

**FOOD EMPIRE HOLDINGS LIMITED**  
*(Co Registration No: 200001282G)*
**Second Quarter and First Half Financial Statement and Dividend Announcement for The Period ended 30 June 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 second quarter ended 30 June 2011 with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group			Group		
	2Q 11	2Q 10	Increase/ (Decrease)	1H 11	1H 10	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
<b>Revenue</b>	<b>56,259</b>	<b>43,170</b>	<b>30.3</b>	<b>107,070</b>	<b>81,863</b>	<b>30.8</b>
Changes in inventories of finished goods	(5,465)	(2,336)	}	313	(2,200)	}
Raw materials and consumables used	(27,578)	(22,648)		32.3	(62,924)	
Staff costs	(5,833)	(4,905)	18.9	(11,482)	(9,743)	17.8
Depreciation of property, plant and equipment	(429)	(462)	-7.1	(923)	(911)	1.3
Depreciation of investment properties	(8)	(10)	-20.0	(20)	(19)	5.3
Foreign exchange loss	(99)	(142)	-30.3	(154)	(207)	-25.6
Other operating expenses	(13,494)	(9,926)	35.9	(25,766)	(19,214)	34.1
Finance costs	(23)	(30)	-23.3	(41)	(64)	-35.9
Other income (Note 1)	320	56	471.4	788	262	200.8
Share of profit of associates	72	318	-77.4	589	598	-1.5
<b>Profit before taxation</b>	<b>3,722</b>	<b>3,085</b>	<b>20.6</b>	<b>7,450</b>	<b>6,666</b>	<b>11.8</b>
Taxation (Note 2)	(164)	(189)	-13.2	(489)	233	N.M
<b>Profit after taxation</b>	<b>3,558</b>	<b>2,896</b>	<b>22.9</b>	<b>6,961</b>	<b>6,899</b>	<b>0.9</b>
<b>Profit attributable to:</b>						
Shareholders of the Company	3,574	2,896	23.4	6,977	6,899	1.1
Non-controlling interest	(16)	-	N.M	(16)	-	N.M
	<b>3,558</b>	<b>2,896</b>	<b>22.9</b>	<b>6,961</b>	<b>6,899</b>	<b>0.9</b>

**Notes:**

1 Included in the other income are as follows

	2Q 11	2Q 10	Increase/ (Decrease)	1H 11	1H 10	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Gain from disposal of assets classified as held for sale	-	-	N.M	357	-	N.M

2 Included in the taxation is as follows

	Group			Group		
	2Q 11	2Q 10	Increase/ (Decrease)	1H 11	1H 10	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Under/(over) provision for the prior year	-	46	-100.0	-	(420)	-100.0

N.M denotes not meaningful.



**Group comprehensive income statements**

	Group			Group		
	2Q 11	2Q 10	Increase/ (Decrease)	1H 11	1H 10	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
<b>Profit net of tax</b>	<b>3,558</b>	<b>2,896</b>	<b>22.9</b>	<b>6,961</b>	<b>6,899</b>	<b>0.9</b>
<b>Other comprehensive income :</b>						
Foreign currency translation	(194)	(522)	-62.8	508	(295)	N.M
Share of other comprehensive income of associates	(80)	(114)	-29.8	(3)	(52)	-94.2
<b>Other comprehensive income for the period, net of tax</b>	<b>(274)</b>	<b>(636)</b>	<b>-56.9</b>	<b>505</b>	<b>(347)</b>	<b>N.M</b>
<b>Total comprehensive income for the period</b>	<b>3,284</b>	<b>2,260</b>	<b>45.3</b>	<b>7,466</b>	<b>6,552</b>	<b>13.9</b>
<b>Total comprehensive income attributable to:</b>						
Shareholders of the Company	3,300	2,260	46.0	7,482	6,552	14.2
Non-controlling interest	(16)	-	N.M	(16)	-	N.M
	<b>3,284</b>	<b>2,260</b>	<b>45.3</b>	<b>7,466</b>	<b>6,552</b>	<b>13.9</b>

