

FOOD EMPIRE HOLDINGS LIMITED
(Co Registration No: 200001282G)

Third Quarter and First Nine Months Financial Statement And Dividend Announcement for the Period ended 30 September 2010

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

1(a) Group Income Statements and Group Comprehensive Income Statement for the third quarter ended 30 September 2010 with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			Group		
	3Q 10	3Q 09	Increase/ (Decrease)	9M 10	9M 09	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	40,059	30,656	30.7	121,922	86,348	41.2
Changes in inventories of finished goods	3,478	(4,840)	} 19.2	1,278	(19,400)	} 40.8
Raw materials and consumables used	(23,722)	(12,139)				
Staff costs	(5,152)	(3,895)	32.3	(14,895)	(10,713)	39.0
Depreciation of property, plant and equipment	(471)	(449)	4.9	(1,382)	(1,294)	6.8
Depreciation of investment properties	(12)	(9)	33.3	(31)	(28)	10.7
Foreign exchange gain / (loss)	271	39	594.9	64	(63)	N.M
Other operating expenses	(10,753)	(7,556)	42.3	(29,967)	(27,540)	8.8
Finance costs	(16)	(115)	-86.1	(80)	(398)	-79.9
Other income	26	282	-90.8	288	634	-54.6
Share of profit of associated companies	236	239	-1.3	834	224	272.3
Profit from operations before taxation	3,944	2,213	78.2	10,610	190	5,484.2
Taxation (Note1)	(151)	(23)	556.5	82	(186)	N.M
Profit after taxation	3,793	2,190	73.2	10,692	4	N.M

Note 1

Included in the taxation is as follows

	Group			Group		
	3Q 10	3Q 09	Increase/ (Decrease)	9M 10	9M 09	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
(Over) provision for the prior year	(4)	-	N.M	(424)	(80)	430.0

N.M denotes not meaningful.

Group comprehensive statements

	Group			Group		
	3Q 10 US\$'000	3Q 09 US\$'000	Increase/ (Decrease) %	9M 10 US\$'000	9M 09 US\$'000	Increase/ (Decrease) %
Profit after taxation	3,793	2,190	73.2	10,692	4	N.M
Other comprehensive income / (loss), net of income tax						
Foreign currency translation differences of foreign operations.	695	376	84.8	400	(512)	N.M
Share of other comprehensive income/(loss) of associates	52	(81)	N.M	-	88	N.M
Total comprehensive income / (loss) for the period	4,540	2,485	82.7	11,092	(420)	N.M

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

	Group		Company	
	30-Sep-10	31-Dec-09	30-Sep-10	31-Dec-09
	US\$'000	US\$'000	US\$'000	US\$'000
Non-Current Assets				
Property, plant and equipment	18,088	11,328	-	-
Investment properties	5,338	1,366	-	-
Investments in subsidiary companies	-	-	44,545	44,545
Investments in associated companies	9,771	6,526	-	-
Intangible assets	13,343	13,343	-	-
Amounts due from associated companies (non-trade)	-	309	-	-
Deferred tax assets	81	69	-	-
	46,621	32,941	44,545	44,545
Current Assets				
Cash and bank balances	44,939	61,291	238	108
Trade receivables	45,053	36,489	-	-
Deferred expenses	691	389	-	-
Prepaid operating expenses and other debtors	1,154	1,479	15	21
Other receivables	783	719	-	-
Amounts due from associated companies	524	970	-	-
Inventories	19,233	17,955	-	-
	112,377	119,292	253	129
Current Liabilities				
Trade payables and accruals	(19,439)	(21,177)	(301)	(278)
Finance lease liabilities	-	(4)	-	-
Interest-bearing loans and borrowings	(739)	(3,336)	-	-
Other payables	(1,280)	(154)	-	-
Amount due to subsidiary companies (non-trade)	-	-	(389)	(167)
Provision for taxation	(731)	(956)	-	-
	(22,189)	(25,627)	(690)	(445)
Net Current Assets / (Liabilities)	90,188	93,665	(437)	(316)
Non-Current Liabilities				
Finance lease liabilities	-	(11)	-	-
Interest-bearing loans and borrowings	(5,385)	(2,494)	-	-
Deferred tax liabilities	(348)	(400)	-	-
	(5,733)	(2,905)	-	-
Net Assets	131,076	123,701	44,108	44,229
Equity				
Share capital	39,666	39,666	39,666	39,666
Reserves	91,410	84,035	4,442	4,563
	131,076	123,701	44,108	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 30 Sep 2010		As at 31 Dec 2009	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Finance lease liabilities	-	-	4	-
Interest-bearing loans and borrowings	739	-	-	3,336
Total	739	-	4	3,336

