

**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 2014**


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

1(a)(i) 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 14 US\$'000	1Q 13 US\$'000	
<b>Revenue</b>	<b>60,088</b>	<b>58,428</b>	<b>2.8</b>
Changes in inventories of finished goods	5,224	26,270	} 5.7
Raw materials and consumables used	(35,346)	(54,758)	
Staff costs	(10,292)	(7,904)	30.2
Depreciation of property, plant and equipment	(1,042)	(765)	36.2
Depreciation of investment properties	(12)	(10)	20.0
Foreign exchange loss	(6,741)	(454)	1,384.8
Other operating expenses	(15,107)	(15,647)	(3.5)
Finance costs	(112)	(63)	77.8
Other income	140	135	3.7
Share of (loss)/profit of associates	(96)	34	NM
<b>(Loss)/profit before taxation (Note 1)</b>	<b>(3,296)</b>	<b>5,266</b>	<b>NM</b>
Taxation (Note 2)	194	251	(22.7)
<b>(Loss)/profit for the period</b>	<b>(3,102)</b>	<b>5,517</b>	<b>NM</b>
<b>(Loss)/profit attributable to:</b>			
Equity shareholders of the Company	(2,998)	5,575	NM
Non-controlling interest	(104)	(58)	79.3
	<b>(3,102)</b>	<b>5,517</b>	<b>NM</b>

**Notes:**

1. Included in (loss)/profit before taxation are as follows:

	Group		Increase/ (Decrease) %
	1Q 14 US\$'000	1Q 13 US\$'000	
Interest income	27	73	(63.0)
Provision for restructuring of operation	(600)	-	NM
Write down of inventories	(32)	(52)	(38.5)

2. Included in the taxation is as follows:

	Group		Increase/ (Decrease)
	1Q 14 US\$'000	1Q 13 US\$'000	%
Over provision for prior year	267	388	(31.2)

NM denotes not meaningful.

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

	Group		Increase/ (Decrease)
	1Q 14 US\$'000	1Q 13 US\$'000	%
<b>(Loss)/profit net of tax</b>	<b>(3,102)</b>	<b>5,517</b>	<b>NM</b>
<b><u>Other comprehensive income :</u></b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation loss	(2,848)	(433)	557.7
Share of other comprehensive loss of associates	(644)	(169)	281.1
<b>Other comprehensive loss for the period, net of tax</b>	<b>(3,492)</b>	<b>(602)</b>	<b>480.1</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(6,594)</b>	<b>4,915</b>	<b>NM</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
Equity shareholders of the Company	(6,490)	4,973	NM
Non-controlling interest	(104)	(58)	79.3
	<b>(6,594)</b>	<b>4,915</b>	<b>NM</b>

**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 2014 US\$'000	31 Dec 2013 US\$'000	31 Mar 2014 US\$'000	31 Dec 2013 US\$'000
<b>Non-Current Assets</b>				
Property, plant and equipment	60,434	61,493	122	133
Investment properties	14,302	13,331	-	-
Investments in subsidiaries	-	-	44,545	44,545
Investments in associates	14,016	14,806	-	-
Intangible assets	13,343	13,343	-	-
Deferred tax assets	1,002	618	-	-
	<b>103,097</b>	<b>103,591</b>	<b>44,667</b>	<b>44,678</b>
<b>Current Assets</b>				
Cash and cash equivalents	27,326	27,664	27	37
Trade receivables	46,679	52,548	8	-
Deferred expenses	239	162	-	-
Prepaid operating expenses and other debtors	8,686	6,894	27	34
Other receivables	3,261	3,140	-	-
Amounts due from subsidiaries (non-trade)	-	-	6,987	7,542
Amounts due from associates (non-trade)	230	169	-	-
Inventories	48,212	42,988	-	-
	<b>134,633</b>	<b>133,565</b>	<b>7,049</b>	<b>7,613</b>
<b>Current Liabilities</b>				
Trade payables and accruals	(34,015)	(31,263)	(717)	(1,135)
Finance lease creditors	(19)	(19)	-	-
Interest-bearing loans and borrowings	(4,517)	(3,885)	-	-
Other payables	(5,190)	(5,873)	-	-
Amount due to subsidiaries (non-trade)	-	-	(114)	(22)
Amounts due to associates (trade)	(110)	(47)	-	-
Provision for taxation	(778)	(797)	(27)	(27)
	<b>(44,629)</b>	<b>(41,884)</b>	<b>(858)</b>	<b>(1,184)</b>
<b>Net Current Assets</b>	<b>90,004</b>	<b>91,681</b>	<b>6,191</b>	<b>6,429</b>
<b>Non-Current Liabilities</b>				
Finance lease creditors	(28)	(33)	-	-
Interest-bearing loans and borrowings	(32,634)	(28,343)	-	-
Deferred tax liabilities	(595)	(660)	-	-
	<b>(33,257)</b>	<b>(29,036)</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>159,844</b>	<b>166,236</b>	<b>50,858</b>	<b>51,107</b>
<b>Equity</b>				
Share capital	40,724	40,719	40,724	40,719
Treasury shares	(317)	(317)	(317)	(317)
Reserves	119,167	125,550	10,451	10,705
	<b>159,574</b>	<b>165,952</b>	<b>50,858</b>	<b>51,107</b>
Non-controlling interest	270	284	-	-
<b>Total Equity</b>	<b>159,844</b>	<b>166,236</b>	<b>50,858</b>	<b>51,107</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 Mar 2014		As at 31 Dec 2013	
	Secured	Unsecured	Secured	Unsecured
	US\$'000	US\$'000	US\$'000	US\$'000
Finance lease creditors	(19)	-	(19)	-
Interest-bearing loans and borrowings	(4,176)	(341)	(3,666)	(219)
<b>Total</b>	<b>(4,195)</b>	<b>(341)</b>	<b>(3,685)</b>	<b>(219)</b>