**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-Jun-11 US\$'000	31-Dec-10 US\$'000	30-Jun-11 US\$'000	31-Dec-10 US\$'000
<b>Non-Current Assets</b>				
Property, plant and equipment	19,210	17,938	-	-
Investment properties	4,849	4,530	-	-
Investments in subsidiaries	-	-	44,544	44,545
Investments in associates (Note 3)	12,121	11,535	-	-
Intangible assets	13,343	13,343	-	-
Debentures (Note 3)	596	593	-	-
Amounts due from associates (non-trade)	2,600	1,308	-	-
Deferred tax assets	167	95	-	-
	<b>52,886</b>	<b>49,342</b>	<b>44,544</b>	<b>44,545</b>
<b>Current Assets</b>				
Cash and cash equivalents	23,503	41,670	221	231
Trade receivables	61,168	49,661	-	-
Deferred expenses	214	328	-	-
Prepaid operating expenses and other debtors	1,271	2,352	1	4
Other receivables	943	548	-	-
Amounts due from subsidiaries	-	-	220	602
Amounts due from associates	336	390	-	-
Derivatives (Note 3)	684	684	-	-
Assets held for sale	-	312	-	-
Inventories	23,967	23,654	-	-
	<b>112,086</b>	<b>119,599</b>	<b>442</b>	<b>837</b>
<b>Current Liabilities</b>				
Trade payables and accruals	(17,570)	(26,378)	(246)	(926)
Amount due to associates (trade)	(140)	-	-	-
Interest-bearing loans and borrowings	(775)	(627)	-	-
Other payables	(438)	(1,225)	-	-
Amount due to subsidiaries (non-trade)	-	-	-	(21)
Provision for taxation	(909)	(548)	-	-
	<b>(19,832)</b>	<b>(28,778)</b>	<b>(246)</b>	<b>(947)</b>
<b>Net Current Assets / (Liabilities)</b>	<b>92,254</b>	<b>90,821</b>	<b>196</b>	<b>(110)</b>
<b>Non-Current Liabilities</b>				
Interest-bearing loans and borrowings	(6,393)	(5,485)	-	-
Deferred tax liabilities	(515)	(508)	-	-
	<b>(6,908)</b>	<b>(5,993)</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>138,232</b>	<b>134,170</b>	<b>44,740</b>	<b>44,435</b>
<b>Equity</b>				
Share capital	39,707	39,666	39,707	39,666
Reserves	98,097	94,504	5,033	4,769
	<b>137,804</b>	<b>134,170</b>	<b>44,740</b>	<b>44,435</b>
Non-controlling interest	428	-	-	-
	<b>138,232</b>	<b>134,170</b>	<b>44,740</b>	<b>44,435</b>

**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. (cont'd)**

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 30 June 2011		As at 31 Dec 2010	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Interest-bearing loans and borrowings	775	-	627	-

**Amount repayable after one year**

	As at 30 June 2011		As at 31 Dec 2010	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Interest-bearing loans and borrowings	6,393	-	5,485	-

**Details of any collateral**

As at 31 December 2010 and 30 June 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**

