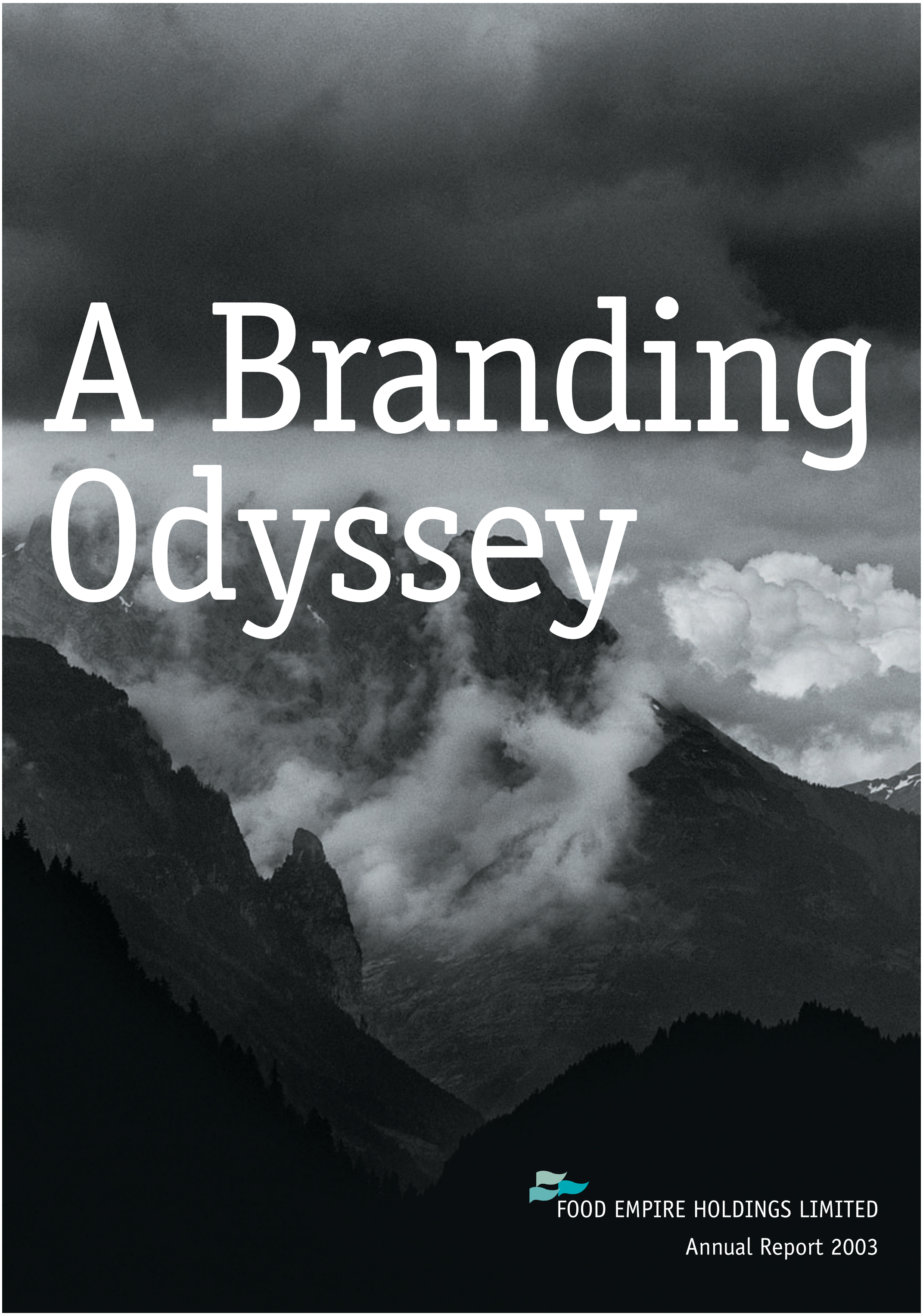
A Branding Odyssey



FOOD EMPIRE HOLDINGS LIMITED

Annual Report 2003

Mission Statement

We aim to be a leading global food and beverage company providing quality products and services.

We will achieve this goal as we have the people, the passion and the enterprising spirit to make a difference.

Contents

Corporate Information

Board Of Directors
Tan Wang Cheow,
Chairman and Managing Director
Oon Peng Lim
Oon Peng Heng
Tan Guek Ming
Lew Syn Pau
Ong Kian Min

Business Office
101 Geylang Lorong 23
#05-03/04 Prosper House
Singapore 388399
T 65. 6744.8911
F 65. 6744.8977

Company Secretaries
Yvonne Choo
Tan San-Ju
(Appointed on 12 December 2003)
Loh Shu Chun
(Resigned on 12 December 2003)

Registered Office
Lim Associates (Pte) Ltd
10 Collyer Quay #19-08
Ocean Building
Singapore 049315
T 65. 6536.5355
F 65. 6536.1360

Share Registrar
Lim Associates (Pte) Ltd
10 Collyer Quay #19-08
Ocean Building
Singapore 049315
T 65. 6536.5355
F 65. 6536.1360

Auditors
Ernst & Young
10 Collyer Quay #21-01
Ocean Building
Singapore 049315

Audit Partner-In-Charge
Ng Tiak Soon
(w.e.f. 31.12.2002)

Principal Bankers
Bank of China
United Overseas Bank Limited
Citibank NA

Audit Committee
Ong Kian Min (Chairman)
Lew Syn Pau
Tan Guek Ming

Nominating Committee
Lew Syn Pau (Chairman)
Ong Kian Min
Tan Wang Cheow

Remuneration Committee
Lew Syn Pau (Chairman)
Ong Kian Min
Tan Wang Cheow

Share Option Committee
Oon Peng Heng (Chairman)
Tan Wang Cheow
Oon Peng Lim
Tan Guek Ming
Lew Syn Pau
Ong Kian Min

Group Structure

Food Empire

- Future Enterprises Pte Ltd (100%)
  - FES Industries Sdn Bhd (79.9%)
  - FES Industries Pte Ltd (88%)
  - Express Food & Beverages Ltd (100%)
  - Klassno Foods Ltd (100%)
  - Future Enterprises (Russia) Pte Ltd (87%)
- Masters Corporation Pte Ltd (100%)
- Foodaworld Marketing Pte Ltd (100%)
- EpiQ Food Services Pte Ltd (100%) (formerly named Café Veneto Pte Ltd)
- Future Corporation Pte Ltd (100%)
- Ernsts Food Ingredients Sdn Bhd (35%)

Chairman's Message

This has been a momentous year for the Group, a year in which our brand management was affirmed resoundingly with the honour of receiving Singapore's most prestigious brand award.

Our company was ranked among Singapore's top brands at the *Singapore Brand Award 2003*. The award was conferred on the basis of a valuation study by government agency International Enterprise Singapore in partnership with international branding agency Interbrand Pte Ltd. The study measured more than the perception of the popularity or awareness of a brand; it also considered the role and contribution of the brand to the business.

Further, the year not only saw us launch several promising new brands to add to our family of winning brands. It also witnessed our brands being accepted in more markets and countries than ever. It was also a year that ushered in significant developments and growth in our brand building muscle and expertise.

A Brew Of Brand Charisma

Since the creation of our first brand, we have been on a brand-building odyssey. And it has been an endlessly wondrous and adventurous journey.

The journey has taken us to exotic far-flung places. It led us to reach out to bond emotionally with people who are worlds apart from our home country of Singapore. And it has seen us soar and grow with the trust that is increasingly bestowed upon our brands.

This odyssey culminated in the *Singapore Brand Award 2003*, where Food Empire was ranked 9th out of 15 companies that excel in brand leadership. At the same time, our core product brand, MacCoffee, also made it to the list of the top 15 *Strongest Singapore Brands*.

Winning these branding awards is testament to the true strength of our Group - that strength being our ability to propel ourselves from a homegrown company into a global player and our capability to nurture successful brands in international markets.

Expanding Our Brand Sphere

In the year, we enjoyed overall growth in international presence in many markets and our distribution channels.

We continued to explore and expand into new markets, entering Egypt, Turkey, Hong Kong, China, USA, Middle East and India. We also set up new offices in countries such as Hungary and Uzbekistan, bringing our total to 14 offices in 13 countries. Our footprints in Russia and Eastern Europe have also been substantially enlarged. Ahead, we are looking towards expanding our distribution into the Middle East and Europe.

Apart from extending our network, we also grew in our brand building expertise with the recruitment of more professionals.

Meanwhile we continued to extend our product lines. During the year we launched the snack food line, a new category for the Group. Sales thus far indicated that this product line holds strong potential for growth and we will be expanding it further. We will also be extending the products in our flagship category – beverages.

Singapore Brand Award 2003

"The Most Valuable Brands Award"

2003 Position	Brand	Brand Value 2003 S$Mln	2002 Position	Brand Value 2002 S$Mln
1	Singtel (fixed & mobile)	2,635	1	3,000
2	UOB	1,211	3	950
3	DBS Bank	1,118	2	1,000
4	Asia Pacific Breweries	943	4	820
5	OCBC Bank	658	5	625
6	Great Eastern	429	6	400
7	Singapore Airlines	304	7	380
8	F&N (Soft Drinks + 100Plus)	118	9	95
9	**Food Empire**	**114**	N.A.	N.A.
10	Tiger Balm	110	8	110
11	Creative	102	10	90
12	OSIM	95	13	45
13	Brand's	92	12	75
14	Sincere	42	N.A.	N.A.
15	Eu Yan Sang	35	4	30

Source: IE Singapore

Singapore Brand Award 2003

"The Strongest Brands Award"

2003 Rank	Brand	Brand Strength (/100)
1	SIA (Airline)	60
2	Creative	59
3	Tiger Balm	57
4	Tiger Beer	57
5	Brand's	56
6	OSIM	54
7	Eu Yan Sang	53
8	Banyan Tree	52
8	**MacCoffee**	**52**
8	F&N	52
11	Informatics	49
11	Raffles International	49
11	Super CoffeeMix	49
14	Singtel	48
14	AKIRA	48

Source: IE Singapore

Once Again, Our Brand Leadership Paid Off

Brand leadership paid off with the Group enjoying its fourth consecutive year of double-digit revenue growth. Group revenue increased by 24.5%, to a record high of S$139.6 million for the year ended December 2003, compared to last year. We also achieved sterling sales improvement in our core markets of Russia, Eastern Europe and Central Asia through strong brand management, aggressive sales promotion activities and the continuous expansion of our distribution network.

Despite the global uncertainties, the Group achieved a Group Profit After Tax of S$10.2 million. This is a decrease of 31.3% compared to the previous financial year, due mainly to higher marketing costs, overseas administrative expenses and logistics costs.

These results indicated that while costs have increased, we have strengthened our foundation in the core markets and maintained our growth momentum.

In appreciation of the support by shareholders and institutional investors, the Directors of Food Empire Holdings have recommended a first and final dividend of 0.50 cents (less tax) per ordinary share and a special dividend of 0.75 cents (less tax) per ordinary share.

On behalf of the Board, I wish to thank all our shareholders, business partners, associates and colleagues for their strong and relentless support of Food Empire. We will continue to strive hard to attain our vision and to enhance shareholders' value.

Financial Highlights

For the year ended 31 December 2003

		Actual (S$'000)			Proforma (S$'000)
	2003	2002	2001	2000	1999
Revenue	139,590	112,090	84,223	59,160	39,414
Profit before Taxation and Minority Interests	13,443	19,921	16,077	9,035	5,836
Net Profit	10,163	14,794	10,976	4,709	3,701

		Actual			Proforma
	2003	2002	2001	2000	1999
Financial Indicators					
Debt to Equity Ratio	0.0%	0.1%	1.3%	0.4%	26.2%
Working Capital Ratio	4.4	3.3	3.4	2.63	1.9
Quick Ratio	2.6	1.6	1.8	1.7	1.1
Ebitda Margin	10.8%	18.9%	20.2%	16.6%	16.8%
EPS(cents)*	2.95	4.30	3.19	1.37	1.43
NAV per share (cents)*	16.57	14.63	11.02	8.12	4.97

* Note: The proforma years/calculation is based on pre-invitation issued share capital of 258 million whereas for actual years is based on enlarged share capital of 344 million.

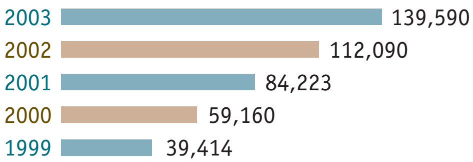
Revenue By Geographical Region

	Actual (S$'000) 2003	2002	2001	2000	Proforma (S$'000) 1999
Russia	77,560	61,097	48,212	38,638	25,269
Eastern Europe & Central Asia	51,446	36,864	28,015	14,034	9,329
Others	10,584	14,129	7,996	6,488	4,816
	139,590	112,090	84,223	59,160	39,414

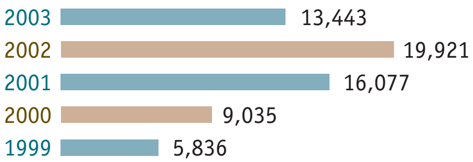
Revenue By Product Group

	Actual (S$'000) 2003	2002	2001	2000	Proforma (S$'000) 1999
Beverages	127,735	100,312	79,294	52,561	38,135
Others	11,855	11,778	4,929	6,599	1,279
	139,590	112,090	84,223	59,160	39,414

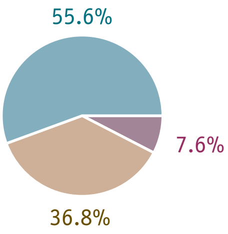
Group Revenue (S$'000)



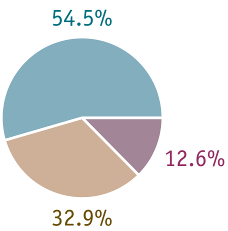
Group Profit Before Tax (S$'000)



Contribution To Revenue (by Geographical Region) Year 2003

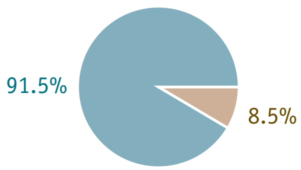


Year 2002

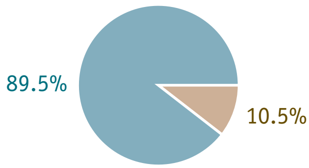


Russia | Eastern Europe & Central Asia | Others

Contribution To Revenue (by Product Group) Year 2003



Year 2002



Beverages | Others

Operations and Financial Review

Food Empire Holdings continued to achieve strong sales growth in 2003 following concerted efforts to build brand awareness and expand its international distribution network.

