





Managing Director's Review

In financial year ended 30 June 2008, GAB maintained its growth momentum and outperformed the competition to retain its position as the clear leader of the malt liquor market. As at the end of June 2008, GAB had a market share of over 56% and enjoyed a 60% share of the industry profit pool. Our ability to outperform the market and further extend our leadership is due to significant investments made in the areas of People, Brands and Performance. We also have a long-term company vision and are accelerating towards our goals of becoming both a world-class business and a world-class employer.

Managing Director's Review

OUR VISION

In the last year, we were guided in our day-to-day actions by our vision:

GAB is an icon in business. Respected the world over for delivering exceptional growth in people, brands and performance.

It is our belief that this highly ambitious vision will inspire everyone in GAB to move to the next level of delivery and help transform GAB into a truly great company.

UPDATED VALUES

In tandem with our vision we have updated our company values to more closely reflect the GAB style of working. These are as follows:

- We have a passion for winning
- We value and respect each other
- We show integrity in all that we do
- We provide enjoyment

These values are shared beliefs upon which GAB and its employees act. They guide us in how we should behave as a business and individuals in pursuit of our quest to become an icon in business. They have been well received by our employees and this is no real surprise as many of our people already operate at a high level of consistency with them.

Armed with our vision, values and our key enablers of Focus, Delivery, Improvement and Teamwork, we are gathering more momentum on our journey to become a world-class business and employer.

STRENGTHENED BRANDS

We have been growing our market share consistently as a result of the strength of our portfolio of premium international brands, which include Tiger, Guinness, Heineken and Anchor. Another contributor to our success is the consistent investment we have made in brand building. During the year we increased our investment levels to strengthen their position with consumers. We worked hard to ensure our brands

have distinct positioning for different drinking occasions and appeal to different consumer groups. This helped ensure that our brands worked in harmony driving overall business growth. Through a disciplined approach to review and evaluation we also increased the efficiency and effectiveness of our commercial spend.

Innovation and development work bore fruit during the year. New, improved packaging for Guinness Foreign Extra Stout was introduced and Heineken 'extra cold' was launched. We added two other new variants to our portfolio – thirst-quenching Malta Quench and refreshing Anglia Apple.

Our investment in promotions, over the Deepavali, Christmas and Chinese New Year festive periods, did much to grow our market share and drive shareholder value. The Chinese New Year programme included improved festive packs and a first-of-its-kind fund raising initiative. The 'Dragon Mission' fund raising campaign involved our four pillar brands and the support of coffee shops, supermarkets and hypermarkets. This was a bold new initiative and it delivered exceptional results. Our initial target of RM1 million for Chinese education was exceeded, thanks to the overwhelming response from both consumers and the trade, resulting in an incredible RM2 million being raised over the six-week promotional period.

As a consequence of our efforts throughout the year, all of our brands grew. We saw double-digit growth for Tiger, Heineken and Kilkenny and healthy single-digit growth for Anglia and Guinness. GAB is now No. 1 in the beer segment and we have, as mentioned earlier, further extended our overall market share lead.

PERFORMANCE IMPROVING INNOVATIONS

During the year we also planned and executed our biggest ever transformation in the way we work, through the launch of an initiative that has significantly enhanced our operational efficiency and has given us a significant competitive advantage. The initiative changed the way we price our products to our customers and eliminated 80% of the administration required of our sales team and trade partners. As a result, some 20,000 man-hours a month have been freed-up, our sales team now have more time to serve our customers and GAB products now reach customer outlets faster and fresher.

Retailers also benefit through improved cash flow. The trade's response to this initiative has been universally positive and we expect it will help even more outlets decide to choose GAB as a business partner. We expect this new system will further accelerate our growth and strengthen our current market leadership position.

Towards the end of the year we also introduced a new, transparent pricing system for our customers. This provides further incentives for growth. We expect this initiative will simplify administration even further and enable us to respond to customer needs even faster.

FURTHER IMPROVEMENTS IN PRODUCTION

Financial year ended 30 June 2008 marked the third year of implementation of our Total Productive Management (TPM) zero loss programme. In this area we further improved our standing in relation to other breweries around the world. In addition, we made capital investments of close to RM30 million to ensure we enhanced our standard as a world-class brewery.

The quality of GAB's products was recognised internationally during the year. We received a number of international awards and as a result now, within our brand owners' global networks, rank amongst the best breweries in the world. GAB was yet again the proud recipient of the coveted Guinness League of Excellence Award for the best quality Guinness brewed outside of Ireland. This award was made after reviewing quality benchmarks across a number of measures at 47 breweries around the world. GAB was also awarded the highest scores in the Asia Pacific Region and the Rest of World categories. We also won, for the first time ever, the international Tiger Quality Award. This award recognised overall performance against a number of criteria including beer freshness, packaging quality and serving standard.

PEOPLE POWER

We are making good progress in our efforts towards becoming the Malaysian Employer of Choice. We introduced flexi-hours to help our people achieve a better work-life balance. Renovations to our headquarters and the Supply Chain department have

led to the dismantling of all personal offices and now all employees, regardless of seniority work in an open-plan environment. The benefits of this move include more face-to-face communication, less hierarchical approach and faster decision-making. This open plan approach will be implemented in our regional offices over the next two years.

In financial year ended 30 June 2008, we increased our training and development budget by 20% as part of our commitment to skill and competency development and employee empowerment. This bigger budget was fully utilised.

ADDRESSING MARKET CHALLENGES

Over the course of the financial year, GAB was impacted by several major challenges. The biggest challenge we faced was the dramatic increase in global commodity prices. In the past two years, commodity prices around the world have soared and unfortunately the raw materials for our products have not been spared. Malt prices on the world spot market increased by a staggering 150% and the price of hops on the same market has increased by an unprecedented 800%! Similarly packaging materials have seen double digit cost increases. We were able to mitigate the impact of some of these increases through entering into forward contracts and further increasing production efficiency.

MOVING FORWARD

Moving forward into financial year ending 30 June 2009, we have braced ourselves for more tough times. We face the continued challenge of increasing prices of raw materials, utilities, transport and fuel. We also anticipate that rising consumer prices will shrink disposable income and may further aggravate the already difficult market conditions.

Despite such challenging times, we will continue to focus on our winning blend of People, Brands and Performance and we believe this will brew success.