

f INANCIAL STATEMENTS

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Directors' Report

The Directors present their report together with the audited accounts of the Company and of the Group for the year ended 30 September 1999.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services.

The subsidiary companies are primarily engaged in the manufacture and sale of glass containers, soft drinks and dairy products.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS FOR THE YEAR

	Group RM'000	Company RM'000
(Loss)/profit after taxation	(69,194)	7,894
Minority interest	8,388	–
Attributable (loss)/profit	(60,806)	7,894
Dividends	(3,755)	(3,755)
(Loss)/retained profit for the year	(64,561)	4,139

Group results for the financial year were adversely affected by contraction in demand in the soft drinks market coupled with higher costs arising mainly from corporate restructuring and the full impact of the fixed currency exchange rate. The economic conditions in the aftermath of the currency crisis, cost pressures and excessive discounting during early part of the year caused volume and margins to be reduced significantly.

In the opinion of the Directors, apart from the above, the results of the operations of the Company and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year.

DIVIDENDS

The Directors propose a first and final dividend of 3% less tax, amounting to RM3,754,603 to be paid for the year ended 30 September 1999.

Directors' Report (Cont'd)

DIRECTORS

The Directors of the Company in office since the date of the last report are:-

Dato' Dr. Yahya bin Ismail
 Y.A.M. Tengku Syarif Bendahara Syed Badarudin
 Jamalullail Ibni Tuanku Syed Putra Jamalullail
 Tan Sri Dato' Dr. Lin See-Yan
 Mr. Tan Yam Pin
 Mr. Ian Alastair MacLean
 Mr. Mah Peng Kong
 Dr. Radzuan bin A. Rahman
 Puan Kartini binti Hj Abdul Manaf
 Mr. Lai Seck Khui

At the forthcoming Annual General Meeting, the following Directors retire and, being eligible, offer themselves for re-election:-

- Dato' Dr. Yahya bin Ismail pursuant to Section 129 of the Companies Act 1965.
- Y.A.M. Tengku Syarif Bendahara Syed Badarudin Jamalullail Ibni Tuanku Syed Putra Jamalullail, Dr. Radzuan bin A Rahman and Mr. Lai Seck Khui pursuant to Article 97 of the Company's Articles of Association.

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of shares in or debentures of, the Company or any other body corporate except for their entitlement to subscribe for new shares as warrant holders and for options granted under the Company and the holding company's Executives' Share Option Schemes.

The following Directors who held office at the end of the financial year had according to the register required to be kept under Section 134 of the Companies Act 1965, an interest in shares in, and/or debentures of, the Company or its related corporations, as stated below:-

Director	Name of companies in which interest is held	Shares /Options in the Company /related corporations			As at 30/9/99
		As at 1/10/98	Bought/ Allocated	Sold/ Lapsed/ Exercised	
Dr. Yahya Ismail	Fraser & Neave Holdings Bhd				
	- ordinary shares	1,616,000	-	502,000	1,114,000
	- Warrants 2001	3,037,000	-	3,037,000	-
	Fraser and Neave Limited				
	- ordinary shares	2,880	-	-	2,880

Directors' Report (Cont'd)

Director	Name of companies in which interest is held	Shares /Options in the Company /related corporations			As at 30/9/99
		As at 1/10/98	Bought/ Allocated	Sold/ Lapsed/ Exercised	
IA MacLean	Fraser and Neave Limited				
	– ordinary shares	204,081	–	50,000	154,081
	– share options	522,600	97,500	96,000	524,100
	Asia Pacific Breweries Ltd				
	– ordinary shares	624	–	–	624
	Centrepoint Properties Ltd				
– ordinary shares	8,335	612	–	8,947	
– Warrants 2000	2,000	–	–	2,000	
Tan Yam Pin	Fraser and Neave Limited				
	– ordinary shares	60,691	–	–	60,691
	– share options	653,250	121,900	120,000	655,150
Tengku Syarif Bendahara Syed Badarudin	Fraser & Neave Holdings Bhd				
	– ordinary shares	1,908,000	–	–	1,908,000
	– Warrants 2001	3,285,200	–	–	3,285,200
Mah Peng Kong	Fraser & Neave Holdings Bhd				
	– share options	65,000	22,500	–	87,500
	Fraser and Neave Limited				
	– share options	132,000	–	48,000	84,000
Lai Seck Khui	Fraser and Neave Limited				
	– share options	36,480	43,000	–	79,480

In accordance with the bye-laws of the Fraser & Neave Holdings Bhd Executive Share Option Scheme ("Scheme"), Fraser and Neave Limited grants to executives options to acquire shares in Fraser & Neave Holdings Bhd. On 24 December 1998, the following executive director was granted, and accepted, options under the Scheme:-

Mah Peng Kong 22,500 options

The options are exercisable during the period from 24 September 2001 to 23 November 2003 at a price of RM4.91 per share.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the group accounts or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest required to be disclosed by Section 169(8) of the Companies Act 1965.

