



Listed companies must provide the information required by Appendix 7.2 of the Listing Manual. Adequate disclosure should be given to explain any material extraordinary item either as a footnote of the material extraordinary item or in the "Review of the performance of the group".

**FOOD EMPIRE HOLDINGS LIMITED**

(Co Registration No: 200001282G)

**First Quarter Financial Statement And Dividend Announcement for the Period Ended 31 March 2007**

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

**1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group (S\$'000) Jan-Mar 2007	Group (S\$'000) Jan-Mar 2006	% Increase/ (Decrease)
<b>Revenue</b>	<b>61,476</b>	<b>55,131</b>	11.5%
Other income	629	192	227.6%
Changes in inventories of finished goods	(4,873)	8,750	} 22.7%
Raw materials and consumables used	(27,868)	(35,431)	
Staff costs	(6,580)	(5,706)	15.3%
Depreciation expenses	(541)	(474)	14.1%
Foreign exchange loss	(425)	(1,319)	-67.8%
Other operating expenses	(12,785)	(12,501)	2.3%
Finance costs	(121)	-	NM
Share of profit/(loss) of associated companies	106	(57)	NM
<b>Profit from operations before taxation</b>	<b>9,018</b>	<b>8,585</b>	5.0%
Taxation (Note 1)	(528)	(844)	-37.4%
<b>Profit after taxation</b>	<b>8,490</b>	<b>7,741</b>	9.7%
<b>Attributable to:</b>			
<b>Shareholders of the Company</b>	<b>8,457</b>	<b>7,921</b>	6.8%
Minority interests, net of taxation	33	(180)	-118.3%
<b>Profit after taxation</b>	<b>8,490</b>	<b>7,741</b>	9.7%

Note 1:

Included in taxation is as follows:

	Group (S\$'000) Jan-Mar 2007	Group (S\$'000) Jan- Mar 2006
Underprovision in prior year	19	-

NM: Not meaningful.



**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>31/03/2007</b> <b>(S\$'000)</b>	<b>Group</b> <b>31/12/2006</b> <b>(S\$'000)</b>	<b>Company</b> <b>31/03/2007</b> <b>(S\$'000)</b>	<b>Company</b> <b>31/12/2006</b> <b>(S\$'000)</b>
<b>Non-Current Assets</b>				
Property, plant and equipment	17,384	17,582	-	-
Investments in subsidiary companies	-	-	12,519	12,519
Investments in associated companies	12,382	11,330	1,647	1,647
Investment held-for-sale (Note 2)	530	-	-	-
Intangible assets (Note 3)	22,917	10,244	-	-
Deferred tax assets	1,219	299	-	-
	<b>54,432</b>	<b>39,455</b>	<b>14,166</b>	<b>14,166</b>
<b>Current Assets</b>				
Cash and bank balances	23,593	36,305	51	105
Trade receivables	49,871	59,356	-	-
Other receivables	13,814	6,236	227	155
Amounts due from subsidiary companies (non-trade)	-	-	63,732	56,117
Amounts due from associated companies (trade)	498	474	-	-
Amounts due from associated companies (non-trade)	5,097	483	-	-
Inventories	34,938	36,433	-	-
	<b>127,811</b>	<b>139,287</b>	<b>64,010</b>	<b>56,377</b>
<b>Current Liabilities</b>				
Trade payables and accruals	(23,132)	(27,851)	(501)	(402)
Interest-bearing loans and borrowings	(1,517)	(1,532)	(1,517)	(1,532)
Other payables	(83)	(94)	-	-
Provision for taxation	(1,483)	(2,335)	(115)	(102)
	<b>(26,215)</b>	<b>(31,812)</b>	<b>(2,133)</b>	<b>(2,036)</b>
<b>Net Current Assets</b>	<b>101,596</b>	<b>107,475</b>	<b>61,877</b>	<b>54,341</b>
<b>Non-Current Liabilities</b>				
Interest-bearing loans and borrowings	(5,183)	(5,620)	(5,183)	(5,620)
Deferred tax liabilities	(2,163)	(631)	-	-
	<b>(7,346)</b>	<b>(6,251)</b>	<b>(5,183)</b>	<b>(5,620)</b>
<b>Net Assets</b>	<b>148,682</b>	<b>140,679</b>	<b>70,860</b>	<b>62,887</b>



Cont'd Equity	Group	Group	Company	Company
	31/03/2007	31/12/2006	31/03/2007	31/12/2006
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Share capital	60,850	60,622	60,850	60,622
Reserves	85,906	78,180	10,010	2,265
	<b>146,756</b>	<b>138,802</b>	<b>70,860</b>	<b>62,887</b>
Minority interests	1,926	1,877	-	-
	<b>148,682</b>	<b>140,679</b>	<b>70,860</b>	<b>62,887</b>

Note 2:

The investment in subsidiaries held-for-sale are owned by Nurant Systems Inc, a wholly owned subsidiary acquired in March 2007.

