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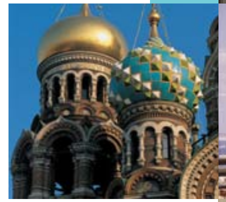
Food Empire
Expeditions



This expedition of discovery has taken us to almost every corner of the world, bringing the Food Empire experience to people. The multi-sensory experience that binds them to us. Uniting every creed, culture and religion, we will continue to blaze a path of discovery through new countries and places. We hope you will continue to enjoy the Food Empire taste and be enthralled in the future journey with us.

Food Empire

A WORLD TRAVELLER'S GUIDE

Food Empire Expeditions

AR 06

Food Empire

A WORLD TRAVELLER'S GUIDE

Food Empire Expeditions

The definitive guide for the worldly travellers

Embark on this journey with us

The Food Empire brand is about creating an experience - an experience that resonates strongly like a heartbeat in an individual's emotions, and strikes a chord in their life's travels.

This traveller's guide chronicles the passage of Food Empire. It speaks of the various touch points that gives consumers the multi-sensory experience whenever they savour a Food Empire product. Driven by a deep belief in our brand values, brand culture, brand mix and brand essence, the Food Empire brand constantly grows and creates a lasting affinity between our customers and our products. This is our undying commitment to quality and reinvention, thus making great products even better.

Through constantly challenging the unknown, often venturing into uncharted territories and taking the road less travelled, Food Empire has overcome countless obstacles and barriers in our quest to open new markets. Despite fierce competition in Russia, Eastern Europe and Central Asia, we still maintain our position as the people's choice for 3-in-1 coffee mix. Truly, "We came, We saw, We conquered."

Embark on this odyssey with us, and experience for yourself the single global language that Food Empire inspires through our more than 200 products.

We trust you will enjoy this expedition.

Food Empire
Expeditions

A WORLD TRAVELLER'S GUIDE

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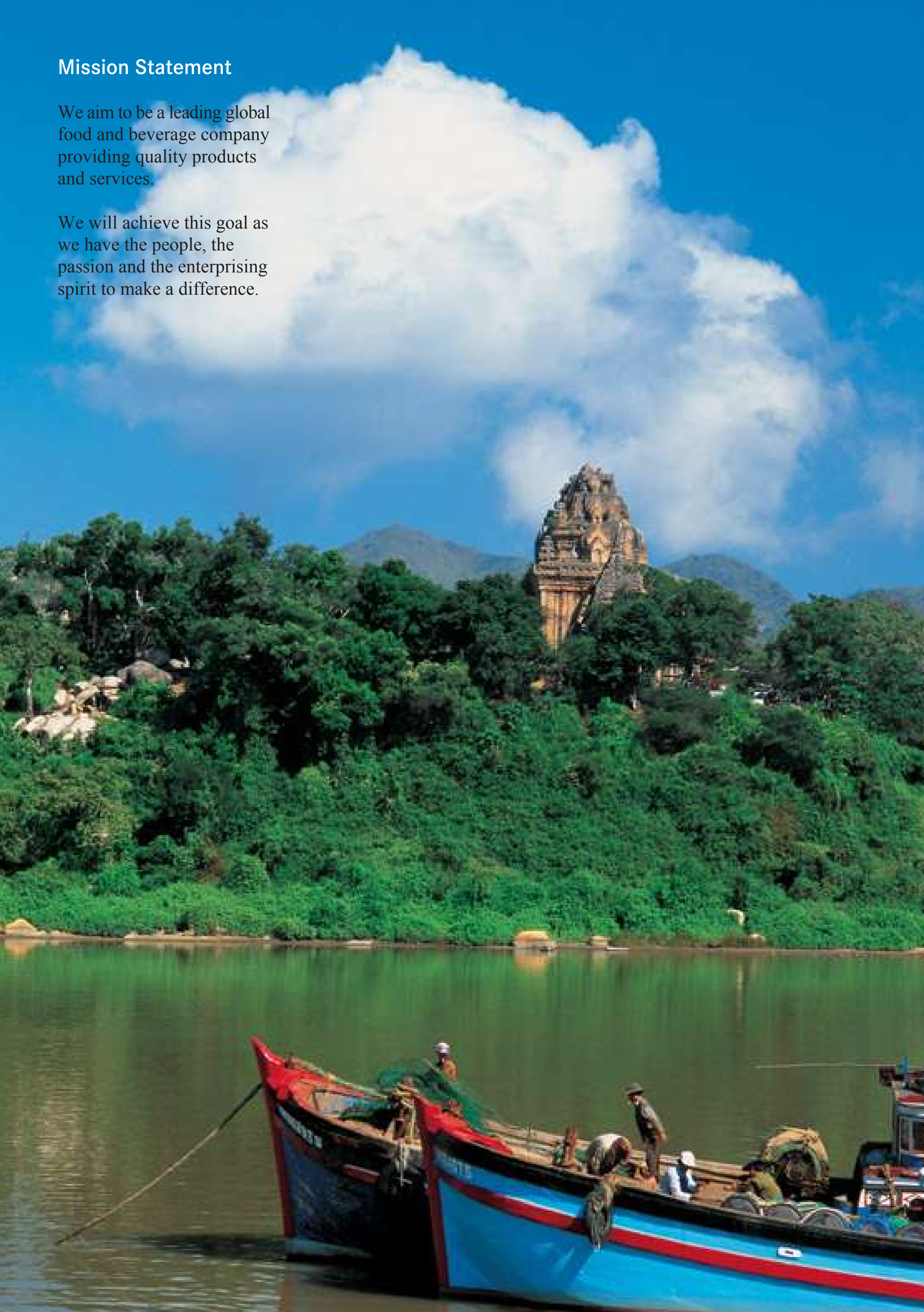
06

