



**FRASER & NEAVE HOLDINGS BHD.**  
(Company No: 004205-V, Incorporated in Malaysia)

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For immediate release

## **INTERIM FINANCIAL REPORT**

Quarter 3 : Financial Year Ending 30 September 2004

The Directors are pleased to release the interim financial report for the three months ended 30th June 2004 being the third quarter for the financial year 2003/2004.

The contents of the financial report comprise the following attached condensed financial statements, explanatory notes and additional disclosures and these must be read in conjunction with the Company's financial statements for the year ended 30 September 2003:

- Schedule A : Condensed Consolidated Income Statement
- Schedule B : Condensed Consolidated Balance Sheet
- Schedule C : Condensed Consolidated Cash Flow Statement
- Schedule D : Condensed Consolidated Statement of Changes in Equity
- Schedule E : Selected Explanatory Notes
- Schedule F : Additional Disclosures

This interim financial report has been prepared in accordance with the accounting standards on interim financial reporting issued by the Malaysian Accounting Standards Board (MASB 26) and contained additional disclosures prescribed by the BURSA MALAYSIA (formally known as the Kuala Lumpur Stock Exchange). Unless specified otherwise, the same accounting policies and methods of computation applied to the annual financial statements for the previous year had been followed throughout this interim financial report.

By Order of the Board

Tony Lee Cheow Fui  
Company Secretary

Kuala Lumpur  
10 August 2004

**Schedule A : Condensed Consolidated Income Statement**

For the nine months ended 30 June 2004

| RM'000                         | Individual 3rd Quarter |           |        | Cumulative 3rd Quarter |           |       |
|--------------------------------|------------------------|-----------|--------|------------------------|-----------|-------|
|                                | 30/6/2004              | 30/6/2003 | % chg  | 30/6/2004              | 30/6/2003 | % chg |
| Revenue                        | 413,017                | 384,253   | 7.5%   | 1,292,680              | 1,189,351 | 8.7%  |
| Operating profit               | 35,435                 | 34,274    | 3.4%   | 119,153                | 111,101   | 7.2%  |
| Interest expense               | (1,232)                | (827)     |        | (4,103)                | (2,675)   |       |
| Interest income                | 1,451                  | 1,303     |        | 4,717                  | 3,575     |       |
| Profit before exceptional item | 35,654                 | 34,750    | 2.6%   | 119,767                | 112,001   | 6.9%  |
| Exceptional item               | -                      | (19,750)  |        | -                      | (19,750)  |       |
| Profit before taxation (PBT)   | 35,654                 | 15,000    | 137.7% | 119,767                | 92,251    | 29.8% |
| Taxation                       | (7,688)                | (7,557)   |        | (28,353)               | (25,791)  |       |
| Profit after taxation (PAT)    | 27,966                 | 7,443     | 275.7% | 91,414                 | 66,460    | 37.5% |
| Minority interest              | (1,496)                | (1,918)   |        | (5,197)                | (6,756)   |       |
| Net profit                     | 26,470                 | 5,525     | 379.1% | 86,217                 | 59,704    | 44.4% |
| Basic earnings per share (sen) | 7.4                    | 1.5       |        | 24.2                   | 16.7      |       |

*This Statement should be read in conjunction with the selected explanatory notes on Schedule E & F of this Report and the Company's Annual Report for the year ended 30 September 2003.*

**Schedule B : Condensed Consolidated Balance Sheet**

As at 30 June 2004

| RM'000                             | 30/6/2004 | 30/9/2003<br>(audited) |
|------------------------------------|-----------|------------------------|
| Property, plant & equipment        | 734,545   | 702,164                |
| Property under development         | 44,468    | 42,391                 |
| Current assets                     |           |                        |
| Inventories                        | 232,775   | 243,156                |
| Receivables                        | 340,227   | 318,609                |
| Cash and cash equivalents          | 274,874   | 307,290                |
|                                    | 847,876   | 869,055                |
| Less : Current liabilities         |           |                        |
| Payables                           | 358,939   | 356,414                |
| Borrowings                         | 32,246    | 34,896                 |
| Provision for taxation             | 8,337     | 9,868                  |
|                                    | 399,522   | 401,178                |
| Net current assets                 | 448,354   | 467,877                |
|                                    | 1,227,367 | 1,212,432              |
| Share capital & Reserves           | 1,020,009 | 997,955                |
| Minority interest                  | 103,647   | 92,066                 |
| Non current liabilities            |           |                        |
| Borrowings                         | 34,444    | 51,143                 |
| Other liabilities                  | 69,267    | 71,268                 |
|                                    | 103,711   | 122,411                |
|                                    | 1,227,367 | 1,212,432              |
| Net tangible assets per share (RM) | 2.86      | 2.80                   |

*This Statement should be read in conjunction with the selected explanatory notes on Schedule E & F of this Report and the Company's Annual Report for the year ended 30 September 2003.*

