

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 2008**

**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.**

With effect from FY2008, the Group has begun reporting in USD instead of SGD to better reflect the Group's results as the majority of its transactions are in US dollars. For comparative purposes, FY2007 results were translated to USD in accordance to Financial Reporting Standard 21 – The Effects of Changes in Foreign Exchange Rates ("FRS 21").

	<b>Group</b>		<b>Increase/ (Decrease)</b>
	<b>1Q 08</b>	<b>1Q 07</b>	<b>(Decrease)</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>%</b>
<b>Revenue</b>	<b>52,077</b>	<b>40,109</b>	<b>29.8</b>
Changes in inventories of finished goods	3,413	(3,179)	} 21.5
Raw materials and consumables used	(29,370)	(18,182)	
Staff costs	(6,041)	(4,293)	40.7
Depreciation of property, plant and equipment	(401)	(344)	16.6
Depreciation of freehold investment properties	(7)	(7)	0.0
Net loss from fair value adjustment in leasehold properties	(2)	(2)	0.0
Foreign exchange gain / (loss)	298	(277)	N.M
Other operating expenses	(12,545)	(8,341)	50.4
Finance costs	(126)	(79)	59.5
Other income	115	410	-72.0
Share of profit of associated companies	73	69	5.8
<b>Profit from operations before taxation</b>	<b>7,484</b>	<b>5,884</b>	<b>27.2</b>
Taxation (Note1)	(642)	(345)	86.1
<b>Profit after taxation</b>	<b>6,842</b>	<b>5,539</b>	<b>23.5</b>
<b>Attributable to:</b>			
<b>Shareholders of the Company</b>	<b>6,842</b>	<b>5,518</b>	<b>24.0</b>
Minority interests, net of taxation	-	21	N.M
<b>Profit after taxation</b>	<b>6,842</b>	<b>5,539</b>	<b>23.5</b>

Note 1

Included in the taxation is as follows

	<b>Group</b>	<b>Group</b>	<b>Increase/ (Decrease)</b>
	<b>1Q 08</b>	<b>1Q 07</b>	<b>(Decrease)</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>%</b>
(Over) / under provision for the prior year	52	-	N.M

N.M denotes 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.**

	Group		Company	
	31 Mar 08 US\$'000	31 Dec 07 US\$'000	31 Mar 08 US\$'000	31 Dec 07 US\$'000
<b>Non-Current Assets</b>				
Property, plant and equipment	11,474	10,924	-	-
Investment properties	1,445	1,424	-	-
Investments in subsidiary companies	-	-	7,529	7,529
Investments in associated companies	5,844	5,771	-	-
Intangible assets	15,751	15,751	-	-
Amounts due from associated companies (non-trade)	1,507	1,607	-	-
Deferred tax assets	231	786	-	-
	<b>36,252</b>	<b>36,263</b>	<b>7,529</b>	<b>7,529</b>
<b>Current Assets</b>				
Cash and bank balances	21,765	15,974	47	38
Trade receivables	50,716	55,778	-	-
Deferred expenses	2,426	883	-	-
Prepaid operating expenses and other debtors	2,366	2,342	23	21
Other receivables	736	853	3	3
Amounts due from subsidiary companies (non-trade)	-	-	37,894	36,875
Amounts due from associated companies	1,044	1,115	-	-
Inventories	33,586	27,781	-	-
	<b>112,639</b>	<b>104,726</b>	<b>37,967</b>	<b>36,937</b>
<b>Current Liabilities</b>				
Trade payables and accruals	(19,791)	(18,462)	(375)	(365)
Interest-bearing loans and borrowings	(2,000)	(2,000)	-	-
Other payables	(114)	(243)	-	-
Provision for taxation	(3,407)	(2,444)	(100)	(210)
	<b>(25,312)</b>	<b>(23,149)</b>	<b>(475)</b>	<b>(575)</b>
<b>Net Current Assets</b>	<b>87,327</b>	<b>81,577</b>	<b>37,492</b>	<b>36,362</b>
<b>Non-Current Liabilities</b>				
Interest-bearing loans and borrowings	(7,000)	(7,500)	-	-
Deferred tax liabilities	(614)	(1,294)	-	-
	<b>(7,614)</b>	<b>(8,794)</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>115,965</b>	<b>109,046</b>	<b>45,021</b>	<b>43,891</b>
<b>Equity</b>				
Share capital	38,937	38,867	38,937	38,867
Reserves	77,028	70,179	6,084	5,024
	<b>115,965</b>	<b>109,046</b>	<b>45,021</b>	<b>43,891</b>
Minority interests	-	-	-	-
	<b>115,965</b>	<b>109,046</b>	<b>45,021</b>	<b>43,891</b>

