



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

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For immediate release

QUARTERLY FINANCIAL REPORT

Quarter 2 : Financial Year Ending 30 September 2008

The Directors are pleased to release the quarterly financial report for the quarter and six months ended 31st March 2008.

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 Group's financial statements for the year ended 30 September 2007:

- 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 quarterly 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 Group's financial statements for the previous year had been followed throughout this quarterly financial report.

By Order of the Board

Joseph Tan Eng Guan
Company Secretary

Kuala Lumpur
7 May 2008

Schedule A : Condensed Consolidated Income Statement

For the six months ended 31 March 2008

RM'000	Individual 2 nd Quarter			Cumulative 2 nd Quarter		
	31/3/2008	31/3/2007	% chg	31/3/2008	31/3/2007	% chg
Revenue	907,684	717,297	26.5%	1,807,640	1,250,359	44.6%
Operating profit	72,101	53,454	34.9%	140,951	108,120	30.4%
Interest expense	(5,320)	(2,646)		(10,206)	(3,169)	
Interest income	675	1,018		1,416	1,941	
Profit before taxation (PBT)	67,456	51,826	30.2%	132,161	106,892	23.6%
Taxation	(14,878)	(12,343)		(31,607)	(25,635)	
Profit after taxation (PAT)	52,578	39,483	33.2%	100,554	81,257	23.7%
Attributable to :						
Equity holders of the Company	47,914	35,896	33.5%	92,448	74,282	24.5%
Minority interest	4,664	3,587		8,106	6,975	
	52,578	39,483		100,554	81,257	
Basic earnings per share (sen) attributable to equity holders of the Company	13.4	10.1		25.9	20.8	
Diluted earnings per share (sen) attributable to equity holders of the Company	13.4	10.1		25.9	20.8	

This Statement should be read in conjunction with the selected explanatory notes on Schedule E & F of this Report and the Group's audited financial statements for the year ended 30 September 2007.

Schedule B : Condensed Consolidated Balance Sheet

As at 31 March 2008

RM'000	<i>Audited</i>	
	31/3/2008	30/9/2007
Property, plant & equipment	832,611	838,696
Intangible assets	87,825	91,712
Prepaid lease payments	54,995	55,581
Deferred tax assets	3,927	5,411
Current assets		
Property development cost	125,943	115,550
Inventories	503,000	573,298
Receivables	708,260	567,638
Cash and cash equivalents	146,846	207,799
	1,484,049	1,464,285
Less : Current liabilities		
Payables	549,780	666,708
Borrowings	459,614	337,190
Provision for taxation	25,485	17,299
	1,034,879	1,021,197
Net current assets	449,170	443,088
	1,428,528	1,434,488
Financed by:		
Share capital & Reserves	1,150,849	1,156,989
Minority interest	129,361	119,756
Total Equity	1,280,210	1,276,745
Non current liabilities		
Borrowings	79,090	83,053
Other liabilities	69,228	74,690
	148,318	157,743
Total Equity & non current liabilities	1,428,528	1,434,488
Net assets per share (RM) attributable to equity holders of the Company	3.23	3.25

This Statement should be read in conjunction with the selected explanatory notes on Schedule E & F of this Report and the Group's audited financial statements for the year ended 30 September 2007.

Schedule C : Condensed Consolidated Cash Flow Statement

For the six months ended 31 March 2008

RM'000	Cumulative 2 nd Quarter	
	31/3/2008	31/3/2007
Operating activities		
Operating profit	140,951	108,120
Add non-cash : Depreciation & others	61,626	42,842
Changes in working capital	(196,741)	(143,681)
Tax paid	(27,312)	(25,381)
Net cash flows from operating activities	(21,476)	(18,100)
Investing activities		
Interest income	1,416	1,941
Capital expenditure	(75,486)	(165,649)
Purchase of brand	-	(73,822)
Payment of land lease	(36)	-
Additional investment in subsidiary	-	(24,500)
Net cash flows from investing activities	(74,106)	(262,030)
Financing activities		
Interest expenses	(10,206)	(3,169)
Drawdown of bank borrowings	118,461	295,449
Dividend paid	(79,093)	(75,470)
Equity injection by minority shareholder	6,003	-
Purchase of treasury shares	(536)	-
Net cash flows from financing activities	34,629	216,810
Net change in cash & cash equivalents	(60,953)	(63,320)
Cash & cash equivalents at beginning of quarter	207,799	242,202
Cash & cash equivalents at end of quarter	146,846	178,882

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 Group's audited financial statements for the year ended 30 September 2007.