For the year ended 31 December 2003, the Group achieved a 24.5% increase in revenue to S$139.6 million as a result of broad-based sales growth in all mainstay markets. Group Net Profit After Tax and Minority Interests fell 31.3% to S$10.2 million due to more intensified marketing and promotional activities and steps undertaken to strengthen the Group's infrastructure.

Staff costs increased 41.1% to S$9.9 million and Other Operating Expenses rose 49.7% to S$46.2 million following higher overseas office expenses, advertising and promotion expenses and logistics costs.

Higher overseas office expenses were incurred as a result of the Group's strategic move to augment its overseas presence and gear up for greater business momentum for the longer term. The Group also continued to invest in human resources to run the expanded operations.

World Food '03 in Russia

Promotion girls in Vietnam

Bowling competition in Uzbekistan

As part of the Group's brand strategy to boost awareness and sales, aggressive advertising and promotion activities such as media advertisements, wet samplings, trade shows and sponsorships were undertaken.

Logistics costs rose due to higher freight rates and increased sales volume. In addition, higher port charges were incurred for some slow-moving new products in the second and third quarter of 2003. The port charges were reduced significantly in the last quarter of 2003 following improved inventory management.

Depreciation and amortisation expenses were also higher as the Group invested in new machineries and expanded the existing factory in Singapore during the year to handle the increase in demand.

Aqua Park in Kazakhstan

OrienBites in Germany

'MacCoffee Nite' in Mongolia

Continued Vibrancy In Core Markets

Stronger sales in the key market segments of Russia, Eastern Europe and Central Asia contributed to the increase in Group Revenue. Russia remained the chief contributor to Group Revenue with 55.6%, followed by Eastern Europe and Central Asia with 36.8%. Sales from Other Countries made up the balance of 7.6%.

Euro 2004 Qualifier sponsorship in Russia

Weekly TV Entertainment show – Ukraine

Revenue from Russia grew by a healthy 27.0% to S$77.6 million in 2003, compared to the previous financial year. Revenue from Eastern Europe and Central Asia was up 39.6% to S$51.4 million. The improvement in these stronghold markets was the result of amplified advertising and promotion campaigns, the launch of new products and an expanded distribution network.

Branding Thrust Richly Rewarded

Beverages segment posted robust growth of 27.3%, contributing S$127.7 million to Group Revenue this financial year, largely as a result of greater demand for 3-in-1 coffee and coffee in tins and jars.

Our flagship brand, MacCoffee, continued to rank as one of the leading instant coffee brands in markets such as Russia, Ukraine and Kazakhstan. According to AC Nielsen and Gallup Reports, MacCoffee is the market leader in the 3-in-1 coffee segment in Russia, Ukraine and Kazakhstan.

Our lateral expansion of the beverage lines to strengthen our product range saw the launch of new formulations such as freeze-dried coffee and 100% Columbian 3-in-1 coffee.

Meanwhile, maiden contributions from our new category of snack food and higher sales contribution from frozen convenience food resulted in a 0.7% growth in the non-beverage segment to S$11.9 million. This helped offset the decline in sales of frozen seafood trading.

Looking Ahead

While global economies are gearing towards steadfast recovery, the outlook remains uncertain as issues such as terrorism and public health continue to pose a threat to political and economic stability. The environment in our core markets is also expected to become more challenging and competitive.

Nevertheless, many of our newly targeted markets are showing much potential for growth and opportunities.

Moving forward, we will continue to leverage on our early-mover advantage and strong brand leadership to grow the Group's business. We will step up efforts to strengthen our operations and distribution network, reinforce our marketing and branding, and above all, improve market reach and bottom line.

Directors' Profile

Mr. Tan Wang Cheow, **Chairman** and **Managing Director**, has been providing leadership to the Company since its listing in April 2000. He is actively involved in formulating corporate strategies including exploration of new markets and product innovations. Before starting Food Empire, he worked with Arthur Young & Co and Business Computers Pte Ltd. He has a Bachelor of Accountancy Degree from the National University of Singapore.

Mr. Oon Peng Lim, **Executive Director**, has been a Director of the Company since its listing in April 2000. He is responsible for strategic marketing and new business development overseas. Before co-founding Food Empire, he worked with Arthur Young & Co. He graduated with an Economics Degree from Monash University, Australia and a Graduate Diploma in Computer Science from La Trobe University, Australia.

Mr. Oon Peng Heng, **Executive Director**, has been a Director of the Company since its listing in April 2000 and is responsible for formulating and implementing manufacturing operations, logistics support, financial and general management. He holds a Bachelor of Commerce Degree from Murdoch University, Australia and an MBA from Debuque University, USA.

Mdm. Tan Guek Ming was appointed as **Non-executive Director** of the Company in April 2000. Currently, she is the Executive Director of a listed company and a non-Executive Director of another listed company. Mdm Tan has many years of experience in the field of auditing and accounting, corporate and financial affairs. She is a Certified Public Accountant holding a Bachelor of Accountancy Degree from the University of Singapore.

Mr. Lew Syn Pau was appointed as **Independent Director** of the Company in April 2000. He is currently Managing Director of Stanbridge International Pte Ltd and a Director of several companies in Singapore. He is also the President of the Singapore Manufacturers' Federation. He was previously Managing Director of NTUC Comfort and General Manager and Senior Country Officer of Credit Agricole Indosuez. He was a Member of the Singapore Parliament from 1988 to 2001 and was Chairman of the Government Parliamentary Committee for National Development. A Singapore Government scholar, he has a Masters Degree in Engineering from the University of Cambridge, UK and a Masters Degree in Business Administration from Stanford University, USA.

Mr. Ong Kian Min was appointed as **Independent Director** of the Company in April 2000. Mr Ong is currently an Advocate and Solicitor and practices law as a consultant with Drew & Napier LLC, a Singapore law firm. He was called to the Bar of England and Wales in 1988 and to the Singapore Bar the following year. Mr Ong has also been a Member of Parliament since January 1997 and serves as Vice Chairman of the Government Parliamentary Committee (GPC) for Transport and as a member of the GPC for Finance, Trade and Industry. Mr Ong was awarded the President Scholarship and Police Force Scholarship in 1979. He holds a Bachelor of Laws (Honours) external degree from the University of London and a Bachelor of Science (Honours) degree from the Imperial College of Science and Technology in England.

A Branding Odyssey

"A Branding Odyssey" is dedicated to all those close to the heart of Food Empire Holdings: our shareholders who believe in our brand vision, our colleagues and business partners who travelled the brand journey, and all others who share our passion for brand building.

With this annual report, you are invited to a brand realm where we share with you the branding principles that stamp our brands apart. Join us in a journey that fires up our people, that inspires us to make our products among the best loved in our widely dispersed markets, and that has taken us all the way from total obscurity to recognition as the ninth leading brand creator in Singapore today.

In this ever-changing world, we are certain of one thing: this brand odyssey will never end. As our markets and consumers evolve and grow, so will our brands. And that's the way we like it.

Food Empire Holdings Limited

Our Profile

Worldwide, Food Empire Holdings Limited has built up a strong reputation for delivering brands of exceptional quality. Since listing on the Singapore Exchange in April 2000, the Group has seen a dynamic expansion in its portfolio of brands and product lines. Today its family of products encompasses more than 170 items that enjoy global brand presence around the world.

Specialising in the manufacture of regular and flavoured instant beverages, confectionery, frozen convenience food and snack food, Food Empire's extensive stable of brands has become part of daily life for people the world over.

The Group has 3 manufacturing facilities in Asia that operate under the most stringent quality control standards. Outputs from these plants are exported to over 40 countries and regions, including Russia, Eastern Europe, Central Asia, Southeast Asia, Australia, Middle East and USA. The exports are marketed and distributed through a global network of 14 representative and liaison offices in Russia, Ukraine, Kazakhstan, Uzbekistan, Iran, Poland, Hungary, Turkey, U.A.E., Vietnam, China, Mongolia, and Belgium.

While they may be distributed globally, Food Empire's products are pivoted on a common brand promise: to deliver a desirable and superior lifestyle wherever they are offered.

"We believe that true branding is organic – that is, it has to be an integrated and unified approach that touches all aspects of the organisation – from its products, its culture, its service, to its ethics – and offers the customer the same brand experience at all the points at which the customer comes into contact with the brand."

– Tan Wang Cheow, Managing Director, Food Empire Holdings

The Organic Story

From virtually zero brand recognition in the early-90s, we have carved out a considerable niche for ourselves in a vast region with cultures and business climates that are worlds apart from our Singaporean roots. Our core product brand, MacCoffee, now ranks among the top 3-in-1 coffee brands in Russia, Ukraine and Kazakhstan. Altogether Russia, Eastern Europe and Central Asia yield about S$129 million of Food Empire's turnover of over S$139 million.

Today our entire portfolio of brands is estimated to have a combined brand value of $114 million, according to the brand valuation study conducted jointly by International Enterprise Singapore and Interbrand Pte Ltd.

All this, we believe, derive from our relentless efforts towards building up our brands across all trade and consumer channels.

"You have to live your brand to be successful. Living the brand is hard work. Living the brand requires role modelling, symbolic management, a lot of passion, dedication and a large amount of craziness."

– Thomas Gad, brand strategist

We believe that our brands must be communicated consistently and holistically, so that every touch with the consumer is in touch with the essence of the brand. We work in integrated style to deliver that. We build brands across borders and across disciplines to reach out to our valued customers and to keep them for life.

We believe that it is the consumer's experience with the brand in all its places, at all its touch points, which creates the brand relationship, which builds loyalty and market share.

And that branding is about establishing a presence so strong that our products are highly visible so that when you look everywhere, you see us and you remember us.

To ensure unified consistent branding across all points of contact, we work very closely with our distributors. To support them, we help them launch products, and run advertising and promotional activities.

We conduct our design briefs, product briefs and merchandising plans for our distributors on how to position and place out our products. The aim is to communicate our vision of the personality of our company and our brands, so that our partners will project that consistent personality across the many channels that we sell to.

We then follow up with promotional activities like samplings at hypermarts and supermarkets. In a big country like Russia – which stretches across 11 time zones – this amounts to a great deal of work.

Hard work indeed. What pushes us on is the belief that we have in our products.

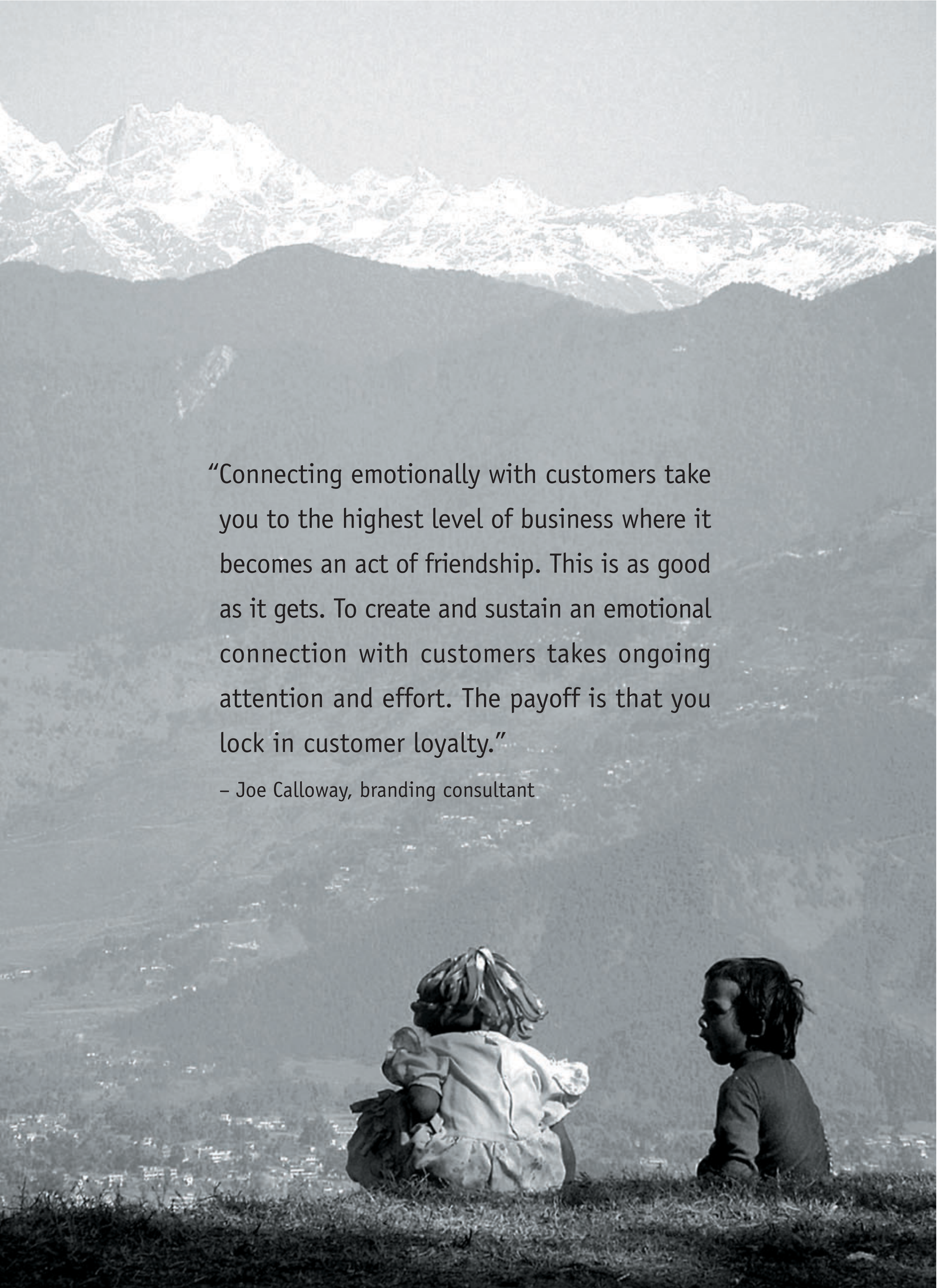
We take pride in the fact that when people see our brands, they know what our brands stand for and they know how good our products taste.