Directors' Report (Cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES AND DEBENTURES

Warrants 2001

Pursuant to a prospectus dated 29 March 1996, options were granted by way of detachable Warrants 2001 with the issue of Bonds 1996 on 21 May 1996.

Statutory information concerning the Warrants is set out below:

- (i) Each warrant entitles the holder to subscribe for one new ordinary share of RM1.00 each in the Company at a price of RM8.50 per ordinary share.
- (ii) The Warrants 2001 may be exercised at any time during normal business hours up to 5pm on 20 February 2001.
- (iii) Full provisions regarding the transferability of Warrants 2001 to new ordinary shares, which will thereafter rank pari passu with the existing ordinary shares of the Company, adjustment of the Exercise Price in certain circumstances, quotation on the Kuala Lumpur Stock Exchange and other terms and conditions pertaining to the Warrants 2001 are set out in detail in a Deed Poll executed by the Company on 26 March 1996, which is available for inspection at the registered office of the Company.
- (iv) No Warrants 2001 were converted into shares during the financial year.
- (v) The number of Warrants 2001 outstanding at the end of the financial year was 73,410,748.

SIGNIFICANT EVENT DURING THE YEAR

On 12 March 1999, the Company announced a funding proposal comprising the following:-

- (a) Proposed rights issue of new ordinary shares of RM1.00 each together with warrants 2000/2001 (rights warrants) on the basis on two (2) new ordinary shares plus one (1) rights warrants for every five (5) existing ordinary shares held; and
- (b) Proposed issue of warrants 2000/2001 (New Warrant) on the basis of one (1) new warrant in substitution and upon the surrender and cancellation of one (1) existing warrant 1996/2001 held at an issue price of RM0.20 per warrant.

As of this date, this funding proposal is pending approvals from the relevant authorities and the shareholders at an Extraordinary General Meeting to be convened.

Directors' Report (Cont'd)

OTHER STATUTORY INFORMATION

- (a) Before the profit and loss accounts and balance sheets of the Company and of the Group were made out, the Directors took reasonable steps:-
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:-
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the Company and the Group inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the accounts of the Company and of the Group misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company and of the Group misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or accounts of the Company and of the Group which would render any amount stated in the accounts and consolidated accounts misleading.
- (e) As at the date of this report, there does not exist:-
- (i) any charge on the assets of the Company or of the Group which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Company or of the Group which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:-
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company or of the Group to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company or of the Group for the financial year in which this report is made.

Directors' Report (Cont'd)

AUDIT COMMITTEE

At the date of this report, the Audit Committee of the Company comprises the following directors:-

Dato' Dr. Yahya bin Ismail
Y.A.M. Tengku Syarif Bendahara Syed Badarudin
Jamalullail Ibni Tuanku Syed Putra Jamalullail
Mr. Tan Yam Pin
Dr. Radzuan bin A. Rahman

Three meetings were convened during the twelve months up to the date of this report and the Committee deliberated on various internal control and accounting related issues arising from reports from management and auditors. The accounts and announcement of results at the half year ended 31 March 1999 and the accounts of the Company and the Group together with the audit report thereon for the full year ended 30 September 1999 were also reviewed prior to the submission to the board for approval.

The Audit Committee recommended Ernst & Young for re-appointment by shareholders as auditors for the ensuing financial year.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to accept re-appointment.

On behalf of the Board,

Dato' Dr. Yahya bin Ismail
Director

Mah Peng Kong
Director

Kuala Lumpur, Malaysia
23 November 1999

Statement by Directors

Pursuant to Section 169(15) of the Companies Act 1965

We, Dato' Dr. Yahya bin Ismail and Mah Peng Kong, being two of the Directors of Fraser & Neave Holdings Bhd, do hereby state that, in the opinion of the Directors, the balance sheets and profit and loss accounts together with the notes thereto, set out on pages 36 to 52 are drawn up in accordance with approved accounting standards, so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 1999 and of the results of the business of the Company and of the Group for the year ended on that date.

On behalf of the Board,

Dato' Dr. Yahya bin Ismail

Director

Mah Peng Kong

Director

Kuala Lumpur, Malaysia

23 November 1999

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act 1965

I, Tony Lee Cheow Fui, being the officer primarily responsible for the financial management of Fraser & Neave Holdings Bhd, do solemnly and sincerely declare that the balance sheets and profit and loss accounts together with the notes thereto, set out on pages 36 to 52, are in my opinion correct, and I make this declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by)
the abovementioned Tony Lee Cheow Fui)
at Kuala Lumpur in the Federal)
Territory on 23 November 1999)

Tony Lee Cheow Fui

Before me,

Commissioner for Oaths

Neoh Swee Kee (NO: W037)

Kuala Lumpur, Malaysia

Report of the Auditors to the Members of Fraser & Neave Holdings Bhd

We have audited the accounts set out on pages 36 to 52. These accounts are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these accounts based on our audit.

