THE WORLD RECIPE

Food Empire Holdings Limited
Annual Report 2005

Food Empire

THE WORLD RECIPE

Concept Rationale

Food Empire's recipe for success blends together many diverse ingredients to create powerful brands. Through our brands we establish a strong and lasting affinity between our customers and our products. Our deep belief in our brand values, brand culture, brand mix and brand essence lies at the heart of everything we do. This commitment to our brands has helped Food Empire grow into an international food and beverage company, touching the lives of people in more than 50 countries.

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

Chairman's Message

At Food Empire, we believe building world class brands that inspire loyalty from customers is the best strategy for achieving growth and increasing shareholder value.

Once again it is my pleasure to report to you on the performance of the Group for the financial year ended 31 December 2005.

At Food Empire, we believe building world class brands that inspire loyalty from customers is the best strategy for achieving growth and increasing shareholder value.

The art of building successful brands is like creating a recipe. You have to get the ingredients right to achieve the outcome you desire. At Food Empire, our recipe for success involves many elements. First, there are the brands themselves through which we create product awareness and loyalty. We place great emphasis on growing our brand equity through integrated communications that bring our brands to life in the minds of our consumers.

I take great pride in the acknowledgements and awards we receive for our branding efforts. This year we were awarded the Silver Award and the Best Entry for Ukraine TVC, "Every Other Ukrainian drinks MacCoffee" at the Moscow International Advertising Festival 2005. MacCoffee was recognised by the "Choice of the Year Award" in Ukraine, while in Singapore we won the Packaging Star Award.

MOSCOW INTERNATIONAL ADVERTISING FESTIVAL

Singapore Packaging STAR AWARD

Singapore Brand Award 2005 Ceremony

Chairman's Message

For the third consecutive year, Food Empire was recognised as one of "Singapore's Most Valuable Brands" with a value of S$84 million placed on our portfolio of brands. Our success in expanding into new markets was recognised by IE Singapore when we received the IE Singapore International 100 Award, as one of the top overseas revenue generating companies listed on the Singapore Exchange.

Exterior of Production Facility in Russia

Behind each of our brands is a series of quality products. Our emphasis on new product development and quality control of existing products is essential to the ongoing success of our business.

The next element in our successful business mix is our manufacturing and distribution capabilities. Our manufacturing plants in Singapore, Malaysia and Vietnam are now complemented by our new facility in Russia. Currently we export to more than 50 countries and we continue to grow and develop new markets and channels to distribute our products.

The final ingredient in our business mix is our shareholders. When all these elements come together, it is our shareholders who benefit from increased shareholder value and the satisfaction of knowing they are owners of a company that they can be proud of.

In 2005, Food Empire reported a record performance with revenue up 14.7% to $184.0 million. This is the sixth consecutive year Food Empire has recorded double digit revenue growth. Net profit after tax and minority interests increased by 31.2% from $15.7 million in 2004 to $20.6 million in 2005.

To share the benefits of this year's results with our shareholders, the Board of Directors is proposing a total dividend of 1.875 cents less tax per share, comprising a first and final dividend of 0.5 cents and a special dividend of 1.375 cents per ordinary share.

Chairman's Message

Brands Inspired For Growth & Value

We expect 2006 to be a challenging year so we will remain focus on brand building and expanding our distribution networks. In this way, our recipe for success will continue to reward our shareholders.

On behalf of the Board of Directors, I would like to thank all staff, our partners, associates and shareholders for their continuing support for Food Empire.

Singapore Brand Award 2005		
Position	**Brand**	**Brand Value (S$Mil)**
13	Food Empire	84.0

Singapore Brand Award 2005 Table

Singapore International 100 Ranking 2005	
Position	**Brand**
99	Food Empire

Source: IE Singapore

Singapore International 100 Ranking 2005

Operations Review

For the financial year ended 31 December 2005, Food Empire achieved both record turnover and net profit. The Group's strong branding and marketing efforts resulted in a 14.7% increase in revenue, from S$160.4 million in 2004 to S$184.0 million in 2005.

Performance Review

Beverage lines were the star performer among the Group's categories of products. Sales of beverage products, especially the Group's MacCoffee brand, increased by 18.7% to S$170.5 million. The growth in sales was driven by new marketing and promotional activities to build brand awareness and loyalty.

Sampling at Consumer Show in Vietnam

Promotional Activity in Kazakhstan

Beverage sales represent 92.6% of the Group's revenue. Sales of non-beverage products fell from $16.7 million to $13.5 million. This reflects a seasonal order for convenience food to the USA in 2004, which was not repeated in 2005.

Net profit attributable to shareholders increased by 31.2% from S$15.7 million in 2004 to $20.6 million in 2005. The Group's profit includes S$3.4 million from the one-off sale of a business by an associated company - Ernsts Food Ingredients Sdn Bhd which is 35.0% owned by the Group.

Operations Review

Over the last two years, there has been a steady increase in the raw materials price globally. The increase in the cost of raw materials and consumables in 2005 is mainly due to increased prices for soluble coffee.

The Group ended the year with a strong balance sheet with no gearing and net assets exceeded $100.0 million. Cash and Cash equivalents increased by 9% to S$17.2 million.

ProdExpo 2005 in Moscow

Global Reach

Russia continues to generate the majority of the Group's revenue and represents 60.3% of the Group's revenue. Revenue from Russia rose by 12.9% to S$111.0 million. The strong sales in Russia was a result of increased demand for the Company's MacCoffee products.

Eastern Europe and Central Asia (which include Ukraine, Kazakhstan and Uzbekistan) contributed 33.3% of Group revenue – an increase of 26.8% to S$61.3 million.

The Group also generated 6.4% of its revenue from other markets including countries from the Middle East, Europe and Asia.

Operations Review

Exterior of Factory Plant in Vietnam

Challenges and Opportunities

The early part of 2005 saw a political change in one of our key markets, Ukraine. After political stability was achieved, sales in Ukraine improved throughout the year.

In the later part of the year, the Group became aware of changes in the customs regulations for importing goods into Russia. These higher import costs to Russia accounted for majority of the increase in the Other Operating Expenses of the Group which rose 21.1% to S$48.9 million.

However, the Group responded quickly to these circumstances. A new production facility in the Moscow region has been established to meet demand from the Russian market.

In 2005, Food Empire began a series of exciting new branding and marketing initiatives that helped achieve its desired sales growth. Since Food Empire operates in many different countries, branding activities have to be relevant to a wide variety of audiences. "MacCoffee" is a household name in our key markets and the Group's goal is to grow its market share as well as the overall market demand for its coffee products.

Ukraine Dealers' Conference 2005

Operations Review

Outlook

The outlook for 2006 remains challenging.

The Group is constantly seeking new market opportunities as well as exploring ways to grow market share in established markets.

In addition, the Group will continue to focus on its cornerstone strength of branding as its primary strategy for building customer loyalty and ensuring the long-term success of the Group.

Sponsorship of TV game show, "Good Morning Ukraine"

MacCoffee Car Team at Yalta Life Rally

MacCoffee Choice of The Year Award

Corporate Profile

Renowned for its flagship brand, MacCoffee, in the markets of Russia, Eastern Europe and Central Asia, Food Empire Holdings Limited has built up a strong reputation for delivering an extensive portfolio of quality brands and products since its listing on the Singapore Exchange in 2000.

The Group has seen a dynamic expansion in its portfolio of brands and product lines with a current stable of more than 400 product items that enjoy global presence around the world. Specialising in the manufacture of instant beverages and food products, such as frozen convenience food and snacks under our proprietary brands MacCoffee, Klassno, FesAroma, OrienBites, MacCandy and Kracks, Food Empire's extensive portfolio of brands has become household names in many lands.

Our products are exported to more than 50 countries in major markets, such as in Russia, Eastern Europe, Central Asia, Indochina, Southeast Asia, Australia, Middle East and USA. The exports are marketed and distributed through an extensive global network of 18 offices (liaison and representative) in Russia, Ukraine, Kazakhstan, Uzbekistan, Turkey, Iran, Poland, Belgium, Bahrain, Mongolia and others.

With four manufacturing facilities in Asia and Russia operating under stringent quality control standards, Food Empire produces not only the best products to be distributed globally but its products consistently deliver a common brand promise of a desirable and superior lifestyle wherever they are offered.

The Group has won numerous accolades and awards including being ranked as one of "Singapore's Most Valuable Brands" in 2003, 2004 & 2005 at the National Brand Award organized by IE Singapore. Food Empire with its current portfolio of quality brands is valued at S$84 million and ranked amongst top public listed companies with high sales turnover overseas in the Singapore International 100 and Singapore 1000/SME 500.

Financial Highlights

For the year ended 31 December 2005

(S$'000)	2005	2004 (Restated)	2003	2002	2001
Revenue	184,011	160,389	139,590	112,090	84,223
Profit before Taxation and Minority Interests	24,416	22,206	13,443	19,921	16,077
Net Profit	20,602	15,693	10,163	14,794	10,976

	2005	2004	2003	2002	2001
Financial Indicators					
Debt to Equity Ratio	0.0%	0.0%	0.0%	0.1%	1.3%
Working Capital Ratio	3.6	3.4	4.4	3.3	3.4
Quick Ratio	2.2	2.1	2.6	1.6	1.8
EBITDA Margin	14.2%	14.8%	10.8%	18.9%	20.2%
Diluted EPS (cents)	5.54	4.44	2.95	4.30	3.19
NAV per share (cents)	25.63	19.79	16.57	14.63	11.02

Revenue By Geographical Region

(S$'000)	2005	2004	2003	2002	2001
Russia	110,987	98,277	77,560	61,097	48,212
Eastern Europe & Central Asia	61,306	48,344	51,446	36,864	28,015
Others	11,718	13,768	10,584	14,129	7,996
	184,011	160,389	139,590	112,090	84,223

Revenue By Product Group

(S$'000)	2005	2004	2003	2002	2001
Beverages	170,468	143,640	127,735	100,312	79,294
Non-Beverages	13,543	16,749	11,855	11,778	4,929
	184,011	160,389	139,590	112,090	84,223

Financial Highlights

For the year ended 31 December 2005

Group Revenue (S$'000)

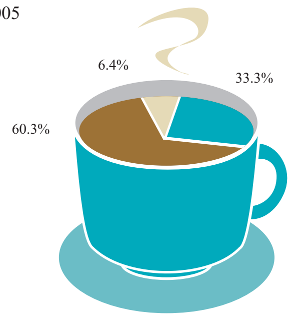
2005	184,011
2004	160,389
2003	139,590
2002	112,090
2001	84,223

Group Profit Before Tax (S$'000)

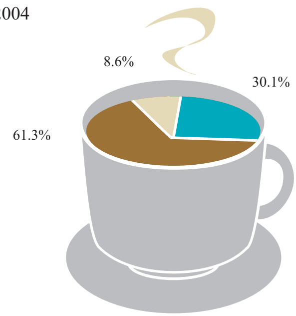
2005	24,416
2004	22,206
2003	13,443
2002	19,921
2001	16,077

Contribution To Revenue
(by Geographical Region)

Year 2005



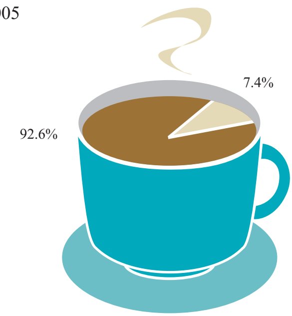
Year 2004



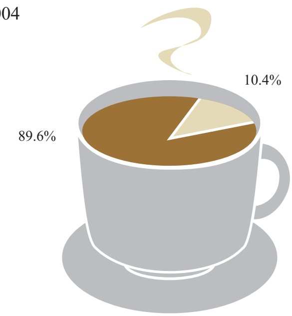
Russia　Eastern Europe & Central Asia　Others

Contribution To Revenue
(by Product Group)

Year 2005



Year 2004



Beverages　Non-Beverages

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 responsible for formulating strategies with regards to brand championship, new business opportunities, market development and product innovation. He holds a Bachelor of Accountancy Degree from the National University of Singapore. He was the Vice-Chairman of the Micro-computer Trade Association of Singapore and a council member of the Singapore Information Technology Federations for numerous years.

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. Prior to his co-founding of the Group, he worked with Arthur Young & Co. He has 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 2000. He 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.

Directors' Profile

Mr Sudeep Nair was appointed as Executive Director with the Company from 1st July 2005. He is primarily responsible for strategic management and growth of existing business in Russia and other countries in the Commonwealth of Independent States. Other responsibilities include identifying and developing new business opportunities in existing markets and new markets worldwide. He had been working as a Country Manager (Russia) for Future Enterprises Pte Ltd Singapore from 1995 before assuming responsibilities of an Executive Director in Future Enterprises (Russia) Pte Ltd, Singapore in 2001.

Mdm Tan Guek Ming was appointed as a Non-Executive Director of Food Empire in April 2000. She has held executive and non-executive directorships in listed companies, which have interests in properties, hotels and food businesses. She is a Certified Public Accountant Singapore, holding a Bachelor of Accountancy Degree (Second Class Honours) from the National University of Singapore and has many years of experience in the field of accounting and auditing.

Mr Lew Syn Pau was appointed as Independent Director of the Company in April 2000. He is a member of the Audit Committee. He is currently Managing Director of an international executive search consultancy, Stanbridge International Pte Ltd. He is also a Director of many listed companies with businesses ranging from food, logistics, property to engineering in Singapore. He was previously Managing Director of NTUC Comfort and General Manager and Senior Country Officer of Credit Agricole Indosuez. He has been the President of SMA since 2002. He has been 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.