Today, our integrated brand building programmes is made up of our sales teams who reach out to our distributors, our sampling teams who ensure that our products get tested by consumers, and our merchandising teams who make sure our products are on the shelves where our customers are.

Our branding efforts extend to producing our annual reports. Last year, our efforts won us a prestigious Judges' Choice Gold Award at the International ARC Awards, the world's largest annual report competition established by US-based Mercomm Inc.

Through these continuous efforts, we ensure no dilution of brand equity, enabling us to meet the onslaught of other brands.

"Products are made in the factory, but brands are created in the mind." – Walter Landor



"Connecting emotionally with customers take you to the highest level of business where it becomes an act of friendship. This is as good as it gets. To create and sustain an emotional connection with customers takes ongoing attention and effort. The payoff is that you lock in customer loyalty."

– Joe Calloway, branding consultant

The Realm of Bonding

A great brand taps into emotions. Emotions drive most, if not all, of our decisions. A brand reaches out with a powerful connecting experience. It is an emotional connecting point that transcends the product. So says Scott Bedbury, the former head of marketing for Nike and Starbucks.

Today, it is the emotional aspect of products that makes the difference between consumers' ultimate choice and the price that they will pay.

Consumers today expect their brands to know them – intimately and individually – with a complete understanding of their needs and cultural orientation. Successful brands come to life for people and forge a lasting intense connection.

Not many brands are able to do that. But consumer surveys and sales figures show that our brands have bonded with our consumers.

Our flagship brand, MacCoffee, was ranked the top 3-in-1 coffee brand in the core markets of Russia, Ukraine and Kazakhstan.

We believe that we are not selling a product, we are selling an experience, an indulgence.

Among its winning factors, consumers studies revealed, MacCoffee is seen as a brand for winners, and as a brand that brings you more in your life. MacCoffee's consumers perceive the brand as young, dynamic and of a middle class or higher status.

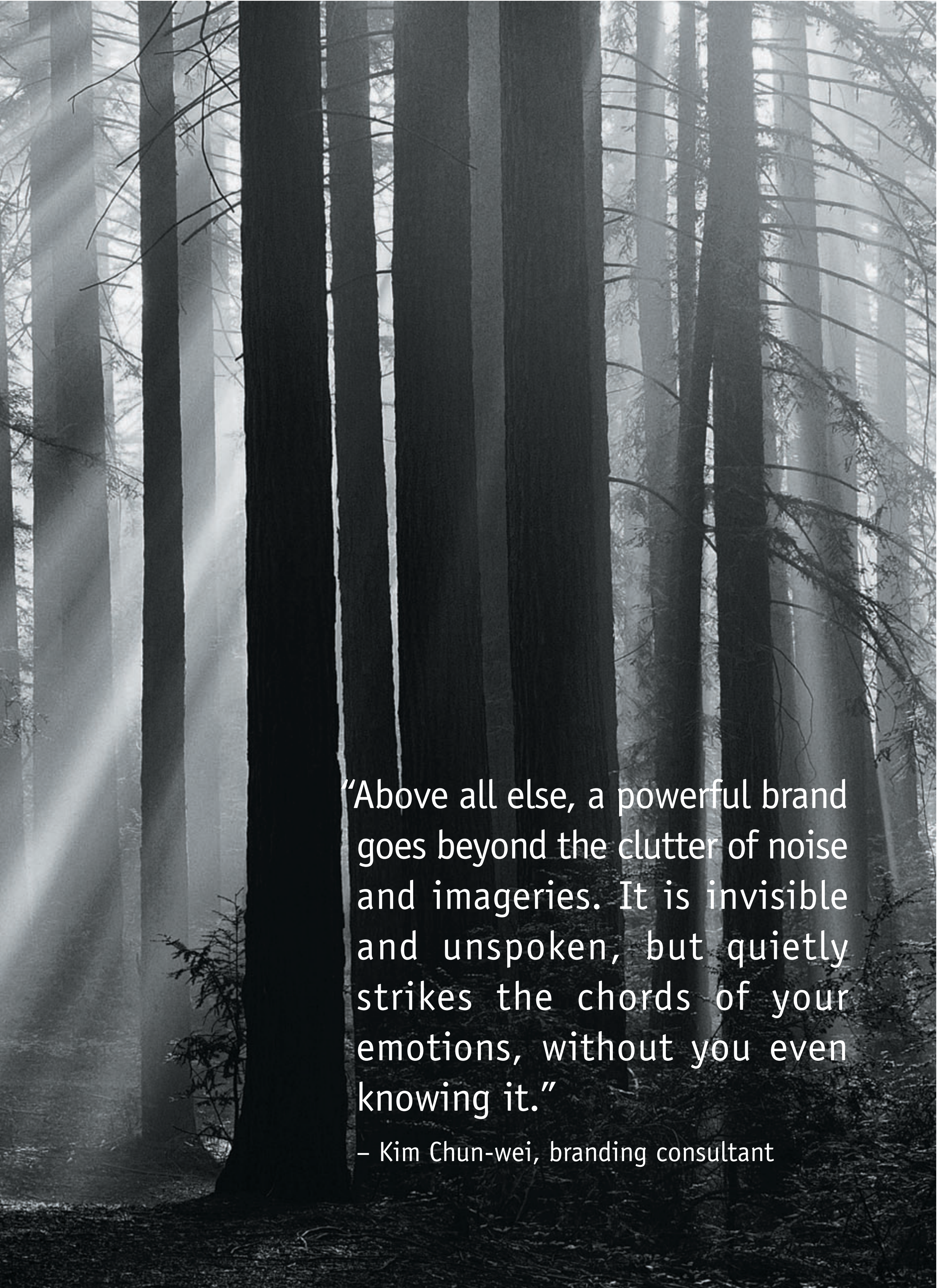
Emotionally, our consumers regard our brands as trustworthy. We are seen as brands that are always around; brands that you can always find in the supermarkets.

This bonding is one we created through a close association with the lifestyle of our consumers. We do not merely promote our products, we associate ourselves with the culture and the lifestyle of our consumers. Among others, we sponsored the World Cup qualifier match, football team, rally cars, yacht team, zoo and pop group. Identifying with daily life also means that we sponsored a yearlong weekly entertainment show on television, as well as featured the country's leading rock group and comedians in our television commercials. Our awareness campaign can be witnessed from constant sampling sessions during local festivals and at supermarkets from time to time. So our customers keep seeing our brands, sometimes in our own advertisements and sometimes in magazine articles about football, rally cars, yachts or pop music.

Alongside prominent and sustained advertising campaigns, such investments have won us goodwill, leading to increased market reach and brand equity.

Our message to consumers is: you will go through different phases in life and through every phase, our products will be there for you, boosting the quality of your life.

"The secret to our enduring brand lies in delivering an experience rather than just a collection of products and services." – Harley-Davidson



"Above all else, a powerful brand goes beyond the clutter of noise and imageries. It is invisible and unspoken, but quietly strikes the chords of your emotions, without you even knowing it."

– Kim Chun-wei, branding consultant

The Expression of the Soul

The fundamental reason our brands are perceived as premium brands in their markets is that our consumers trust our quality and reliability.

Ceaselessly, consistently, we have branded our products as representing products of the highest quality in their category.

> **"The visual image is a kind of tripwire for the emotions."**
> – Diane Ackerman, American poet and author

We are careful to guard our packaging and quality identity.

We believe that the personality of our brands should not change across markets. Colours on our packaging, for instance, should never be changed. When you change that, you change the communication of the brand and you change the personality of the brand.

Our guardianship of our brand identity has been recognised by the industry. For the fourth year running, we are one of the winners of the Singapore Star Award for the design and packaging of our products, that includes Kracks potato crisps, Klassno Gold and MacCandy chewy. And at the 2002 World Selection of Quality by the prestigious Monde Selection in Belgium, we were honoured with nine awards for the high quality of our products.

Meanwhile our frozen convenience food product, OrienBites Tail-On Shrimp Dumpling, was selected as a finalist for the Seafood Prix d'Elite award at the European Seafood Exposition in Brussels in 2003. And three Klassno brand of frozen convenience food items were singled out at the renowned SIAL 2000 food exhibition in Paris and featured in SIAL's prestigious Innovation and Trends Book 2000.

MacCandy in ISM, Cologne

Food Exhibition in Egypt

MacCoffee Deluxe vans in Ukraine

Prodexpo '04 in Russia

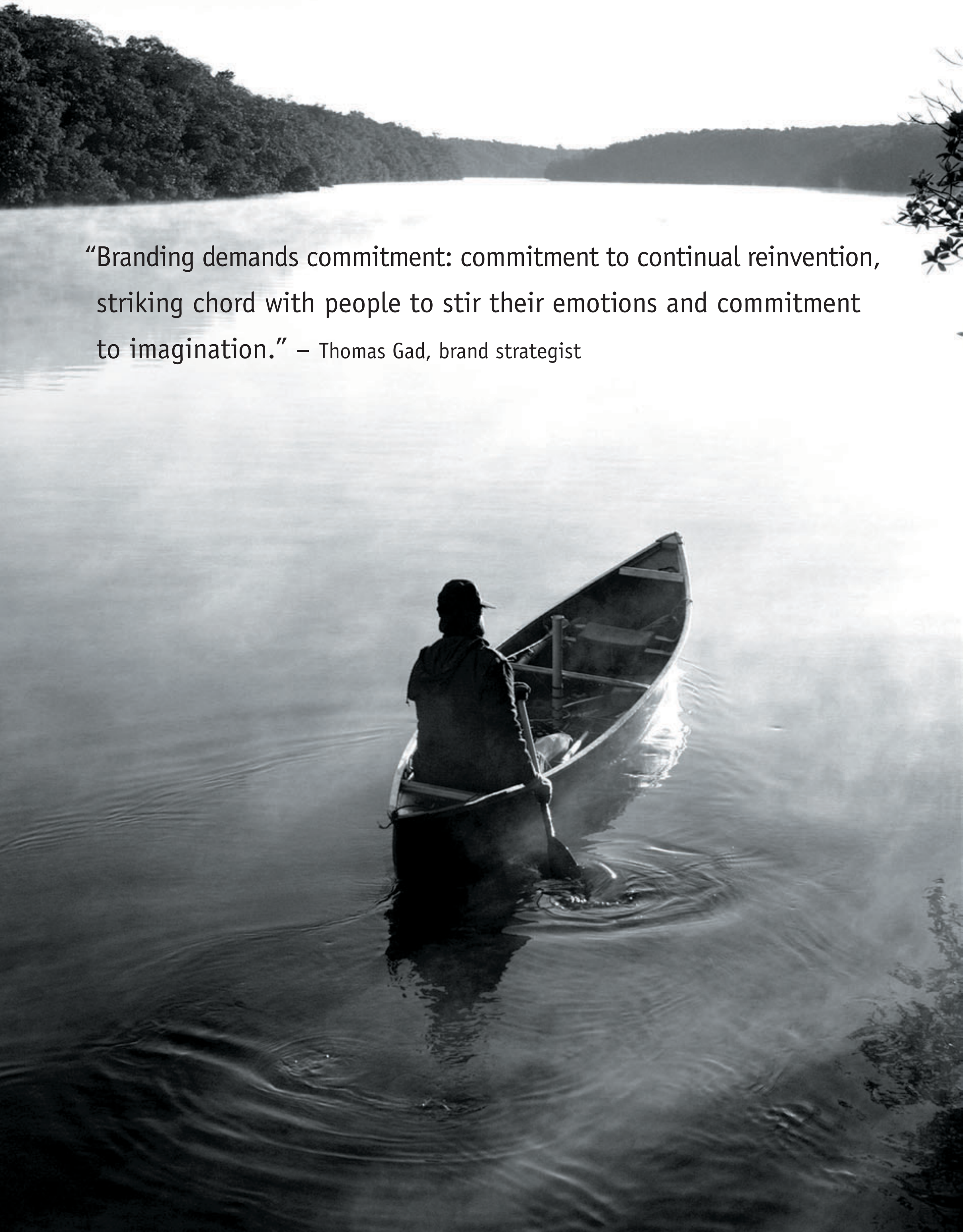
Rally cars in Ukraine

Klassno in Iran

Trolley buses in Poland

Food Empire's portfolio of brands in Germany

Boston Seafood Show in U.S.A.



"Branding demands commitment: commitment to continual reinvention, striking chord with people to stir their emotions and commitment to imagination." – Thomas Gad, brand strategist

A Brand Compass

Without perseverance, you never reach brand richness. Branding requires a lot of resources: it takes time, effort and money, and most brands give up halfway through the process. They lose the stamina that brand building demands. They cut prices because they are in a price competitive situation.

And we have never lost sight of the fact that branding is a commitment you must give your products.

We believe that branding is everything and we are commited to our brands.

"Your personal brand is a promise to your clients... a promise of quality, consistency, competency, and reliability." – Jason Hartman, branding guru

We take great care in nurturing our brands, building emotional bonds with consumers and enforcing pricing controls to preserve margins for the channels.

We are now at a crucial stage in brand development. In the past we have relied on our portfolio of champion products and strong mainstay markets. Going forward, however, the challenge for us is to cement our market leadership by developing more successful products, more successful brands and more successful markets.

In doing this, we will have to walk a fine line between generating short-term profits for our investors and sustaining long-term growth for our company.

Our competitive landscape has now changed. Today we are no longer playing against small local brands but competing with global players. To equip ourselves to do that, we are now adding muscle to our brand building division and building up a knowledge pool on brand building.

