

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

First Quarter Financial Statement And Dividend Announcement for the Period Ended 31 March 2011

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 first quarter ended 31 March 2011 with a comparative statement for the corresponding period of the immediately preceding financial year.

| | Group | | Increase/ (Decrease) |
|---|---------------|---------------|-------------------------|
| | 1Q 11 | 1Q 10 | |
| | US\$'000 | US\$'000 | % |
| Revenue | 50,811 | 38,693 | 31.3 |
| Changes in inventories of finished goods | 5,778 | 135 | } |
| Raw materials and consumables used | (35,346) | (21,050) | |
| Staff costs | (5,649) | (4,838) | 16.8 |
| Depreciation of property, plant and equipment | (494) | (449) | 10.0 |
| Depreciation of investment properties | (12) | (9) | 33.3 |
| Foreign exchange loss | (55) | (66) | -16.7 |
| Other operating expenses | (12,272) | (9,289) | 32.1 |
| Finance costs | (18) | (34) | -47.1 |
| Other income (Note 1) | 468 | 207 | 126.1 |
| Share of profit of associated companies | 517 | 281 | 84.0 |
| Profit from operations before taxation | 3,728 | 3,581 | 4.1 |
| Taxation (Note 2) | (325) | 422 | N.M |
| Profit after taxation | 3,403 | 4,003 | -15.0 |

Notes:

1 Included in the other income are as follows

| | Group | | Increase/ (Decrease) |
|--|----------|----------|-------------------------|
| | 1Q 11 | 1Q 10 | |
| | US\$'000 | US\$'000 | % |
| Gain from disposal of assets classified as held for sale | 357 | - | N.M |

2 Included in the taxation is as follows

| | Group | | Increase/ (Decrease) |
|-----------------------------------|----------|----------|-------------------------|
| | 1Q 11 | 1Q 10 | |
| | US\$'000 | US\$'000 | % |
| Over provision for the prior year | 20 | 466 | -95.7 |

N.M denotes not meaningful.

Group comprehensive statements

| | 1Q 11 US\$'000 | Group 1Q 10 US\$'000 | Increase/ % |
|---|-------------------|----------------------------|----------------|
| Profit after taxation | 3,403 | 4,003 | -15.0 |
| Other comprehensive income, net of income tax | | | |
| Foreign currency translation differences of foreign operations. | 702 | 227 | 209.3 |
| Share of other comprehensive income of associates | 77 | 62 | 24.2 |
| Total comprehensive income for the period | 4,182 | 4,292 | -2.6 |

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 | |
|--|------------------|------------------|------------------|------------------|
| | 31-Mar-11 | 31-Dec-10 | 31-Mar-11 | 31-Dec-10 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Non-Current Assets | | | | |
| Property, plant and equipment | 19,263 | 17,938 | - | - |
| Investment properties | 4,623 | 4,530 | - | - |
| Investments in subsidiaries | - | - | 44,545 | 44,545 |
| Investments in associates (Note 3) | 12,129 | 11,535 | - | - |
| Intangible assets | 13,343 | 13,343 | - | - |
| Debentures (Note 3) | 596 | 593 | - | - |
| Amounts due from associates (non-trade) | 1,300 | 1,308 | - | - |
| Deferred tax assets | 148 | 95 | - | - |
| | 51,402 | 49,342 | 44,545 | 44,545 |
| Current Assets | | | | |
| Cash and bank balances | 33,359 | 41,670 | 123 | 231 |
| Trade receivables | 54,668 | 49,661 | - | - |
| Deferred expenses | 474 | 328 | - | - |
| Prepaid operating expenses and other debtors | 1,000 | 2,352 | 9 | 4 |
| Other receivables | 432 | 548 | - | - |
| Amounts due from subsidiaries | - | - | - | 602 |
| Amounts due from associates | 431 | 390 | - | - |
| Derivatives (Note 3) | 684 | 684 | - | - |
| Assets held for sale | - | 312 | - | - |
| Inventories | 29,432 | 23,654 | - | - |
| | 120,480 | 119,599 | 132 | 837 |
| Current Liabilities | | | | |
| Trade payables and accruals | (24,003) | (26,378) | (413) | (926) |
| Amount due to associates (trade) | (476) | - | - | - |
| Interest-bearing loans and borrowings | (755) | (627) | - | - |
| Other payables | (224) | (1,225) | - | - |
| Amount due to subsidiaries (non-trade) | - | - | (72) | (21) |
| Provision for taxation | (1,028) | (548) | - | - |
| | (26,486) | (28,778) | (485) | (947) |
| Net Current Assets / (Liabilities) | 93,994 | 90,821 | (353) | (110) |
| Non-Current Liabilities | | | | |
| Interest-bearing loans and borrowings | (6,421) | (5,485) | - | - |
| Deferred tax liabilities | (515) | (508) | - | - |
| | (6,936) | (5,993) | - | - |
| Net Assets | 138,460 | 134,170 | 44,192 | 44,435 |
| Equity | | | | |
| Share capital | 39,707 | 39,666 | 39,707 | 39,666 |
| Reserves | 98,753 | 94,504 | 4,485 | 4,769 |
| | 138,460 | 134,170 | 44,192 | 44,435 |