**Amount repayable after one year**

	As at 31 Mar 2014		As at 31 Dec 2013	
	Secured	Unsecured	Secured	Unsecured
	US\$'000	US\$'000	US\$'000	US\$'000
Finance lease creditors	(28)	-	(33)	-
Interest-bearing loans and borrowings	(26,505)	(6,129)	(24,393)	(3,950)
<b>Total</b>	<b>(26,533)</b>	<b>(6,129)</b>	<b>(24,426)</b>	<b>(3,950)</b>

**Details of any collateral**

As at 31 December 2013 and 31 March 2014, the finance lease liabilities were secured by charge over the related lease vehicles held by subsidiaries of the Group.

As at 31 December 2013 and 31 March 2014, the secured interest bearing loans and borrowings were secured by mortgages over the related freehold & leasehold properties and fixed charges over plant & machinery owned by subsidiaries of the Group.

As at 31 December 2013 and 31 March 2014, the unsecured interest bearing loan and borrowing of a subsidiary was covered by corporate guarantee given by the Company.

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.

	<b>Group</b>	
	<b>1Q 14</b>	<b>1Q 13</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash flows from operating activities:</b>		
(Loss) / profit from operations before taxation	(3,296)	5,266
Adjustment for :		
Depreciation of property, plant and equipment	1,042	765
Depreciation of investment properties	12	10
Gain on disposal of property, plant and equipment	(7)	(12)
Interest income	(27)	(73)
Interest expenses	112	63
Exchange realignment	(833)	(116)
Share of loss/(profit) of associates	96	(34)
Inventories written down	32	52
Value of employee services received for issue of share options	107	71
Provision for restructuring costs	600	-
<b>Operating profit before working capital changes</b>	<b>(2,162)</b>	<b>5,992</b>
Decrease/(increase) in trade and other receivables	3,818	(9,670)
Increase in inventories	(5,256)	(26,322)
Increase in trade and other payables	1,532	30,058
<b>Cash flows (used in)/generated from operations</b>	<b>(2,068)</b>	<b>58</b>
Income taxes (paid)/refund	(264)	156
<b>Net cash flows (used in)/generated from operating activities</b>	<b>(2,332)</b>	<b>214</b>
<b>Cash flows from investing activities</b>		
Interest income received	27	73
Purchase of property, plant and equipment	(2,110)	(5,925)
Subsequent expenditure on investment property	(935)	-
Proceeds from disposal of property, plant and equipment	40	41
Dividends income from an associate	50	-
<b>Net cash flows used in investing activities</b>	<b>(2,928)</b>	<b>(5,811)</b>
<b>Cash flows from financing activities</b>		
Interest expenses paid	(112)	(63)
Proceeds from issuance of shares	5	123
Capital injection from non-controlling interest of a subsidiary	90	-
Repayment of interest-bearing loans and borrowings	(273)	(278)
Proceeds from interest-bearing loans and borrowings	5,164	-
Repayment of obligation under finance leases	(5)	(16)
<b>Net cash flows generated from/(used in) financing activities</b>	<b>4,869</b>	<b>(234)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(391)</b>	<b>(5,831)</b>
Effect of exchange rate changes on cash and cash equivalents	53	106
Cash and cash equivalents at beginning of the period	27,664	46,596
<b>Cash and cash equivalents at end of the period</b>	<b>27,326</b>	<b>40,871</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 year.

