



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

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For immediate release

QUARTERLY FINANCIAL REPORT

Quarter 1 : Financial Year Ending 30 September 2010

The Directors are pleased to release the quarterly financial report for the three months ended 31st December 2009 being the first quarter for the financial year 2009/2010.

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 2009:

- 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 Main Market Listing Requirements. 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
9 February 2010

Schedule A : Condensed Consolidated Income Statement

For the three months ended 31 December 2009

RM'000	1 st Quarter		% chg
	31/12/2009	31/12/2008	
Revenue	992,159	940,388*	5.5%
Operating profit	106,677	77,742	37.2%
Interest expense	(4,109)	(5,002)	
Interest income	489	1,098	
Profit before taxation (PBT)	103,057	73,838	39.6%
Taxation	(24,384)	(18,519)	
Profit after taxation (PAT)	78,673	55,319	42.2%
Attributable to :			
Equity holders of the Company	77,737	50,951	52.6%
Minority interest	936	4,368	
	78,673	55,319	
Basic earnings per share (sen) attributable to equity holders of the Company	21.8	14.3	
Diluted earnings per share (sen) attributable to equity holders of the Company	21.7	14.3	

* Revenue has been restated to conform with current year's presentation.

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 2009.

Schedule B : Condensed Consolidated Balance Sheet

As at 31 December 2009

RM'000	31/12/2009	Audited 30/9/2009
Property, plant & equipment	1,094,510	1,102,372
Properties held for development	34,816	31,787
Intangible assets	130,918	131,650
Prepaid lease payments	75,470	75,838
Deferred tax assets	19,921	20,993
Current assets		
Property development cost	179,277	172,354
Inventories	421,897	482,305
Receivables	635,465	544,567
Cash and cash equivalents	256,055	187,853
	1,492,694	1,387,079
Assets held for sale	10,183	10,183
	1,502,877	1,397,262
Less : Current liabilities		
Payables	768,090	696,510
Borrowings	159,219	203,367
Provision for taxation	40,122	31,427
	967,431	931,304
Net current assets	535,446	465,958
	1,891,081	1,828,598
Financed by:		
Share capital & Reserves	1,361,111	1,293,144
Minority interest	114,489	116,259
Total Equity	1,475,600	1,409,403
Non current liabilities		
Borrowings	359,413	360,402
Other liabilities	56,068	58,793
	415,481	419,195
Total Equity & non current liabilities	1,891,081	1,828,598
Net assets per share (RM) attributable to equity holders of the Company	3.82	3.63

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 2009.

Schedule C : Condensed Consolidated Cash Flow Statement

For the three months ended 31 December 2009

RM'000	1 st Quarter	
	31/12/2009	31/12/2008
Operating activities		
Operating profit	106,677	77,742
Add non-cash : Depreciation & others	33,999	32,350
Changes in working capital	27,847	(50,005)
Tax paid	(17,253)	(14,580)
Net cash flows from operating activities	151,270	45,507
Investing activities		
Interest income	489	1,098
Capital expenditure	(34,185)	(36,637)
Purchase of brand and other intangibles	(125)	-
Net cash flows from investing activities	(33,821)	(35,539)
Financing activities		
Interest expenses	(4,109)	(5,002)
(Repayment)/Drawdown of borrowings	(45,137)	32,225
Purchase of treasury shares	(1)	-
Net cash flows from financing activities	(49,247)	27,223
Net change in cash & cash equivalents	68,202	37,191
Cash & cash equivalents at beginning of quarter	187,853	183,643
Cash & cash equivalents at end of quarter	256,055	220,834

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 2009.