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

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

As at 31 March 08		As at 31 Dec 07	
Secured (US\$'000)	Unsecured (US\$'000)	Secured (US\$'000)	Unsecured (US\$'000)
-	2,000	-	2,000

**Amount repayable after one year**

As at 31 March 08		As at 31 Dec 07	
Secured (US\$'000)	Unsecured (US\$'000)	Secured (US\$'000)	Unsecured (US\$'000)
-	7,000	-	7,500

**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.**

	1Q 08 US\$'000	1Q 07 US\$'000
<b>Cash flows from operating activities:</b>		
Profit from operations before taxation	7,484	5,884
Adjustments for:		
Depreciation of property, plant and equipment	401	344
Depreciation of freehold investment properties	7	7
Net loss from fair value adjustment in leasehold properties	2	2
Gain on disposal of property, plant and equipment	-	(2)
Interest income	(84)	(173)
Interest expenses	126	79
Exchange realignment	(392)	400
Share of profit of associated companies	(73)	(69)
Value of employees services received for issue of share options	4	39
<b>Operating profit before working capital changes</b>	<b>7,475</b>	<b>6,511</b>
Decrease in receivables	3,684	798
(Increase) / decrease in inventories	(5,805)	742
Increase / (decrease) in payables	1,200	(2,930)
<b>Cash flows from operations</b>	<b>6,554</b>	<b>5,121</b>
Income taxes refund / (paid)	186	(480)
<b>Net cash flows generated from operating activities</b>	<b>6,740</b>	<b>4,641</b>
<b>Cash flows from investing activities:</b>		
Interest income received	84	173
Purchase of property, plant and equipment	(550)	(287)
Proceeds from sales of property, plant and equipment	-	11
Net cash paid for acquisition of subsidiaries	-	(8,770)
Investment in associated companies	-	(636)
Repayment of loan by associates	100	-
Increase in loans to associates	-	(3,045)
<b>Net cash flows used in investing activities</b>	<b>(366)</b>	<b>(12,554)</b>
<b>Cash flows from financing activities:</b>		
Interest paid	(127)	(79)
Proceeds from issuance of shares	44	105
Repayment of interest-bearing loans & borrowings	(500)	(250)
<b>Net cash flows (used in) / generated from financing activities</b>	<b>(583)</b>	<b>(224)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>5,791</b>	<b>(8,137)</b>
Cash and cash equivalents at beginning of the period	15,974	23,688
<b>Cash and cash equivalents at end of the period</b>	<b>21,765</b>	<b>15,551</b>

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or  
(ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial period.