We conducted our audit in accordance with approved standards on auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that the accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and significant estimates made by Directors, as well as evaluating the overall accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the accounts are properly drawn up in accordance with the provisions of the Companies Act 1965 and approved accounting standards so as to give a true and fair view of:
 - (i) the state of affairs of the Company and of the Group as at 30 September 1999 and of the results of the Company and of the Group and the cash flows of the Group for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the accounts and consolidated accounts.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary companies for which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's accounts are in form and content appropriate and proper for the purposes of the preparation of the consolidated accounts and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the accounts of the subsidiary companies were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Companies Act 1965.

ERNST & YOUNG: AF 0039
Public Accountants

THOMAS ARUNDEL ANDREW SCOTT 1060/3/00 (J/PH)
Partner

Kuala Lumpur, Malaysia
23 November 1999

Profit and Loss Accounts

for the year ended 30 September 1999

	Note	GROUP		COMPANY	
		1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Turnover	2				
Soft drinks		536,502	609,091	–	–
Dairy products		467,935	468,639	–	–
Glass packaging		152,613	161,848	–	–
Others		192	736	–	–
		1,157,242	1,240,314	–	–
Operating profit before interest, tax and depreciation		51,931	99,388	11,945	21,147
Interest on borrowings		(24,464)	(25,616)	(2,246)	(3,871)
Depreciation		(73,951)	(61,540)	(747)	(963)
Exceptional items		(21,813)	(310)	–	–
(Loss)/profit before taxation	3	(68,297)	11,922	8,952	16,313
Taxation	5	(897)	(5,731)	(1,058)	(4,506)
(Loss)/profit after taxation		(69,194)	6,191	7,894	11,807
Minority interest		8,388	(1,058)	–	–
Attributable (loss)/profit		(60,806)	5,133	7,894	11,807
Transfer from revenue reserve	9	–	3,645	–	3,645
		(60,806)	8,778	7,894	15,452
Dividends	6	(3,755)	(8,778)	(3,755)	(8,778)
(LOSS)/RETAINED PROFIT FOR THE YEAR	9	(64,561)	–	4,139	6,674
(Loss)/earnings per share (sen)	7	(35.0)	3.0		

The Annexed notes form an integral part of these accounts

Balance Sheets

as at 30 September 1999

	Note	GROUP		COMPANY	
		1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Share Capital	8	173,824	173,824	173,824	173,824
Reserves	9	130,646	195,207	58,497	54,358
Shareholders' fund		304,470	369,031	232,321	228,182
Minority Interest		54,639	55,272	–	–
		359,109	424,303	232,321	228,182
Represented by:					
Fixed Assets	10	723,803	749,943	–	–
Subsidiary Companies	11	–	–	462,460	483,053
Other Investment	12	8,788	8,788	8,788	8,788
Deferred Expenditure	13	1,614	6,583	1,125	1,871
Current Assets					
Stocks	14	225,604	262,508	–	–
Trade debtors	15	202,772	221,613	–	–
Other debtors		26,536	35,740	5,242	3,813
Amount due from holding company	16	–	–	568	568
Amount due from related companies	16	9,122	21,139	–	–
Fixed deposits	17	35,356	53,916	8,938	23,536
Cash and bank balances		51,552	28,092	1,686	642
		550,942	623,008	16,434	28,559
Deduct: Current Liabilities					
Trade creditors		105,565	125,911	–	–
Other creditors	18	91,250	70,622	1,995	923
Amount due to holding company	16	64,736	64,736	–	–
Amount due to related companies	16	4,386	21,319	53	1
Borrowings	19	345,910	311,897	–	39,887
Provision for taxation		7,801	13,546	683	3,278
Proposed dividend		3,755	–	3,755	–
		623,403	608,031	6,486	44,089
Net current (liabilities)/ assets		(72,461)	14,977	9,948	(15,530)
Deduct: Deferred Liabilities					
Borrowings	19	250,000	302,375	250,000	250,000
Provision for retirement benefits		33,587	31,467	–	–
Deferred taxation	20	19,048	22,146	–	–
		302,635	355,988	250,000	250,000
		359,109	424,303	232,321	228,182