Schedule D : Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 December 2009

RM'000	<-----Attributable to equity holders of the Company----->						Minority Interest [M]	Total Equity
	Share Capital	Share premium & Other reserves	Treasury shares	Revenue Reserve	Total			
<i>At 1 October 2009</i>	356,493	396,734	(1,715)	541,632	1,293,144	116,259	1,409,403	
Foreign exchange differences	-	(10,182)	-	-	(10,182)	(2,706)	(12,888)	
Net expense recognised directly in equity	-	(10,182)	-	-	(10,182)	(2,706)	(12,888)	
Profit after taxation	-	-	-	77,737	77,737	936	78,673	
Employee share-based expense	-	413	-	-	413	-	413	
Treasury share purchased	-	-	(1)	-	(1)	-	(1)	
<i>At 31 December 2009</i>	356,493	386,965	(1,716)	619,369	1,361,111	114,489	1,475,600	
<i>At 1 October 2008</i>	356,493	384,593	(1,713)	442,781	1,182,154	135,002	1,317,156	
Foreign exchange differences	-	(2,923)	-	-	(2,923)	(120)	(3,043)	
Net expense recognised directly in equity	-	(2,923)	-	-	(2,923)	(120)	(3,043)	
Profit after taxation	-	-	-	50,951	50,951	4,368	55,319	
Employee share-based expense	-	170	-	-	170	-	170	
<i>At 31 December 2008</i>	356,493	381,840	(1,713)	493,732	1,230,352	139,250	1,369,602	

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 2009.

Schedule E : Selected Explanatory Notes Pursuant to FRS 134

1. Accounting Policies and method of computation

The quarterly financial statements 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.

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 2009 except for the adoption of FRS 8: "Operating Segments" which became effective for the financial year beginning 1 July 2009. The adoption of FRS 8 only impacts presentation and disclosure.

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 certain 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. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the quarter.

5. Significant estimates and changes in estimates

There were no significant changes in estimates that have had any material effect on the results of the current quarter.

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 100 of its issued ordinary shares from the open market at an average price of RM11.36 during the quarter. To date the Company has acquired 237,100 shares at an average price of RM7.21 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 11.

Schedule E : Selected Explanatory Notes Pursuant to FRS 134 (cont'd)

8. Segmental results

For management purposes, the Group's operating businesses are organised according to products and services, namely soft drinks, dairy products, glass containers and property/others. Segment performance is evaluated based on operating profit. 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 st Quarter Revenue		1 st Quarter Operating profit	
	2010	2009	2010	2009
Soft drinks	380,971	340,213	53,688	43,164
Dairy products	493,341	457,747	40,610	21,644
Glass containers	109,551	122,985	8,703	10,580
Property/Others	8,296	19,443	3,676	2,354
	<u>992,159</u>	<u>940,388</u>	<u>106,677</u>	<u>77,742</u>

9. Valuation of property, plant and equipment

There were no changes in the valuation on property, plant and equipment since the last annual financial statements.

10. Subsequent events

There were no material events subsequent to the end of the quarter that have not been reflected in the current financial quarter.

11. Changes in the composition of the Group

There were no changes in the composition of the Group during the current financial quarter.

12. Contingent liabilities

There were no contingent liabilities of a material nature since the last annual balance sheet date.

13. Contingent assets

There were 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	31/12/2009
Property, plant and equipment	
Approved and contracted for	104,144
Approved and not contracted for	446,692
	<u>550,836</u>

Schedule E : Selected Explanatory Notes Pursuant to FRS 134 (cont'd)

15. Significant related party transactions

The following are significant related party transactions:-

RM'000	Individual 1 st Quarter	
	2010	2009
Sales	34,502	31,597
Purchases	43,716	40,447
Royalties paid	8,627	7,724
Corporate charges paid	884	730
Rental income	73	79

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 21 January 2010.

Schedule F : Additional Disclosures in Compliance with Main Market Listing Requirements

1. Operations review

Current Quarter vs Corresponding Quarter last year

Revenue

Group revenue for the quarter grew 6% to RM992 million spurred by double-digit volume growth in soft drinks and dairies divisions, partially offset by declines in glass and property divisions.

The soft drinks division continued to register record volume for the quarter and revenue improved 12% compared to the corresponding quarter last year. All product portfolio registered positive growth with Coke and 100Plus recording double-digit growth of 11% and 17% respectively.

Revenue of Dairies division increased 8% mainly due to strong domestic sales in both Malaysia and Thailand. In Malaysia improved trade channel management contributed to the better performance. Domestic Thailand sales were significantly higher compared to the same quarter last year. The previous year's sales were hit by the melamine scare which affected consumption and offtake. Exports to the Indochina market have also shown significant progress albeit from a low base.

