



# FRASER AND NEAVE, LIMITED

(Registration No. 189800001R)  
(Incorporated in the Republic of Singapore)

## RESULTS FOR THE 2ND QUARTER ENDED 31 MARCH 2004 Financial Statement and Dividend Announcement

The Directors are pleased to make the following announcement of the unaudited results for the 2nd Quarter ended 31 March 2004:-

	Group					
	2nd Quarter to 31/3/2004 \$'000	2nd Quarter to 31/3/2003 \$'000	Change %	6 Months to 31/3/2004 \$'000	6 Months to 31/3/2003 \$'000	Change %
<b>1. PROFIT STATEMENT</b>						
Revenue	782,984	832,516	(5.9)	1,702,294	1,878,191	(9.4)
Cost of sales	(505,402)	(542,752)	(6.9)	(1,080,553)	(1,222,382)	(11.6)
Gross profit	277,582	289,764	(4.2)	621,741	655,809	(5.2)
Operating expenses						
- Distribution	(33,339)	(31,844)	4.7	(70,251)	(66,626)	5.4
- Marketing	(81,476)	(86,887)	(6.2)	(189,067)	(181,165)	4.4
- Administration	(56,140)	(54,461)	3.1	(121,745)	(120,148)	1.3
	(170,955)	(173,192)	(1.3)	(381,063)	(367,939)	3.6
Trading profit	106,627	116,572	(8.5)	240,678	287,870	(16.4)
Share of joint venture companies' profits	5,731	6,320	(9.3)	13,446	8,823	52.4
Share of associated companies' profits/(losses)	109	(153)	N/M	(26)	(1,529)	(98.3)
Gain on Compass Point securitisation	-	-	-	25,648	-	N/M
Gross income from investments	8,581	6,908	24.2	16,893	12,242	38.0
Profit before interest, taxation and exceptional items	121,048	129,647	(6.6)	296,639	307,406	(3.5)
Net interest expenses	(10,569)	(10,437)	1.3	(21,420)	(21,327)	0.4
Profit before taxation and exceptional items	110,479	119,210	(7.3)	275,219	286,079	(3.8)
Exceptional items	(773)	(382)	102.4	(3,743)	(2,745)	36.4
Profit before taxation	109,706	118,828	(7.7)	271,476	283,334	(4.2)
Taxation	(24,134)	(29,194)	(17.3)	(71,438)	(74,756)	(4.4)
Profit after taxation	85,572	89,634	(4.5)	200,038	208,578	(4.1)
Minority interests, net of taxes	(36,510)	(41,416)	(11.8)	(77,090)	(69,660)	10.7
Attributable profit						
- Before exceptional items	48,743	48,322	0.9	124,050	141,376	(12.3)
- Exceptional items	319	(104)	N/M	(1,102)	(2,458)	(55.2)
	49,062	48,218	1.8	122,948	138,918	(11.5)

N/M - Not meaningful

## 2. RATIOS

	Group			
	2nd Quarter to 31/3/2004	2nd Quarter to 31/3/2003	6 Months to 31/3/2004	6 Months to 31/3/2003
Profit before interest, taxation and exceptional items as a percentage of revenue	15.5%	15.6%	17.4%	16.4%
Earnings per ordinary share based on weighted average share capital				
- before exceptional items	21.1 cents	18.1 cents	53.7 cents	52.9 cents
- after exceptional items	21.2 cents	18.0 cents	53.2 cents	52.0 cents
Earnings per ordinary share on a fully diluted basis				
- before exceptional items	20.8 cents	18.0 cents	53.0 cents	52.7 cents
- after exceptional items	20.9 cents	17.9 cents	52.6 cents	51.8 cents
Net asset value per ordinary share			\$12.40	\$12.32 #