While continuing to build on what we have done in the past years, our strategy is to extend our reach to the remotest parts of the world. We believe that tough as the challenge is, the potential returns from effective strategic branding are enormous, in terms of the boost in brand equity and value that we stand to gain.

"Always remember who you are and what you stand for, but also look at how you must change to meet the needs of a world that is new every single day."
– Joe Calloway, branding consultant

CORPORATE GOVERNANCE

The Board is responsible to shareholders for the operations of the Group. They are also committed to ensure that the Company has appropriate governance arrangements in place for the benefit of all shareholders and in conformity with the principles set out in the Code of Corporate Governance (the "Code") issued by the Singapore Exchange Securities Trading Limited ("SGX-ST").

Board of Directors

Presently, the Board comprises :

Mr. Tan Wang Cheow	Managing Director / Chairman
Mr. Oon Peng Lim	Executive Director
Mr. Oon Peng Heng	Executive Director
Mdm. Tan Guek Ming	Non-executive Director
Mr. Lew Syn Pau	Independent Director
Mr. Ong Kian Min	Independent Director

A Board Matters

Principle 1: Effective Board to lead and control the Company

The principal functions of the Board are :

1 Supervising the management of the business and affairs of the Company and the Group;
2 Approving board policies, overall strategic business plans, key operational initiatives, financial objectives of the Group;
3 Reviewing and monitoring the performance and rewards of key management;
4 Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
5 Approving the nomination and appointment of Board of Directors;
6 Approving annual budgets, major funding, investment and divestment proposals; and
7 Assuming responsibility for corporate governance.

A Board Matters (cont'd)

To facilitate effective management, the Board has delegated certain functions to various Board Committees. The Board Committees operate under clearly defined terms of reference. The Chairman of the respective Committees will report to the Board on the outcomes of each Committee meeting. There are four main Board Committees :

- Audit Committee (AC)
- Remuneration Committee (RC)
- Nominating Committee (NC)
- Share Option Committee (SC)

Other matters which specifically require the full Board's decision are those involving conflict of interests for a substantial shareholder or a Director, material acquisitions and disposal of assets, corporate or financial restructuring and shares issuances, dividends and other returns to shareholders.

The Board conducts scheduled meetings on a quarterly basis. Ad-hoc meetings are convened as and when circumstances require.

The attendance of the Directors at meetings of the Board and Board committees in FY2003, as well as the frequency of such meetings, are disclosed as follow :

	BOARD		NC		RC		AC		SC	
Tan Wang Cheow	**	5/5	*	1/1	*	2/2			*	1/1
Oon Peng Lim	*	5/5							*	0/1
Oon Peng Heng	*	5/5							**	1/1
Tan Guek Ming	*	5/5					*	4/4	*	0/1
Lew Syn Pau	*	5/5	**	1/1	**	2/2	*	4/4	*	1/1
Ong Kian Min	*	5/5	*	1/1	*	2/2	**	4/4	*	1/1

** Chairman
* Member of the Board / Committee

A Board Matters (cont'd)

The Directors are appointed on the strength of their calibre, experience and potential contribution to the Company. Currently, the Board comprises business leaders and professionals. Profiles of the Directors are found in page 16 in this annual report. No formal training was deemed required for them. Changes to regulations and accounting standards are monitored by management. The Directors are briefed on new updates in the requirements of the SGX-ST, Companies Act or other regulations/statutory requirements from time to time. If required, the Directors will receive further training.

The Company has adopted a policy that Directors are welcome to request further explanation, briefing or informal discussion on any aspects of the Group's operations or business issues from management. The Non-executive Directors are briefed and updated on major developments and the progress of the Group at the board meetings.

B Board Composition and Balance

Principle 2: Strong and independent element on the Board

The Directors of the Board review the size and composition of the Board on an annual basis.

Presently, the Board of Directors comprises six Directors, two of whom are independent. The Independent Directors made up one third of the Board to ensure appropriate independent views of the Board.

The core competencies of the Board members are :

	Accounting/ Finance/ Business/ Management Experience	Industry Knowledge	Strategic Planning	Human Resources	Law
Tan Wang Cheow	■	■	■		
Oon Peng Lim	■	■	■		
Oon Peng Heng	■	■	■		
Tan Guek Ming	■		■		
Lew Syn Pau	■		■	■	
Ong Kian Min	■				■

B Board Composition and Balance (cont'd)

The Directors are professionals in their own fields with industrial, financial, legal and human resources background. Together, they provide the Group with a wealth of knowledge, expertise and experience to ensure that the Group remains competitive and competent. The Non-executive Directors contribute their independent views and objective judgments to bear on issues of strategy, business performance, resources and high standard of conduct.

The Nominating Committee ("NC") has assumed the function of reviewing annually the independence of each Director. The NC has adopted the Code's definition of what constitutes an independent Director. Currently one-third of the board members are Independent Directors. The NC is of the view that the current Board comprises persons, who as a group, provide core competencies necessary to meet the Company's targets and whose diverse skills, experience and attributes match the demands facing the Group.

The NC is also of the view that the current board size of six Directors is appropriate, taking into account the nature and scope of the Company's operations.

C Chairman and Chief Executive Officer

Principle 3: Clear division of responsibilities at the top of the Company

At present, the Chairman and the Managing Director (MD) of the Company is Mr. Tan Wang Cheow. The Board views that it is not necessary and under current circumstances to separate the roles of the Chairman and Managing Director, taking into account the corporate structure and scope of the Company's operations.

The MD bears executive responsibilities (day-to-day operations) for the Group's business.

The Chairman bears responsibility for the workings of the Board and ensures the integrity and effectiveness of the governance process of the Board. The Chairman is also responsible for representing the Board to shareholders, ensuring that board meetings are held when necessary and setting the board meeting agenda. Regular meetings are scheduled to enable the Board to perform its duties. The agenda is prepared in consultation with management as well as the Company Secretaries. The Chairman ensures that board members are provided with adequate and timely information.

D Board Membership

Principle 4: Formal and transparent process of appointment of new Directors

The Nominating Committee (NC) was established on 22 August 2001 with written terms of reference on its responsibilities. At the date of this report, the NC comprises :

Mr. Lew Syn Pau (Chairman)	Independent Director
Mr. Ong Kian Min	Independent Director
Mr. Tan Wang Cheow	Managing Director

The scope and responsibilities of the NC include :

1 identifying candidates and reviewing all nominations for all appointments and reappointments to the Board of Directors, including making recommendations on the composition of the Board, and the balance between Executive and Non-executive Directors;
2 reviewing the board structure, size and composition;
3 reviewing the strengths and attributes of the existing Directors including assessing the effectiveness of the Board as a whole and the contribution by individual Directors;
4 determining on an annual basis the independence of Directors;
5 considering and making recommendations on nominations of Directors retiring by rotation;
6 making recommendations to the Board for the continuation (or retirement) in services of any Director who has reached the age of seventy;
7 deciding whether or not a Director is able to and has adequately carried out his duties as a Director of the Company, particularly when he has multiple board representations.

Last re-election date

Directors	Date of last re-election
Oon Peng Lim	30 April 2002
Lew Syn Pau	30 April 2002
Oon Peng Heng	2 May 2003
Ong Kian Min	2 May 2003
Tan Guek Ming	22 May 2001
Tan Wang Cheow - Chairman & Managing Director	Not subject to re-election under existing Articles of Association

E Board Performance

Principle 5: Formal assessment of the effectiveness of the Board and contributions of each Director

The NC had formulated an evaluation process where the assessment parameters included attendance record at Board and Committee meetings, participation in meetings and special contributions including management's access to the Director for guidance or exchange of views outside the formal environment of board meetings and bringing contacts strategic to the Group's interests. The Board's evaluation process is done annually.

F Access to Information

Principle 6: Board members to have complete, adequate and timely information

In order to ensure that the Board is able to fulfill its responsibilities, the management provides board members with regular updates of the latest developments in the Group including accounts, reports and other financial information. The Directors have been provided with the contact particulars of the Company's senior management staff and Company Secretaries to facilitate access. Directors are informed and are aware that they may take independent professional advice, where necessary, in furtherance of their duties at Company's expense.

At least one of the Company Secretaries will attend all board meetings. They are responsible for ensuring that board procedures are followed and that the Company has complied with the requirements of the Companies Act and the SGX-ST Listing Manual, which are applicable to the Company.

G Remuneration Matters

Principle 7: Formal and transparent procedure for fixing remuneration packages of Directors

Principle 8: Remuneration of Directors should be adequate but not excessive

Principle 9: Remuneration policy, level and mix of remuneration and procedure for setting remuneration

G Remuneration Matters (cont'd)

The Remuneration Committee (RC) was established on 22 August 2001 with written terms of reference on its responsibilities. At the date of this report, the RC comprises

Mr. Lew Syn Pau (Chairman)	Independent Director
Mr. Ong Kian Min	Independent Director
Mr. Tan Wang Cheow	Managing Director

The RC's main responsibility is to review and recommend a framework of remuneration for board members and key executives of the Group. The objective is to motivate and retain executives and ensure that the Group is able to attract the best talent in order to maximise shareholders' value.

The remuneration of the Executive Directors are based on service agreements dated 14 April 2000. The service agreements will continue unless otherwise terminated by either party giving not less than three month's notice in writing. Under the service agreements, the Executive Directors are entitled to an aggregate of 8% share of profit on the Group's profit before tax, on top of the monthly salary and three months bonus.

There is no change in the existing remuneration package to the Executive Directors since year 2000.

The Non-executive Directors are paid a directors' fee based on their efforts and responsibilities in the Board. The directors' fees are subject to final approval by the shareholders at the Annual General Meeting.

All Directors, including Non-executive Directors, who are not the controlling shareholders of the Company are eligible for share option under the current Share Option Scheme.

Details of Directors' remuneration are disclosed below as well as in note 30 of the financial statements in accordance with Rule 1207 (11) to (14) of the Listing Manual.

Directors & Key Executives Remuneration

2003

Directors' Remuneration	Salary/CPF/ leave-in lieu	Bonus	Share of profit	Directors' fee	Total	Share Options Granted
S$750,000 & above						
Tan Wang Cheow	27%	7%	66%		100%	
S$500,000-S$750,000						
Oon Peng Lim	41%	10%	49%		100%	
Oon Peng Heng	39%	10%	51%		100%	
Below S$250,000						
Tan Guek Ming				100%	100%	
Lew Syn Pau				100%	100%	400,000
Ong Kian Min				100%	100%	400,000

2003

Remuneration of top 5 key executives		Share options granted
Above S$250,000	2	6,500,000
Below S$250,000	3	2,500,000

2002

Directors' Remuneration	Salary/CPF/ leave-in lieu	Bonus	Share of profit	Directors' fee	Total	Share Options Granted
S $1,000,000 & above						
Tan Wang Cheow	21%	4%	75%		100%	
S$500,000-S$750,000						
Oon Peng Lim	33%	7%	60%		100%	
Oon Peng Heng	31%	7%	62%		100%	
Below S$250,000						
Tan Guek Ming				100%	100%	
Lew Syn Pau				100%	100%	400,000
Ong Kian Min				100%	100%	400,000

2003

Remuneration of top 5 key executives		Share options granted
S$250,000 to S$499,999	2	6,500,000
Below S$250,000	3	2,500,000

To maintain confidentiality of staff remuneration, the names of the 5 top executives are not stated. There are no employees who are immediate family members of a Director or the CEO.

H Accountability and Audit

Principle 10: Accountability of the Board and Management

Currently the management updates the Executive Directors with appropriately detailed report on Group's performance on a monthly basis. On a quarterly basis, a performance review is submitted to the AC for review.

The Board is committed to providing timely information to the shareholders and the public on a quarterly basis.

I Audit Committee

Principle 11: Establishment of Audit Committee with written terms of reference

The Audit Committee comprises :

Mr. Ong Kian Min (Chairman)	Independent Director
Mr. Lew Syn Pau	Independent Director
Mdm. Tan Guek Ming	Non-executive Director

The AC comprises three members all of whom are Non-executive Directors, the majority, including the Chairman, are independent. The Chairman of the AC, Mr Ong Kian Min, is a lawyer and Director of several public and private companies. The other two members of the AC have many years of management and financial experience. The Directors are of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's duties and responsibilities.

The AC carried out its function in accordance with written terms of reference.

I Audit Committee (cont'd)

The AC met the management and/or the auditors of the Group on a regular basis to discuss and review :

a the audit plans of the external auditors of the Group, the results of their examination and evaluation of the Group's system of internal accounting controls, their independence and the non-audit services provided by them;

b risk or exposure that exists and the steps that management had undertaken to minimise such risk to the Company;

c the Group's quarterly financial results for submission to the Board;

d the assistance given by the Group's officers to the external auditors;

e the Group's interested persons transactions;

f the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board of Directors and the external auditors' report on those financial statements;

g the audit plans of the internal auditors; and

h the results of their internal audit.

Apart from the duties listed above, the AC has the authority to commission and review the findings of internal investigations into any matter where there is suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results or financial position.

I Audit Committee (cont'd)

In performing its functions, the AC has :

a full access to and cooperation from the management and has full discretion to invite any Director and executive officer to attend its meetings;

b been given reasonable resources to enable it to discharge its duties and responsibilities properly; and

c the expressed authority to conduct investigation into any matters within its terms of reference.

During the year the AC held four meetings and one meeting with the external auditors without the presence of the management.

The AC has reviewed the internal procedures set up by the Company to identify and report, and where necessary, seek approval for interested person transactions, and with the assistance of the management, reviewed interested person transactions. The AC is of the opinion that the internal procedures have been complied with.

The AC has reviewed the non-audit services provided by the external auditors which comprise mainly tax services and is satisfied with the independence of the external auditors.

It is noted that different auditors have been appointed for some of the Singapore-incorporated subsidiary companies. The names of the auditing firms are disclosed in note 10 to the financial statement. The AC and the Board have reviewed and are satisfied that the appointments would not compromise the standard and effectiveness of the audit of the Company.

The Committee has recommended to the Board of Directors that the Auditors, Ernst & Young, Certified Public Accountants be nominated for re-appointment as Auditors at the forthcoming Annual General Meeting of the Company.