Glass division registered lower revenue of 11% mainly due to lower sales volume in Thailand and China. Malaysia and Vietnam continue to register positive growth.

Revenue for property division of RM8 million was based on percentage of completion method.

Operating profit

Group operating profit improved 37% mainly due to higher contribution from the soft drinks and dairies division partly offset by the weaker performance of the glass division. Operating profit grew faster than revenue on favourable volume variance and improved margins.

Profit after taxation(PAT)

Group profit after taxation for the quarter of RM79m was 42% above last year. Group corporate tax was lower due to tax incentive enjoyed from the Rojana investment in Thailand.

Attributable profit

Group attributable profit for the quarter increased 53%. The two subsidiaries within the soft drinks division are wholly owned since Sept'09 and the profits are fully attributable to the Group.

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

Group PBT for the quarter of RM103m was 53% higher than the preceding quarter due to the better results of the soft drinks division.

3. Prospects for the current financial year

Economic recovery in the core markets of Malaysia and Thailand is expected to translate into stronger consumer demand for F&N products. However, prices of key raw materials like milk powder, sugar and aluminum have increased sharply in the recent months and could have a negative impact on profit margins, if such costs are not passed on to customer. However, management is taking steps to grow sales volume, further strengthen the distribution network and improve operating efficiencies. Overall, we are cautiously optimistic of the year's performance.

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

4. Tax expense

The details of the tax expense are as follows:-

RM'000	<u>Current Quarter</u>
Current	26,221
Tax under provided in previous years	76
Deferred tax	<u>(1,913)</u>
	<u>24,384</u>

The Group's effective tax rate in the current quarter is lower than the statutory rate due to income of certain foreign entities being exempted from tax and tax incentive enjoyed by certain subsidiaries.

5. Sale of unquoted investments and properties

There were no sales of unquoted investments or properties in the current financial quarter.

6. Purchase and sale of quoted securities

There were no quoted securities acquired or disposed of in the current financial quarter.

7. Status of corporate proposal

Other than the strategic review of the glass container business announced on 25 November 2009, there were no outstanding corporate proposals or new announcements made in the current financial quarter. The review is in progress and expected to complete within six months.

8. Group borrowings and debt securities

The details of the Group's borrowings as at 31 December 2009 are as follows:-

RM'000	<u>Currency</u>	<u>Current</u>	<u>Non-Current</u>
Unsecured loan	Renminbi	8,137	-
Secured term loan	Thai Baht	10,803	59,413
Unsecured term loans	Thai Baht	36,985	-
Unsecured term loan	Renminbi	5,023	
Medium term notes (MTN)	RM	-	300,000
Commercial Paper (CP)	RM	98,271	-
		<u>159,219</u>	<u>359,413</u>

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

9. Off balance sheet - financial instruments

As at 2 February 2010 (the latest practicable date which shall not be earlier than 7 days from the date of this announcement), the Group has entered into forward foreign exchange contracts to hedge its exposure to fluctuations in foreign exchange arising from purchases.

The details of the open foreign exchange forward contracts are as follows:-

Currency	Contract Amount ('000)	Equivalent amount in RM'000	Expiry date	Average rate
USD	7,908	26,640	9 February 10 – 9 April 10	3.3688
EUR	2,850	13,737	31 March 2010	4.8200

Any exchange differences arising from these transactions are recognised in income statement in the same period as the underlying hedged transactions.

The above instruments are executed with credit worthy financial institutions in Malaysia and as such credit and counterparties risks are minimal. There is no cash requirement for these contracts.

10. Pending material litigation

There is no pending litigation of a material nature since the last balance sheet date.

11. Dividends

No dividend has been declared in this financial quarter.

At the last Annual General Meeting held on 21 January 2010, shareholders approved a final dividend of 4 sen gross per share (3 sen net) and 21 sen per share tax exempt together with a bonus tax exempt dividend of 5 sen per share amounting to RM103.3 million (2008: RM80.1 million) in respect of the financial year ended 30 September 2009. This will be paid on 3 March 2010.

12. 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").