Amount repayable after one year

	As at 30 Sep 2010		As at 31 Dec 2009	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Finance lease liabilities	-	-	11	-
Interest-bearing loans and borrowings	5,385	-	-	2,494
Total	5,385	-	11	2,494

Details of any collateral

As at 31 Dec 2009, the finance lease liabilities are secured by a charge over the related leased motor vehicles held by one of the subsidiaries.

As at 30 September 2010, the interest bearing loans and borrowings are secured by a charge over the related property owned by one of the subsidiaries.

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

	3Q 10	3Q 09	9M 10	9M 09
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities:				
Profit from operations before taxation	3,944	2,213	10,610	190
Adjustment for :				
Depreciation of property, plant and equipment	471	449	1,382	1,294
Depreciation of investment properties	12	9	31	28
(Loss) / gain on disposal of property, plant and equipment	(5)	53	(15)	43
Loss on disposal of investment in associated company	49	-	49	-
Interest income	(39)	(39)	(123)	(99)
Interest expenses	16	115	80	398
Exchange realignment	273	281	(59)	(318)
Share of profit of associated companies	(236)	(239)	(834)	(224)
(Write back)/allowance for doubtful debts	-	339	(9)	496
Allowance for stock obsolescence	163	248	200	459
Value of employee services received for issue of share option	55	-	153	-
Operating profit before working capital changes	4,703	3,429	11,465	2,267
(Increase) / decrease in receivables	(887)	4,804	(8,596)	31,053
(Increase) / decrease in inventories	(3,641)	4,593	(1,478)	18,941
Increase / (decrease) in payables	4,422	4,199	(612)	(1,898)
Cash flows generated	4,597	17,025	779	50,363
Income taxes paid	(224)	(770)	(206)	(2,182)
Net cash flows generated from operating activities	4,373	16,255	573	48,181
Cash flow from investing activities:				
Interest income received	39	39	123	99
Purchase of property, plant and equipment	(6,756)	(1,028)	(7,738)	(1,890)
Purchase of investment properties	(3,777)	-	(3,777)	-
Proceeds from sales of property, plant and equipment	29	125	61	183
Proceeds from sales of associated companies	754	-	754	-
Investment in associated companies	(2,100)	-	(3,214)	(15)
Loan to associated companies	350	-	750	-
Repayment of loans provided to associate companies	-	153	-	448
Net cash flows used in investing activities	(11,461)	(711)	(13,041)	(1,175)
Cash flow from financing activities				
Interest paid	(16)	(115)	(80)	(398)
Dividends paid	-	-	(3,870)	(1,280)
Settlement of financial lease liabilities	(15)	-	(15)	-
Increase in / (repayment of) interest-bearing loans & borrowings and bills payable	1,130	(7,335)	294	(10,004)
Net cash flow generated from/(used in) financing activities	1,099	(7,450)	(3,671)	(11,682)
Net (decrease)/increase in cash and cash equivalents	(5,989)	8,094	(16,139)	35,324
Effect of exchange rate changes on cash and cash equivalents	(283)	(22)	(213)	(20)
Cash and cash equivalents at beginning of the period	51,211	42,769	61,291	15,537
Cash and cash equivalents at end of the period	44,939	50,841	44,939	50,841

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 – 3Q

	Attributable to equity holders of the Company					
	Share Capital	Foreign Currency Translation Reserve	Asset Revaluation Reserve	Share-based payment reserve	Accumulated profits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 Jul 09	39,666	341	60	324	78,044	118,435
Total comprehensive income	-	295	-	-	2,190	2,485
Dividends paid to shareholders of the company	-	-	-	-	-	-
Balance as at 30 Sep 09	39,666	636	60	324	80,234	120,920
Balance as at 1 Jul 10	39,666	409	60	422	85,924	126,481
Total comprehensive income	-	747	-	-	3,793	4,540
Dividends paid to shareholders of the company	-	-	-	-	-	-
Value of employee services received for issue of share options	-	-	-	55	-	55
Balance as at 30 Sep 10	39,666	1,156	60	477	89,717	131,076

