

GUINNESS ANCHOR BERHAD

(Company No. 5350X)
(Incorporated in Malaysia)

QUARTERLY FINANCIAL REPORT ON CONDENSED CONSOLIDATED RESULTS FOR THE FINANCIAL YEAR ENDING 30 JUNE 2006

The Board of Directors of Guinness Anchor Berhad wishes to announce the unaudited results of the Group for the first quarter ended 30 September 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 30/09/2005 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2004 RM'000	CURRENT YEAR TO DATE 30/09/2005 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/09/2004 RM'000
1. Revenue	304,632	282,407	304,632	282,407
2. Operating expenses	254,759	242,228	254,759	242,228
3. Other operating income	733	611	733	611
4. Profit/(loss) from operations	50,606	40,790	50,606	40,790
5. Finance cost	92	132	92	132
6. Profit/(loss) before taxation	50,514	40,658	50,514	40,658
7. Taxation	14,179	11,351	14,179	11,351
8. Profit/(loss) after tax	36,335	29,307	36,335	29,307
9. Net profit/(loss) for the period	36,335	29,307	36,335	29,307
10. Net profit/(loss) attributable to members of the company	36,335	29,307	36,335	29,307
11. Earnings per share :				
(a) Basic (based on 302,098,000 stock units) (sen)	12.03	9.70	12.03	9.70
(b) Fully diluted (based on stock units) (sen)	N/A	N/A	N/A	N/A
	AS AT END OF CURRENT QUARTER 30/09/2005		AS AT PRECEDING FINANCIAL YEAR END 30/06/2005	
12. Net tangible assets per share (RM)		1.20		1.08

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 30th June 2005)

GUINNESS ANCHOR BERHAD
(Company No. 5350X)

CONDENSED CONSOLIDATED BALANCE SHEETS

	AS AT END OF CURRENT QUARTER 30/09/2005 RM'000	AS AT PRECEDING FINANCIAL YEAR END 30/06/2005 RM'000
1. Property, Plant and Equipment	228,477	225,782
2. Deferred tax assets	3,566	3,566
	<u>232,043</u>	<u>229,348</u>
3. Current Assets		
Inventories	32,490	35,982
Trade and Other Receivables	199,093	99,634
Cash and Cash Equivalent	89,551	131,775
	<u>321,134</u>	<u>267,391</u>
4. Current Liabilities		
Trade and Other Payables	130,644	115,369
Taxation	26,746	21,918
	<u>157,390</u>	<u>137,287</u>
5. Net Current Assets	<u>163,744</u>	<u>130,104</u>
	<u>395,787</u>	<u>359,452</u>
6. Shareholders' Funds		
Share Capital	151,049	151,049
Reserves		
Capital Reserve	4,646	4,696
Retained Profit	208,092	171,707
	<u>363,787</u>	<u>327,452</u>
7. Deferred Tax Liabilities	<u>32,000</u>	<u>32,000</u>
	<u>395,787</u>	<u>359,452</u>
8. Net tangible assets per share (sen)	120	108

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 30th June 2005)

GUINNESS ANCHOR BERHAD
(Company No. 5350X)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2005**

	3 MONTHS ENDED 30/09/2005 RM'000	PRECEDING YEAR CORRESPONDING 3 MONTHS ENDED 30/09/2004 RM'000
Cash flows from operating activities		
Profit before taxation	50,514	40,658
Adjustments for:		
Depreciation	6,609	6,693
(Gain)/Loss on disposal of property, plant and equipment	(1,401)	(90)
Interest expense	92	132
Interest income	(733)	(611)
Operating profit before working capital changes	55,081	46,782
(Increase)/Decrease in working capital		
Inventories	3,492	8,828
Trade and other receivables	(99,459)	(106,952)
Trade and other payables	15,274	7,266
Cash generated from operations	(25,612)	(44,076)
Taxation paid	(9,350)	(10,315)
Interest paid	(92)	(132)
Net cash generated from operating activities	(35,054)	(54,523)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	1,446	90
Purchase of property, plant and equipment	(9,349)	(6,059)
Interest received	733	611
Net cash (used in) investing activities	(7,170)	(5,358)
Cash flows from financing activity		
Dividends paid	-	-
Borrowings	-	-
Net cash used in financing activity	-	-
Net change in cash and cash equivalents	(42,224)	(59,881)
Cash and cash equivalents at beginning of year	131,775	115,009
Cash and cash equivalents at end of period	89,551	55,128

