

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

Second Quarter and First Half Financial Statement And Dividend Announcement for the Period ended 30 June 09

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

	Group			Group		
	2Q 09	2Q 08	Increase/ (Decrease)	1H 09	1H 08	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	26,940	61,635	-56.3	55,692	113,712	-51.0
Changes in inventories of finished goods	(7,140)	(1,721)		(14,560)	1,693	
Raw materials and consumables used	(8,031)	(31,465)	-54.3	(15,441)	(60,835)	-49.3
Staff costs	(3,109)	(7,088)	-56.1	(6,818)	(13,129)	-48.1
Depreciation of property, plant and equipment	(433)	(432)	0.2	(845)	(832)	1.6
Depreciation of investment properties	(10)	(8)	25	(19)	(15)	26.7
Net loss from fair value adjustment in leasehold properties	-	(2)	-	-	(4)	-
Foreign exchange (loss) / gain	2	(325)	N.M	(102)	(27)	N.M
Other operating expenses	(8,352)	(14,677)	-43.1	(19,984)	(27,223)	-26.6
Finance costs	(137)	(129)	6.2	(283)	(256)	10.5
Other income	156	126	23.8	352	241	46.1
Share of profit / (loss) of associated companies	177	17	941.2	(15)	90	-116.7
Profit / (loss) from operations before taxation	63	5,931	-98.9	(2,023)	13,415	-115.1
Taxation (Note1)	(22)	(1,147)	-98.1	(163)	(1,789)	-90.9
Profit / (loss) after taxation	41	4,784	-99.1	(2,186)	11,626	-118.8
Profit / (loss) after tax attributable to:						
Shareholders of the Company	41	4,784	-99.1	(2,186)	11,626	-118.8
Minority interests, net of taxation	-	-	N.M	-	-	N.M
Profit / (loss) after taxation	41	4,784	-99.1	(2,186)	11,626	-118.8

Note 1

Included in the taxation is as follows

	Group			Group		
	2Q 09	2Q 08	Increase/ (Decrease)	1H 09	1H 08	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
(Over) / under provision for the prior year	-	270	N.M	(80)	322	N.M

N.M denotes not meaningful

Group comprehensive statements

	Group			Group		
	2Q 09	2Q 08	Increase/ (Decrease)	1H 09	1H 08	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Profit / (loss) after taxation	41	4,784	-99.1	(2,186)	11,626	-118.8
Other comprehensive income / (loss), net of income tax						
- Foreign currency translation differences of foreign operations.	1,093	10	N.M	(719)	39	N.M
Total comprehensive income / (loss) for the period	1,134	4,794	-76.34	(2,905)	11,665	-124.9
<u>Total comprehensive income / (loss) attributable to:</u>						
Shareholders of the Company	1,134	4,794	-76.34	(2,905)	11,665	-124.9
Minority interests, net of taxation	-	-	N.M	-	-	N.M
Total comprehensive income / (loss) for the period	1,134	4,794	-76.34	(2,905)	11,665	-124.9

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 09 US\$'000	31 Dec 08 US\$'000	30 Jun 09 US\$'000	31 Dec 08 US\$'000
Non-Current Assets				
Property, plant and equipment	11,160	11,474	-	-
Investment properties	1,363	1,383	-	-
Investments in subsidiary companies	-	-	44,545	44,558
Investments in associated companies	6,224	5,752	-	-
Intangible assets	15,751	15,751	-	-
Amounts due from associated companies (non-trade)	662	957	-	-
Deferred tax assets	71	219	-	-
	35,231	35,536	44,545	44,558
Current Assets				
Cash and bank balances	42,769	15,537	140	62
Trade receivables	35,033	60,672	-	-
Deferred expenses	564	1,110	-	-
Prepaid operating expenses and other debtors	1,914	2,040	9	18
Other receivables	924	963	-	-
Amounts due from subsidiary companies (non-trade)	-	-	-	51
Amounts due from associated companies	906	1,265	-	-
Inventories	25,085	39,645	-	-
	107,195	121,232	149	131
Current Liabilities				
Trade payables and accruals	(8,078)	(14,149)	(153)	(358)
Finance lease creditors	(4)	(3)	-	-
Interest-bearing loans and borrowings	(5,336)	(5,336)	-	-
Other payables	(134)	(160)	-	-
Amount due to subsidiary companies (non-trade)	-	-	(74)	-
Provision for taxation	(1,218)	(2,543)	-	-
	(14,770)	(22,191)	(227)	(358)
Net Current Assets / (Liabilities)	92,425	99,041	(78)	(227)
Non-Current Liabilities				
Finance lease creditors	(13)	(15)	-	-
Interest-bearing loans and borrowings	(8,662)	(11,330)	-	-
Deferred tax liabilities	(546)	(612)	-	-
	(9,221)	(11,957)	-	-
Net Assets	118,435	122,620	44,467	44,331
Equity				
Share capital	39,666	39,666	39,666	39,666
Reserves	78,769	82,954	4,801	4,665
	118,435	122,620	44,467	44,331