**The Group – 1Q 14**

	Attributable to equity shareholders of the Company								
	Share capital	Treasury shares	Foreign	Asset revaluation reserve	Share-based payment reserve	Accumulated profits	Total	Non-controlling interest	Total equity
			currency translation reserve						
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 14	40,719	(317)	(1,578)	60	1,591	125,477	165,952	284	166,236
<b>Loss for the period</b>	-	-	-	-	-	(2,998)	(2,998)	(104)	(3,102)
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	(2,848)	-	-	-	(2,848)	-	(2,848)
Share of other comprehensive loss of associates	-	-	(644)	-	-	-	(644)	-	(644)
<b>Total comprehensive loss for the period</b>	-	-	(3,492)	-	-	(2,998)	(6,490)	(104)	(6,594)
<u>Contributions by and distributions to owners</u>									
Value of employee services received for issue of share options	-	-	-	-	107	-	107	-	107
Issuance of new shares	5	-	-	-	-	-	5	-	5
<b>Total contributions by and distributions to owners</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107</b>	<b>-</b>	<b>112</b>	<b>-</b>	<b>112</b>
<u>Changes in ownership interests in subsidiaries</u>									
Capital injection from non-controlling interest of a subsidiary	-	-	-	-	-	-	-	90	90
<b>Total changes in ownership interests in subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90</b>	<b>90</b>
<b>Total transactions with owners in their capacity as owners</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107</b>	<b>-</b>	<b>112</b>	<b>90</b>	<b>202</b>
<b>Balance as at 31 March 14</b>	<b>40,724</b>	<b>(317)</b>	<b>(5,070)</b>	<b>60</b>	<b>1,698</b>	<b>122,479</b>	<b>159,574</b>	<b>270</b>	<b>159,844</b>

**The Group – 1Q 13**

	Attributable to equity shareholders 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
<b>Profit for the period</b>	-	-	-	-	-	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)
<b>Total comprehensive (loss)/income for the period</b>	-	-	<b>(602)</b>	-	-	<b>5,575</b>	<b>4,973</b>	<b>(58)</b>	<b>4,915</b>
<u>Contributions by and distributions to owners</u>									
Value of employee services received for issue of share options	-	-	-	-	71	-	71	-	71
Issuance of new shares	123	-	-	-	-	-	123	-	123
<b>Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners</b>	<b>123</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71</b>	<b>-</b>	<b>194</b>	<b>-</b>	<b>194</b>
<b>Balance as at 31 March 13</b>	<b>40,587</b>	<b>(317)</b>	<b>372</b>	<b>60</b>	<b>1,207</b>	<b>124,672</b>	<b>166,581</b>	<b>(52)</b>	<b>166,529</b>

**The Company – 1Q**

	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 14	40,719	(317)	4,093	1,591	5,021	51,107
<b>Loss for the period</b>	-	-	-	-	(379)	(379)
<u>Other comprehensive income</u>						
Foreign currency translation	-	-	18	-	-	18
<b>Total comprehensive income/(loss) for the period</b>	-	-	<b>18</b>	-	<b>(379)</b>	<b>(361)</b>
<u>Contributions by and distributions to owners</u>						
Value of employee services received for issue of share options	-	-	-	107	-	107
Issuance of new shares	5	-	-	-	-	5
<b>Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners</b>	<b>5</b>	-	-	<b>107</b>	-	<b>112</b>
<b>Balance as at 31 March 14</b>	<b>40,724</b>	<b>(317)</b>	<b>4,111</b>	<b>1,698</b>	<b>4,642</b>	<b>50,858</b>
Balance as at 1 January 13	40,464	(317)	4,234	1,136	5,682	51,199
<b>Loss for the period</b>	-	-	-	-	(371)	(371)
<u>Other comprehensive income</u>						
Foreign currency translation	-	-	(104)	-	-	(104)
<b>Total comprehensive loss for the period</b>	-	-	<b>(104)</b>	-	<b>(371)</b>	<b>(475)</b>
<u>Contributions by and distributions to owners</u>						
Value of employee services received for issue of share options	-	-	-	71	-	71
Issuance of new shares	123	-	-	-	-	123
<b>Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners</b>	<b>123</b>	-	-	<b>71</b>	-	<b>194</b>
<b>Balance as at 31 March 13</b>	<b>40,587</b>	<b>(317)</b>	<b>4,130</b>	<b>1,207</b>	<b>5,311</b>	<b>50,918</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.**

