

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

First Quarter Financial Statement And Dividend Announcement for The Period ended 31 March 2012

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

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

	Group		Increase/ (Decrease)
	1Q 12	1Q 11	
	US\$'000	US\$'000	%
Revenue	51,465	50,811	1.3
Changes in inventories of finished goods	2,395	5,778	} -5.0
Raw materials and consumables used	(30,490)	(35,346)	
Staff costs	(6,815)	(5,649)	20.6
Depreciation of property, plant and equipment	(520)	(494)	5.3
Depreciation of investment properties	(10)	(12)	-16.7
Foreign exchange gain/(loss)	121	(55)	N.M.
Other operating expenses	(12,307)	(12,272)	0.3
Finance costs	(61)	(18)	238.9
Other income (Note 1)	207	468	-55.8
Share of profit of associates	680	517	31.5
Profit before taxation	4,665	3,728	25.1
Taxation (Note 2)	291	(325)	N.M.
Profit for the period	4,956	3,403	45.6
<u>Profit attributable to:</u>			
Equity shareholders of the Company	5,018	3,403	47.5
Non-controlling interest	(62)	-	N.M.
	4,956	3,403	45.6

Notes:

1. Included in other income are as follows:

	Group		Increase/ (Decrease)
	1Q 12	1Q 11	
	US\$'000	US\$'000	%
Gain on disposal of assets classified as held for sale	-	357	-100%

2. Included in the taxation is as follows:

	Group		Increase/ (Decrease)
	1Q 12	1Q 11	
	US\$'000	US\$'000	%
Over provision for the prior year	428	20	2040.0

N.M. denotes not meaningful.

1(a)(ii) Statement of group comprehensive income

	Group		Increase/ (Decrease)
	1Q 12 US\$'000	1Q 11 US\$'000	%
Profit net of tax	4,956	3,403	45.6
Other comprehensive income :			
Foreign currency translation gain	1,009	702	43.7
Share of other comprehensive (loss)/income of associates	(58)	77	N.M.
Other comprehensive income for the period, net of tax	951	779	22.1
Total comprehensive income for the period	5,907	4,182	41.2
Total comprehensive income attributable to:			
Equity shareholders of the Company	5,969	4,182	42.7
Non-controlling interest	(62)	-	N.M.
	5,907	4,182	41.2

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 2012 US\$'000	31 Dec 2011 US\$'000	31 Mar 2012 US\$'000	31 Dec 2011 US\$'000
Non-Current Assets				
Property, plant and equipment	24,240	23,857	217	221
Investment properties	11,117	10,765	-	-
Investments in subsidiaries	-	-	44,545	44,545
Investments in associates	10,609	9,988	-	-
Intangible assets	13,343	13,343	-	-
Amount due from an associate	2,600	2,600	-	-
Deferred tax assets	140	142	-	-
	62,049	60,695	44,762	44,766
Current Assets				
Cash and cash equivalents	39,718	35,148	22	116
Trade receivables	57,053	63,050	-	-
Deferred expenses	223	400	-	-
Prepaid operating expenses and other debtors	2,023	2,173	19	29
Other receivables	2,880	2,435	-	-
Amounts due from subsidiaries (non-trade)	-	-	5,439	5,889
Amounts due from associates (non-trade)	402	514	-	-
Inventories	26,049	22,257	-	-
	128,348	125,977	5,480	6,034
Current Liabilities				
Trade payables and accruals	(24,296)	(25,672)	(599)	(1,043)
Finance lease creditor	(7)	(9)	-	-
Interest-bearing loans and borrowing	(1,100)	(1,076)	-	-
Other payables	(376)	(719)	-	-
Amount due to subsidiaries (non-trade)	-	-	(22)	(21)
Provision for taxation	(1,085)	(1,662)	-	-
	(26,864)	(29,138)	(621)	(1,064)
Net Current Assets	101,484	96,839	4,859	4,970
Non-Current Liabilities				
Finance lease creditor	(8)	(8)	-	-
Interest-bearing loans and borrowings	(12,345)	(12,310)	-	-
Deferred tax liabilities	(365)	(364)	-	-
	(12,718)	(12,682)	-	-
Net Assets	150,815	144,852	49,621	49,736
Equity				
Share capital	39,751	39,751	39,751	39,751
Treasury shares	(42)	-	(42)	-
Reserves	110,917	104,850	9,912	9,985
	150,626	144,601	49,621	49,736
Non-controlling interest	189	251	-	-
Total Equity	150,815	144,852	49,621	49,736