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. (continue)

Note:

- 3 As at 30 November 2010, one of the subsidiaries of the Group acquired a 26% interest in Vayhan Coffee Limited. The debenture and derivative form part of the structured transaction for the acquisition.

The purchase price allocation of the acquisition of Vayhan Coffee Limited was provisional as the Group had sought an independent valuation for the assets owned by Vayhan Coffee Limited. The results of this valuation had not been received at the date of this announcement.

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 March 2011 | | As at 31 Dec 2010 | |
|---------------------------------------|---------------------|-----------------------|---------------------|-----------------------|
| | Secured US\$'000 | Unsecured US\$'000 | Secured US\$'000 | Unsecured US\$'000 |
| Interest-bearing loans and borrowings | 755 | - | 627 | - |

Amount repayable after one year

| | As at 31 March 2010 | | As at 31 Dec 2010 | |
|---------------------------------------|---------------------|-----------------------|---------------------|-----------------------|
| | Secured US\$'000 | Unsecured US\$'000 | Secured US\$'000 | Unsecured US\$'000 |
| Interest-bearing loans and borrowings | 6,421 | - | 5,485 | - |

Details of any collateral

As at 31 December 2010 and 31 March 2011, the interest bearing loans and borrowings are secured by a charge over the related freehold properties 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**

| | 1Q 11 US\$'000 | 1Q 10 US\$'000 |
|--|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Profit from operations before taxation | 3,728 | 3,581 |
| Adjustment for : | | |
| Depreciation of property, plant and equipment | 494 | 449 |
| Depreciation of investment properties | 12 | 9 |
| Gain from disposal of assets classified as held for sale | (357) | - |
| Loss / (gain) on disposal of property, plant and equipment | 56 | (5) |
| Interest income | (58) | (38) |
| Interest expenses | 18 | 34 |
| Exchange realignment | 365 | (2) |
| Share of results of associated companies | (517) | (281) |
| (Write back of) / allowance for doubtful debts | (20) | 7 |
| (Write back of) / allowance for stock obsolescence | (30) | 85 |
| Value of employee services received for issue of share option | 76 | 48 |
| Operating profit before working capital changes | 3,767 | 3,887 |
| Increase in receivables | (3,707) | (1,191) |
| Increase in inventories | (5,748) | (221) |
| Decrease in payables | (2,900) | (3,453) |
| Cash flows generated | (8,588) | (978) |
| Income taxes refund | 108 | 298 |
| Net cash flows used in operating activities | (8,480) | (680) |
| Cash flow from investing activities: | | |
| Interest income received | 58 | 38 |
| Purchase of property, plant and equipment | (1,507) | (416) |
| Purchase of investment properties | (13) | - |
| Proceeds from disposal of property, plant and equipment | 14 | 19 |
| Proceeds from disposal of assets classified as held for sale | 669 | - |
| Repayment of loans by associated companies | 8 | 250 |
| Net cash flows used in investing activities | (771) | (109) |
| Cash flow from financing activities | | |
| Interest paid | (18) | (34) |
| Proceeds from issuance of shares | 32 | - |
| Dividends paid | - | - |
| Repayment of obligations under financial lease | - | - |
| Repayment of bank loans and borrowings | (38) | (835) |
| Proceeds from loans and borrowings | 1,103 | - |
| Net cash flow generated from / (used in) financing activities | 1,079 | (869) |
| Net decrease in cash and cash equivalents | (8,172) | (1,658) |
| Effect of exchange rate changes on cash and cash equivalents | (139) | 25 |
| Cash and cash equivalents at beginning of the period | 41,670 | 61,291 |
| Cash and cash equivalents at end of the period | 33,359 | 59,658 |