**Schedule C : Condensed Consolidated Cash Flow Statement**

For the nine months ended 30 June 2004

| RM'000  | Cumulative 3rd Quarter |                 |
|---|------------------------|-----------------|
|   | 30/6/2004              | 30/6/2003       |
| Operating activities                                      |                        |                 |
| Operating profit  | 119,153                | 111,101         |
| Add non-cash : Depreciation & others                      | 58,571                 | 60,562          |
| Changes in working capital & provisions                   | (13,780)               | (16,180)        |
| Tax paid  | (28,888)               | (17,319)        |
| <b>Net cash flows from operating activities</b>           | <b>135,056</b>         | <b>138,164</b>  |
| Investing activities                                      |                        |                 |
| Interest income   | 4,717                  | 3,575           |
| Capital expenditure                                       | (90,952)               | (66,611)        |
| <b>Net cash flows from investing activities</b>           | <b>(86,235)</b>        | <b>(63,036)</b> |
| Financing activities                                      |                        |                 |
| Interest expenses   | (4,103)                | (2,675)         |
| (Repayment)/Draw down of bank borrowings                  | (19,349)               | 24,641          |
| Dividend paid   | (68,429)               | (62,454)        |
| Additional equity by minority shareholder                 | 10,644                 | -               |
| <b>Net cash flows from financing activities</b>           | <b>(81,237)</b>        | <b>(40,488)</b> |
| <b>Net change in cash &amp; cash equivalents</b>          | <b>(32,416)</b>        | <b>34,640</b>   |
| <b>Cash &amp; cash equivalents at beginning of period</b> | <b>307,290</b>         | <b>193,330</b>  |
| <b>Cash &amp; cash equivalents at end of quarter</b>      | <b>274,874</b>         | <b>227,970</b>  |

Note :

( ) denotes cash outflow

*This Statement should be read in conjunction with the selected explanatory notes on Schedule E & F of this Report and the Company's Annual Report for the year ended 30 September 2003.*

**Schedule D : Condensed Consolidated Statement of Changes in Equity**

For the nine months ended 30 June 2004

| RM'000                    | Share<br>Capital | Capital<br>Reserve | Revenue<br>Reserve | Total     |
|---------------------------|------------------|--------------------|--------------------|-----------|
| <i>At 1 October 2003</i>  | 356,493          | 420,685            | 220,777            | 997,955   |
| Net profit for the period | -                | -                  | 86,217             | 86,217    |
| Dividend                  | -                | -                  | (64,169)           | (64,169)  |
| Foreign exchange gain     | -                | 6                  | -                  | 6         |
| <i>At 30 June 2004</i>    | 356,493          | 420,691            | 242,825            | 1,020,009 |
| <i>At 1 October 2002</i>  | 356,493          | 404,915            | 213,328            | 974,736   |
| Net profit for the period | -                | -                  | 59,704             | 59,704    |
| Dividend                  | -                | -                  | (60,604)           | (60,604)  |
| <i>At 30 June 2003</i>    | 356,493          | 404,915            | 212,428            | 973,836   |

*This Statement should be read in conjunction with the selected explanatory notes on Schedule E & F of this Report and the Company's Annual Report for the year ended 30 September 2003.*

## Schedule E : Selected Explanatory Notes

1. Accounting Policies and method of computation  
The quarterly financial statements have been prepared under the same accounting policies and methods of computation as the most recent annual financial statements and comply with MASB 26 : Interim Financial Reporting and paragraph 9.22 of Listing Requirements of the Bursa Malaysia.
2. Auditors' report  
The auditors' report of the preceding annual financial statements of the Company and of the Group was not subject to any qualification.
3. Comment on seasonality or cyclical nature of operation  
The Group's performance is normally not affected by seasonal or cyclical events on a year to year basis. However on a quarter to quarter basis, the demand for some group products such as soft drinks may be skewed towards the major festivities, which normally occur at the end and the beginning of the calendar year.
4. Exceptional items  
There have been no exceptional items in the current financial quarter and financial period to date.
5. Estimates  
There have been no changes to the estimates used in the preparation of the current financial statements.
6. Issuance or repayments of debt/equity securities  
There have been no issuance, cancellation, repurchases, resale and repayments of debt and equity securities in the current financial quarter and financial period to date.
7. Dividends  
Please refer to Schedule F item 12.
8. Segmental results  
The Group's operating businesses are organised according to the nature of activities, namely soft drinks, dairy products, glass packaging and others. Inter-segment transactions and pricing arrangements where applicable are determined on a commercial basis. The results by segments for the cumulative quarter to date are as follows:

| <u>Cumulative 3rd Quarter</u> | Revenue          |                  | Operating profit |                |
|-------------------------------|------------------|------------------|------------------|----------------|
|                               | 2004             | 2003             | 2004             | 2003           |
| RM'000                        |                  |                  |                  |                |
| Soft drinks                   | 696,060          | 647,151          | 79,994           | 63,453         |
| Dairy products                | 395,408          | 345,450          | 27,173           | 25,888         |
| Glass packaging               | 200,831          | 195,672          | 11,067           | 21,996         |
| Others                        | 381              | 1,078            | 919              | (236)          |
|                               | <u>1,292,680</u> | <u>1,189,351</u> | <u>119,153</u>   | <u>111,101</u> |

