

GUINNESS ANCHOR BERHAD

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



QUARTERLY FINANCIAL REPORT ON CONDENSED CONSOLIDATED RESULTS FOR THE FINANCIAL YEAR ENDING 30 JUNE 2007

The Board of Directors of Guinness Anchor Berhad wishes to announce the unaudited results of the Group for the second quarter ended 31 December 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 MONTHS ENDED		6 MONTHS ENDED	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
	RM'000	RM'000	RM'000	RM'000
1. Revenue	247,728	254,863	557,736	559,495
2. Operating expenses	214,462	213,793	473,361	468,552
3. Other operating income	771	494	1,212	1,227
4. Profit/(loss) from operations	34,037	41,564	85,587	92,170
5. Finance cost	95	100	190	192
6. Profit/(loss) before taxation	33,942	41,464	85,397	91,978
7. Taxation	9,536	11,552	23,918	25,731
8. Profit/(loss) after tax	24,406	29,912	61,479	66,247
9. Net profit/(loss) for the period	24,406	29,912	61,479	66,247
10. Profit/(Loss) attributable to equity holders of the parent	24,406	29,912	61,479	66,247
11. Earnings per share :				
(a) Basic (based on 302,098,000 stock units) (sen)	8.08	9.90	20.35	21.93
(b) Fully diluted (based on stock units) (sen)	N/A	N/A	N/A	N/A

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 30th June 2006)

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CONDENSED CONSOLIDATED BALANCE SHEETS

	Note	AS AT END OF CURRENT QUARTER 31/12/2006 RM'000	AS AT PRECEDING FINANCIAL YEAR END 30/06/2006 RM'000
Non-current assets			
Property, plant and equipment	1	200,913	209,446
Prepaid lease payment	1	14,497	14,625
Intangible assets	1	3,936	4,343
Deferred tax assets		3,971	3,971
		<u>223,317</u>	<u>232,385</u>
Current assets			
Inventories		76,212	39,093
Trade and other receivables		188,595	128,955
Cash and cash equivalents		55,843	119,531
Tax recoverable		-	895
		<u>320,650</u>	<u>288,474</u>
Current liabilities			
Trade and other payables		143,103	122,919
Taxation		5,258	735
		<u>148,361</u>	<u>123,654</u>
Net current assets/(liabilities)		<u>172,289</u>	<u>164,820</u>
		<u>395,606</u>	<u>397,205</u>
Financed by:			
Capital and reserves			
Share capital		151,049	151,049
Reserves			
Capital reserve		4,789	4,799
Retained Profit		206,858	208,447
Shareholders' funds		<u>362,696</u>	<u>364,295</u>
Non-current liabilities			
Deferred tax liabilities		32,910	32,910
		<u>395,606</u>	<u>397,205</u>
Net Assets per share attributable to equity holders of the parent (RM)		<u>1.20</u>	<u>1.21</u>

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 30th June 2006)

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2006**

	6 MONTHS ENDED	
	31/12/2006	31/12/2005
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	85,397	91,978
Adjustments for:		
Depreciation and amortisation	14,053	13,180
Net (gains)/loss on disposal of property, plant and equipment	(799)	(1,460)
Interest expense	190	192
Interest income	(1,212)	(1,227)
Operating profit before working capital changes	97,629	102,663
(Increase)/Decrease in working capital		
Inventories	(37,119)	(13,655)
Trade and other receivables	(59,640)	(131,162)
Trade and other payables	20,184	41,660
Cash generated from operations	21,054	(494)
Taxation paid	(18,500)	(18,600)
Interest paid	(190)	(192)
Net cash generated from/(used in) operating activities	2,364	(19,286)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	874	1,511
Purchase of property, plant and equipment	(5,060)	(17,917)
Interest received	1,212	1,227
Net cash used in investing activities	(2,974)	(15,179)
Cash flows from financing activity		
Dividends paid	(63,078)	(63,078)
Borrowings	-	15,400
Net cash used in financing activity	(63,078)	(47,678)
Net change in cash and cash equivalents	(63,688)	(82,143)
Cash and cash equivalents at beginning of year	119,531	131,775
Cash and cash equivalents at end of period	55,843	49,632

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 30th June 2006)

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2006**

	Attributable to equity holders of the parent			Total RM'000
	Share Capital RM'000	<i>Non- Distributable</i> Capital Reserve RM'000	<i>Distributable</i> Retained Profits RM'000	
<u>6 months period ended</u> <u>31 December 2006</u>				
Balance at 1 July 2006	151,049	4,799	208,447	364,295
Net gains and losses not recognised in the income statement :				
Foreign exchange translation	-	(10)	10	-
Profit after taxation	-	-	61,479	61,479
Dividends	-	-	(63,078)	(63,078)
Balance at 31 December 2006	151,049	4,789	206,858	362,696
<u>6 months period ended</u> <u>31 December 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	-	33	(33)	-
Profit after taxation	-	-	66,247	66,247
Dividends	-	-	(63,078)	(63,078)
Balance at 31 December 2005	151,049	4,729	174,843	330,621

**(The Condensed Consolidated Statement of Changes in Equity should be read in
conjunction with the Annual Financial Report for the year ended 30th June 2006)**

Notes:

1. Accounting Policies

The interim financial report has been prepared in accordance with the Malaysian Financial Reporting Standards ("FRS") FRS 134 "Interim Financial Reporting" (previously known as MASB 26) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group's annual audited financial statements for the year ended 30 June 2006.

