 2013 IS A MOMENTOUS YEAR FOR FRASER & NEAVE HOLDINGS BHD AS THE GROUP CELEBRATES A LANDMARK IN THE MALAYSIAN AND REGIONAL CORPORATE ARENA – ITS 130<sup>TH</sup> YEAR OF OPERATIONS SINCE ITS HUMBLE BEGINNINGS.

We also saw several other significant changes beginning with a change in the ultimate ownership of the Group as F&N became part of the TCC Group which is one of Thailand's leading conglomerates and established international players.

In addition, we witnessed the official launch of our state-of-the-art manufacturing plant in Pulau Indah, the biggest dairy condensary in the region, while the Group recorded double-digit growth in revenue, operating profit and pre-tax profit.

## **Performance Review**

Buoyed by resilient domestic demand, the Asia Pacific region showed signs of improvement despite the subdued growth of advanced economies.

As a highly open economy, Malaysia was not immune to the uncertainties and lower global economic growth. Nevertheless, the country's strong fundamentals and accommodative monetary policy, aided by improvement in exports and firm domestic demand, is projected to fuel economic growth of 4.5 to 5 per cent in 2013.

In Thailand, exports and domestic demand remained weak, coupled with delays in infrastructure spending plan, resulting in a lower 2013 economic growth forecast of 3 per cent.

Against this economic backdrop, Fraser & Neave Holdings Bhd recorded an impressive performance, for the year ended 30 September 2013, chalking up double-digit growth in revenue, operating profit and pre-tax profits. For the year in review, Group revenue rose 10.6 per cent to RM3.51 billion thanks to a stronger performance at the soft drinks unit coupled with a notable post-flood recovery and full year contribution from Dairies Thailand which grew almost 40 per cent, while reinforcing their respective market leadership positions.

Group operating profit rose 35.1 per cent to RM312.7 million while Group profit before tax went up 34.1 per cent to RM308.7 million. Group profit after tax, however, eased 4.9 per cent to RM260.6 million due to a lower deferred tax assets recognition compared with last financial year.

## Chairman's Statement



**We will continue to forge ahead leveraging on our long established heritage to deliver excellence in the market place and to our loyal legion of customers and consumers for whom F&N has become a part of their daily lives.**

### TRUSTED BY GENERATIONS

It is with great pride that F&N Group celebrates its 130<sup>th</sup> anniversary this year. Very few companies in the world can boast of such a long and enduring heritage of service to consumers who have remained loyal to its brands throughout. Thus the theme "Trusted by Generations" for our commemoration aimed at sharing this landmark with our stakeholders and thanking them for their patronage of the F&N brands for the last 130 years.

At this point, I must thank our consumers for their support and trust over the years, who, through their loyalty, have made the F&N brand a household name that is trusted by generations in Malaysia and the region.

We will continue to forge ahead leveraging on our long established heritage as well as building on the strength of our brand portfolio and unparalleled marketing and distribution network to deliver excellence in the market place and to our loyal legion

of customers and consumers for whom F&N has become a part of their daily lives.

### DELIVERING VALUE TO SHAREHOLDERS

In line with maintaining a dividend policy that is commensurate with the Group's performance, the Directors are recommending a final single tier dividend of 30 sen per share together with a special single tier dividend of 10 sen per share. If approved by shareholders at the forthcoming Annual General Meeting, the total dividend for the year would be 60 sen, as compared with 58 sen in the previous financial year.

### CORPORATE GOVERNANCE

The Board of Directors and management continue to drive the Group's vision and mission to imbue a culture of professionalism, responsibility, accountability, transparency, excellence and trust in people.

In tandem with this, the Board established a Risk Management Committee in July 2013, aimed at reinforcing its risk management governance and enabling greater and deeper focus on the risk management of the Group.

Additionally, in accordance with the new guidelines of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, both the Chief Executive Officer and the Chief Financial Officer have to provide assurance to the Board yearly on the adequacy of, and compliance with, to its risk management framework.

### CORPORATE SUSTAINABILITY

High ethical standards and good governance are paramount to the sustainability of any business and in this respect the F&N Group has continued to expand the implementation of corporate sustainability programmes throughout the year.

## Chairman's Statement

Our efforts have started to bear fruit and in this context, I congratulate and commend Dairies Thailand for winning the Thailand Energy Awards 2013 for Best Energy Conservation in the Energy-controlled Factory category and also the prestigious ASEAN Energy Award 2013 for Best Practice on Energy Management for Buildings and Industries, Special Submission Category. The award is a first for the F&N Group and Dairies Thailand was one of the only two food and beverage companies to be accorded the honour. This recognition is testament that our best-in-class journey is on the right track towards achieving our vision of becoming the leading food and beverage company in the region.

In addition, this year, we have joined other leading food and beverage companies in the "Responsible Advertising to Children Pledge", the first of its kind in Malaysia. This initiative demonstrates our commitment to responsible marketing of food and beverage to children. The pledge was done in collaboration with the Ministry of Health, Malaysian Advertisers Association and FMM Malaysian Food Manufacturing Group.

### OUTLOOK AND PROSPECTS

Going forward, the Group will continue to focus on strengthening market activation and the pervasiveness of its soft drinks and dairy products, whilst ramping up export initiatives to deepen and widen our export market footprint.

The grand opening of our F&N Dairies Malaysia manufacturing plant, graced by HRH Sultan of Selangor at the Selangor Halal Hub, Pulau Indah, Klang will provide greater impetus towards realising our export aspirations especially to the relatively untapped halal markets and its two billion Muslim consumers globally.

Work is in progress to launch Phase 1 of our Section 13 integrated property development project scheduled for the last quarter of our 2013/2014 financial year.

The operating environment will remain challenging in the new financial year especially with high global commodity prices continuing to put pressure on our margins and the expected volatilities in the US Dollar and other foreign currencies. However, emerging signs of a recovery in the major advanced economies are expected to support overall global growth indications and our continuing internal cost savings initiatives will help us mitigate some of the cost pressures.

While global policy spillovers may have some impact on Asia, growth will continue to be underpinned by domestic demand. The Group is in a strong position to benefit from domestic demand with its sound balance sheet, an even stronger and diversified brand portfolio and unparalleled marketing and distribution networks.

The on-going integration and synergising between the F&N Group and TCC Group will only serve to strengthen our core. Benefits and synergies which the Group can draw from include Group product introduction, market knowledge and other operational synergies such as raw material procurement, cost optimisation and adoption of best practices from the various business units within the enlarged Group.

### ACKNOWLEDGEMENTS

The Board welcomes the appointment of Mr. Somsak Chayapong as Chief Executive Officer of Fraser & Neave Holdings Bhd, succeeding Dato' Ng Jui Sia, who returns to Fraser and Neave, Limited (F&NL). The Board is confident that Mr. Somsak will leverage on his wealth of experience in the food and beverage industry to lead and grow our business.

The Board also wishes to record its appreciation to Dato' Ng Jui Sia for his invaluable contribution to the Group over the years. Notwithstanding this, we will still benefit from Dato' Ng's counsel as he remains a member of our Board and in his new role at the helm of F&NL's Non-Alcoholic Beverages Division, overseeing operations and investments across Singapore, Malaysia, Thailand and Indochina.

We welcome three new directors, namely, Mr. Chin Kwai Yoong, Dato' Johan Tazrin bin Hamid Ngo and Dato' Jorgen Bornhoft, who joined the Board during the year. We would also like to record our appreciation for the invaluable contributions of Mr. Pascal De Petrini to the Group.

I would like to take this opportunity to express my heartfelt thanks to my colleagues on the Board for their invaluable support and guidance to the management of the Group during this year of transitions. My appreciation also extends to our shareholders, business partners, customers and other stakeholders for their confidence, trust and continued support of the Group. Last but not least, I would like to pay tribute to all staff and management for their professionalism, dedication, loyalty and industry that have enabled the Group to record yet another impressive performance.

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

Chairman  
30 November 2013

# PROFILE OF BOARD OF DIRECTORS

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

**Malaysian, age 68  
Chairman of Board, Independent Non-Executive Director  
Chairman of Group Executive, Nominating, Remuneration & Share Buy-Back Committees  
Member of Audit Committee**

Tengku Syed Badarudin Jamalullail 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 Syed is involved in his family business and he is a Director of Hwang-DBS (Malaysia) Berhad, Hwang-DBS Investment Bank Berhad and Hwang Investment Management Berhad. Tengku Syed is also a board member of Yayasan Tuanku Syed Putra, a charitable foundation and the President of Tuanku Syed Putra Dialysis Centre, Perlis.

Tengku Syed was appointed to the Board on 24 February 1987 and on 27 February 2001 was appointed its Chairman. 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' ANWARRUDIN BIN AHAMAD OSMAN

Malaysian, age 70

**Independent Non-Executive Director**

**Member of Group Executive, Audit, Remuneration & Share Buy-Back Committees**

Dato' Anwarrudin bin 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 Managing Director/Chief Executive Officer of Petronas Dagangan Berhad.

During the 23 years in Petronas, Dato' Anwarrudin 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 to 1991.

Currently, Dato' Anwarrudin holds directorship positions in KKB Engineering Bhd and Perisai Petroleum Teknologi Bhd and in several non-listed companies. He is also Executive Vice-Chairman of Yasmin Engineering (M) Sdn Bhd.

Dato' Anwarrudin was appointed to the Board on 20 January 2005. 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

### ANTHONY CHEONG FOOK SENG

---

**Malaysian, age 59**  
**Non-Independent Non-Executive Director**  
**Member of Group Executive, Audit & Risk Management Committees**

Mr. Anthony Cheong Fook Seng is a member of the Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants.

He has 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 listed and unlisted subsidiaries.

Mr. Anthony Cheong was appointed to the Board on 1 October 2002. 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

### CHIN KWAI YOONG

**Malaysian, age 65**

**Independent Non-Executive Director**

**Chairman of Audit Committee**

**Member of Group Executive, Nominating & Risk Management Committees**

Mr. Chin Kwai Yoong is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

He started his career with Price Waterhouse (currently known as PricewaterhouseCoopers) as an Audit Senior in 1974 and was promoted to Audit Manager in 1978. He was an Audit Partner in the firm from 1982 until his retirement in 2003. During his tenure as Partner, he was the Executive Director in charge of the Consumer and Industrial Products and Services Group and was the Director-in-charge of the Audit and Business Advisory Services and Management Consulting Services division.

