

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


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**First Quarter Financial Statement And Dividend Announcement for the Period ended 31 March 2009**


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**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 2009 with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group 1Q 09 US\$'000	Group 1Q 08 US\$'000	Increase/ (Decrease) %
<b>Revenue</b>	<b>28,752</b>	<b>52,077</b>	<b>-44.8</b>
Changes in inventories of finished goods	(7,420)	3,413	} -42.9
Raw materials and consumables used	(7,410)	(29,370)	
Staff costs	(3,709)	(6,041)	-38.6
Depreciation of property, plant and equipment	(412)	(401)	2.7
Depreciation of investment properties	(9)	(7)	28.57
Net loss from fair value adjustment in leasehold properties	-	(2)	0.0
Foreign exchange (loss) / gain	(104)	298	N.M
Other operating expenses	(11,632)	(12,545)	-7.3
Finance costs	(146)	(126)	15.9
Other income	196	115	70.4
Share of (losses) / profit of associated companies	(192)	73	-363.0
<b>(Losses) / profit from operations before taxation</b>	<b>(2,086)</b>	<b>7,484</b>	<b>-127.9</b>
Taxation (Note1)	(141)	(642)	-78.1
<b>(Losses) / profit after taxation</b>	<b>(2,227)</b>	<b>6,842</b>	<b>-132.5</b>
<b><u>(Losses) / profit after tax attributable to:</u></b>			
Shareholders of the Company	(2,227)	6,842	-132.5
Minority interests, net of taxation	-	-	N.M
<b>(Losses) / profit after taxation</b>	<b>(2,227)</b>	<b>6,842</b>	<b>-132.5</b>

**Note 1**

Included in the taxation is as follows

	Group 1Q 09 US\$'000	Group 1Q 08 US\$'000	Increase/ (Decrease) %
(Over) / under provision for the prior year	(80)	52	N.M

N.M denotes not meaningful

**Group comprehensive statements**

	<b>Group</b>		<b>Increase/ (Decrease)</b>
	<b>1Q 09</b>	<b>1Q 08</b>	<b>%</b>
	<b>US\$'000</b>	<b>US\$'000</b>	
<b>(Losses) / profit after taxation</b>	<b>(2,227)</b>	<b>6,842</b>	<b>-132.5</b>
<b>Other comprehensive (losses) / income, net of income tax</b>			
- Foreign currency translation differences for foreign operations.	(1,813)	29	N.M
<b>Total comprehensive (losses) / income for the period</b>	<b>(4,040)</b>	<b>6,871</b>	<b>-158.8</b>
<b><u>Total comprehensive (losses) / income attributable to:</u></b>			
Shareholders of the Company	(4,040)	6,871	-158.8
Minority interests, net of taxation	-	-	N.M
<b>Total comprehensive (losses) / income for the period</b>	<b>(4,040)</b>	<b>6,871</b>	<b>-158.8</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.**

