



FOOD EMPIRE HOLDINGS LIMITED

(Co Registration No: 200001282G)

First Quarter Financial Statement And Dividend Announcement for the Period Ended 31 March 2010

PART I- INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | Group | | Increase/ (Decrease) |
|--|-----------------|-----------------|---------------------------------|
| | 1Q 2010 | 1Q 2009 | (Decrease) |
| | US\$'000 | US\$'000 | % |
| Revenue | 38,693 | 28,752 | 34.6 |
| Changes in inventories of finished goods | 135 | (7,420) | } |
| Raw materials and consumables used | (21,050) | (7,410) | |
| Staff costs | (4,838) | (3,709) | 30.4 |
| Depreciation of property, plant and equipment | (449) | (412) | 9.0 |
| Depreciation of investment properties | (9) | (9) | 0.0 |
| Foreign exchange loss | (66) | (104) | -36.5 |
| Other operating expenses | (9,289) | (11,632) | -20.1 |
| Finance costs | (34) | (146) | -76.7 |
| Other income | 207 | 196 | 5.6 |
| Share of profit / (loss) of associated companies | 281 | (192) | N.M |
| Profit / (loss) from operations before taxation | 3,581 | (2,086) | N.M |
| Taxation (Note1) | 422 | (141) | N.M |
| Profit / (loss) after taxation | 4,003 | (2,227) | N.M |
| <u>Profit / (loss) after tax attributable to:</u> | | | |
| Shareholders of the Company | 4,003 | (2,227) | N.M |
| Minority interests, net of taxation | - | - | N.M |
| Profit / (loss) after taxation | 4,003 | (2,227) | N.M |

Note 1

Included in the taxation is as follows

| | Group | | Increase/ (Decrease) |
|-------------------------------------|-----------------|-----------------|---------------------------------|
| | 1Q 2010 | 1Q 2009 | (Decrease) |
| | US\$'000 | US\$'000 | % |
| (Over) provision for the prior year | (466) | (80) | 482.5 |

N.M denotes not meaningful



Group comprehensive statements

| | Group 1Q 2010 US\$'000 | 1Q 2009 US\$'000 | Increase/ (Decrease) % |
|--|------------------------------|---------------------|------------------------------|
| Profit / (loss) after taxation | 4,003 | (2,227) | N.M |
| Other comprehensive income / (loss), net of income tax | | | |
| - Foreign currency translation differences for foreign operations. | 227 | (1,590) | N.M |
| - Share of other comprehensive income/(loss) of associates | 62 | (223) | N.M |
| Total comprehensive income / (loss) for the period | 4,292 | (4,040) | N.M |
| <u>Total comprehensive income / (loss) attributable to:</u> | | | |
| Shareholders of the Company | 4,292 | (4,040) | N.M |
| Minority interests, net of taxation | - | - | N.M |
| Total comprehensive income / (loss) for the period | 4,292 | (4,040) | N.M |



1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

| | Group | | Company | |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | 31 Mar 2010 US\$'000 | 31 Dec 2009 US\$'000 | 31 Mar 2010 US\$'000 | 31 Dec 2009 US\$'000 |
| Non-Current Assets | | | | |
| Property, plant and equipment | 11,487 | 11,328 | - | - |
| Investment properties | 1,358 | 1,366 | - | - |
| Investments in subsidiary companies | - | - | 44,545 | 44,545 |
| Investments in associated companies | 6,868 | 6,526 | - | - |
| Intangible assets | 13,343 | 13,343 | - | - |
| Amounts due from associated companies (non-trade) | 59 | 309 | - | - |
| Deferred tax assets | 38 | 69 | - | - |
| | 33,153 | 32,941 | 44,545 | 44,545 |
| Current Assets | | | | |
| Cash and bank balances | 59,658 | 61,291 | 360 | 108 |
| Trade receivables | 37,447 | 36,489 | - | - |
| Deferred expenses | 506 | 389 | - | - |
| Prepaid operating expenses and other debtors | 1,421 | 1,479 | 22 | 21 |
| Other receivables | 879 | 719 | - | - |
| Amounts due from associated companies | 978 | 970 | - | - |
| Inventories | 18,091 | 17,955 | - | - |
| | 118,980 | 119,292 | 382 | 129 |
| Current Liabilities | | | | |
| Trade payables and accruals | (17,448) | (21,177) | (344) | (278) |
| Finance lease creditors | (4) | (4) | - | - |
| Interest-bearing loans and borrowings | (3,336) | (3,336) | - | - |
| Other payables | (430) | (154) | - | - |
| Amount due to subsidiary companies (non-trade) | - | - | (211) | (167) |
| Amounts due to associated company (trade) | (2) | - | - | - |
| Provision for taxation | (851) | (956) | - | - |
| | (22,071) | (25,627) | (555) | (445) |
| Net Current Assets / (Liabilities) | 96,909 | 93,665 | (173) | (316) |
| Non-Current Liabilities | | | | |
| Finance lease creditors | (10) | (11) | - | - |
| Interest-bearing loans and borrowings | (1,660) | (2,494) | - | - |
| Deferred tax liabilities | (351) | (400) | - | - |
| | (2,021) | (2,905) | - | - |
| Net Assets | 128,041 | 123,701 | 44,372 | 44,229 |
| Equity | | | | |
| Share capital | 39,666 | 39,666 | 39,666 | 39,666 |
| Reserves | 88,375 | 84,035 | 4,706 | 4,563 |
| | 128,041 | 123,701 | 44,372 | 44,229 |