The Group – 9 months

	Attributable to equity holders of the Company					
	Share Capital	Foreign Currency Translation Reserve	Asset Revaluation Reserve	Share-based payment reserve	Accumulated profits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 Jan 09	39,666	1,060	60	324	81,510	122,620
Total comprehensive loss	-	(424)	-	-	4	(420)
Dividends paid to shareholders of the company	-	-	-	-	(1,280)	(1,280)
Balance as at 30 Sep 09	39,666	636	60	324	80,234	120,920
Balance as at 1 Jan 10	39,666	756	60	324	82,895	123,701
Total comprehensive income	-	400	-	-	10,692	11,092
Dividends paid to shareholders of the company	-	-	-	-	(3,870)	(3,870)
Value of employee services received for issue of share options	-	-	-	153	-	153
Balance as at 30 Sep 10	39,666	1,156	60	477	89,717	131,076

The Company – 3Q

	Attributable to equity holders of the Company				
	Share Capital US\$'000	Foreign Currency Translation Reserve US\$'000	Share-based payment reserve US\$'000	Accumulated profits US\$'000	Total US\$'000
Balance as at 1 Jul 09	39,666	4,055	324	422	44,467
Total comprehensive income	-	(25)	-	(92)	(117)
Balance as at 30 Sep 09	39,666	4,030	324	330	44,350
Balance as at 1 Jul 10	39,666	4,087	422	150	44,325
Total comprehensive income	-	(75)	-	(197)	(272)
Value of employee services received for issue of share options	-	-	55	-	55
Balance as at 30 Sep 10	39,666	4,012	477	(47)	44,108

The Company – 9 months

	Attributable to equity holders of the Company				
	Share Capital US\$'000	Foreign Currency Translation Reserve US\$'000	Share-based payment reserve US\$'000	Accumulated profits US\$'000	Total US\$'000
Balance as at 1 Jan 09	39,666	4,027	324	314	44,331
Total comprehensive income	-	3	-	1,296	1,299
Dividend paid to shareholders of the company	-	-	-	(1,280)	(1,280)
Balance as at 30 Sep 09	39,666	4,030	324	330	44,350
Balance as at 1 Jan 10	39,666	4,007	324	232	44,229
Total comprehensive income	-	5	-	3,591	3,596
Dividend paid to shareholders of the company	-	-	-	(3,870)	(3,870)
Value of employee services received for issue of share options	-	-	153	-	153
Balance as at 30 Sep 10	39,666	4,012	477	(47)	44,108

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.

	FY 2010	FY 2009
<u>Share Capital</u>		
Balance of ordinary shares as at 1 Jan and 30 Sep	529,043,999	529,043,999
<u>Share Option - exercise price of S\$0.142</u>		
Balance of unexercise share options as at 1 Jan and 30 Sep	240,000	240,000
<u>Share Option - exercise price of S\$0.229</u>		
Balance of unexercise share options as at 1 Jan and 30 Sep	3,650,000	3,650,000
<u>Share Option - exercise price of S\$0.335</u>		
Balance as at 1 Jan	-	-
Issued on 4 Jan 2010	4,750,000	-
Balance as at 30 Sep	4,750,000	-

As at 30 September 2010, there were unexercised options of 8,640,000 (30 September 2009: 3,890,000) of unissued ordinary shares of the Company under the Option Scheme.

Treasury Shares

As at 30 September 2010 and 30 September 2009, there were no treasury shares held by the company.

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.

Please refer to 1d(ii).

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.

Not applicable.

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 1 January 2010.