The Annexed notes form an integral part of these accounts

Consolidated Cash Flow Statement

for the year ended 30 September 1999

	GROUP	
	1999 RM'000	1998 RM'000
Cash Flow From Operating Activities		
Operating (loss)/profit before tax	(68,297)	11,922
Adjustments for:		
Depreciation of fixed assets	68,161	59,574
(Profit)/loss on sale of fixed assets	2,626	(877)
Amortisation of deferred expenditure	5,790	1,966
Provision for retirement benefits	4,049	4,474
Provision for fixed assets write off	4,568	-
Net interest	22,726	21,288
Operating cash before working capital changes	39,623	98,347
(Increase) /decrease in stocks	36,904	(18,339)
Decrease in debtors	28,045	21,228
(Increase)/decrease in creditors	282	(31,944)
Increase/(decrease) in related companies	(4,916)	1,770
Currency realignment	-	57
Cash generated from operations	99,938	71,119
Net interest paid	(22,726)	(21,288)
Tax paid	(9,740)	(15,242)
Payment of retirement benefits	(1,929)	(3,182)
Payment of deferred expenditure	(821)	(3,056)
Net cash generated from operating activities	64,722	28,351
Cash Flow From Investing Activities		
Proceeds from sale of fixed assets	5,826	12,915
Purchase of fixed assets	(55,041)	(117,928)
Net cash used in investing activities	(49,215)	(105,013)
Cash Flow From Financing Activities		
Proceeds from share issue by:		
- parent company to shareholders	-	3,699
- by subsidiary to outside shareholders	9,000	-
Short term borrowings	21,525	46,330
Term loans	-	39,844
Payment of dividend to shareholders of the Company	-	(18,740)
Payment of dividend to outside shareholders by subsidiaries	(1,245)	(1,757)
Bonds redeemed	(39,887)	(103)
Net cash (used in)/generated from financing activities	(10,607)	69,273
Net increase/(decrease) in cash	4,900	(7,389)
Cash at beginning of year	82,008	89,397
Cash at end of year	86,908	82,008

Cash comprises fixed deposits, cash and bank balances.

The Annexed notes form an integral part of these accounts

Notes to the Accounts

30 September 1999

1. SIGNIFICANT ACCOUNTING POLICIES**(a) Accounting Convention**

The accounts are prepared under the historical cost convention, modified by the revaluation of certain fixed assets, and comply with approved accounting standards issued by the Malaysian Accounting Standards Board.

(b) Basis of Consolidation

The consolidated accounts include the accounts of the Company and its subsidiary companies made up to 30 September 1999. All significant inter-company balances and transactions are eliminated at Group level. Goodwill or reserve on consolidation represents the difference between the purchase consideration and the fair value of the underlying net assets of the subsidiary companies acquired. Goodwill on consolidation is netted off against reserve on consolidation and the net amount is carried forward.

The results of the subsidiary companies acquired or disposed of during the year are included in or excluded from, the respective dates of acquisition or disposal, as applicable.

(c) Fixed Assets and Depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs including interest cost capitalised in bringing the asset to working condition. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the profit and loss account.

Where fixed assets are revalued, any surplus on revaluation is credited to asset revaluation reserve. A decrease in net carrying value arising from revaluation of fixed assets is charged to the profit and loss account to the extent that it exceeds any surplus held in asset revaluation reserve relating to the previous revaluation of the same class of assets.

Depreciation is calculated on the straight line method to write off the cost or valuation of the fixed assets over their estimated useful lives. No depreciation is provided for freehold land and capital work in progress. The annual depreciation rates used to write down the fixed assets over their estimated useful lives are as follows:-

Leasehold land	– lease term (ranging from 12 to 99 years)
Buildings	– 2% to 5%
Plant and machinery	– 8% to 14%
Motor vehicles	– 10% to 20%
Postmix and vending machines	– 10%
Furniture, fittings and computer equipment	– 10% to 20%

(d) Investment in Subsidiary Company

Investment in subsidiary company is stated at cost. Provision for diminution in value is provided when the Directors are of the opinion that there is a permanent decline in value.

Notes to the Accounts (Cont'd)

30 September 1999

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(e) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Cost of finished goods and work-in-progress includes raw materials, labour and an appropriate proportion of production overheads.

Moulds included in consumables are written off over a period of three years from the date they are issued for production.

Engineering stocks are valued at the weighted average cost basis less appropriate allowance for obsolete items.

Container stocks comprise both containers on hand and estimated to be in the market.

(f) Provision for Staff Retirement Benefits

Provision for retirement and service benefits is made in accordance with the terms of agreements concluded by the group companies with various categories of employee.

The provision represents the present value of the amounts likely to become payable in respect of services already rendered. An independent actuarial calculation of the provision is made every three years. Internal calculation of the provision is made each intervening year on the same basis as those used for the independent actuarial calculation. Based on the latest available actuarial valuation carried out between 30 September 1997 and 30 September 1998, the provision for retirement and service benefits is sufficient to meet the actuarially determined value of vested benefits.