Directors' Profile

Mr Ong Kian Min was appointed as an Independent Director of Food Empire in April 2000. He is a consultant with Drew & Napier LLC, a Singapore law firm. He was admitted to the Bar of England and Wales in 1988 and to the Singapore Bar the following year. Mr Ong also serves as an Independent Director on the boards of several companies listed on the SGX-ST and is also the chairman of the audit committee for a number of these listed companies. He has been a Member of Parliament since January 1997 and serves as Chairman of the Government Parliamentary Committee (GPC) for Transport, member of the GPC for Finance, Trade and Industry, and Chairman of the Tampines Town Council. Mr Ong was awarded the President Scholarship and Singapore Police Force Scholarship in 1979. He holds a Bachelor of Law (Honours) external degree from the University of London in England and a Bachelor of Science (Honours) degree from the Imperial College of Science & Technology in England.

Mr Boon Yoon Chiang was appointed as Independent Director of the Company in December 2005. He is the Chairman/Managing Director of Jardine Matheson (Singapore) Ltd and Deputy Chairman of Cycle & Carriage Limited. In addition to the directorships of the various Jardine Group companies, he also serves on the Boards of other listed and public companies, including MNCs. He is the Honorary Secretary of the Singapore National Employers' Federation, and a board member of the Singapore International Chamber of Commerce. He represents the Singapore Business Federation on the Council of ASEAN Chambers of Commerce and Industry (ASEAN-CCI).

Corporate Information

Board of Directors

- **Executive**

Tan Wang Cheow
(Chairman and Managing Director)
Oon Peng Lim
Oon Peng Heng
Sudeep Nair

- **Non-Executive**

Tan Guek Ming
(Non-Independent)
Lew Syn Pau (Independent)
Ong Kian Min (Independent)
Boon Yoon Chiang
(Independent)

Audit Committee

Ong Kian Min (Chairman)
Lew Syn Pau
Tan Guek Ming
Boon Yoon Chiang

Remuneration Committee

Lew Syn Pau (Chairman)
Ong Kian Min
Tan Guek Ming
Boon Yoon Chiang

Company Secretaries

Sebastian Tan Cher Liang
Tan San-Ju

Nominating Committee

Lew Syn Pau (Chairman)
Ong Kian Min
Tan Wang Cheow
Boon Yoon Chiang

Share Option Committee

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

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 #12-01
Ocean Building
Singapore 049315

Audit Partner-In-Charge

Tan Chian Khong
(w.e.f. 31 December 2005)

Principal Bankers

Bank of China
Citibank Singapore Limited
United Overseas Bank Limited

Registered Office

10 Collyer Quay #19-08
Ocean Building
Singapore 049315
T 65 6536-5355
F 65 6536-1360

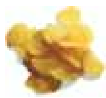
Business Office

101 Geylang Lorong 23
#05-03/04 Prosper House
Singapore 388399
T 65 6744-8911
F 65 6744-2116


Kracks
Sour Cream & Onion
100%
Wholesome
Brand Values

Behind every successful brand is a set of core brand values. At Food Empire, rooted brand values such as being Caring, Innovative, Community-Oriented and Integrity are embraced as part of its brand culture. With this solid brand value system as its pillar, brand leadership has been institutionalised, making Food Empire a premium brand in the market.

100% Wholesome Brand Values



Most successful brands in the market place are governed by certain core values. These values are the projection of its founder's value system. From the brand values, a brand personality is forged.

At Food Empire, we embrace these values as part of our brand culture. Our people care for the business and take ownership in nurturing the brands, customers and markets we operate in. Our enterprising spirit manifests itself with our rapid growth and expansion into key markets in Russia, Eastern Europe and Central Asia after the dawn of capitalism in these economies.

Brand Core Values

Caring
Innovative
Community-Oriented
Integrity

Brand Personality Traits

Nurturing
Enterprising
Personable
Trustworthy

100% Wholesome Brand Values

Sampling Activity at ProdExpo Moscow

In the quest for product quality, we ensure the best ingredients go into our product because we believe in giving our customers the best.

Our flagship brand, MacCoffee continues to seek a greater share of voice in the markets of Russia, Eastern Europe and Central Asia.

Press Conference in Kazakhstan

100% Wholesome Brand Values

Mount the Peaks of TienShan with MacCoffee

Minister of Transport co-piloting in the Yalta Life Rally, Ukraine


Sponsored UEFA Cup 2005

For all our brand touchpoints, we are able to communicate our brand values and imbue them into our customers' mindset. No wonder Food Empire's range of brandlines continues to hold top-of-mind awareness vis-a-vis our target audiences; thanks to the wholesome values which underpin our raison dêtre. We are in the business of cultivating strong relationships; friendship and community bonding – ones which resonate with the brand values we hold close to our hearts.


MacCoffee
100% Original
Mix
All-In-1 Brand
3в1

Originality in product innovation is key, with the ability to concoct the right brand mix to create products ever so successful. With the right brand mix, Food Empire aims to keep its customers for life, as it strives to be a global food and beverage company through its long-standing international presence and extensive global network.

100% Original All-In-1 Brand Mix

Today, Food Empire enjoys a global presence with its extensive distribution network that we have been able to do so is in large part due to our ability to employ the right marketing mix, the right product mix, the right marketing communications mix, the right pricing mix and the right distribution mix. In short, the right brand mix and integrated brand communications.

We have managed to achieve brand clarity in terms of brand identity and positioning because we adopt a consistent branding approach to give our customers our unique brand experience of friendship. From our quality service culture, our innovative and impactful product packagings, right down to our integrated brand communications, we have endeavoured to marry our brand and interweave it into the cultural context they operate in. We make sure our brand is relevant to the lifestyle needs of the markets and hence, is able to resonate with our customers.

At the boardroom level, we pay heed to psychographic and demographic trends; socio-cultural norms and needs. Our strategies are mapped according to the developmental stages the market is in. At the tactical level, we deploy an integrated marketing communications plan encompassing above-the-line media advertising,

100% Original All-In-1 Brand Mix

collaterals, sales and promotional campaigns, as well as road shows to capture the hearts and minds of our target consumers.

Our activities have included the recent award winning TV Campaign, “Every Other Ukranian Drinks MacCoffee”, Mitsubishi Lucky Draw Campaign, Ukraine Nationwide SMS Promotion 3-in-1, sponsorship of International Figure Skating Championship in Moscow and MacCoffee Tienshan Expedition in Kazakhstan. The Group is participating actively in international food and beverage exhibitions, such as ProdExpo in Moscow and Anuga in Cologne.

ProdExpo 2005 in Moscow

Award Winning TVC, "Every Other Ukrainian Drinks MacCoffee"

100% Original All-In-1 Brand Mix

MacCoffee Champion Car Pilot with Car Rally Support Team

We are continually keeping our fingers on the pulse of things. As the marketplace gears up to a sophisticated plane, we deploy sophisticated ways of reaching out to them. Modern marketing communication tools of Public Relations and Interactive eMarketing, as well as CRM programmes are beginning to take shape in all key markets we operate in. As we aim to be a global food and beverage company providing quality products, we also aim to keep our customers for life with the right blend of brand mix.


100%
Full-Blended
Brand Culture
MacCoffee
PREMIUM
FREEZE-DRIED

Without a brand culture, made up of attitudes, values and practices, a company languishes. While Food Empire's business cuts across many geographical boundaries, it is indivisible as it sees people as a critical asset. With this insight, it governs the importance of not just caring for its target audience and supply partners, but also for its internal people. Bonded by one common brand culture, the people of Food Empire move hand in hand towards their vision.

100% Full-Blended Brand Culture

Without a brand culture, a company languishes. An organisation's culture is shaped by the common beliefs, attitudes, values and practices that permeates throughout the workplace and the various departments. Once a company is brand driven, a brand culture is evolved whereby the organisation's people capital, policies, practices and processes are aligned with the brand essence of the company.

Food Empire's business cuts across many geographical boundaries, yet our culture is indivisible. In whatever we do, we seek to ensure there is clarity of purpose, consistency of practices and processes, and ultimately conviction in meeting the brand essence of affinity.

It is important for us that we care for people internally and not just our external customers and supply partners. We see our people globally as a critical asset in the expandable growth of our Group.

100% Full-Blended Brand Culture

"Fast & Furious" Red Armoured Vehicle in Ukraine Nationwide Promotion

It is not surprising that in whatever we do as a player in the global market, we do our utmost to be a good corporate citizen in the markets we operate in. We will not hesitate to support a good cause if we see an opportunity, which will reinforce our brand essence, identity and positioning. All our key managers see themselves as our brand custodians, who will zealously safeguard our core brand values, which allow us to continually project the kind of personality our culture speaks of.

Sampling Activities

100% Full-Blended Brand Culture

MacCoffee on The Go!

ANUGA Cologne 2005

Sampling at Trade Show in Iraq

Fund raising and charity activities are some of the humanity-bonding activities that we actively participate. Amidst ongoing business activities, some of our staff are championing social and recreational activities such as staff volunteerism services which contribute to the welfare of the community that we are operating in.

Being a people-oriented organization, the Group sees human capital as a critical asset of growth, continuously nurturing its staff through various relevant training and development programmes, promotions within the organization as well as staff bonding activities such as Family Day which fortifies employee relations within the organization.


MacTea®
100% Pure
Brand Essence
20

Brand essence is the soul of a brand. It plays an imperative role in the growth and profitability of a brand. Food Empire's success is determined by its spirit to fulfill people's need and want for friendship. Driven by its commitment to develop products that will touch the lives of people all over the world and inspired by its original brand essence, Affinity, Food Empire is perceived to be a personable brand internationally.

100% Pure Brand Essence

Since the 1990s, business owners have come to realise the significant importance of branding to their businesses' success. Increasingly, one sees the business as the brand and the brand as the business. The growth and profitability of a brand can be traced back to what is known as the brand essence. This is the single-most important emotive spark which is the soul of the brand, one that breathes life into a brand and drives it. The brand DNA is complete when the brand essence embodies the corporate values of the organization (brand values) giving rise to its brand personality. The intended target of the brand who is able to resonate with the brand DNA inevitably becomes part of the brand franchise.

At Food Empire, it is no different. Our success can be traced back to our first flagship brand, MacCoffee, which allows the company to grow rapidly in the key markets of Russia, Eastern Europe and Central Asia. Food Empire has right from day one been galvanised by its brand essence, which is connecting people of diverse cultures across varying geographies into a Food Empire brand community. Our vision for the flagship brand, MacCoffee, then was to fulfill people's need and want for affinity.

100% Pure Brand Essence

Sponsored International Figure Skating
Championship in Moscow

Kamnet's Car Rally in Ukraine

Sampling at International Figure skating
Championship in Moscow

Sampling of Kracks in Kazakhstan
Open Market

100% Pure Brand Essence

MacCoffee Car Rally Team

Flagstart the Journey to Victory

According to Maslow's Hierarchy of Needs, our brand essence pertains to that of Affiliation. It is thus not surprising to see many of our brand communication activities on the ground seeking to rally and bring people together, and thus the spirit of Food Empire and that of MacCoffee. For instance, taking part in affinity sports event sponsorships and endurance-driven sporting events, such as the World Figure Skating Competition 2005, UEFA Cup in Russia, Yalta Life Car Rally in Ukraine and MacCoffee Tienshan Expedition in Kazakhstan actually herds the consumers closer to the brands.

Even with subsequent introduction of product lines, such as Snack Foods, Confectionery and Frozen Finger Food, Food Empire's house of brands continues to be inspired by its original brand essence – Affinity. No wonder, Food Empire is perceived to be such a personable brand internationally.

Corporate Governance

Board of Directors ("Board")

Presently, the Board comprises:

Mr. Tan Wang Cheow	Managing Director / Chairman	
Mr. Oon Peng Lim	Executive Director	
Mr. Oon Peng Heng	Executive Director	
Mr. Sudeep Nair	Executive Director	Appointed Date: 1 July 2005
Mdm. Tan Guek Ming	Non-Executive Director	
Mr. Lew Syn Pau	Independent Director	
Mr. Ong Kian Min	Independent Director	
Mr. Boon Yoon Chiang	Independent Director	Appointed Date: 1 December 2005

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 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 of the Board of Directors and appointment of key personnel;
6) Approving annual budgets, major funding, investment and divestment proposals; and
7) Assuming responsibility for corporate governance.

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 Chairmen of the respective Committees will report to the Board the outcomes of the Committee meetings. There are four Board Committees:

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

A) Board Matters (cont'd)

Other matters which specifically require the full Board's decisions are those involving conflicts of interests for a substantial shareholder or a Director, material acquisitions and disposal of assets, corporate or financial restructuring and share 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 FY2005 as well as the frequency of these meetings, are disclosed as follow:

Meetings	Tan Wang Cheow	Oon Peng Lim	Oon Peng Heng	Ong Kian Min	Lew Syn Pau	Tan Guek Ming	Sudeep Nair *	Boon Yoon Chiang#
Board	4/4	4/4	4/4	4/4	4/4	4/4	2/2	N/A
Audit Committee	N/A	N/A	N/A	4/4	4/4	4/4	N/A	N/A
Nominating Committee	2/2	N/A	N/A	2/2	2/2	N/A	N/A	N/A
Remuneration Committee	3/3	N/A	N/A	3/3	3/3	N/A	N/A	N/A
Share Option Committee Note A	0/0	0/0	0/0	0/0	0/0	0/0	N/A	N/A

Notes:

Note A: There is no Share Option Meeting for 2005.

* Mr. Sudeep Nair was appointed as an Executive Director of the Company on 1 July 2005.

Mr. Boon Yoon Chiang was appointed as an Independent Director of the Company on 1 December 2005.

The Directors are appointed on the strength of their experience and potential to contribute to the Company. Currently, the Board comprises business leaders and professionals. Profiles of the Directors are found in page 12 of 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 explanations, briefings or informal discussions 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 of 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 eight Directors, three of whom are independent. With more than one third of the Directors being independent, the Board has a strong and independent element.

