



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 2011

The Directors are pleased to release the quarterly financial report for the three months ended 31st December 2010 being the first quarter for the financial year 2010/2011.

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 2010:

- Schedule A : Condensed Consolidated Income Statement
- Schedule B : Condensed Consolidated Statement of Comprehensive Income
- Schedule C : Condensed Consolidated Statement of Financial Position
- Schedule D : Condensed Consolidated Statement of Cash Flow
- Schedule E : Condensed Consolidated Statement of Changes in Equity
- Schedule F : Selected Explanatory Notes
- Schedule G : 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
7 February 2011

Schedule A : Condensed Consolidated Income Statement

For the three months ended 31 December 2010

RM'000	1 st Quarter		% chg
	31/12/2010	31/12/2009	
Continuing Operations			
Revenue	1,028,026	882,608	16.5%
Operating profit	132,089	97,974	34.8%
Interest expense	(2,054)	(1,700)	
Interest income	6,009	374	
Share of results of an associated company	^	-	
Profit before taxation (PBT)	136,044	96,648	40.8%
Taxation	(28,960)	(23,045)	
Profit after taxation (PAT) from continuing operations	107,084	73,603	45.5%
Discontinued operations			
Profit after taxation from discontinued operations	-	5,070	nm
Group profit after tax	107,084	78,673	36.1%
Attributable to :			
Equity holders of the Company	107,084	77,737	37.8%
- Continuing operations	107,084	73,603	45.4%
- Discontinued operations	-	4,134	nm
Minority interest	-	936	nm
- Continuing operations	-	-	nm
- Discontinued operations	-	936	nm
	107,084	78,673	
Basic earnings per share (sen) attributable to equity holders of the Company			
	30.0	21.8	37.6%
- Continuing operations	30.0	20.7	
- Discontinued operations	-	1.1	
Diluted earnings per share (sen) attributable to equity holders of the Company			
	29.8	21.7	37.3%
- Continuing operations	29.8	20.6	
- Discontinued operations	-	1.1	

nm – not meaningful

^ The results of the associated company will be accounted for quarterly in arrears after it has been released to the public.

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2010.

Schedule B : Condensed Consolidated Statement of Comprehensive Income

For the three months ended 31 December 2010

RM'000	1 st Quarter		% chg
	31/12/2010	31/12/2009	
Group profit after tax	107,084	78,673	36.1%
Other comprehensive income:			
Foreign currency translation	6,385	(12,888)	<i>nm</i>
Other comprehensive income for the quarter, net of tax	6,385	(12,888)	<i>nm</i>
Total comprehensive income for the quarter	113,469	65,785	72.5%
Total comprehensive income attributable to:			
Equity holders of the Company	113,469	67,555	68.0%
Minority interest	-	(1,770)	<i>nm</i>
	113,469	65,785	72.5%

nm – not meaningful

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2010.

Schedule C : Condensed Consolidated Statement of Financial Position

As at 31 December 2010

RM'000	31/12/2010	Audited 30/9/2010 (restated)
Property, plant & equipment	861,750	816,154
Properties held for development	5,470	5,470
Associated company	54,648	-
Intangible assets	124,864	125,176
Deferred tax assets	4,737	4,264
Current assets		
Property development cost	197,964	196,586
Inventories	349,074	343,717
Receivables	628,598	528,035
Cash and cash equivalents	846,801	939,335
	2,022,437	2,007,673
Assets held for sale	10,183	10,183
	2,032,620	2,017,856
Less : Current liabilities		
Payables	739,598	755,730
Dividend payable	394,282	-
Provisions	42,767	42,767
Borrowings	150,000	150,000
Provision for taxation	22,748	16,518
	1,349,395	965,015
Net current assets	683,225	1,052,841
	1,734,694	2,003,905
Financed by:		
Share capital & Reserves	1,527,145	1,796,516
Minority interest	294	294
Total Equity	1,527,439	1,796,810
Non current liabilities		
Borrowings	150,000	150,000
Other liabilities	57,255	57,095
	207,255	207,095
Total Equity & non current liabilities	1,734,694	2,003,905
Net assets per share (RM) attributable to equity holders of the Company	4.26	5.03

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2010.

