



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

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**For immediate release**

## **INTERIM FINANCIAL REPORT**

**Quarter 1 : Financial Year Ending 30 September 2007**

The Directors are pleased to release the interim financial report for the three months ended 31<sup>st</sup> December 2006 being the first quarter for the financial year 2006/2007.

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 2006:

- 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  
8 February 2007

**Schedule A : Condensed Consolidated Income Statement**

For the three months ended 31 December 2006

RM'000	First Quarter		% chg
	31/12/2006	31/12/2005	
Revenue	533,062	532,911	0.03%
Operating profit	54,666	55,931	(2.26)%
Interest expense	(523)	(1,022)	
Interest income	923	913	
Profit before taxation (PBT)	55,066	55,822	(1.35)%
Taxation	(13,292)	(13,860)	
Profit after taxation (PAT)	41,774	41,962	(0.45)%
Attributable to :			
Equity holders of the Company	38,386	38,828	
Minority interest	3,388	3,134	
	41,774	41,962	
Basic earnings per share (sen) attributable to equity holders of the Company	10.9	10.9	

*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 2006.*

**Schedule B : Condensed Consolidated Balance Sheet**

As at 31 December 2006

RM'000	31/12/2006	Restated 30/9/2006
Property, plant & equipment	657,663	670,286
Prepaid lease payments	57,400	57,480
Current assets		
Property under development	84,223	67,496
Inventories	273,699	297,093
Receivables	443,471	404,894
Cash and cash equivalents	235,267	242,202
	1,036,660	1,011,685
Less : Current liabilities		
Payables	373,352	381,871
Borrowings	14,467	18,766
Provision for taxation	5,171	6,155
	392,990	406,792
Net current assets	643,670	604,893
	1,358,733	1,332,659
Financed by:		
Share capital & Reserves	1,149,377	1,115,344
Minority interest	121,938	122,902
Total Equity	1,271,315	1,238,246
Non current liabilities		
Borrowings	11,917	16,940
Other liabilities	75,501	77,473
	87,418	94,413
Total Equity & non current liabilities	1,358,733	1,332,659
Net assets per share (RM) attributable to equity holders of the Company	3.22	3.13

*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 2006.*

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

For the three months ended 31 December 2006

RM'000	First Quarter	
	31/12/2006	31/12/2005
Operating activities		
Operating profit	54,666	55,931
Add non-cash : Depreciation & others	20,774	21,164
Changes in working capital & provisions	(48,440)	(23,411)
Tax paid	(12,910)	(11,542)
<b>Net cash flows from operating activities</b>	<b>14,090</b>	<b>42,142</b>
Investing activities		
Interest income	923	913
Capital expenditure	(12,104)	(25,153)
<b>Net cash flows from investing activities</b>	<b>(11,181)</b>	<b>(24,240)</b>
Financing activities		
Interest expenses	(523)	(1,022)
Repayment of bank borrowings	(9,321)	(8,804)
<b>Net cash flows from financing activities</b>	<b>(9,844)</b>	<b>(9,826)</b>
<b>Net change in cash &amp; cash equivalents</b>	<b>(6,935)</b>	<b>8,076</b>
Cash & cash equivalents at beginning of quarter	242,202	202,491
<b>Cash &amp; cash equivalents at end of quarter</b>	<b>235,267</b>	<b>210,567</b>

Note :

( ) denotes cash outflow

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*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 2006.*

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

For the three months ended 31 December 2006

RM'000	<-----Attributable to equity holders of the Company----->					Total Equity
	Share Capital	Share premium & Other reserves	Revenue Reserve	Total	Minority Interest	
<i>At 1 October 2006</i>						
As previously stated	356,493	421,518	337,333	1,115,344	122,902	1,238,246
Effects of adopting: FRS 3	-	(62,795)	62,795	-	-	-
<i>At 1 October 2006(restated)</i>	356,493	358,723	400,128	1,115,344	122,902	1,238,246
Profit after taxation	-	-	38,386	38,386	3,388	41,774
Dividend	-	-	-	-	(2,698)	(2,698)
Foreign exchange differences	-	(4,353)	-	(4,353)	(1,654)	(6,007)
Net income recognised directly in equity	-	(4,353)	38,386	34,033	(964)	33,069
<i>At 31 December 2006</i>	356,493	354,370	438,514	1,149,377	121,938	1,271,315
<i>At 1 October 2005</i>						
As previously stated	356,493	421,144	307,233	1,084,870	107,351	1,192,221
Effects of adopting: FRS 3	-	(62,795)	62,795	-	-	-
<i>At 1 October 2005(restated)</i>	356,493	358,349	370,028	1,084,870	107,351	1,192,221
Profit after taxation	-	-	38,828	38,828	3,134	41,962
Dividend	-	-	-	-	(2,265)	(2,265)
Foreign exchange differences	-	352	-	352	202	554
Net income recognised directly in equity	-	352	38,828	39,180	1,071	40,251
<i>At 31 December 2005</i>	356,493	358,701	408,856	1,124,050	108,422	1,232,472

*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 2006.*

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## Schedule E : Selected Explanatory Notes

### 1. Accounting Policies and method of computation

The quarterly financial statements comply with FRS 134 : Interim Financial Reporting and paragraph 9.22 of Listing Requirements of the Bursa Malaysia.

