



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 2006

The Directors are pleased to release the interim financial report for the six months ended 31st March 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
4 May 2006

Schedule A : Condensed Consolidated Income Statement

For the six months ended 31 March 2006

RM'000	Individual 2 nd Quarter			Cumulative 2 nd Quarter		
	31/3/2006	31/3/2005	% chg	31/3/2006	31/3/2005	% chg
Revenue	469,437	494,443	-5.0%	1,002,348	972,682	3.1%
Operating profit	50,511	43,592	15.9%	106,442	91,399	16.5%
Interest expense	(905)	(1,104)		(1,927)	(2,234)	
Interest income	832	1,297		1,745	2,907	
Profit before taxation (PBT)	50,438	43,785	15.2%	106,260	92,072	15.4%
Taxation	(13,545)	(10,365)		(27,405)	(20,976)	
Profit after taxation (PAT)	36,893	33,420	10.4%	78,855	71,096	10.9%
Minority interest	(2,849)	(2,398)		(5,983)	(4,989)	
Net profit	34,044	31,022	9.8%	72,872	66,107	10.2%
Basic earnings per share (sen)	9.7	8.7		20.4	18.5	

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 31 March 2006

RM'000	31/3/2006	30/9/2005 (audited)
Property, plant & equipment	693,086	730,828
Current assets		
Property under development	53,624	21,261
Inventories	302,209	316,623
Receivables	368,942	405,397
Cash and cash equivalents	226,784	202,491
	951,559	945,772
Less : Current liabilities		
Payables	317,063	345,055
Borrowings	26,481	33,721
Provision for taxation	8,471	4,578
	352,015	383,354
Net current assets	599,544	562,418
	1,292,630	1,293,246
Share capital & Reserves	1,084,819	1,084,870
Minority interest	115,079	107,351
Non current liabilities		
Borrowings	16,704	23,261
Other liabilities	76,028	77,764
	92,732	101,025
	1,292,630	1,293,246
Net tangible assets per share (RM)	3.04	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 six months ended 31 March 2006

RM'000	Cumulative 2 nd Quarter	
	31/3/2006	31/3/2005
Operating activities		
Operating profit	106,442	91,399
Add non-cash : Depreciation & others	44,046	47,393
Changes in working capital & provisions	27,602	(87,032)
Tax paid	(24,221)	(18,938)
Net cash flows from operating activities	153,869	32,822
Investing activities		
Interest income	1,745	2,907
Capital expenditure	(48,310)	(34,487)
Net cash flows from investing activities	(46,565)	(31,580)
Financing activities		
Interest expenses	(1,927)	(2,234)
Repayment of bank borrowings	(13,797)	(3,623)
Dividend	(71,869)	(61,602)
Additional equity by minority shareholder	4,582	-
Net cash flows from financing activities	(83,011)	(67,459)
Net change in cash & cash equivalents	24,293	(66,217)
Cash & cash equivalents at beginning of period	202,491	291,581
Cash & cash equivalents at end of quarter	226,784	225,364

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 six months ended 31 March 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	-	-	72,872	72,872
Dividend			(71,869)	(71,869)
Foreign exchange difference	-	(1,118)	64	(1,054)
<i>At 31 March 2006</i>	356,493	420,026	308,300	1,084,819
<i>At 1 October 2004</i>	356,493	420,691	273,030	1,050,214
Net profit for the period	-	-	66,107	66,107
Dividend	-	-	(61,602)	(61,602)
<i>At 31 March 2005</i>	356,493	420,691	277,535	1,054,719

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.
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 2nd Quarter</u>	Revenue		Operating profit	
	2006	2005	2006	2005
RM'000				
Soft drinks	543,045	551,261	66,644	64,949
Dairy products	275,627	270,162	16,355	14,638
Glass packaging	149,765	144,673	13,075	10,479
Property/Others	33,911	6,586	10,368	1,333
	<u>1,002,348</u>	<u>972,682</u>	<u>106,442</u>	<u>91,399</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.
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 Sime Oleander Sdn Bhd ("SOSB") and its subsidiaries, which was announced on 12 April 2006.
- Following completion of the acquisition, the Group now owned 95% of SOSB.
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	31/3/06
Property, plant and equipment	
Approved and contracted for	76,614
Approved and not contracted for	57,320
	<u>133,934</u>

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

1. Operations review

Overall revenue for the quarter declined by 5% compared to the same period last year. Growth in dairies (+3%), glass (+18%) and progressive revenue recognition of the Fraser Park development were offset by a decline in soft drinks (-19%). Post festive consumer demand was low and this was exacerbated by unusually high sales in March last year, due to "last bite" deliveries to distributors in anticipation of the price increase effective 1 April 2005. The glass operations registered encouraging revenue growth especially China which grew by 29%.

Group operating profit for the quarter was 16% better than last year. Improvements in the results of dairies, glass and profit recognition from the Fraser Park development more than offset the decline in soft drinks sales.

For the half year to March 2006, the Group recorded revenue of RM1 billion and operating profit of RM106.4 million which were 3% and 17% better than the same period last year. All operations recorded improvements in operating profit and margins despite softer economic conditions.

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

Group PBT for the quarter of RM50.4 million was 10% lower than the preceding quarter due mainly to the impact of festive sales of soft drinks in the previous quarter.

3. Prospects

Recent price increases generally will dampen purchasing power, which could negatively affect demand for our products. In order to counter this, several major promotional activities are being planned in the second half of the financial year to boost sales. Improvements in the glass operations and progressive profit recognition of the Fraser Park project should contribute positively to earnings.

Overall, financial performance for the remaining six months hinges on the recovery of consumer demand.

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	14,164	29,199
Tax over provided in previous year	459	(541)
Deferred tax	(1,078)	(1,253)
	<u>13,545</u>	<u>27,405</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 31 March 2006 are as follows:-

RM'000	Currency	Current	Non-Current
Unsecured Term Loan	USD	6,911	-
Secured Term Loan	Renminbi	19,570	16,704
		<u>26,481</u>	<u>16,704</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 was paid on 3 February 2006.

The Directors declared 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 and to be paid on 5 June 2006.

The entitlement date for the above dividend shall be 24 May 2006 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 24 May 2006 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.