Schedule D : Condensed Consolidated Statement of Cash Flow

For the three months ended 31 December 2010

RM'000	1st Quarter	
	31/12/2010	31/12/2009
Operating activities		
Operating profit		
- Continuing	132,089	97,974
- Discontinued (<i>Schedule F, note 2</i>)	-	8,703
	132,089	106,677
Add non-cash : Depreciation & others	20,608	33,999
Changes in working capital	(122,618)	27,847
Tax paid	(23,562)	(17,253)
Net cash flows from operating activities	6,517	151,270
Investing activities		
Interest income	6,009	489
Capital expenditure	(59,226)	(34,310)
Investment in an associated company	(54,648)	-
Net cash flows from investing activities	(107,865)	(33,821)
Financing activities		
Interest expenses	(2,054)	(4,109)
Repayment of borrowings	-	(45,137)
Purchase of treasury shares	-	(1)
Proceeds from issuance of shares iro ESOS	10,868	-
Net cash flows from financing activities	8,814	(49,247)
Net change in cash & cash equivalents	(92,534)	68,202
Cash & cash equivalents at beginning of quarter	939,335	187,853
Cash & cash equivalents at end of quarter	846,801	256,055

Note :

() denotes cash outflow

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2010.

Schedule E : Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 December 2010

RM'000	<-----Attributable to equity holders of the Company----->						Minority Interest	Total Equity
	Share Capital	Share premium & Other reserves	Treasury shares	Revenue Reserve	Total			
At 1 October 2010	357,286	364,113	(1,716)	1,076,833	1,796,516	294	1,796,810	
Total comprehensive income	-	6,385	-	107,084	113,469	-	113,469	
Transactions with owners:								
Issues of shares upon exercise of ESOS	1,400	9,468	-	-	10,868	-	10,868	
Employee share-based expense	-	574	-	-	574	-	574	
Dividend payable	-	-	-	(394,282)	(394,282)	-	(394,282)	
Total transactions with owners	1,400	10,042	-	(394,282)	(382,840)	-	(382,840)	
At 31 December 2010	358,686	380,540	(1,716)	789,635	1,527,145	294	1,527,439	
At 1 October 2009	356,493	396,734	(1,715)	541,632	1,293,144	116,259	1,409,403	
Total comprehensive income	-	(10,182)	-	77,737	67,555	(1,770)	65,785	
Transactions with owners:								
Employee share-based expense	-	413	-	-	413	-	413	
Treasury share purchased	-	-	(1)	-	(1)	-	(1)	
Total transactions with owners	-	413	(1)	-	412	-	412	
At 31 December 2009	356,493	386,965	(1,716)	619,369	1,361,111	114,489	1,475,600	

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2010.

Schedule F : 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 2010 except for the adoption of the following new/revised FRSs and Amendments to FRSs which took effect on the Group on 1 October 2010, the commencement of the new financial year. The adoption of these standards, amendments and interpretations has no material impact to these interim financial statements except for the adoption of the following standards as described below:

a) FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group has adopted the two linked statement format. Comparative information, with exception of the requirements under FRS 139, had been re-presented so that it is also in conformity with the revised standard.

b) Amendment to FRS 117 Leases

The adoption of Amendment to FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and did not have material impact on current year statement of comprehensive income.

Prior to the adoption of Amendment to FRS 117, the Group had classified leasehold land that normally has an indefinite economic life and whose title is not expected to pass to the lessee by the end of the lease term as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payment that is amortised over the lease term in accordance with the pattern of benefits provided.

On adoption of Amendment to FRS 117, lease of a leasehold land which is in substance a finance lease has been reclassified to property, plant and equipment and measured as such retrospectively as follows:

RM'000	As previously reported 30/9/2010	Adoption of FRS 117	As restated 30/9/2010
Property, plant & equipment	741,788	74,366	816,154
Prepaid lease payments	74,366	(74,366)	-

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

1. Accounting Policies and method of computation (cont'd)

c) FRS 139: Financial Instruments - Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet date reflects the designation of the financial instruments.

FRS 139 has been applied prospectively in accordance with the transitional provisions of the standard. In accordance with the transitional provisions for first-time adoption of FRS 139, adjustments arising from re-measuring the financial instruments as at 1 October 2010 shall be recognised as adjustments of the opening balance of retained profits or other appropriate reserves. Comparatives are not adjusted as the amounts are not material.

In the current quarter, the Group entered into forward foreign currency exchange contracts to hedge its exposure to fluctuations in foreign currency exchange from purchases. A loss arising from fair value changes of forward foreign currency contracts of RM0.5 million was recognised in the income statement (details in Note 9, Schedule G).