Mr. Chin has extensive experience in the audits of major companies in banking, oil and gas, automobile, heavy equipment, manufacturing, construction and property development industries. He was also involved in the corporate advisory services covering investigations, mergers and acquisitions and share valuations.

He was appointed as a director of Bank Negara Malaysia with effect from 1 March 2010 and has been a director of Genting Berhad since August 2007. He sits on the Board of Astro Malaysia Holdings Berhad and has been a director of Astro All Asia Networks plc since March 2006. He also sits on the Board of Deleum Berhad.

Mr. Chin was appointed to the Board on 23 January 2013. 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' JOHAN TAZRIN BIN HAMID NGO

---

**Malaysian, age 41**  
**Independent Non-Executive Director**  
**Member of Audit Committee**

Dato' Johan Tazrin bin Hamid Ngo has a Bachelor of Arts (Honours) in Business Economics from Reading University, UK. He is also an Associate Member of the Society of Investment Professionals ("ASIP"), UK (CFA Institute) and European Association of Financial Analysts ("EFFAS").

Dato' Johan was appointed to the Board on 23 January 2013. 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.

Currently, Dato' Johan is the Managing Director and the Chief Investment Officer of Amara Investment Management Sdn Bhd ("AMARA"), a fund management company incorporated in Malaysia and licensed by the Securities Commission. Dato' Johan established the company in 1997 as a joint venture between K&N Kenanga Berhad and Rothschild Asset Management Intl B.V before taking the company private in 2007 in a management buy-out exercise. Prior to this, he was a Portfolio Manager with Coutts & Co. (London) Ltd managing Asian Equities and Japan. Dato' Johan has 20 years of experience in investment management overseeing Asian equities & fixed income.



## Profile of Board of Directors

### Y.BHG. DATO' JORGEN BORNHOFT

**Danish, age 71**  
**Non-Independent Non-Executive Director**  
**Member of Group Executive Committee**

Dato' Jorgen Bornhoft holds a degree in Accountancy and Finance (Bachelor of Commerce) from Copenhagen Business School.

He joined Carlsberg Brewery Malaysia Berhad ("Carlsberg Malaysia") in 1991 as its Chief Executive Officer, and assumed the position of Managing Director from 1995 to 2002, after which he was the Chairman from 2002 to 2005. Dato' Bornhoft re-joined the Board of Carlsberg Malaysia as a Non-Executive Director from 2006 to 2007. He also assumed the position as the Chief Executive Officer of Carlsberg Malaysia Asia Pte Ltd in Singapore from January 2003 to June 2004. Prior to joining Carlsberg Malaysia, he was the Vice-President of Carlsberg International A/S, Denmark responsible for foreign subsidiaries and new projects.

Dato' Bornhoft was appointed as an Independent Non-Executive Director of Hap Seng Consolidated Berhad on 24 January 2005 and later became its Chairman on 1 February 2007. He also sits on the Board of Hap Seng Plantations Holdings Berhad as an Independent Non-Executive Director. He is also a director of The Royal Bank of Scotland Berhad and the Vice-Chairman of International Beverage Holdings Limited.

Dato' Bornhoft was appointed to the Board on 7 May 2013. 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.



---

## Profile of Board of Directors

### LEE KONG YIP

---

**Malaysian, age 69**

**Non-Independent Non-Executive Director**

**Chairman of Risk Management Committee**

**Member of Group Executive, Remuneration & Share Buy-Back Committees**

Mr. Lee Kong Yip graduated from the University of Malaya with a Bachelor in Economics (Hons) majoring in statistics in 1969. He completed the Executive Programme 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) Berhad, Great Eastern Life Assurance (Malaysia) Berhad, Great Eastern Capital (Malaysia) Sdn Bhd and The Great Eastern General Insurance Company Sdn Bhd.

Mr. Lee was appointed to the Board on 10 May 2000. 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.



## Profile of Board of Directors

### Y.BHG. DATO' DR. MOHD SHAHAR BIN SIDEK

**Malaysian, age 66**  
**Non-Independent 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 Ph.D. 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.

Dato' Dr. Mohd Shahar was appointed to the Board on 30 September 2003. 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' DR. NIK NORZRUL THANI BIN NIK HASSAN THANI

---

**Malaysian, age 53**  
**Non-Independent Non-Executive Director**

Dato' Dr. Nik Norzrul Thani bin Nik Hassan Thani holds a Ph.D. in Law from the School of Oriental and African Studies, 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 from 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 director of UMW Holdings Berhad, Manulife Holdings Berhad, Konsortium Logistik Berhad and several non-listed companies. Currently, Dato' Dr. Nik is a practising lawyer with Zaid Ibrahim & Co. Prior to joining Zaid Ibrahim & Co., Dato' Dr. Nik was with Baker & McKenzie (International Lawyers), Singapore.

Dato' Dr. Nik was appointed to the Board on 7 November 2006. He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company except that he is a nominee director of Permodalan Nasional Berhad, a major shareholder of the Company.





## Profile of Board of Directors

### Y.BHG. DATO' NG JUI SIA

**Singaporean, age 61**

**Non-Independent Non-Executive Director**

**Member of Group Executive, Nominating & Remuneration Committees**

Dato' Ng Jui Sia holds a Bachelor degree in Business Administration from the University of Singapore and is an Associate of the Institute of Chartered Accountants in England and Wales.

Dato' Ng began his career in accounting and auditing in London and Singapore with Price Waterhouse and has extensive general management experience operating in Hong Kong, China, South Asia, Malaysia and Singapore. He was with CarnaudMetalbox Asia Ltd before he joined the F&N Group in 1995. He was appointed the General Manager of F&N Coca-Cola Singapore in 1996 and the Managing Director of F&N Coca-Cola Malaysia in 2000, a position he held till his secondment to F&N's Times Publishing Ltd as Chief Executive Officer with an international portfolio of printing, publishing, distribution and book retailing. Dato' Ng was also a nominee director in Fung Choi Media Group Ltd., a China based company listed on the Singapore Stock Exchange and PMP Ltd, a company listed on the Australia Stock Exchange

from November 2007 to July 2010. In October 2010, Dato' Ng was appointed the Chief Executive Officer of the Company and appointed to the Board on 19 January 2011.

On 1 September 2012, Dato' Ng was appointed to the Board of Cocoaland Holdings Berhad. He was also appointed Independent Non-Executive Director of Malaysia Smelting Corporation Berhad on 19 September 2012, an integrated producer of tin metal and tin-based products listed on Malaysia Stock Exchange and Singapore Stock Exchange. Dato' Ng was appointed the Chief Executive Officer, F&B (Non Alcoholic) of Fraser and Neave, Limited on 1 July 2013.

Dato' Ng does not have any family relationship with any director and/or major shareholder of the Company, or 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.



---

## Profile of Board of Directors

### TONG SING ENG

---

**Singaporean, age 56**  
**Non-Independent Non-Executive Director**  
**Member of Group Executive Committee**

Ms. Tong Sing Eng graduated with a Bachelor of Arts Degree (Honours) from the National University of Singapore.

She has worked extensively in the food and beverage industries, covering both alcoholic and non-alcoholic as well as retail and manufacturing aspects of the category. Having worked in well-established multinational corporations including Pepsi, Bacardi Martini and A.S.Watson's Industries, between 1989 and 2011, focusing on growth markets in North Asia, South East Asia and Australia over the past decades, Ms. Tong has in-depth understanding of both the consumer and customer dimensions of the business, specifically in marketing and commercial development across Asia Pacific.

Currently, Ms. Tong serves as Business Development & Strategic Planning Director, Non-Alcoholic, Food & Beverage Division of Fraser and Neave, Limited, focusing on licensee management and new business development.

Ms. Tong was appointed to the Board on 7 May 2012. She 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 she is a nominee director of Fraser and Neave, Limited, a major shareholder of the Company.



## Profile of Board of Directors

### HUI CHOON KIT

**Singaporean, age 49**  
**(Alternate Director to Y.Bhg. Dato' Ng Jui Sia)**  
**Non-Independent Non-Executive Director**

Mr. Hui Choon Kit holds a Bachelor of Business degree from Curtin University, Australia and a Master of Business Administration degree from Nanyang Technological University, and is a member of the Institute of Singapore Chartered Accountants.

He is currently the Chief Financial Officer of the Fraser and Neave, Limited Group and is responsible for the Group's corporate finance, treasury, accounting, taxation, information technology and investor relations functions.

Mr. Hui joined the F&N Group in February 2000 as Senior Manager, Business Development and has held a number of other positions. Prior to joining the F&N Group, he worked as a corporate finance banker based in Singapore and Thailand, covering the Asia-Pacific region. He commenced his career as an accountant and financial consultant with Ernst & Young.

Mr. Hui was appointed as an Alternate Director to Dato' Ng Jui Sia on 29 August 2013. 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 committed any offences which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.*

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Independent Non-Executive Chairman