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 30th June 2005)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2005**

	Share Capital RM'000	<i>Non- Distributable</i> Capital Reserve RM'000	<i>Distributable</i> Retained Profits RM'000	Total RM'000
<u>3 months period ended</u> <u>30 September 2005</u>				
Balance at 1 July 2005	151,049	4,696	171,707	327,452
Net gains and losses not recognised in the income statement :				
Foreign exchange translation	-	(50)	50	-
Profit after taxation	-	-	36,335	36,335
Dividends	-	-	-	-
Balance at 30 September 2005	151,049	4,646	208,092	363,787
<u>3 months period ended</u> <u>30 September 2004</u>				
Balance at 1 July 2004	151,049	4,619	154,445	310,113
Net gains and losses not recognised in the income statement :				
Foreign exchange translation	-	62	(62)	-
Profit after taxation	-	-	29,307	29,307
Dividends	-	-	-	-
Balance at 30 September 2004	151,049	4,681	183,690	339,420

**(The Condensed Consolidated Statement of Changes in Equity should be read in
conjunction with the Annual Financial Report for the year ended 30th June 2005)**

Notes:

1. Accounting Policies

The interim financial report has been prepared in accordance with Malaysian Accounting Standards Board ('MASB') Standard 26 "Interim Financial Reporting" and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group's audited financial statements for the year ended 30 June 2005.

The accounting policies and methods of computation adopted by the Group for the interim financial report are consistent with those adopted in the financial statements for the year ended 30 June 2005.

2. Subsequent Status Arising From Preceding Qualified Annual Financial Statements

The Group's preceding annual financial statements have not been qualified.

3. Seasonal or Cyclical Factors

The business operations of the Group are generally affected by festive seasons.

4. Exceptional Items

There were no exceptional items for the current financial quarter under review.

5. Changes in Estimates

There were no estimates of amount reported in prior financial year.

6. Changes in Share Capital

There were no issuance and repayment of debt or any movement in share capital for the current financial quarter under review.

7. Dividends Paid

No dividends were paid during the financial quarter ended 30 September 2005.

8. Segmental Reporting

There was no segmental analysis prepared as the Group operated solely in the brewing industry involving production, packaging, marketing and distribution of its products principally in Malaysia. Approximately 2% of the total sales are exports, mainly to South East Asian countries based on location of customers.

9. Property, Plant and Equipment Valuation

There were no changes in the valuation of property, plant and equipment for the current financial quarter under review.

10. Events Subsequent to the End of the Period

Between the end of the first quarter and the date of this announcement, there has not been any item, transaction or event of a material and unusual nature which, in the opinion of the Directors is likely to affect substantially the results of the operations of the Group for the first quarter ended 30 September 2005.

11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial quarter under review including business combination, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

12. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets as at date of this report.
(see also Note 25 below).

13. Capital Commitments

Capital commitments not provided for in the financial statements as at 30 September 2005 are as follows:

	RM'000
Property, plant and equipment	
Authorised but not contracted for	9,717
Authorised and contracted for	10,465
	<u>20,182</u>

14. Significant Related Party Transaction

As at the end of the current period under review, the Group has entered into/or completed the following Significant Related Party Transactions:

	Diageo plc and its related companies RM'000	F & N and its related companies APB Group RM'000	Other F&N Companies RM'000	Heineken and its related companies RM'000
Purchase of goods	5,075	119	4,210	45
Sale of product	2,112	-	22	1,172
Royalties payable	889	1,602	-	320
Marketing and technical services payable	1,481	-	-	56
				<u>56</u>

All Related Party Transactions had been entered into in the ordinary course of business that had been undertaken on normal commercial terms. These transactions are within the ambit of the general mandate approved by the shareholders of the Company on 8 November 2005.

15. Review of Performance

Group revenue for the 1st Quarter ended 30 September 2005 increased by RM22.2 million or 7.9% as compared to the corresponding period last year. This was driven mainly by the substantial domestic price increase following the Malaysian Government's imposition of about 26.0% excise duty in the 2004 Budget in September last year.

Group profit before tax for the same quarter was higher at RM50.5 million compared to RM40.7 million in the corresponding quarter 2004.