The core competencies of the Board members are:

	Accounting/ Finance/ Business/ Management experience	Industry knowledge	Strategic Planning	Human Resource	Law
Tan Wang Cheow	√	√	√		
Oon Peng Lim	√	√	√		
Oon Peng Heng	√	√	√		
Sudeep Nair	√	√	√		
Tan Guek Ming	√		√		
Lew Syn Pau	√		√	√	
Ong Kian Min	√				√
Boon Yoon Chiang	√		√		

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

The Nominating Committee ("NC") has assumed the function of reviewing the independence of each Director annually. The NC is of the view that the current Board comprises persons,

B) Board Composition and Balance (cont'd)
Principle 2: Strong and independent element of the Board (cont'd)

who as a group, provide the 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 eight Directors is appropriate, taking into account the nature and scope of the Company's operations.

C) Chairman And 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 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 has executive responsibilities for the Group's business and day to day operations.

The Chairman has responsibility for the workings of the Board and ensuring the integrity and effectiveness of its governance processes. The Chairman is also responsible for representing the Board to shareholders, ensuring that Board meetings are held when necessary, and setting the board meeting agendas. Regular meetings are scheduled to enable the Board to perform its duties. Agendas are prepared in consultation with management as well as the Company Secretaries. The Chairman ensures that the 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. Boon Yoon Chiang	Independent Director	Appointed on 1 February 2006
Mdm. Tan Guek Ming	Non-Executive Director	Appointed on 1 February 2006

D) Board Membership (cont'd)

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 balance between Executive and Non-Executive Directors;
2 reviewing the Board structure, size and composition;
3 reviewing the strength and attributes of the existing Directors including assessing the effectiveness of the Board as a whole and the contribution by individual Directors;
4 reviewing the independence of Directors annually;
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; and
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	20 April 2005
Lew Syn Pau	20 April 2005
Oon Peng Heng	2 May 2003
Ong Kian Min	2 May 2003
Sudeep Nair *	Appointed on 1 July 2005
Boon Yoon Chiang #	Appointed on 1 December 2005
Tan Guek Ming	27 April 2004
Tan Wang Cheow- Chairman & Managing Director	Not subject to re-election under existing Articles of Association

* Mr. Sudeep Nair was appointed as an Executive Director of the Company on 1 July 2005.

Mr. Boon Yoon Chiang was appointed as an Independent Director of the Company on 1 December 2005.

E) Board Performance

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

The NC has formulated an evaluation process for assessing the effectiveness of the Board and the contributions of each Director. The assessment parameters include:

a attendance at Board and Committee meetings,

b 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

c introducing contacts strategic to the Group's interests.

The Board's evaluation process is performed 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, management provides the Board members with periodic updates of the latest developments in the Group, 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. The Directors are informed and are aware that they may take independent professional advice at the Company's expense, where necessary, in furtherance of their duties.

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, the SGX-ST Listing Manual and all other rules and regulations, 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. Boon Yoon Chiang	Independent Director	Appointed on 1 March 2006
Mdm.Tan Guek Ming	Non-Executive Director	Appointed on 1 March 2006

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

The remuneration of the Executive Directors is based on service agreements signed upon their appointments. 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 10% share of profit on the Group's profit before tax, on top of the monthly salary and three months bonus.

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

There is no change in the existing remuneration package for the Non-Executive Directors compared to last year.

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

Details of the Directors' remuneration is disclosed below as well as in Notes 27 and 29 of the financial statements in accordance with Rule 1207(11) to (14) of the Listing Manual.

G) Remuneration Matters (cont'd)

Directors & Key Executives Remuneration

2005

Directors' Remuneration	Salary/ CPF/ Allowances	Bonus	Share of profit	Directors' fee	Total
$750,000 & above					
Tan Wang Cheow	20%	5%	75%		100%
Oon Peng Lim	31%	8%	61%		100%
Sudeep Nair	38%	5%	57%		100%
$500,000-$750,000					
Oon Peng Heng	30%	7%	63%		100%
Below $250,000					
Tan Guek Ming				100%	100%
Lew Syn Pau				100%	100%
Ong Kian Min				100%	100%
Boon Yoon Chiang				100%	100%

2005

Remuneration of top 5 key executives	
Below $250,000	5

Remarks: During the FY 2005, there is no share option granted.

2004

Directors' Remuneration	Salary/ CPF/ leave-in lieu	Bonus	Share of profit	Directors' fee	Total	Options Granted in 2004
$750,000 & above						
Tan Wang Cheow	19%	4%	77%		100%	
Oon Peng Lim	30%	7%	63%		100%	
$500,000-$750,000						
Oon Peng Heng	29%	6%	65%		100%	
Below $250,000						
Tan Guek Ming				100%	100%	
Lew Syn Pau				100%	100%	200,000
Ong Kian Min				100%	100%	200,000

2004

Remuneration of top 5 key executives		Options Granted in 2004
Above $250,000	1	3,300,000
Below $250,000	4	1,150,000

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 appropriate detailed reports on the Group's performance on monthly basis. On a quarterly basis, a performance review is submitted to the Board 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 ("AC") with written terms of reference

The Audit Committee ("AC") comprises:

Mr. Ong Kian Min (Chairman)	Independent Director	
Mr. Lew Syn Pau	Independent Director	
Mr. Boon Yoon Chiang	Independent Director	Appointed on 1 February 2006
Mdm. Tan Guek Ming	Non-Executive Director	

All four members of the AC are Non-executive Directors and 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 three 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 its written terms of reference.

The AC meets with 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 systems of internal controls, their independence and the non-audit services provided by them;

b risk or exposure that exists and the steps management has taken to minimise these risks to the Group;

I) Audit Committee (cont'd)

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.

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 five meetings including 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.

I) Audit Committee (cont'd)

The AC has reviewed the non-audit services provided by the external auditors 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 name of the auditing firm is disclosed in Note 11 to the financial statements. This matter has been reviewed by the AC and the Board and both are satisfied that the appointment does 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 audit

Principle 13: Setting up independent internal audit function

The Board is responsible for the Group's systems of internal controls and risk management and for reviewing the adequacy and integrity of these systems. However such systems are designed to manage rather than eliminate the risk of failure to business objectives. It should also be noted that any system can provide only reasonable and not absolute assurance against material misstatement or loss.

Pricewaterhouse Coopers ("PWC") has been appointed as internal auditors to assess the adequacy of the internal controls, 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.

J) Internal Controls and Internal Audit (cont'd)

The Audit Committee reviews and approves the internal audit scope and plan. The internal audit reviews are carried out by Pricewaterhouse Coopers, an independent international accounting firm, who reports directly to the Audit Committee. Internal control weaknesses noted during the internal audit reviews and the recommended corrective actions are reported to the Audit Committee periodically.

The Company's external auditors also report to the AC on any material internal control weaknesses noted during the course of their audit.

The AC has reviewed the effectiveness of the Group's internal control system based on the internal and external auditors' report and management controls which are in place. The Board is of the view that there are adequate controls within the Group taking into account the nature and size of the Group's business and operations.

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 SGXNET before the Company meets with any group of investors or analysts. Results are announced within the mandatory period on a quarterly basis to SGX.

L) Greater Shareholder Participation

Principle 15: Shareholders' participation at AGMs

All shareholders (except those who own the share through Nominees) of the Company will receive the Annual Report of the Company and Notice of the Annual General Meeting (AGM) within the mandatory period. The Articles allow a member of the Company to appoint one or two proxies to attend and vote for him.

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

Resolutions to be passed at general meetings are always separate and distinct in terms of issue so that shareholders are better able to exercise their right to approve or deny the issue or motion. Shareholders can also exercise their right to vote in absentia by the use of proxies.

L) Greater Shareholder Participation (cont'd)

The Chairperson of the Audit, Nominating and Remuneration Committees are present and available to address questions at the AGM. The external auditors are also present to assist the Directors in addressing any relevant queries by shareholders.

SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2005 (SGX-ST LISTING MANUAL REQUIREMENTS)

i Dealing in Securities

The Company has adopted a Code of Best Practices on Securities Transactions that is in line with the Best Practice 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

Other than those disclosed in the financial statements, 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 60.3% of our turnover in 2005. 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

The foreign exchange risk of the Group arises mainly from sales or purchases or operating costs by operating units in currencies other than the operating units' functional currency. Approximately 4% of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sales. The Group adopts natural hedging to protect itself against the volatility associated with foreign currency exposure. The Group has a natural hedge of 69% as 69% of purchases and major operating expenses are denominated in the functional currency of the operating units.

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 may 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 policy 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 encounters financial difficulties, we would be exposed to the risk of non-collectability of some of our trade receivables.

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

iii Risk Management Policies and Processes (cont'd)

Fluctuation in Raw Material Prices

Instant coffee powder, creamer, sugar and packaging materials are the main raw materials used for our products, which account for approximately an aggregate of 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 may adversely affect our profitability.

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 unauthorized 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 the name recognition of our Group and our credibility.

We rely on trademark 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 made use of our registered trademarks.

Dependence on Key Personnel

The four 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 our financial performance.

The Group has implemented remuneration packages aimed at retaining existing personnel and reward for key management personnel who contribute to the success of the Group. The four Directors who are also substantial shareholders of the Company, are under service contracts with profit sharing incentives.

Interested Person Transactions

Interested person transactions carried out during the financial year which fall under Chapter 9 of the SGX-ST Listing Manual are as follows.

Name of interested person	Aggregate value of all interested person transcations during the financial year under review (excluding transcations less than $100,000 and transcations conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transcations conducted under shareholders' mandate pursuant to Rule 920 (excluding transcations less than $100,000)	
	2005 $'000	**2004** $'000	**2005** $'000	**2004** $'000
OOO SNB Invest				
Rental expense	150	-	-	-

Directors' Report and Audited Financial Statements

Food Empire Holdings Limited and Its Subsidiary Companies 31 December 2005

Contents

Directors' Report

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") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2005.

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	
Sudeep Nair	(Appointed on 1 July 2005)
Boon Yoon Chiang	(Appointed on 1 December 2005)

Arrangement to enable Directors to acquire shares and debentures

Except for the Food Empire Holdings Limited Share Option Scheme (the "Option Scheme"), 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 :

Directors' interests in shares and debentures (cont'd)

Name of Director The Company Ordinary shares of $0.05 each	Shares held in the name of the Directors: At the beginning of the year/date of appointment whichever is later	Shares held in the name of the Directors: At the end of the year	Shareholdings in which Directors are deemed to have an interest: At the beginning of the year/date of appointment whichever is later	Shareholdings in which Directors are deemed to have an interest: At the end of the year	Shares held in the name of the Directors: As at 21 January 2006	Shareholdings in which Directors are deemed to have an interest: As at 21 January 2006
Tan Wang Cheow	55,700,000	55,700,000	55,800,000	55,862,000	55,700,000	55,862,000
Oon Peng Lim	28,720,000	28,720,000	10,000,000	10,000,000	28,720,000	10,000,000
Oon Peng Heng	33,500,000	33,500,000	10,000,000	10,000,000	33,500,000	10,000,000
Tan Guek Ming	55,800,000	55,862,000	55,700,000	55,700,000	55,862,000	55,700,000
Lew Syn Pau	–	200,000	–	–	200,000	–
Sudeep Nair	8,298,429	8,298,429	*25,028,571	*25,028,571	8,298,429	*25,028,571

* *In the name of Bestgate Investments Ltd, which Sudeep Nair has an interest.*

Options to subscribe for ordinary shares of $0.05 each exercisable between 14 March 2004 to 13 March 2012 at $0.17 per share

Sudeep Nair#	1,350,000	1,350,000	–	–	1,350,000	–

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	–

Options to subscribe for ordinary shares of $0.05 each exercisable between 25 May 2006 to 24 May 2014 at $0.275 per share

Sudeep Nair#	3,300,000	3,300,000	–	–	3,300,000	–

Options to subscribe for ordinary shares of $0.05 each exercisable between 25 May 2006 to 24 May 2009 at $0.275 per share

Lew Syn Pau	200,000	200,000	–	–	200,000	–
Ong Kian Min	200,000	200,000	–	–	200,000	–

The share options were granted before his appointment as an Executive Director of the Company.

Directors' interests in shares and debentures (cont'd)

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.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or 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 2006.

Directors' contractual benefits

Except as disclosed in the financial statements, 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.

Share options (cont'd)
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 1.1.2005	Number of options granted during the financial year	Number of options lapsed during the financial year	Number of options exercised during the financial year	Number of options outstanding at 31.12.2005	Exercise price per share $	Exercise period
2002 Options	36	9,440,000	–	(125,000)	(4,145,000)	5,170,000	0.17	14 March 2004 to 13 March 2012
2002 Options	2	800,000	–	–	–	800,000	0.17	14 March 2004 to 13March 2007
2003 Options	1	500,000	–	–	–	500,000	0.27	4 June 2005 to 13 March 2012
2004 Options	2	400,000	–	–	–	400,000	0.275	25 May 2006 to 24 May 2009
2004 Options	51	12,525,000	–	(1,050,000)	–	11,475,000	0.275	25 May 2006 to 24 May 2014
	92	23,665,000	–	(1,175,000)	(4,145,000)	18,345,000		

Share options (cont'd)

Unissued shares under Option (cont'd)

The options granted to Directors of the Company and participants who received 5% or more of the total number of options available under the Option Scheme are as follows :

Name of participants	Aggregate options granted [1]	Aggregate options exercised [2]	Aggregate options lapsed/cancelled [3]	Aggregate options outstanding [4]
Directors of the Company				
- Lew Syn Pau	600,000	–	–	600,000
- Ong Kian Min	600,000	–	–	600,000
Participant who received more than 5% of total options available				
- Sudeep Nair#	7,800,000	(3,150,000)	–	4,650,000

The share options were granted before his appointment as an Executive Director of the Company.

[1] Aggregate options granted since commencement of the Option Scheme to the end of the financial year under review.
[2] Aggregate options exercised since commencement of the Option Scheme to the end of the financial year under review.
[3] Aggregate options lapsed/cancelled since commencement of the Option Scheme to the end of the financial year under review.
[4] 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.

During the financial year, no options were granted by the Company to any person under the Option Scheme. 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.