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

### Independent Non-Executive Directors

**Y.Bhg. Dato' Anwarrudin bin Ahamad Osman**

**Chin Kwai Yoong**

*(appointed on 23 January 2013)*

**Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo**

*(appointed on 23 January 2013)*

### Non-Independent Non-Executive Directors

**Anthony Cheong Fook Seng**

**Y.Bhg. Dato' Jorgen Bornhoft**

*(appointed on 7 May 2013)*

**Lee Kong Yip**

**Y.Bhg. Dato' Dr. Mohd Shahr bin Sidek**

**Y.Bhg. Dato' Ng Jui Sia**

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

**Nik Hassan Thani**

**Tong Sing Eng**

**Hui Choon Kit**

*(Alternate Director to Y.Bhg. Dato' Ng Jui Sia)*

*(appointed on 29 August 2013)*

## COMPANY SECRETARY

**Soon Wing Chong**

*MICPA 3508*

## GROUP EXECUTIVE COMMITTEE

### Chairman

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

### Vice Chairman

**Y.Bhg. Dato' Ng Jui Sia**

*(appointed on 6 August 2013)*

### Members

**Y.Bhg. Dato' Anwarrudin bin Ahamad Osman**

**Anthony Cheong Fook Seng**

**Lee Kong Yip**

**Tong Sing Eng**

**Chin Kwai Yoong**

*(appointed on 23 January 2013)*

**Y.Bhg. Dato' Jorgen Bornhoft**

*(appointed on 10 June 2013)*

## AUDIT COMMITTEE

### Chairman

**Chin Kwai Yoong**

*(appointed on 23 January 2013)*

## Members

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

**Y.Bhg. Dato' Anwarrudin bin Ahamad Osman**

**Anthony Cheong Fook Seng**

**Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo**

*(appointed on 23 January 2013)*

## NOMINATING COMMITTEE

### Chairman

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

### Members

**Chin Kwai Yoong**

*(appointed on 23 January 2013)*

**Y.Bhg. Dato' Ng Jui Sia**

*(appointed on 6 August 2013)*

## REMUNERATION COMMITTEE

### Chairman

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

### Members

**Lee Kong Yip**

**Y.Bhg. Dato' Anwarrudin bin Ahamad Osman**

*(appointed on 23 January 2013)*

**Y.Bhg. Dato' Ng Jui Sia**

*(appointed on 6 August 2013)*

## SHARE BUY-BACK COMMITTEE

### Chairman

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

### Members

**Lee Kong Yip**

**Y.Bhg. Dato' Anwarrudin bin Ahamad Osman**

*(appointed on 23 January 2013)*

## RISK MANAGEMENT COMMITTEE

### Chairman

**Lee Kong Yip\***

### Members

**Chin Kwai Yoong\***

**Anthony Cheong Fook Seng\***

*\*appointed on 19 June 2013*

## GROUP MANAGEMENT

**Somsak Chayapong**

*Chief Executive Officer*

**Soon Wing Chong**

*Chief Financial Officer*

**David Hoong Cheong Wai**

*Head, Group Human Capital*

**Mayeen Wong May Fun**

*Group Company Secretary*

**Timothy Ooi Aik Tuan**

*Head, Group Legal*

**Soh Swee Hock**

*Head, Group Corporate Services*

**Suhailah Mohamed Abdulla**

*Head, Group Internal Audit*

## BUSINESS UNIT SENIOR MANAGEMENT

### Soft Drinks:

**Khalid Alvi**

*Managing Director*

### Dairies:

**Tan Hock Beng**

*Managing Director, Dairies Malaysia*

**Karn Chitaravimol**

*Managing Director, Dairies Thailand*

### Property:

**Ir. Cheah Hong Chong**

*General Manager*

## REGISTERED OFFICE

Level 8, F&N Point  
No. 3, Jalan Metro Pudu 1  
Fraser Business Park, Off Jalan Yew  
55100 Kuala Lumpur  
T: 603-9235 2288  
F: 603-9222 7878

## AUDITORS

**Ernst & Young**

Level 23A, Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

50490 Kuala Lumpur

## SHARE REGISTRAR

**Tricor Investor Services Sdn Bhd**

Level 17, The Gardens

North Tower, Mid Valley City

Lingkar Syed Putra

59200 Kuala Lumpur, Malaysia

T: 603-2264 3883

F: 603-2282 1886

## PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad

Deutsche Bank (Malaysia) Berhad

Citibank Berhad

## STOCK EXCHANGE

Bursa Malaysia Securities Berhad : Main Market

Stock Name & Code : F&N 3689

Stock Sector : Consumer Products

# CORPORATE STRUCTURE

AS AT 30 SEPTEMBER 2013

SOFT DRINKS	DAIRIES MALAYSIA	DAIRIES THAILAND	PROPERTY	OTHERS
<p><b>100%</b> F&amp;N Beverages Manufacturing Sdn Bhd</p> <p>••• <b>100%</b> Borneo Springs Sdn Bhd</p> <hr/> <p><b>100%</b> F&amp;N Beverages Marketing Sdn Bhd</p> <p>••• <b>100%</b> F&amp;N Beverages (Thailand) Limited</p>	<p><b>100%</b> F&amp;N Dairies (Malaysia) Sdn Bhd</p> <hr/> <p><b>100%</b> F&amp;N Dairies Manufacturing Sdn Bhd (formerly known as PML Dairies Sdn Bhd)</p> <hr/> <p><b>100%</b> F&amp;N Dairies Distribution (Singapore) Pte Ltd. (formerly known as Arolys Singapore Pte Limited)</p> <hr/> <p><b>100%</b> Lion Share Management Limited</p> <hr/> <p><b>100%</b> F&amp;N Foods Sdn Bhd</p> <hr/> <p><b>100%</b> Premier Milk (Malaya) Sdn Bhd</p>	<p><b>100%</b> F&amp;N Dairies (Thailand) Limited</p>	<p><b>100%</b> F&amp;N Properties Sdn Bhd</p> <hr/> <p><b>100%</b> Wimanis Sdn Bhd</p> <hr/> <p><b>100%</b> Elsinburg Holdings Sdn Bhd</p> <hr/> <p><b>100%</b> Greenclipper Corporation Sdn Bhd</p> <hr/> <p><b>100%</b> Nuvak Company Sdn Bhd</p> <hr/> <p><b>100%</b> Utas Mutiara Sdn Bhd</p> <hr/> <p><b>100%</b> Tropical League Sdn Bhd</p> <hr/> <p><b>100%</b> Kuala Lumpur Glass Manufacturers Company Sdn Bhd</p> <hr/> <p><b>70%</b> Lettricia Corporation Sdn Bhd</p> <hr/> <p><b>50%</b> Vacaron Company Sdn Bhd</p>	<p><b>100%</b> Fraser &amp; Neave (Malaya) Sdn Bhd</p> <hr/> <p><b>100%</b> F&amp;N Capital Sdn Bhd</p> <hr/> <p><b>100%</b> Four Eights Sdn Bhd</p>

---

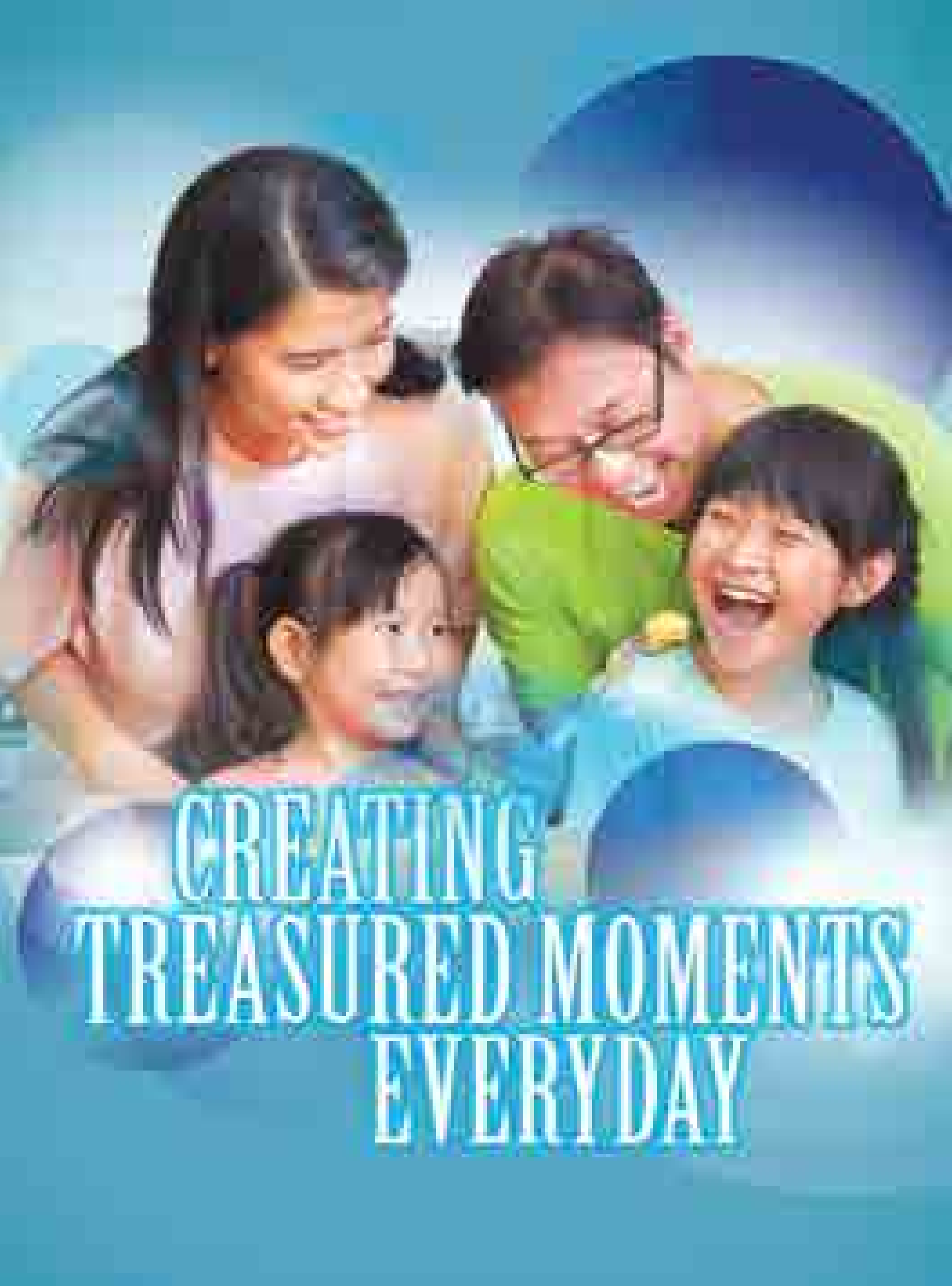
# BUSINESS REVIEW

---

<b>030</b>	CEO's Message
<b>034</b>	Soft Drinks
<b>040</b>	Dairies Malaysia
<b>046</b>	Dairies Thailand
<b>052</b>	Property







CREATING  
TREASURED MOMENTS  
EVERYDAY

# CREATING TREASURED MOMENTS EVERYDAY

F&N has been creating treasured moments in the daily lives of Malaysians over the last 130 years by building on our commitment to quality and innovative products to create meaningful and enduring partnerships with our consumers. A key ingredient in many favourite Malaysian dishes, desserts and refreshments, F&N's dairy products and juices are enjoyed at every hour of the day.



# CEO'S MESSAGE

---



# DELIVERING CREDIBLE AND SUSTAINABLE BUSINESS GROWTH TO STAKEHOLDERS

It is a privilege and honour to present my maiden CEO's message to shareholders of Fraser & Neave Holdings Bhd for our financial year ended 30 September 2013 which significantly marks the beginning of our 130<sup>th</sup> anniversary commemoration.