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 Jun 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 30 Jun 09		As at 31 Dec 08	
Secured (US\$'000)	Unsecured (US\$'000)	Secured (US\$'000)	Unsecured (US\$'000)
13	8,662	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.

The Group is in technical breach of certain financial covenants for two of its bank loans amounting to US\$14.0 million. At the date of this announcement, the banks have not requested for any repayment of the loans and management is in the process of renegotiating with the banks to revise the terms of the loans.

With its strong cash of US\$42.7 million, the Group has the ability to make immediate repayment should the need arise.

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 09 US\$'000	2Q 08 US\$'000	1H 09 US\$'000	1H 08 US\$'000
Cash flows from operating activities:				
Profit / (loss) from operations before taxation	63	5,931	(2,023)	13,415
Adjustment for :				
Depreciation of property, plant and equipment	433	432	845	832
Depreciation of investment properties	10	8	19	15
Net loss from fair value adjustment in leasehold properties	-	2	-	4
(Gain) / loss on disposal of property, plant and equipment	(9)	59	(10)	59
Interest income	(31)	(83)	(60)	(167)
Interest expenses	137	129	283	256
Exchange realignment	180	159	(598)	(234)
Share of (profit) / loss of associated companies	(177)	(17)	15	(90)
Allowance for doubtful debts	69	444	157	572
(Write back) / allowance for stock obsolescence	(131)	(14)	212	(260)
Value of employees services received for issue of share option	-	127	-	131
Operating profit / (loss) before working capital changes	544	7,177	(1,160)	14,533
Decrease / (increase) in receivables	7,395	(5,063)	26,249	(1,508)
Decrease / (increase) in inventories	7,271	(3,156)	14,348	(8,714)
(Decrease) / increase in payables	(2,179)	651	(6,097)	1,852
Cash flows generated / (used)	13,031	(391)	33,340	6,163
Income taxes paid	(714)	(1,540)	(1,412)	(1,354)
Net cash flows generated / (used in) from operating activities	12,317	(1,931)	31,928	4,809
Cash flow from investing activities:				
Interest income received	31	83	60	167
Purchase of property, plant and equipment	(423)	(1,397)	(862)	(1,947)
Proceeds from sales of property, plant and equipment	58	18	58	18
Investment in associated companies	(15)	(721)	(15)	(721)
Dividends received from Associates	-	17	-	17
Repayment of loans to associate companies	100	300	295	400
Net cash flows generated used in investing activities	(249)	(1,700)	(464)	(2,066)
Cash flow from financing activities				
Interest paid	(137)	(129)	(283)	(256)
Proceeds from issuance of shares	-	513	-	557
Dividends paid	(1,280)	(6,125)	(1,280)	(6,125)
(Repayment of) / increase in interest-bearing loans & borrowings and bills payable	(1,335)	6,000	(2,669)	5,500
Net cash flow generated (used in) / from financing activities	(2,752)	259	(4,232)	(324)
Net increase / (decrease) in cash and cash equivalents	9,316	(3,372)	27,232	2,419
Cash and cash equivalents at beginning of the period	33,453	21,765	15,537	15,974
Cash and cash equivalents at end of the period	42,769	18,393	42,769	18,393