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 2012		As at 31 Dec 2011	
	Secured	Unsecured	Secured	Unsecured
	US\$'000	US\$'000	US\$'000	US\$'000
Finance lease creditor	(7)	-	(9)	-
Interest-bearing loans and borrowings	(1,100)	-	(1,076)	-
Total	(1,107)	-	(1,085)	-

Amount repayable after one year

	As at 31 Mar 2012		As at 31 Dec 2011	
	Secured	Unsecured	Secured	Unsecured
	US\$'000	US\$'000	US\$'000	US\$'000
Finance lease creditor	(8)	-	(8)	-
Interest-bearing loans and borrowings	(12,345)	-	(12,310)	-
Total	(12,353)	-	(12,318)	-

Details of any collateral

As at 31 December 2011 and 31 March 2012, the interest bearing loans and borrowings were secured by a charge over the related freehold properties owned by one of the subsidiaries.

As at 31 December 2011 and 31 March 2012, the finance lease liabilities were secured by a charge over the related lease vehicle held by one of the subsidiaries.

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

	Group	
	1Q 12	1Q 11
	US\$'000	US\$'000
Cash flows from operating activities		
Profit from operations before taxation	4,665	3,728
Adjustment for :		
Depreciation of property, plant and equipment	520	494
Depreciation of investment properties	10	12
Gain on disposal of assets classified as held for sale	-	(357)
(Gain) / loss on disposal of property, plant and equipment	(8)	56
Interest income	(70)	(58)
Interest expenses	61	18
Exchange realignment	489	365
Share of profit of associates	(680)	(517)
Impairment for doubtful receivables	4	(20)
Write down of inventories	7	(30)
Write back of impairment loss on property, plant and equipment	(85)	-
Value of employee services received for issue of share options	98	76
Operating profit before working capital changes	5,011	3,767
Decrease/(increase) in trade and other receivables	5,987	(3,707)
Increase in inventories	(3,799)	(5,748)
Decrease in trade and other payables	(1,719)	(2,900)
Cash flows generated from/(used in) operations	5,480	(8,588)
Income taxes paid	(274)	108
Net cash flows generated from/(used in) operating activities	5,206	(8,480)
Cash flows from investing activities:		
Interest income received	70	58
Purchase of property, plant and equipment	(224)	(1,507)
Purchase of investment properties	-	(13)
Proceeds from disposal of property, plant and equipment	47	14
Proceeds from disposal of assets classified as held for sale	-	669
Repayment of loans due from associates	-	8
Net cash flows used in investing activities	(107)	(771)
Cash flow from financing activities		
Interest expenses paid	(61)	(18)
Proceeds from issuance of shares	-	32
Purchase of treasury shares	(42)	-
Repayment of interest-bearing loans and borrowings	(277)	(38)
Proceeds from interest-bearing loans and borrowings	-	1,103
Repayment of obligations under finance leases	(2)	-
Net cash flows (used in)/generated from financing activities	(382)	1,079
Net increase/(decrease) in cash and cash equivalents	4,717	(8,172)
Effect of exchange rate changes on cash and cash equivalents	(147)	(139)
Cash and cash equivalents at beginning of the period	35,148	41,670
Cash and cash equivalents at end of the period	39,718	33,359

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 year.

