



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

First Quarter Financial Statement and Dividend Announcement for the Period ended 31 March 2013

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 13 US\$'000	1Q 12 US\$'000	
Revenue	58,428	51,465	13.5
Changes in inventories of finished goods	26,270	2,395	} 1.4
Raw materials and consumables used	(54,758)	(30,490)	
Staff costs	(7,904)	(6,815)	16.0
Depreciation of property, plant and equipment	(765)	(520)	47.1
Depreciation of investment properties	(10)	(10)	-
Foreign exchange (loss)/gain	(454)	121	N.M.
Other operating expenses	(15,647)	(12,307)	27.1
Finance costs	(63)	(61)	3.3
Other income	135	207	(34.8)
Share of profit of associates	34	680	(95.0)
Profit before taxation (Note 1)	5,266	4,665	12.9
Taxation (Note 2)	251	291	(13.7)
Profit after taxation	5,517	4,956	11.3
Profit attributable to:			
Equity shareholders of the Company	5,575	5,018	11.1
Non-controlling interest	(58)	(62)	(6.5)
	5,517	4,956	11.3

Notes:

1. Included in profit before taxation are as follows:

	Group		Increase/ (Decrease) %
	1Q 13 US\$'000	1Q 12 US\$'000	
Interest income	73	70	4.3
Impairment for doubtful receivables	-	(4)	N.M.
Write down of inventories	(52)	(7)	642.9



2. Included in the taxation is as follows:

	Group		Increase/ (Decrease)
	1Q 13 US\$'000	1Q 12 US\$'000	%
Over provision for the prior year	388	428	(9.3)

N.M. denotes not meaningful.



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

	Group		Increase/ (Decrease)
	1Q 13 US\$'000	1Q 12 US\$'000	%
Profit net of tax	5,517	4,956	11.3
Other comprehensive income :			
Foreign currency translation (loss)/gain	(433)	1,009	N.M.
Share of other comprehensive loss of associates	(169)	(58)	191.4
Other comprehensive (loss)/income for the period, net of tax	(602)	951	N.M.
Total comprehensive income for the period	4,915	5,907	-16.8
Total comprehensive income attributable to:			
Equity shareholders of the Company	4,973	5,969	-16.7
Non-controlling interest	(58)	(62)	-6.5
	4,915	5,907	-16.8

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 2013 US\$'000	31 Dec 2012 US\$'000	31 Mar 2013 US\$'000	31 Dec 2012 US\$'000
Non-Current Assets				
Property, plant and equipment	34,389	33,562	171	186
Investment properties	11,211	11,400	-	-
Investments in subsidiaries	-	-	44,545	44,545
Investments in associates	12,754	12,890	-	-
Intangible assets	13,343	13,343	-	-
Other receivables	378	378	-	-
Amount due from an associate	2,600	2,600	-	-
Deferred tax assets	216	207	-	-
	74,891	74,380	44,716	44,731
Current Assets				
Cash and cash equivalents	40,871	46,596	566	418
Trade receivables	63,637	54,501	-	-
Deferred expenses	142	165	-	-
Prepaid operating expenses and other debtors	11,674	6,746	33	46
Derivatives	178	178	-	-
Other receivables	670	938	-	-
Amounts due from subsidiaries (non-trade)	-	-	6,271	7,353
Amounts due from associates (non-trade)	404	539	-	-
Inventories	53,442	27,172	-	-
	171,018	136,835	6,870	7,817
Current Liabilities				
Trade payables and accruals	(61,594)	(27,593)	(646)	(1,327)
Finance lease creditor	(10)	(10)	-	-
Interest-bearing loans and borrowings	(1,110)	(1,122)	-	-
Other payables	(4,455)	(8,398)	-	-
Amount due to subsidiaries (non-trade)	-	-	(22)	(22)
Provision for taxation	(419)	(394)	-	-
	(67,588)	(37,517)	(668)	(1,349)
Net Current Assets	103,430	99,318	6,202	6,468
Non-Current Liabilities				
Finance lease creditor	(21)	(37)	-	-
Interest-bearing loans and borrowings	(11,349)	(11,768)	-	-
Deferred tax liabilities	(422)	(473)	-	-
	(11,792)	(12,278)	-	-
Net Assets	166,529	161,420	50,918	51,199
Equity				
Share capital	40,587	40,464	40,587	40,464
Treasury shares	(317)	(317)	(317)	(317)
Reserves	126,311	121,267	10,648	11,052
	166,581	161,414	50,918	51,199
Non-controlling interest	(52)	6	-	-
Total Equity	166,529	161,420	50,918	51,199

