



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

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For immediate release

INTERIM FINANCIAL REPORT

Quarter 2 : Financial Year Ending 30 September 2007

The Directors are pleased to release the interim financial report for the six months ended 31st March 2007 being the second 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
3 May 2007

Schedule A : Condensed Consolidated Income Statement

For the six months ended 31 March 2007

RM'000	Individual 2 nd Quarter			Cumulative 2 nd Quarter		
	31/3/2007	31/3/2006	% chg	31/3/2007	31/3/2006	% chg
Revenue	717,297	469,437	52.8%	1,250,359	1,002,348	24.7%
Operating profit	53,454	50,511	5.8%	108,120	106,442	1.6%
Interest expense	(2,646)	(905)		(3,169)	(1,927)	
Interest income	1,018	832		1,941	1,745	
Profit before taxation (PBT)	51,826	50,438	2.8%	106,892	106,260	0.6%
Taxation	(12,343)	(13,545)		(25,635)	(27,405)	
Profit after taxation (PAT)	39,483	36,893		81,257	78,855	
Attributable to :						
Equity holders of the Company	35,896	34,044	5.4%	74,282	72,872	1.9%
Minority interest	3,587	2,849		6,975	5,983	
	39,483	36,893	6.7%	81,257	78,855	2.9%
Basic earnings per share (sen) attributable to equity holders of the Company	10.1	9.7		20.8	20.4	

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 March 2007

RM'000	31/3/2007	Restated 30/9/2006
Property, plant & equipment	795,885	670,286
Intangible assets	79,183	-
Prepaid lease payments	56,896	57,480
Current assets		
Property under development	91,895	67,496
Inventories	369,781	297,093
Receivables	619,834	404,894
Cash and cash equivalents	178,882	242,202
	1,260,392	1,011,685
Less : Current liabilities		
Payables	555,688	381,871
Borrowings	304,524	18,766
Provision for taxation	4,844	6,155
	865,056	406,792
Net current assets	395,336	604,893
	1,327,300	1,332,659
Financed by:		
Share capital & Reserves	1,121,170	1,115,344
Minority interest	106,252	122,902
Total Equity	1,227,422	1,238,246
Non current liabilities		
Borrowings	26,631	16,940
Other liabilities	73,247	77,473
	99,878	94,413
Total Equity & non current liabilities	1,327,300	1,332,659
 Net assets per share (RM) attributable to equity holders of the Company	3.14	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.

Schedule C : Condensed Consolidated Cash Flow Statement

For the six months ended 31 March 2007

RM'000	Cumulative 2 nd Quarter	
	31/3/2007	31/3/2006
Operating activities		
Operating profit	108,120	106,442
Add non-cash : Depreciation & others	42,842	44,046
Changes in working capital & provisions	(143,681)	27,602
Tax paid	(25,381)	(24,221)
Net cash flows from operating activities	(18,100)	153,869
Investing activities		
Interest income	1,941	1,745
Capital expenditure	(165,649)	(48,310)
Purchase of brand	(73,822)	-
Net cash flows from investing activities	(237,530)	(46,565)
Financing activities		
Interest expenses	(3,169)	(1,927)
Drawdown/ (Repayment) of bank borrowings	295,449	(13,797)
Divi dend paid	(75,470)	(71,869)
Additional investment in subsidiary	(24,500)	-
Equity injection by minority shareholder	-	4,582
Net cash flows from financing activities	192,310	(83,011)
Net change in cash & cash equivalents	(63,320)	24,293
Cash & cash equivalents at beginning of quarter	242,202	202,491
Cash & cash equivalents at end of quarter	178,882	226,784

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 2006.

Schedule D : Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2007

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	-	-	74,282	74,282	6,975	81,257
Dividend	-	-	(75,470)	(75,470)	(3,720)	(79,190)
Foreign exchange differences	-	7,014	-	7,014	(766)	6,248
Net income recognised directly in equity	-	7,014	(1,188)	5,826	2,489	8,315
Acquisition of MI's share	-	-	-	-	(19,139)	(19,139)
<i>At 31 March 2007</i>	356,493	365,737	398,940	1,121,170	106,252	1,227,422
<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	-	-	72,872	72,872	5,983	78,855
Dividend	-	-	(71,869)	(71,869)	(2,248)	(74,117)
Foreign exchange differences	-	(1,054)	-	(1,054)	(588)	(1,642)
Net income recognised directly in equity	-	(1,054)	1,003	(51)	3,147	3,096
Additional contribution from MI	-	-	-	-	4,581	4,581
<i>At 31 March 2006</i>	356,493	357,295	371,031	1,084,819	115,079	1,199,898

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 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.