2. Discontinued operations

The results of the discontinued operations (glass container business) are as follows:-

RM'000	1st Quarter	
	31/12/2010	31/12/2009
Revenue	-	109,551
Operating profit	-	8,703
Interest expense	-	(2,409)
Interest income	-	115
Profit before tax	-	6,409
Taxation	-	(1,339)
Profit after taxation	-	5,070

3. Auditors' report

The auditors' report of the preceding annual financial statements of the Company and of the Group was not subject to any qualification.

4. 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 certain group products such as soft drinks may be skewed towards major festivities.

5. 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.

6. 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.

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

7. 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 for issuance of 1,399,600 ordinary shares pursuant to its Executives' Share Option Scheme at the exercise price of RM7.77 each.

8. Dividends paid

In recognition of the exceptional contribution from the divestment of the glass container business, a special interim single tier dividend of RM1.10 per share for the financial year ended 30 September 2010 amounting to RM394.3 million was declared on 8 November 2010. This special dividend was paid on 6 January 2011.

At the last Annual General Meeting held on 19 January 2011, shareholders approved a final single tier dividend of 38 sen per share amounting to RM135.7 million (2009: RM103.3 million) in respect of the financial year ended 30 September 2010. This will be paid on 23 February 2011.

9. Segmental results

For management purposes, the Group's operating businesses are organised according to products and services, namely soft drinks, dairy products 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	1st Quarter Revenue		1st Quarter Operating profit	
	2011	2010	2011	2010
Continuing operations				
Soft drinks	476,508	380,971	88,364	53,688
Dairy products	551,211	493,341	41,057	40,610
Property/Others	307	8,296	2,668	3,676
	<u>1,028,026</u>	<u>882,608</u>	<u>132,089</u>	<u>97,974</u>
Discontinued operations				
Glass container	-	109,551	-	8,703
Total operations	<u>1,028,026</u>	<u>992,159</u>	<u>132,089</u>	<u>106,677</u>

10. Valuation of property, plant and equipment

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

11. Subsequent events

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

12. Changes in the composition of the Group

There were no changes in the composition of the Group during the current financial quarter except for the completion of the subscription of 39,600,000 Subscription Shares representing 23.08% of the enlarged equity interest in Cocoland Holdings Berhad ("CHB") for a total cash subscription price of RM54,648,000 or RM1.38 per Subscription Share and CHB becomes an associate of the Group.

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

13. Contingent liabilities

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

14. Contingent assets

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

15. Capital commitments

The outstanding capital commitments of the continuing operations at the end of the current quarter are as follows:-

RM'000	Current Quarter
Property, plant and equipment	
Approved and contracted for	230,047
Approved and not contracted for	99,378
	329,425

16. Significant related party transactions

The following are significant related party transactions:-

RM'000	1st Quarter 2011		1st Quarter 2010	
	Continuing Operations	Discontinued Operations	Continuing Operations	Discontinued Operations
Sales	15,784	-	18,425	16,077
Purchases	54,331	-	43,669	47
Royalties paid	9,709	-	8,627	-
Corporate charges paid	1,207	-	884	-
Rental income	75	-	73	-

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 19 January 2011.

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

1. Operations review

Continuing Operations

Current Quarter vs Corresponding Quarter last year

Group revenue for the quarter crossed the billion Ringgit mark, representing an increase of 17% over the same period last year.

Soft drinks revenue growth accelerated by 25% on account of continued strong demand across all product categories, an earlier Chinese New Year sales window and incremental sales from new product variants. The Group had recently introduced several new fruity teas under SEASONS and juice drinks under Fruit Tree in PET bottle. Redbull energy drinks distribution, which had not started during the corresponding quarter last year, further added to the growth.

Dairies revenue grew 12% contributed mainly from broad-based volume growth in Thailand and Indochina. In Malaysia, condensed milk volume stagnated at the dairies plant with volume switching from export to meet domestic demand given the capacity constraint. Revenue improved on account of withdrawal of trade discount preceding an anticipated price increase driven by higher input cost.

Group operating profit was RM132 million or 35% above the same period last year. Soft drinks operating margin benefited from greater economies of scale on higher volume despite higher input costs. While the operating margin for dairies Thailand was maintained due to higher supply chain and manufacturing efficiency from the Rojana factory, operating margin for Malaysia came under pressure due to escalating raw materials costs, of which the reduction of sugar subsidy in Malaysia was a major factor.

Group profit after taxation for the quarter improved 46% to RM107 million on account of higher revenue and tax incentives enjoyed by the Dairies plant in Rojana, Thailand.