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 2013		As at 31 Dec 2012	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Finance lease creditors	(10)	-	(10)	-
Interest-bearing loans and borrowings	(1,110)	-	(1,122)	-
Total	(1,120)	-	(1,132)	-

Amount repayable after one year

	As at 31 Mar 2013		As at 31 Dec 2012	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Finance lease creditors	(21)	-	(37)	-
Interest-bearing loans and borrowings	(11,349)	-	(11,768)	-
Total	(11,370)	-	(11,805)	-

Details of any collateral

As at 31 December 2012 and 31 March 2013, 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 2012 and 31 March 2013, the finance lease liabilities were secured by charge over the related lease vehicles held by two 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 13	1Q 12
	US\$'000	US\$'000
Cash flows from operating activities:		
Profit from operations before taxation	5,266	4,665
Adjustment for :		
Depreciation of property, plant and equipment	765	520
Depreciation of investment properties	10	10
Gain on disposal of property, plant and equipment	(12)	(8)
Interest income	(73)	(70)
Interest expenses	63	61
Exchange realignment	(116)	489
Share of profit of associates	(34)	(680)
Impairment for doubtful receivables	-	4
Write down of inventories	52	7
Write back of impairment loss on property, plant and equipment	-	(85)
Value of employee services received for issue of share options	71	98
Operating profit before working capital changes	5,992	5,011
(Increase)/decrease in trade and other receivables	(13,638)	5,987
(Increase) in inventories	(26,322)	(3,799)
Increase/(decrease) in trade and other payables	30,058	(1,719)
Cash flows (used in)/generated from operations	(3,910)	5,480
Income taxes refund/(paid)	156	(274)
Net cash flows (used in)/generated from operating activities	(3,754)	5,206
Cash flows from investing activities		
Interest income received	73	70
Purchase of property, plant and equipment	(1,957)	(224)
Proceeds from disposal of property, plant and equipment	41	47
Net cash flows used in investing activities	(1,843)	(107)
Cash flows from financing activities		
Interest expenses paid	(63)	(61)
Proceeds from issuance of shares	123	-
Purchase of treasury shares	-	(42)
Repayment of interest-bearing loans and borrowings	(278)	(277)
Repayment of obligation under finance lease	(16)	(2)
Net cash flows used in financing activities	(234)	(382)
Net (decrease)/increase in cash and cash equivalents	(5,831)	4,717
Effect of exchange rate changes on cash and cash equivalents	106	(147)
Cash and cash equivalents at beginning of the period	46,596	35,148
Cash and cash equivalents at end of the period	40,871	39,718

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.

The Group – 1Q

	Attributable to equity holders of the Company								
	Share capital US\$'000	Treasury shares US\$'000	Foreign currency translation reserve US\$'000	Asset revaluation reserve US\$'000	Share-based payment reserve US\$'000	Accumulated profits US\$'000	Total US\$'000	Non- controlling interest US\$'000	Total equity US\$'000
Balance as at 1 January 13	40,464	(317)	974	60	1,136	119,097	161,414	6	161,420
Profit for the period	-	-	-	-	-	5,575	5,575	(58)	5,517
<u>Other comprehensive income</u>							-		
Foreign currency translation	-	-	(433)	-	-	-	(433)	-	(433)
Share of other comprehensive loss of associates	-	-	(169)	-	-	-	(169)	-	(169)
Total comprehensive (loss)/income for the period	-	-	(602)	-	-	5,575	4,973	(58)	4,915
Value of employee services received for issue of share options	-	-	-	-	71	-	71	-	71
Issuance of new shares	123	-	-	-	-	-	123	-	123
Balance as at 31 March 13	40,587	(317)	372	60	1,207	124,672	166,581	(52)	166,529
Balance as at 1 January 12	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 12	39,751	(42)	1,801	60	923	108,133	150,626	189	150,815