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					Total US\$'000
	Share Capital US\$'000	Foreign Currency Translation Reserve US\$'000	Asset Revaluation Reserve US\$'000	Share- based payment reserve US\$'000	Accumulated profits US\$'000	
Balance as at 1 Apr 08	38,937	3,195	60	424	73,349	115,965
Total comprehensive income	-	10	-	-	4,784	4,794
Dividends paid to shareholders of the company	-	-	-	-	(6,125)	(6,125)
Value of employee services received for issue of share options	-	-	-	127	-	127
Exercise of share options	216	-	-	(216)	-	-
Issuance of ordinary shares	513	-	-	-	-	513
Balance as at 30 Jun 08	39,666	3,205	60	335	72,008	115,274
Balance as at 1 Apr 09	39,666	(753)	60	324	79,283	118,580
Total comprehensive income	-	1,094	-	-	41	1,135
Dividends paid to shareholders of the company	-	-	-	-	(1,280)	(1,280)
Balance as at 30 Jun 09	39,666	341	60	324	78,044	118,435

The Group – 1H

	Attributable to equity holders of the Company					Total US\$'000
	Share Capital US\$'000	Foreign Currency Translation Reserve US\$'000	Asset Revaluation Reserve US\$'000	Share- based payment reserve US\$'000	Accumulated profits US\$'000	
Balance as at 1 Jan 08	38,867	3,166	60	446	66,507	109,046
Total comprehensive income	-	39	-	-	11,626	11,665
Dividends paid to shareholders of the company	-	-	-	-	(6,125)	(6,125)
Value of employee services received for issue of share options	-	-	-	131	-	131
Exercise of share options	242	-	-	(242)	-	-
Issuance of ordinary shares	557	-	-	-	-	557
Balance as at 30 Jun 08	39,666	3,205	60	335	72,008	115,274
Balance as at 1 Jan 09	39,666	1,060	60	324	81,510	122,620
Total comprehensive loss	-	(719)	-	-	(2,186)	(2,905)
Dividends paid to shareholders of the company	-	-	-	-	(1,280)	(1,280)
Balance as at 30 Jun 09	39,666	341	60	324	78,044	118,435

The Company – 2Q

	Attributable to equity holders of the Company				
	Share Capital US\$'000	Foreign Currency Translation Reserve US\$'000	Share-based payment reserve US\$'000	Accumulated profits US\$'000	Total Equity US\$'000
Balance as at 1 Apr 08	38,937	5,070	424	590	45,021
Total comprehensive income	-	648	-	6,008	6,656
Dividends paid to shareholders of the company	-	-	-	(6,125)	(6,125)
Value of employee services received for issue of share options	-	-	127	-	127
Exercise of share options	216	-	(216)	-	-
Issuance of ordinary shares	513	-	-	-	513
Balance as at 30 Jun 08	39,666	5,718	335	473	46,192
Balance as at 1 Apr 09	39,666	4,025	324	187	44,202
Total comprehensive income	-	30	-	1,515	1,545
Dividend paid to shareholders of the company	-	-	-	(1,280)	(1,280)
Balance as at 30 Jun 09	39,666	4,055	324	422	44,467

The Company – 1H

	Attributable to equity holders of the Company				
	Share Capital US\$'000	Foreign Currency Translation Reserve US\$'000	Share-based payment reserve US\$'000	Accumulated profits US\$'000	Total Equity US\$'000
Balance as at 1 Jan 08	38,867	3,573	446	1,005	43,891
Total comprehensive income	-	2,145	-	5,593	7,738
Dividend paid to shareholders of the company	-	-	-	(6,125)	(6,125)
Value of employee services received for issue of share options	-	-	131	-	131
Exercise of share options	242	-	(242)	-	-
Issuance of ordinary shares	557	-	-	-	557
Balance as at 30 Jun 08	39,666	5,718	335	473	46,192
Balance as at 1 Jan 09	39,666	4,027	324	314	44,331
Total comprehensive income	-	28	-	1,388	1,416
Dividend paid to shareholders of the company	-	-	-	(1,280)	(1,280)
Balance as at 30 Jun 09	39,666	4,055	324	422	44,467

- 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 second quarter ended 30 June 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 second quarter ended 30 June 2008, 2,460,000 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	-
Share options exercised during the period of 1 April 2009 – 30 June 2009	-
Number of shares as at 30 June 2009	<u>529,043,999</u>