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

| As at 31 Mar 2010 | | As at 31 Dec 2009 | |
|---------------------|-----------------------|---------------------|-----------------------|
| Secured US\$'000 | Unsecured US\$'000 | Secured US\$'000 | Unsecured US\$'000 |
| 4 | 3,336 | 4 | 3,336 |

Amount repayable after one year

| As at 31 Mar 2010 | | As at 31 Dec 2009 | |
|---------------------|-----------------------|---------------------|-----------------------|
| Secured US\$'000 | Unsecured US\$'000 | Secured US\$'000 | Unsecured US\$'000 |
| 10 | 1,660 | 11 | 2,494 |

Details of any collateral

The secured borrowing relates to a 5 year financial leasing of 2 motor vehicles in one of the subsidiaries. The financial lease is secured against the 2 motor vehicles under the financial lease.

1 (c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

| | 1Q 2010 | 1Q 2009 |
|---|-----------------|-----------------|
| | US\$'000 | US\$'000 |
| Cash flows from operating activities: | | |
| Profit / (loss) from operations before taxation | 3,581 | (2,086) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 449 | 412 |
| Depreciation of investment properties | 9 | 9 |
| Gain on disposal of property, plant and equipment | (5) | (1) |
| Interest income | (38) | (29) |
| Interest expenses | 34 | 146 |
| Allowance of doubtful debts | 7 | 88 |
| Allowance for stock obsolescence | 85 | 343 |
| Exchange realignment | (2) | (827) |
| Share of (profit) / loss of associated companies | (281) | 192 |
| Value of employees services received for issue of share options | 48 | - |
| Operating profit / (losses) before working capital changes | 3,887 | (1,753) |
| | | |
| (Increase) / decrease in receivables | (1,191) | 18,854 |
| (Increase) / decrease in inventories | (221) | 7,077 |
| Decrease in payables | (3,453) | (3,918) |
| Cash flows (used in) / from operations | (978) | 20,260 |
| | | |
| Income taxes refund / (paid) | 298 | (698) |
| Net cash flows generated from operating activities | (680) | 19,562 |
| Cash flows from investing activities: | | |
| Interest income received | 38 | 29 |
| Purchase of property, plant and equipment | (416) | (439) |
| Proceeds from sales of property, plant and equipment | 19 | 1 |
| Repayment of loan by associates | 250 | 194 |
| Net cash flows used in investing activities | (109) | (215) |
| Cash flows from financing activities: | | |
| Interest paid | (34) | (146) |
| Repayment of interest-bearing loans & borrowings | (835) | (1,334) |
| Net cash flows used in financing activities | (869) | (1,480) |
| Net increase in cash and cash equivalents | (1,658) | 17,867 |
| Effect of exchange rate changes on cash and cash equivalents | 25 | 49 |
| Cash and cash equivalents at beginning of the period | 61,291 | 15,537 |
| Cash and cash equivalents at end of the period | 59,658 | 33,453 |



- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or
(ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial period.

The Group – 1Q

| | Attributable to equity holders of the Company | | | | | Total US\$'000 |
|--|---|---|---|---|------------------------------------|-------------------|
| | Share Capital US\$'000 | Foreign Currency Translation Reserve US\$'000 | Asset Revaluation Reserve US\$'000 | Share-based payment reserve US\$'000 | Accumulated profits US\$'000 | |
| Balance as at 1 Jan 2009 | 39,666 | 1,060 | 60 | 324 | 81,510 | 122,620 |
| Total comprehensive losses | - | (1,813) | - | - | (2,227) | (4,040) |
| Balance as at 31 Mar 2009 | 39,666 | (753) | 60 | 324 | 79,283 | 118,580 |
| Balance as at 1 Jan 2010 | 39,666 | 756 | 60 | 324 | 82,895 | 123,701 |
| Total comprehensive income | - | 289 | - | - | 4,003 | 4,292 |
| Value of employee services received for issue of share options | - | - | - | 48 | - | 48 |
| Balance as at 31 Mar 2010 | 39,666 | 1,045 | 60 | 372 | 86,898 | 128,041 |