	Attributable to equity holders of the Company							
	Share Capital US\$'000	Foreign Currency	Asset	Share-based	Accumulated profits US\$'000	Total US\$'000	Minority Interests US\$'000	Total Equity US\$'000
		Translation Reserve US\$'000	Revaluation Reserve US\$'000	payment reserve US\$'000				
<b>The Group</b>								
<b>Balance as at 1 Jan 07</b>	<b>37,650</b>	<b>1,576</b>	<b>60</b>	<b>664</b>	<b>50,618</b>	<b>90,568</b>	<b>1,225</b>	<b>91,793</b>
Foreign currency translation differences	-	506	-	-	-	506	24	530
<b>Net expenses recognised directly in equity</b>	<b>-</b>	<b>506</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>506</b>	<b>24</b>	<b>530</b>
Net profit for the period	-	-	-	-	5,518	5,518	21	5,539
<b>Total recognised income and expenses for the period</b>	<b>-</b>	<b>506</b>	<b>-</b>	<b>-</b>	<b>5,518</b>	<b>6,024</b>	<b>45</b>	<b>6,069</b>
Value of employee services received for issue of share options	-	-	-	39	-	39	-	39
Exercise of share options	45	-	-	(45)	-	-	-	-
Issuance of ordinary shares	105	-	-	-	-	105	-	105
<b>Balance as at 31 Mar 07</b>	<b>37,800</b>	<b>2,082</b>	<b>60</b>	<b>658</b>	<b>56,136</b>	<b>96,736</b>	<b>1,270</b>	<b>98,006</b>
<b>Balance as at 1 Jan 08</b>	<b>38,867</b>	<b>3,166</b>	<b>60</b>	<b>446</b>	<b>66,507</b>	<b>109,046</b>	<b>-</b>	<b>109,046</b>
Foreign currency translation differences	-	29	-	-	-	29	-	29
<b>Net expenses recognised directly in equity</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>29</b>
Net profit for the period	-	-	-	-	6,842	6,842	-	6,842
<b>Total recognised income and expenses for the period</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>6,842</b>	<b>6,871</b>	<b>-</b>	<b>6,871</b>
Value of employee services received for issue of share options	-	-	-	4	-	4	-	4
Exercise of share options	26	-	-	(26)	-	-	-	-
Issuance of ordinary shares	44	-	-	-	-	44	-	44
<b>Balance as at 31 Mar 08</b>	<b>38,937</b>	<b>3,195</b>	<b>60</b>	<b>424</b>	<b>73,349</b>	<b>115,965</b>	<b>-</b>	<b>115,965</b>

## Attributable to equity holders of the Company

	Share Capital	Foreign Currency Translation Reserve	Share-based payment reserve	Accumulated profits	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>The Company</b>					
<b>Balance as at 1 Jan 07</b>	<b>37,650</b>	<b>1,367</b>	<b>664</b>	<b>629</b>	<b>40,310</b>
Foreign currency translation differences	-	377	-	-	377
<b>Net expenses recognised directly in equity</b>	<b>-</b>	<b>377</b>	<b>-</b>	<b>-</b>	<b>377</b>
Net profit for the period	-	-	-	5,059	5,059
<b>Total recognised income for the period</b>	<b>-</b>	<b>377</b>	<b>-</b>	<b>5,059</b>	<b>5,436</b>
Value of employee services received for issue of share options	-	-	39	-	39
Exercise of share options	45	-	(45)	-	-
Issuance of ordinary shares	105	-	-	-	105
<b>Balance as at 31 Mar 07</b>	<b>37,800</b>	<b>1,744</b>	<b>658</b>	<b>5,688</b>	<b>45,890</b>
<b>Balance as at 1 Jan 08</b>	<b>38,867</b>	<b>3,573</b>	<b>446</b>	<b>1,005</b>	<b>43,891</b>
Foreign currency translation differences	-	1,497	-	-	1,497
<b>Net expenses recognised directly in equity</b>	<b>-</b>	<b>1,497</b>	<b>-</b>	<b>-</b>	<b>1,497</b>
Net loss for the period	-	-	-	(415)	(415)
<b>Total recognised income for the period</b>	<b>-</b>	<b>1,497</b>	<b>-</b>	<b>(415)</b>	<b>1,082</b>
Value of employee services received for issue of share options	-	-	4	-	4
Exercise of share options	26	-	(26)	-	-
Issuance of ordinary shares	44	-	-	-	44
<b>Balance as at 31 Mar 08</b>	<b>38,937</b>	<b>5,070</b>	<b>424</b>	<b>590</b>	<b>45,021</b>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

For the first quarter ended 31 March 2008, 245,000 (2007: 580,000) 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 2008, options to subscribe to a total of 6,350,000 ordinary shares were outstanding under the Option Scheme. As at 31 March 2007, there were unexercised options for 12,975,000 of unissued ordinary shares of the Company under the Option Scheme.