Group – 1Q

	Attributable to equity holders of the Company									Non-controlling interest	Total equity
	Share capital	Foreign currency translation reserve	Asset revaluation reserve	Treasury shares	Share-based payment reserve	Fair value adjustment reserve	Accumulated profits	Total			
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2012	39,751	850	60	-	825	-	103,115	144,601	251	144,852	
Profit for the period	-	-	-	-	-	-	5,018	5,018	(62)	4,956	
<u>Other comprehensive income</u>											
Foreign currency translation	-	1,009	-	-	-	-	-	1,009	-	1,009	
Share of other comprehensive loss of associates	-	(58)	-	-	-	-	-	(58)	-	(58)	
Total comprehensive income/(loss) for the period	-	951	-	-	-	-	5,018	5,969	(62)	5,907	
Value of employee services received for issue of share options	-	-	-	-	98	-	-	98	-	98	
Purchase of treasury shares	-	-	-	(42)	-	-	-	(42)	-	(42)	
Balance as at 31 March 2012	39,751	1,801	60	(42)	923	-	108,133	150,626	189	150,815	
Balance as at 1 January 2011	39,666	1,301	60	-	535	(76)	92,684	134,170	-	134,170	
Profit for the period	-	-	-	-	-	-	3,403	3,403	-	3,403	
<u>Other comprehensive income</u>											
Foreign currency translation	-	702	-	-	-	-	-	702	-	702	
Share of other comprehensive income of associates	-	77	-	-	-	-	-	77	-	77	
Total comprehensive income for the period	-	779	-	-	-	-	3,403	4,182	-	4,182	
Value of employee services received for issue of share options	-	-	-	-	76	-	-	76	-	76	
Exercise of share options	9	-	-	-	(9)	-	-	-	-	-	
Issuance of new shares	32	-	-	-	-	-	-	32	-	32	
Balance as at 31 March 2011	39,707	2,080	60	-	602	(76)	96,087	138,460	-	138,460	

Company – 1Q

	Attributable to equity holders of the Company				
	Share capital	Foreign currency translation reserve	Treasury shares	Share-based payment reserve	Accumulated profits
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2012	39,751	3,869	-	825	5,291
Loss for the period	-	-	-	-	(348)
<u>Other comprehensive income</u>					
Foreign currency translation	-	177	-	-	-
Total comprehensive income/(loss) for the period	-	177	-	-	(348)
Value of employee services received for issue of share options	-	-	-	98	-
Purchase of treasury shares	-	-	(42)	-	-
Balance as at 31 March 2012	39,751	4,046	(42)	923	4,943
Balance as at 1 January 2011	39,666	3,963	-	535	271
Loss for the period	-	-	-	-	(345)
<u>Other comprehensive income</u>					
Foreign currency translation	-	(6)	-	-	-
Total comprehensive loss for the period	-	(6)	-	-	(345)
Value of employee services received for issue of share options	-	-	-	76	-
Exercise of share options	9	-	-	(9)	-
Issuance of new shares	32	-	-	-	-
Balance as at 31 March 2011	39,707	3,957	-	602	(74)

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 (excluding treasury shares), treasury shares and share options are as follows:

	FY2012	FY2011
<u>Share Capital</u>		
Number of issued ordinary shares as at 1 Jan	529,413,999	529,043,999
Issued for cash under employee share option scheme		
- at the exercise price of S\$0.335 each	-	120,000
Ordinary shares held as treasury shares	(150,000)	-
Balance of issued ordinary shares as at 31 Mar (excluding treasury shares)	<u>529,263,999</u>	<u>529,163,999</u>
<u>Share Option - exercise price of S\$0.142</u>		
Balance of unexercised share options as at 1 Jan and 31 Mar	<u>240,000</u>	<u>240,000</u>
<u>Share Option - exercise price of S\$0.229</u>		
Balance of unexercised share options as at 1 Jan and 31 Mar	<u>3,400,000</u>	<u>3,650,000</u>
<u>Share Option - exercise price of S\$0.335</u>		
Balance as at 1 Jan	3,730,000	4,750,000
Options exercised during the period	-	(120,000)
Balance as at 31 Mar	<u>3,730,000</u>	<u>4,630,000</u>
<u>Share Option - exercise price of S\$0.505</u>		
Balance of unexercised share options as at 1 Jan and 31 Mar	<u>4,050,000</u>	<u>4,750,000</u>
<u>Share Option - exercise price of S\$0.315</u>		
Balance of unexercised share options as at 1 Jan and 31 Mar	<u>4,470,000</u>	<u>-</u>

Out of the 15,890,000 outstanding share options on 31 March 2012 (31 March 2011: 13,270,000), 11,420,000 (2011: 8,520,000) share options are exercisable.