The Company – 1Q

| | Attributable to equity holders of the Company | | | | Total US\$'000 |
|--|---|---|---|------------------------------------|-------------------|
| | Share Capital US\$'000 | Foreign Currency Translation Reserve US\$'000 | Share-based payment reserve US\$'000 | Accumulated profits US\$'000 | |
| Balance as at 1 Jan 2009 | 39,666 | 4,027 | 324 | 314 | 44,331 |
| Total comprehensive losses | - | (2) | - | (127) | (129) |
| Balance as at 31 Mar 2009 | 39,666 | 4,025 | 324 | 187 | 44,202 |
| Balance as at 1 Jan 2010 | 39,666 | 4,007 | 324 | 232 | 44,229 |
| Total comprehensive income | - | - | - | 95 | 95 |
| Value of employee services received for issue of share options | - | - | 48 | - | 48 |
| Balance as at 31 Mar 2010 | 39,666 | 4,007 | 372 | 327 | 44,372 |

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

For the first quarter ended 31 March 2010, there were no new ordinary shares allocated and issued pursuant to the exercise of options granted under the Food Empire Share Option Scheme (the "Option Scheme").

Movement in the number of shares of the Company

| | |
|---|---------------------|
| | <u>No of shares</u> |
| Number of shares at 1 Jan 2010 | 529,043,999 |
| Share options exercised during the period of 1 Jan 2010 – 31 Mar 2010 | - |
| Number of shares as at 31 Mar 2010 | <u>529,043,999</u> |

On 4 January 2010, the Company granted 4,750,000 options to subscribe for ordinary shares exercisable between 4 January 2011 to 3 January 2020 at market price of S\$0.335 per share.

As at 31 Mar 2010, options to subscribe to a total of 8,640,000 ordinary shares were outstanding under the Option Scheme. As at 31 Mar 2009, there were unexercised options for 3,890,000 of unissued ordinary shares of the Company under the Option Scheme.

| | Number of options outstanding at 1 Jan 2010 | Number of options granted during the period | Number of options lapsed during the financial period | Number of options exercised during the financial period | Number of options outstanding at 31 Mar 2010 | Exercise price per share S\$ | Exercise period |
|--------------|---|---|--|---|--|------------------------------|----------------------------|
| 2002 Options | 240,000 | - | - | - | 240,000 | 0.142 | 14 Mar 2004 to 13 Mar 2012 |
| 2004 Options | 3,650,000 | - | - | - | 3,650,000 | 0.229 | 25 May 2006 to 24 May 2014 |
| 2010 Options | - | 4,750,000 | - | - | 4,750,000 | 0.335 | 04 Jan 2011 to 3 Jan 2020 |
| | <u>3,890,000</u> | <u>4,750,000</u> | <u>-</u> | <u>-</u> | <u>8,640,000</u> | | |

The Group has no treasury shares.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

| | Company | |
|-------------------------|--------------------|--------------------|
| | 31 Mar 2010 | 31 Dec 2009 |
| Number of issued shares | 529,043,999 | 529,043,999 |

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Group has no treasury shares.

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures were unaudited and were not reviewed by the auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and method of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2009, except for the adoption of revised FRS which came into effect on 01 July 2009.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The adoption of revised FRS as highlighted in paragraph 4 does not have a material impact on the financial statements for the period under review except for the Revised FRS 103 Business Combinations and Amendments to FRS 27 Consolidated and Separate Financial Statements.

The revised standards are effective for annual periods beginning on or after 1 July 2009. The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

The Amendments to FRS 27 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes from revised FRS 103 and Amendments to FRS 27 will affect future acquisitions or loss of control and transactions with minority interests.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

| | Group | |
|--|---------|---------|
| | 1Q 2010 | 1Q 2009 |
| Earnings / (Loss) per share | | |
| (i) Based on existing issued share capital (USD cents) | 0.76 | (0.42) |
| (ii) On a fully diluted basis (USD cents) | 0.76 | (0.42) |

Weighted average number of shares table

| | Group | |
|--|-------------|-------------|
| | 1Q 2010 | 1Q 2009 |
| Weighted average number of shares for calculation of basic EPS | 529,043,999 | 529,043,999 |
| Weighted average number of shares for calculation of diluted EPS | 530,112,626 | 529,859,532 |

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

- (a) **current financial period reported on; and**
 (b) **immediately preceding financial year.**

| | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 31 Mar 2010 | 31 Dec 2009 | 31 Mar 2010 | 31 Dec 2009 |
| Net asset value per ordinary share (US cents) | 24.20 | 23.38 | 8.39 | 8.36 |

The net assets value per ordinary share is calculated based on the number of ordinary shares issued of 529,043,999 shares of the Company as at 31 March 2010 (31 December 2009:529,043,999 shares).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Financial Review of 1Q 2010 vs 1Q 2009

The first quarter of 2010 was a positive one for the Group as trading conditions improved across its key markets.