- 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 | Foreign Currency Translation Reserve | Asset Revaluation Reserve | Share-based payment reserve | Fair value adjustment reserve | Accumulated profits | |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | |
| Balance as at 1 Jan 11 | 39,666 | 1,301 | 60 | 535 | (76) | 92,684 | 134,170 |
| Total comprehensive income | - | 779 | - | - | - | 3,403 | 4,182 |
| Value of employee services received for issue of share options | - | - | - | 76 | - | - | 76 |
| Issurance of ordinary shares | 32 | - | - | - | - | - | 32 |
| Exercise of share options | 9 | - | - | (9) | - | - | - |
| Balance as at 31 Mar 11 | 39,707 | 2,080 | 60 | 602 | (76) | 96,087 | 138,460 |
| Balance as at 1 Jan 10 | 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 10 | 39,666 | 1,045 | 60 | 372 | - | 86,898 | 128,041 |

The Company – 1Q

| | Attributable to equity holders of the Company | | | | |
|--|---|---|-----------------------------------|------------------------|---------------|
| | Share Capital | Foreign Currency Translation Reserve | Share-based payment reserve | Accumulated profits | Total |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Balance as at 1 Jan 11 | 39,666 | 3,963 | 535 | 271 | 44,435 |
| Total comprehensive income | - | (6) | - | (345) | (351) |
| Value of employee services received for issue of share options | - | - | 76 | - | 76 |
| Issurance of ordinary shares | 32 | - | - | - | 32 |
| Exercise of share options | 9 | - | (9) | - | - |
| Balance as at 31 Mar 11 | 39,707 | 3,957 | 602 | (74) | 44,192 |
| Balance as at 1 Jan 10 | 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 10 | 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.**

Details of movement in the number of issued ordinary shares and share options are as follows:

| | FY 2010 | FY 2010 |
|--|----------------|----------------|
| <u>Share Capital</u> | | |
| Number of ordinary shares as at 1 January | 529,043,999 | 529,043,999 |
| Issued for cash under employee share option scheme | | |
| - at the exercise price of S\$0.335 each | 120,000 | - |
| Balance of ordinary shares as at 31 March | 529,163,999 | 529,043,999 |
| <u>Share Option - exercise price of S\$0.142</u> | | |
| Balance of unexercise share options as at 1 January and 31 March | 240,000 | 240,000 |
| <u>Share Option - exercise price of S\$0.229</u> | | |
| Balance of unexercise share options as at 1 January and 31 March | 3,650,000 | 3,650,000 |
| <u>Share Option - exercise price of S\$0.335</u> | | |
| Balance as at 1 January | 4,750,000 | - |
| Granted to eligible employees on 4 Jan 2010 | - | 4,750,000 |
| Options exercised during the period | (120,000) | - |
| Balance as at 31 March | 4,630,000 | 4,750,000 |
| <u>Share Option - exercise price of S\$0.505</u> | | |
| Balance as at 1 January | - | - |
| Granted to eligible employees on 1 February 2011 | 4,750,000 | - |
| Balance as at 31 March | 4,750,000 | - |

Out of the 13,270,000 outstanding share options on 31 March 2011 (31 March 2010: 8,640,000), 8,520,000 (2010: 3,890,000) share options are exercisable.

Treasury Shares

As at 31 March 2011 and 31 March 2010, 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 2010, except for the adoption of revised FRS which came into effect on 1 January 2011.

- 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.