J Internal Controls and Internal Audit

Principle 12: Sound systems of internal control

Principle 13: Setting up of independent internal audit function

The Board affirms its overall responsibility for the Group's systems of internal control and risk management and for reviewing the adequacy and integrity of these systems. It should be noted, however that such systems are designed to manage rather than eliminate the risk of failure to business objectives. In addition, it should be noted that any system can provide only reasonable and not absolute assurance against material misstatement or loss.

To assess the adequacy of the internal controls, the Board engaged PricewaterhouseCoopers (PWC) as its internal auditor. The scope of the Internal Auditors is to ensure :

a internal controls are in place and functioning as intended;

b operations are conducted in an effective and efficient manner;

c reliability of management and financial reporting, and

d compliance with internal regulations and policies to support an acceptable standard of corporate governance.

The Internal Auditors report primarily to the AC Chairman. The AC reviews the Internal Auditors' plans and the results of the internal audit work.

The AC has reviewed the Group's risk assessment based on the Internal Auditors' reports and management controls which are in place. It is satisfied that there are adequate internal controls in the Group. The AC will review the internal audit plans for the ensuing year to ensure an improved control environment.

K Communication with Shareholders

Principle 14: Regular, effective and fair communication with shareholders

The Company does not practise selective disclosure. Price sensitive information is first publicly released via MASNET before the Company meets with any group of investors or analysts. Results are announced within the mandatory period.

The Company releases quarterly results from the financial year commencing 1 January 2003.

L Greater Shareholders' Participation
Principle 15: Shareholders' participation at AGMs

All shareholders of the Company will receive the Annual Report of the Company and Notice of AGM within the mandatory period. The Articles allow a member of the Company to appoint one or two proxies to attend and vote instead of the member.

At General Meetings, shareholders are given the opportunity to express their views and ask questions regarding the Group and its business.

SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2003 (SGX-ST LISTING MANUAL REQUIREMENTS)

i Dealings in Securities
The Company has adopted a Code of Best Practices on Securities Transactions that is in line with the Best Practices Guide issued by the SGX-ST. This code sets out the implication of insider dealings of the shares and guidance to officers on dealings in the Company's shares. All Directors and officers of the Company who have access to "price sensitive" information are required to observe this code and are required to confirm their compliance annually.

ii Material Contracts
Since the end of the previous financial year, the Company and its subsidiary companies did not enter into any material contracts involving interests of the Chief Executive Officer, Directors or controlling shareholders and no such material contracts still subsist at the end of the financial year.

iii Risk Management Policies and Processes

Dependence on the Russian Market
We are dependent on the Russian market which accounted for 55.6% of our turnover in 2003. Any significant decline in demand for our products in this market brought about by political, social and/or economic changes, would adversely affect our turnover and profitability.

It is an on-going effort for us to increase our sales through new market developments and improve sales in other existing markets. This will reduce the dependency on the Russian market.

iii Risk Management Policies and Processes (cont'd)

Foreign Exchange Exposure

Majority of our sales are transacted in foreign currencies and any significant adverse movements in the exchange rates will have an impact on the Group's performance. The Group has a natural hedge of more than 60% mainly because some purchases of raw materials and certain operating expenses are in foreign currencies.

Political and Regulatory Consideration

Our sales are generated mainly from developing markets such as Russia, Eastern Europe and Central Asia, where political, social, economic and regulatory uncertainties in these regions have a direct impact on our sales. For example, changes in policies by the respective government authorities of these regions may have an impact on us through (i) changes in laws and regulations; (ii) change in custom and import tariff; (iii) restrictions on currency conversions and remittances; and (iv) stability of the banking system.

We have representative offices in our major markets and are therefore constantly updated with the developments of the government policies and regulations. This allows us to respond promptly to any policies changes that might affect our sales in these markets.

Credit Risk of customers

In our normal course of business, we extend credit terms to our customers, mainly located in developing countries. In the event of any significant devaluation of the currencies of these markets or if any of our major customers face financial difficulties, we would be exposed to the risk of non-collectibility of some of our trade receivables.

We have a credit policy in place and exposure of credit risk is monitored on an ongoing basis. We believe that concentration of credit risk is limited due to ongoing evaluation of all customers.

Fluctuation in Raw Material Prices

Instant coffee powder, creamer, sugar and packaging materials are the main raw materials used for our products, accounting for an aggregate of approximately 90% of the total costs of manufacturing. Due to the competitive nature of the instant beverage industry, we may not be able to pass on the increase in raw material prices to our customers. Therefore, any major increase in raw material prices will adversely affect our profitability.

iii Risk Management Policies and Processes (cont'd)

Fluctuation in Raw Material Prices (cont'd)

There is no regulated commodity market for trading of instant coffee and other raw materials; we monitor closely the movements of raw materials prices and keep close contact with our major suppliers. We also have a policy to source from multiple suppliers where possible, so as to reduce dependency on any single source of supply.

Intellectual Property Risks

It may be possible for a third party to unlawfully copy and use our intellectual property. Policing such unauthorised use is difficult and the law on intellectual property rights and protection in some countries may not be as developed as others. Unauthorised use of our trademarks, service marks, copyrights, trade secrets and other intellectual property may damage the brand and name recognition of our Group and our credibility.

We rely on trademarks laws to protect our marks in countries that we operate in. We have filed for registration of trademarks in countries where our products are marketed and distributed. We will take a strong stand on infringement and will take legal actions to protect our intellectual property against counterfeit products, and those who have unlawfully make use of our registered trademarks.

Dependence on Key Personnel

The three Executive Directors and the general managers in our key markets have contributed significantly to the success of the Group. The loss of the services of any one of these key personnel without adequate replacement will adversely affect our operations and hence our financial performance.

The Group has implemented remuneration packages that aim at retaining existing personnel and reward packages for key management personnel who contribute to the success of the Group. The three Executive Directors are substantial shareholders of the Company and they are under service contracts with profit sharing incentives.

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

Food Empire Holdings Limited And Subsidiary Companies

31 December 2003

REPORT OF DIRECTORS

The Directors have pleasure in presenting their report to the members together with the audited consolidated financial statements of Food Empire Holdings Limited ("the Company") and its subsidiary companies ("the Group") for the financial year ended 31 December 2003 and balance sheet of the Company as at 31 Dcember 2003.

Directors

The Directors of the Company in office at the date of the report are :
Tan Wang Cheow
Oon Peng Lim
Oon Peng Heng
Tan Guek Ming
Lew Syn Pau
Ong Kian Min

Arrangement to enable Directors to acquire shares and debentures
Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objective is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures
The following Directors of the Company who held office at the end of the financial year had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Companies Act, Chapter 50, an interest in shares of the Company, as stated below :

Name of Director *The Company*	At the beginning of the year	At the end of the year	As at 21 January 2004
Ordinary shares of $0.05 each			
Tan Wang Cheow	#55,700,000	#55,700,000	#55,700,000
Oon Peng Lim	*38,720,000	*38,720,000	*38,720,000
Oon Peng Heng	*53,500,000	*43,500,000	*43,500,000
Tan Guek Ming	#55,700,000	#55,700,000	#55,700,000
Options to subscribe for ordinary shares of $0.05 each exercisable between 14 March 2004 to 13 March 2007 at $0.17 per share			
Lew Syn Pau	400,000	400,000	400,000
Ong Kian Min	400,000	400,000	400,000

* held in the names of Director and spouse
\# Mr. Tan Wang Cheow & Mdm. Tan Guek Ming are husband and wife

By virtue of Section 7 of the Companies Act, Chapter 50, Mr. Tan Wang Cheow and Mdm. Tan Guek Ming are deemed to have an interest in the Company's subsidiary companies at the end of the financial year.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2004.

Directors' contractual benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Share options

The Food Empire Holdings Limited Share Option Scheme (the "Option Scheme") was approved and adopted at an Extraordinary General Meeting of the Company held on 22 January 2002.

The Option Scheme is administered by the Share Option Committee ("SC") which comprises Mr. Oon Peng Heng (Chairman), Mr. Tan Wang Cheow, Mr. Oon Peng Lim, Mdm. Tan Guek Ming, Mr. Lew Syn Pau and Mr. Ong Kian Min.

Under the Option Scheme, the Company can grant up to a maximum of 15% of the issued share capital of the Company.

(a) ***Options Granted***

The following options were granted at 18.2% discount to the market price under the Option Scheme during the financial year :

Option category	No. of holders	Exercise period	Exercise price (per share)	No. of shares under option
Group executive	1	4 June 2005 to 13 March 2012	$0.27	500,000

(b) ***Issue of shares under Option***

There were no shares issued pursuant to the exercise of options, under the Option Scheme, to take up unissued shares of the Company during the financial year.

(c) ***Unissued shares under Option***

Unissued shares of the Company under the Option Scheme at the end of the financial year were as follows :

	No. of holders	Number of options outstanding at 1.1.2003	Number of options granted during the financial year	Number of options lapsed during the financial year	Number of options outstanding at 31.12.2003	Exercise price per share $	Exercise period
2002 Options	41	16,920,000	-	(855,000)	16,065,000	0.17	14 March 2004 to 13 March 2012
2002 Options	2	800,000	-	-	800,000	0.17	14 March 2004 to 13 March 2007
2003 Options	1	-	500,000	-	500,000	0.27	4 June 2005 to 13 March 2012
	44	17,720,000	500,000	(855,000)	17,365,000		

The options granted to Directors of the Company and participants who received five percent or more of the total number of options available under the Option Scheme are as follows :

Name of participants	Options granted (1)	Aggregate options granted (2)	Aggregate options exercised (3)	Aggregate options lapsed/ cancelled (4)	Aggregate options outstanding (5)
Directors of the Company					
– Lew Syn Pau	–	400,000	–	–	400,000
– Ong Kian Min	–	400,000	–	–	400,000
Participant who received more than 5% of total options available					
– Sudeep Nair	–	4,500,000	–	–	4,500,000

Share options (cont'd)

(c) *Unissued shares under Option (cont'd)*

(1) Options granted during the financial year under review.
(2) Aggregate options granted since commencement of the Option Scheme to the end of the financial year under review.
(3) Aggregate options exercised since commencement of the Option Scheme to the end of the financial year under review.
(4) Aggregate options lapsed/cancelled since commencement of the Option Scheme to the end of the financial year under review.
(5) Aggregate options outstanding as at end of the financial year under review.

No participant under the Option Scheme has been granted 5% or more of the total options available under the Option Scheme, except as disclosed above.

The controlling shareholders of the Company or their associates are not eligible to participate in the Option Scheme. The options granted by the Company do not entitle the holders of the Options, by virtue of such holdings, to any rights to participate in any share issue of any other company.

Except as disclosed above, there were no unissued shares of the Company or its subsidiary companies under options as at the end of the financial year.

Audit Committee
The Audit Committee performed the functions specified in the Companies Act. The functions performed are detailed in the Report on Corporate Governance.

Auditors
Ernst & Young have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board,

Tan Wang Cheow Director	Oon Peng Lim Director

Singapore
12 March 2004

STATEMENT BY DIRECTORS PURSUANT TO SECTION 201(15)

We, Tan Wang Cheow and Oon Peng Lim, being two of the Directors of Food Empire Holdings Limited do hereby state that, in the opinion of the Directors :

(i) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes thereto, set out on pages 58 to 103, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003; and the results of the business, changes in equity and cash flows of the Group for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors authorised these financial statements for issue on 12 March 2004.

On behalf of the Board,

Tan Wang Cheow	Oon Peng Lim
Director	Director

Singapore
12 March 2004

AUDITORS’ REPORT TO THE MEMBERS OF FOOD EMPIRE HOLDINGS LIMITED

We have audited the financial statements of Food Empire Holdings Limited (“the Company”) and its subsidiary companies (“the Group”) set out on pages 58 to 103 for the year ended 31 December 2003. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act (“the Act”) and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) the accounting and other records (excluding registers) required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of all subsidiary companies of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of these subsidiary companies are stated in Note 10 to the financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and in respect of subsidiary companies incorporated in Singapore did not include any comment made under Section 207(3) of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
12 March 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 $'000	2002 $'000
Revenue	3	139,590	112,090
Costs and expenses			
Changes in inventories of finished goods		(3,310)	6,029
Raw materials and consumables used		(63,403)	(57,775)
Staff costs		(9,897)	(7,013)
Impairment loss on fixed assets		(596)	(137)
Depreciation and amortisation expenses		(1,471)	(1,007)
Foreign exchange loss		(1,305)	(1,739)
Other operating expenses		(46,158)	(30,839)
Other income		202	596
Total costs and expenses		(125,938)	(91,885)
Profit from operating activities	4	13,652	20,205
Finance costs	5	(89)	(53)
Shares of loss of an associated company		(120)	(231)
Profit from ordinary activities before taxation and minority interests		13,443	19,921
Taxation	6	(1,800)	(3,583)
Minority interests, net of taxation		(1,480)	(1,544)
Net profit for the year		10,163	14,794
Basic earnings per share (in cents)	8	2.95	4.30
Diluted earnings per share (in cents)	8	2.87	4.22

The accounting policies and explanatory notes on pages 66 through 103 form an integral part of the financial statements.