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.



Take time out for a moment of indulgence

Sunshine and snow, great plains and busy cities, bermuda shorts and winter wear – along with more than 50 countries beckon you to take time out for a moment of indulgence. It wouldn't be more contrasting – the vast differences of each country that Food Empire has our footsteps in.

Share a hearty moment with the affable Russians as you perform the Barynya, a fast Russian folk dance. Banter with the gregarious Ukrainians at street markets and get invited to their rural farm homes. Move among the herds and flocks of the semi-nomadic Kazaks as you embrace the melting pot of 130 ethnic groups and colourful cultures. Sit by the roadside cafés in Vietnam as you lose yourself among the morning chatter of the locals. Indeed, take the moment to enjoy the beauty and splendour that surrounds.

As the sensation of a thousand indescribable feelings courses through you, the harsh realities of life slowly seep away. Taken over by a bountiful freedom that embraces you like a cocoon, you start to lose yourself to the beauty of simplicity.

The journey is only just beginning…

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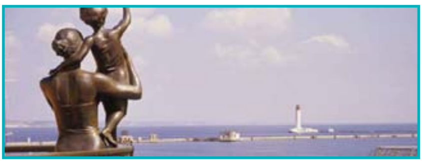
UKRAINE



KAZAKHSTAN

VIETNAM

FINANCIAL STATEMENTS

Russia

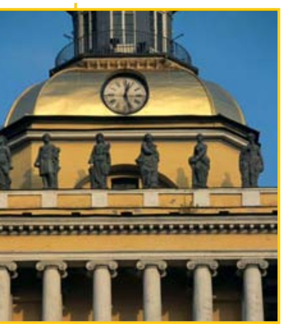
Befuddles and beguiles with every taste

A land of snow and harsh winters, but also of rivers that meander across meadows and a midsummer sun that never sets. You have just set foot at a composite of the extravagant glories of old Russia and the drab legacies of the Soviet era.

This first touch point brings us to Russia – offering the paradox of enthralling adventure and a tiring ordeal – from the imperial beauty of Moscow and St. Petersburg to the bleakly romantic Siberian countryside. It's time to awake your senses with a refreshing taste.

Culture and history

Russia's myriad ethnic groups collectively form a rich cultural stew, one that has added much flavour to the country's spiritual life via institutions such as the Orthodox Church, to Russian visual arts with their recurring religious and existential themes, and to the society-focused aesthetics of the national literature and performing arts.



Weather

Russia's extremes range from the frosts of the Siberian north to the heat of the European south. With no discernable spring or autumn, Russia has a dry continental climate. Siberian summers are surprisingly warm; it's the winters that make regions distinct. Major towns like Moscow and St Petersburg share similar pleasant summer temperatures. Spring in both cities brings the great thaw, the reappearance of vehicles on the road and a general sense of hustle and bustle.