Note 3:

Included in the intangibles assets is an amount of S\$12.7 million (US\$8.4 million) resulted from the recent acquisition of Nurant Systems Inc. and Petrovskaya Sloboda brand name in March 2007. Pending the completion of fair valuation of the Petrovskaya Sloboda brand name, this figure may be subject to change.

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

As at 31/03/2007		As at 31/12/2006	
Secured	Unsecured	Secured	Unsecured
(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
-	1,517	-	1,532

**Amount repayable after one year**

As at 31/03/2007		As at 31/12/2006	
Secured	Unsecured	Secured	Unsecured
(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
-	5,183	-	5,620

**Details of any collateral**

NIL

**1 (c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	31 Mar 2007	31 Mar 2006
	(S\$'000)	(S\$'000)
<b>Cash flows from operating activities:</b>		
Profit from operations before taxation	9,018	8,585
Adjustments for:		
Depreciation of property, plant and equipment	541	474
Gain on disposal of property, plant and equipment	(3)	(7)
Interest income	(173)	(27)
Interest expenses	121	-
Exchange realignment	(532)	(997)
Share of profit of associated companies	(106)	57
Value of employees services received for issue of share options	59	132
<b>Operating profit before working capital changes</b>	<b>8,925</b>	<b>8,217</b>



<b>Cont'd</b>	<b>31 Mar 2007</b>	<b>31 Mar 2006</b>
	<b>(S\$'000)</b>	<b>(S\$'000)</b>
Decrease/ (increase) in receivables	1,882	(6,765)
Decrease/ (increase) in inventories	1,495	(1,890)
Decrease in payables	(4,730)	(335)
<b>Cash flows generated from/(used in) operations</b>	<b>7,572</b>	<b>(773)</b>
Income taxes paid	(736)	(383)
<b>Net cash flows generated from/(used in) operating activities</b>	<b>6,836</b>	<b>(1,156)</b>
<b>Cash flows from investing activities:</b>		
Interest income received	173	27
Purchase of property, plant and equipment	(440)	(1,408)
Proceeds from sales of property, plant and equipment	17	38
Investment in associated companies	(966)	-
Net payment for acquisition of subsidiaries	(13,305)	-
Loans to associate companies	(4,614)	-
<b>Net cash flows used in investing activities</b>	<b>(19,135)</b>	<b>(1,343)</b>
<b>Cash flows from financing activities:</b>		
Interest expenses	(121)	-
Proceeds from issuance of shares	160	119
Decrease in interest-bearing loans and borrowings	(452)	-
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(413)</b>	<b>119</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(12,712)</b>	<b>(2,380)</b>
Cash and cash equivalents at beginning of the period	36,305	17,198
<b>Cash and cash equivalents at end of the period</b>	<b>23,593</b>	<b>14,818</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.**

