



# Finance Director's Review

## OVERVIEW OF THE MALT LIQUOR MARKET

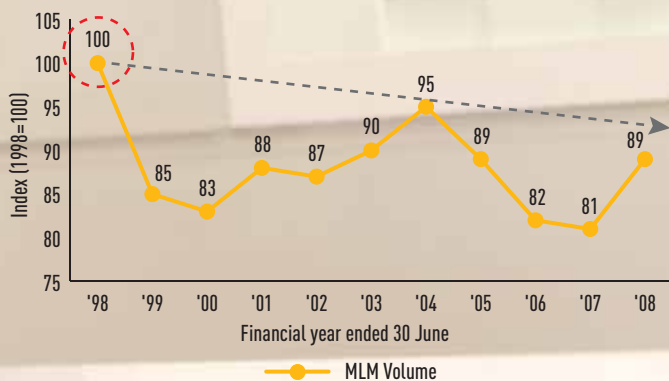
### Sluggish Market Performance

The malt liquor market (MLM) in Malaysia has not grown during the last decade. Rather, it has undergone a period of consolidation posting a Compounded Average Growth Rate (CAGR) of -1.1%. The market's peak of 1.51 million hectolitres in 1997 (versus 1.35 million hectolitres in 2008) has never been exceeded. Although MLM volume registered a 10% growth in 2008, it has taken some five years (since 2004) to reverse the market's declining fortunes.

### High Government Duties Vs Languishing Industry Profits

Malaysia has the second highest excise duty for beer and stout in the world after Norway. From the years 2004 to 2006, the consecutive increases in excise duty (amounting to 59%), exerted tremendous pressure on an already difficult and competitive environment. While excise duties from breweries peaked at approximately RM950 million in 2007, industry players have hardly increased their profit pool over the last 10 years. The Government's decision not to impose another excise duty increase in the coming year is welcome respite for the market.

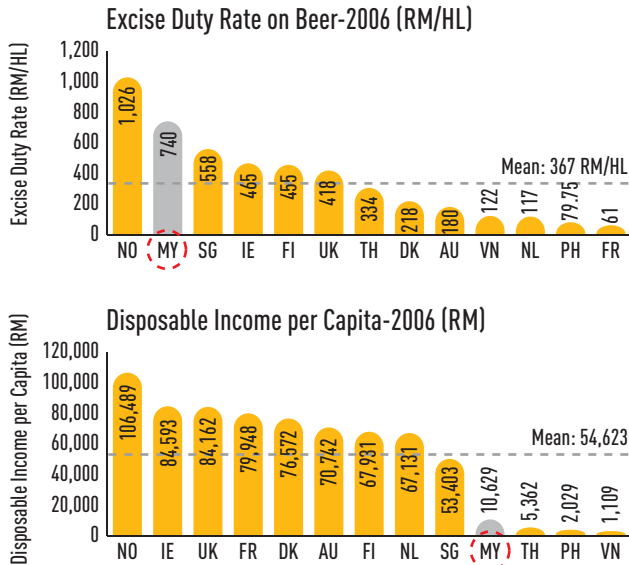
MLM Volume Index



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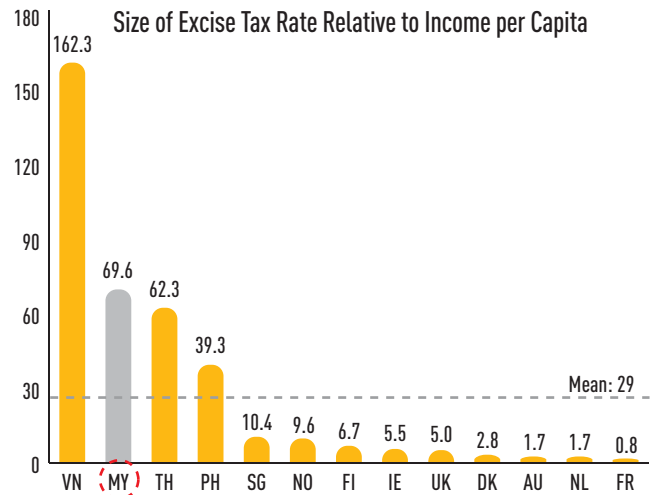
### High Excise Tax Rate Vs Low Disposable Income

Taking into consideration Malaysia's significantly lower disposable income per capita (in comparison to other developing and developed countries), the price of beer and stout in Malaysia is rather expensive. The excise tax rate makes up in excess of 50% of the retail price of beer and stout.