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		Group	
	3Q 10	3Q 09	9M 10	9M 09
Earnings per share				
Based on existing issued share capital (USD cents)	0.72	0.41	2.02	0.00
On a fully diluted basis (USD cents)	0.72	0.41	2.02	0.00

	Group		Group	
	3Q 10	3Q 09	9M 10	9M 09
Weighted average number of shares table				
Weighted average number of shares for calculation of basic EPS	529,043,999	529,043,999	529,043,999	529,043,999
Weighted average number of shares for calculation of diluted EPS	529,872,066	530,199,575	529,636,331	529,988,286

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30-Sep-10	31-Dec-09	30-Sep-10	31-Dec-09
Net asset value per ordinary share (USD cents)	24.78	23.38	8.34	8.36

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:-
- 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
 - 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

The Group's financial performance continued to show major improvements compared to the same period last year. In the first nine months of the year, revenue was up 41.2% from US\$86.3 million last year to US\$121.9 million while profit after tax improved from US\$0.004 million to US\$10.7 million.

Revenue in Q3 FY10 was US\$40.1 million compared to US\$30.7 million in Q3 FY09 – an increase of 30.7%. The increase was attributed to the Group's major markets as the Northern hemisphere enters the cold weather season, as well as continued efforts to increase the distribution of the Group's products coupled with ongoing branding activities.

Profit after tax for Q3 FY10 rose by 73.2% to US\$3.8 million, compared to US\$2.2 million for the same quarter in 2009.

Revenue by Region (US\$'000)

	Group			Group		
	3Q 10 US\$'000	3Q 09 US\$'000	Increase/ (Decrease) %	9M 10 US\$'000	9M 09 US\$'000	Increase/ (Decrease) %
Russia	21,786	15,784	38.0	70,767	42,302	67.3
Eastern Europe and Central Asia	14,828	10,148	46.1	37,990	32,129	18.2
Other Markets	3,445	4,724	-27.1	13,165	11,917	10.5
Total	40,059	30,656	30.7	121,922	86,348	41.2

Traditionally the third quarter marks the set in of the cold weather season in the Northern hemisphere and revenue usually escalates during this period as consumption of hot beverages increases.

Against a backdrop of a stable currency and trading conditions, revenue in Russia continued to improve with a 67.3% increase for the first three quarters.

Sales to Eastern Europe and Central Asia rose by 46.1% in Q3 FY10, with strong growth in the Group's second and third largest country markets, Ukraine and Kazakhstan. Sales to both markets were up more than 60% compared to the same period in Q3 FY09.

Sales to the Group's Other Markets in Q3 FY10 fell from US\$4.7 million to US\$3.4 million. However, the potential for long term growth in the Middle East and Asia remains strong.

Profitability

The Group recorded a profit after tax of US\$3.8 million for Q3 FY10, compared to US\$2.2 million in Q3 FY09.

Raw materials costs increased by 19.2% compared to the corresponding quarter in 2009, reflecting the higher volume of sales.

Staff costs were 32.3% higher as the Group's increased its manufacturing output to meet the growing demand for its products, in addition to provisions made for variable salary components.

Other operating expenses for Q3 FY10 were 42.3% higher than the same quarter in 2009. This is due to brand building expenditure in the form of consumer promotions, advertising and other sponsorships undertaken to ensure the Group's brands continue to enjoy widespread support from its existing consumers, as well as attracting new customers for its products. Freight and demurrage costs associated with the higher sales volume also contributed to the increase.

Balance Sheet & Cash Flow

The Group's balance sheet remains strong with net assets of US\$131.1 million as at 30 September 2010 including US\$44.9 million in cash and bank balances, representing a net asset value per share of US24.78 cents.

Compared to 31 December 2009, cash and bank balances were lower, due mainly to:

- payment of dividends;
- cash portion for the purchase of the company's new headquarters in Singapore;
- investments in associated companies.

Increased working capital was also required as the Group geared up for higher sales volumes.

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 demand in the fourth quarter to be stable across its key markets.

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 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.

Barring any unforeseen circumstances, the Group expects to remain profitable for FY 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 Pursuant to Rule 705(4)

We, Tan Wang Cheow and Sudeep Nair, being 2 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 has come to the attention of the Board of Directors of the Company which may render the financial results for the quarter ended on 30 September 2010 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Tan Wang Cheow
Director

Sudeep Nair
Director

BY ORDER OF THE BOARD

Tan Cher Liang
Company Secretary
10 November 2010