



**News Release
(For Immediate Release)
22 August 2003**

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Food Empire Holdings Achieves 31.2% Rise In Half-Year Turnover Strong Marketing And Brand Building Lead to Increased Market Share And Broad-based Sales Growth In Core Markets

Singapore, 22 August 2003 – SGX mainboard-listed Food Empire Holdings (FEH), a leading food and beverage manufacturer is pleased to announce that it has continued to expand its business with a 20.1% growth in its Group Turnover to \$28.8 million for the second quarter (April to June) of 2003. For the six-month period ended 30 June 2003, Group Turnover jumped 31.2% to \$58.1 million.

Group Revenue rose in the first half for the year on the back of double-digit sales growth in all the core markets of Russia, Eastern Europe and Central Asia. This broad-based increase was boosted by increased advertising and promotions activities and higher sales of flagship products in the first and second quarter of 2003.

Despite a generally difficult global environment and increasingly competitive markets, the Group remained profitable and attained a Group Profit After Tax attributable to shareholders of \$3.7 million in the first half of 2003. The Group Profit After Tax was lower by 22.6% compared to the corresponding half-year period in the previous financial year. This was due mainly to a 69% decline in Group Net Profit in the second quarter of the year to \$802,000 as a result of higher expenses such as advertising & promotional expenses and overseas office expenses.

Expenses of overseas offices increased as a result of setting up of new offices, expansion of office space and an increase in manpower. Higher Advertising and Promotions expenditure was incurred to boost sales of core and new products.

Mr Tan Wang Cheow, Food Empire Holdings Chairman and Managing Director said: "The Group continued to grow its revenue and remained profitable in the first half of 2003. Profit margins were affected mainly by essential strategic measures taken to strengthen the group's businesses and overseas presence, and by our continued investments to build up the value of our brands.

"These expenditures were necessary as we have to forge ahead with a more aggressive strategy to grow market share in an increasingly competitive environment. To date, we have succeeded in developing our key brands such as MacCoffee into market leaders with strong consumer recognition and high brand equity. Our continued commitment to brand building will sustain the high value of our brands and ensure their long term success."

Segmental Analysis

International sales contributed 97% of Group Revenue in the first half of the year. Russia maintained a strong contribution with 59.5% of Group Revenue while Eastern Europe and Central Asia increased its combined presence with 31.0% (up from 26.9% previously). Sales from Other Markets made up the balance 9.5% of Group revenue.

The Group's business in Russia achieved a robust 31.9% increase in turnover to \$34.6 million as a result of a wider and stronger distributor network and increased consumer demand for core brand products. Profit Before Tax (PBT) rose 23.4% to \$6.6 million in the first half of the year due mainly to higher sales.

An aggressive A&P programme to enter new markets and increase brand awareness in Eastern Europe and Central Asia led to a significant jump in the combined revenue in this market of 51.3% to \$18.0 million. PBT in the first half of 2003 was \$600,000, a decrease of 65.2% due to the higher A&P expenditure. Other markets posted a loss of \$1.3 million compared to the loss of \$246,000 in the previous year.

Sales increased across both product categories in the first half of the year. The Beverage division continued to be the main contributor with 89.3% of Group Revenue. Beverage sales chalked up a sterling 32.7% increase to \$51.9 million as a result of higher sales of 3-in-1 coffee and coffee in tins and jars, and strong contributions from new beverage products. The Non-beverage category attained a 19.9% increase in sales to \$6.2 million with maiden contributions from the launch of snack food and higher sales of convenience food.

Outlook

Commenting on the second half of this financial year, Mr Tan said: “The business environment will be increasingly competitive. However, we remain confident of Food Empire’s long-term growth prospects as we have established a firm business foundation and international network and we have strong brand leaders and quality products.

“We remain committed to our growth strategy of stepping up reinforcements in both core and new markets. We will continue to expand and strengthen our global distributor network and our product range and promote our brands with aggressive and effective A&P programmes.

“The increase in expenditure on overseas offices and A&P activities are expected to increase the Group’s revenue but may affect profit margins in the second half of the year. These measures are being implemented for the Group’s expansion and to prepare for the later part of this year which is traditionally the peak season.”

Foreign currency fluctuations will continue to be a factor as the bulk of the Group’s turnover comes from overseas.

This press release is to be read in conjunction with the full financial results posted on Masnet.

About Food Empire Holdings

Listed on the main board of the Singapore Exchange, Food Empire Holdings is a leading food and beverage company that manufactures and markets instant beverage products, frozen convenience food, confectionery and snack food. It also has a wholesale business that trades in frozen seafood.

Food Empire Holdings' products are exported to over 40 countries in markets such as Russia, Eastern Europe, Central Asia, China, Indochina, Australia and the US. The Group has 13 offices (representative and liaison) in 12 countries in Russia, Ukraine, Kazakhstan, Iran, Poland, Hungary, Turkey, Belgium, UAE, Mongolia, China and Vietnam.

The Group's core products include a wide variety of regular and flavoured coffee mixes and cappuccinos, instant chocolate, instant breakfast cereal and flavoured fruit teas. Food Empire also markets a refreshing range of confectionery, snack food such as dried calamari and potato crisps and a delectable assortment of frozen convenience food that include Asian delicacies.

Food Empire has more than 170 types of products under its own brands including MacCoffee, Klassno, FesAroma, Bésame, OrienBites, MacCandy and MacFood. Its flagship brand MacCoffee has been consistently rated as a market leader over the past few years and was recently ranked among the top three most popular instant 3-in-1 coffee brands in the group's core markets of Russia, Ukraine and Kazakhstan.

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