	2Q 11 US\$'000	2Q 10 US\$'000	1H 11 US\$'000	1H 10 US\$'000
<b>Cash flows from operating activities:</b>				
Profit from operations before taxation	3,722	3,085	7,450	6,666
Adjustment for :				
Depreciation of property, plant and equipment	429	462	923	911
Depreciation of investment properties	8	10	20	19
Gain from disposal of assets classified as held for sale	-	-	(357)	-
Loss / (gain) on disposal of property, plant and equipment	1	(5)	57	(10)
Interest income	(72)	(46)	(130)	(84)
Interest expenses	23	30	41	64
Exchange realignment	(446)	(330)	(80)	(332)
Share of profit of associates	(72)	(318)	(589)	(598)
Allowance for/ (write back of) doubtful receivables	276	(16)	256	(9)
Allowance for / (write back of) inventories	115	(48)	85	37
Value of employee services received for issue of share options	109	50	185	98
<b>Operating profit before working capital changes</b>	<b>4,093</b>	<b>2,874</b>	<b>7,861</b>	<b>6,762</b>
Increase in receivables	(7,202)	(6,520)	(10,909)	(7,709)
Decrease/(increase) in inventories	5,350	2,384	(398)	2,163
Decrease in payables	(6,554)	(1,580)	(9,455)	(5,034)
<b>Cash flows generated</b>	<b>(4,313)</b>	<b>(2,842)</b>	<b>(12,901)</b>	<b>(3,818)</b>
Income taxes (paid)/refund	(300)	(281)	(192)	18
<b>Net cash flows used in operating activities</b>	<b>(4,613)</b>	<b>(3,123)</b>	<b>(13,093)</b>	<b>(3,800)</b>
<b>Cash flow from investing activities:</b>				
Interest income received	477	46	535	84
Purchase of property, plant and equipment	(233)	(566)	(1,740)	(982)
Purchase of investment properties	-	-	(13)	-
Proceeds from disposal of property, plant and equipment	11	13	25	32
Proceeds from disposal of assets classified as held for sale	-	-	669	-
Investment in associates	-	(1,114)	-	(1,114)
Subscription for debentures from an associate	-	-	8	-
Loans provided to associates	(1,300)	-	(1,300)	-
Repayment of loans due from associates	-	150	-	400
<b>Net cash flows used in investing activities</b>	<b>(1,045)</b>	<b>(1,471)</b>	<b>(1,816)</b>	<b>(1,580)</b>
<b>Cash flow from financing activities</b>				
Interest expenses paid	(23)	(30)	(41)	(64)
Proceeds from issuance of shares	-	-	32	-
Dividends paid to shareholders of the Company	(4,065)	(3,870)	(4,065)	(3,870)
Capital injection from non-controlling interest of a subsidiary	40	-	40	-
Repayment of interest-bearing loans and borrowings	(9)	-	(47)	(836)
Proceeds from interest-bearing loans and borrowings	-	-	1,103	-
<b>Net cash flows used in financing activities</b>	<b>(4,057)</b>	<b>(3,900)</b>	<b>(2,978)</b>	<b>(4,770)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(9,715)</b>	<b>(8,494)</b>	<b>(17,887)</b>	<b>(10,150)</b>
Effect of exchange rate changes on cash and cash equivalents	(141)	47	(280)	70
Cash and cash equivalents at beginning of the period	33,359	59,658	41,670	61,291
<b>Cash and cash equivalents at end of the period</b>	<b>23,503</b>	<b>51,211</b>	<b>23,503</b>	<b>51,211</b>

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 – 2Q**

	Attributable to equity holders of the Company								
	Share Capital	Foreign Currency Translation Reserve	Asset Revaluation Reserve	Share-based payment reserve	Fair value adjustment reserve	Accumulated profits	Total	Non-controlling interest	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance as at 1 Apr 11</b>	<b>39,707</b>	<b>2,080</b>	<b>60</b>	<b>602</b>	<b>(76)</b>	<b>96,087</b>	<b>138,460</b>	<b>-</b>	<b>138,460</b>
Total comprehensive income	-	(274)	-	-	-	3,574	3,300	(16)	3,284
Value of employee services received for issue of share options	-	-	-	109	-	-	109	-	109
Capital injection from non-controlling interest of a subsidiary	-	-	-	-	-	-	-	444	444
Dividends paid to shareholders of the company	-	-	-	-	-	(4,065)	(4,065)	-	(4,065)
<b>Balance as at 30 Jun 11</b>	<b>39,707</b>	<b>1,806</b>	<b>60</b>	<b>711</b>	<b>(76)</b>	<b>95,596</b>	<b>137,804</b>	<b>428</b>	<b>138,232</b>
<b>Balance as at 1 Apr 10</b>	<b>39,666</b>	<b>1,045</b>	<b>60</b>	<b>372</b>	<b>-</b>	<b>86,898</b>	<b>128,041</b>	<b>-</b>	<b>128,041</b>
Total comprehensive income	-	(636)	-	-	-	2,896	2,260	-	2,260
Dividends paid to shareholders of the company	-	-	-	-	-	(3,870)	(3,870)	-	(3,870)
Value of employee services received for issue of share options	-	-	-	50	-	-	50	-	50
<b>Balance as at 30 Jun 10</b>	<b>39,666</b>	<b>409</b>	<b>60</b>	<b>422</b>	<b>-</b>	<b>85,924</b>	<b>126,481</b>	<b>-</b>	<b>126,481</b>