# Refers to NAV per ordinary share as at 30 Sep 2003.

## 3. SEGMENTAL RESULTS

Group revenue and profit analysis	Revenue				PBIT *			
	2nd Quarter to 31/3/2004 \$'000	2nd Quarter to 31/3/2003 \$'000	6 Months to 31/3/2004 \$'000	6 Months to 31/3/2003 \$'000	2nd Quarter to 31/3/2004 \$'000	2nd Quarter to 31/3/2003 \$'000	6 Months to 31/3/2004 \$'000	6 Months to 31/3/2003 \$'000
<b>By Business</b>								
Soft drinks	103,971	99,388	218,248	206,260	12,860	10,332	27,005	21,445
Dairies	88,647	79,004	181,158	157,235	2,254	4,224	6,842	7,348
Breweries	331,526	343,094	782,175	684,389	54,962	58,513	119,944	99,344
Printing and publishing	110,813	111,783	241,457	249,617	1,562	3,523	11,001	9,065
Glass containers	26,735	28,167	55,185	56,871	1,435	3,312	3,999	6,769
Investment property	45,862	46,564	91,092	93,194	29,200	28,789	56,712	56,217
Development property	69,065	119,068	119,612	414,305	11,316	10,309	21,654	87,064
Investment and other income	6,365	5,448	13,367	16,320	7,459	10,645	49,482	20,154
	<u>782,984</u>	<u>832,516</u>	<u>1,702,294</u>	<u>1,878,191</u>	<u>121,048</u>	<u>129,647</u>	<u>296,639</u>	<u>307,406</u>
<b>By Territory</b>								
Singapore	273,559	321,208	550,960	833,025	60,569	60,830	140,756	178,943
Malaysia	184,475	178,864	380,728	362,872	21,462	20,489	48,149	40,845
Rest of South East Asia	97,631	129,093	274,581	245,653	22,926	34,872	65,123	59,140
North East Asia	58,138	47,052	113,244	95,539	(7,468)	(6,946)	(16,369)	(19,528)
South Pacific	140,424	121,375	323,712	265,107	23,395	18,693	57,358	47,521
Europe/USA	28,757	34,924	59,069	75,995	164	1,709	1,622	485
	<u>782,984</u>	<u>832,516</u>	<u>1,702,294</u>	<u>1,878,191</u>	<u>121,048</u>	<u>129,647</u>	<u>296,639</u>	<u>307,406</u>

\* PBIT - Profit before interest, taxation and exceptional items

	Attributable Profit			
	2nd Quarter to 31/3/2004 \$'000	2nd Quarter to 31/3/2003 \$'000	6 Months to 31/3/2004 \$'000	6 Months to 31/3/2003 \$'000
<b>By Business</b>				
Soft drinks	5,499	4,241	11,485	8,999
Dairies	(614)	1,098	793	1,764
Breweries	13,996	14,023	24,489	20,519
Printing and publishing	(43)	1,723	6,170	5,012
Glass containers	491	1,321	1,735	2,707
Investment property	21,773	17,183	40,271	33,460
Development property	7,317	6,748	13,484	63,426
Investment and other income	324	1,985	25,623	5,489
	<u>48,743</u>	<u>48,322</u>	<u>124,050</u>	<u>141,376</u>
Exceptional items	319	(104)	(1,102)	(2,458)
	<u>49,062</u>	<u>48,218</u>	<u>122,948</u>	<u>138,918</u>

#### 4. EXCEPTIONAL ITEMS

	Group			
	2nd Quarter to 31/3/2004 \$'000	2nd Quarter to 31/3/2003 \$'000	6 Months to 31/3/2004 \$'000	6 Months to 31/3/2003 \$'000
Profit on disposal of investments	405	-	405	-
(Loss)/profit on disposal of investments in subsidiary and associated companies	(89)	291	(89)	271
Profit on disposal of properties	88	124	88	226
Share of exceptional items of joint venture companies	2,449	(398)	2,402	(2,655)
Restructuring and re-organisation cost	(3,247)	(399)	(6,170)	(587)
Goodwill arising from additional investments in subsidiary companies	(379)	-	(379)	-
	<u>(773)</u>	<u>(382)</u>	<u>(3,743)</u>	<u>(2,745)</u>

#### 5. BALANCE SHEET

	Group		Company	
	As at 31/3/2004 \$'000	As at 30/9/2003 \$'000	As at 31/3/2004 \$'000	As at 30/9/2003 \$'000
Fixed assets	1,336,307	1,344,906	-	-
Investment properties	2,268,085	2,266,738	-	-
Properties under development	1,462,168	1,100,052	-	-
Subsidiary companies	-	-	3,848,072	3,913,320
Joint venture companies	119,844	118,648	-	-
Associated companies	216,055	161,631	-	-
Other investments	58,554	42,711	8,890	8,879
Intangible assets	92,579	38,959	-	-
Brands	8,568	9,536	1,920	2,503
Deferred tax assets	14,962	15,412	-	-
Current assets				
- Cash	714,470	847,771	31,206	11,087
- Others	1,486,399	1,783,782	10,807	9,139
Current liabilities				
- Borrowings	(1,301,151)	(1,541,435)	(224,281)	(555,055)
- Others	(841,055)	(911,998)	(29,967)	(24,005)
Deferred liabilities				
- Borrowings	(1,736,701)	(1,442,278)	(800,000)	(500,000)
- Others	(118,608)	(121,981)	-	-
	<u>3,780,476</u>	<u>3,712,454</u>	<u>2,846,647</u>	<u>2,865,868</u>
Financed by:-				
Share capital	231,301	230,517	231,301	230,517
Share premium	139,407	135,111	139,407	135,111
Reserves	2,498,044	2,473,663	2,475,939	2,500,240
	<u>2,868,752</u>	<u>2,839,291</u>	<u>2,846,647</u>	<u>2,865,868</u>
Minority interests	911,724	873,163	-	-
	<u>3,780,476</u>	<u>3,712,454</u>	<u>2,846,647</u>	<u>2,865,868</u>