The endurance, longevity and pervasiveness of the F&N brand are reflective of the confidence, trust and loyalty of our legions of consumers, customers and our people. In addition, this has led to its unique position as one of a handful of brands in the world that has been through various evolutions while retaining its peerless affinity and brand equity in the face of competition from leading global brands.

Our performance in the year under review is testament to our robustness to evolve and transform in the face of ever growing cost and market pressures. We are proud to deliver another set of impressive results in keeping with our commitment to deliver credible, positive and more importantly, sustainable business growth to our stakeholders.

## CEO's Message

### Group Revenue

**RM3.51** +10.6%

billion

from FY2011/12

### Group Profit before Tax

**RM308.7** +34.1%

million

from FY2011/12

### Performance Overview

Building on the transformational journey which began in 2011/2012, we are pleased to record solid double digit growth of 10.6 per cent and 35.1 per cent respectively in group operating revenue and operating profit while profit before tax registered an impressive 34.1 per cent improvement.

Thanks mainly to the strong performance from the soft drinks unit and the significant post-flood full year contribution from Dairies Thailand, revenue grew to RM3.51 billion from RM3.17 billion while operating profit and profit before taxation rose from RM231.4 million to RM312.7 million and RM230.2 million to RM308.7 million respectively.

It should be noted that profit after tax, however, eased 4.9 per cent to RM260.6 million due to the absence of deferred tax assets recognition.

The performance in the year in review can be attributed to the sustained efforts of the Group's dedicated work-force and its trade partners in strengthening and deepening our market presence and penetration throughout the soft drinks and dairies businesses.

The Group's top-line performer was the soft drinks division whose contribution was buoyed by higher volume sales, delivering RM1.46 billion up from RM1.36 billion previously followed by a strong comeback by Dairies Thailand from the calamitous floods to record RM1.08 billion in revenue from RM770.6 million in the preceding year.

Intense trade competition within the canned milk arena in Malaysia saw Dairies Malaysia's revenue dip 6.3 per cent from RM1.04 billion to RM974.4 million. Dairies Malaysia turned in a higher operating profit due to the absence of accelerated depreciation incurred in the shift to our state-of-the-art Pulau Indah plant, which was recognised in the corresponding period last year.

### MARKET LEADERSHIP

Our brands, many of which are household names trusted by generations, continue to be an integral part in the lives of our consumers as evidenced by our market leadership positions, thanks to the consistent support from our consumers, customers and trade partners.

The soft drinks division, Malaysia's largest soft drinks manufacturer and distributor, secured higher volume from all product lines while its new product offerings, namely myCola, 100PLUS EDGE and OISHI performed within expectations. The strong performance bolstered F&N's 27 per cent market leadership of the overall ready-to-drink (RTD) market with increasing trade distribution and presence.

100PLUS, winner of the Putra Brand award 2013, maintained its leadership as the number one brand in the carbonated soft drinks (CSD) market in the country while edging ahead with a lion's share of over 80 per cent in the isotonic segment. The successful reformulation and rebranding of F&N SEASONS Soya as F&N NutriSoy, saw F&N NutriSoy taking the No.1 position in the soya category.

Dairies Malaysia maintained its overall volume sales despite intensive market competition but revenue decreased on sales of lower margin products. In view of the extremely competitive market, the division focused on building its core market leadership in the Sweetened Condensed Milk (SCM) and Evaporated Milk segments while driving export growth and improving operational efficiency, capitalising on the new state-of-the-art manufacturing plant in Pulau Indah.

With a sharp focus on revitalising its brands through brand repositioning and product innovation, which include the launch of F&N High Calcium Sweetened Creamer, the division maintained its undisputed No.1 position in the canned milk segment with more than half of total market share in both SCM and Evaporated milk segments. Dairies Malaysia also recorded strong volume growth in the RTD milk segment.

The new Dairies Malaysia manufacturing plant's strategic location within the Selangor Halal Hub will be leveraged for the Group's dairy products to penetrate the halal markets in Asia, the Middle East and Europe.

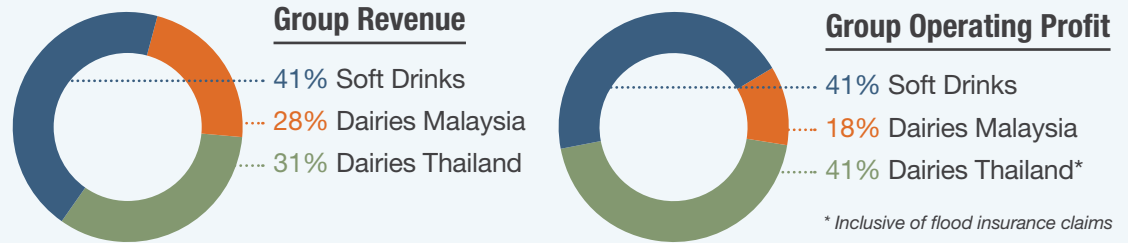
Meanwhile, Dairies Thailand made an impressive comeback with strong yearly domestic sales, which is reflective of its aggressive post flood recovery initiatives. All brands have attained pre-flood market position and distribution channels have also reached the pre-flood level. Dairies Thailand also benefitted from the final flood insurance claims amounting to RM49.3 million, which contributed to its operating profit this financial year.

Besides strengthening its market position for its Evaporated Milk and Sweetened Beverage Creamer segments, Dairies Thailand increased its network of distributors while increasing the number of new distribution points. The business unit also focused on accelerating growth in Indochina.

### SYNERGISTIC BENEFITS

The change in the ultimate ownership of the Group with the emergence of the TCC Group as a major shareholder avails and enhances synergistic benefits arising from the Group being part of one of Thailand's leading conglomerates and established international players.

# CEO's Message



Synergies and opportunities with the Thai Beverage Group include leveraging on regional distribution networks, product development capabilities, portfolio of leading beverage brands and best practices sharing. Some of these initiatives are already bearing fruit including the introduction of OISHI ready-to-drink green tea into Malaysia and cost savings through joint procurement of packaging material by F&N Group and OISHI.

In line with our aspiration to be a regional world class food and beverage player, we will relentlessly pursue the sharing of best practices and benchmarking within the enlarged group with the objective of optimising our strengths towards greater operational and cost efficiency.

Best Management Trainee/Graduate Programme in the Graduate Recruitment Awards 2013. Furthermore, for the second consecutive year, we have been recognised as one of Malaysia's 100 Leading Graduate Employees.

Another feather in the cap for us is being one of the winners at the 2013 ITC Excellence Awards, which is one of Asia's leading recognition programmes by analyst firm IDC Asia/Pacific and Fairfax Business Media Asia for the most progressive and effective enterprise IT deployments. This year, there were seven categories with 197 entries from various industries all over Asia. Our winning entry was Project GOLD, which was our Google Apps deployment project under the Change Management category.

sustainable performance and at the same time, ensuring the wellbeing of the communities and the environment we are operating in.

In addition, as we forge ahead we will strive towards being the best-in-class in all of our operations, be it being the lowest cost producer or having the most effective and efficient distribution network and supply chain in the business. In this best-in-class journey, there must be commitment, not only from the leadership, but also from the entire team in the Group.

The divisions under the F&N Group are committed to working together towards making F&N a world-class food and beverage player in the region. The many accolades we received this year which among others include the Thai Energy Awards 2013, ASEAN Energy Awards 2013 and the 2013 Frost & Sullivan Malaysia Excellence Awards have further fueled our mission and shows that we are most certainly on track.

Our unrivalled heritage of 130 years of trust by generations, our widely recognised and valued brands, unparalleled marketing and distribution network, a sound balance sheet and a dedicated workforce all augur well for the future of the Group to become the leading food and beverage player in the region.

In the near term, the operating environment will remain challenging especially with increasing global commodity prices, the expected volatility in the US Dollar and other foreign currencies. However, with the Malaysian and Thai economies expected to perform better in 2014, thanks to improving exports and domestic demand, we look forward to an even stronger performance in the new financial year.

Yours sincerely,  
**SOMSAK CHAYAPONG**  
Chief Executive Officer  
30 November 2013

## NURTURING TALENTS

As in every organisation, the employees are one of the most critical assets of the Group and I appreciate, applaud and commend the continued commitment, hard work, dedication and professionalism of the management and staff of the F&N Group that has enabled us to record credible year-on-year performance despite the various challenges we had to endure.

Our workforce has become more diverse and the environment in which we work has become faster-paced, more demanding and complex. Employees are continuously challenged to innovate, adapt and change. Emphasis on building competencies through cross-fertilisation and placement of employees within the various business units will be implemented, as we journey to achieve our vision and mission.

Developing our human capital at all levels continues to be emphasised in our organisation, and this year, the Group invested some 4,000 man hours in soft skills development.

We are pleased to note that the F&N Management Associate Programme has been chosen as the finalist for the

## GOING FORWARD

The Master Plan for the Section 13 integrated property development project has been approved. The Property Division is now proceeding with the land conversion and lease extension. The RM1.8 billion development project is a joint venture with our Singapore-based sister company, FCL Centrepoint Pte Ltd. The residential portion of the project is expected to be launched in the fourth quarter of the next financial year.

Our aspiration going forward is to drive the evolution of the F&N Group as a high performance organisation and among the most admired companies in the country by people both within and outside the Group.

Strong distribution, though essential is not all encompassing, as there is need for the right product, right distribution network, right marketing activation and the right communication in the market place. Enhancing our competitiveness is key to remaining relevant amongst our consumers and to be ahead of our competitors.

Our continued success in the years ahead will, as always, hinge on our enduring partnership with our customers, suppliers, distributors and investors in generating



# BUSINESS REVIEW

## SOFT DRINKS

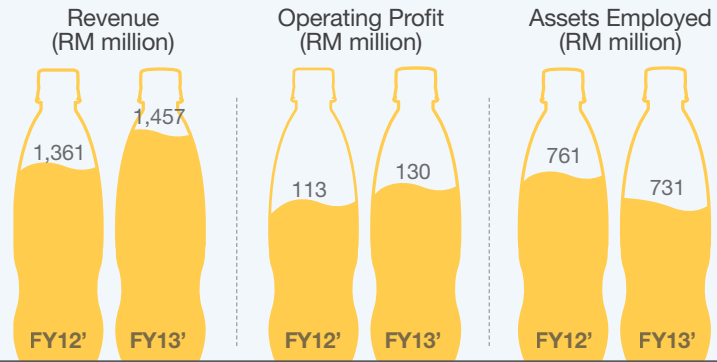
### OVERVIEW

Soft drinks division pulled in an exceptionally strong performance for the financial year 2013, overcoming a generally sluggish economy domestically as well as intense competition to increase sales significantly by 7.1 per cent. Its growth outpaced the market and further widened the gap with competitors, entrenching F&N soft drinks division's position as Malaysia's premier soft drinks manufacturer and distributor.