**The Group – 1H**

	Attributable to equity holders of the Company								
	Share Capital	Foreign Currency Translation Reserve	Asset Revaluation Reserve	Share-based payment reserve	Fair value adjustment reserve	Accumulated profits	Total	Non-controlling interest	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance as at 1 Jan 11</b>	<b>39,666</b>	<b>1,301</b>	<b>60</b>	<b>535</b>	<b>(76)</b>	<b>92,684</b>	<b>134,170</b>	<b>-</b>	<b>134,170</b>
Total comprehensive income	-	505	-	-	-	6,977	7,482	(16)	7,466
Value of employee services received for issue of share options	-	-	-	185	-	-	185	-	185
Issurance of ordinary shares	32	-	-	-	-	-	32	-	32
Exercise of share options	9	-	-	(9)	-	-	-	-	-
Capital injection from non-controlling interest of a subsidiary	-	-	-	-	-	-	-	444	444
Dividends paid to shareholders of the company	-	-	-	-	-	(4,065)	(4,065)	-	(4,065)
<b>Balance as at 30 Jun 11</b>	<b>39,707</b>	<b>1,806</b>	<b>60</b>	<b>711</b>	<b>(76)</b>	<b>95,596</b>	<b>137,804</b>	<b>428</b>	<b>138,232</b>
<b>Balance as at 1 Jan 10</b>	<b>39,666</b>	<b>756</b>	<b>60</b>	<b>324</b>	<b>-</b>	<b>82,895</b>	<b>123,701</b>	<b>-</b>	<b>123,701</b>
Total comprehensive income	-	(347)	-	-	-	6,899	6,552	-	6,552
Dividends paid to shareholders of the company	-	-	-	-	-	(3,870)	(3,870)	-	(3,870)
Value of employee services received for issue of share options	-	-	-	98	-	-	98	-	98
<b>Balance as at 30 Jun 10</b>	<b>39,666</b>	<b>409</b>	<b>60</b>	<b>422</b>	<b>-</b>	<b>85,924</b>	<b>126,481</b>	<b>-</b>	<b>126,481</b>

**The Company – 2Q**

	<b>Attributable to equity holders of the Company</b>				
	<b>Share Capital</b>	<b>Foreign Currency Translation Reserve</b>	<b>Share-based payment reserve</b>	<b>Accumulated profits</b>	<b>Total</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Balance as at 1 Apr 11</b>	<b>39,707</b>	<b>3,957</b>	<b>602</b>	<b>(74)</b>	<b>44,192</b>
Total comprehensive income	-	(378)	-	4,882	4,504
Value of employee services received for issue of share options	-	-	109	-	109
Dividends paid to shareholders of the Company	-	-	-	(4,065)	(4,065)
<b>Balance as at 30 Jun 11</b>	<b>39,707</b>	<b>3,579</b>	<b>711</b>	<b>743</b>	<b>44,740</b>
<b>Balance as at 1 Apr 10</b>	<b>39,666</b>	<b>4,007</b>	<b>372</b>	<b>327</b>	<b>44,372</b>
Total comprehensive income	-	80	-	3,693	3,773
Dividends paid to shareholders of the company	-	-	-	(3,870)	(3,870)
Value of employee services received for issue of share options	-	-	50	-	50
<b>Balance as at 30 Jun 10</b>	<b>39,666</b>	<b>4,087</b>	<b>422</b>	<b>150</b>	<b>44,325</b>