Economy

By the turn of the millennium, Moscow could boast more billionaire residents than any other city except New York. Russia became the world's largest oil exporter outside of OPEC and, much to everyone's surprise, the economic climate brightened.

In recent years though, Russia has found itself growing enormously in influence and power through its astonishing energy reserves. Supplying oil and gas to much of Europe and providing fuel for China's economic boom has made Russia a big player in modern geopolitics. There has been a rapid growth in the logistics and warehousing sectors in Russia, fuelled by the country's economic growth and increase in consumer spending.

Tips

Water quality varies widely in Russia. Your best bet is to drink and brush your teeth with bottled water. And enjoy a steaming hot 3-in-1 MacCoffee while watching the snow falls gently around you.

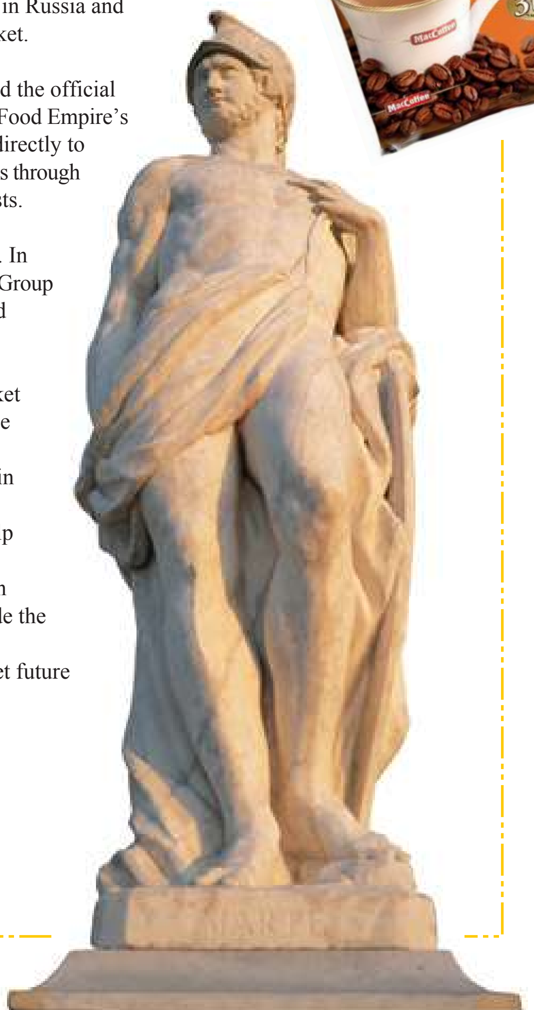
Food Empire in Russia

As the first mover into the Russian market, Food Empire was able to establish a firm foothold with our flagship MacCoffee range of 3-in-1 products. It is now a household name in Russia and the best selling 3-in-1 instant coffee in the market.

On 27 September 2006, Food Empire celebrated the official opening of our new Moscow plant. The plant is Food Empire's first outside of Asia, and will supply products directly to the Russian market, resulting in substantial savings through the reduction of import tariffs and transport costs.

The plant spans an area of 7,800 square meters. In addition to the cost of securing the premises, the Group has injected US$3.5 million into equipment and machinery in the plant.

The Russian market represented a large percentage of the Group's revenue in the FY2006. This new plant will help accelerate the Group's growth in Russia and provide the ability to expand production to meet future demands.



Chairman's Message

It is my pleasure to report to you on the performance of the Group for the financial year ended 31 December, 2006, which was a year where Food Empire achieved a record set of financial results and laid the foundation for the next phase of our growth.

Early in the year much of our attention was focused on the establishment of a new production facility in Russia. I am pleased to report that the factory is now fully operational. The factory is located in the Dimitrov Region, just outside of Moscow. The facility covers an area of 7,800 square meters and commenced operations in the first quarter of 2006. The factory employs over 350 people from the Dmitrov region and is capable of producing 100 million sachets of coffee per month.

This factory is Food Empire's first outside of Asia, and will supply products directly to the Russian market. In September, we celebrated the official opening of the factory with Singapore's Minister of Defence, Mr Teo Chee Hean as the Guest of Honour.