Group	Share Capital (S\$'000)	Share Premium (S\$'000)	Foreign Currency Translation Reserve (S\$'000)	Asset Revaluation Reserve (S\$'000)	Share-based payment reserve (S\$'000)	Accumulated profits (S\$'000)	Total Interests (S\$'000)	Minority Interests (S\$'000)	Total Equity (S\$'000)
<b>Balance as at 01/01/2006</b>	<b>19,454</b>	<b>17,843</b>	<b>(979)</b>	<b>-</b>	<b>902</b>	<b>62,507</b>	<b>99,727</b>	<b>2,171</b>	<b>101,898</b>
Foreign currency translation differences	-	-	(1,610)	-	-	-	(1,610)	(4)	(1,614)
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(1,610)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,610)</b>	<b>(4)</b>	<b>(1,614)</b>
Net profit for the period	-	-	-	-	-	7,921	7,921	(180)	7,741
<b>Total recognised income and expenses for the period</b>	<b>-</b>	<b>-</b>	<b>(1,610)</b>	<b>-</b>	<b>-</b>	<b>7,921</b>	<b>6,311</b>	<b>(184)</b>	<b>6,127</b>
Transfer of share premium reserve to share capital	17,843	(17,843)	-	-	-	-	-	-	-
Value of employee services received for issue of share options	-	-	-	-	132	-	132	-	132
Issuance of ordinary shares	119	-	-	-	-	-	119	-	119
<b>Balance as at 31/03/2006</b>	<b>37,416</b>	<b>-</b>	<b>(2,589)</b>	<b>-</b>	<b>1,034</b>	<b>70,428</b>	<b>106,289</b>	<b>1,987</b>	<b>108,276</b>
<b>Balance as at 01/01/2007</b>	<b>60,622</b>	<b>-</b>	<b>(6,516)</b>	<b>91</b>	<b>1,095</b>	<b>83,510</b>	<b>138,802</b>	<b>1,877</b>	<b>140,679</b>
Foreign currency translation differences	-	-	(722)	-	-	-	(722)	16	(706)
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(722)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(722)</b>	<b>16</b>	<b>(706)</b>
Net profit for the period	-	-	-	-	-	8,457	8,457	33	8,490
<b>Total recognised income and expenses for the period</b>	<b>-</b>	<b>-</b>	<b>(722)</b>	<b>-</b>	<b>-</b>	<b>8,457</b>	<b>7,735</b>	<b>49</b>	<b>7,784</b>
Value of employee services received for issue of share options	-	-	-	-	59	-	59	-	59
Exercise of share options	68	-	-	-	(68)	-	-	-	-
Issuance of ordinary shares	160	-	-	-	-	-	160	-	160
<b>Balance as at 31/03/2007</b>	<b>60,850</b>	<b>-</b>	<b>(7,238)</b>	<b>91</b>	<b>1,086</b>	<b>91,967</b>	<b>146,756</b>	<b>1,926</b>	<b>148,682</b>

	Share Capital (S\$'000)	Share Premium (S\$'000)	Share-based payment reserve (S\$'000)	Accumulated profits (S\$'000)	Total Equity (S\$'000)
<b>Company</b>					
<b>Balance as at 01/01/2006</b>	<b>19,454</b>	<b>17,843</b>	<b>902</b>	<b>3,998</b>	<b>42,197</b>
Net loss for the period	-	-	-	(15)	(15)
<b>Total recognised expenses for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15)</b>	<b>(15)</b>
Transfer of share premium reserve to share capital	17,843	(17,843)	-	-	-
Value of employee services received for issue of share options	-	-	132	-	132
Issuance of ordinary shares	119	-	-	-	119
<b>Balance as at 31/03/2006</b>	<b>37,416</b>	<b>-</b>	<b>1,034</b>	<b>3,983</b>	<b>42,433</b>
<b>Balance as at 01/01/2007</b>	<b>60,622</b>	<b>-</b>	<b>1,095</b>	<b>1,170</b>	<b>62,887</b>
Net profit for the period	-	-	-	7,754	7,754
<b>Total recognised income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,754</b>	<b>7,754</b>
Value of employee services received for issue of share options	-	-	59	-	59
Exercise of share options	68	-	(68)	-	-
Issuance of ordinary shares	160	-	-	-	160
<b>Balance as at 31/03/2007</b>	<b>60,850</b>	<b>-</b>	<b>1,086</b>	<b>8,924</b>	<b>70,860</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 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.**

During the quarter ended 31 March 2007, 580,000 (2006: 700,000) new ordinary shares were allotted and issued pursuant to the exercise of options granted under the Food Empire Share Option Scheme (the "Option Scheme").

As at 31 March 2007, options to subscribe for a total of 12,975,000 ordinary shares were outstanding under the Option Scheme. As at 31 March 2006, there were unexercised options for 17,565,000 of unissued ordinary shares of the Company under the Option Scheme.

	Number of options outstanding at 31.12.2006	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 outstanding at 31.03.2007	Exercise price per share \$	Exercise period
2002 Options	2,920,000	-	-	-	2,920,000	0.17	14 March 2004 to 13 March 2012
2003 Options	500,000	-	-	-	500,000	0.27	4 June 2005 to 13 March 2012
2004 Options	240,000	-	-	-	240,000	0.275	25 May 2006 to 24 May 2009
2004 Options	9,895,000	-	-	(580,000)	9,315,000	0.275	25 May 2006 to 24 May 2014
	<u>13,555,000</u>	<u>-</u>	<u>-</u>	<u>(580,000)</u>	<u>12,975,000</u>		

**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 methods of computation in the financial statements for the current financial year compared with the audited financial statements as at 31 December 2006.

**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.**

Not applicable.