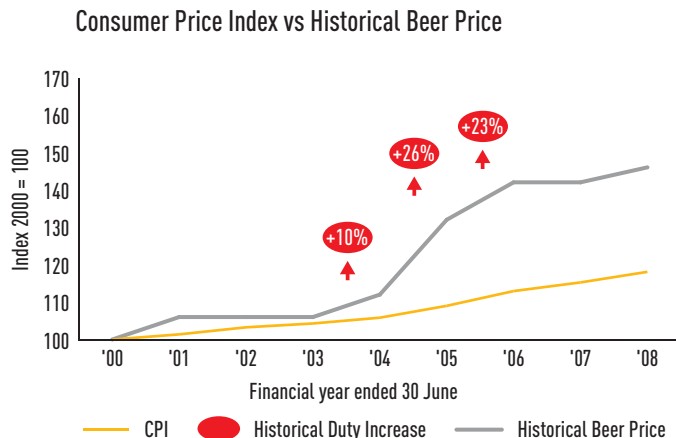
Source: EIU, World Drink Trends 2004, Deloitte Research

Rest of the World				Southeast Asia	
AU	Australia	IE	Ireland	MY	Malaysia
DK	Denmark	NL	Netherlands	PH	Philippines
FI	Finland	NO	Norway	SG	Singapore
FR	France	UK	United Kingdom	TH	Thailand
				VN	Vietnam



### Pricier Beer Impacts the CPI

While the industry as a whole has not changed fundamentally, the consumer price of beer has been rising faster than inflation and this has made beer less affordable over time. As shown in the chart below, the consecutive excise duty increases from 2003 to 2005 were accompanied by steep inflationary spikes affecting the consumer beer price and ultimately the Consumer Price Index (CPI).

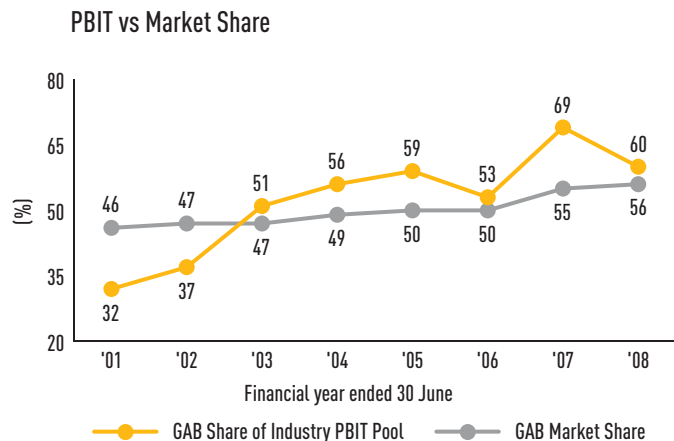


Source: Research International July 2007, Canadian Report - The Beer Service Annual Report 2007  
 Cycle: Malaysia, Euromonitor International, EIU.

### GAB'S LEADERSHIP POSITION

#### The Clear Market Leader

In the midst of this challenging operating environment, GAB has successfully reinvented itself in order to be relevant to changing market needs. In 2001, GAB's market share of the MLM was 46% and it had 32% of the industry profit pool. At the end of June 2008, GAB owned more than 56% market share and enjoyed 60% of the industry profit pool, establishing its position as the MLM's clear leader.