The Company – 1Q

	Attributable to equity holders of the Company					
	Share capital US\$'000	Treasury shares 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 January 13	40,464	(317)	4,234	1,136	5,682	51,199
Loss for the period	-	-	-	-	(371)	(371)
<u>Other comprehensive income</u>						
Foreign currency translation	-	-	(104)	-	-	(104)
Total comprehensive income for the period	-	-	(104)	-	(371)	(475)
Value of employee services received for issue of share options	-	-	-	71	-	71
Issuance of ordinary shares	123	-	-	-	-	123
Exercise of share options	-	-	-	-	-	-
Balance as at 31 March 13	40,587	(317)	4,130	1,207	5,311	50,918
Balance as at 1 January 12	39,751	-	3,869	825	5,291	49,736
Loss for the period	-	-	-	-	(348)	(348)
<u>Other comprehensive income</u>						
Foreign currency translation	-	-	177	-	-	177
Total comprehensive income for the period	-	-	177	-	(348)	(171)
Value of employee services received for issue of share options	-	-	-	98	-	98
Purchase of treasury shares	-	(42)	-	-	-	(42)
Balance as at 31 March 12	39,751	(42)	4,046	923	4,943	49,621

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 : -

	<u>FY 2013</u>	<u>FY 2012</u>
<u>Share Capital</u>		
Number of issued ordinary shares as at 1 Jan	532,993,999	529,413,999
Issued for cash under employee share option scheme		
- at the exercise price of S\$0.335 each	220,000	-
- at the exercise price of S\$0.505 each	70,000	-
- at the exercise price of S\$0.315 each	140,000	-
Ordinary shares held as treasury shares	(1,001,000)	(150,000)
Balance of issued ordinary shares as at 31 Mar (excluding treasury shares)	<u>532,422,999</u>	<u>529,263,999</u>
<u>Share Option - exercise price of S\$0.229</u>		
Balance of unexercised share options as at 1 Jan and 31 Mar	<u>100,000</u>	<u>3,400,000</u>
<u>Share Option - exercise price of S\$0.335</u>		
Balance as at 1 Jan	3,560,000	3,730,000
Options exercised during the period	(220,000)	-
Balance as at 31 Mar	<u>3,340,000</u>	<u>3,730,000</u>
<u>Share Option - exercise price of S\$0.505</u>		
Balance as at 1 Jan	3,950,000	4,050,000
Options exercised during the period	(70,000)	-
Balance as at 31 Mar	<u>3,880,000</u>	<u>4,050,000</u>
<u>Share Option - exercise price of S\$0.315</u>		
Balance as at 1 Jan	4,130,000	4,470,000
Options exercised during the period	(140,000)	-
Balance as at 31 Mar	<u>3,990,000</u>	<u>4,470,000</u>
<u>Share Option - exercise price of S\$0.669</u>		
Balance as at 1 Jan	-	-
Granted to eligible participants on 8 March 2013	4,880,000	-
Balance as at 31 Mar	<u>4,880,000</u>	<u>-</u>

Out of the 16,190,000 outstanding share options on 31 March 2013 (31 March 2012: 15,650,000), 11,310,000 (31 March 2012: 11,180,000) share options are exercisable.

Treasury Shares

As at 31 March 2013, the total number of treasury shares held was 1,001,000 (31 March 2012: 150,000).

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 2013	As at 31 Dec 2012
Issued ordinary shares	532,422,999	531,992,999

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 2012, except for the adoption of revised FRS which came into effect on 1 January 2013.