**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.**

	<b>Group</b>	<b>Group</b>
	<b>31/03/2007</b>	<b>31/03/2006</b>
<b>Earnings per share</b>		
(i) Based on existing issued share capital (cents)	1.95	2.04
(ii) On a fully diluted basis (cents)	1.91	2.02

**Weighted average number of shares table**

	<b>Group</b>	<b>Group</b>
	<b>31/03/2007</b>	<b>31/03/2006</b>
Weighted average number of shares for calculation of basic EPS	432,682,445	389,173,333
Weighted average number of shares for calculation of diluted EPS	441,783,809	392,325,180

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**

- (a) current financial period reported on; and  
 (b) immediately preceding financial year.

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>31/03/07</b>	<b>31/12/2006</b>	<b>31/03/07</b>	<b>31/12/2006</b>
Net asset value per ordinary share (cents)	33.90	32.11	16.37	14.55

The net assets value per ordinary shares is calculated based on the number of ordinary shares in issued of 432,895,000 (31 Dec 2006: 432,315,000) shares of the Company as at 31 March 2007.

**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**

Group Revenue rose by 11.5% from S\$55.1 million in Q1 FY2006 to S\$61.5 million in Q1 FY2007 due to increased sales of beverage products in the Group's core markets.

The Group's core product segment remains beverages which contributed 93.2% of the Group's total revenue. The Group continues to enjoy growing demand for its flagship MacCoffee brand of 3-in-1 instant coffee mix products.

## **Profitability**

Net profit attributable to shareholders increased by 6.8% from S\$7.9 million in Q1 FY2006 to S\$8.5 million in Q1 FY2007. Earnings per share on a fully diluted basis fell from 2.02 cents to 1.91 cents primarily due to the placement of new shares in Q3 FY2006.

The cost of raw materials and consumables together with the changes in inventories of finished goods increased by 22.7% to S\$32.7 million was mainly due to increased global prices for coffee powder and sugar.

Staff costs increased by 15.3% from S\$5.7 million in Q1 FY2006 to S\$6.6 million in Q1 FY2007. This was mainly due to increased salaries paid to employees in the Group's overseas offices as well as a larger headcount required for the Group's Russian factory.

Other operating expenses remained relatively steady, rising by just 2.3% to S\$12.8 million.

The Group recorded a foreign exchange loss of S\$425,000 compared to a S\$1.3 million loss in the corresponding period in 2006 mainly due to the weakening of the US Dollar.

## **Balance Sheet & Cash Flow**

The Group continues to have a strong balance sheet with very low gearing. As at 31 March 2007 net assets after minority interests were S\$148.7 million with total borrowings of just S\$6.7 million.

Investments in associated companies increased from S\$11.3 million to S\$12.4 million due to the Group's subscription of additional new shares in two companies, Hyson Tea (Private) Limited and Simonelo Limited.

The Group's intangible assets increased by S\$12.7 million. This represents the goodwill arising from the completion of the acquisition of Naurant Systems Inc, which owns the Petrovskaya Sloboda brand of 3-in-1 instant coffee mix products. Naurant did not contribute to the Group's first quarter results as the acquisition was not completed until 26 March 2007.

Cash and Bank Balances fell from S\$36.3 million as at 31 December 2006 to S\$23.6 million as at 31 March 2007. This was due to the purchase of Naurant Systems Inc, which was paid for through internal resources.

Trade Receivables improved from S\$59.4 million as at 31 December 2006 to S\$49.9 million as at 31 March 2007.

Net Payment for Acquisition of Subsidiaries amounted to S\$13.3 million as a result of the acquisition of Naurant Systems for US\$8.4 million.

Loans to associated companies increased due to lending to Triple Ace Ventures Limited, which was acquired by the Group in Q4 FY2006.

- 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.**

As the Group operates predominantly in emerging markets, the Group may be affected by the following factors:

- The possibility of changes in regulatory policies in developing markets;
- Fluctuations in the cost of raw materials;
- Foreign exchange fluctuations; and
- Competitive market conditions.

The Group continues to pursue strategies to minimise any potential impact of the above factors. The Group will continue with its brand building activities and the expansion of its distribution network.

- 11. Dividend**

***(a) Current Financial Period Reported On***

Any dividend declared for the current financial period reported on? None

***(b) Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding period of the immediately preceding financial year?  
None

***(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**

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 material has come to the attention of the Board of Directors of the Company which may render the financial results for the 3 months financial period ended on 31 March 2007 to be false or misleading.

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 2007**