	Number of options outstanding at 1 Jan 08	Number of options granted during the financial period	Number of options lapsed during the financial period	Number of options exercised during the financial period	Number of options at 31 Mar 08	Exercise price per share \$	Exercise period
2002 Options	295,000	-	-	(55,000)	240,000	0.17	14 March 2004 to 13 March 2012
2003 Options	100,000	-	-	(100,000)	-	0.27	4 June 2005 to 13 March 2012
2004 Options	120,000	-	-	-	120,000	0.275	25 May 2006 to 24 May 2009
2004 Options	6,125,000	-	(45,000)	(90,000)	5,990,000	0.275	25 May 2006 to 24 May 2014
	<u>6,640,000</u>	<u>-</u>	<u>(45,000)</u>	<u>(245,000)</u>	<u>6,350,000</u>		

The Group has no treasury shares.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	Company	
	31 Mar 08	31 Dec 07
Number of issued shares	438,410,000	438,165,000

- 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 same accounting policies and methods of computation adopted in the most recently audited financial statements for the financial year ended 31 December 2007 have been applied in the preparation for this financial statements except for the change in the Group's presentation currency from Singapore Dollars to United States Dollars.

The change in the presentation currency had no material impact to the performance of the Group.

**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>1Q 08</b>	<b>1Q 07</b>
<b>Earnings per share</b>		
(i) Based on existing issued share capital (USD cents)	1.56	1.28
(ii) On a fully diluted basis (USD cents)	1.55	1.25

**Weighted average number of shares table**

	<b>Group</b>	
	<b>1Q 08</b>	<b>1Q 07</b>
Weighted average number of shares for calculation of basic EPS	438,295,935	432,682,445
Weighted average number of shares for calculation of diluted EPS	442,309,017	441,783,809

**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.**

	<b>Group</b>		<b>Company</b>	
	<b>31 Mar 08</b>	<b>31 Dec 07</b>	<b>31 Mar 08</b>	<b>31 Dec 07</b>
Net asset value per ordinary share (USD cents)	26.45	24.89	10.27	10.02

The net assets value per ordinary share is calculated based on the number of ordinary shares issued of 438,410,000 shares of the Company as at 31 March 2008 (31 December 2007: 438,165,000 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.**

With effect from FY2008, the Group has begun reporting in USD instead of SGD to better reflect the Group's results as the majority of its transactions are in US dollars. For comparative purposes, FY2007 results were translated to USD in accordance to Financial Reporting Standard 21 – The Effects of Changes in Foreign Exchange Rates (“FRS 21”).

#### **Financial Review of 1Q 2008 vs 1Q 2007**

Despite uncertain and challenging economic conditions including rising raw material prices and currency fluctuations, the Group continued to deliver strong revenue and profit growth for the first quarter of 2008.

Group revenue rose by 29.8% from US\$40.1 million in 1Q 2007 to US\$52.1 million in 1Q 2008. The Group also recorded a 24.0% increase in profit after taxation and minority interests, up from US\$5.5 million to US\$6.8 million.

#### **Revenue**

Russia accounted for the majority of the Group's revenue (60.3%) while Eastern Europe and Central Asia was the second largest market (32.8%). Other markets contributed 6.9% of the revenue.