The year was marked by the launch of three new products namely myCola, 100PLUS EDGE and OISHI, and strengthened business fundamentals across the entire value chain from production to distribution, marketing and sales. Continued focus on building partnerships and expanding the distribution network contributed to increased product penetration and brand presence throughout the country. In addition, the launch of myCola in Sabah and Sarawak positively accelerated the division's plans to enhance its business in East Malaysia.

Total sales from the soft drinks division increased from RM1.36 billion to RM1.46 billion, making it once again the top-line performer in FNHB's stable. Over and above its financial achievements, the year was made especially memorable when F&N Beverages Marketing Sdn Bhd won the 2013 Frost & Sullivan Malaysia Excellence Award in the non-alcoholic beverage company category, in recognition of best practices and outstanding performance.



# 1.8 million homes

carry F&N soft drinks in their pantry/home

100PLUS  
**No.1**  
Isotonic Drink in Malaysia

F&N SEASONS  
**No.1**  
RTD Tea Brand

F&N SEASONS  
NutriSoy  
**No.1**  
Soya Brand

100PLUS is consumed by  
**more than 1,000**  
consumers every minute, every day



## Business Review Soft Drinks

### CONSUMER FAVOURITES



#### 100PLUS

The brand's ability to empower consumers across a wide cross-section has propelled 100PLUS to become Malaysia's number one isotonic drink, as well as the top-selling brand within the ready-to-drink beverage market. Over one million people rehydrate, refresh and re-energise with 100PLUS every 24 hours in Malaysia, and the number continues to grow steadily.

100PLUS continued to garner more awards, adding the Putra Brand Award 2013 - Gold in the Non-Alcoholic Beverage category during the year to edge ahead with a lion's share of over 80 per cent in the isotonic segment. 100PLUS was also ranked No.2 in Malaysia's Top Ten Brands in the Superbrands 2013 survey conducted by BDRC Asia as well as being named the Best Isotonic Drink at the Malaysia Women's Weekly Domestic Diva Awards 2013.

To further entrench 100PLUS' position as Malaysians' favourite soft drink, the division launched 100PLUS EDGE in November 2012 and the *Malaysia on the Move* campaign from May to August 2013 while continuing to support numerous sporting competitions.



100PLUS EDGE is a non-carbonated option of the isotonic drink, catering specifically to those who prefer non-gaseous beverages. The *Malaysia on the Move* campaign, meanwhile, adopted various approaches to inspire a more active lifestyle including a fun and effective app highlighting moves that take only a few minutes and which can be done anytime, anywhere. The campaign was taken on a nationwide roadshow that featured celebrities such as Scha Alyahya and Bunkface.

In the sporting arena, 100PLUS continued to be a strategic partner in national competitions such as the Education Minister's under-14 League Cup for football, the 51<sup>st</sup> Tun Abdul Razak Cup 2013 for hockey, and the 100PLUS Badminton Asia Youth Under-19 Championships. It also recognised outstanding Malaysian footballers at the annual 100PLUS-Astro Arena-FAM National Football Awards 2012. Among the winners was Selangor's Safiq Rahim who was named Best Midfielder.

Meanwhile, world No.1 badminton star Datuk Lee Chong Wei, world-class diving ace and Olympic bronze medallist Pandelega Rinong, and national football players Safee Sali and Khairul Fahmi Che Mat continued as 100PLUS brand ambassadors.



## Business Review Soft Drinks



### F&N Fun Flavours

Amid increased competition from global players, F&N Fun Flavours reinforced its leadership as the No.1 Flavoured Carbonated Soft Drinks brand with innovative and fun competitions that created a buzz. F&N *Gempakz* contest lets anyone with an F&N Fun Flavours drink share a shoutout via a mobile app and their message got to be featured on a giant billboard for public viewing. Participants stood to win handphones, tablets, cameras and other prizes on a

weekly basis for eight weeks and a main prize for the highest number of entries sent.

This innovative and interactive campaign won the:

- 2013 Markies Award for Best User of Apps
- 2013 Malaysian Media Award - Gold for Best Use of Digital "Online/Interactive/Mobile"
- 2013 Malaysian Media Award - Silver for Best Use of TV

### myCola

East Malaysians with a penchant for cola drinks received the perfect year-end bonanza when F&N launched its very own myCola brand in Sabah and Sarawak. F&N chose to launch myCola first in Sabah and Sarawak, in a show of appreciation for the continuing support and brand loyalty of East Malaysia consumers.

Designed with market tastes in mind, pre-launch surveys showed that over 70 per cent of the respondents liked it compared to current cola leaders. With its competitive pricing, coupled with refreshing taste, the drink garnered six per cent of the cola market in East Malaysia within nine months. myCola complements the existing F&N Fun Flavours range and consumers can be assured of the great taste and superior quality of F&N that they have been accustomed to for over four generations.

### F&N Fun Flavours

# No.1

Flavoured Carbonated  
Soft Drinks brand



## Business Review Soft Drinks



### F&N SEASONS

Strong festive presence in the markets with great consumer offerings drove significant growth in the F&N SEASONS range of products. Sales were further enhanced by the introduction of F&N SEASONS NutriSoy in June 2013, which is made with more soya beans hence contains more protein and a richer soya taste. With a heart as part of its logo, the rebranding emphasises on the goodness of soy protein which lowers cholesterol, is lactose-free and low in fat.

The new brand proposition coupled with effective marketing led to F&N SEASONS NutriSoy quickly becoming the No.1 soya drink in the country. An added feather in the cap of F&N SEASONS NutriSoy less sweet was being named the Best Soya Milk at the Malaysia Women's Weekly Domestic Diva Awards 2013.

Meanwhile, F&N SEASONS range of teas continued to dominate the market and create excitement with fun and innovative contests for food-loving Malaysians. The Ice Passionfruit Green Tea launch was accompanied by the *Inspire the Passion in You* online contest with

hitz.fm. Winners had a cookout session, baking passion fruit cupcakes with Jin from the hitz.fm Breakfast crew. In the *Jom Nom Nom* with F&N SEASONS online contest, consumers were invited to share photos of their favourite food haunts across the four regions in Malaysia. The winning photo in each region won its photographer a free 'makan' session with friends hosted by F&N SEASONS and deejays from hitz.fm, MY FM and Sinar FM.

In the Asian Soft Drinks segment, which includes F&N SEASONS Chrysanthemum, Grass Jelly, Winter Melon and Water Chestnut, sales grew over 20 per cent contributed by strong festive activation. The year was also marked by the ever-popular F&N SEASONS Grass Jelly being named the Best Non-Carbonated Drink by the Malaysia Women's Weekly Domestic Diva Awards 2013.



---

## Business Review Soft Drinks

---



### OISHI

The F&N range of teas was enhanced with the launch of OISHI Green Tea in August 2013, which stands apart from other brands by being 100 per cent brewed from natural tea leaves grown on certified organic plantations, once again catering to health-conscious Malaysians. OISHI, which means 'delicious' in Japanese, has been available in Thailand since 2003 where it has established itself as the leader in the competitive ready-to-drink green tea market. The division expects the same market response in Malaysia, where OISHI Green Tea is fast gaining ground.



### F&N ICE MOUNTAIN

F&N Ice Mountain continued its steady ascent in terms of popularity, with sales over 20 per cent during the year supported by enhanced distribution and accessibility as well as strategic advertising on billboards, LRTs and buses. The bottled water's increasing market presence was reflected in it winning Gold in the Water Category at the Reader's Digest Trusted Brand Awards 2013.



## Business Review Soft Drinks



### STRATEGIC PLANNING & MARKETING

Operationally, a key highlight of the year was better demand forecasting and production planning, which created significant trade efficiencies. More efficient demand forecasting also supported the division's strong festive presence in the markets.

Efforts in strengthening the depth and width of our distribution network have increased soft drinks' coverage by almost 5,000 additional outlets nationwide, further reinforcing F&N's position as the most pervasive of fast moving consumer goods products in the country.

At the same time, the division continued to build its partner relationship with third-party logistics providers, distributors and key customers to further enhance its go-to-market capabilities with a stronger and more extensive delivery network.

### PEOPLE DEVELOPMENT

As competition in the industry heightens, soft drinks division has been focusing more intensely on building the capabilities of its human resources. Various institutionalised processes have been put in place to develop the strengths of the leadership team and to align these with the unique dynamics of the soft drinks market in order to transition from being good to great.

The division's investment in training and development has helped to nurture a stronger team able to design and execute programmes that lend the soft drinks division a competitive advantage in the midst of an expanding sea of beverage choices.

### OUTLOOK

The division expects competition to continue to intensify in FY2014 along with an increasing cost of business as the price of ingredients, materials, transport and other operating essentials escalate. Consequently, there will be greater pressure on effective consumer engagement and service, areas in which the division is already focusing on. To step up its game, the division will enhance all efforts to build its partner relationships in order to create greater synergies, while enhancing internal efforts to increase capacities.

Despite the challenges, soft drinks division is confident of capitalising on its operational strengths and business fundamentals to continue to outpace the fast growing ready-to-drink market. It further aims to invest in new products and brand innovations to cater to changing lifestyles thus deliver greater value to its customers.

FY2014 began with a *100PLUS Win the Day* campaign to create greater awareness of how 100PLUS contributes not only to agile bodies but also to agile minds that are able to overcome daily challenges. Focusing on more strategic campaigns and leveraging on its regional positioning to enter new markets, FY2014 promises to be as invigorating and exciting as soft drinks' brand propositions and flavours.

# Business Review

## DAIRIES MALAYSIA

### OVERVIEW



Despite continued competition which created a downward pressure on prices, Dairies Malaysia chalked up a very commendable performance in FY2013. With a sharp focus on revitalising its brands, the division maintained its undisputed leadership in the canned milk segment, while also increasing sales of its pasteurised and sterilised milk brands.