(g) Provision for Furnace Shutdown

Provision for furnace shutdown is based on the estimated expenditure for major repairs and maintenance to be incurred over the period prior to scheduled shutdown of furnaces.

(h) Foreign Currencies

Foreign currency transactions are recorded in Ringgit Malaysia at rates of exchange approximating those ruling at transaction dates. All other foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences are dealt with in the profit and loss account.

On consolidation of subsidiary companies, the assets and liabilities of foreign subsidiary companies are translated into Ringgit Malaysia at rates of exchange approximating those ruling at the balance sheet date. Profit and loss items are translated into Ringgit Malaysia at average exchange rates ruling during the year. Exchange differences are taken to revenue reserve.

(i) Deferred Taxation

Deferred taxation is provided, using the liability method, on all material timing differences arising from the treatment of certain items for taxation and accounting purposes. However, no provision is made for deferred taxation if there is reasonable evidence that such tax deferrals will continue in the foreseeable future and there are no indications they will reverse thereafter.

Deferred tax benefits are only recognised when there is reasonable expectation of realisation in the near future.

Notes to the Accounts (Cont'd)

30 September 1999

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**(j) Deferred Expenditure**

Deferred expenditure is stated at cost less amortisation and comprises:-

- (i) Pre-operating expenses which is amortised over a period of three years commencing from the date of commercial production; and
- (ii) Bond issue expenses capitalised are written off to the profit and loss account from the date of issue to the date of maturity.

2. TURNOVER**Group**

This comprises invoiced value of net sales of soft drinks, glass containers, dairy products and rental income.

3. (LOSS)/PROFIT BEFORE TAXATION

	GROUP		COMPANY	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
This has been arrived at after charging:-				
Cost of sales	889,285	855,273	—	—
Depreciation of fixed assets	68,161	59,574	—	—
Provision for doubtful debts	9,787	15,671	—	—
Provision for retirement benefits	4,049	4,474	—	—
Amortisation of deferred expenditure	5,790	1,966	747	963
Rental of premises	3,331	3,503	—	—
Rental of equipment	303	413	—	—
Royalties	14,721	14,592	—	—
Directors' remuneration				
– Fees	433	464	350	389
– Other emoluments	490	1,123	—	—
Auditors' remuneration	305	302	25	25
Interest expense				
– Bank loans and overdrafts	22,218	21,745	—	—
– Bonds	2,246	3,871	2,246	3,871
Provision for furnace shutdown	1,320	1,329	—	—
Provision for stock obsolescence	8,234	1,103	—	—
Management fees payable to a related company	2,400	2,400	—	—
Loss on disposal of fixed assets	2,626	1,919	—	—
Exceptional items (Note a below)	21,813	310	—	—

Notes to the Accounts (Cont'd)

30 September 1999

3. (LOSS)/PROFIT BEFORE TAXATION (Cont'd.)

	GROUP		COMPANY	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
And crediting:-				
Interest income				
– Fixed deposits	2,120	4,666	533	2,521
– Subsidiaries	–	–	6,053	11,246
– Others	166	141	–	–
Dividend income from subsidiaries	–	–	6,028	8,500

Note a

Exceptional items comprise:-

– Retrenchment cost	11,281	–	–	–
– Obsolete fixed assets write off	4,568	–	–	–
– Unwinding of surplus forward foreign currency contracts	5,964	–	–	–
– Plant relocation cost	–	1,352	–	–
– Gain on disposal of property	–	(1,042)	–	–
	21,813	310	–	–

4. SEGMENTAL ANALYSIS

	1999			1998		
	Turnover RM'000	**PBIT RM'000	*Funds Employed RM'000	Turnover RM'000	**PBIT RM'000	*Funds Employed RM'000
Soft drinks	536,502	(81,656)	358,810	609,091	(2,974)	379,364
Dairy products	467,935	24,137	207,238	468,639	11,448	181,113
Glass packaging	152,613	13,950	152,709	161,848	20,761	145,475
Others	192	(2,002)	(100,645)	736	3,975	614
	1,157,242	(45,571)	618,112	1,240,314	33,210	706,566

The above operations were substantially conducted in Malaysia.

* Funds employed exclude bank fixed deposits, cash and bank balances, short term borrowings & term loans

** PBIT refers to profit/(loss) before interest and tax

Notes to the Accounts (Cont'd)

30 September 1999

5. TAXATION

	GROUP		COMPANY	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Based on results for the year:-				
Current taxation				
– Malaysia	420	3,093	1,058	4,506
– Foreign	1,441	7,274	–	–
	1,861	10,367	1,058	4,506
Deferred taxation	(3,098)	(6,146)	–	–
	(1,237)	4,221	1,058	4,506
Under provision in prior year	2,134	1,510	–	–
	897	5,731	1,058	4,506

No taxation has been provided on the income of Malaysian subsidiaries as tax has been waived for 1999 as part of the economic measures implemented by the government.