Details of movement in the number of issued ordinary shares (excluding treasury shares), treasury shares and share options are as follows: -

	<b>FY 2014</b>	<b>FY 2013</b>
<b><u>Share Capital</u></b>		
Number of issued ordinary shares as at 1 Jan	533,721,999	532,993,999
Issued for cash under employee share option scheme		
- at the exercise price of S\$0.335 each	20,000	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)	(1,001,000)
Balance of issued ordinary shares as at 31 Mar (excluding treasury shares)	<u>532,740,999</u>	<u>532,422,999</u>
<b><u>Share Option - exercise price of S\$0.229</u></b>		
Balance as at 1 Jan and 31 Mar	<u>100,000</u>	<u>100,000</u>
<b><u>Share Option - exercise price of S\$0.335</u></b>		
Balance as at 1 Jan	3,110,000	3,560,000
Options exercised during the period	(20,000)	(220,000)
Balance as at 31 Mar	<u>3,090,000</u>	<u>3,340,000</u>
<b><u>Share Option - exercise price of S\$0.505</u></b>		
Balance as at 1 Jan	3,880,000	3,950,000
Options exercised during the period	-	(70,000)
Balance as at 31 Mar	<u>3,880,000</u>	<u>3,880,000</u>
<b><u>Share Option - exercise price of S\$0.315</u></b>		
Balance as at 1 Jan	3,922,000	4,130,000
Options exercised during the period	-	(140,000)
Balance as at 31 Mar	<u>3,922,000</u>	<u>3,990,000</u>
<b><u>Share Option - exercise price of S\$0.669</u></b>		
Balance as at 1 Jan	4,880,000	-
Granted to eligible participants on 8 March 2013	-	4,880,000
Balance as at 31 Mar	<u>4,880,000</u>	<u>4,880,000</u>

Out of the 15,872,000 outstanding share options on 31 March 2014 (31 March 2013: 16,190,000), 15,872,000 (31 March 2013: 11,310,000) share options are exercisable.

**Treasury Shares**

As at 31 March 2014, the total number of treasury shares held was 1,001,000 (31 March 2013: 1,001,000).

**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: -

	<b>Group</b>	
	<b>As at 31 Mar 2014</b>	<b>As at 31 Dec 2013</b>
Issued ordinary shares	532,740,999	532,720,999

**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 2013, except for the adoption of new/revised FRS which came into effect on 1 January 2014.

**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 new/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 14	1Q 13
<b>(Loss)/Earnings per share</b>		
Based on existing issued share capital (USD cents)	(0.56)	1.05
On a fully diluted basis (USD cents)	(0.56)	1.04

	Group	
	1Q 14	1Q 13
<b>Weighted average number of shares table</b>		
Weighted average number of shares for calculation of basic EPS	532,722,332	532,222,555
Weighted average number of shares for calculation of diluted EPS	534,952,655	536,666,876

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-14	31-Dec-13	31-Mar-14	31-Dec-13
Net asset value per ordinary share (USD cents)	29.95	31.15	9.55	9.59

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.

Revenue for the first quarter ended 31 March 2014 ("1Q2014") was US\$60.1 million, an increase of 2.8% over the US\$58.4 million revenue recorded in 1Q2013.

The Group registered a net loss of US\$3.1 million for 1Q2014, compared with a profit after tax of US\$5.5 million in 1Q2013. Excluding the impact of foreign exchange losses, net profit after tax for 1Q2014 would have been US\$3.6 million.

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

	Group		Increase/ (Decrease) %
	1Q 14 US\$'000	1Q 13 US\$'000	
Russia	37,137	36,402	2.0
Eastern Europe and Central Asia	16,758	17,646	(5.0)
Other Markets	6,193	4,380	41.4
<b>Total</b>	<b>60,088</b>	<b>58,428</b>	<b>2.8</b>

In 1Q2014, sales to the Group's largest region, Russia, increased by 2.0% to US\$37.1 million compared to US\$36.4 million in 1Q2013.

In the Group's Eastern Europe and Central Asia region (comprising Ukraine, Kazakhstan and the CIS Countries), sales declined by 5.0% from US\$17.6 million in 1Q2013 to US\$16.8 million in 1Q2014. Excluding the impact of the devaluation of the Ukrainian Hryvnia against the US dollar, sales in the Group's second largest country, Ukraine, increased by 19% or US\$1.4 million (UAH 11.5 million), in local currency terms.