### Change in Accounting Policies and adoption of new and revised FRSs

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

FRS 2 Share-based payment  
FRS 3 Business combination  
FRS 5 Non-current assets held for sale and discontinued operations  
FRS 101 Presentation of Financial Statements  
FRS 102 Inventories  
FRS 108 Accounting Policies, Changes in Estimates and Errors  
FRS 110 Events after the Balance Sheet Date  
FRS 116 Property, Plant and Equipment  
FRS 117 Leases  
FRS 121 The Effects of Changes in Foreign Exchange Rates  
FRS 124 Related Party Disclosures  
FRS 127 Consolidated and Separate Financial Statements  
FRS 132 Financial Instruments: Disclosure and Presentation  
FRS 133 Earnings Per Share  
FRS 136 Impairment of Assets  
FRS 138 Intangible Assets

The adoption of the FRSs above does not have significant financial impact on the Company. The principal effects of the changes in accounting policies resulting from the adoption of these new/revised FRSs is discussed below:

#### a) FRS 3 : Business Combinations, FRS 136 : Impairment of Assets and FRS 138 : Intangible Assets

The adoption of FRS 3, FRS 136 and FRS 138 has resulted in a change in the accounting policy relating to purchased goodwill and its amortisation policy.

Positive goodwill acquired in a business combination is now stated at cost less any accumulated impairment losses. Goodwill is tested annually for impairment. Any impairment loss is recognised in the income statement. The adoption of these FRSs has no impact to the Group.

Negative goodwill is now recognised immediately in income statement. During the last financial year, the Group has applied the transitional provision allowed by FRS 3 to recognise reserve on consolidation during the year directly to the income statement. As a result of the adoption of FRS 3, the brought forward reserve on consolidation is now reclassified to retained profits. The comparatives have been restated and presented in the consolidated statement of changes in equity.

b) FRS 101 Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. Minority interest is now presented within total equity in the consolidated balance sheet and shown as an allocation from net profit for the period in the consolidated income statement. The movement of minority interest is also presented in the consolidated statement of changes in equity. The comparatives have been restated to conform to current period's presentation.

c) FRS 117 Leases

Prior to 1 October 2006, leasehold land was classified as property, plant and equipment and was stated at valuation less accumulated depreciation. Under FRS 117, leasehold land is classified as an operating lease unless title passes to the lessee at the end of the lease term. As a result of the adoption of FRS 117, the carrying revalued amount of leasehold land is now reclassified as prepaid lease payment and amortised over the period of its remaining lease term. As a result of the adoption of FRS 117, comparative amounts as at 30 September 2006 have been restated as follows:

	Adoption of FRS	As previously reported RM'000	Effects of reclassification RM'000	As restated RM'000
Property, plant and equipment	117	727,766	(57,480)	670,286
Prepaid lease payment	117	-	57,480	57,480

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 others. Inter-segment transactions and pricing arrangements where applicable are determined on a commercial basis. The results by segments for the quarter are as follows:

RM'000	1 <sup>st</sup> Quarter Revenue		1 <sup>st</sup> Quarter Operating profit	
	2006	2005	2006	2005
Soft drinks	270,841	305,915	32,312	36,207
Dairy products	159,371	135,574	9,715	9,122
Glass packaging	85,439	72,012	7,262	4,988
Property/Others	17,411	19,410	5,377	5,614
	<u>533,062</u>	<u>532,911</u>	<u>54,666</u>	<u>55,931</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 except for acquisition of Key Potential Sdn Bhd, a company with issued and paid up capital of RM2 which was announced on 29 January 2007.
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	31/12/06
Property, plant and equipment	
Approved and contracted for	205,718
Approved and not contracted for	44,119
	<u>249,837</u>

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

1. Operations review

Group revenue for the quarter was marginally higher compared to the same quarter last year. The improved performance in dairies (+18%) and glass (+19%) was offset by poorer soft drinks sales (-12%). Both the dairies and glass division benefited from higher volume whilst the glass business also benefited from better selling prices and product mix. Although soft drinks registered a decline in volume, it has shown encouraging improvement in quarter to quarter trending.

Group operating profit for the quarter was 2% lower than the same quarter of last year mainly due to poorer performance by the soft drinks division.

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

Group PBT for the quarter of RM55 million was 5% higher than the preceding quarter due mainly to the impact of festive sales of soft drinks.

3. Prospects

The acquisition of the liquid milk business in Thailand and Malaysia from Nestle was completed on 1<sup>st</sup> February 2007 and will contribute significantly to revenue growth. However, it is too early to determine its full impact on profitability as this will depend on the speed at achieving synergies and integration from the enlarged business.

Whilst consumer sentiments have improved in the last two quarters, surging cost of raw materials (milk powder, whey powder & crude palm oil) and packaging materials (aluminium can, tinplates & PET) are exerting significant pressure on margins.

Looking forward, management will be focused on defending margins and extracting efficiencies from an enlarged Dairies business. Overall, we expect a 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:-

	Current
RM'000	Quarter
Current	15,140
Tax under provided in previous years	44
Deferred tax	(1,892)
	<u>13,292</u>

The Group's effective tax rate in the current quarter is lower than the statutory rate due to the utilisation of reinvestment allowances and the effect of change in the statutory rate on deferred tax.

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**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.
7. Purchase and sale of quoted securities  
There were no quoted securities acquired or disposed of in the current financial quarter.
8. Status of corporate proposal  
There were no outstanding corporate proposals or new announcements made in the current financial quarter.
9. Group borrowings and debt securities  
The details of the Group's borrowings as at 31 December 2006 are as follows:-
- | RM'000            | <u>Currency</u> | <u>Current</u> | <u>Non-Current</u> |
|-------------------|-----------------|----------------|--------------------|
| Secured Term Loan | Renminbi        | <u>14,467</u>  | <u>11,917</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  
No dividend has been declared in this financial quarter.  
  
At the last Annual General Meeting held on 17 January 2007, shareholders approved a final dividend payment of 29 sen gross per share (21.17 sen net) (2005 : 28 sen gross (20.16 sen net)) amounting to RM75.5 million in respect of the financial year ended 30 September 2006. This was paid on 5 February 2007.
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.