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

	1Q 08	1Q 07	% change
Russia	31,390	21,175	48.2%
Eastern Europe and Central Asia	17,103	16,055	6.5%
Other Markets	3,584	2,879	24.5%
<b>Total</b>	<b>52,077</b>	<b>40,109</b>	<b>29.8%</b>

Sales to Russia contributed the bulk of the Group's growth. The excellent result in Russia had been due to the organic growth of MacCoffee branded product lines and the management of selling prices. The Group's revenue also benefited from contributions from the Petrovskaya Sloboda branded products which the Group acquired in FY 2007.

In Eastern Europe and Central Asia sales increased by 6.5% to US\$17.1 million. The Group enjoyed good growth in Kazakhstan and the other CIS countries. However, sales to Ukraine were hindered by industrial actions that temporarily affected the importation of goods to this market in January.

Revenue from Other Markets rose by 32.8% from US\$2.9 million in 1Q 2007 to US\$3.6 million in 1Q 2008 due to increased sales in the Middle East and Mongolia.

#### **Profitability**

The Group's profit after taxation and minority interests increased by 24.0% from US\$5.5 million in 1Q 2007 to US\$6.8 million in 1Q 2008. Earnings per share on a fully diluted basis increased from 1.25 US cents to 1.55 US cents.

Notwithstanding rising raw material prices, the Group had managed to maintain its pre-tax profit margin above 14% - a similar level to last year. This reflected the success of the Group's proactive steps in managing its input costs.

Compared to the same quarter in 2007, staff costs increased by 40.7%. The Group's factory in Russia was fully operational from 3Q 2007, consequently associated staff costs were higher compared to 1Q 2007. The depreciation of the US dollar also affected the Group's staff costs since it paid wages in the local currencies of the countries in which it operates and many of these currencies appreciated against the US dollar. Salaries were also adjusted to reflect the current wage levels and the impact of inflation in the Group's major markets.

Other operating expenses rose by 50.4%. This was attributable to the Group's continued investment in brand building initiatives, such as sponsorship of high profile events including the World Figure Skating Championships. Additional branding expenses were incurred in preparation for the launch of new product packaging in the Group's key market of Russia. Merchandising costs also rose to support the growth in sales. The rising fuel prices and increased sales volume led to higher logistics costs compared to last year.

#### **Balance Sheet & Cash Flow**

The Group continued to strengthen its balance sheet position as its gearing ratio (debt to equity ratio) improved from 8.7% as at 31 December 2007 to 7.8% as at 31 March 2008. Net assets value was also up from US\$109 million to US\$116 million.

Trade receivables reduced from US\$55.8 million as at 31 December 2007 to US\$50.7 million in 1Q 2008 reflecting the cyclical build up in sales in 4Q 2007 as a result of the European winter.

Inventories rose by 21% to US\$33.6 million due to the higher purchase price of raw materials as well as the need to keep higher inventory levels in order to manage raw material costs.

The Group's higher profitability was translated into higher net cash flow generated from operations which was up from US\$4.6 million in 1Q 2007 to US\$6.7 million in 1Q 2008. This increased the Group's cash and bank balances from US\$16 million at 31 December 2007 to US\$21.8 million at 31 March 2008.

Net assets per ordinary share increased from 24.89 US cents as at 31 December 2007 to 26.45 US cents as at 31 March 2008.

**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's performance 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? No

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

Any dividend declared for the corresponding period of the immediately preceding financial year? No

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend have been declared/recommended, a statement to that effect.**

Not applicable.

**13. Confirmation by the Board Pursuant to Rule 705(4)**

We, Tan Wang Cheow and Sudeep Nair, being 2 Directors of Food Empire Holdings Limited (the “Company”), do hereby confirm on behalf of the Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the first quarter ended on 31 March 2008 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Tan Wang Cheow  
Director

Sudeep Nair  
Director

**BY ORDER OF THE BOARD**

**Tan San-Ju**  
**Company Secretary**  
**13 May 2008**