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

Group PBT of the continuing operations for the quarter of RM136 million was 41% higher than the preceding quarter on strong soft drinks and dairies operating performance, which more than made up for the absence of one-off gain from Property division recorded in the preceding quarter.

3. Prospects for the current financial year

Based on the Transition Agreement with The Coca-Cola Company, the Group will continue to have the exclusive distribution rights of the cola and the lemon lime categories for the whole of this financial year. The introduction of new drink variants and the additional Red Bull energy drinks franchise are expected to further increase the business volume for the soft drinks division.

Plans are underway to meet the impending fall in volume following the end of the Coca-Cola transition agreement on 30 September 2011. In the meantime, the bottled water for the Ice Mountain brand owned by Fraser and Neave, Limited has been launched. The Group also recently announced that it has secured the additional territories of Thailand and Brunei under the existing distribution licensing agreement from its parent company.

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

3. Prospects for the current financial year (cont'd)

On 1 January 2011, the Malaysian authorities announced with immediate effect, the reduction of sugar subsidies to business users. In addition, the rise in food prices and energy cost will exert pressures on margins. The Group is aware of the volatility in the external environment and will endeavour to meet these challenges posed by these risks.

The gain of RM29.6 million from the sales of the Fraser Business Park II project announced recently will be reflected in the second financial quarter.

Given the above, the Board remains cautious about the prospects of the Group for the rest of the year.

4. Tax expense

The details of the tax expense are as follows:-

RM'000	Current quarter	
	Continuing operations	Discontinued operations
Current	29,703	-
Deferred tax	(743)	-
	<u>28,960</u>	<u>-</u>

The Group's effective tax rate on continuing operations in the current quarter is lower than the statutory rate due to tax incentives and tax exemptions enjoyed by certain subsidiaries.

5. Sale of unquoted investments and properties

There were no profit from 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 except as disclosed in Note 12 of Schedule F.

7. Status of corporate proposal

There were no outstanding corporate proposals or new announcements made in the current financial quarter except as announced on 21 January 2011, the disposal of the entire shareholdings of Brampton Holdings Sdn Bhd, a wholly owned subsidiary, which carried out the development of Fraser Business Park Phase II. The gain amounting to approximately RM29.6 million is not taxable and will be reported in the next quarter.

8. Group borrowings and debt securities

The details of the Group's borrowings as at 31 December 2010 are as follows:-

RM'000	Currency	Current	Non-Current
Medium term notes (MTN)	RM	<u>150,000</u>	<u>150,000</u>

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

9. Derivatives

The details of the Group's foreign exchange forward contracts as at 31 December 2010 are as follows:-

Currency	Notional value RM'000	Fair value RM'000	Difference RM'000
USD (less than 3 months)	39,033	38,565	468
EUR (less than 4 months)	5,447	5,392	55
Total	44,480	43,957	523

The above instruments are executed with strong financial institutions in Malaysia. There is no cash requirement for these contracts.

The Group uses appropriate financial instruments, such as foreign exchange forward contracts, to hedge against specific exposures including foreign currency risks.

With the adoption of FRS 139, the difference between the notional value and fair value of the contracts amounting to RM0.5 million was recognised in the income statement.

10. Pending material litigation

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

11. Proposed Dividend

No dividend has been declared in this financial quarter.

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

12. Basis of calculation of earnings per share (EPS)

- (a) The basic EPS for the current quarter was computed by dividing the Group attributable profit to shareholders of the Company by the weighted average number of ordinary share in issue (net of treasury shares).

	<u>Current quarter RM'000</u>
Group attributable profit to shareholders of the Company	<u>107,084</u>
Weighted average issued capital net of treasury shares	357,516
Earnings per share (sen)	30.0

- (b) The diluted EPS for the current quarter was computed by dividing the Group attributable profit to shareholders (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").

	<u>Current quarter RM'000</u>
Group attributable profit to shareholders of the Company	<u>107,084</u>
Weighted average issued capital net of treasury shares	357,516
Adjustment for share options granted pursuant to the ESOS	2,398
Adjusted weighted average issued capital net of treasury shares	<u>359,914</u>
Earnings per share (sen)	29.8

13. Disclosure of realised and unrealised portions of the revenue reserve

	<u>Current quarter RM'000</u>
Total revenue reserve of the Company and its subsidiaries	
- Realised	705,573
- Unrealised	<u>1,572</u>
	707,145
Consolidation adjustments	<u>82,490</u>
	<u>789,635</u>

No comparative figures are required in the first year of complying with the realised and unrealised disclosure.