- 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 11 | 1Q 10 |
| Earnings per share | | |
| Based on existing issued share capital (USD cents) | 0.64 | 0.76 |
| On a fully diluted basis (USD cents) | 0.64 | 0.76 |

| | Group | |
|--|--------------|--------------|
| | 1Q 11 | 1Q 10 |
| Weighted average number of shares table | | |
| Weighted average number of shares for calculation of basic EPS | 529,082,665 | 529,043,999 |
| Weighted average number of shares for calculation of diluted EPS | 531,047,657 | 530,112,626 |

- 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 | |
|--|------------------|------------------|------------------|------------------|
| | 31-Mar-11 | 31-Dec-10 | 31-Mar-11 | 31-Dec-10 |
| Net asset value per ordinary share (USD cents) | 26.17 | 25.36 | 8.35 | 8.40 |

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

The Group recorded its fifth consecutive quarter of double digit revenue growth year-on-year, confirming the sustainability of its recovery. Improved economic conditions, currency stability, growing consumer confidence and successful brand building activities all contributed to strong sales in the first quarter of FY 2011.

Revenue increased by 31.3% to US\$50.8 million compared to US\$38.7 million in Q1 2010.

Revenue by Region (US\$'000)

| | Group | | Increase/ (Decrease) |
|---------------------------------|-------------------|-------------------|-------------------------|
| | 1Q 11 US\$'000 | 1Q 10 US\$'000 | % |
| Russia | 30,215 | 21,069 | 43.4 |
| Eastern Europe and Central Asia | 15,035 | 12,833 | 17.2 |
| Other Markets | 5,561 | 4,791 | 16.1 |
| Total | 50,811 | 38,693 | 31.3 |

A stronger performance by all the Group's key markets helped lift sales by 31.3% compared to the same quarter in 2010. Revenue from the Group's largest market, Russia, was up by a healthy 43.4%. Taking advantage of the improved economic outlook and consumer confidence, the Group is also reaching new areas of the country by expanding its distribution channels.

The two most significant countries within the Eastern Europe and Central Asia market are Ukraine and Kazakhstan. In Ukraine, although the economy remained relatively weak, the Group managed to grow its sales by 5.2% through fine tuning of our selling strategy and the introduction of a new product line. Kazakhstan enjoyed a 31.2% growth due to the Group's advertising and promotional activities, as well restocking by its distributors. The Group's other markets also showed steady sales growth, especially in the Middle East.

Profitability

The Group's profit before tax for Q1 2011 was up by 4.1% to US\$3.7 million, compared to Q1 2010. Profit after tax was US\$3.4 million, a decrease of 15% compared to the same quarter in 2010 due to write back of prior year tax provision in Q1 2010.

Raw material costs increased by 41.4% as a result of higher sales as well as increase in commodity prices.

Staff costs increased by 16.8% reflecting the addition of staff to increase manufacturing output since Q1 2010. Compared to the previous quarter of Q4 2010, staff costs have remained stable.

Compared to Q1 2010, other operating expenses rose by 32.1%. This is primarily due to the Group's aggressive brand building activity as well as promotional costs arising from the introduction of new product line. Higher transport costs and the increased volume of products shipped resulted in a rise in freight and demurrage costs.

Balance Sheet & Cashflow

The Group's net assets as at 31 March 2011 were US\$138.5 million, representing a net asset value per share of US\$ 26.2 cent.

Cash and bank balances were US\$33.4 million, which were lower than the previous quarter due to the increased working capital required as the Group increases its level of activity.

Inventories and trade receivables were higher, reflecting the expansion of the Group's operations in order to meet growing 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 its key markets to continue to perform well as global economic sentiments have remained relatively positive. The Group's new markets continue to show potential.

The Group is actively pursuing further acquisitions in addition to those undertaken in 2010. It is also examining opportunities outside its traditional base of Russia and the CIS in order to create a more balanced portfolio and be less dependent on a single region.

During the next 12 months, raw material prices are expected to be volatile. This will be a challenge for the Group. To respond to the volatile commodity prices the Group is pursuing several strategies including improving efficiency; continuing to source from multiple suppliers; negotiating the best available deals; and managing its procurement strategy to meet its immediate needs as well as its longer term requirements in order to get the best mix of contracts.

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

- raw material cost;
- funding cost;
- 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 2011

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 Financial Period ended on 31 March 2011 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
4 May 2011