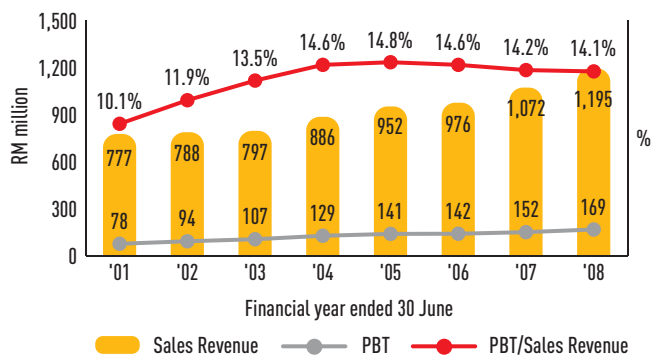
Source: GAB Internal Estimates

GAB's success in gaining market share year-on-year in a mature market and tough business landscape, is largely due to its steadfast focus and successful implementation of several key strategies. In the last few years this has involved an unwavering commitment to the areas of People, Brands and Performance. These initiatives have enabled GAB to build up a sustainable competitive advantage on the back of the collective strength of its brand portfolio.

**Cost Efficiencies Help Drive Profitability**

GAB's cost efficiency initiatives continue to contribute to its higher revenue and profit before tax (PBT). Despite escalating costs due to soaring global commodity prices and higher raw materials, utilities and fuel prices, GAB continues to maintain its profitability through driving its people, brands and performance.

**Sales Revenue vs PBT**

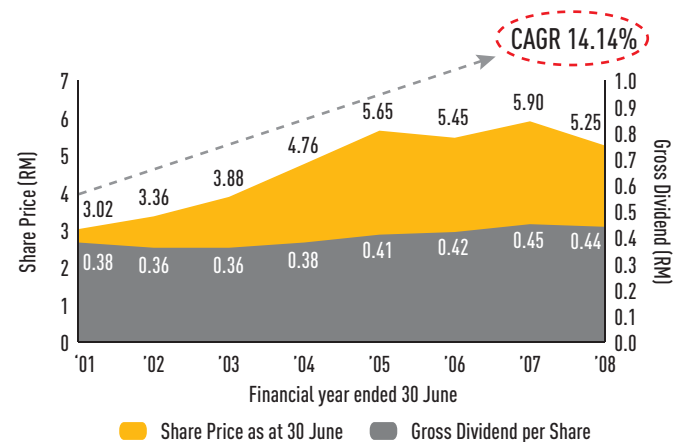
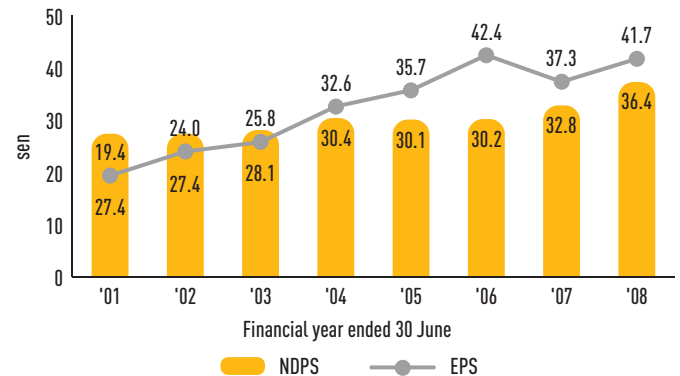


Source: Bursa Malaysia.

**Shareholder Value Creation**

GAB remains committed to returning a significant part of its earnings to its shareholders. In line with the company's strong performance, it has been posting CAGR of 14.1% in terms of returns on investment to its shareholders.

**Earnings Per Share (EPS) & Net Dividend Per Share (NDPS)**



Source: Bursa Malaysia.

GAB's commitment to delivering value to its shareholders was duly recognised when GAB was ranked 18th out of 100 companies in the KPMG/The Edge Shareholder Value Awards 2007. The Company also came in 4th in the Consumer Market Segment category. In December 2007, GAB was passed the Minority Shareholder Watchdog Group's Dividend Sustainability Screening of Top 500 Companies. The fact that GAB has substantial foreign shareholding further attests to the Company's financial attractiveness.