	<b>Group</b>		<b>Company</b>	
	<b>31 Mar 09</b>	<b>31 Dec 08</b>	<b>31 Mar 09</b>	<b>31 Dec 08</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Non-Current Assets</b>				
Property, plant and equipment	10,722	11,474	-	-
Investment properties	1,338	1,383	-	-
Investments in subsidiary companies	-	-	44,545	44,558
Investments in associated companies	5,336	5,752	-	-
Intangible assets	15,751	15,751	-	-
Amounts due from associated companies (non-trade)	762	957	-	-
Deferred tax assets	84	219	-	-
	<b>33,993</b>	<b>35,536</b>	<b>44,545</b>	<b>44,558</b>
<b>Current Assets</b>				
Cash and bank balances	33,453	15,537	41	62
Derivatives	782	-	-	-
Trade receivables	41,937	60,672	-	-
Deferred expenses	1,124	1,110	-	-
Prepaid operating expenses and other debtors	1,857	2,040	24	18
Other receivables	813	963	-	-
Amounts due from subsidiary companies (non-trade)	-	-	-	51
Amounts due from associated companies	1,379	1,265	-	-
Inventories	32,225	39,645	-	-
	<b>113,570</b>	<b>121,232</b>	<b>65</b>	<b>131</b>
<b>Current Liabilities</b>				
Trade payables and accruals	(10,212)	(14,149)	(362)	(358)
Finance lease creditor	(4)	(3)	-	-
Interest-bearing loans and borrowings	(5,336)	(5,336)	-	-
Derivatives	(782)	-	-	-
Other payables	(179)	(160)	-	-
Amount due to subsidiary companies (non-trade)	-	-	(46)	-
Provision for taxation	(1,851)	(2,543)	-	-
	<b>(18,364)</b>	<b>(22,191)</b>	<b>(408)</b>	<b>(358)</b>
<b>Net Current Assets / (Liabilities)</b>	<b>95,206</b>	<b>99,041</b>	<b>(343)</b>	<b>(227)</b>
<b>Non-Current Liabilities</b>				
Finance lease creditor	(14)	(15)	-	-
Interest-bearing loans and borrowings	(9,996)	(11,330)	-	-
Deferred tax liabilities	(609)	(612)	-	-
	<b>(10,619)</b>	<b>(11,957)</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>118,580</b>	<b>122,620</b>	<b>44,202</b>	<b>44,331</b>
<b>Equity</b>				
Share capital	39,666	39,666	39,666	39,666
Reserves	78,914	82,954	4,536	4,665
	<b>118,580</b>	<b>122,620</b>	<b>44,202</b>	<b>44,331</b>

**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 09		As at 31 Dec 08	
Secured (US\$'000)	Unsecured (US\$'000)	Secured (US\$'000)	Unsecured (US\$'000)
4	5,336	3	5,336

**Amount repayable after one year**

As at 31 March 09		As at 31 Dec 08	
Secured (US\$'000)	Unsecured (US\$'000)	Secured (US\$'000)	Unsecured (US\$'000)
14	9,996	15	11,330

**Details of any collateral**

The secured borrowing is related to a 5 year financial leasing of 2 motor vehicles in one of the subsidiaries. The financial lease is secured against the 2 motor vehicles under the financial lease.

**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 09 US\$'000	1Q 08 US\$'000
<b>Cash flows from operating activities:</b>		
(Losses) / Profit from operations before taxation	(2,086)	7,484
Adjustments for:		
Depreciation of property, plant and equipment	412	401
Depreciation of investment properties	9	7
Net loss from fair value adjustment in leasehold properties	-	2
Gain on disposal of property, plant and equipment	(1)	-
Interest income	(29)	(84)
Interest expenses	146	126
Exchange realignment	(778)	(392)
Share of losses / (profit) of associated companies	192	(73)
Value of employees services received for issue of share options	-	4
<b>Operating (losses) / profit before working capital changes</b>	<b>(2,135)</b>	<b>7,475</b>
Decrease in receivables	18,942	3,684
Decrease / (increase) in inventories	7,420	(5,805)
(Decrease) / increase in payables	(3,918)	1,200
<b>Cash flows from operations</b>	<b>20,309</b>	<b>6,554</b>
Income taxes (paid) / refund	(698)	185
<b>Net cash flows generated from operating activities</b>	<b>19,611</b>	<b>6,739</b>
<b>Cash flows from investing activities:</b>		
Interest income received	29	84
Purchase of property, plant and equipment	(439)	(550)
Proceeds from sales of property, plant and equipment	1	-
Repayment of loan by associates	194	100
<b>Net cash flows used in investing activities</b>	<b>(215)</b>	<b>(366)</b>
<b>Cash flows from financing activities:</b>		
Interest paid	(146)	(126)
Proceeds from issuance of shares	-	44
Repayment of interest-bearing loans & borrowings	(1,334)	(500)
<b>Net cash flows used in financing activities</b>	<b>(1,480)</b>	<b>(582)</b>
<b>Net increase in cash and cash equivalents</b>	<b>17,916</b>	<b>5,791</b>
Cash and cash equivalents at beginning of the period	15,537	15,974
<b>Cash and cash equivalents at end of the period</b>	<b>33,453</b>	<b>21,765</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.