The Group enjoyed a particularly strong increase in demand from its largest market Russia, where the economy continued to recover. In the Group's second largest country market, Ukraine, political and economic stability fed a growing confidence among consumers which helped to improve sales for the Group. In addition to the return of demand in the Group's existing markets, the Group was also encouraged by the growth of its new markets, in particular the Middle East.

While the increased sales in 4Q FY2009 included a proportion of restocking by the Group's distributors after the economic crisis subsided, the demand in the 1Q FY2010 was principally driven by consumer demand for the Group's products.

Resulting from these positive developments, Group revenue jumped by 34.6% from US\$28.8 million in 1Q FY2009 to US\$38.7 million in 1Q FY2010. On the back of the stronger sales volume, the Group delivered a US\$3.6 million profit before taxation.

Revenue by Region (US\$'000)

| | 1Q 2010 US\$'000 | 1Q 2009 US\$'000 | % Change | % of Total Revenue |
|-------------------------------|---------------------|---------------------|-------------|-----------------------|
| Russia | 21,069 | 14,052 | 49.9 | 54.4 |
| Eastern Europe & Central Asia | 12,833 | 11,934 | 7.5 | 33.2 |
| Others | 4,791 | 2,766 | 73.2 | 12.4 |
| Total | 38,693 | 28,752 | 34.6 | 100.0 |

The market which showed the strongest recovery in the first quarter was Russia. Improvements in the Russian economy resulted in growing consumer confidence, which in turn led to increased demand for the Group's products.

In Eastern Europe and Central Asia, sales increased by 7.5% to US\$12.8 million, with the growth in demand coming from Ukraine and the other CIS countries. The political and economic issues confronting Ukraine in 2009 had stabilised, and together with a more stable currency, the market saw a pick up in demand for the Group's products.

Revenue from Other Markets rose by 73.2% from US\$2.8 million in 1Q FY2009 to US\$4.8 million in 1Q FY2010 due to increased sales in the Middle East, where the Group's Klassno brand performed strongly.

Profitability

After recording its first and only quarterly loss in 1Q FY2009, the Group delivered a strong profit result for the first quarter of 2010 on the back of increased sales. The Group's profit after taxation was US\$4.0 million.

Raw materials and staff costs had both risen generally in line with the increased manufacturing output required to meet the higher sales volume.

Other operating expenses were down by 20.1% in 1Q FY2010 compared to 1Q FY2009. The Group took action in 1Q FY2009 to support its market position through the provision of sales rebates to its distributors to ensure the retail selling price of its products remained competitive. With the improving business environment, this rebate was no longer required in 1Q FY2010.

To ensure the Group's flagship brand MacCoffee continues to be the market leader in its category, the Group had stepped up its marketing activities in the first quarter with investments in brand building exercises such as advertising, promotions, sponsorships and strategic and tactical campaigns.

Balance Sheet & Cash Flow

The Group's balance sheet remained strong with net assets of US\$128.0 million as at 31 March 2010 including US\$59.7 million in cash in bank balances.

Cash flow from operations was negative for the quarter, reflecting the increased working capital needed to meet the growth in business volume, including the need to increase manufacturing output to meet the higher demand.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group expects to see increased demand across its key markets due to:

- 1) the continued strengthening of local economies;
- 2) greater confidence among consumers; and
- 3) the stability of local currencies.

The Group will continue to monitor price movements of raw materials, which are expected to rise as the level of global economic activity increases.

The Group is looking for opportunities to further grow the business, including possible upstream acquisitions to secure greater control over raw materials as well as downstream to expand the Group's distribution network into new markets. The Group is also looking at other opportunistic investments to enhance shareholders' value.

The Group's performance may also be affected by the following factors:

- fluctuations in the cost of raw materials and oil;
- a tight credit and lending environment;
- competitive market conditions; and
- the possibility of changes in regulatory policies in the Group's operating markets.

Allowing for the risks articulated above, and barring another major global economic shock, the Group expects to remain profitable in 2010.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend have been declared/recommended, a statement to that effect.

Not applicable.

13. Confirmation by the Board

We, Tan Wang Cheow and Sudeep Nair, being Directors of Food Empire Holdings Limited (the “Company”), do hereby confirm on behalf of the Directors of the Company that, to the best of their knowledge, nothing material has come to the attention of the Board of Directors of the Company which may render the financial results for the financial first quarter ended on 31 March 2010 to be false or misleading.

On behalf of the Board of Directors

Tan Wang Cheow
Director

Sudeep Nair
Director

BY ORDER OF THE BOARD

Tan Cher Liang
Company Secretary
14 May 2010