**The Company – 1H**

	<b>Attributable to equity holders of the Company</b>				
	<b>Share Capital</b>	<b>Foreign Currency Translation Reserve</b>	<b>Share-based payment reserve</b>	<b>Accumulated profits</b>	<b>Total</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Balance as at 1 Jan 11</b>	<b>39,666</b>	<b>3,963</b>	<b>535</b>	<b>271</b>	<b>44,435</b>
Total comprehensive income	-	(384)	-	4,537	4,153
Value of employee services received for issue of share options	-	-	185	-	185
Issurance of ordinary shares	32	-	-	-	32
Exercise of share options	9	-	(9)	-	-
Dividends paid to shareholders of the Company	-	-	-	(4,065)	(4,065)
<b>Balance as at 30 Jun 11</b>	<b>39,707</b>	<b>3,579</b>	<b>711</b>	<b>743</b>	<b>44,740</b>
<b>Balance as at 1 Jan 10</b>	<b>39,666</b>	<b>4,007</b>	<b>324</b>	<b>232</b>	<b>44,229</b>
Total comprehensive income	-	80	-	3,788	3,868
Dividends paid to shareholders of the company	-	-	-	(3,870)	(3,870)
Value of employee services received for issue of share options	-	-	98	-	98
<b>Balance as at 30 Jun 10</b>	<b>39,666</b>	<b>4,087</b>	<b>422</b>	<b>150</b>	<b>44,325</b>

- 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:

	<b>FY 2011</b>	<b>FY 2010</b>
<b><u>Share Capital</u></b>		
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 30 June	<u>529,163,999</u>	<u>529,043,999</u>
<b><u>Share Option - exercise price of S\$0.142</u></b>		
Balance of unexercised share options as at 1 January and 30 June	<u>240,000</u>	<u>240,000</u>
<b><u>Share Option - exercise price of S\$0.229</u></b>		
Balance of unexercised share options as at 1 January and 30 June	<u>3,650,000</u>	<u>3,650,000</u>
<b><u>Share Option - exercise price of S\$0.335</u></b>		
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 30 June	<u>4,630,000</u>	<u>4,750,000</u>
<b><u>Share Option - exercise price of S\$0.505</u></b>		
Balance as at 1 January	-	-
Granted to eligible employees on 1 February 2011	4,750,000	-
Balance as at 30 June	<u>4,750,000</u>	<u>-</u>

Out of the 13,270,000 outstanding share options on 30 June 2011 (30 June 2010: 8,640,000), 8,520,000 (2010: 3,890,000) share options are exercisable.

**Treasury Shares**

As at 30 June 2011 and 30 June 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		Group	
	2Q 11	2Q 10	1H 11	1H 10
<b>Earnings per share</b>				
Based on existing issued share capital (USD cents)	0.67	0.55	1.32	1.30
On a fully diluted basis (USD cents)	0.67	0.55	1.31	1.30

	Group		Group	
	2Q 11	2Q 10	1H 11	1H 10
<b>Weighted average number of shares table</b>				
Weighted average number of shares for calculation of basic EPS	529,163,999	529,043,999	529,123,556	529,043,999
Weighted average number of shares for calculation of diluted EPS	529,474,148	529,844,166	530,446,452	529,527,575

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-Jun-11	31-Dec-10	30-Jun-11	31-Dec-10
Net asset value per ordinary share (USD cents)	26.04	25.36	8.46	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:-
- 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 strategy of investing in brand building activities continued to show returns, with strong revenue growth across all the Group's major markets.

Revenue in 1H 2011 was US\$107.1 million, an increase of 30.8% compared to a 1H 2010 revenue of US\$81.9 million. The Group delivered a profit after tax of US\$7.0 million for the half year.

Compared to the first half of 2010, economic conditions have improved and currencies have stabilised resulting in growing consumer confidence in the Group's key markets. Sales for 1H 2011 were just 6% lower than its record first half sales in 2008 - an indication of the Group's recovery since the global financial crisis.