The total options of 31,245,000 were granted since the commencement of Option Scheme to the end of the financial year.

Directors' Report

(cont'd)

Audit Committee

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Companies Act. The functions performed by the Audit Committee are detailed in the Report on Corporate Governance.

Auditors

Ernst & Young, Certified Public Accountants, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors,

Tan Wang Cheow Director	Oon Peng Lim Director

Singapore
14 March 2006

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 statement, consolidated statement of changes in equity and consolidated statement of cash flow together with the notes thereto, set out on pages 57 to 126, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005; and the results, changes in equity and cash flow of the Group and the changes in equity of the Company 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 14 March 2006.

On behalf of the Board of Directors,

Tan Wang Cheow Director	Oon Peng Lim Director

Singapore
14 March 2006

Auditors' Report

to the members of Food Empire Holdings Limited

We have audited the accompanying financial statements of Food Empire Holdings Limited (the "Company") and its subsidiary companies (the "Group") set out on pages 57 to 126 for the year ended 31 December 2005. 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 and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005, and the results, changes in equity and cash flow of the Group and the changes in equity of the Company for the financial year ended on that date; and

(b) the accounting and other records 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.

ERNST & YOUNG
Certified Public Accountants

Singapore
14 March 2006

Consolidated Profit and Loss Statement

for the year ended 31 December 2005

	Note	2005 $'000	2004 $'000 (Restated)
Revenue	3	184,011	160,389
Other income		499	639
Changes in inventories of finished goods		(224)	4,865
Raw materials and consumables used		(95,095)	(85,184)
Staff costs	4	(17,358)	(15,131)
Impairment loss on fixed assets		(311)	(12)
Depreciation and amortisation expenses		(1,779)	(1,601)
Foreign exchange gain/(loss)		429	(1,216)
Other operating expenses		(48,927)	(40,393)
Finance costs	5	(25)	(6)
Share of profit/(losses) of associated companies		3,196	(144)
Profit from operations before taxation		24,416	22,206
Taxation	6	(2,106)	(3,670)
Profit for the year	7	22,310	18,536
Attributable to :			
Shareholders of the Company		20,602	15,693
Minority interests		1,708	2,843
Profit for the year		22,310	18,536
Earnings per share			
Basic earnings per share (in cents)	9	5.60	4.52
Diluted earnings per share (in cents)	9	5.54	4.44

The accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

as at 31 December 2005

	Note	Group 2005 $'000	Group 2004 $'000 (Restated)	Company 2005 $'000	Company 2004 $'000 (Restated)
Non-Current Assets					
Fixed assets	10	15,802	13,369	–	–
Investments in subsidiary companies	11	–	–	12,519	12,519
Investments in associated companies	12	4,701	1,272	979	979
Intangible assets	13	11,115	–	–	–
Deferred tax assets	14	1,386	1,392	–	–
		33,004	16,033	13,498	13,498
Current Assets					
Cash and bank balances	15	17,198	15,680	107	83
Trade receivables	16	35,436	27,967	–	–
Other receivables	17	6,000	4,996	227	1,147
Amounts due from subsidiary companies (non-trade)	18	–	–	29,042	16,470
Amounts due from associated companies (trade)	19	205	138	–	–
Amounts due from associated companies (non-trade)	19	623	890	–	439
Inventories	20	37,059	31,906	–	–
		96,521	81,577	29,376	18,139
Current Liabilities					
Trade payables and accruals		(24,997)	(19,555)	(353)	–
Other payables	21	(370)	(414)	(324)	(314)
Amount due to a related party (trade)	19	(2)	(1)	–	–
Provision for taxation		(1,625)	(3,877)	–	(9)
		(26,994)	(23,847)	(677)	(323)
Net Current Assets		69,527	57,730	28,699	17,816
Non-Current Liabilities					
Deferred tax liabilities	14	(633)	(256)	–	–
		(633)	(256)	–	–
		101,898	73,507	42,197	31,314
EQUITY					
Share capital	22	19,454	17,457	19,454	17,457
Reserves	24	80,273	51,636	22,743	13,857
		99,727	69,093	42,197	31,314
Minority interests		2,171	4,414	–	–
		101,898	73,507	42,197	31,314

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2005

The Group	Share capital $'000	Share premium $'000	Foreign currency translation reserve $'000	Share-based payment reserve $'000	Accumulated profits $'000	Total $'000	Minority interests $'000	Total equity $'000
	Attributable to equity holders of the Company							
Balance as at 31 December 2003 as previously reported	17,200	6,086	(202)	–	33,918	57,002	3,277	60,279
Cumulative effects of adopting FRS 102	–	–	–	14	(14)	–	–	–
Balance as at 31 December 2003 as restated	17,200	6,086	(202)	14	33,904	57,002	3,277	60,279
Foreign currency translation differences	–	–	(1,341)	–	–	(1,341)	(19)	(1,360)
Net income recognised directly in equity	–	–	(1,341)	–	–	(1,341)	(19)	(1,360)
Net profit for the year	–	–	–	–	15,693	15,693	2,843	18,536
Total recognised income and expenses for the year	–	–	(1,341)	–	15,693	14,352	2,824	17,176
Dividends paid to minority shareholders of subsidiary companies	–	–	–	–	–	–	(1,687)	(1,687)
Dividends paid to shareholders of the Company (Note 8)	–	–	–	–	(3,467)	(3,467)	–	(3,467)
Value of employee services received for issue of share options	–	–	–	332	–	332	–	332
Issuance of ordinary shares	257	617	–	–	–	874	–	874
Balance as at 31 December 2004 as restated	17,457	6,703	(1,543)	346	46,130	69,093	4,414	73,507

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2005 (cont'd)

The Group (cont'd)	Share capital $'000	Share premium $'000	Foreign currency translation reserve $'000	Share-based payment reserve $'000	Accumulated profits $'000	Total $'000	Minority interests $'000	Total equity $'000
			Attributable to equity holders of the Company					
Balance as at 31 December 2004 as previously reported	17,457	6,703	(529)	–	45,698	69,329	4,414	73,743
Cumulative effects of adopting FRS 102	–	–	–	346	(346)	–	–	–
Cumulative effects of adopting FRS 21 (*revised*)	–	–	(1,014)	–	778	(236)	–	(236)
Balance as at 31 December 2004 as restated	17,457	6,703	(1,543)	346	46,130	69,093	4,414	73,507
Foreign currency translation differences	–	–	564	–	–	564	31	595
Net income recognised directly in equity	–	–	564	–	–	564	31	595
Net profit for the year	–	–	–	–	20,602	20,602	1,708	22,310
Total recognised income and expenses for the year	–	–	564	–	20,602	21,166	1,739	22,905
Dividends paid to minority shareholders of subsidiary companies	–	–	–	–	–	–	(2,360)	(2,360)
Dividends paid to shareholders of the Company (Note 8)	–	–	–	–	(4,225)	(4,225)	–	(4,225)
Value of employee services received for issue of share options	–	–	–	556	–	556	–	556
Issuance of ordinary shares	1,997	11,140	–	–	–	13,137	–	13,137
Acquisition of shares from minority shareholders of subsidiary companies	–	–	–	–	–	–	(1,622)	(1,622)
Balance as at 31 December 2005	19,454	17,843	(979)	902	62,507	99,727	2,171	101,898

The accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Changes in Equity

for the year ended 31 December 2005

The Company	Share capital $'000	Share premium $'000	Share-based payment reserve $'000	Accumulated profits $'000	Total equity $'000
	Attributable to equity holders of the Company				
Balance as at 31 December 2003 as previously reported	17,200	6,086	–	8,433	31,719
Cumulative effects of adopting FRS 102	–	–	14	–	14
Balance as at 31 December 2003 as restated	17,200	6,086	14	8,433	31,733
Net profit for the year	–	–	–	1,842	1,842
Total recognised income and expenses for the year	–	–	–	1,842	1,842
Value of employee services received for issue of share options	–	–	332	–	332
Issuance of ordinary shares	257	617	–	–	874
Dividends paid to shareholders of the Company (Note 8)	–	–	–	(3,467)	(3,467)
Balance as at 31 December 2004 as restated	**17,457**	**6,703**	**346**	**6,808**	**31,314**
Balance as at 31 December 2004 as previously reported	17,457	6,703	–	6,852	31,012
Cumulative effects of adopting FRS 102	–	–	346	(44)	302
Balance as at 31 December 2004 as restated	17,457	6,703	346	6,808	31,314
Net profit for the year	–	–	–	1,415	1,415
Total recognised income and expenses for the year	–	–	–	1,415	1,415
Value of employee services received for issue of share options	–	–	556	–	556
Issuance of ordinary shares	1,997	11,140	–	–	13,137
Dividends paid to shareholders of the Company (Note 8)	–	–	–	(4,225)	(4,225)
Balance as at 31 December 2005	**19,454**	**17,843**	**902**	**3,998**	**42,197**

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flow

for the year ended 31 December 2005

	2005 $'000	2004 $'000 (Restated)
Cash flows from operating activities :		
Profit from operations before taxation	24,416	22,206
Adjustments for :		
Amortisation of goodwill	–	39
Depreciation of fixed assets	1,779	1,562
Gain on disposal on fixed assets	(2)	(12)
Interest income	(87)	(27)
Interest expenses	25	6
Exchange realignment	351	(1,062)
Impairment loss on fixed assets	311	12
Share of (profit)/ losses of associated companies	(3,196)	144
Shared-based payment expenses	556	332
Operating profit before working capital changes	24,153	23,200
Increase in receivables	(8,525)	(10,084)
Increase in inventories	(5,153)	(8,273)
Increase in payables	4,530	8,634
Cash flows generated from operations	15,005	13,477
Income taxes paid	(3,979)	(2,555)
Net cash flows from operating activities	11,026	10,922
Cash flows from investing activities :		
Interest income received	87	27
Purchase of fixed assets	(3,799)	(1,700)
Proceeds from sale of fixed assets	5	48
Investments in associated companies	(162)	(417)
Repayment from/ (loans to) associated companies	266	(739)
Net cash flows used in investing activities	(3,603)	(2,781)
Cash flows from financing activities :		
Interest expenses paid	(25)	(6)
Dividends paid to shareholders of the Company	(4,225)	(3,467)
Dividends paid to minority shareholders of subsidiary companies	(2,360)	(1,687)
Proceeds from issuance of shares	705	874
Net cash flows used in financing activities	(5,905)	(4,286)
Net increase in cash and cash equivalents	1,518	3,855
Cash and cash equivalents at beginning of year (Note 15)	15,680	11,825
Cash and cash equivalents at end of year (Note 15)	17,198	15,680

The accounting policies and explanatory notes form an integral part of the financial statements.

Major non-cash transactions

(i) During the year, the Group disposed of fixed assets with aggregate net book values of $23,927 (2004 : $63,000) for a sale consideration of $25,923 (2004 : $75,000), of which $5,000 (2004 : $48,000) has been received and $20,923 (2004 : $27,000) is receivable at the end of the year.

(ii) During the financial year, the Group acquired additional equity interests in the following subsidiary companies (i.e. Future Enterprises (Russia) Pte Ltd, FES Industries Pte Ltd and FER (HK) Limited from the respective minority shareholders.

There was no cash consideration as the acquisition of additional equity interest in these subsidiary companies were satisfied by issuance of the Company's shares (Note 22) and a deferred cash settlement of $276,000 (Note 21).

The accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2005

1. Corporate information

The financial statements of Food Empire Holdings Limited (the "Company") for the year ended 31 December 2005 were authorised for issue in accordance with a resolution of the Directors on 14 March 2006.

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 place of business of the Company is located at 101 Geylang Lorong 23, #05-03/04 Prosper House, Singapore 388399.

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 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year under review.

Related parties refer to companies in which certain Directors or minority shareholders have substantial beneficial interests, and/or in a position to exercise significant influence over the Group's financial and operating policy decisions.

2. Significant accounting policies

2.1 Basis of preparation of financial statements

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act.

The financial statements have been prepared on a historical cost basis except derivative financial statements and held for trading and available-for-sale financial assets that have been measured at their fair values.

The financial statements are presented in Singapore Dollars ("$") and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

a) Adoption of new FRS

On 1 January 2005, the Group and the Company adopted the following standards mandatory for annual financial periods beginning on or after 1 January 2005.

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

a) Adoption of new FRS (cont'd)

- FRS 39, Financial Instruments: Recognition and Measurement
- FRS 102, Share-based Payment
- FRS 103, Business Combinations, including amendments to FRS 36 (*revised*),Impairment of Assets and FRS 38 (*revised*), Intangible Assets
- FRS 105, Non-Current Assets Held for Sale and Discontinued Operations

(i) FRS 39, Financial Instruments: Recognition and Measurement

The Group and the Company had adopted FRS 39 prospectively on 1 January 2005. At that date, financial assets within the scope of FRS 39 were classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial assets that were classified as financial assets at fair value through profit or loss and available-for-sale financial assets were measured at fair value while loans and receivables and held-to-maturity investments were measured at amortised cost using the effective interest rate method. At 1 January 2005, differences between the carrying values and fair values of financial assets at fair value through profit or loss were recognised in accumulated profits while the differences between carrying values and fair values of available-for-sale financial assets were recognised in the fair value adjustment reserve. For investments carried at amortised cost, any differences between the carrying values and amortised costs as at 1 January 2005 were recognised in accumulated profits.

At 1 January 2005, financial liabilities (other than derivative financial instruments) within the scope of FRS 39 were measured at amortised costs using the effective interest rate method. Any difference between the carrying values and amortised costs as at 1 January 2005 were recognised in accumulated profits.

According to FRS 39, all derivative financial instruments held by the Group and the Company were recognised as assets or liabilities in the balance sheets and classified as financial assets or financial liabilities at fair value through profit or loss. Fair value adjustments of derivative financial instruments, except for those designated as hedging instruments in cash flow hedges, were recognised in accumulated profits at 1 January 2005.