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**Schedule E : Selected Explanatory Notes (cont'd)**

9. Valuation of property, plant and equipment  
There have been no changes in the valuation on property, plant and equipment since the last annual financial statements.
10. Subsequent events  
There have been no material events subsequent to the end of the quarter that have not been reflected in the financial statements.
11. Changes in the composition of the Group  
There have been no changes in the composition of the Group in the current financial quarter and financial period to date.
12. Contingent liabilities  
There have been no contingent liabilities of a material nature since the last annual balance sheet date.
13. Contingent assets  
There have been no contingent assets of a material nature since the last annual balance sheet date.
14. Capital commitments  
The outstanding capital commitments at the end of the current quarter are as follows:-

| RM'000                          | <u>30/6/2004</u> |
|---------------------------------|------------------|
| Property, plant and equipment   |                  |
| Approved and contracted for     | 16,689           |
| Approved and not contracted for | <u>32,527</u>    |
|                                 | <u>49,216</u>    |

## Schedule F : Additional Disclosures in Compliance with BURSA MALAYSIA Listing Requirements

1. Operations review

Group revenue for the quarter grew 7.5% over the same quarter of last year, contributed mainly by soft drinks (up 6%) from improved sales volume, the dairies business (up 11%) due to higher condensed milk sales and glass operation (up 4%) from inclusion of China's sales.

Group operating profit for the quarter was 3.4% higher than that of the corresponding quarter of last year. The favourable contributions from improved sales volume in soft drinks and dairies more than offset lower contribution from glass operations. The shutting down of two glass furnaces in Johor Bahru and Vietnam for rebuilding in the current quarter, coupled with continuing losses in China, have resulted in lower profits in glass operations.

F&N's maiden property development project – Fraser Park, which was launched in February 2004, to develop 80 units of five and six-storey shop/office has been fully sold. The revenue and profit contribution from this project will be progressively recognized over the next three years based on the percentage of completion method.

For the period to date, Group revenue and operating profit were 8.7% and 7.2% above last year respectively. Group PBT and PAT were 29.8% and 37.5% above last year respectively, due mainly to the absence of an exceptional item [EI]. The EI of RM19.8 million incurred last year was the result of the disposal of the Group's 25% interest in an associated company.

2. Comment on material change in profit before taxation vs preceding quarter

Group PBT for the quarter of RM35.7 million was 9% lower than the preceding quarter due mainly to the impact of the festivities on sales volume of the Group's soft drinks products in the preceding quarter.

3. Prospects

Barring any adverse events or circumstances, the directors are confident that the Group performance will be better than last year.

4. Profit forecast variance (final quarter)

This is not applicable.

5. Tax expense

The details of the tax expense are as follows:-

| RM'000                              | Current<br>Quarter | Cumulative<br>3rd Quarter |
|-------------------------------------|--------------------|---------------------------|
| Current                             | 8,171              | 26,100                    |
| Tax under provided in previous year | 1,257              | 1,257                     |
| Deferred tax                        | (1,740)            | 996                       |
|                                     | <u>7,688</u>       | <u>28,353</u>             |

The Group's effective tax rate in the current quarter and financial period to date is lower than the statutory rate due to brought forward losses and the utilisation of reinvestment allowances.

**Schedule F : Additional Disclosures in Compliance with BURSA MALAYSIA Listing Requirements (cont'd)**

6. Sale of unquoted investments and properties

There were no sales of unquoted investments or properties in the current financial quarter and financial period to date.

7. Purchase and sale of quoted securities

There were no quoted securities acquired or disposed of in the current financial quarter and financial period to date.

8. Status of corporate proposal

There were no outstanding corporate proposals or new announcements made in the current financial quarter and financial period to date.

9. Group borrowings and debt securities

The details of the Group's borrowings as at 30 June 2004 are as follows:-

| RM'000                    | Currency | Current       | Non-Current   |
|---------------------------|----------|---------------|---------------|
| Unsecured Short Term Loan | USD      | 3,192         | -             |
| Unsecured Term Loan       | USD      | 9,193         | 13,789        |
| Secured Term Loan         | Renminbi | 19,861        | 20,655        |
|                           |          | <u>32,246</u> | <u>34,444</u> |

10. Off balance sheet – financial instruments

There were no off balance sheet financial instruments that are of a material nature being entered into, as at the date of this report.

11. Pending material litigation

There is no pending litigation of a material nature since the last balance sheet date.

12. Dividends

A final tax-exempt dividend of 10 sen per share in respect of the financial year ended 30 September 2003 and an interim dividend net of tax of 8 sen per share in respect of the financial year ending 30 September 2004 were paid on 16 February 2004 and 25 June 2004 respectively.

No dividend was declared during the quarter.

Unless circumstances change significantly, shareholders could expect a total dividend payment of not less than the 20 sen per share (net of tax) paid last year.

13. Basis of calculation of earnings per share (EPS)

The EPS for the financial quarter was calculated based on the net profit divided by 356 million ordinary shares. There were no changes in the number of issued ordinary shares during the quarter.