BALANCE SHEETS AS AT 31 DECEMBER 2003

	Note	Group 2003 $'000	Group 2002 $'000	Company 2003 $'000	Company 2002 $'000
ASSETS LESS LIABILITIES					
Non-Current Assets					
Fixed assets	9	13,459	11,994	-	-
Investments in subsidiary companies	10	-	-	12,519	12,676
Investment in an associated company	11	1,142	448	1,082	428
Intangible asset	12	39	59	-	-
Deferred tax assets	13	922	218	-	-
		15,562	12,719	13,601	13,104
Current Assets					
Cash and bank balances	14	11,825	8,122	30	47
Trade receivables	15	20,591	15,880	-	-
Other receivables	16	2,370	3,840	16	108
Amounts due from subsidiary companies (non-trade)	17	-	-	18,118	21,306
Amount due from an associated company (non-trade)	18	188	991	188	991
Inventories	19	23,633	29,221	-	-
		58,607	58,054	18,352	22,452

	Note	Group 2003 $'000	Group 2002 $'000	Company 2003 $'000	Company 2002 $'000
Current Liabilities					
Trade payables and accruals		(11,213)	(14,546)	(214)	(164)
Other payables	20	(86)	(283)	(20)	(47)
Amount due to an associated company (trade)	18	(37)	-	-	-
Interest-bearing loans and borrowings	21	-	(174)	-	-
Provision for taxation		(2,045)	(2,599)	-	(2)
		(13,381)	(17,602)	(234)	(213)
Net Current Assets		45,226	40,452	18,118	22,239
Non-Current Liabilities					
Interest-bearing loans and borrowings	21	-	(28)	-	-
Deferred tax liabilities	13	(509)	(306)	-	-
		(509)	(334)	-	-
Net Assets		60,279	52,837	31,719	35,343
EQUITY					
Share capital	22	17,200	17,200	17,200	17,200
Reserves	24	39,802	33,142	14,519	18,143
		57,002	50,342	31,719	35,343
Minority interests		3,277	2,495	-	-
		60,279	52,837	31,719	35,343

The accounting policies and explanatory notes on pages 66 through 103 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003	2002
		$'000	$'000
Issued capital [1]			
Balance at beginning and end of the year	22	17,200	17,200
Share premium			
Balance at beginning and end of the year		6,086	6,086
Capital reserve			
Balance at beginning of the year		-	16
Amortised during the year		-	(16)
Balance at end of the year		-	-
Foreign currency translation reserve			
Balance at beginning of the year		(53)	355
Foreign currency translation adjustment		(149)	(408)
Balance at end of the year		(202)	(53)

[1] *The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.*

The accounting policies and explanatory notes on pages 66 through 103 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2003

	Note	2003 $'000	2002 $'000
Revenue reserve			
Balance at beginning of the year		27,109	14,263
Net profit for the year		10,163	14,794
Dividends on ordinary shares	7	(3,354)	(1,948)
Balance at end of the year		33,918	27,109
Total equity outstanding		57,002	50,342
Net change in equity from non-owner sources excluding net profits		(149)	(424)

The accounting policies and explanatory notes on pages 66 through 103 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 $'000	2002 $'000
Cash flows from operating activities :		
Profit from ordinary activities before taxation and minority interests	13,443	19,921
Adjustments for :		
Amortisation of goodwill	20	20
Capital reserve written off	-	(16)
Depreciation of fixed assets	1,451	1,004
Gain on liquidation/disposal of subsidiary companies	-	(445)
Loss on disposal on fixed assets	300	24
Interest income	(4)	(32)
Interest expenses	89	53
Exchange realignment	(147)	(295)
Impairment loss on fixed assets	596	137
Share of loss of an associated company	120	231
Operating income before reinvestment in working capital	15,868	20,602
Increase in receivables	(3,241)	(7,327)
Decrease/(increase) in inventories	5,588	(8,075)
(Decrease)/increase in payables	(3,660)	6,960
Cash generated from operations	14,555	12,160
Income taxes paid	(2,855)	(4,844)
Net cash generated from operating activities	11,700	7,316

	2003 $'000	2002 $'000
Cash flows from investing activities :		
Interest income received	4	32
Purchase of fixed assets	(3,931)	(4,037)
Proceeds from sale of fixed assets	68	18
Net cash outflow from disposal and liquidation of subsidiary companies	-	(8)
Proceeds on maturity of other financial asset	-	500
Loan to an associated company	-	(139)
Net cash used in investing activities	(3,859)	(3,634)
Cash flows from financing activities :		
Interest expenses paid	(89)	(53)
Dividends paid to shareholders of the Company	(3,354)	(1,948)
Dividends paid to minority shareholders of subsidiary companies	(660)	(1,257)
Repayment of interest-bearing borrowings	(35)	(1,131)
Net cash used in financing activities	(4,138)	(4,389)
Net increase/(decrease) in cash and cash equivalents	3,703	(707)
Cash and cash equivalents at beginning of year (Note 14)	8,122	8,829
Cash and cash equivalents at end of year (Note 14)	11,825	8,122

The accounting policies and explanatory notes on pages 66 through 103 form an integral part of the financial statements.

The effect on the Group's cash flows arising from the disposal and liquidation of subsidiary companies in 2002 are shown in the statement of cash flows as a single item. The fair values of the assets and liabilities disposed are set out below :

	2002
	$'000
Fixed assets	5
Trade receivables	4
Other receivables	1
Amounts due from related companies	3
Cash at bank and in hand	14
Other payables and accruals	(25)
Amount due to holding company	(401)
	(399)
Minority interests, net of taxation	(2)
Net liabilities disposed	(401)
Goodwill arising on acquisition	(38)
Gain on disposal/liquidation of subsidiary companies	445
Cash consideration received, satisfied in cash	6
Less : Cash & cash equivalents of subsidiary companies disposed/liquidated	(14)
Net cash outflow on disposal and liquidation of subsidiary companies	(8)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003

1 Corporate information

The financial statements of Food Empire Holdings Limited ("the Company") for the year ended 31 December 2003 were authorised for issue in accordance with a resolution of the Directors on 12 March 2004.

The Company is a limited liability company which is domiciled and incorporated in Singapore.

The registered office of the Company is located at 10 Collyer Quay, #19-08 Ocean Building, Singapore 049315.

The principal activity of the Company is that of an investment holding company. The principal activities and other details of the subsidiary companies are stated in Note 10 to the financial statements. There have been no significant changes in the nature of these activities during the financial year under review, except as disclosed in Note 10.

The Group operates in 13 (2002 : 11) countries and employed 504 (2002 : 357) employees as of 31 December 2003. The Company has no employee as the operation is managed by a subsidiary company.

2 Significant accounting policies

(a) ***Basis of preparation of financial statements***

The financial statements of the Company and of the Group, which are expressed in Singapore dollars, are prepared under the historical cost convention.

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act. In previous years, the financial statements of the Company and of the Group were prepared in accordance with Singapore Statements of Accounting Standard ("SAS"). The transition from SAS to FRS did not result in any significant change in accounting policies.

2 Significant accounting policies (cont'd)

(b) *Basis of consolidation*

The accounting year of the Company and all its subsidiary companies in the Group ends on 31 December.

The Group's financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. All transactions among the Group companies have been eliminated. The results of subsidiary companies acquired or disposed of during the financial year are included in or excluded from the Group's financial statements from their respective dates of acquisition or disposal. Acquisitions of subsidiary companies are accounted for using the purchase method of accounting.

Any excess/deficit of the cost of acquisition of a subsidiary company over the fair value of the net assets acquired is treated as goodwill/negative goodwill on consolidation.

Assets, liabilities and results of overseas subsidiary companies are translated into Singapore dollars on the basis outlined in Note 2 (q) below.

(c) *Subsidiary companies*

A subsidiary company is a company in which the Group or Company has significant control over its management, including participation in the financial and operating policies.

Investments in subsidiary companies are stated in the Company's balance sheet at cost and provision is made for impairment in values.

A list of the Group's subsidiary companies is shown in Note 10 to the financial statements.

2 Significant accounting policies (cont'd)

(d) *Associated company*

An associated company is defined as an entity, in which the Group has long-term interest of not less than 20% nor more than 50% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's investment in associated company is stated at cost and adjusted to recognise the Group's share of the net assets of the associated company at the date of acquisition.

The Group's share of results of associated company is included in the consolidated profit and loss account. The Group's share of the post-acquisition reserves of associated company is included in the investment in the consolidated balance sheet.

Where the audited financial statements are not co-terminous with those of the Group, the share of profits is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period.

Investment in the associated company is stated in the Company's balance sheet at cost and provision is made for impairment in value.

(e) *Intangible assets*

Goodwill

Goodwill on consolidation is amortised using the straight-line method over an average 5 year period in which benefits are expected to be received.

2 Significant accounting policies (cont'd)

(e) *Intangible assets (cont'd)*

Negative goodwill

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those assets that are depreciable or amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

(f) *Fixed assets*

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repair are charged to profit and loss account.

When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

2 Significant accounting policies (cont'd)

(g) *Depreciation*

Depreciation is calculated on the straight-line method to write off the cost over their estimated useful lives. The rates used to calculate depreciation are as follows :

Freehold properties	-	50 years
Leasehold factory buildings	-	Over the remaining term of lease
Plant and machinery	-	10 years
Furniture and fittings and other equipment	-	10 years
Factory and office equipment	-	5 - 10 years
Computers	-	3 years
Motor vehicles	-	5 years
Forklifts	-	10 years
Renovation, air-conditioners, electrical installation and leasehold improvements	-	5 - 10 years

No depreciation is provided on capital work-in-progress.

Fully depreciated fixed assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(h) *Cash and cash equivalents*

Cash at bank and in hand are carried at cost.

For purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash at bank and in hand.

2 Significant accounting policies (cont'd)

(i) *Trade and other receivables*

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful receivables is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Amounts due from subsidiary and associated companies are recognised and carried at cost less an allowance for any uncollectible amounts.

(j) *Inventories*

Inventories are stated at the lower of cost and net realisable value.

Cost in respect of direct materials and goods purchased for resale are stated based on first-in-first-out basis. Cost in respect of manufactured products, include direct labour and attributable production overheads based on normal levels of operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale, and after making allowance for damaged, obsolete and slow-moving items.

(k) *Impairment of assets*

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account.

2 Significant accounting policies (cont'd)

(k) *Impairment of assets (cont'd)*

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

(l) *Trade and other payables*

Liabilities for trade and other amounts payable which are normally settled on 30-90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Amount due to an associated company are carried at cost.

(m) *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

2 Significant accounting policies (cont'd)

(n) *Leases*

Finance leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased property, plant and equipment. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

(o) *Employee benefits*

i) Pensions

The Company participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company makes contributions to the Central Provident Fund and Employee's Provident Fund schemes, which are defined contribution pension schemes in Singapore and Malaysia respectively. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

ii) Employee share incentive plan

The Share Option Scheme allows employees of the Group to acquire shares of the Company. No compensation cost is recognised upon granting or exercise of the Options. When the Options are exercised, the proceeds of any transaction costs are credited to share capital and share premium accordingly.

2 Significant accounting policies (cont'd)

(p) *Income taxes*

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises deferred tax assets to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

2 Significant accounting policies (cont'd)

(q) *Foreign currencies*

Transactions arising in foreign currencies during the year are converted at rates closely approximating those ruling on the transaction dates. Foreign currency monetary assets and liabilities are translated into Singapore dollars at exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences arising from conversion are included in the profit and loss account.

For inclusion in the consolidated financial statements, all assets and liabilities of foreign subsidiary companies are translated into Singapore dollars at the exchange rates ruling at the balance sheet date and the results of foreign subsidiary companies are translated into Singapore dollars at the weighted average exchange rates. Exchange differences due to such currency translations are taken to foreign currency translation reserve.

(r) *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised :

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Rental income is recognised on the time apportionment basis.

Dividend income is recognised when the shareholder's right to receive the payment is established.

Interest income is recognised on accrual basis.

2 Significant accounting policies (cont'd)

(s) *Finance costs*

Interest expenses and similar charges are recognised as expenses in the period in which they are incurred.

(t) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing products or services, or in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, by business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing, if any, is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

i) Business Segments

The main business segments of the Group comprises :

Beverages : The manufacture and sale of beverages.

Others : The manufacture and sale of other products, such as confectionery, snacks and frozen food products and rental income.

2 Significant accounting policies (cont'd)

(t) *Segment reporting (cont'd)*

ii) Geographical Segments

The beverage products segment operates in two principal geographical areas. Russia, and Eastern Europe and Central Asia are major markets for these sales.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

3 Revenue

The Group's revenue represents invoiced value of goods supplied to customers net of sales discounts and returns, which excludes intra-group transactions.

Revenue is analysed as follows :

	Group	
	2003	**2002**
	$'000	$'000
Sale of goods	139,550	112,019
Rental income	40	71
	139,590	112,090

4 Profit from operating activities

	Group 2003 $'000	Group 2002 $'000
Profit from operating activities is stated after charging/(crediting) :		
Amortisation of goodwill	20	20
Auditors' remuneration		
- auditors of the Company		
- current year	85	76
- (over)/under provision in prior year	(2)	4
- Other auditors of subsidiary companies		
- current year	24	20
- under provision in prior year	-	1
Non-audit fees paid to		
- auditors of the Company	19	35
Bad debts written off - trade	32	35
Bad debts recovered	(104)	-
Capital reserve written off	-	(16)
Depreciation of fixed assets	1,451	1,004
Directors' remuneration		
- Directors of the Company		
- Salaries and other remuneration	1,879	2,475
- Central Provident Fund	58	65
- other Directors of subsidiary companies		
- Salaries and other remuneration	375	440
- Central Provident Fund	39	52
Directors' fee		
- Directors of the Company	121	108
- Director of a subsidiary company	10	-
Foreign exchange loss	1,305	1,739
Loss on disposal of fixed assets	300	24
Gain on disposal of a subsidiary company	-	(38)
Gain on liquidation of a subsidiary company	-	(407)
Impairment loss on fixed assets	596	137
Interest income on bank deposits	(4)	(32)
Provision for doubtful receivables		
- trade	1,188	-
- non-trade	186	-
Staff costs		
- Central Provident Fund	447	369
- Employee's Provident Fund	61	57
- Salaries, wages and other staff benefits	9,389	6,587

5 Finance costs

	Group 2003 $'000	Group 2002 $'000
Interest expenses on :		
Bank overdraft and bank trust receipts	87	25
Bank term loan	-	26
Finance lease	2	2
	89	53

6 Taxation

Provision for taxation in respect of result for the year :

	Group 2003 $'000	Group 2002 $'000
Current taxation		
- Singapore	1,695	2,858
- Foreign	521	948
	2,216	3,806
Deferred taxation	(497)	(287)
	1,719	3,519
Underprovision in respect of prior year		
- current taxation	81	51
- deferred taxation	-	13
	1,800	3,583

6 Taxation (cont'd)

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December is as follows :

	Group	
	2003	**2002**
	$'000	$'000
Accounting profit	13,443	19,921
Tax at statutory tax rate of 22% (2002 : 22%)	2,957	4,383
Adjustments :		
Tax effect of double taxation relief	(237)	(754)
Tax effect of investment allowance	(48)	-
Permanent differences/expenses not deductible for tax purposes	226	45
Tax effect of income not subject to tax	(272)	-
Overseas reinvestment allowances	(277)	-
Recognition of deferred tax assets previously not recognised	(702)	-
Tax effect of partial tax exemption	(61)	(43)
Tax effect of reduction in tax rate	-	(33)
Deferred tax assets not recognised	10	58
Effect of different tax rates in other countries	196	(205)
Underprovision in respect of prior year	81	64
Others	(73)	68
Tax expense	1,800	3,583

7 Dividends

	Company 2003 $'000	Company 2002 $'000
First and final dividend paid in respect of the previous financial year of $0.005 (2002 : $0.005) per ordinary share less tax at 22% (2002 : 24.5%)	1,342	1,299
Special dividend paid in respect of the previous financial year of $0.0075 (2002 : $0.0025) per ordinary share less tax at 22% (2002 : 24.5%)	2,012	649
	3,354	1,948

After the balance sheet date, the Directors proposed the following dividends. These dividends have not been provided for as at year end, as they are subject to approval at the Annual General Meeting of the Company.