	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
<b>The Group</b>						
<b>Balance as at 1 Jan 08</b>	<b>38,867</b>	<b>3,166</b>	<b>60</b>	<b>446</b>	<b>66,507</b>	<b>109,046</b>
Total comprehensive income	-	29	-	-	6,842	6,871
Value of employee services received for issue of share options	-	-	-	4	-	4
Exercise of share options	26	-	-	(26)	-	-
Issuance of ordinary shares	44	-	-	-	-	44
<b>Balance as at 31 Mar 08</b>	<b>38,937</b>	<b>3,195</b>	<b>60</b>	<b>424</b>	<b>73,349</b>	<b>115,965</b>
<b>Balance as at 1 Jan 09</b>	<b>39,666</b>	<b>1,060</b>	<b>60</b>	<b>324</b>	<b>81,510</b>	<b>122,620</b>
Total comprehensive losses	-	(1,813)	-	-	(2,227)	(4,040)
<b>Balance as at 31 Mar 09</b>	<b>39,666</b>	<b>(753)</b>	<b>60</b>	<b>324</b>	<b>79,283</b>	<b>118,580</b>

	Attributable to equity holders of the Company				
	Share Capital	Foreign Currency Translation Reserve	Share-based payment reserve	Accumulated profits	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>The Company</b>					
<b>Balance as at 1 Jan 08</b>	<b>38,867</b>	<b>3,573</b>	<b>446</b>	<b>1,005</b>	<b>43,891</b>
Total comprehensive income / (losses)	-	1,497	-	(415)	1,082
Value of employee services received for issue of share options	-	-	4	-	4
Exercise of share options	26	-	(26)	-	-
Issuance of ordinary shares	44	-	-	-	44
<b>Balance as at 31 Mar 08</b>	<b>38,937</b>	<b>5,070</b>	<b>424</b>	<b>590</b>	<b>45,021</b>
<b>Balance as at 1 Jan 09</b>	<b>39,666</b>	<b>4,027</b>	<b>324</b>	<b>314</b>	<b>44,331</b>
Total comprehensive losses	-	(2)	-	(127)	(129)
<b>Balance as at 31 Mar 09</b>	<b>39,666</b>	<b>4,025</b>	<b>324</b>	<b>187</b>	<b>44,202</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.**

For the first quarter ended 31 March 2009, there were no new ordinary shares allotted and issued pursuant to the exercise of options granted under the Food Empire Share Option Scheme (the "Option Scheme"). For the first quarter ended 31 March 2008, 245,000 new ordinary shares were allotted and issued.

Movement in the number of shares of the Company

	<u>No of shares</u>
Number of shares at 1 Jan 2009	529,043,999
Share options exercised during the period of 1 January 2009 – 31 March 2009	<u>-</u>
Number of shares as at 31 March 2009	<u>529,043,999</u>

As at 31 March 2009, options to subscribe to a total of 3,890,000 ordinary shares were outstanding under the Option Scheme. As at 31 March 2008, there were unexercised options for 6,350,000 of unissued ordinary shares of the Company under the Option Scheme.

	Number of options outstanding at 1 Jan 09	Number of options granted during the financial period	Number of options lapsed during the financial period	Number of options exercised during the financial period	Number of options at 31 Mar 09	Exercise price per share S\$	Exercise period
2002 Options	240,000	-	-	-	240,000	0.142	14 March 2004 to 13 March 2012
2004 Options	3,650,000	-	-	-	3,650,000	0.229	25 May 2006 to 24 May 2014
	<u>3,890,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,890,000</u>		

The Group has no treasury shares.

- 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.**

	Company	
	31 Mar 09	31 Dec 2008
Number of issued shares	<u>529,043,999</u>	<u>529,043,999</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.**

The Group has no treasury shares.

- 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 2008, except for the change in valuation of leasehold investment properties from fair value model to cost model on a prospective basis, and the adoption of new/revised FRS which came into effect on 1 January 2009.

- 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 change of accounting policy for the leasehold investment properties had no material impact to the financial statements of the Group.