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 13	1Q 12
Earnings per share		
Based on existing issued share capital (USD cents)	1.05	0.95
On a fully diluted basis (USD cents)	1.04	0.95
	1Q 13	1Q 12
Weighted average number of shares table		
Weighted average number of shares for calculation of basic EPS	532,222,555	529,263,999
Weighted average number of shares for calculation of diluted EPS	536,666,876	530,464,695

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-13	31-Dec-12	31-Mar-13	31-Dec-12
Net asset value per ordinary share (USD cents)	31.29	30.34	9.56	9.62

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

Revenue for 1Q2013 was US\$58.4 million, a year-on-year ("yoy") increase of 13.5% over the US\$51.5 million recorded in 1Q2012. The Group's profit after tax for the quarter increased by 11.3% yoy from US\$5.0 million in 1Q2012 to US\$5.5 million in 1Q2013.

Revenue by Region (US\$'000)

	Group		Increase/ (Decrease) %
	1Q 13 US\$'000	1Q 12 US\$'000	
Russia	36,369	30,824	18.0
Eastern Europe and Central Asia	17,626	14,106	25.0
Other Markets	4,433	6,535	-32.2
Total	58,428	51,465	13.5

In 1Q2013, sales to the Group's largest region, Russia, rose by 18.0% to US\$36.4 million compared to US\$30.8 million in 1Q2012.

In the Group's Eastern Europe and Central Asia region (comprising Ukraine, Kazakhstan and the CIS Countries), sales increased by 25.0% from US\$14.1 million in 1Q2012 to US\$17.6 million in 1Q2013.

Sales to the Group's Other Markets fell by 32.2% from US\$6.5 million in 1Q2012 to US\$4.4 million in 1Q2013 due to lower sales in Middle East and Asia.

Profitability

For 1Q2013, the Group recorded a profit after tax of US\$5.5 million as compared to US\$5 million in 1Q2012.

The improvement in performance was mainly due to the following: -

- 1) Higher average selling prices of its products in its key markets.
- 2) Higher revenue.
- 3) Change in the Group's business model, switching from a third party distributor model to a direct sales model in Russia.

The increase in profitability was partially offset by higher staff costs and other operating expenses. Staff costs increased by 16.0% yoy in 1Q2013 to US\$7.9 million due to higher headcount and salaries. Higher other operating expenses were incurred for A&P activities in line with higher revenue. There was also an increase in depreciation expenses for property, plant and equipment due to the Group's larger asset base.

Balance Sheet & Cashflow

The increase in prepaid expenses and other debtors from US\$6.7 million as at 31 December 2012 to US\$11.7 million as at 31 March 2013 was mainly due to deposits made for purchase of machinery and payment to contractors arising from the Group's investment in several green-field projects.

The increase in inventories, trade receivables and trade payables and accruals in 1Q2013 was due to change in business processes of our operations in Russia and also in line with higher revenue.

There was a net operating cash outflow of US\$3.8 million in 1Q2013, compared to a net operating cash inflow of US\$5.2 million in 1Q2012, due to increase in working capital.

The Group's net assets as at 31 March 2013 were US\$166.5 million. The net asset value per ordinary share (excluding minority interests) as at 31 March 2013 was 31.29 US cents as compared to 30.34 US cents as at 31 December 2012.

The Group continued to maintain a strong cash position, with cash and cash equivalents of US\$40.9 million as at 31 March 2013, compared to US\$46.6 million as at 31 December 2012.

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 remains cautiously optimistic about its operating environment in its existing markets. However, the Group's performance may be affected by the following factors: -

- currency volatility, in particular, the devaluation of the Russian Rouble and Ukrainian Hryvnia to US Dollar;
- raw material prices;
- competitive market conditions; and
- the possibility of changes in regulatory policies in the Group's operating markets.

Organically, the Group will continue to pursue activities to build up its brand equity and strengthen its distribution networks. The Group also continues to look for suitable M&A opportunities.

The Group has embarked on a number of upstream green-field projects to mitigate some of the uncertainties in commodities prices in the longer term. The progress of the Group's non-dairy creamer plant is going on as per schedule and the plant is expected to be completed by the second half of 2013.

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.

No dividend has been declared for the current financial period.

- 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 any general mandate from shareholders for IPTs.

- 14. Confirmation by the Board Pursuant to Rule 705(5)**

We, Tan Wang Cheow and Sudeep Nair, being two 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 31 March 2013 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
15 May 2013**