## 6. CASH FLOW STATEMENTS

	Group			
	2nd Quarter to 31/3/2004 \$'000	2nd Quarter to 31/3/2003 \$'000	6 Months to 31/3/2004 \$'000	6 Months to 31/3/2003 \$'000
Profit before taxation and exceptional items	110,479	119,210	275,219	286,079
Adjustment for non-cash items	19,934	20,614	15,252	46,890
Changes in working capital	(11,476)	(66,365)	121,379	(34,333)
Income taxes paid	(42,504)	(27,056)	(73,012)	(44,996)
Adjustment for development properties profit	(11,365)	(9,992)	(18,279)	(97,789)
Progress payments from development properties sold	28,234	154,484	50,081	530,466
Development properties expenditure	(184,311)	(191,333)	(366,611)	(370,629)
Cash flow (used in)/from operating activities	(91,009)	(438)	4,029	315,688
Proceeds from return of capital from associated companies	-	-	333	-
Proceeds from disposal of assets and investments	98,209	915	99,981	22,857
Acquisition of assets and investments	(194,035)	(75,014)	(238,536)	(173,986)
Acquisition of additional interest in subsidiary companies	(79)	(7,404)	(79)	(7,404)
Disposal of associated companies	-	443	23,300	443
Investment income	8,634	7,932	23,493	18,646
Cash flow used in investing activities	(87,271)	(73,128)	(91,508)	(139,444)
Capital contribution by minority interests, net	3,203	149	4,411	(877)
Issue of shares by parent company	3,905	1,762	5,080	3,377
Proceeds/(Repayment) from term loans and borrowings	110,215	64,235	46,827	(158,519)
Payment of dividends	(89,011)	(82,919)	(105,969)	(86,222)
Cash flow from/(used in) financing activities	28,312	(16,773)	(49,651)	(242,241)
Net decrease in cash	(149,968)	(90,339)	(137,130)	(65,997)
Cash at beginning of period	856,658	666,534	843,820	642,192
Cash at end of period	706,690	576,195	706,690	576,195
Cash and cash equivalents comprise:				
- Bank fixed deposits	577,110	452,986	577,110	452,986
- Cash and bank balances	137,360	131,930	137,360	131,930
- Bank overdrafts	(7,780)	(8,721)	(7,780)	(8,721)
	706,690	576,195	706,690	576,195

7. STATEMENT OF CHANGES IN EQUITY

	Group		Company	
	2nd Quarter to 31/3/2004 \$'000	2nd Quarter to 31/3/2003 \$'000	2nd Quarter to 31/3/2004 \$'000	2nd Quarter to 31/3/2003 \$'000
<b>Issued Capital</b>				
Balance at beginning of period	230,699	267,226	230,699	267,226
Issued upon exercise of share options	602	259	602	259
Balance at end of period	231,301	267,485	231,301	267,485
<b>Share Premium</b>				
Balance at beginning of period	136,104	334,856	136,104	334,856
Increase upon exercise of share options	3,303	1,503	3,303	1,503
Balance at end of period	139,407	336,359	139,407	336,359
<b>Reserves</b>				
Balance at beginning of period	2,525,974	2,520,755	2,501,022	2,557,167
Attributable profit	49,062	48,218	234,418	34,729
Revaluation (surplus)/deficit realised upon disposal of subsidiary companies and investment	-	-	(190,119)	915
Adjustment to reserves due to changes in minority interests	218	-	-	-
Currency exchange difference arising from translating foreign subsidiary, joint venture and associated companies	(7,828)	21,848	-	-
Dividend payment	(69,382)	(53,497)	(69,382)	(53,497)
Balance at end of period	2,498,044	2,537,324	2,475,939	2,539,314
<b>Total Shareholders' Equity</b>	<b>2,868,752</b>	<b>3,141,168</b>	<b>2,846,647</b>	<b>3,143,158</b>