The adoption of new/revised FRS does not have a material impact on the financial statements for the period under review except for the FRS 1 (revised), Presentation of Financial Statements, which introduces the term "total comprehensive income". Total comprehensive income represents the changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. The Group has provided the total comprehensive income and loss disclosure on page 2.

- 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 09	1Q 08
<b>Earnings per share</b>		
(i) Based on existing issued share capital (USD cents)	(0.42)	1.30
(ii) On a fully diluted basis (USD cents)	(0.42)	1.29

**Weighted average number of shares table**

	Group	
	1Q 09	1Q 08
Weighted average number of shares for calculation of basic EPS	529,043,999	525,955,122
Weighted average number of shares for calculation of diluted EPS	529,859,532	530,770,820



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 09	31 Dec 08	31 Mar 09	31 Dec 08
Net asset value per ordinary share (USD cents)	22.41	23.18	8.36	8.38

The net assets value per ordinary share is calculated based on the number of ordinary shares issued of 529,043,999 shares of the Company as at 31 March 2009 (31 December 2008: 529,043,999 shares).

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 of 1Q 2009 vs 1Q 2008

The Group's revenue declined by 44.8% from US\$52.1 million in 1Q 2008 to US\$28.8 million in 1Q 2009. The decline in revenue reflected the impact of the global economic downturn on the Group's key markets. The challenging trading conditions resulted in a loss of US\$2.2 million for the quarter.

The Group continued to strengthening its balance sheet and improve its cashflow in response to the economic crisis.

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

	1Q 2009	1Q 2008	% change
Russia	14,052	31,390	-55.2
Eastern Europe and Central Asia	11,934	17,103	-30.2
Other Markets	2,766	3,584	-22.8
<b>Total</b>	<b>28,752</b>	<b>52,077</b>	<b>-44.8</b>

Revenue declined in all the Group's regions. In Russia and Ukraine, the Group's distributors continued to reduce their stocks which had been built up last year in anticipation of the seasonally strong fourth quarter.

#### Profitability

For Q1 2009 the Group recorded a loss of US\$2.2 million, compared to a profit after taxation and minority interests of US\$6.8 million in 1Q 2008.

The Group had rationalised its manufacturing capacity to reflect the lower level of demand. Q1 2009 staff costs were lower by 38.6% compared to Q1 2008 through a reduction in the headcount at the Russia, Singapore and Malaysia factories, lower wages costs due to currency depreciation against US dollar and a reduction in the variable salary component.

Other operating expenses in Q1 2009 were down by 7.3% compared to Q1 2008. The Group took action to support its market position through the provision of sales rebates to its distributors to ensure the retail selling price of its products remained competitive, which increased the advertising and promotional expenses by 16.1%.

### **Balance Sheet & Cashflow**

The Group's balance sheet remained strong with net assets of US\$118.6 million including US\$33.5 million in cash and bank balances.

The Group reduced its trade receivables from US\$60.7 million as at 31 December 2008 to US\$41.9 million as at 31 March 2009 by working cooperatively with its distributors.

The rationalisation of the Group's production had allowed for a reduction in finished goods and raw materials held. The Group also adjusted its purchases of raw materials in line with the slower sales levels. As a result, inventory levels had been reduced from US\$39.6 million as at 31 December 2008 to US\$ 32.2 million as at 31 March 2009.

The Group's actions in managing inventory, debtors and credit terms to distributors helped to boost the Q1 2009 net cashflow from operations.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The results are in line with the profit warning announcement issued on 24 April 2009.

**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 trading conditions to continue to be challenging in Q2 2009. The global economic crisis continues to dampen confidence resulting in consumers continuing to be extremely price sensitive. The Group has responded by taking steps to keep the retail prices of its products attractive. The Group will continue to invest in brand building activities to defend its market share.

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

- foreign exchange fluctuations;
- fluctuations in the cost of raw materials and oil;
- banking credit crunch;
- competitive market conditions; and
- the possibility of changes in regulatory policies in developing 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(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 first quarter ended on 31 March 2009 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 San-Ju**  
**Company Secretary**  
**14 May 2009**