The adoption of FRS 39 does not have significant impact on the financial statements in the period of application.

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

a) Adoption of new FRS (cont'd)

(ii) FRS 102, Share-based Payment
The main impact of FRS 102 on the Group and the Company is the recognition of an expense and a corresponding entry to equity for share options granted to senior executives and general employees.

The Group and the Company have applied FRS 102 retrospectively and have taken advantage of the transitional provisions of FRS 102 in respect of equity-settled awards. As a result, the Group and the Company have applied FRS 102 only to equity-settled awards granted after 22 November 2002 that had not vested on 1 January 2005.

(iii) FRS 103, Business Combinations, FRS 36 (revised), Impairment of Assets and FRS 38 (revised), Intangible Assets
FRS 103 has been applied for business combinations on or after 1 January 2005. The effect of the adoption of FRS 103 by the Group has impacted the recognition of restructuring provisions in connection with an acquisition. The Group is now only permitted to recognise an existing liability contained in the acquiree's financial statements on acquisition. Previously, this type of restructuring provision could be recognised by the acquirer regardless of whether the acquiree had recognised the liability.

Additionally, the adoption of FRS 103 and revised FRS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (unless an event occurs during the year which requires the goodwill to be tested more frequently) from 1 January 2005. The adoption of FRS 103 did not lead to any transitional provisions at 1 January 2005.

Moreover, the useful lives of intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Until 31 December 2004, intangible assets were considered to have a finite useful life with a rebuttable presumption that that life would not exceed twenty years from the date when the asset was available for use. In accordance with the revised FRS 38, some of the intangible assets are regarded to have an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. The Group do not have intangible assets with indefinite life as at 31 December 2005 and 31 December 2004.

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

a) Adoption of new FRS (cont'd)

(iv) FRS 105, Non-Current Assets Held for Sale and Discontinued Operations
The Group has applied FRS 105 prospectively in accordance with the transitional provisions of FRS 105. The adoption of FRS 105 did not result in any significant change in accounting policies.

b) Adoption of revised FRS

The Group adopted the following revised standards mandatory for annual financial periods beginning on or after 1 January 2005. Comparative figures have been restated where required.

(i) FRS 1 (revised), Presentation of Financial Statements
The adoption of revised FRS 1 did not result in any reclassification of comparative figures.

(ii) FRS 21 (revised), The Effects of Changes in Foreign Exchange Rates
As a result of the adoption of revised FRS 21, any goodwill arising on the acquisition of a foreign subsidiary and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are now treated as assets and liabilities of the foreign operation and translated at the closing rate accordingly. In accordance with the transitional provision of revised FRS 21, this policy is adopted prospectively to all acquisitions occurring after 1 January 2005. Accordingly, comparative figures are not restated.

Goodwill acquired and any fair value adjustments to the carrying amounts of assets and liabilities which arose on acquisitions before 1 January 2005 were deemed to be assets and liabilities of the parent company. This change in accounting policy has no significant impact on the financial statements as at 31 December 2005 or 31 December 2004.

With effect from the annual periods beginning on or after 1 January 2005, FRS 21 (*revised*) The Effects of Changes in Foreign Exchange Rates replaces FRS 21 The Effects of Changes in Foreign Exchange Rates (issued in 2003). FRS 21 (*revised*) places greater emphasis on the currency that mainly influences sales prices for goods and services and the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. The Board of Directors has reviewed the choice of functional currency of two subsidiary companies within the Group.

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

b) Adoption of revised FRS (cont'd)

(ii) FRS 21 (revised), The Effects of Changes in Foreign Exchange Rates (cont'd)

As sales and purchases of two of the subsidiary companies are denominated primarily in United States Dollars ("US$"), the Board of Directors are of the opinion that US$ are the functional and presentation currency of the two subsidiary companies as US$ is the currency of the primary economic environment in which these companies operate. Hence, the functional and presentation currency of the two subsidiary companies are changed from $ to US$. This resulted in a change of accounting policy. As a result of this change, retrospective adjustment is required. However, the Board of Directors deemed that it is impractical to obtain sufficient information to make the changes prior to 1 January 2004. Hence, the change in accounting policy is applied as at 1 January 2004.

In addition, one of the subsidiary companies changed its functional and presentation currency from Singapore Dollars ($) to United States Dollars (US$) with effect from 1 April 2005. The change arise from the commencement of business activities when revenue generated and operating costs are denominated primarily in US$ and receipts from operation are usually in US$. The Board of Directors are of the opinion that the change in functional currency reflects the change in economic substance of the underlying events and circumstances relevant to the subsidiary company. Accordingly, the translation procedure from the date of the change and the comparative for the year ended 31 December 2004 is restated after application of the translation procedure for translating from the previous functional currency (i.e. $) to US$.

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

b) Adoption of revised FRS (cont'd)

(iii) Other revised FRSs adopted

In addition, the Group adopted the following revised standards which did not result in any significant change in accounting policies:

FRS 2 *(revised)*, Inventories
FRS 8 *(revised)*, Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 *(revised)*, Events after the Balance Sheet Date
FRS 16 *(revised)*, Property, Plant and Equipment
FRS 17 *(revised)*, Leases
FRS 24 *(revised)*, Related Party Disclosures
FRS 27 *(revised)*, Consolidated and Separate Financial Statements
FRS 28 *(revised)*, Investments in Associates
FRS 31 *(revised)*, Interests in Joint Ventures
FRS 32 *(revised)*, Financial Instruments: Disclosure and Presentation
FRS 33 *(revised)*, Earnings Per Share

c) FRS and INT FRS not yet effective

The Group has not applied the following FRS and INT FRS that have been issued but are only effective for annual financial periods beginning on or after 1 January 2006.

(i) FRS 40, Investment Property
This standard does not apply to the activities of the Group.

(ii) FRS 19 (revised), Employee Benefits
This revised standard requires additional disclosures to be made regarding information about the trends in the assets and liabilities in the defined benefit plans and the assumptions underlying the components of the defined benefit cost. The adoption of the amendments to FRS 19 will result in additional disclosures being included but has no recognition or measurement impact.

(iii) FRS 106, Exploration for and Evaluation of Mineral Resource
This standard does not apply to the activities of the Group.

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

c) FRS and INT FRS not yet effective (cont'd)

(iv) INT FRS 104, Determining Whether an Arrangement Contains a Lease
This interpretation requires the determination of whether an arrangement is, or contains a lease to be based on the substance of the arrangement and requires an assessment of whether the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(v) INT FRS 105, Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
This interpretation is not expected to be relevant to the activities of the Group.

The Group expects that the adoption of the pronouncements listed above will have no impact on the financial statements in the period of initial application.

d) Effects of changes in accounting policies

The changes in accounting policies arising from the adoption of FRS 102 Share-based Payment and FRS 21 (*revised*) The Effects of Changes in Foreign Exchange Rates are summarised below:

FRS 102 Share-based Payment

The adoption of FRS 102 has resulted in the following:

	Group	
	2005 $'000	**2004 $'000**
Decrease in opening accumulated profits	346	14
Increase in opening shared-based payment reserve	346	14
Decrease in profit after taxation	556	332

	Company	
	2005 $'000	**2004 $'000**
Decrease in opening accumulated profits	44	–
Decrease in profit after taxation	19	44
Increase in opening share-based payment reserve	346	14
Increase in amounts due from subsidiary companies	–	302

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

d) Effects of changes in accounting policies (cont'd)

FRS 21 (revised) The Effects of Changes in Foreign Exchange Rates

The adoption of FRS 21 *(revised)* has impact on the followings:

	Group	
	2005	**2004**
	$'000	**$'000**
Increase in opening accumulated profits	778	–
Decrease in foreign currency translation reserve	1,041	–

Net profit after taxation for the Group for the full year ended 31 December 2004 was increased by $778,000.

There was no impact on the accumulated profits and foreign currency translation reserve of the Group as at 1 January 2004 as the Board of Directors are of the opinion that it is impractical to determine the effects of the change in accounting policy for FRS 21 (*revised*) prior to 1 January 2004. Hence, the change in accounting policy is applied as at 1 January 2004.

There is no impact at the Company level as the changes affected three subsidiary companies of the Group.

The effects of FRS 102 and FRS 21 *(revised)* on the Group's basic and diluted earnings per share for the full year ended 31 December 2004 are as follows:

Basic earnings per share	Increase by $0.13 cents
Diluted earnings per share	Increase by $0.16 cents

2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. Significant accounting policies (cont'd)

2.3 Significant accounting estimates and judgements (cont'd)

a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill as at 31 December 2005 was $11,115,000 (2004: Nil). More details are given in Note 13.

(ii) Depreciation of fixed assets

The costs of fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 3 to 50 years. The carrying amount of the Group's fixed assets as at 31 December 2005 was $15,802,000 (2004: $13,369,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables as at 31 December 2005 was $1,625,000 (2004: $3,877,000).

b) Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, the management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

2. Significant accounting policies (cont'd)

2.3 Significant accounting estimates and judgements (cont'd)

b) Critical judgements made in applying accounting policies (cont'd)

- Impairment of investments and financial assets

The Group follows the guidance of FRS 39 on determining when an investment or financial asset is other-than-temporarily impaired. This determination requires significant judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

2.4 Functional and foreign currency

a) Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Singapore Dollars, which is the Company's functional and presentation currency.

b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss statement on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss statement.

2. Significant accounting policies (cont'd)

2.4 Functional and foreign currency (cont'd)

b) Foreign currency translation (cont'd)
Differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation are also taken directly to the foreign currency translation reserve until the disposal of the net investment, at which time they are recognised in the profit and loss statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in the foreign currency translation reserve.

c) The results and financial position of foreign operations are translated into $ using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing rate ruling at that balance sheet date; and

- Income and expenses for each profit and loss statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date.

Goodwill and fair value adjustments which arose on acquisitions of foreign subsidiaries before 1 January 2005 are deemed to be assets and liabilities of the parent company and are recorded in $ at the rates prevailing at the date of acquisition.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss statement as a component of the gain or loss on disposal.

2.5 Subsidiary companies and principles of consolidation

a) Subsidiary companies
A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of Directors.

2. Significant accounting policies (cont'd)

2.5 Subsidiary companies and principles of consolidation (cont'd)

a) Subsidiary companies (cont'd)

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less any impairment losses.

b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the balance sheet date. The financial statements of the subsidiary companies are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiary companies are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiary companies are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.8 below.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss statement on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss statement.

2. Significant accounting policies (cont'd)

2.6 Associated companies

An associated company is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. This generally coincides with the Group having 20% or more of the voting power, or has representation on the board of Directors.

The Group's investments in associated company are accounted for using the equity method. Under the equity method, the investment in associated company is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the profit or loss of the associated company is recognised in the consolidated profit and loss statement. Where there has been a change recognised directly in the equity of the associated company, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associated company. The associated company is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associated company.

Goodwill relating to an associated company is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associated company's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associated company equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

The most recent available audited financial statements of the associated companies are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associated companies are accounted for at cost less impairment losses.

2. Significant accounting policies (cont'd)

2.7 Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. 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 statement.

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 statement.

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

Capital work-in-progress is not depreciated as these assets are not available for use.

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the fixed asset.

Fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss statement in the year the asset is derecognised.

Fully depreciated fixed assets are retained in the financial statements until they are no longer in use.

2. Significant accounting policies (cont'd)

2.8 Intangible assets

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2. Significant accounting policies (cont'd)

2.9 Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

a) Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the profit and loss statement.

The Group does not designate any financial assets not held for trading as financial assets at fair value through profit and loss.

b) Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the assets to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the profit and loss statement when the investments are derecognised or impaired, as well as through the amortisation process.

2. Significant accounting policies (cont'd)

2.9 Financial assets (cont'd)

c) Loans and receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

d) Available-for-sale financial assets
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

For investments where there is no active market and where fair value cannot be reliably measured, they are measured at cost.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss statement as 'impairment losses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

2. Significant accounting policies (cont'd)

2.10 Impairment of non-financial assets (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss statement unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss statement is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

2.11 Cash and cash equivalents

Cash comprise cash on hand and cash with banks or financial institutions, including fixed deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

For the purposes of the consolidated Statement of Cash Flow, cash and cash equivalents are shown net of outstanding bank overdrafts.

Cash and cash equivalents carried in the balance sheets are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.9.

2.12 Trade and other receivables

Trade and other receivables, including amounts due from subsidiary and associated companies are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.9.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.13 below.

2. Significant accounting policies (cont'd)

2.13 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

b) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

c) Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the profit and loss statement. Reversals of impairment losses on debt instruments are reversed through the profit and loss statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss statement.

2. Significant accounting policies (cont'd)

2.14 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 are 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.

2.15 Trade and other payables

Liabilities for trade and other amounts payable, which are normally settled on 30-90 day terms, and amount due to a related party are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss statement when the liabilities are derecognised as well as through the amortisation process.

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, 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 estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2. Significant accounting policies (cont'd)

2.17 Leases

a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. 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 to the profit and loss statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit and loss statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income (Note 2.18).

2.18 Revenue

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 as interest accrues unless collectibility is in doubt.

2. Significant accounting policies (cont'd)

2.19 Finance costs

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

2.20 Employee benefits

a) Defined contribution plans
The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

b) Employee leave entitlement
Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

c) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

d) Employee equity compensation benefits

(i) Employee share option plans
Employees (including senior executives and Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share options ('equity-settled transactions').

2. Significant accounting policies (cont'd)

2.20 Employee benefits (cont'd)

d) Employee equity compensation benefits (cont'd)

(ii) Equity settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the share-based payment reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has taken advantage of the transitional provisions of FRS 102 in respect of equity-settled awards and has applied FRS 102 only to equity-settled awards granted after 22 November 2002 that had not vested on or before 1 January 2005.

2. Significant accounting policies (cont'd)

2.21 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.22 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.