As at 30 June 2009, options to subscribe to a total of 3,890,000 ordinary shares were outstanding under the Option Scheme. As at 30 June 2009, 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 30 Jun 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	
	<u>30 Jun 2009</u>	<u>31 Dec 2008</u>
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		Group	
	2Q 09	2Q 08	1H 09	1H 08
Earnings per share				
(i) Based on existing issued share capital (USD cents)	0.01	0.91	(0.41)	2.21
(ii) On a fully diluted basis (USD cents)	0.01	0.90	(0.41)	2.19

Weighted average number of shares table

	Group			
	2Q 09	2Q 08	1H 09	1H 08
Weighted average number of shares for calculation of basic EPS	529,043,999	527,263,317	529,043,999	526,511,611
Weighted average number of shares for calculation of diluted EPS	529,923,768	529,974,316	529,887,395	529,901,394

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 09	31 Dec 08	30 Jun 09	31 Dec 08
Net asset value per ordinary share (USD cents)	22.39	23.18	8.41	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 30 Jun 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 1H09 v 1H08

For the first half of the year, the Group's revenue declined by 51.0% to US\$55.7 million resulting in a loss of US\$2.2 million.

After a challenging first quarter, trading conditions showed signs of improvement in Q209. As a result, the Group returned to profitability with a profit of US\$41,000 in Q209 compared to a loss of US\$2.2 million in Q109.

At the onset of the economic downturn, the Group took steps to strengthen its balance sheet by tightly controlling credit and managing raw material purchases and inventories. These strategies have been successfully applied throughout 1H09 resulting in US\$42.8 million in cash and bank balances as at 30 Jun 09 and US\$31.9 million in net cash flow from operations in 1H09.

Revenue by Region (US\$'000)

	1H 2009	1H 2008	% change
Russia	26,519	66,116	-59.9
Eastern Europe and Central Asia	21,981	39,518	-44.4
Other Markets	7,192	8,078	-11.0
Total	55,692	113,712	-51.0

The Group's revenue declined by 51% to US\$55.7 million from US\$113.7 million mainly due to;

- 1) depreciation of local currencies in the Group's key markets
- 2) reduced consumer purchasing power
- 3) challenging business environment

Profitability

For 1H09 the Group recorded a loss of US\$2.2 million, compared to a profit after tax and minority interests of US\$11.6 million in 1H08. The losses were incurred in Q109. In Q209 the Group recorded a modest profit after tax and minority interests of US\$41,000.

Raw material and consumables costs were lower, in line with the slower rate of sales for the 1H09.

Staff costs were 48.1% lower compared to 1H 2008. Manufacturing capacity, staffing levels and variable salary components have all been adjusted to reflect the current level of economic activity. In addition to a lower head count, staff costs were reduced by the depreciation of local currencies in which the wages were paid.

Other operating expenses in 1H09 were down by 26.6% compared to 1H08. Transport and logistics costs were lower due to the decreased volume shipped during the half year. Despite the economic downturn the Group continues to invest in long-term brand building activities.

Balance Sheet & Cashflow

The Group has strengthened its balance sheet and improved its cashflow. As a result, the Group is in a strong position to respond to changes in the market, including increasing output if the economy improves.

The Group ended 1H09 with net assets of US\$118.4 million including US\$42.8 million in cash and bank balances.

Trade receivables have been reduced from US\$60.7 million as at 31 December 2008 to US\$35.0 million as at 30 June 2009.

Inventory levels have been reduced from US\$39.6 million as at 31 December 2008 to US\$25.1 million as at 30 June 2009.

The Group's 1H09 cashflow from operations was US\$31.9 million, compared to US\$4.8 million in 1H08. This was achieved by active management of inventory levels together with the tight control of debtors and credit terms.

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.

Business prospect remains uncertain for the rest of 2009. The Group expects conditions to remain challenging even though the Group's key markets have shown some sign of stabilisation. The Group will continue to invest in targeted brand building and sales 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;
- a tight credit and lending environment;
- competitive market conditions; and
- the possibility of changes in regulatory policies in the markets the Group operates in.

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 quarter ended on 30 June 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 Cher Liang
Company Secretary
12 August 2009