In its September 2005 Budget, the Malaysian Government while reducing Sales Tax from 20.0% to 5.0%, at the same time, increased Excise Duty by 23% to RM740 per hl and introduced a new item in the form of ad Valorem at the rate of 15.0%. The net effect is a tax increase (excise duties and sales tax) of about 9.0% on all beer and stouts. It is a further blow to the Industry which has yet to recover from the previous high increase in excise duties. The full impact of the resultant price increase as a result of the new tax impositions is not reflected in the above results.

It is pertinent to note that at present, the duties on beer in Malaysia are the second highest in the world after Norway.

16. Comparison of Results with Preceding Quarter

Group revenue for the current quarter under review improved substantially by RM123.0 million from RM181.6 million in the previous quarter to RM304.6 million, mainly attributable to the significantly high sales volume achieved from heavy pre-fiscal budget trade speculation in September.

Profit before tax for the Group improved by RM20.5 million or 68.2% compared to the previous quarter.

17. Prospects

The imposition of taxes by the Malaysian Government on beer and stout market in the last two consecutive Budgets in 2004 and 2005 have driven up the domestic prices for these products by about 32.0%. The full impact of these price increases on the overall consumption of the local duty paid beer and stout would be more evident in 2006.

Smuggled beer particularly in the East Malaysian states, a perennial problem plaguing the Industry despite Government's efforts to curb the activities, is expected to become even worse as a result of the widening price differential between duty-free and duty-paid products. This, unfortunately, will have a continuing significant negative impact on the Industry's turnover and profitability and the Malaysian Government's substantial revenue.

Overall, Industry margin will come under increasing pressure as a consequence of the intense competition that is expected to prevail in the market. Hence, the Group expects an unprecedented challenging time to ensure its results are maintained at a satisfactory level in the years ahead.

18. Variance from Profit Forecast

No profit forecast was issued during the financial quarter under review.

19. Taxation

Taxation in respect of the current financial period comprises the following:

	Current Year Quarter 30/09/2005 RM'000	Current Year to date 30/09/2005 RM'000
Taxation		
Malaysian - current	14,179	14,179
- prior year	-	-
	<u>14,179</u>	<u>14,179</u>
Deferred taxation		
Malaysian - current	-	-
- prior year	-	-
	<u>-</u>	<u>-</u>
	<u>14,179</u>	<u>14,179</u>

The Group's effective tax rate for the current financial quarter under review is in line with the statutory tax rate.

20. Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments or properties for the current financial quarter under review.

21. Quoted Securities

There were no purchases or disposal of quoted securities for the current financial quarter under review.

22. Status of Corporate Proposals

There was no corporate proposal announced but not completed at the date of this report.

23. Group Borrowings and Debt Securities

There were no borrowings or debt securities as at 30 September 2005.

24. Off Balance Sheet Financial Instruments

Forward Foreign Exchange Contracts

Forward foreign exchange contracts are used as hedges by the Group in currencies other than the functional currency to manage exposure to fluctuations in foreign exchange risk. Under the Group accounting policies, foreign currency transactions that are hedged by forward foreign exchange contracts are booked in at the contracted rates. Foreign currency monetary assets and liabilities which are not hedged are translated at exchange rates ruling at balance sheet date.

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As at 1st November 2005, the notional amount of forward foreign exchange contracts that were entered into by the Group to hedge its foreign purchases were RM16.3 million. The settlement dates of these forward contracts range between 1 and 6 months.

There is minimal credit and market risk as the above forward contracts are executed with creditworthy financial institutions. The Group is of the view that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

25. Material Litigation

Save and except as disclosed in previous quarterly result announcements and where applicable as disclosed in the audited financial statements of the Company or its Subsidiary Companies, neither the Company nor any of its Subsidiaries is engaged in any other material litigation either as Plaintiff or as Defendants as of the date of this report.

26. Dividend

The Board of Directors does not recommend any dividends to be paid in respect of the quarter ended 30 September 2005.

27. Earnings Per Share**(a) Basic Earnings Per Share**

Basic earnings per share for the period is calculated by dividing the net profit attributable to the shareholders of RM36,335,000 by the weighted average number of ordinary shares outstanding as at 30 September 2005 of 302,098,000.

(b) Diluted Earnings Per Share

Not Applicable.

On Behalf of the Board

Theo A F de Rond
Managing Director

9 November 2005