At the same time, favourable raw material and packaging prices added to increased cost efficiencies across the entire value chain – from enhanced operations at the new manufacturing plant in Pulau Indah to a more streamlined and market sensitive distribution system. This led to RM20 million in cost savings which contributed to the higher operating profit from RM33 million to RM55 million in FY2013. Revenue, however, eased by 6.3 per cent from RM1.04 billion to RM974.4 million due to continuing intense trade price competition, both in the domestic and international markets.

Some of the cost savings achieved during the year was ploughed back into trade spend in order to further build the value of the different brands. This saw numerous innovative campaigns, promotions and consumer activation workshops that caught the imagination of Malaysians and reinforced their affinity with Dairies Malaysia's products.



F&N Dairies Sweetened Condensed Milk and Evaporated Milk is the undisputed **No.1** market leader in Malaysia in terms of sales and revenue

It was, in many ways, a year of transition for Dairies Malaysia; the relocation of its office from Petaling Jaya to Fraser Business Park in February 2013; first full year of operations at its new and state-of-the-art manufacturing plant in Pulau Indah; first full year of managing the distribution of its entire product range, having reclaimed the distribution of products that were previously handled by Nestle; and a year in which it further expanded its export market. Despite having to invest in these structural changes, it was a successful year with several notable achievements which positioned Dairies Malaysia well to pursue *The Way Forward*.

F&N Dairies Malaysia business indirectly provides a source of livelihood at

**60,000**

**TOUCHPOINTS,**

which in turn service 7 million households out of a population of 29 million Malaysians

**ALMOST**

**2/3**

**OF HOUSEHOLDS**

consume Sweetened Condensed Milk largely produced by F&N Dairies Malaysia

**200** MUGS

of beverages brewed with F&N Dairies Sweetened Creamers consumed in Malaysia per annum



# Business Review Dairies Malaysia

## CONSUMER FAVOURITES

### CANNED MILK

Dairies Malaysia reinforced its leadership in the canned milk segment by launching a new value-add product while actively engaging consumers in various promotions to heighten the image and credibility of its already well-loved brands.

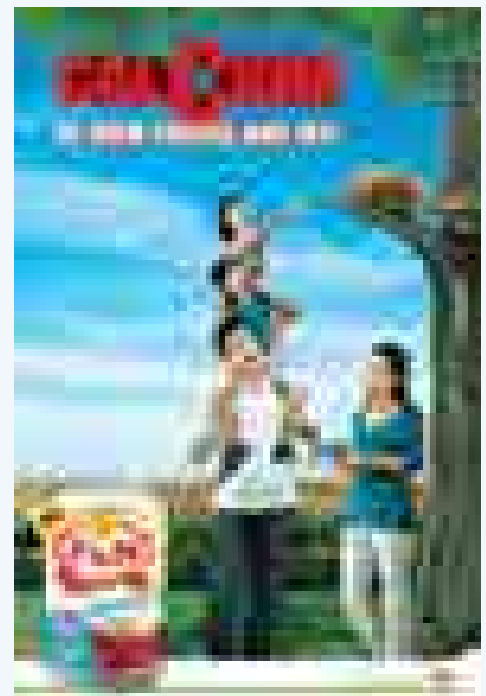
In November 2012, the F&N Hi-Calcium Sweetened Creamer was launched to meet consumers' evolving needs for functional benefits, forming part of the division's continuing efforts to differentiate the F&N brand and enhance the value proposition of F&N Sweetened Creamer. Not only is the creamer fortified with calcium but it also contains vitamin D3 to aid in the absorption of the bone-strengthening mineral.

This was followed by a two-month nationwide consumer promotion in which consumers who submitted two labels of any F&N Sweetened Creamer product stood to win various prizes, including the grand prize of a Mazda CX-5. The contest attracted a lot of attention and led to a higher than targeted increase in sales.

Another highly successful campaign, held from March to April 2013, offered purchasers of Tea Pot products, the chance of winning a RM30,000 home makeover by celebrity interior designer, Eric Leong. The contest continued to draw attention even after the winner was announced as the whole town watched the home being transformed in time for Hari Raya. The contest and high visibility through point-of-sales at retail outlets helped to increase Tea Pot's market share.

For Gold Coin, which has traditionally been the Sweetened Creamer of choice at coffee shops and restaurants, Dairies Malaysia increased its value-add services to loyal outlets by offering functional items such as aprons and glasses.

While F&N is the undisputed market leader in the Evaporated Milk segment, the current penetration in Malaysia is half that of Sweetened Condensed Milk, hence there exists much potential to further grow this segment. Towards this end, Dairies Malaysia focused on increasing consumers' awareness of the many applications of evaporated milk as a healthier, sugar and cholesterol-free option in food and beverage preparation. From December 2012 to September 2013, the Carnation team was on a mission to introduce the use of Carnation Evaporated Creamer in preparing simple, tasty and healthy breakfasts.



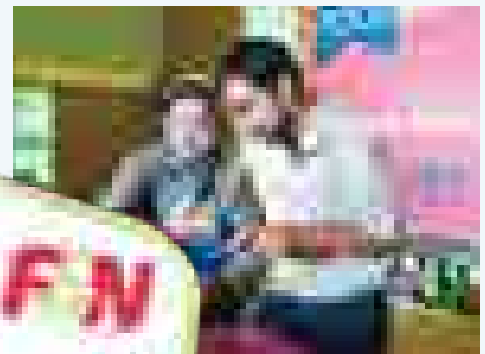
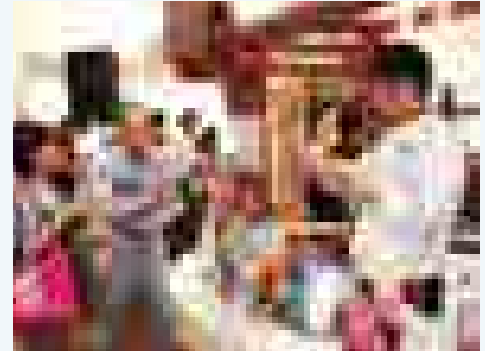


## Business Review Dairies Malaysia

Carnation Quick Kitchen mobile kiosks were set up at high traffic locations such as LRT stations, shopping malls and office buildings offering passers-by a combination of a hot drink and an omelette sandwich (both prepared using Carnation Evaporated Creamer) for only RM2. The offer proved so irresistible that long queues were seen at the kiosks and the value meals were sold out within an hour.



Further reinforcing the application of Carnation in food, Dairies Malaysia collaborated once again with celebrity chef, Amy Beh to demonstrate how evaporated milk can be used to enhance the flavour of favourite Malaysian dishes. A series of 20 Carnation Cooking Workshops with Amy Beh was held across Peninsular Malaysia from May to September 2013 at which, for the first time, participants were invited to join the renowned chef in preparing the dishes. At the end of the workshops, participants went home with Carnation recipe books and goodie bags. In conjunction with these workshops, a home recipe competition was also held.



Dairies Malaysia made the most of the Food and Beverage Expo (FoodBEX) held from 23 to 25 August 2013 at the Mid Valley Exhibition Centre which attracted over 30,000 visitors a day. Its booth at Malaysia's largest food and beverage expo was one of the most popular thanks to the food tasting and cooking demos, product sampling and special offers. F&N's range of Evaporated Milk products took centre stage with the introduction of the *F&N Kahwin* concept, a less sweet yet creamier choice by combining F&N Evaporated Creamer with F&N Hi-Calcium Sweetened Creamer. Local celebrity chefs Marina Mustafa and Amy Beh showcased the versatility of the products, preparing dishes such as *ayam kapitan*, *Thai laksa*, *mee rebus* and *pengat labu bersago*. Other brands showcased were Tea Pot, Sunkist, F&N Fruit Tree Fresh and F&N Magnolia.



## Business Review Dairies Malaysia



### READY-TO-DRINK JUICES AND MILK

To promote its ready-to-drink (RTD) Milk and Juices brands, Dairies Malaysia held numerous in-store campaigns.

Farmhouse, the 100 per cent imported Australian premium fresh milk, is renowned for its high quality and pure natural taste of milk. Farmhouse saw double digit growth due to the growing acceptance by consumers and customers alike. Farmhouse tied up with Secret Recipe for a free cake promo during Christmas period.



Farmhouse also built affinity with the barista community by supporting the Malaysia Barista Championship 2013. Loyal Farmhouse consumers were rewarded with various limited edition gifts in the brand's *Drink and Redeem* loyalty programme, which ran from May to July 2013.

F&N Magnolia's wide range of milk, from nourishing SMOO cow milk for children to delicious fresh milk treats for adults, brings satisfaction to all generations in the family. As F&N Magnolia Sterilised Milk is the milk of choice among the local Indian community for Thaipusam festivities, the division prepared exclusive merchandising and point-of-sale at various retail outlets to ensure high visibility and availability during this period. Among other special promotions organised, consumers who purchased F&N Magnolia Milk were entitled to up-size their Chatime drinks and redeem free King's Confectionery donuts.

### EACH LITER OF FRESH SUNKIST JUICE CONTAINS



### FRESHLY SQUEEZED ORANGES

For Juices, one of the strategic focuses was to highlight the nutritional value of the products. For example, for the high-end fresh Sunkist juice, consumers' attention was drawn to the fact that each liter contains freshly squeezed juice of 16 oranges.

Meanwhile, within the F&N Fruit Tree Fresh range, the focus was on the no-sugar added products that are also high in anti-oxidants. Consumers love this healthier and great-tasting range and a double digit volume growth was achieved this year. A key differentiator for F&N Fruit Tree Fresh is the selection of tropical fruits loved by Malaysians. The Ramadan promotion that offered free tickets to Istanbul and Dubai was exceptionally popular.

## Business Review Dairies Malaysia

### INCREASED EFFICIENCY AND CAPACITY

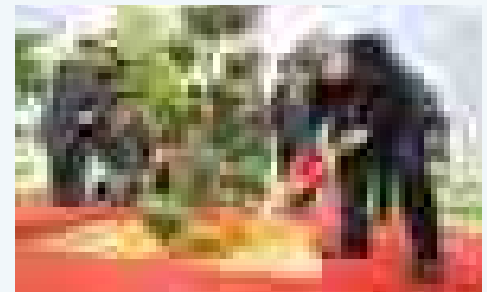


Dairies Malaysia celebrated its first full year of operations at the new manufacturing plant in Pulau Indah, which was officially launched on 2 October 2013 by H.R.H. Sultan of Selangor.