Sales to the Group's Other Markets grew by 41.4% from US\$4.4 million in 1Q2013 to US\$6.2 million in 1Q2014, due to higher sales in Europe, Middle East, Vietnam and Malaysia.

### **Profitability**

For 1Q2014, the Group recorded a net loss of US\$3.1 million as compared to a profit after tax of US\$5.5 million in 1Q2013 mainly due to the substantial depreciation of the currencies of our two largest markets, Russia and Ukraine.

The ongoing political turmoil between two of the Group's key markets, Russia and Ukraine, which began in late 2013 has escalated into an international crisis by March 2014. This resulted in a sharp devaluation of the Ukrainian Hryvnia against US dollar due to the heightened economic uncertainty. The crisis has also hastened the weakening of the Russian Ruble against the US dollar during the period.

In 1Q2014, the Russian Ruble weakened from 32.7 Ruble per US dollar on 31 December 2013 to 35.7 Ruble per US dollar on 31 March 2014. Over the same period, Ukrainian Hryvnia weakened from 8.24 Hryvnia to 11.06 Hryvnia per US dollar. As the Group is economically exposed to both markets, it is negatively affected by the revaluation of its outstanding trade receivables denominated in currencies other than the Group's US dollar denominated functional currency.

Apart from foreign exchange losses, the net loss was also due to the following: -

- 1) Staff costs increased due to higher salaries and higher headcount arising from newly acquired and newly set up companies.
- 2) One-off provision for staff compensation due to corporate restructuring.
- 3) Costs associated with investments in new markets.
- 4) Start-up costs associated with the Group's upstream green-field projects.

### **Balance Sheet & Cashflow**

Trade receivables decreased from US\$52.5 million in 4Q2013 to US\$46.7 million in 1Q2014, mainly due to better collection of payments from trade debtors.

The increase in prepaid operating expense and other debts from US\$6.9 million in 4Q2013 to US\$8.7 million in 1Q2014 was due to an increase in advance payments made with respect to the Group's construction of an instant coffee plant in India.

Inventories increased from US\$43.0 million in 4Q2013 to US\$48.2 million in 1Q2014, because of the stock-up of inventories.

The Group's borrowings and debt securities were US\$37.2 million as at 31 March 2014, compared to US\$32.3 million as at 31 December 2013. This increase was largely attributed to the partial debt financing of the Group's upstream green-field projects and the construction of an investment property at 81 Playfair Road.

There was a net operating cash outflow of US\$2.3 million in 1Q2014, compared to a net operating cash inflow of US\$0.2 million in 1Q2013, largely due to the weakening of the Russian Ruble and the Ukrainian Hryvnia against the US dollar; and the stock-up of inventories. The Group's cash and cash equivalents was US\$27.3 million as at 31 March 2014, compared to US\$27.7 million as at 31 December 2013.

The Group's net assets as at 31 March 2014 were US\$159.8 million. The net asset value per ordinary share (excluding non-controlling interests) as at 31 March 2014 was 29.95 US cents as compared to 31.15 US cents as at 31 December 2013.

**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 operates mainly in overseas markets and its performance would be affected by the following factors: -

- currency volatility and devaluation in our key markets;
- uncertain political, economic and social situation in our key markets including Ukraine (second largest market);
- raw material prices;
- competitive market conditions; and
- the possibility of changes in regulatory policies in the Group's operating markets.

The Group had embarked on a non-dairy creamer plant, a snack factory and a beverage manufacturing facility in Malaysia, the construction of which has been completed. Commercial production has commenced for the non-dairy creamer plant and the snack factory, while the beverage manufacturing facility is expected to begin delivering orders by early 3Q2014. The Group's other upstream project, an instant coffee plant in India, is on track for completion by early 2015.

We remain mindful of the impact of the uncertain political, economic and social situation in our key markets, in particular, Russia and Ukraine on future foreign exchange rate movements. As the Group has significant exposure to these markets, a prolonged and significant devaluation of their currencies will negatively affect the Group. The Group is monitoring the situation closely and will take practical and necessary steps to mitigate any negative impact.

Organically, the Group will continue to pursue activities to build up its brand equity and strengthen its distribution networks. Meanwhile, the Group continues to be on the lookout for M&A opportunities that are in line with its overall strategy for diversification as well as growth.

**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) of the SGX-ST Listing Manual**

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 2014 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**  
**8 May 2014**