2. Significant accounting policies (cont'd)

2.22 Segment reporting (cont'd)

(i) Business Segments

The main business segments of the Group comprise :

Beverages : The manufacture and sale of beverages.

Others : The manufacture and sale of other products, such as confectionery, snack and frozen convenience food and coffee machines and rental income.

(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. Sales to other markets include countries like the Middle East, Europe and Asia.

Segment assets are based on the geographical location of the assets. Other countries classified under segment assets include Russia, Eastern Europe and Central Asia.

2.23 Derecognition of financial assets and liabilities

a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. Significant accounting policies (cont'd)

2.23 Derecognition of financial assets and liabilities (cont'd)

a) Financial assets (cont'd)
Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss statement.

b) Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss statement.

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	
	2005	**2004**
	$'000	**$'000**
Sale of goods	183,982	160,364
Rental income	29	25
	184,011	160,389

4. Staff costs

	Group	
	2005 **$'000**	**2004** **$'000** **(Restated)**
Salaries, wages and other staff benefits	15,888	14,313
Employer's contribution to defined contribution plans including Central Provident Fund	806	486
Retrenchment benefits	108	–
Cost of share-based payments	556	332
	17,358	15,131

Directors' remuneration included in staff cost are as follows:

	Group	
Directors' remuneration		
- Directors of the Company		
- Salaries and other remuneration	3,269	2,718
- Employer's contribution to defined contribution plans including Central Provident Fund	44	42
- Cost of share-based payments	174	10
- Other Directors of subsidiary companies		
- Salaries and other remuneration	117	969
- Employer's contribution to defined contribution plans including Central Provident Fund	8	26
- Cost of share-based payments	16	87
	3,628	3,852

5. Finance costs

	Group	
	2005 **$'000**	**2004** **$'000**
Interest expenses on :		
Bank trust receipts	25	6

6. Taxation

	Group	
	2005 **$'000**	**2004** **$'000** **(Restated)**
Provision for taxation in respect of result for the year :		
Current taxation	1,998	4,443
Deferred taxation		
- Movements in temporary differences	143	(887)
	2,141	3,556
(Over)/underprovision in respect of prior year		
- current taxation	(53)	(57)
- deferred taxation	18	171
	2,106	3,670

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	
	2005 **$'000**	**2004** **$'000** **(Restated)**
Accounting profit	24,416	22,206
Tax at statutory tax rate of 20% (2004 : 20%)	4,883	4,441
Adjustments :		
Tax effect of double taxation relief	(441)	(610)
Permanent differences/expenses not deductible for tax purposes	528	85
Tax effect of income not subject to tax	(8)	(416)
Tax effect of income exempted from tax	(19)	–
Tax effect of capital gain not subject to tax	(683)	–
Overseas allowance for increased export	–	(412)
Tax effect of partial tax exemption	(50)	(72)
Tax effect of reduction in tax rate	–	(22)
Deferred tax assets not recognised	13	14
Utilisation of previous unrecognised tax losses	–	(1)
Effect of different tax rates in other countries	(2,059)	353
Underprovision in respect of prior year deferred taxation	18	171
Overprovision in respect of prior year current taxation	(53)	(57)
Others	(23)	196
Tax expense	2,106	3,670

7. Profit for the year

	Group	
	2005	**2004**
	$'000	**$'000**
		(Restated)
Profit for the year is stated after charging/(crediting) :		
Amortisation of goodwill	–	39
Non-audit fees paid to		
- auditors of the Company	33	12
- other auditors of subsidiary companies	56	37
Bad debts written off - trade	15	200
Depreciation of fixed assets	1,779	1,562
Directors' fee		
- Directors of the Company	125	121
Foreign exchange (gain)/loss	(429)	1,216
Gain on disposal of fixed assets	(2)	(12)
Impairment loss on fixed assets	311	12
Interest income on		
- bank deposits	(39)	(7)
- others	(48)	(20)
- related company	(26)	(12)

8. Dividends

	Company	
	2005	**2004**
	$'000	**$'000**
First and final dividend paid in respect of the previous financial year of $0.005 (2004 : $0.005) per ordinary share less tax at 20% (2004 : 20%)	1,408	1,387
Special dividend paid in respect of the previous financial year of $0.01 (2004 : $0.0075) per ordinary share less tax at 20% (2004 : 20%)	2,817	2,080
	4,225	3,467

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	
	2005	**2004**
	$'000	**$'000**
Proposed first and final dividend of $0.005 (2004 : $0.005) per ordinary share less tax at 20% (2004 : 20%)	1,556	1,397
Proposed special dividend of $0.01375 (2004 : $0.01) per ordinary share less tax at 20% (2004 : 20%)	4,280	2,793
	5,836	4,190

9. Earnings per share

(a) Basic earnings per share

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

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

	Group	
	2005	**2004**
	'000	**'000**
		(Restated)
Net Profit attributable to ordinary shareholders of the Company used in computation of basic earnings per share	$20,602	$15,693
Weighted average number of ordinary shares for basic earnings per share computation	368,128	347,523

9. Earnings per share (cont'd)

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the profit and share data used in the dilutive earnings per share computation for the years ended 31 December:

	Group	
	2005 **'000**	**2004** **'000** **(Restated)**
Net profit attributable to ordinary shareholders of the Company used in computation of diluted earnings per share	$20,602	$15,693
Weighted average number of shares issued, used in the calculation of basic earnings per share	368,128	347,523
Effect of dilution :		
Weighted average number of unissued ordinary shares under option	20,437	21,470
Number of shares that would have been issued at fair value	(16,514)	(15,782)
Weighted average number of ordinary shares adjusted for the effect of dilution which is used for diluted earnings per share computation	372,051	353,211

9. Earnings per share (cont'd)

Since the end of the year, employees (including senior executives and Directors) have exercised the option to acquire 105,000 (2004 : 60,000) ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

10. 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 2004 (Restated)	3,273	6,820	6,752	1,197	824	1,006	–	19,872
Additions	–	12	915	328	138	120	187	1,700
Disposals	–	(25)	(38)	–	(114)	–	–	(177)
Exchange realignment	(55)	(55)	(77)	(13)	(17)	(6)	–	(223)
Reclassification	–	–	38	–	–	(38)	–	–
Other adjustments	–	–	–	4	–	–	–	4
At 31 December 2004 and 1 January 2005	3,218	6,752	7,590	1,516	831	1,082	187	21,176
Additions	–	922	2,573	577	239	96	–	4,407
Disposals	–	–	(32)	–	(52)	–	–	(84)
Exchange realignment	21	67	(37)	25	7	130	–	213
Reclassification	–	187	–	–	–	–	(187)	–
At 31 December 2005	3,239	7,928	10,094	2,118	1,025	1,308	–	25,712

10. Fixed assets (cont'd)

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
Accumulated depreciation and impairment losses								
At 1 January 2004 (Restated)	1,249	2,045	1,669	608	383	458	–	6,412
Charge for the year	46	247	739	248	119	163	–	1,562
Disposals	–	(25)	(13)	–	(76)	–	–	(114)
Impairment losses	–	12	–	–	–	–	–	12
Exchange realignment	(9)	(1)	(27)	(9)	(12)	(11)	–	(69)
Reclassification	–	–	4	–	–	(4)	–	–
Other adjustments	–	–	–	4	–	–	–	4
At 31 December 2004 and 1 January 2005	1,286	2,278	2,372	851	414	606	–	7,807
Charge for the year	47	275	802	376	115	164	–	1,779
Disposals	–	–	(14)	–	(46)	–	–	(60)
Impairment losses	16	115	85	–	–	95	–	311
Exchange realignment	4	15	4	9	5	36	–	73
At 31 December 2005	1,353	2,683	3,249	1,236	488	901	–	9,910
Carrying amount								
At 31 December 2005	1,886	5,245	6,845	882	537	407	–	15,802
At 31 December 2004 (Restated)	1,932	4,474	5,218	665	417	476	187	13,369

10. Fixed assets (cont'd)

The impairment loss recognised by the Group arose from the downward valuation of properties and the write down of certain plant and equipment to recoverable amount due to the closure of one of the subsidiary company's branch.

Included in freehold and leasehold factory buildings are properties held for investment. The details of the major properties held for investment are as follows:

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	1 unit of a 6-Storey Building	Warehouse/ Office	Freehold	–
2.	No. 9 Kaki Bukit Road 2, Gordon Warehouse Building #03-22 Singapore 417842	1 unit of a 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	1 unit of a 8-Storey Building	Warehouse/ Office	Freehold	–
4.	No. 3 Upper Aljunied Link Block B, Joo Seng Warehouse, #07-05 Singapore 367902	1 unit of a 8-Storey Building	Warehouse/	Freehold Office	–

Based on a valuation performed by an independent appraiser, Allied Appraisal Consultants Pte Ltd on 8 December 2005, the carrying amounts of these properties were written down by $311,000 (2004 : $12,000) to their recoverable amounts. The amount written down is charged to the profit and loss statement as an impairment loss (Note 7). 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.

11. Investments in subsidiary companies

	Company	
	2005 **$'000**	**2004** **$'000**
Unquoted shares, at cost	13,100	13,100
Impairment losses	(581)	(581)
Carrying amount of investments	12,519	12,519

11. Investments in subsidiary companies (cont'd)

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

	Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2005 %	2004 %
	Held by the Company			
*	Future Enterprises Pte Ltd (Singapore)	Sales and marketing of instant food and beverages	100	100
^	Future Corporation Pte Ltd (Singapore)	Property investment holding	100	100
^	Masters Corporation Pte Ltd (Singapore)	Dealers in food products	100	100
^	Foodaworld Marketing Pte Ltd (Singapore)	Dealers in food products	100	100
^	Epiq Food Services Pte Ltd (Singapore)	Dealers in beverages to be used in coffee machines	100	100

11. Investments in subsidiary companies (cont'd)

	Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2005 %	2004 %
	Held by Future Enterprises Pte Ltd			
#	Future Enterprises (Russia) Pte Ltd (Singapore)	Dormant	100	87
*	FES Industries Pte Ltd (Singapore)	Manufacturing and processing of instant food and beverages	100	88
***	FES Industries Sdn Bhd (Malaysia)	Manufacturing and processing of instant food and beverages	79.9	79.9
@	Express Food & Beverages Limited (Hong Kong)	Dormant	100	100
@	Klassno Foods Limited (Hong Kong)	Dormant	100	100
***	FES (Mauritius) Ltd (Mauritius)	Investment holding	100	100
	Held by FES (Mauritius) Ltd			
**	FER (HK) Limited (Hong Kong)	Sales and marketing of instant food and beverages	100	87
	Held by FES Industries Pte Ltd			
***	FES (Vietnam) Co., Ltd (Vietnam)	Manufacturing and distribution of instant pre-mix coffee	100	88
	Held by FER (HK) Limited			
§	FES International FZE (United Arab Emirates)	General trading management and finance support	100	–
§	Navas Services Limited (Cyprus)	Investment holding	100	–
§	Bexar Limited (Cyprus)	Licensing, management and finance support	100	–
	Held by Navas Services Limited			
§	FES Products LLC (Russia)	Manufacturing of instant beverages	100	–

11. Investments in subsidiary companies (cont'd)

*** Audited by other associated firms of Ernst & Young, Singapore.
** Audited by Ernst & Young, Hong Kong.
* Audited by Ernst & Young, Singapore.
^ Audited by C.C. Yang & Co. Certified Public Accountants.
@ No audited financial statements are prepared as those companies have remained dormant since incorporation.
# No audited financial statements are prepared as the company is currently in the process of filing for liquidation.
§ No audited financial statements are prepared as these companies were incorporated during current financial year.

During the year, the Group acquired additional interest from the respective minority shareholders as disclosed below:

i) 13% additional equity interest in Future Enterprises (Russia) Pte Ltd ("FER") from Mr. Sudeep Nair, who is the Director of FER, at a consideration of $126,000;

ii) 13% additional equity interest in FER(HK) Limted from Bestgate Investments Ltd, a company in which, Mr. Sudeep Nair has an interest, at a consideration of $8,796,000; and

iii) 12% additional equity interest in FES Industries Pte Ltd ("FESS") from Mr. Chan Meng Huat, who is the Director of FESS and key management of the Group, at a considration of $3,796,000.

The above acquisition of additional equity interest in these subsidiary companies were satisfied by issuance of the Company's shares (Note 22) and a deferred cash settlement of $276,000 due to Mr. Sudeep Nair (Note 21).

12. Investments in associated companies

	Group 2005 $'000	Group 2004 $'000 (Restated)	Company 2005 $'000	Company 2004 $'000
Unquoted shares, at cost	2,223	2,053	1,647	1,647
Impairment losses	–	–	(668)	(668)
	2,223	2,053	979	979
Share of net post-acquisition reserves	2,478	(781)	–	–
	4,701	1,272	979	979

For the financial year ended 31 December 2004, amortisation of goodwill arising on the acquisition of an associated company amounting to $5,000 was included in the share of losses of associated companies. In the current year, the goodwill is no longer amortised.

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

	Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group 2005 %	Percentage of equity held by the Group 2004 %
	Held by the Company			
*	Ernsts Food Ingredients Sdn Bhd (Malaysia)	Manufacturing and processing of spray dried non-dairy creamer (Malaysia)	35	35
	Held by a subsidiary company			
*	Hyson Teas (Private) Limited (Sri Lanka)	Manufacturing and exporting of tea (Sri Lanka)	49	49
@	PT. ABC Future Indonesia (Indonesia)	Marketing and distribution of instant beverages (Indonesia)	49	49

* Audited by associated firms of Ernst & Young, Singapore.

@ Audited by Kosasih & Nurdiyaman, Registered Public Accountants.

12. Investments in associated companies (cont'd)

The summarised financial information of the associated companies are as follows:

	Group	
	2005	**2004**
	$'000	**$'000**
Assets and liabilities:		
Current assets	14,429	2,025
Non-current assets	151	4,031
Total assets	14,580	6,056
Current liabilities	923	896
Non-current liabilities	464	1,723
Total liabilities	1,387	2,619
Results:		
Revenue	3,405	5,436
Profit/(loss) for the year	9,382	(225)

13. Intangible assets

Intangible assets relate to goodwill on consolidation.