The cutting edge capabilities at the plant include automated production quality control systems that provide tracking and traceability of raw materials, intermediate products and finished goods; a hole-in-the-wall can manufacturing capability that ensures a just-in-time system to reduce inventory; integrated energy management system to promote real-time energy management and conservation; heat recovery technology to reclaim and recycle heat generated during manufacturing; and sustainable packaging innovations such as nitrogen filling which keeps products fresher longer.

These capabilities, coupled with an initial capacity to produce 500 million cans per annum, lend Dairies Malaysia the twin benefits of production efficiencies and economies of scale to support its aspiration to expand further in the global market. During the financial year itself, Dairies Malaysia increased its export reach from 36 countries to 45. There are plans to double the export volume by year 2018, from 20 per cent of the plant's total output currently.

In the longer term, the plant supports Dairies Malaysia's vision to enhance and broaden its product offering to become a total dairy player within the next decade.



## Business Review Dairies Malaysia



In recognition of Dairies Malaysia's continuous commitment towards meeting safety practices in accordance with international standards, the OHSAS 18001:2007 Occupational Health and Safety Management Systems Certification has been duly renewed for another three years at the new dairies manufacturing plant in Pulau Indah.

This year, Dairies Malaysia also added the FSSC 22000:2010, an International Standard developed for the certification of Food Safety Management Systems to its list of accreditations.

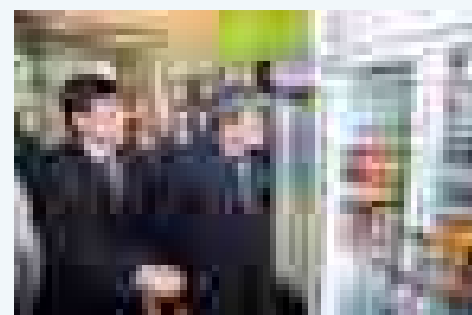
### OUTLOOK

Dairies Malaysia is confident that with the right mix of sales and marketing strategies, it will be able to continue to expand both domestically and overseas. This is in spite of the market environment in FY2014 expected to be as challenging as it was in FY2013, with increased competition within the industry, continued volatility of

raw materials and packaging prices, and a more sophisticated, price-discerning and health-conscious consumer base.

Increased customer and consumer engagement with heightened awareness of product applications are expected to contribute to further growth of Sweetened Condensed Milk and Evaporated Milk within Malaysia, at a rate surpassing that of the single digit growth rate of the industry. Given the halal certification of its products, the division also expects to be able to push its brands further into the international space, and particularly in halal markets such as in Africa, the Middle East and Indonesia.

Within the value-for-money Sweetened Condensed Milk segment, Dairies Malaysia will continue to build brand loyalty with customers thus growing the market share of Gold Coin and Tea Pot. Targeted efforts will be made to educate consumers on requesting for the *F&N Kahwin* concept when having a beverage.



## *F&N Kahwin* Concept

a less sweet yet creamier choice by combining F&N Sweetened Creamer and F&N Evaporated Creamer

Similarly, initiatives to offer healthier value-for-money choices to consumers are expected to drive growth within the RTD business encompassing ambient milk, chilled milk and chilled juices.

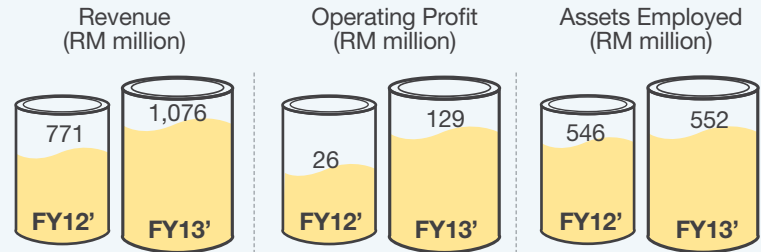
Having come through a year of transition with a stronger profit profile, Dairies Malaysia is confident of building on its strengths as it continues along *The Way Forward*, charting even better progress in FY2014 and beyond.



# Business Review

## DAIRIES THAILAND

### OVERVIEW



It was an exceptionally busy 12 months for Dairies Thailand, where the team went all out to rebuild its brands in the first full year after severe floods had stalled production at the Rojana Industrial Park plant for about 200 days from October 2011. The results speak for themselves: not only did its brands re-capture their market share, but in the canned milk and liquid milk categories, the products gained even more ground.

Financially, Dairies Thailand achieved its best ever profit on the back of Baht 10.8 billion (RM1.08 billion) in revenue, the first time it exceeded the Baht 10 billion mark. This also represented a 40 per cent increase from its revenue of Baht 7.71 billion (RM770.6 million) in the previous financial year.

Dairies Thailand's performance was supported by its export business to Indochina, which grew 28 per cent and recorded another financial milestone by exceeding Baht 1 billion in sales. Cambodia remained its key foreign market, accounting for more than 60 per cent of total exports, however growth was also seen in Myanmar, Laos and Vietnam.

The year also marked the close of the Group's flood insurance claim of over Baht 1.6 billion for property damage and business interruption, inclusive of Baht 493 million received in this financial year, which also contributed to Dairies Thailand's operating profit.

### CONSUMER FAVOURITES

#### CANNED MILK

Carnation Evaporated Milk is the market leader in the evaporated milk category topping the premium segment, while Tea Pot is an established favourite among local beverage operators in the standard segment.

After the recovery of the F&N Rojana plant, production of Carnation and Tea Pot swung into top gear to meet distribution demands. Marketing activities were implemented to help support and drive sales, including a special promotion featuring premium paper cups with unique designs which proved popular among beverage operators. Carnation and Tea Pot also supported operators by renewing over 15,000 sets of merchandising materials to further promote the brands among consumers.

Carnation Evaporated Milk's market share quickly grew to 61 per cent by end FY2013 as the production line resumed, coupled with strategic advertising including the 'Hunting Deliciousness Hunting Carnation' campaign.

Tea Pot, meanwhile, embarked on a new nationwide 'Happiness Thailand' campaign which included a TV commercial and below the line activities. It also continued to support new small and medium-sized businesses with Roti and Cha-chak Training free of charge, which helped to enhance Tea Pot's brand image as well as increase its usage.

Dairies Thailand achieved  
**Baht 10 billion**  
revenue mark

YOY Revenue  
**+40%**





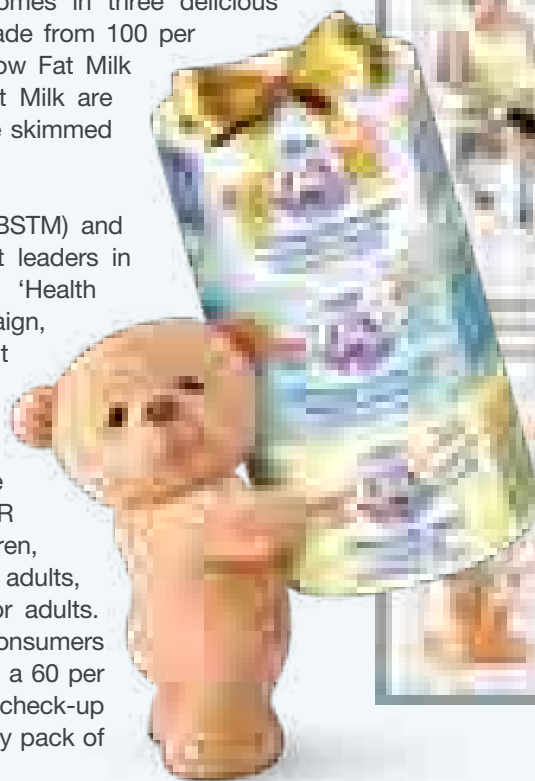
## Business Review Dairies Thailand



### LIQUID MILK

BEAR BRAND has been a familiar and trusted name in Thailand for over 70 years. Its distinctive flavour that is packed with high calcium and healthy goodness are suitable for the whole family. BEAR BRAND Sterilised Milk comes in three delicious recipes. The original recipe is made from 100 per cent pure cow milk; while the Low Fat Milk (skimmed) and zero per cent Fat Milk are produced from 100 per cent pure skimmed milk.

BEAR BRAND Sterilised Milk (BBSTM) and BEAR BRAND GOLD are market leaders in their respective categories. The 'Health Giving is the Best Giving' campaign, helped to drive a 68 per cent increase in sales of BBSTM during the year accompanied by market share growth. The campaign emphasised on the nourishment qualities of BEAR BRAND sterilised milk for children, high school students, working adults, pregnant women and even senior adults. BEAR BRAND also encouraged consumers to put their health first by offering a 60 per cent discount coupon for a health check-up at the Bangkok Hospital with every pack of BEAR BRAND products.



Meanwhile, BEAR BRAND GOLD highlighted its seven health benefits for consumers' everyday needs – namely Vitamins B12, C, A, D and E, high calcium and low fat via a TV commercial that featured popular artiste, Ms. Ann Thongprasom.

Each brand in Dairies Thailand's portfolio was similarly treated to targeted marketing programmes that are catered to the specific demographic of consumers' tastes and general lifestyles. The sales teams were given ambitious targets to meet and attractive incentives. A combination of 'push' and 'pull' strategies to communicate the brand values as well as aggressive trade marketing efforts resulted in the positive results accrued during the year.

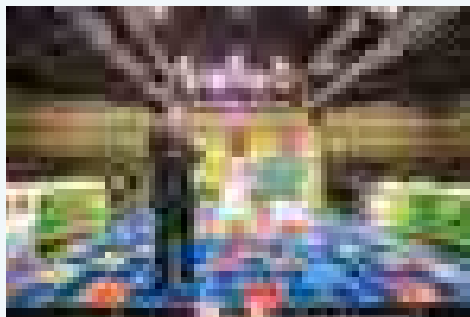


# Business Review Dairies Thailand

## KEY STRATEGIES

As business in Indochina has gained considerable momentum, Dairies Thailand will focus on strengthening its sales force and operations to accelerate distribution coverage in all regions. Apart from distribution network, Dairies Thailand will also be implementing strategic sales and marketing plans to drive greater sales and brand presence.