To capitalise on better trading conditions, the Group has been aggressively promoting its products through advertising, promotions and sponsorships, leading to strong first half sales.

For 2Q 2011, revenue increased 30.3% to US\$56.3 million, resulting in a profit after tax of US\$3.6 million. This brings the number of consecutive quarters of double digit revenue growth to six.

### Revenue by Region (US\$'000)

	Group			Group		
	2Q 11 US\$'000	2Q 10 US\$'000	Increase/ (Decrease) %	1H 11 US\$'000	1H 10 US\$'000	Increase/ (Decrease) %
Russia	34,086	27,913	22.1	64,300	48,981	31.3
Eastern Europe and Central Asia	16,663	10,329	61.3	31,698	23,162	36.9
Other Markets	5,510	4,928	11.8	11,072	9,720	13.9
<b>Total</b>	<b>56,259</b>	<b>43,170</b>	<b>30.3</b>	<b>107,070</b>	<b>81,863</b>	<b>30.8</b>

In 1H 2011, sales to the Group's largest market, Russia, rose by 31.3% as the Group continued to expand its distribution network and actively promoted its products.

In the Eastern European and Central Asia region, where Ukraine and Kazakhstan are the two largest country markets, sales rose by 36.9% to US\$31.7 million. Revenue from Kazakhstan jumped 83.7% for the first half year, while during the same period Ukraine sales were up by 35.7%.

The Group's other markets, including its promising Middle East business, continued to show steady growth with sales rising by 13.9% for the half year.

As the second quarter corresponds with the European summer, it has traditionally been a slower quarter for the Group. Despite this seasonal factor, revenue in 2Q 2011 was US\$56.3 million, an increase of 30.3% compared to 2Q 2010. This is mainly due to the Group pushing new product lines into the market, supported by increased advertising and promotional activities.

### **Profitability**

For 1H 2011 the Group recorded a profit after tax of US\$7.0 million compared to US\$6.9 million in 1H 2010, which benefited from a tax write back of US\$420,000. For 2Q 2011 the Group's profit after tax was US\$3.6 million compared to US\$2.9 million in 2Q 2010.

Raw material costs together with the changes in inventory of finished goods increased by 36.4% due to the increase in sales volume, as well as higher market prices for coffee, non-dairy creamer and sugar.

Staff costs increased by 17.8% in 1H 2011 compared to 1H 2010. This reflects the increase in manufacturing output required to support the sales volume, compared to a year ago. Compared to the previous two quarters, staff costs have remained virtually the same.

Compared to 1H 2010, other operating expenses rose by 34.1%. The increase is primarily due to the Group's brand building activities, undertaken to take advantage of improved consumer sentiment in its major markets, as well as promotional activities in support of new product lines. Higher transport costs from the increase in volume shipped also contributed to the increase.

### **Balance Sheet & Cashflow**

The Group's net assets as at 30 June 2011 were US\$138.2 million, representing a net asset value per ordinary share of US\$ 26.04 cents.

Cash and bank balances were US\$23.5 million. Increased working capital was required to support the higher level of activity across all markets. Trade receivables are higher, again reflecting the expansion of the Group's operations in order to meet growing demand.

Compared to the preceding quarter of 1Q 2011, the Group's inventory was lower as the Group carefully managed the level of inventory held in response to fluctuating raw material prices.

**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 has done reasonably well in the first half year but in view of the current economic uncertainties worldwide, the second half of 2011 would be challenging.

The Group continues to respond to the current high raw material prices by improving efficiency; sourcing from multiple suppliers; using its purchasing power to negotiate the best available deals; 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.

Subsequent to the Group's investment in Vayhan Coffee Limited in November 2010 amounting to US\$2.3 million in equity and US\$0.6 million in debentures, various issues have arisen and the Group is seeking legal advice with a view to withdraw its investment from the company.

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

- raw material prices;
- funding cost;
- competitive market conditions; and
- the possibility of changes in regulatory policies in the Group's operating markets.

**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(5)**

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 30 June 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**  
**10 August 2011**