	Group	
	2005	**2004**
	$'000	**$'000**
Cost		
At 1 January	99	99
Elimination of accumulated amortisation	(99)	–
	–	99
Acquisition of additional equity interests in subsidiary companies	11,115	–
At 31 December	11,115	99

13. Intangible asset (cont'd)

	Group 2005 $'000	Group 2004 $'000
Accumulated amortisation		
At 1 January	99	60
Amortisation recognised during the year	–	39
Elimination of accumulated amortisation	(99)	–
	–	99
Carrying amount		
At 31 December	11,115	–

Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to the Group's cash-generating units ("CGU") identified according to each individual business unit for impairment testing.

	Group 2005 $'000	Group 2004 $'000
FER (HK) Limited	7,943	–
FES Industries Pte Ltd	3,172	–
	11,115	–

The recoverable amount of a CGU is determined based on a value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Management have considered and determined the factors applied in these financial budgets which include budgeted gross margins and average growth rate. The budgeted gross margins are based on past performance and its expectation of market development.

The pre-tax discount rate applied to the cash flow projections is 4.98% to 9.66% (2004: Nil%). The weighted growth rate used to extrapolate the cash flows of each CGU is 5.00% (2004: Nil), which is consistent with the forecasts included in industry reports.

14. Deferred tax assets/ (liabilities)

Recognised deferred tax assets and liabilities are attributable to the following:

	Group	
	2005	**2004**
	$'000	**$'000**
Deferred tax assets		
Sundry provisions	1,531	598
Unutilised tax losses	420	1,380
Unabsorbed capital allowances	120	–
Gross deferred tax assets	2,071	1,978
Deferred tax liabilities		
Excess of net book value over tax written down value	(858)	(772)
Others	(460)	(70)
Gross deferred tax liabilities	(1,318)	(842)
	753	1,136

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting are included in the balance sheets as follows:

	Group	
	2005	**2004**
	$'000	**$'000**
Deferred tax assets	1,386	1,392
Deferred tax liabilities	(633)	(256)
Net deferred tax assets	753	1,136

14. Deferred tax assets/ (liabilities) (cont'd)

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

	Deferred tax assets		Deferred tax liabilities	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Balance at beginning of the year	1,392	599	(256)	(186)
Recognised/provided during the year	808	950	(390)	(77)
Written-down during the year	(598)	(157)	16	–
Transfer to related companies under the Group Relief Scheme	(192)	–	–	–
Translation difference	(24)	–	(3)	7
Balance at end of the year	1,386	1,392	(633)	(256)

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

	Group	
	2005 $'000	**2004 $'000**
Tax losses	360	296

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.

15. Cash and cash equivalents

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

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Cash and bank balances	17,198	15,680	107	83

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging from 0.1% to 0.11% (2004 : 0.1% to 0.12%) per annum.

Cash and cash equivalents are denominated in the following curriencies:

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Singapore Dollar	1,165	1,867	107	83
United States Dollar	13,096	12,815	–	–
Euro	2,051	752	–	–
Others	886	246	–	–
	17,198	15,680	107	83

16. Trade receivables

	Group	
	2005	**2004**
	$'000	**$'000**
Trade receivables	36,369	29,375
Allowance for doubtful receivables	(933)	(1,408)
	35,436	27,967

For the year ended 31 December 2005, an allowance for doubtful receivables of $288,000 (2004: $310,000) was recognised in the profit and loss statement subsequent to a debt recovery assessment performed on trade receivables as at 31 December 2005.

Trade receivables are denominated in the following currencies:

	Group	
	2005	**2004**
	$'000	**$'000**
Singapore Dollar	516	528
United States Dollar	33,393	26,587
Euro	815	574
Others	712	278
	35,436	27,967

17. Other receivables

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Prepayments	3,547	3,033	24	121
Deposits	431	380	–	–
Staff advances	408	378	–	–
Sundry receivables	1,070	1,205	203	1,026
Advance payment to suppliers of goods	274	–	–	–
Tax recoverable	270	–	–	–
	6,000	4,996	227	1,147
Sundry receivables and staff advances are stated after deducting allowance for doubtful receivables of	242	274	–	–

Staff advances are unsecured, interest free and expected to be repayable on demand.

18. Amounts due from subsidiary companies (non-trade)

	Company	
	2005	2004
	$'000	$'000
Amounts due from subsidiary companies	31,083	18,511
Allowance for doubtful receivables	(2,041)	(2,041)
	29,042	16,470

The amounts due from subsidiary companies are unsecured, bear interest at 3% (2004 : 3%) per annum and are expected to be repayable on demand.

19. Amounts due from associated companies (trade and non-trade) Amount due to a related party (trade)

Amounts due from subsidiary companies (trade)

	Group	
	2005	**2004**
	$'000	**$'000**
Amounts due from associate companies	229	138
Allowance for doubtful receivables	(24)	–
	205	138

For the year ended 31 December 2005, an allowance for doubtful receivables of $24,000 (2004:Nil) was recognised in the profit and loss statement subsequent to a debt recovery assessment performed on amounts due from associated companies (trade) as at 31 December 2005.

The amounts due from associated companies and amount due to a related party are unsecured, interest-free and expected to be repayable on demand, except for a non-trade amount due from an associated company of $623,000 (2004 : $450,725) which bears interest at 5.5% (2004 : 5.5%) per annum.

20. Inventories

	Group	
	2005	**2004**
	$'000	**$'000**
Raw materials	11,578	6,701
Packaging materials	4,556	3,799
Finished products/trading goods	20,925	21,406
Total inventories at lower of cost and net realisable value	37,059	31,906

Inventories are stated after allowance for stock obsolescence of $517,000 (2004 : $582,000).

The cost of inventories recognised as expense included in changes in inventories of finished goods and raw materials and consumed used amounted to $20,403,549 (2004: $15,843,377).

21. Other payables

	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
Rental deposits	23	7	–	–
Other deposits	9	22	–	–
Sundry payables	62	385	48	314
Deferred cash settlement	276	–	276	–
	370	414	324	314

Deferred cash settlement

The amount forms part of the consideration for the acquisition of additional equity interest of a subsidiary company, is non-interest bearing and repayable on demand (Note 11).

22. Share capital

	Group and Company 2005 $'000	Group and Company 2004 $'000
Authorised :		
1,000,000,000 ordinary shares of $0.05 each	50,000	50,000
Issued and fully paid :		
At beginning of the year		
349,140,000 (2004 : 344,000,000) ordinary shares of $0.05 each	17,457	17,200
Issued during the year		
Issued for cash under employee share options		
4,145,000 (2004 : 5,140,000) ordinary shares of $0.05 each issued for cash at a premium of $0.12 each	207	257
Issued in exchange for issued share capital of subsidiary companies		
25,400,000 (2004 : Nil) ordinary shares of $0.05 each alloted and issued at a premium of $0.29 each	1,270	–
10,400,000 (2004: Nil) ordinary shares of $0.05 each allotted and issued at a premium of $0.315 each	520	–
At end of the year		
389,085,000 (2004 : 349,140,000) ordinary shares of $0.05 each	19,454	17,457

22. Share capital (cont'd)

The Company issued the following shares during the year:

(a) The Company issued 4,145,000 (2004: 5,140,000) ordinary shares pursuant to the Food Empire Share Option Scheme at an average price of $0.17 (2004 : $0.17) each.

(b) The Company allotted and issued:

i. 25,400,000 ordinary shares of $0.05 each pursuant to the Sales and Purchase Agreement entered with Mr. Sudeep Nair and completed on 30 June 2005; and

ii. 10,400,000 ordinary shares of $0.05 each pursuant to the Sales and Purchase Agreement entered with Mr. Chan Meng Huat and completed on 6 September 2005.

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

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 18,345,000 (2004 : 23,665,000) 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.

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.

23. Employee benefits (cont'd)

Movements in the number of ordinary shares outstanding under the Option Scheme as at 31 December 2004 and the details of the Option Scheme are as follows:

	No. of holders	Number of options outstanding at 1.1.2004	Number of options granted during the financial year	Number of options lapsed during the financial year	Number of options exercised during the financial year	Number of options outstanding at 31.12.2004	Exercise price per share $	Exercised Period	Remaining contractual life (years)
2002 Options [1]	38	16,065,000	_	(1,485,000)	(5,140,000)	9,440,000	0.17	14 March 2004 to 13 March 2012	7.24
2002 Options [1]	2	800,000	_	_	_	800,000	0.17	14 March 2004 to 13 March 2007	2.20
2003 Options	1	500,000	_	_	_	500,000	0.27	4 June 2005 to 13 March 2012	6.77
2004 Options	2	_	400,000	_	_	400,000	0.275	25 May 2006 to 24 May 2009	3.00
2004 Options	60	_	12,625,000	(100,000)	_	12,525,000	0.275	25 May 2006 to 24 May 2014	8.00
	103	17,365,000	13,025,000	(1,585,000)	(5,140,000)	23,665,000			

23. Employee benefits (cont'd)

Movements in the number of ordinary shares outstanding under the Option Scheme as at 31 December 2005 and the details of the Option Scheme are as follows:

	No. of holders	Number of options outstanding at 1.1.2005	Number of options granted during the financial year	Number of options lapsed during the financial year	Number of options exercised during the financial year	Number of options outstanding at 31.12.2005	Exercise price per share $	Exercised Period	Remaining contractual life (years)
2002 Options [1]	36	9,440,000	_	(125,000)	(4,145,000)	5,170,000	0.17	14 March 2004 to 13 March 2012	6.24
2002 Options [1]	2	800,000	_	_	_	800,000	0.17	14 March 2004 to 13 March 2007	1.20
2003 Options	1	500,000	_	_	_	500,000	0.27	4 June 2005 to 13 March 2012	5.77
2004 Options	2	400,000	_	_	_	400,000	0.275	25 May 2006 to 24 May 2009	3.00
2004 Options	51	12,525,000	_	(1,050,000)	_	11,475,000	0.275	25 May 2006 to 24 May 2014	8.00
	92	23,665,000	_	(1,175,000)	(4,145,000)	18,345,000			

1 Included within these balances are equity-settled options that have not been recognised in accordance with FRS 102 as these equity-settled options were granted on or before 22 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 102.

23. Employee benefits (cont'd)

Out of the outstanding options on 18,345,000 shares (2004: 23,665,000), options on 1,919,000 shares (2004 : 1,516,000) are exercisable.

The weighted average share price at the date of exercise for the option exercised was $0.339 (2004: $0.338).

The weighted average fair value of options granted during the year was Nil (2004 : $0.120).

The fair value of share options as at the date of grant was estimated by an external valuer using Black-Scholes Option Pricing Model, taking into account the terms and conditions under which the options were granted. The inputs to the model used for the options granted during the year ended 31 December 2004 are shown below :

	Group	
	2004	**2004**
	Grant - 10 years	**Grant - 5 years**
Dividend yield (%)	3.05	3.05
Expected volatility (%)	38.81	38.81
Historical volatility (%)	38.81	38.81
Risk-free interest rate[2] (%)	2.039 - 2.687	1.413 - 2.175
Expected life of option[3] (years)	4.000 - 5.500	2.75 - 4.250
Weighted average share price ($)	0.35	0.35

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of the option grant were incorporated into the measurement of fair value.

	2004					
	Grant - 10 years			**Grant - 5 years**		
	Tranche 1	**Tranche 2**	**Tranche 3**	**Tranche 1**	**Tranche 2**	**Tranche 3**
[2] Risk-free interest rate (%)	2.039	2.447	2.687	1.413	1.761	2.175
[3] Expected life of option (years)	4.000	4.750	5.500	2.750	3.500	4.250

24. Reserves

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
		(Restated)		(Restated)
Accumulated profits	62,507	46,130	3,998	6,808
Foreign currency translation reserve	(979)	(1,543)	–	–
Share-based payment reserve	902	346	902	346
Share premium	17,843	6,703	17,843	6,703
Total reserves	80,273	51,636	22,743	13,857

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiary companies whose functional currencies are different from that of the Group's presentation and functional currency.

Share-based payment reserve

Share-based payment reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options. The expense for services received will be recognised over the vesting period.