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 2006 except for the adoption of the new Financial Reporting Standards ("FRS") issued by MASB that are effective for the Group's annual reporting for the year ending 30 June 2007.

A summary of the main impact on the Group's accounting policies and comparative numbers as at 30 June 2006 resulting from the adoption of the new or revised standards has been reported in the first quarter announcement of the current financial year.

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

	6 Months Ended 31 December	
	2006	2005
	RM'000	RM'000
<u>Final Paid</u>		
2006 – 29 sen per share less income tax @ 28%	63,078	
(2005 – 29 sen per share less income tax @ 28%)		63,078

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 second 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 second quarter ended 31 December 2006.

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 31 December 2006 are as follows:

	<u>RM'000</u>
Property, plant and equipment	
Authorised but not contracted for	1,731
Authorised and contracted for	<u>6,983</u>
	<u>8,714</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	11,842	-	9,832	597
Sale of product	4,763	-	38	4,077
Royalties payable	2,466	2,786	-	805
Marketing and technical services payable	1,332	-	-	73
Marketing fees receivable	-	760	-	475

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 7 November 2006.

15. Review of Performance

Group revenue for the 2nd Quarter ended 31 December 2006 decreased by RM7.1 million or 2.8% as compared to the corresponding period last year mainly due to a late Chinese New Year. Group profit before tax for the same quarter was lower at RM33.9 million compared to RM41.5 million in the corresponding quarter 2005.

For the 6 months ended 31 December 2006, Group revenue reduced marginally by 0.3% to RM557.7 million from RM559.5 million in the corresponding period last year. Profit before tax was lower by RM6.6 million or 7.2%.

16. Comparison of Results with Preceding Quarter

Group revenue for the current quarter under review decreased by RM62.3 million from RM310.0 million in the previous quarter to RM247.7 million, mainly contributed by lower sales volume following the heavy pre-fiscal budget speculation sales in the previous quarter. Profit before tax for the Group decreased by RM17.5 million or 34.0% compared to the previous quarter.

17. Prospects

Overall, industry volume has not recovered from the impact of the consecutive significant duty increases imposed by the Malaysian Government in the last 3 years. Competition is expected to remain intense. Consequently, industry margins will come under severe downward pressure.

No let up is anticipated in smuggled beer continuing to make inroads, despite the Royal Customs recent success in confiscating illegally imported beer.

The Group remains committed to delivering satisfactory overall results for the financial year ending 30 June 2007.

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 31/12/2006 RM'000	Current Year to date 31/12/2006 RM'000
Taxation		
Malaysian - current	9,536	23,918
- prior year	-	-
	<u>9,536</u>	<u>23,918</u>
Deferred taxation		
Malaysian - current	-	-
- prior year	-	-
	<u>-</u>	<u>-</u>
	<u>9,536</u>	<u>23,918</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 31 December 2006.

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

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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.

As at 15th February 2007, the notional amount of forward foreign exchange contracts that were entered into by the Group to hedge its foreign purchases were RM3.5 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 Defendant as of the date of this report.

26. Dividend

The Board has declared an interim dividend of 13 sen gross per 50 sen stock unit, less income tax at 27% (2005 – 13 sen gross per 50 sen stock unit, less income tax at 28%), payable on **18 May 2007** to stockholders registered at the close of business on 7 May 2007. The entitlement date shall therefore be 7 May 2007.

Net dividend payable to stockholders will be at 9.49 sen per 50 sen stock unit (2006 – 9.36 sen per 50 sen stock unit).

A Depositor shall qualify for entitlement only in respect of:

- (a) Shares deposited into the Depositor's securities account before 12.30 p.m. on 3 May 2007 (in respect of shares which are exempted from mandatory deposit),
- (b) Shares transferred into the Depositor's securities account before 4.00 p.m. on 7 May 2007 in respect of ordinary transfers; and
- (c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

Total dividend for the current financial period amounted to 13 sen gross per 50 sen stock unit, less income tax at 27%.

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 RM61,479,000 by the weighted average number of ordinary stock units outstanding as at 31 December 2006 of 302,098,000.

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(b) Diluted Earnings Per Share

Not Applicable.

On Behalf of the Board

Theo A F de Rond
Managing Director

26 February 2007