Another new initiative to drive further growth of its export segment was the introduction of tri-lingual labels. Beginning in FY2013, all products exported to Indochina will carry labels in Thai, English and Vietnamese.



Dairies Thailand is also enhancing the cost-efficiency of its distribution operations to minimise waste in terms of time and resources. During the financial year, Dairies Thailand implemented a direct full-truck load shipment policy entailing direct shipments from the factory to customers, thus cutting down on time and warehousing costs while greatly reducing its carbon footprint.

F&N Group and TCC Group have also started implementing synergies and integrating best practices in manufacturing, market knowledge and cost optimisation. There is much potential for collaboration in the areas of distribution network between the two Groups which Dairies Thailand will be focusing on in the new financial year.



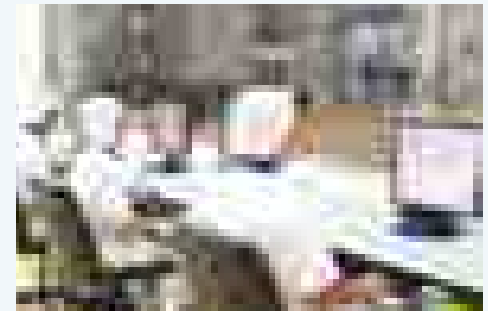
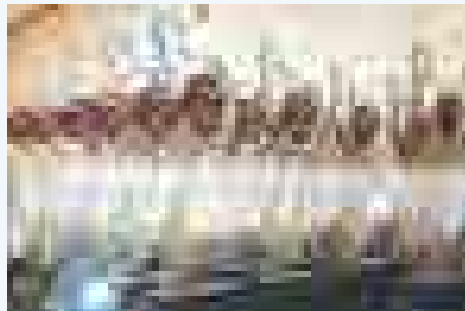


## Business Review Dairies Thailand

### MANUFACTURING EFFICIENCIES

Further cost savings are obtained from the manufacturing plant in Rojana, which has always been equipped with best-in-class facilities and systems. The plant's quick recovery from the floods is testament not only to the extremely strong commitment and teamwork of the employees, but also to the effective disaster recovery and business continuity plans that have been put in place.

Adding to this is a strong culture of continuous improvement and innovation. Over the last six years, Dairies Thailand has been able to progressively drive higher cost efficiencies in its manufacturing processes, saving an estimated Baht 100 million annually, thanks to the excellent performance and productivity of its employees. The ideas of some 30 employee think-tank teams are regularly pitched against each other in a healthy competition which creates a highly motivated and energised environment. Improvements and achievements from these ideas are then presented in Dairies Thailand's annual 'Winning as One' convention. Because the members of individual teams come from different departments, they are able to contribute different viewpoints and create amazing synergies which have kept Dairies Thailand's business lean and efficient over the years.



---

## Business Review Dairies Thailand

---



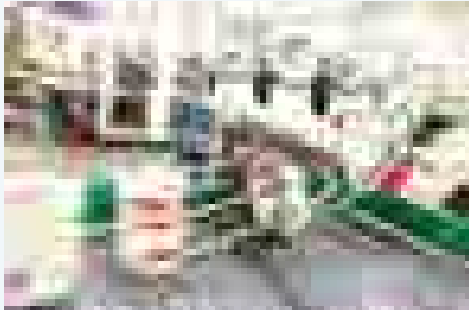
### AWARDS

Dairies Thailand's continuous efforts to maintain the highest standards in every aspect of its operations have led to a string of awards. This year, Dairies Thailand added the following awards to its stable of recognition:

- **ASEAN Energy Awards 2013** for Best Practices on Energy Management for Building and Industry, Special Submission, from the Department of Alternative Energy Development and Efficiency, Ministry of Energy
- **Thailand Energy Awards 2013** for Best Energy Conservation in Energy-controlled Factory category from the Department of Alternative Energy Development and Efficiency, Ministry of Energy
- **Thailand's National Occupational Safety and Health Award 2013** from the Ministry of Labour
- **Zero Accident Award 2013 Silver star** for 4 million man hours without accident, from the Ministry of Labour
- The **FDA Quality Awards 2013** from the Thai Food and Drug Administration
- A **Silver Thailand Kaizen Award 2013** for its 2kg Check Weight Pouch from the Technology Promotion Association (Thailand-Japan)
- **CSR Awards 2013** and the **CSR-DIW Advance Award Level 4** from the Department of Industrial Works (DIW)
- **Labour Relations and Welfare Award (National Level) of 2013** from the Department of Labour Protection and Welfare



## Business Review Dairies Thailand



### OUTLOOK

While Dairies Thailand's competitors took longer to recover from the floods, most have been able to get their plants up and running during this financial year and are now seeking aggressively to regain their foothold in the markets. Competition which began to grow in FY2013 will therefore intensify in FY2014. At the same time, Dairies Thailand expects the cost of raw materials to increase significantly while the Thai Baht depreciates in value against major currencies, adding to the cost of procurement from the international market.

To counter these challenges, Dairies Thailand plans to increase its cost efficiencies by further streamlining its manufacturing and supply chain processes, increasing its sales volumes and deriving the benefits of economies of scale, while also ensuring the most cost effective trade and marketing spend. At the same time, Dairies Thailand will leverage on potential synergies with Thai Beverage Group to increase its distribution channels and network and intensify its efforts to make further inroads in Indochina.

This, combined with focused efforts to increase the market share of its products, will ensure that Dairies Thailand continues to make excellent progress in *The Way Forward*, satisfying the beverage needs of millions of consumers in Thailand and the Indochina region.



## Business Review

### PROPERTY

#### OVERVIEW

The property market continued to perform well in the year under review despite a general increase in the price of building materials as well as that for petrol, and efforts by the government to curb speculation by increasing the real property gain tax (RPGT) from 10 per cent to 15 per cent.

Although property prices across the nation remained bullish, demand was higher in suburban areas where new launches were met with very positive response from the market. Foreign investors, too, continued to show interest in local property, partly because of a favourable foreign exchange environment that strengthened their currency against the ringgit.

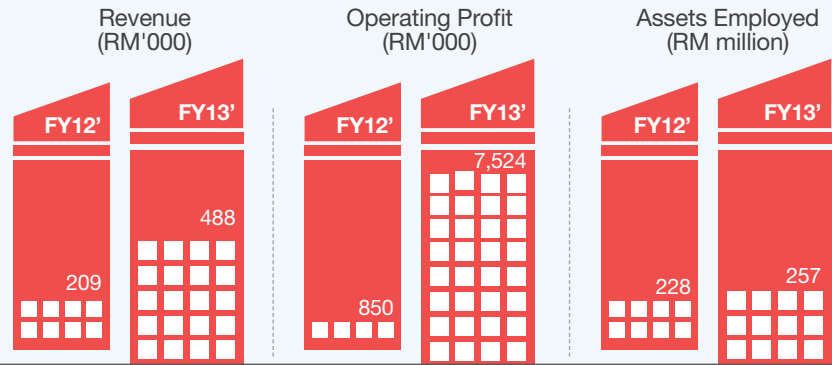
During the financial year, Property Division worked steadily and made progress on the PJ Section 13 project while embarking on re-planning its land bank in Johor Bahru and continuing to enhance the value of its industrial land in Kota Kinabalu, Sabah. Much activity was carried out behind the scenes to pave *The Way Forward* for the Group's properties to add significantly to its revenue in the years to come.



Perspective View of Residential Development at PJ Section 13 Project

# Business Review

## Property



### PJ SECTION 13

The 12.72-acre site that housed the Group's previous dairy manufacturing plant in Section 13, Petaling Jaya, has been earmarked for an integrated residential and commercial development encompassing apartment blocks, a hotel, retail outlets and office lots with a total gross development value of RM1.6 billion. The project, based on a total lifestyle concept, is being undertaken by a joint venture (JV) company between FCL Centrepoint Pte Ltd (FCL), a wholly-owned subsidiary of Fraser and Neave Ltd (Singapore), and Fraser & Neave Holdings Bhd. The FCL Group is a prominent property developer with an established international track record in Singapore, China, Australia, New Zealand, Thailand and United Kingdom.

During the financial year, the JV company obtained approval for the Master Development Plan and went on to enhance the design of various components of the project by drawing upon the design expertise of FCL. At the same time, the company proceeded with the land conversion and lease extension process, which is expected to be completed by the first quarter of 2014. Although changes in the regulatory environment have lengthened the approval process, the residential portion of the development is anticipated to be launched in the fourth quarter of the next financial year.

### JOHOR BAHRU

Property prices in Johor Bahru have escalated in recent years along with the influx of foreign developers and progress in the ambitious Iskandar Malaysia project, the largest single development ever to be undertaken in the region. Leveraging on the property boom, the Group is planning to revise the development mix of its three-acre land bank off Jalan Tebrau, a major road linking Singapore with the North South Highway within the Iskandar Flagship Zone A, comprising residential

and commercial components. This project is still at the drawing board and more details will be revealed once they are finalised.

### OUTLOOK

In October 2013, the Government announced its Budget 2014, which serves to further stem speculation in the property market. Among other provisions, the Budget increases the RPGT from the current 15 per cent to 30 per cent, and removes the developer interest bearing scheme (DIBS) as of 1 January 2014. The latter would require investors to pay interest on their property loans from the time they drawdown the loan for construction progress claims, whereas in the past developers absorbed this payment, easing the financial commitment of investors until projects were completed. Foreigners, meanwhile, will only be entitled to buy properties worth more than RM1 million, up from half a million ringgit now.

In addition, the Strata Management Act 2013 which was gazetted in February 2013, is expected to come into force in January 2014, compelling developers to

establish and file share units and parcel plans of all components of their projects before being able to launch any phase of their development in the market. Compliance to these requirements is most challenging to developers of integrated property development projects and is likely to cause further delays to the already long approval process. Along with a general increase in the cost of construction, these regulatory changes are likely to raise the selling price of new property launches and slow down the property market.

The Group, however, remains confident of its ability to forge ahead with its PJ Section 13 project which has been carefully designed to offer outstanding value propositions to discerning buyers. In addition, its partnership with the internationally renowned FCL Group lends the Group a definite edge in the more challenging property landscape. Further boosted by liquidity in the market, the property division will continue to enhance the value of its existing land banks to fulfil its vision of growth as it pursues *The Way Forward*.



Perspective View of Residential Development at PJ Section 13 Project