Treasury Shares

As at 31 March 2012, the total number of treasury shares held was 150,000 (31 March 2011: Nil).

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.

The total number of issued ordinary shares excluding treasury shares is as follows: -

	Group	
	As at 31 Mar 2012	As at 31 Dec 2011
Issued ordinary shares	529,413,999	529,413,999
Less : Treasury shares	(150,000)	-
	<u>529,263,999</u>	<u>529,413,999</u>

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.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the current financial period reported on.

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

The figures have not been audited or 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 2011, except for the adoption of revised FRS which came into effect on 1 January 2012.

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 12	1Q 11
Earnings per share		
Based on existing issued share capital (USD cents)	0.95	0.64
On a fully diluted basis (USD cents)	0.95	0.64

	Group	
	1Q 12	1Q 11
Weighted average number of shares table		
Weighted average number of shares for calculation of basic EPS	529,263,999	529,082,665
Weighted average number of shares for calculation of diluted EPS	530,464,695	531,047,657

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-12	31-Dec-11	31-Mar-12	31-Dec-11
Net asset value per ordinary share (USD cents)	28.46	27.31	9.38	9.39

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 continued its strong sales performance in Q1 2012, recording revenue of US\$51.5 million, an improvement of 1.3% compared to its Q1 2011 revenue of US\$50.8 million. The Group's profit after tax for the quarter increased by a healthy 45.6% from US\$3.4 million in Q1 2011 to US\$5.0 million in Q1 2012.

Revenue by Region (US\$'000)

	Group Revenue		Increase/ (Decrease) %
	1Q 12 US\$'000	1Q 11 US\$'000	
Russia	30,824	30,215	2.0
Eastern Europe and Central Asia	14,106	15,035	-6.2
Other Markets	6,535	5,561	17.5
Total	51,465	50,811	1.3

In Q1 2012, sales to the Group's largest market, Russia, rose by 2.0% compared to Q1 2011. The Group continued to develop its brands with advertising and promotional activities as well as growing the reach of its distribution network.

In Eastern European and Central Asian markets (comprising Ukraine, Kazakhstan and the CIS region) the Group's revenue fell by 6.2% to US\$14.1 million in Q1 2012. Although the Group recorded higher sales to Kazakhstan and the CIS region during the period, the increase was offset by lower sales in Ukraine where distribution arrangements have been restructured.

The Group's other markets contributed US\$6.5 million, an increase of 17.5% compared to the same quarter in 2011. Middle East and Asia were the largest contributors of sales in this market segment.

Profitability

For Q1 2012, the Group recorded a profit after tax of US\$5.0 million compared to US\$3.4 million in Q1 2011. The increase in profitability was mainly due to better margins and tax write back.

Staff costs increased by 20.6%, reflecting an increase in headcount in some of our markets, as well as higher salaries and social security contributions.

Compared to Q1 2011, other operating expenses rose by 0.3%. The majority of these expenses were for brand building, promotions and activities in support of new product lines.

Balance Sheet & Cashflow

The Group's net assets as at 31 March 2012 were US\$150.8 million. The net asset value per ordinary share excluding minority interests as at 31 March 2012 was 28.46 US cents as compared to 27.31 US cents as at 31 December 2011.

As at 31 March 2012, cash and cash equivalents were US\$39.7 million as compared to US\$35.1 million as at 31 December 2011.

Trade receivables fell from US\$63.1 million as at 31 December 2011 to US\$57.1 million as at 31 March 2012 as the Group continued to manage its collection from debtors.

The Group's cashflow position improved substantially from a year ago, with net cash generated from operations of US\$5.2 million in Q1 2012 compared to a negative cashflow of US\$8.5 million in Q1 2011.

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's performance may be affected by the following factors:

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

The Group has, over many years, successfully managed fluctuating raw material prices and will continue to adopt appropriate measures to mitigate rising costs. These measures include improving efficiency, sourcing from multiple suppliers, using its purchasing power to negotiate 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.

In 2012, the Group will continue to pursue creative brand building activities and the expansion of its distribution network.

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 has been declared/recommended, a statement to that effect.

Not applicable.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group did not obtain general mandate from shareholders for IPTs.

14. 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 31 March 2012 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
14 May 2012