Schedule E : Selected Explanatory Notes (cont'd)

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 cyclical nature 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.

Schedule E : Selected Explanatory Notes (cont'd)

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	Cumulative 2 nd Quarter Revenue		Cumulative 2 nd Quarter Operating profit	
	2007	2006	2007	2006
Soft drinks	557,551	543,045	64,092	66,644
Dairy products	497,022	275,627	18,470	16,355
Glass packaging	168,471	149,765	16,242	13,075
Property/Others	27,315	33,911	9,316	10,368
	<u>1,250,359</u>	<u>1,002,348</u>	<u>108,120</u>	<u>106,442</u>

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.

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	31/3/07
Property, plant and equipment	
Approved and contracted for	80,873
Approved and not contracted for	96,754
	<u>177,627</u>

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

1. Operations review

Group revenue for the quarter increased 53% compared with the corresponding quarter last year. Excluding contribution from the acquisition of Nestle's canned liquid milk business in Malaysia and Thailand ("Nestle acquisition") revenue grew by 20%. All business units performed well as the recovery in consumer sentiment seen in the last quarter of 05/06 continued to gather pace.

Soft drinks revenue improved 21% boosted by relatively strong festive sales. Sales of 100 Plus and Coke led the volume growth.

The dairies division registered a 30% improvement in revenue contributed by strong sales in both domestic and export markets partly due to "last bite" sales to customers in the month of March.

Revenue for the glass division grew by 7% mainly due to higher volumes in Vietnam and better overall selling prices.

The Nestle acquisition was completed on 1st February 2007 and has since contributed RM156 million to revenue.

Group operating profit for the quarter improved by 6% compared with the same period last year. All divisions performed well due to higher sales volume. However profitability was capped by higher raw and packaging material costs which have shown sharp increases since last year, and startup and integration cost of the Nestle acquisition.

For the half year to March 2007, the Group recorded revenue of RM1.2 billion and operating profit of RM108.1 million, which were 25% and 2% better than last year respectively. Profitability growth lagged behind revenue growth due to the erosion of margins caused by higher raw and packaging material costs and startup costs of the Nestle acquisition.

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

Group PBT for the quarter of RM53 million was 2% lower than the preceding quarter due mainly to the impact of higher raw and packaging material costs and startup costs in Thailand.

3. Prospects

The newly acquired enlarged dairies business and improved consumer sentiment in Malaysia should continue to drive revenue growth for the remaining part of the year. Management has taken action to mitigate the impact of cost increases. Steps are also underway to extract synergies for the expanded dairies business which can be expected to yield positive results in the future.

However, the Group will face the full impact of escalating raw and packaging material costs in the second half of the year as prices of milk powder, aluminium, whey powder and palm oil have risen sharply.

The financial performance for the year will depend on how successfully the Group defends margins and volumes. Overall, we look forward to a challenging second half.

Schedule F : Additional Disclosures in Compliance with BURSA MALAYSIA Listing Requirements (cont'd)

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 2 nd Quarter
Current	14,040	29,185
Tax under provided in previous years	(105)	(61)
Deferred tax	(1,592)	(3,489)
	<u>12,343</u>	<u>25,635</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 impact of recent change in the statutory rate on deferred tax.

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 March 2007 are as follows:-

RM'000	Currency	Current	Non-Current
Secured Term Loan	Renminbi	15,198	1,788
Secured Term Loan	Thai Baht	-	24,843
		<u>15,198</u>	<u>26,631</u>
Unsecured loans	RM	184,000	-
Unsecured loans	Thai Baht	105,326	-
		<u>289,326</u>	<u>-</u>
		<u>304,524</u>	<u>26,631</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.

Schedule F : Additional Disclosures in Compliance with BURSA MALAYSIA Listing Requirements (cont'd)

12. Dividends

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 was paid on 5 February 2007.

The Directors declared an interim tax exempt dividend of 12 sen per share (2006:16 sen gross per share (11.52 sen net)) in respect of the financial year ending 30 September 2007 and to be paid on 22 June 2007.

The entitlement date for the above dividend shall be 23 May 2007 and a depositor shall qualify for entitlement to the dividend only in respect of:

- (a) Shares transferred to the depositor's securities account before 4.00pm on 23 May 2007 in respect of ordinary transfer; and
- (b) Shares bought on the BURSA MALAYSIA on a cum entitlement basis according to the Rules of the BURSA MALAYSIA.

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.