



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

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For immediate release

INTERIM FINANCIAL REPORT

Quarter 4 : Financial Year Ending 30 September 2006

The Directors are pleased to release the interim financial report for the three months ended 30th September 2006 being the fourth quarter for the financial year 2005/2006.

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 2005:

- 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 and contained additional disclosures prescribed by the BURSA MALAYSIA. 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
7 November 2006

Schedule A : Condensed Consolidated Income Statement

For the year ended 30 September 2006

RM'000	Individual 4th Quarter			Audited Cumulative 4th Quarter		% chg
	30/9/2006	30/9/2005	% chg	30/9/2006	30/9/2005	
Revenue	490,185	481,140	1.9%	1,943,630	1,935,106	0.4%
Operating profit	51,863	48,931	6.0%	193,741	182,855	6.0%
Interest expense	(715)	(1,034)		(3,451)	(4,369)	
Interest income	1,308	1,118		3,896	5,265	
Profit before taxation (PBT)	52,456	49,015	7.0%	194,186	183,751	5.7%
Taxation	(7,364)	(12,060)		(40,604)	(44,461)	
Profit after taxation (PAT)	45,092	36,955	22.0%	153,582	139,290	10.3%
Minority interest	(2,544)	(1,302)		(10,755)	(7,340)	
Net profit	42,548	35,653	19.3%	142,827	131,950	8.2%
Basic earnings per share (sen)	11.9	10.0		40.1	37.0	

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 2005.

Schedule B : Condensed Consolidated Balance Sheet

As at 30 September 2006

RM'000	30/9/2006 <i>(audited)</i>	30/9/2005 <i>(audited)</i>
Property, plant & equipment	724,854	730,828
Current assets		
Property under development	70,408	36,334
Inventories	297,093	316,623
Receivables	404,894	411,209
Cash and cash equivalents	242,202	202,491
	1,014,597	966,657
Less : Current liabilities		
Payables	381,871	360,128
Borrowings	18,766	33,721
Provision for taxation	6,155	10,390
	406,792	404,239
Net current assets	607,805	562,418
	1,332,659	1,293,246
Share capital & Reserves	1,115,344	1,084,870
Minority interest	122,902	107,351
Non current liabilities		
Borrowings	16,940	23,261
Other liabilities	77,473	77,764
	94,413	101,025
	1,332,659	1,293,246
Net tangible assets per share (RM)	3.13	3.04

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 2005.

Schedule C : Condensed Consolidated Cash Flow Statement

For the year ended 30 September 2006

RM'000	Audited Cumulative 4 th Quarter	
	30/9/2006	30/9/2005
Operating activities		
Operating profit	193,741	182,855
Add non-cash : Depreciation & others	89,500	93,675
Changes in working capital & provisions	59,741	(147,181)
Tax paid	(52,530)	(36,400)
Exchange Difference	842	(276)
Net cash flows from operating activities	291,294	92,673
Investing activities		
Interest income	3,896	5,265
Capital expenditure	(105,986)	(66,974)
Acquisition of subsidiary	(15,229)	(1,940)
Net cash flows from investing activities	(117,319)	(63,649)
Financing activities		
Interest expenses	(3,451)	(4,369)
Repayment of bank borrowings	(21,276)	(10,821)
Dividend	(123,693)	(107,777)
Additional equity by minority shareholder	14,156	4,853
Net cash flows from financing activities	(134,264)	(118,114)
Net change in cash & cash equivalents	39,711	(89,090)
Cash & cash equivalents at beginning of year	202,491	291,581
Cash & cash equivalents at end of year	242,202	202,491

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 2005.

Schedule D : Condensed Consolidated Statement of Changes in Equity

For the year ended 30 September 2006

RM'000	Share Capital	Capital Reserve	Revenue Reserve	Total
<i>At 1 October 2005</i>	356,493	421,144	307,233	1,084,870
Net profit for the period	-	-	142,827	142,827
Dividend				
-Final in respect of prior year	-	-	(71,869)	(71,869)
-Interim	-	-	(41,068)	(41,068)
Foreign exchange difference	-	371	213	584
<i>At 30 September 2006</i>	356,493	421,515	337,336	1,115,344
<i>At 1 October 2004</i>	356,493	420,691	273,030	1,050,214
Net profit for the year	-	-	131,950	131,950
Dividend				
-Final in respect of prior year	-	-	(61,602)	(61,602)
-Interim	-	-	(35,935)	(35,935)
Foreign exchange difference	-	453	(210)	243
<i>At 30 September 2005</i>	356,493	421,144	307,233	1,084,870

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 2005.