7. STATEMENT OF CHANGES IN EQUITY (cont'd)

	Group		Company	
	6 Months to 31/3/2004 \$'000	6 Months to 31/3/2003 \$'000	6 Months to 31/3/2004 \$'000	6 Months to 31/3/2003 \$'000
<b>Issued Capital</b>				
Balance at beginning of period	230,517	266,995	230,517	266,995
Issued upon exercise of share options	784	490	784	490
Balance at end of period	<u>231,301</u>	<u>267,485</u>	<u>231,301</u>	<u>267,485</u>
<b>Share Premium</b>				
Balance at beginning of period	135,111	333,472	135,111	333,472
Increase upon exercise of share options	4,296	2,887	4,296	2,887
Balance at end of period	<u>139,407</u>	<u>336,359</u>	<u>139,407</u>	<u>336,359</u>
<b>Reserves</b>				
Balance at beginning of period	2,473,663	2,385,722	2,500,240	2,559,469
Attributable profit	122,948	138,918	235,200	32,427
Revaluation surplus on investment reaslied	(26,317)	-	-	-
Revaluation reserve arising from revaluation of investment	-	60,651	-	-
Revaluation (surplus)/deficit realised upon disposal of subsidiary companies and investment	-	-	(190,119)	915
Adjustment to reserve due to changes in minority interests	417	-	-	-
Currency exchange difference arising from translating foreign subsidiary, joint venture and associated companies	(3,285)	5,530	-	-
Dividend payment	(69,382)	(53,497)	(69,382)	(53,497)
Balance at end of period	<u>2,498,044</u>	<u>2,537,324</u>	<u>2,475,939</u>	<u>2,539,314</u>
<b>Total Shareholders' Equity</b>	<u><u>2,868,752</u></u>	<u><u>3,141,168</u></u>	<u><u>2,846,647</u></u>	<u><u>3,143,158</u></u>

## 8. PRINCIPAL ACTIVITIES OF THE COMPANY AND THE GROUP

The principal activities of the Company are investment holding and the provision of management and administrative services to its subsidiary, joint venture and associated companies.

The principal activities of the Group comprise:

- (i) production and sale of soft drinks, beer, stout, dairy products and glass containers.
- (ii) development of and investment in property, and
- (iii) printing, publishing and the provision of education services.

These activities are carried out through the Company's subsidiary, joint venture and associated companies.

## 9. REVIEW OF PERFORMANCE

### The Group

The Directors are pleased to report Earnings Per Share before exceptional items ("EPS") of 21.1 cents for the 2nd quarter ended 31 March 2004 up 17% compared to the corresponding period last year's 18.1 cents reflecting the success of the Company's capital management initiatives implemented last year. For the 6 months to date, EPS improve 2% to 53.7 cents.

Group revenue for the quarter declined by 6% to \$783 million compared with the corresponding quarter of last year, mainly due to lower Development Property revenue, which declined by 42% (or \$50 million). Group PBIT (profit before interest, taxation and exceptional items) for the quarter of \$121 million was 7% lower than the corresponding period last year. Attributable profit (before exceptional items) increased by 1% to \$49 million.

Revenue for Food & Beverage businesses recorded improvements for the 6 months to date.

### Soft Drinks

Revenue and PBIT for the quarter grew 5% and 24% respectively over the same quarter last year due to higher sales volumes and favourable margins from better mix of brands and packs.

### Dairies

Revenue was up 12% for the quarter but PBIT was negatively impacted by raw material price increases and intense competition in Malaysia and start-up losses faced by the greenfield dairy plant in Vietnam.

### Glass Containers

Revenue was down 5% for the quarter resulting from the scheduled closure of one furnace in Malaysia. The challenging business environment in Sichuan and higher production costs continue to adversely impact PBIT which declined by 57% to \$1.4 million compared to the corresponding period last year.

### Breweries

The first quarter enjoyed higher festive sales from an earlier Chinese New Year and Tet and high demand in Vietnam prior to the introduction of Value Added Tax in January 2004. Consequently, revenue and PBIT for the second quarter were respectively 3% and 6% lower than the same quarter last year. However, revenue and PBIT for the year to date were respectively 14% and 21% higher than the corresponding period last year, showing continued improvement of brewery operations. Effective cost control measures have improved PBIT in Singapore while the strong PNG Kina and NZ\$ have enhanced the results from these 2 countries. Overall losses in China have stabilised while Thai results have been adversely impacted by higher depreciation charge from the brewery expansion.

### Printing and Publishing

Revenue was maintained but PBIT for the quarter declined by \$2 million from lower publishing sales and the printing group saw reduced margins.