Share premium

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

25. Group segment reporting

Business segments

	Beverages		Others		Elimination		Total	
	2005 $'000	2004 $'000 (Restated)	2005 $'000	2004 $'000 (Restated)	2005 $'000	2004 $'000 (Restated)	2005 $'000	2004 $'000 (Restated)
Segment revenue from external customers	170,468	143,640	13,543	16,749	–	–	184,011	160,389
Total revenue	170,468	143,640	13,543	16,749	–	–	184,011	160,389
Segment results	21,116	21,838	129	518	–	–	21,245	22,356
Finance costs							(25)	(6)
Share of profit/(losses) of associated companies	3196	(144)	–	–	–	–	3,196	(144)
Profit from operations before taxation							24,416	22,206
Taxation							(2,106)	(3,670)
Profit for the year							22,310	18,536
Assets and liabilities								
Segment assets	81,738	71,881	41,497	22,045	–	–	123,235	93,926
Investments in associated companies	4,701	1,272	–	–	–	–	4,701	1,272
Unallocated assets							1,589	2,412
Total assets							129,525	97,610
Segment liabilities	20,898	15,606	4,471	4,364	–	–	25,369	19,970
Unallocated liabilities							2,258	4,133
Total liabilities							27,627	24,103
Other segment information								
Capital expenditure								
- Fixed assets	4,338	1,595	69	105	–	–	4,407	1,700
- Intangible assets	10,321	–	794	–	–	–	11,115	–
Impairment loss on fixed assets	297	12	14	–	–	–	311	12
Depreciation and amortisation	1,703	1,508	76	93	–	–	1,779	1,601
Non-cash expenses other than depreciation and amortisation	680	1,131	41	197	–	–	721	1,328

25. Group segment reporting (cont'd)

Geographical segments

	Russia		Eastern Europe and Central Asia		Other countries		Elimination		Total	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**	**2005 $'000**	**2004 $'000**	**2005 $'000**	**2004 $'000**	**2005 $'000**	**2004 $'000**
Segment revenue from external customers	110,987	98,277	61,306	48,344	11,718	13,768	–	–	184,011	160,389
Total revenue	110,987	98,277	61,306	48,344	11,718	13,768	–	–	184,011	160,389

	Singapore		Malaysia		Other countries		Elimination		Total	
	2005 $'000	**2004 $'000 (Restated)**	**2005 $'000**	**2004 $'000 (Restated)**	**2005 $'000**	**2004 $'000 (Restated)**	**2005 $'000**	**2004 $'000 (Restated)**	**2005 $'000**	**2004 $'000 (Restated)**
Segment assets	167,300	147,013	4,811	11,412	14,526	823	(63,402)	(65,322)	123,235	93,926
Investment in associated companies	4,701	1,272	–	–	–	–	–	–	4,701	1,272
Unallocated assets									1,589	2,412
Total assets									129,525	97,610
Capital expenditure										
- Fixed assets	989	1,043	203	157	3,215	500	–	–	4,407	1,700
- Intangible assets	3,172	–	–	–	7,943	–	–	–	11,115	–

26. Commitments and contingencies

Operating lease commitments

The Group leases certain properties under lease agreements which expire at various dates till 2020. Rental expenses were $708,799 and $404,116 for the years ended 31 December 2005 and 2004 respectively. Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows :

	Group	
	2005	**2004**
	$'000	**$'000**
Within one year	403	304
After one year but not more than five years	815	838
More than five years	920	1,200
	2,138	2,342

Capital expenditure commitments

	Group	
	2005	**2004**
	$'000	**$'000**
Amount committed for capital expenditure but not provided for in the financial statements	524	766

Contingent liabilities

i) The Company has given corporate guarantees amounting to $15,680,000 (2004 : $19,980,000) to bankers to secure banking facilities granted to its subsidiary companies.

ii) A legal action by Mr. Pranab Singha ("Singha") instituted on 18 January 2005 in Ukraine against the Company's wholly-owned subsidiary company, Future Enterprises Pte Ltd, remains on second appeal by Mr. Singha before the Ukraine Courts. The Company had taken legal advice on the matter and continues to be of the opinion that the claim is totally without merit.

The Company's legal action against Mr. Singha commenced on 28 January 2005 in Singapore is currently undergoing the legal processes required by the Singapore Courts.

The Company believes, based on information currently available, that the ultimate resolution of these legal proceedings would not have a material, adverse effect on the results of its operations, financial position or liquidity.

27. Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows :

	2005	**2004**
	$'000	**$'000**
Sales of goods		
- related party	(49)	(115)
- associated company	(372)	(57)
Purchases of goods		
- related party	18	3
- associated company	9	–
Rental expense		
- related party	150	–

In addition to their salaries, certain Directors also participate in the Food Empire Holdings Limited Share Option Scheme. No (2004 : 400,000) share options were granted to the Directors of the Company in 2005. 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. 5,850,000 (2004 : 1,200,000) share options were outstanding to the Directors of the Company at the end of the year.

Compensation of key management personnel

During the year, apart from remuneration paid to Directors and key management, the Group did not enter into any significant transaction with related parties, who are not members of the Group except, as disclosed in Note 11.

27. Significant related party transactions (cont'd)

Compensation of key management personnel (cont'd)

	Group	
	2005	**2004**
	$'000	**$'000**
		(Restated)
Salaries, wages and other staff benefits	3,949	3,233
Central Provident Fund contributions	95	94
Cost of share-based payments	236	140
Total compensation paid to key management personnel	4,280	3,467
Comprise amounts paid to:		
• Directors of the Company	3,487	2,770
• Other key management personnel	793	697
Total compensation paid to key management personnel	4,280	3,467

The remuneration of key management personnel are determined by the remuneration committee having regard to the performance of individuals and market trends.

28. Financial instruments

Financial risk management objectives and policies

The Group is primarily exposed to credit, liquidity, interest rate 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.

28. Financial instruments (cont'd)

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operation and to mitigate the effects of fluctuations in cash flows.

Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risks that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Group has no significant interest-bearing assets and has no interest-bearing liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from sales or purchases or operating costs by operating units in currencies other than the unit's functional currency. Approximately 4% of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst 69% of purchases and operating costs are denominated in the unit's functional currency.

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 fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and bank balances, trade and other receivables, amounts due from subsidiary companies, amounts due from associated companies, amount due to a related party and trade and other payables approximate their fair values due to their short-term nature.

28. Financial instruments (cont'd)

Interest rate risk

The following tables set out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk:

2005 Group	**Within 1 year** $'000	**1 - 2 years** $'000	**2 - 3 years** $'000	**3 - 4 years** $'000	**4 - 5 years** $'000	**More than 5 years** $'000	**Total** $'000
Fixed rate							
Amount due from an associated company	623	–	–	–	–	–	623
Floating rate							
Cash and bank balances	17,198	–	–	–	–	–	17,198

2005 Company	**Within 1 year** $'000	**1 - 2 years** $'000	**2 - 3 years** $'000	**3 - 4 years** $'000	**4 - 5 years** $'000	**More than 5 years** $'000	**Total** $'000
Fixed rate							
Amount due from subsidiary companies	29,042	–	–	–	–	–	29,042
Floating rate							
Cash and bank balances	107	–	–	–	–	–	107

2004 Group	**Within 1 year** $'000	**1 - 2 years** $'000	**2 - 3 years** $'000	**3 - 4 years** $'000	**4 - 5 years** $'000	**More than 5 years** $'000	**Total** $'000
Fixed rate							
Amount due from an associated company	451	–	–	–	–	–	451
Floating rate							
Cash and bank balances	15,680	–	–	–	–	–	15,680

2004 Company	**Within 1 year** $'000	**1 - 2 years** $'000	**2 - 3 years** $'000	**3 - 4 years** $'000	**4 - 5 years** $'000	**More than 5 years** $'000	**Total** $'000
Fixed rate							
Amount due from subsidiary companies	16,470	–	–	–	–	–	16,470
Floating rate							
Cash and bank balances	83	–	–	–	–	–	83

29. Directors' remuneration

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

	Group	
	2005	**2004**
	$'000	**$'000**
$500,000 and above	4	3
$250,000 to $499,999	–	–
Below $250,000	4	3
Total	8	6

30. Comparative figures

Comparatives in the financial statements have been changed from the previous year due to the changes in accounting policies as described in Note 2.2 and to be consistent with current year's presentation.

The following comparative figures in the consolidated profit and loss statement have been:

(a) reclassified to better reflect the nature of the account and to conform to current year's classification; and/or
(b) restated due to changes in accounting policies as described in Note 2.2.

30. Comparative figures (cont'd)

	2004 As previously reported $'000	Effects of adoption of FRS 102 $'000	Effects of adoption of FRS 21 (*Revised*) $'000	Reclassification $'000	2004 As restated $'000
Changes in inventories of finished goods	(4,791)	_	(74)	_	(4,865)
Foreign exchange loss	1,923	_	(707)	_	1,216
Staff costs	14,935	332	_	(136)	15,131
Other operating expenses	40,254	_	3	136	40,393
Impact on decrease/(increase) in the profit for the year ended 31 December 2004		332[4]	(778)[4]		

4 Please refer to Note 2.2 (d) for details.

Shareholders' Information

as at 8 March 2006

Class of shares : Ordinary share of $0.05 each
Voting rights : One vote per share

Substantial Shareholders
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Tan Wang Cheow	55,700,000	14.32	56,062,000	14.41
Tan Guek Ming	56,062,000	14.41	55,700,000	14.32
Oon Peng Lim	28,720,000	7.38	10,000,000	2.57
Seah Chor Nah	10,000,000	2.57	28,720,000	7.38
Oon Peng Heng	33,500,000	8.61	10,000,000	2.57
Koh Puay Ling	10,000,000	2.57	33,500,000	8.61
Sudeep Nair	8,298,429	2.13	25,028,571	6.43
Irina Nair	–	–	33,327,000	8.57
Bestgate Investments Ltd	25,028,571	6.43	–	–

Notes:

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 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.
3. 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.
4. Mr. Sudeep Nair and Ms. Irina Nair are husband and wife. They are deemed interested in the shares held by Bestgate Investments Ltd.

As at 8 March 2006, 29.57% 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 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.

Shareholders' Information

as at 8 March 2006 (cont'd)

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	1,317	59.89	6,554,000	1.68
10,001 - 1,000,000	849	38.61	55,446,000	14.25
1,000,001 and above	33	1.50	327,085,000	84.07
Total	2,199	100.00	389,085,000	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Tan Guek Ming	56,062,000	14.41
2.	Tan Wang Cheow	55,700,000	14.32
3.	Oon Peng Heng	33,500,000	8.61
4.	Oon Peng Lim	28,720,000	7.38
5.	Bestgate Investments Ltd	25,028,571	6.43
6.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	11,977,000	3.08
7.	HSBC (Singapore) Nominees Pte Ltd	11,055,000	2.84
8.	Chan Meng Huat	10,850,000	2.79
9.	Koh Puay Ling	10,000,000	2.57
10.	Seah Chor Nah	10,000,000	2.57
11.	Sudeep Nair	8,298,429	2.13
12.	Oon Peng Lam	8,000,000	2.06
13.	Oon Peng Wah	7,800,000	2.00
14.	Tan Bian Chye	5,874,000	1.51
15.	Citibank Nominees Singapore Pte Ltd	4,294,000	1.10
16.	United Overseas Bank Nominees Pte Ltd	3,805,000	0.98
17.	Oon Poh Choo	3,636,000	0.93
18.	Merrill Lynch (Singapore) Pte Ltd	3,035,000	0.78
19.	DBS Nominees Pte Ltd	2,878,000	0.74
20.	Lau Bak Soon	2,845,000	0.73
	Total	303,358,000	77.96

Notice of Annual General Meeting

(Company Registeration No: 200001282G)
Incorporated in Singapore

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 Thursday, 20 April 2006 at 11am 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 2005 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of 0.5 Singapore cents per ordinary share less income tax and a special dividend of 1.375 Singapore cent per ordinary share less income tax for the year ended 31 December 2005 (2004: A first and final dividend of 0.5 Singapore cents per ordinary share less income tax and a special dividend of 1.0 Singapore cent per ordinary share less income tax). **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Articles 104 and 108 of the Company's Articles of Association:

Mr. Oon Peng Heng	(Retiring under Article 104)	**(Resolution 3)**
Mr. Ong Kian Min	(Retiring under Article 104)	**(Resolution 4)**
Mr. Sudeep Nair	(Retiring under Article 108)	**(Resolution 5)**

Mr. Ong Kian Min will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and member of Nominating Committee and Remuneration Committee and will be considered independent.

4. To pass the following Ordinary Resolution pursuant to Section 153(6) of the Companies Act, Cap. 50:
"That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr. Boon Yoon Chiang be re-appointed a Director of the Company to hold office until the next Annual General Meeting."
[See Explanatory Note (i)] **(Resolution 6)**

Mr. Boon Yoon Chiang will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered independent.

As Ordinary Business (cont'd)

5. To approve the payment of Directors' fees of S$125, 250.00 for the year ended 31 December 2005 (2004: S$121,500). **(Resolution 7)**

6. To re-appoint Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**

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 shares in the capital of the Company.

   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 to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued shares in the 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 shares in the 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 (ii)] **(Resolution 9)**

Notice of Annual General Meeting

(cont'd)

As Special Business

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 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 shares in the 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 (iii)] **(Resolution 10)**

By Order of the Board

Sebastian Tan Cher Liang
Tan San-Ju
Secretaries

Singapore, 3 April 2006

Explanatory Notes :

(i) The effect of the Ordinary Resolution 6 proposed in item 4 above, is to re-appoint a director who is over 70 years of age.

(ii) The Ordinary Resolution 9 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 shares in the 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 shares in the capital of the Company.

For the purpose of this resolution, the percentage of shares capital is based on the Company's issued shares in the capital of the company 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.

(iii) The Ordinary Resolution 10 proposed in item 9 above, if passed, will empower the Directors of the Company, from the date of this 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 revoke by the Company in general meeting, whichever is the earlier, to allot and issue ordinary shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued ordinary shares in the 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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Food Empire Holdings Limited
Co. Registration No: 200001282G
(Incorporated in the Republic of Singapore)

Proxy Form

(Please see notes overleaf before completing this Form)

I/We, ____

of ____

IMPORTANT:

1. For investors who have used their CPF monies to buy Food Empire Holdings Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.

2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

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 Thursday, 20 April 2006 at 101, Geylang Lorong 23 Prosper House #07-02 Singapore 388399 at 11a.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. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(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 2005		
2	Payment of a first and final dividend dividend		
3	Re-election of Mr. Oon Peng Heng as a Director		
4	Re-election of Mr. Ong Kian Min as a Director		
5	Re-election of Mr. Sudeep Nair as a Director		
6	Re-appointment of Mr. Boon Yoon Chiang as a Director		
7	Approval of Directors' fees amounting to S$125,250.00		
8	Re-appointment of Ernst & Young as Auditors		
9	Authority to allot and issue new shares		
10	Authority to allot and issue shares under the Food Empire Holdings Limited Share Option Scheme		

Dated this ______________________________day of __________2006

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 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 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 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.


Food Empire Holdings Limited has grown from size to stature. Its quality brands of more than 400 product items have transcended geographical boundaries and touched many lives. The World Recipe is a testimony of Food Empire's passion and enterprising spirit to continually unite the world as one.
Food Empire
101 Geylang Lorong 23
#05-03/04
Prosper House
Singapore 388399
AI097
MC-T100-024R
MacCoffee