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 FRS 134:Interim Financial Reporting and paragraph 9.22 of Listing Requirements of the Bursa Malaysia. Except for the Group has applied the transitional provision allowed by FRS 3 Business Combination, by virtue of which the reserve on consolidation arises on 1 January 2006 and after is recognised immediately in the consolidated income statement.
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 cyclicity 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.
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.
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 property/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 4th Quarter</u>	Revenue		Operating profit	
	2006	2005	2006	2005
RM'000				
Soft drinks	961,458	1,006,588	101,361	111,783
Dairy products	600,677	578,204	40,851	39,364
Glass packaging	314,025	280,572	26,394	14,655
Property/Others	67,470	69,742	25,135	17,053
	<u>1,943,630</u>	<u>1,935,106</u>	<u>193,741</u>	<u>182,855</u>

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 except for the following transactions:
- I) Proposed acquisition by F&N Dairies (as described below) of the canned liquid milk and chilled dairy and juice production assets from Nestle (Thai) Limited and Nestle Dairy (Thailand) Limited respectively;
 - II) Proposed acquisition by LSM Ltd (as described below) of the "TEA POT" brand from Societe des Produits Nestle S.A.; and
 - III) Proposed acquisition by the Company of the remaining 6,000,000 ordinary shares of RM1 each in Premier Milk (Malaya) Sdn Bhd currently a subsidiary company, of the Company, from Nestle S.A..

Collectively the proposed acquisitions are known as "Project Arolys". Please refer to Bursa's announcement dated 16 October 2006 for details.

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 except for the acquisition of shares in Borneo Springs Sdn Bhd ("BSSB") formerly known as Sime Oleander Sdn Bhd and its subsidiaries, which was announced on 12 April 2006. Following completion of the acquisition, the Group now owns 95% of BSSB.

Subsequent to the financial year, on 3 October 2006, the Company incorporated a wholly owned subsidiary company in Thailand namely, F&N Dairies (Thailand) Limited ("F&N Dairies"). The registered share capital of F&N Dairies is Baht 100,000 comprising 1,000 shares of Baht 100 each of which Baht 100,000 has been fully paid.

On 13 October 2006, the company acquired two wholly owned companies, namely Arolys Singapore Pte Ltd ("Arolys") and Lion Share Management Limited ("LSM Ltd"), respectively, in Singapore and the British Virgin Islands. Both companies have issued share capital of One Singapore Dollar and One USD Dollar respectively, fully paid.

These companies were incorporated or acquired for the purpose of "Project Arolys" as mentioned in note 10 above.

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.

Schedule E : Selected Explanatory Notes (cont'd)

14. Capital commitments

The outstanding capital commitments at the end of the current quarter are as follows:-

RM'000	30/9/06
Property, plant and equipment	
Approved and contracted for	95,631
Approved and not contracted for	42,704
	<u>138,335</u>

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

1. Operations review

Revenue for the quarter improved by 2% compared to the corresponding period last year. Growth in soft drinks (+2%), dairies (+7%) and glass (+30%) were offset by a decline in the property division due to the timing of revenue recognition of the Fraser Park development. The improvement in the glass operations came mainly from the encouraging 36% sales growth recorded in China while the growth in soft drinks came in preparation for the Hari Raya this year.

Group operating profit for the quarter was 6% higher than last year mainly due to the better performance in the glass division.

For the full year, the Group maintained revenue at RM1.9 billion compared to last year while operating profit of RM194 million was 6% better. The results were considered satisfactory in view of weak consumer sentiments which have affected soft drinks sales.

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

Group PBT for the quarter of RM52.5 million was 48% better than the preceding quarter. Better performance in both soft drinks (volume push ahead of Hari Raya in October) and dairies division contributed to the improved results.

3. Prospects

Current year's performance has been affected by lower growth in consumer spending which has negatively impacted our soft drinks business. Consumer sentiment remains cautious due to inflationary fears while cost pressures from higher fuel, packing and raw materials will dampen margins.

Project Arolys which involves the proposed acquisition of the canned liquid milk and the chilled dairy assets in Thailand and licensing of brands from Nestle should start contributing to sales in the next financial year. It is too early to determine the full impact on profits which are dependent on the speed of integrating operations as well as rationalisation and restructuring of certain brands, products and infrastructure. Overall, we expect another challenging year ahead.

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 Quarter	Cumulative 4 th Quarter
Current	12,919	45,493
Tax over provided in previous year	(4,436)	(4,436)
Deferred tax	(1,119)	(453)
	<u>7,364</u>	<u>40,604</u>

The Group's effective tax rate in the current quarter and financial period to date is lower than the statutory rate due to 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 September 2006 are as follows:-

RM'000	Currency	Current	Non-Current
Unsecured Term Loan	USD	2,226	-
Secured Term Loan	Renminbi	16,540	16,940
		<u>18,766</u>	<u>16,940</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 dividend of 28 sen gross per share (20.16 sen net) (2004: 24 sen gross (17.28 sen net)) amounting to RM71.9 million in respect of the financial year ended 30 September 2005 and an interim dividend of 16 sen gross per share (11.52 sen net) (2005: 14 sen gross per share (10.08 sen net)) in respect of the financial year ending 30 September 2006 were paid on 3 February 2006 and 5 June 2006 respectively.

The Directors are recommending a final dividend of 29 sen gross per share (21.17 sen net) (2005 : 28 sen gross (20.16 sen net)) to be approved by shareholders at the forthcoming Annual General Meeting of the Company. If approved, the total dividend for the year would be 45 sen gross per share (2005 : 42 sen) or net of tax of 32.69 sen (2005: 30.24 sen) per share.

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.