Schedule D : Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2008

RM'000	<-----Attributable to equity holders of the Company----->					Minority Interest [MI]	Total Equity
	Share Capital	Share premium & Other reserves	Treasury shares	Revenue Reserve	Total		
<i>At 1 October 2007</i>	356,493	384,005	(1,168)	417,659	1,156,989	119,756	1,276,745
Profit after taxation	-	-	-	92,448	92,448	8,106	100,554
Foreign exchange differences	-	(18,959)	-	-	(18,959)	(2,541)	(21,500)
Net income recognised directly in equity	-	(18,959)	-	92,448	73,489	5,565	79,054
Additional contribution from MI	-	-	-	-	-	6,003	6,003
Dividend	-	-	-	(79,093)	(79,093)	(1,963)	(81,056)
Treasury share purchased	-	-	(536)	-	(536)	-	(536)
<i>At 31 March 2008</i>	356,493	365,046	(1,704)	431,014	1,150,849	129,361	1,280,210
<i>At 1 October 2006</i>							
As previously stated	356,493	438,609	-	320,242	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	375,814	-	383,037	1,115,344	122,902	1,238,246
Profit after taxation	-	-	-	74,282	74,282	6,975	81,257
Foreign exchange differences	-	7,014	-	-	7,014	(766)	6,248
Net income recognised directly in equity	-	7,014	-	74,282	81,296	6,209	87,505
Acquisition of MI's share	-	-	-	-	-	(19,139)	(19,139)
Dividend	-	-	-	(75,470)	(75,470)	(3,720)	(79,190)
<i>At 31 March 2007</i>	356,493	382,828	-	381,849	1,121,170	106,252	1,227,422

This Statement should be read in conjunction with the selected explanatory notes on Schedule E & F of this Report and the Group's audited financial statements for the year ended 30 September 2007.

Schedule E : Selected Explanatory Notes

1. Accounting Policies and method of computation

The quarterly financial statements is unaudited and has been prepared in accordance with the Financial Reporting Standard (FRS) 134 : Interim Financial Reporting and paragraph 9.22 of Listing Requirements of the Bursa Malaysia.

Adoption of revised Financial Reporting Standards (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 2007 except for the adoption of the following applicable FRSs issued by Malaysian Accounting Standards Board that are effective for the Group's annual reporting for year ending 30 September 2008.

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 119 ²⁰⁰⁴	Employees Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
Amendment to FRS 119 ²⁰⁰⁴	The Effects of Changes in Foreign Exchanges Rates- Net Investment in a Foreign Operation

The adoption of all of the above FRSs does not have significant financial impact to the Group.

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.

Schedule E : Selected Explanatory Notes (cont'd)

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 except as follows:

The Company repurchased 70,300 of its issued ordinary shares from the open market at an average price of RM7.59 during the quarter. To date the Company has acquired 235,800 shares at an average price of RM7.23 per share. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

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	Cumulative 2 nd Quarter Revenue		Cumulative 2 nd Quarter Operating profit	
	2008	2007	2008	2007
Soft drinks	629,420	557,551	77,239	64,092
Dairy products	952,807	497,022	35,772	18,470
Glass packaging	199,476	168,471	18,433	16,242
Property/Others	25,937	27,315	9,507	9,316
	<u>1,807,640</u>	<u>1,250,359</u>	<u>140,951</u>	<u>108,120</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.

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	<u>31/3/08</u>
Property, plant and equipment	
Approved and contracted for	23,053
Approved and not contracted for	<u>540,812</u>
	<u><u>563,865</u></u>

15. Significant related party transactions

The following are significant related party transactions:-

RM'000	Cumulative 2 nd Quarter	
	<u>2008</u>	<u>2007</u>
Sales	87,259	87,001
Purchases	72,399	65,359
Royalties paid	14,190	12,329
Corporate charges	1,107	976
Rental income	<u>110</u>	<u>143</u>

The above transactions had been entered into in the ordinary course of business on normal commercial terms with Fraser and Neave Limited group of companies. These transactions are within the ambit of the mandate approved by the shareholders of the Company on 24 January 2008.