6. DIVIDENDS

	GROUP/COMPANY	
	1999 RM'000	1998 RM'000
Additional 1997 final dividend paid in respect of eligible shares arising from the exercise of warrants	–	17
Interim dividend Nil (1998: 7% less tax at 28%)	–	8,761
Proposed final dividend of 3% less tax at 28% (1998: Nil)	3,755	–
	3,755	8,778

7. (LOSS)/EARNINGS PER SHARE

The (loss)/earnings per share has been calculated by dividing the consolidated loss after taxation and minority interest of RM60,805,929 (1998: profit RM5,132,809) over the weighted average number of ordinary shares of RM1.00 in issue of 173,824,221 (1998:173,397,796).

Notes to the Accounts (Cont'd)

30 September 1999

8. SHARE CAPITAL

	GROUP/COMPANY	
	1999 RM'000	1998 RM'000
Authorised: Ordinary shares of RM1.00 each		
Balance at beginning and end of year	500,000	500,000
Issued and fully paid: Ordinary shares of RM1.00 each		
Balance at beginning of year 173,824,221 (1998: 172,943,621) shares	173,824	172,943
Issued during the year:		
Nil (1998: 880,600) shares arising from the exercise of Warrants 1998	–	881
Balance at end of year 173,824,221 (1998: 173,824,221) shares	173,824	173,824

9. RESERVES

	GROUP		COMPANY	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Non-distributable				
Capital reserve				
Balance at beginning of year	2,319	2,133	–	–
Transfer from revenue reserve	178	186	–	–
Balance at end of year	2,497	2,319	–	–
Share premium				
Balance at beginning of year	11,139	8,321	11,139	8,321
Share premium arising from conversion of Warrants	–	2,818	–	2,818
Balance at end of year	11,139	11,139	11,139	11,139
Reserve on consolidation	61,888	61,888	–	–
Distributable				
Revenue reserve				
Balance at beginning of year	119,861	116,067	43,219	40,190
Transfer to profit and loss account	–	(3,645)	–	(3,645)
(Loss)/retained profit for the year	(64,561)	–	4,139	6,674
Transfer to capital reserve	(178)	(186)	–	–
Currency realignment	–	7,625	–	–
Balance at end of year	55,122	119,861	47,358	43,219
Total reserves	130,646	195,207	58,497	54,358

Notes to the Accounts (Cont'd)

30 September 1999

9. RESERVES (Cont'd.)

The transfer between revenue reserve and capital reserve of the Group for the current and previous years are in respect of Article 30 of Foreign Investment Laws of Vietnam.

The Company has sufficient tax exempt income and Section 108 tax credit under the Income Tax Act 1967 to frank the payment of dividends out of its entire revenue reserve as at 30 September 1999 without incurring additional tax liability.

10. FIXED ASSETS - GROUP

	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Plant & Machinery RM'000	Other Assets RM'000	Total Assets RM'000
Cost or Valuation						
At beginning of year	129,049	56,830	161,089	482,885	237,741	1,067,594
Additions	1,418	–	1,331	18,591	33,701	55,041
Disposals	–	(2,364)	(136)	(10,772)	(12,784)	(26,056)
Reclassifications	3,602	–	4,408	(8,904)	894	–
At end of year	134,069	54,466	166,692	481,800	259,552	1,096,579
Accumulated						
Depreciation						
At beginning of year	–	4,497	13,127	188,466	111,561	317,651
Charge for the year	–	1,371	3,858	41,628	21,304	68,161
Disposals	–	–	(10)	(7,757)	(9,837)	(17,604)
Reclassifications	–	–	–	(34)	34	–
Provision for write off	–	–	–	1,006	3,562	4,568
At end of year	–	5,868	16,975	223,309	126,624	372,776
Charge for 30/9/98	–	1,381	3,770	36,954	17,469	59,574
Net Book Value						
At 30/9/99	134,069	48,598	149,717	258,491	132,928	723,803
At 30/9/98	129,049	52,333	147,962	294,419	126,180	749,943

Notes to the Accounts (Cont'd)

30 September 1999

10. FIXED ASSETS – GROUP (Cont'd.)

The freehold land and buildings of the Group are stated at Directors' valuation and are based on a professional valuer's opinion of the open market value of the properties. In accordance with the transitional provisions issued by the Malaysian Accounting Standards Board on adoption of International Accounting Standard No. 16 (revised), Property, Plant and Equipment, the valuation of these assets has not been updated, and they continue to be stated at their existing carrying amounts less depreciation.

Interest expense capitalised during the year amounted to Nil (1998: RM12,227,301).

Other assets comprise platforms, postmix and vending machines, motor vehicles, furniture, fittings and computer equipment.