### Investment Property

Rental income slipped a marginal 2% for the quarter despite the soft market for office space and industrial leases. These negative market factors were mitigated by initiatives taken by management to reduce operating costs and PBIT was maintained at the same level as the corresponding period last year.

### Development Property

The decline in revenue from Development Property is in line with the weak residential property market in Singapore. Notwithstanding this decline in revenue, Development Property PBIT increased 10% to \$11.3 million over the same period last year. This increase was due to higher profit contribution from overseas projects in this quarter and higher construction cost provision in the same period last year.

### Joint Venture Companies

Share of joint venture companies' profits for the quarter was 9% lower than the corresponding period last year due mainly to lower profits from the Breweries joint venture operations in Thailand and Malaysia.

## **6 Months Ended 31 March 2004**

Group revenue for the half year to date was 9% lower than the same period last year. Excluding the proceeds from the securitisation of Compass Point shopping centre in the previous year, revenue from the other businesses were up on the corresponding period last year. PBIT contribution from Food & Beverage, Printing and Publishing were higher than the previous year. But the one-off gain on the sale of Compass Point in the previous year of \$63.4 million as compared with \$25.6 million in this year resulted in the overall decline of PBIT by 4%. Group attributable profit before exceptional items declined by 12%. However, EPS improved 2% to 53.7 cents from 52.9 cents reflecting the success of the Company's capital management initiatives implemented last year.

### **Group Balance Sheet**

The increase in Properties Under Development of \$362 million, when compared to 30 September 2003, reflects Centrepoint Properties' acquisition of development sites in Singapore and China and on-going development expenditure. These were partly funded by collections from completed projects which reduced trade debtors at 31 March 2004. The Breweries expanded their operations in China and acquired a 21% equity interest in associated company, Guangdong Brewery Holdings Ltd. The Company refinanced \$300 million of its short term bank borrowings with 5-year term fixed rate notes, taking advantage of current low interest rates, issued pursuant to the medium term note programme.

### **Group Cash Flows**

Cash and cash equivalents decreased by \$150 million during the quarter under review. This is \$60 million higher than the net outflow for the corresponding quarter last year and is attributed to the lower collections from Development Property projects.

## **10. OUTLOOK**

### **Soft Drinks, Dairies and Glass Containers**

Operating performance for the financial year as a whole is expected to be better than the previous year, as economic conditions and consumer sentiment remain favourable.

### **Breweries**

With the acquisition of a 21% equity interest in Guangdong Brewery, the China losses under control, and the local production of Heineken beer in China from 1 April 2004, the outlook is positive for brewery operations in China. Together with positive economic outlook for the region, attributable profit before exceptional items for the financial year as a whole is expected to be higher than last year.

### **Properties**

Some signs of a pick up in residential property sales are appearing. Rentals and occupancy at Malls of Centrepoint are expected to be maintained. Contributions to profit are also expected from our overseas projects in the PRC and the UK. With the possibility of further reducing our interest in Compass Point to realise profit, it is expected that earnings for the full year are likely to match those of the previous year.

### **Printing and Publishing**

Sales and profits are expected to improve further in the second half year with the expansion of publishing programme, increased printing capacity and stabilisation of the retail and distribution segment.

### **Exceptional Items**

Exceptional items for the full year are not expected to be of the same magnitude as that recorded in the previous financial year which had an exceptional gain of \$85 million from the sale of the OCBC shares.

### **Overall**

The Group will continue to build on the significant growth it has achieved in the past year. Barring unforeseen circumstances, we expect to maintain the same level of profitability for the second half. EPS for the full year, resulting from the reduced capital, will show an improvement over the previous year.

Except as noted above, no other significant trend or event affecting the earnings of the Company or the Group has occurred between the end of the quarter and the date of this announcement.

## **11. DIVIDEND/BOOK CLOSURE DATES**

- (a) The directors declare an interim dividend of 20 Singapore cents (last year: 20 cents made up of a special dividend of 5 cents and an interim dividend of 15 cents) per share of \$1, being after deduction of Singapore tax, to be paid on 17 June 2004. This is equivalent to a gross dividend of 25 cents per share.
- (b) Registrable transfers received by the Company's Registrars, Barbinder & Co Pte Ltd, 8 Cross Street #11-00 PWC Building, Singapore 048424 up to 5.00 pm on 3 June 2004 will be registered before entitlements to the dividend are determined. Notice is hereby given that the share registers will be closed from 4 to 7 June 2004, both dates inclusive, for preparation of dividend warrants.

BY ORDER OF THE BOARD  
Anthony Cheong Fook Seng  
Group Company Secretary

14 May 2004