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

1. Operations review

Group revenue for the quarter increased 27% compared with the corresponding quarter last year. Excluding contribution of Nestle's canned liquid milk business, which were acquired in February 2007 ("acquired business"), Group revenue grew by 12%.

Soft drinks revenue increased 14% contributed by strong festive sales and higher selling prices.

Sale revenue of dairies division (excluding acquired business) recorded 4% improvement. However sales volume for the quarter dropped by 18% due to higher last bite sales in the previous year and lower export volumes. The acquired business contributed RM278 million (31%) to revenue for this quarter.

Revenue for the glass division grew 20% due to the commencement of the Thailand glass plant in October 2007.

Group operating profit for the quarter improved by 35% compared with the same period last year. Excluding operating profit from acquired business of RM5 million, Group operating profit grew 21%. All core divisions performed better due to higher sales, improved selling prices and better production efficiency. Margin of acquired business was affected, as the authority has not given approval for further price adjustments in Thailand. An earlier price increase was implemented in October 2007.

For the half year to March 2008, the Group recorded revenue of RM1.8 billion and operating profit of RM141 million, which were 45% and 30% better than last year respectively. Excluding the acquired business, Group revenue and operating profit grew by 12% and 15% respectively.

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

Group PBT for the quarter of RM67 million was 4% higher than the preceding quarter. This is mainly due to strong festive sales of soft drinks but partly offset by lower contribution from Dairies Thailand.

3. Prospects

The results of the year under review will incorporate the full twelve months' operation of the acquired business, the new Glass plant in Thailand as well as the impact of price adjustments implemented last year for the soft drinks and dairies divisions. Prices of the key raw materials appeared to be stabilising although still at elevated levels.

Consumers have turned more cautious since early March 2008. Rising inflationary pressure will dampen offtake. Overall the Group expects a more challenging second half.

4. Profit forecast variance (final quarter)

This is not applicable.

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

5. Tax expense

The details of the tax expense are as follows:-

RM'000	<u>Current Quarter</u>	<u>Cumulative 2nd Quarter</u>
Current	17,522	37,498
Tax over provided in previous years	(1,471)	(1,471)
Deferred tax	<u>(1,173)</u>	<u>(4,420)</u>
	<u>14,878</u>	<u>31,607</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 2008 are as follows:-

RM'000	<u>Currency</u>	<u>Current</u>	<u>Non-Current</u>
Secured Term Loan	Thai Baht	<u>7,768</u>	<u>79,090</u>
Unsecured loan	Renminbi	13,665	-
Unsecured loans	RM	301,700	-
Unsecured loans	Thai Baht	<u>136,481</u>	-
		<u>451,846</u>	-
		<u>459,614</u>	<u>79,090</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

At the last Annual General Meeting held on 24 January 2008, shareholders approved a final dividend payment of 30 sen gross per share (22.20 sen net) (2006 : 29 sen gross (21.17 sen net)) amounting to RM79.1 million in respect of the financial year ended 30 September 2007 and was paid on 28 February 2008.

The Directors declared an interim tax dividend of 17 sen gross (12.58 sen net) per share (2007:12 sen tax exempt) for the financial year ending 30 September 2008. A special tax exempt dividend of 5 sen was also declared to commemorate the Group's 125th anniversary celebrations. Both of the interim and special dividends amounting to RM63 million will be paid on 8 July 2008.

The entitlement date for the above dividend shall be 9 June 2008 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 9 June 2008 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)

- (a) The basic EPS for the financial quarter was calculated based on the net profit divided by 356 million ordinary shares (net of treasury shares). There were no changes in the number of issued ordinary shares during the quarter.
- (b) The diluted EPS for the financial quarter was calculated based on the net profit divided by 356 million ordinary shares (net of treasury shares), adjusted for the dilutive effects of potential ordinary shares, ie. share options granted pursuant to the Employees' Share Option Scheme ("ESOS").