All the assets are stated at cost except for freehold land and buildings as detailed below:-

	Cost RM'000	Valuation 1983 RM'000	Total RM'000
Group – 30/9/99			
Freehold land	131,521	2,548	134,069
Buildings	165,342	1,350	166,692
Group – 30/9/98			
Freehold land	126,501	2,548	129,049
Buildings	159,739	1,350	161,089

11. SUBSIDIARY COMPANIES

	COMPANY	
	1999 RM'000	1998 RM'000
Unquoted shares at cost	431,363	350,363
Amounts owing by subsidiary companies	74,829	171,734
Amount owing to subsidiary company	(43,732)	(39,044)
	462,460	483,053

The amounts owing by/(to) subsidiary companies are unsecured, have no fixed terms of repayment and are non-interest bearing except for an amount owing by a subsidiary company of RM20,017,245 (1998: RM129,722,034) which bears interest at rates ranging from 3.3% to 7.1% (1998: 8.6% to 11.5%) per annum.

The details of the subsidiary companies are set out in Note 24 to accounts.

12. OTHER INVESTMENT

This represents an advance for investment in unquoted shares in Malaysia.

Notes to the Accounts (Cont'd)

30 September 1999

13. DEFERRED EXPENDITURE

	GROUP		COMPANY	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Cost	12,408	11,587	4,919	4,919
Less: Amortisation	(10,794)	(5,004)	(3,794)	(3,048)
	1,614	6,583	1,125	1,871

14. STOCKS

	GROUP	
	1999 RM'000	1998 RM'000
Containers	46,781	48,243
Raw material	64,395	111,445
Manufactured stocks	86,341	77,404
Packaging materials	19,110	11,335
Engineering and other stocks	46,789	47,288
	263,416	295,715
Less: provision for obsolescence	(37,812)	(33,207)
	225,604	262,508

15. TRADE DEBTORS

	GROUP	
	1999 RM'000	1998 RM'000
Trade debtors	219,849	242,263
Less: provision for doubtful debts	(17,077)	(20,650)
	202,772	221,613

16. HOLDING AND RELATED COMPANIES

The holding company is Fraser and Neave Limited ("F&N Ltd"), a company incorporated in the Republic of Singapore, which is also the ultimate holding company. Related companies in these accounts refer to companies of the F&N Ltd group of companies. The amounts due from/(to) related companies are trade in nature and non-interest bearing.

Notes to the Accounts (Cont'd)

30 September 1999

17. FIXED DEPOSITS

	GROUP		COMPANY	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Fixed deposits with:-				
– Local banks	29,336	48,810	8,938	23,536
– Foreign banks	6,020	5,106	–	–
	35,356	53,916	8,938	23,536

18. OTHER CREDITORS

	GROUP		COMPANY	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Accrued interest	1,375	883	–	334
Deposits on containers	13,533	13,274	–	–
Accrued expenses	19,448	15,335	745	550
Sundry deposits	13,745	7,031	–	–
Excise duty and sales tax payable	4,502	1,514	–	–
Staff costs payable	8,798	5,672	–	–
Other payables	29,849	26,913	1,250	39
	91,250	70,622	1,995	923

19. BORROWINGS

	GROUP		COMPANY	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Repayable within one year:-				
Secured				
(a) Bank overdraft	522	–	–	–
Unsecured				
(b) Bank overdrafts and loans	345,388	272,010	–	–
(c) 5% Bonds 1993	–	39,887	–	39,887
	345,910	311,897	–	39,887

Notes to the Accounts (Cont'd)

30 September 1999

19. BORROWINGS (Cont'd.)

	GROUP		COMPANY	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Repayable after one year but not later than five years:-				
Unsecured				
(d) 0.75% Bonds 1996	250,000	250,000	250,000	250,000
(b) Bank loans	-	52,375	-	-
	250,000	302,375	250,000	250,000

(a) The overdraft is charged on the fixed deposit of a subsidiary company and bears interest of 11.6% per annum.

(b) Included in the Group bank overdrafts and loans are the following:-

- (i) A term loan of RM2.375 million (USD625,000) of a subsidiary company in Vietnam, which is guaranteed by the Company and subordinated by all existing and future loans to be extended by the Company to this subsidiary company. This loan bears interest at an average rate of 6.40% (1998: 7.20 %) per annum and is repayable within 4 years.
- (ii) A term loan of RM50 million from an institution which bears interest at 10.2% (1998: 10.2%) per annum and is repayable in one lump sum after two years from the date of drawdown.

The remaining borrowings bear interest at rates ranging from 3.25% to 10.4% (1998: 7.0% to 14.0%) per annum.

(c) The 5% Bonds 1993 were issued on 8 December 1993. During the year, these bonds were redeemed on maturity.