	Company 2003 $'000	Company 2002 $'000
Proposed first and final dividend of $0.005 (2002 : $0.005) per ordinary share less tax at 20% (2002 : 22%)	1,376	1,342
Proposed special dividend of $0.0075 (2002 : $0.0075) per ordinary share less tax at 20% (2002 : 22%)	2,064	2,012
	3,440	3,354

8 Earnings per share - Group

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computation for the year ended 31 December :

	2003	**2002**
	'000	'000
Net profit attributable to ordinary shareholders on issue applicable to basic and diluted earnings per share	$10,163	$14,794
Weighted average number of ordinary shares on issue applicable to basic earnings per share	344,000	344,000

(b) Diluted earnings per share

In calculating diluted earnings per share, the weighted average number of shares is adjusted for the effect of all dilutive potential ordinary shares, as follows :

	No. of shares	
	2003	**2002**
	'000	'000
Weighted average number of shares issued, used in the calculation of basic earnings per share	344,000	344,000
Weighted average number of unissued ordinary shares under option	18,352	17,720
Number of shares that would have been issued at fair value	(8,339)	(10,848)
	354,013	350,872

9 Fixed assets

Group	Freehold properties $'000	Leasehold factory buildings $'000	Plant and machinery, furniture and other equipment $'000	Factory and office equipment and computers $'000	Forklifts and motor vehicles $'000	Renovation, airconditioners, electrical installation and leasehold improvements $'000	Capital work-in progress $'000	Total $'000
Cost								
At 1 January 2003	3,273	4,043	4,329	892	813	840	2,414	16,604
Additions	-	695	2,305	323	308	300	-	3,931
Disposals	-	-	(161)	(19)	(296)	(126)	-	(602)
Exchange realignment	-	(15)	(27)	-	(1)	-	(19)	(62)
Reclassification	-	2,097	306	-	-	(8)	(2,395)	-
At 31 December 2003	3,273	6,820	6,752	1,196	824	1,006	-	19,871
Accumulated depreciation and impairment losses								
At 1 January 2003	1,134	1,248	1,164	341	316	407	-	4,610
Charge for the year	49	267	576	277	127	155	-	1,451
Disposals	-	-	(62)	(10)	(60)	(102)	-	(234)
Impairment losses	66	530	-	-	-	-	-	596
Exchange realignment	-	-	(11)	-	-	-	-	(11)
Reclassification	-	-	2	-	-	(2)	-	-
At 31 December 2003	1,249	2,045	1,669	608	383	458	-	6,412
Charge for 2002	50	141	390	168	127	128	-	1,004
Carrying Amount								
At 31 December 2003	2,024	4,775	5,083	588	441	548	-	13,459
At 31 December 2002	2,139	2,795	3,165	551	497	433	2,414	11,994

9 Fixed assets (cont'd)

(i) In 2002, a motor vehicle with a net book value of $44,000 was acquired under finance lease (Note 21). The finance lease liability was fully repaid during the year.

(ii) Included in freehold and leasehold factory buildings are properties held for investment. The details of the major properties held for investment are disclosed in Note 31.

Based on a valuation performed by an independent appraiser, Allied Appraisal Consultants Pte Ltd on 1 December 2003, the carrying amounts of these properties were written down by $596,000 (2002 : $137,000) to their recoverable amounts. The amount written down is charged to the profit and loss account as an impairment loss (Note 4). The valuations are estimates of the amounts for which the assets could be exchanged between a knowledgeable willing buyer and knowledgeable willing seller on an arm's length transaction at the valuation date.

10 Investments in subsidiary companies

	Company	
	2003	**2002**
	$'000	$'000
Unquoted shares, at cost	13,100	13,100
Provision for impairment in value of investments	(581)	(424)
	12,519	12,676

10 Investments in subsidiary companies (cont'd)

Details of the subsidiary companies as at 31 December 2003 are as follows :

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost 2003 $'000	Cost 2002 $'000	Percentage of equity held by the Group 2003 %	Percentage of equity held by the Group 2002 %
Held by the Company					
Future Enterprises Pte Ltd (Singapore)	Sales and marketing of instant food and beverages (Singapore)	12,367	12,367	100	100
* Future Corporation Pte Ltd (Singapore)	Property investment holding (Singapore)	+	+	100	100
* Masters Corporation Pte Ltd (Singapore)	Dealers in food products (Singapore)	380	380	100	100
* Foodaworld Marketing Pte Ltd (Singapore)	Dealers in food products (Singapore)	153	153	100	100
* Epiq Food Services Pte Ltd (formerly known as Café Veneto Pte Ltd) (Singapore)	# Dealers in coffee and tea provider (Singapore)	200	200	100	100
		13,100	13,100		

10 Investments in subsidiary companies (cont'd)

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group 2003 %	2002 %
Held by Future Enterprises Pte Ltd			
Future Enterprises (Russia) Pte Ltd (Singapore)	Sales and marketing of instant food and beverages (Singapore)	87	87
FES Industries Pte Ltd (Singapore)	Manufacturing and processing of instant food and beverages (Singapore)	88	88
** FES Industries Sdn Bhd (Malaysia)	Manufacturing and processing of instant food and beverages (Malaysia)	79.9	79.9
@ Express Food & Beverages Limited (Hong Kong)	Dormant	100	100
@ Klassno Foods Limited (Hong Kong)	Dormant	100	100

* Audited by C.C Yang & Co.
** Audited by Ernst & Young, Malaysia.
@ No audited financial statements are prepared as those companies has remained dormant since incorporation.
\+ Cost of investment is less than $1,000.
\# The subsidiary company's previous principal activity was restaurant operation.

10 Investments in subsidiary companies (cont'd)

Disposal of a subsidiary company

On 1 December 2002, the Company fully disposed its interest in a subsidiary company, Asianparenting Pte Ltd. The subsidiary company contributed a net loss of $33,000 from 1 January 2002 to 30 November 2002 to the consolidated results of the Group for the year ended 31 December 2002.

Effect of the disposal on the cashflows of the Group

The effect of the disposal of the subsidiary company on the cash flows of the Group is included in the schedule following the Consolidated Statement of Cash Flows.

11 Investment in an associated company

	Group		Company	
	2003	**2002**	**2003**	**2002**
	$'000	$'000	$'000	$'000
Unquoted shares, at cost	1,647	834	1,647	834
Provision for impairment in value of investment	-	-	(565)	(406)
	1,647	834	1,082	428
Share of net post-acquisition reserves	(505)	(386)	-	-
	1,142	448	1,082	428

11 Investment in an associated company (cont'd)

Details of the associated company as at 31 December are as follows :

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost 2003 $'000	Cost 2002 $'000	Percentage of equity held by the Group 2003 %	Percentage of equity held by the Group 2002 %
* Ernsts Food Ingredients Sdn Bhd (Malaysia)	Manufacturing and processing of spray-dried non-dairy creamer (Malaysia)	1,647	834	35	35

*Audited by Ernst & Young, Malaysia.

12 Intangible asset

Goodwill on acquisition of additional interest in a subsidiary company :

	Group 2003 $'000	Group 2002 $'000
At cost	99	99
Amortisation	(60)	(40)
Net book value	39	59

12 Intangible asset (cont'd)

The movements in accumulated amortisation during the year are as follows :

	Group	
	2003	2002
	$'000	$'000
Balance at beginning of the year	40	20
Amortisation recognised	20	20
Balance at end of the year	60	40

13 Deferred tax assets and liabilities

Recognised deferred tax and liabilities are attributable to the following :

	Group	
	2003	2002
	$'000	$'000
Deferred tax assets		
Sundry provisions	731	244
Unrealised foreign exchange loss	-	116
Unutilised tax losses	247	-
Gross deferred tax assets	978	360
Deferred tax liability		
Excess of net book value over tax writen down value	(565)	(448)
	413	(88)
Deferred tax assets	922	218
Deferred tax liabilities	(509)	(306)
Net deferred tax assets / (liabilities)	413	(88)

13 Deferred tax assets and liabilities (cont'd)

Movements in deferred tax assets and liabilities of the Group are analysed as follows :

	Deferred tax assets		Deferred tax liabilities	
	2003	**2002**	**2003**	**2002**
	$'000	$'000	$'000	$'000
Balance at beginning of the year	218	-	306	366
Recognised/provided during the year	838	218	207	21
Written-down/written-back during the year	(134)	-	-	(77)
Translation difference	-	-	(4)	(4)
Balance at end of the year	922	218	509	306

Deferred tax assets have not been recognised in respect of the following items :

	Group	
	2003	**2002**
	$'000	$'000
Temporary differences	-	3,238
Tax losses	416	327
	416	3,565

The use of the unutilised tax losses are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

14 Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amount :

	Group	
	2003	**2002**
	$'000	$'000
Cash and bank balances	11,825	8,122

15 Trade receivables

	Group	
	2003	2002
	$'000	$'000
Trade receivables	22,887	16,989
Provision for doubtful receivables	(2,296)	(1,109)
	20,591	15,880

16 Other receivables

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Prepayments	1,823	2,872	16	5
Deposits	386	554	-	-
Staff advances	137	113	-	-
Sundry receivables	24	198	-	-
Tax recoverable	-	103	-	103
	2,370	3,840	16	108
Sundry receivables are stated after deducting provision for doubtful receivables of	186	-	-	-

17 Amounts due from subsidiary companies (non-trade)

	Company	
	2003	**2002**
	$'000	$'000
Amounts due from subsidiary companies	20,157	23,345
Provision for doubtful receivables	(2,039)	(2,039)
	18,118	21,306

The amounts due from subsidiary companies are unsecured, bear interest at 3% (2002 : 3%) per annum and are expected to be repayable on demand.

18 Amount due from an associated company (non-trade)
Amount due to an associated company (trade)

The amount due from/(to) an associated company is unsecured, interest-free and is expected to be repayable on demand.

19 Inventories

	Group	
	2003	**2002**
	$’000	$’000
At cost :		
Raw materials	4,662	6,796
Packaging materials	667	629
Finished products/trading goods	16,414	20,015
	21,743	27,440
At realisable value :		
Packaging materials, at cost	1,903	1,875
Provision for inventory obsolescence	(13)	(94)
	1,890	1,781
	23,633	29,221

20 Other payables

	Group		Company	
	2003	**2002**	**2003**	**2002**
	$'000	$'000	$'000	$'000
Rental deposits	11	15	-	-
Other deposits	52	9	-	-
Sundry payables	23	259	20	47
	86	283	20	47

21 Interest-bearing loans and borrowings

At 31 December, interest-bearing loans and borrowings are as follows :

	Group	
	2003	**2002**
	$'000	$'000
Current liabilities		
Bills payable	-	167
Finance lease liability	-	7
	-	174
Non-current liability		
Finance lease liability	-	28

The Group's obligations under finance leases as at 31 December are repayable as follows :

Group	**Minimum payments 2003** $'000	**Present value of payments 2003** $'000	**Minimum payments 2002** $'000	**Present value of payments 2002** $'000
Within one year	-	-	9	7
After one year but not more than five years	-	-	31	28
Total minimum lease payments	-	-	40	35
Less : Amounts representing finance charges	-	-	(5)	-
Present value of minimum lease payments	-	-	35	35

22 Share capital

	Group and Company	
	2003	**2002**
	$'000	$'000
Authorised :		
1,000,000,000 ordinary shares of $0.05 each	50,000	50,000
Issued and fully paid :		
344,000,000 ordinary shares of $0.05 each	17,200	17,200

At the end of the financial year, unissued ordinary shares of $0.05 each of the Company under options granted to eligible employees and Directors under the Food Empire Holdings Limited Share Option Scheme amounted to a total of 17,365,000 (2002 : 17,720,000) ordinary shares of $0.05 each. Details of outstanding options are set out in Note 23.

23 Employee benefits

The Food Empire Holdings Limited Share Option Scheme (the "Option Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 22 January 2002. The Option Scheme applies to eligible employees and Directors of the Group, other than the controlling shareholders of the Company and their associates.

The Option Scheme is administered by the Share Option Committee ("SC") which comprises Mr. Oon Peng Heng (Chairman), Mr. Tan Wang Cheow, Mr. Oon Peng Lim, Mdm. Tan Guek Ming, Mr. Lew Syn Pau and Mr. Ong Kian Min.

The total number of shares in respect of which options may be offered shall not exceed 15% of the Company's total issued share capital on the day immediately preceding the offer date.

The offer price of the options may be set at market price or at a discount not exceeding 20% to the market price at the time of grant, at the discretion of the SC.

23 Employee benefits (cont'd)

The option period shall commence after 1 year from the offer date if the offer price is the prevailing market price; and 2 years from the offer date if the price is set at a discount. The options granted expire after 5 years from the date of grant for non-executives and 10 years from the date of grant for executives.