(d) The RM250,000,000 0.75% Bonds 1996 were issued on 21 May 1996. These bonds are redeemable and are constituted under a Trust Deed dated 26 March 1996. They are also listed on the Kuala Lumpur Stock Exchange. The mandatory redemption of the bonds at their principal amount is on 20 May 2001. Prior to that date, the Company may purchase the bonds in the open market and may, at its option, retain, sell, cancel or otherwise deal with them.

Notes to the Accounts (Cont'd)

30 September 1999

20. DEFERRED TAXATION

	GROUP	
	1999 RM'000	1998 RM'000
The deferred taxation arose as a result of:-		
Excess of net book value over tax written down value of:-		
– Fixed assets	24,370	25,198
– Container stocks	1,368	1,368
Provision, expenses and income taken to tax in different year	(5,391)	(3,379)
Tax effect on revaluation surplus	5,106	5,106
Unabsorbed capital allowances	(6,405)	(6,147)
	19,048	22,146

21. CAPITAL COMMITMENT

	GROUP		COMPANY	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Amount approved and contracted for	79,460	87,215	79,000	79,000
Amount approved but not contracted for	29,922	22,043	–	–
	109,382	109,258	79,000	79,000

22. SIGNIFICANT RELATED COMPANY TRANSACTIONS

	GROUP		COMPANY	
	1999 RM'000	1998 RM'000	1999 RM'000	1998 RM'000
Related companies				
– Sales	(48,811)	(58,740)	–	–
– Purchases	19,667	2,118	–	–
– Management fee	2,400	2,400	–	–
– Royalties	8,769	12,806	–	–
Subsidiary companies				
– Interest	–	–	(6,053)	(11,246)
– Dividend	–	–	(6,028)	(8,500)

These transactions are based on terms determined on a commercial basis. At the year end, the balances unpaid were within normal trade credit terms.

Notes to the Accounts (Cont'd)

30 September 1999

23. ANALYSIS OF LIABILITIES AND DEBTS PAYABLE BY/(TO) THE COMPANY AND THE GROUP

	GROUP			COMPANY		
	Not later than two years RM'000	Later than two years but not later than five years RM'000	Later than five years RM'000	Not later than two years RM'000	Later than two years but not later than five years RM'000	Later than five years RM'000
Liabilities payable						
30/9/99						
Creditors	196,815	—	—	1,995	—	—
Borrowings	345,910	—	—	—	—	—
Bonds	250,000	—	—	250,000	—	—
Taxation	21,744	—	5,105	683	—	—
Retirement benefits	—	—	33,587	—	—	—
Related companies	69,122	—	—	43,786	—	—
Proposed dividend	3,755	—	—	3,755	—	—
	887,346	—	38,692	300,219	—	—
Liabilities payable						
30/9/98						
Creditors	196,533	—	—	923	—	—
Borrowings	324,385	—	—	—	—	—
Bonds	39,887	250,000	—	39,887	250,000	—
Taxation	30,586	—	5,106	3,278	—	—
Retirement benefits	—	—	31,467	—	—	—
Related companies	86,055	—	—	39,044	—	—
	677,446	250,000	36,573	83,132	250,000	—
Debts receivable						
30/9/99						
Debtors	224,286	—	—	4,988	—	—
Related companies	9,122	—	—	75,398	—	—
	233,408	—	—	80,386	—	—
30/9/98						
Debtors	255,331	—	—	3,810	—	—
Related companies	21,139	—	—	172,302	—	—
	276,470	—	—	176,112	—	—

Notes to the Accounts (Cont'd)

30 September 1999

24. SUBSIDIARY AND ASSOCIATED COMPANIES

The details of the subsidiary and associated companies are as follows:-

Name of Company	Place of Incorporation	Principal Activities	Equity Interest Held	
			1999 %	1998 %
Malaya Glass Products Sdn Bhd	Malaysia	Manufacture and sale of glass containers	100	100
Malaya-Vietnam Glass Limited	Vietnam	Manufacture and sale of glass containers	70	70
Fraser & Neave (Malaya) Sdn Bhd	Malaysia	Management services and property investment holdings	100	100
F&NCC Beverages Sdn Bhd	Malaysia	Manufacture of soft drinks	90	90
F&N Coca-Cola (Malaysia) Sdn Bhd	Malaysia	Distribution of soft drinks	90	90
F&N Dairies (Malaysia) Sdn Bhd	Malaysia	Distribution of dairy products	100	100
Premier Milk (Malaya) Sdn Berhad	Malaysia	Manufacture of dairy products	75	75
F&N Foods Sdn Bhd	Malaysia	Manufacture of dairy products	100	100
Four Eights Sdn Bhd	Malaysia	Dormant	100	100
Wimanis Sdn Bhd	Malaysia	Dormant	100	100
Harmonic Fairway Sdn Bhd	Malaysia	Dormant	25	25

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