As at 31 December 2003, details of the options granted under the Scheme to subscribe for unissued ordinary shares of the Company were as follows :

	No. of holders	Number of options outstanding at 1.1.2003	Number of options granted during the financial year	Number of options lapsed during the financial year	Number of options outstanding at 31.12.2003	Exercise price per share $	Exercise period
2002 Options	41	16,920,000	-	(855,000)	16,065,000	0.17	14 March 2004 to 13 March 2012
2002 Options	2	800,000	-	-	800,000	0.17	14 March 2004 to 13 March 2007
2003 Options	1	-	500,000	-	500,000	0.27	4 June 2005 to 13 March 2012
	44	17,720,000	500,000	(855,000)	17,365,000		

24 Reserves

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Revenue reserve	33,918	27,109	8,433	12,057
Foreign currency translation reserve	(202)	(53)	-	-
Share premium	6,086	6,086	6,086	6,086
Total reserves	39,802	33,142	14,519	18,143

24 Reserves (cont'd)

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operation of the Company.

Share premium

The application of the share premium account is governed by Sections 69 to 69F of the Companies Act, Chapter 50.

25 Group segment reporting

Business segments

	Beverages		Others		Elimination		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue from external customers	127,735	100,312	11,855	11,778	-	-	139,590	112,090
Inter-segment revenue	114,760	98,651	40,259	52,345	(155,019)	(150,996)	-	-
Total revenue	242,495	198,963	52,114	64,123	(155,019)	(150,996)	139,590	112,090
Segment results	14,821	19,632	1,270	19,009	(2,439)	(18,436)	13,652	20,205
Finance costs							(89)	(53)
Share of loss of an associated company							(120)	(231)
Profit from operating activities before taxation and minority interests							13,443	19,921
Taxation							(1,800)	(3,583)
Minority interests, net of taxation							(1,480)	(1,544)
Net profit for the year							10,163	14,794

25 Group segment reporting (cont'd)

Business segments (cont'd)

	Beverages		Others		Elimination		Total	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Assets and liabilities								
Segment assets	93,053	79,532	29,848	36,860	(50,796)	(46,285)	72,105	70,107
Unallocated assets							2,064	666
							74,169	70,773
Segment liabilities	51,685	48,354	11,112	12,942	(51,461)	(46,299)	11,336	14,997
Unallocated liabilities							2,554	2,939
							13,890	17,936
Other segment information								
Capital expenditure	3,829	3,885	102	152	-	-	3,931	4,037
Impairment loss on fixed asset	412	-	184	137	-	-	596	137
Depreciation and amortisation	1,364	902	107	105	-	-	1,471	1,007
Non-cash expenses other than depreciation and amortisation	439	317	8	2	-	-	447	319

25 Group segment reporting (cont'd)
Geographical segments

	Russia		Eastern Europe and Central Asia		Other countries		Elimination		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue from external customers	77,560	61,097	51,446	36,864	10,584	14,129	-	-	139,590	112,090
Inter-segment revenue	-	-	-	-	155,019	150,996	(155,019)	(150,996)	-	-
Total revenue	77,560	61,097	51,446	36,864	165,603	165,125	(155,019)	(150,996)	139,590	112,090

	Singapore		Malaysia		Other countries		Elimination		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment assets	113,283	109,587	9,547	6,805	71	-	(50,796)	(46,285)	72,105	70,107
Capital expenditure	3,112	2,981	748	1,056	71	-	-	-	3,931	4,037

26 Commitments and contingencies

Operating lease commitments

The Company leases certain properties under lease agreements which expire at various dates till 2005. Rental expenses were $458,574 and $400,000 for the years ended 31 December 2003 and 2002 respectively. Future minimum rentals under non-cancellable leases as of 31 December are as follows :

	Group	
	2003	**2002**
	$'000	$'000
Within one year	412	330
After one year but not more than five years	650	979
More than five years	1,435	1,358
	2,497	2,667

Capital expenditure commitments

	Group	
	2003	**2002**
	$'000	$'000
Amount committed for capital expenditure but not provided for in the financial statements	-	1,162

Contingent liabilities

(i) The Company has given corporate guarantees amounting to $14,461,000 (2002 : $11,136,000) to bankers to secure banking facilities granted to its subsidiary companies.

(ii) A subsidiary company transferred its operating lease agreement to a new tenant and guaranteed the landlord on rental payments amounting to $nil (2002 : $54,000) for the remaining term of the lease by the new tenant.

27 Significant related party transactions

During the year, the Group entered into transactions with related parties, who are Director-related companies and not members of the Group, on terms agreed between the parties as follows :

	2003 $'000	2002 $'000
Sales of goods	117	23
Services rendered	4	2

In addition to their salaries, the Directors also participate in the Food Empire Holdings Limited Share Option Scheme. 800,000 share options were granted to the Directors of the Company in 2002. Except for the exercise period, the terms and conditions of the share options granted to the Directors were the same as those granted to other employees of the Company as described in Note 23. 800,000 (2002 : 800,000) share options were granted to the Directors of the Company at the end of the year.

Details of Directors' remuneration is disclosed in Note 4.

28 Subsequent event

On 25 February 2004, the Company incorporated a wholly-owned subsidiary company, FES (Mauritius) Ltd with 1 ordinary subscriber shares of US$1 each at par for cash.

29 Financial instruments

Financial risk management objectives and policies

The Group is primarily exposed to credit and foreign currency risks in the normal course of business.

Credit risk

The management has a credit policy in place and exposure of credit risk is monitored on an ongoing basis. The management believes that concentration of credit risk is limited due to ongoing credit evaluations on all customers and maintaining an allowance for doubtful receivables, which the management believes will adequately provide for potential credit risks.

The Group sells mainly to Russia and Eastern European countries. Hence, risk is concentrated on the trade receivables in these countries. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

Foreign currency risk

The Group incurs foreign currency risk on sales, purchases and borrowings that are dominated in currencies other than Singapore dollars. The currencies giving rise to this risk are primarily United States dollars and Malaysian ringgit.

The management ensures that the net exposure is maintained at an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

Fair values

The carrying amounts of trade and other receivables, cash and bank balances, amounts due from subsidiary companies, amount due from/(to) an associated company, and trade and other payables approximate their fair values due to their short-term nature.

30 Directors' remuneration

The number of Directors of the Company with remuneration received from the Company and all of its subsidiary companies are in the following bands :

	Group	
	2003	**2002**
	$'000	$'000
$500,000 and above	3	3
$250,000 to $499,999	-	-
Below $250,000	3	3
Total	6	6

31 Major properties held for investment

	Location	Description	Existing use	Tenure of land	Lease term
1	No. 30 Mandai Estate Mandai Industrial Building #05-09 Singapore 729918	6-Storey Building	Warehouse/ Office	Freehold	-
2	No. 9 Kaki Bukit Road 2, Gordon Warehouse Building #03-22 Singapore 417842	4-Storey Building	Warehouse/ Office	Leasehold	66 years, with effect from 25 July 1981
3	No. 3 Upper Aljunied Link Block B, Joo Seng Warehouse, #07-04 Singapore 367902	8-Storey Building	Warehouse/ Office	Freehold	-
4	No. 3 Upper Aljunied Link Block B, Joo Seng Warehouse, #07-05 Singapore 367902	8-Storey Building	Warehouse/ Office	Freehold	-

DISTRIBUTION OF SHAREHOLDINGS AS AT 12 MARCH 2004

Authorised Share Capital : $50,000,000

Issued and Fully Paid-up Share Capital : $17,200,000

Class of Shares : Ordinary Share of $0.05 each

Voting rights : One vote per share

Substantial Shareholders

	Direct interest	%	Deemed interest	%
Tan Wang Cheow	55,700,000	16.19	55,800,000	16.22
Tan Guek Ming	55,800,000	16.22	55,700,000	16.19
Oon Peng Lim	28,720,000	8.35	10,000,000	2.91
Oon Peng Heng	33,500,000	9.74	10,000,000	2.91
Seah Chor Nah	10,000,000	2.91	28,720,000	8.35
Koh Puay Ling	10,000,000	2.91	33,500,000	9.74
CAM-GTF Limited	17,396,000	5.06	-	-
Chartered Asset Management Pte Ltd	-	-	18,629,000	5.42

1. Mr. Tan Wang Cheow and Mdm. Tan Guek Ming are husband and wife. Mr. Tan Wang Cheow is deemed to have an interest in the shares held by Mdm. Tan Guek Ming and vice versa.
2. Mr. Oon Peng Lim and Mr. Oon Peng Heng are brothers.
3. Mr. Oon Peng Lim and Mdm. Seah Chor Nah are husband and wife. Mr Oon Peng Lim is deemed to have an interest in the shares held by Mdm. Seah Chor Nah and vice versa.
4. Mr. Oon Peng Heng and Mdm. Koh Puay Ling are husband and wife. Mr Oon Peng Heng is deemed to have an interest in the shares held by Mdm. Koh Puay Ling and vice versa.

As at 12 March 2004, 32.79% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires that at least 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	1,477	63.15	7,328,000	2.13
10,001 - 1,000,000	834	35.65	41,423,000	12.04
1,000,001 and above	28	1.20	295,249,000	85.83
Total	2,339	100.00	344,000,000	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Tan Guek Ming	55,800,000	16.22
2	Tan Wang Cheow	55,700,000	16.19
3	Oon Peng Heng	33,500,000	9.74
4	Oon Peng Lim	28,720,000	8.35
5	Raffles Nominees Pte Ltd	28,098,000	8.17
6	Koh Puay Ling	10,000,000	2.91
7	Seah Chor Nah	10,000,000	2.91
8	United Overseas Bank Nominees (Private) Limited	8,942,000	2.60
9	DBS Nominees Pte Ltd	8,704,000	2.53
10	Oon Peng Lam	8,000,000	2.33
11	Oon Peng Wah	7,800,000	2.27
12	Citibank Consumer Nominees Pte Ltd	6,645,000	1.93
13	Tan Bian Chye	5,600,000	1.63
14	Oon Poh Choo	3,300,000	0.96
15	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,620,000	0.76
16	HL Bank Nominees (S) Pte Ltd	2,317,000	0.67
17	UOB Kay Hian Pte Ltd	2,107,000	0.61
18	Lim Siew Kheng	2,050,000	0.60
19	Gun Eng Thoo	2,000,000	0.58
20	Tan Seok Wah	2,000,000	0.58
	Total	283,903,000	82.54

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **FOOD EMPIRE HOLDINGS LIMITED** (“the Company”) will be held at 101 Geylang Lorong 23 #07-02, Prosper House, Singapore 388399 on Tuesday, 27 April 2004 at 11.00 a.m. for the following purposes :

As Ordinary Business

1 To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2003 together with the Auditors' Report thereon. **(Resolution 1)**

2 To declare a first and final dividend of 0.5 cents per ordinary share less tax for the year ended 31 December 2003. (2002: first and final dividend of 0.5 cents per ordinary share less tax) **(Resolution 2)**

3 To declare a special dividend of 0.75 cents per ordinary share less tax for the year ended 31 December 2003. (2002: special dividend of 0.75 cents per ordinary share less tax) **(Resolution 3)**

4 To re-elect the Director retiring pursuant to Article 104 of the Company’s Articles of Association :

Mdm. Tan Guek Ming (Retiring under Article 104)

Mdm. Tan Guek Ming will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered non-independent for the purposes of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited. **(Resolution 4)**

As Ordinary Business (cont'd)

5 To approve the payment of Directors' fees of S$121,500 for the year ended 31 December 2003 (2002: S$108,000). **(Resolution 5)**

6 To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

7 To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

As Special Business

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications :

8 Authority to allot and issue shares up to 50 per centum (50%) of issued share capital

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares shall not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (i)] **(Resolution 7)**

As Special Business (cont'd)

9 Authority to allot and issue shares under the Food Empire Holdings Limited Share Option Scheme

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Food Empire Holdings Limited Share Option Scheme ("the Scheme") upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the issued share capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (ii)] **(Resolution 8)**

By Order of the Board

Yvonne Choo
Tan San-Ju
Secretaries

Singapore, 8 April 2004

Explanatory Notes :

(i) The Ordinary Resolution 7 proposed in item 8 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares in the Company. The number of shares that the Directors may allot and issue under this resolution would not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this resolution. For issue of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed twenty per centum (20%) of the issued share capital of the Company.

For the purpose of this resolution, the percentage of issued share capital is based on the Company's issued share capital at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

(ii) The Ordinary Resolution 8 proposed in item 9 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme.

Notes :

1 A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2 The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10 Collyer Quay #19-08, Ocean Building, Singapore 049315 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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IMPORTANT
1. For investors who have used their CPF moneys to buy shares in the capital of Food Empire Holdings Limited, the 2003 Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes it used or purported to be used by them.

PROXY FORM (Please see notes overleaf before completing this Form)

I/We, ____________________

of ____________________

being a member/members of FOOD EMPIRE HOLDINGS LIMITED (the "Company"), hereby appoint

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Tuesday, 27 April 2004 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	**Resolutions relating to:**	**For**	**Against**
1	Directors' Report and Audited Accounts for the year ended 31 December 2003		
2	Declaration of first and final dividend		
3	Declaration of special dividend		
4	Re-election of Mdm Tan Guek Ming as a Director		
5	Approval of Directors' fees amounting to S$121,500		
6	Re-appointment of Messrs Ernst & Young as Auditors		
7	Authority to allot and issue new shares		
8	Authority to allot and issue shares under the Food Empire Holdings Limited Share Option Scheme		

Dated this ____________________ day of __________ 2004

Total number of Shares in :	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Notes :

1 Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2 A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote for in his/her stead. A proxy need not be a member of the Company.

3 Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4 The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Collyer Quay, #19-08 Ocean Building, Singapore 049315 not less than forty-eight (48) hours before the time appointed for the Meeting.

5 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation,it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

6 A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General :

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

a U K U L E L E design, singapore

101 Geylang Lorong 23
#05-03/04 Prosper House
Singapore 388399
T 65 6744 8911 **F** 65 6744 8977

www.foodempire.com
info@food-empire.com