In order to secure stability to our manufacturing activities in Russia and to provide for possible future expansion, Food Empire acquired a 50% interest in the property on which our factory is located. The acquisition was approved at an EGM on November 6, 2006 and will ensure the long-term stability and continuity of our manufacturing activities in Russia. It also provides us with the ability to expand our manufacturing capacity in the future if we need to do so.

In August 2006, our company announced the placement of 39,200,000 new shares to Universal Integrated Corporation Consumer Products Pte Ltd (UICCP) – a company owned by the Salim Group. The placement of new shares raised more than S$22.3 million for the company. The funds raised from the placement will boost the working capital for business growth and will also fund potential projects for the Group.

The Salim Group is one of Asia's biggest conglomerates with interests in various industries including food processing like the manufacturing of instant noodles, dairy, flour milling, property development and retail. The Group hopes to tap on the expertise that the Salim Group has in the various industries and to explore possible collaboration opportunities.

During the year, we were fortunate to receive several acknowledgements and awards for our efforts. Our leading brand, MacCoffee, was awarded the "Choice of the Year" award in Ukraine, in recognition of the strong level of consumer support for the brand. In Singapore, Food Empire Holdings is once again recognized as one of the most valuable brands in Singapore. According to the "Singapore's Most Valuable Brands" award, our portfolio of brands are valued at S$98.4 million. We were also awarded the IE Singapore International 100 Award as one of the top overseas revenue generating companies in Singapore. In Russia, our flagship brand, MacCoffee, has been awarded the SuperBrand status in the B2C category. Our Group has also won the Star Packaging Award for 6 years consecutively.

In 2006, Food Empire reported a record performance with revenue up 27.2% to S$234.1 million. Net profit attributable to shareholders rose by 30.4% to $26.9 million. In recognition of our shareholder's support, the Board of Directors is proposing a total dividend of 1.875 cents comprising 0.275 cents (less 18% tax) plus 1.60 cents (1-tier tax exempt) per ordinary share.

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

Superbrand

SINGAPORE BRAND AWARD 06
Singapore's Most Valuable Brands
An initiative by IE Singapore

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. Specializing 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, Zinties 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 worldwide offices (liaison and representative) in Russia, Ukraine, Kazakhstan, Uzbekistan, Turkey, Iran, Poland, Belgium, Bahrain, Mongolia and Vietnam.

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 "The Most Valuable Brands Singapore" in 2003, 2004, 2005 and 2006 at the National Brand Award organized by IE Singapore. Food Empire with its current portfolio of quality brands is valued at S$98.4 million and ranked amongst top public listed companies with high sales turnover overseas in the Singapore International 100 and Singapore 1000/SME 500.

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)
Hartono Gunawan
(Non-Independent)
Koh Yew Hiap
(Non-Independent)
Lew Syn Pau
(Independent)
Ong Kian Min
(Independent)
Boon Yoon Chiang
(Independent)

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

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

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

Secretaries
Sebastian Tan Cher Liang
Tan San-Ju

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Samsung Hub
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Telephone number: 65-65365355
Fax number: 65-65361360

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Singapore 388399
Telephone number: 65-67448911
Fax number: 65-67442116

Share Registrar
Lim Associates (Pte) Ltd
3 Church Street #08-01
Samsung Hub
Singapore 049483
Telephone number: 65-65365355
Fax number: 65-65361360

Auditors
Ernst & Young
1 Raffles Quay
North Tower Level 18
Singapore 048583

Audit Partner-in-charge
Tan Chian Khong
(w.e.f. 31 December 2005)

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 Federation 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.

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 Hartono Gunawan was appointed as a Non-Executive Director of Food Empire from 15th September 2006. He was appointed an Executive Director of the Salim Group in 1990. Since then, he has served and continues to sit on the Board of Commissioners and the Board of Directors of various Indonesian companies with the Salim Group. In his capacity, he is responsible for the overall corporate governance of the Salim Group including setting its direction, establishing goals for management and monitoring the achievement of those goals. Over the years as an Executive Director in the Salim Group, he has spearheaded numerous investment projects in Indonesia, Russia, China, Europe, Thailand, Vietnam, Malaysia, Philippines, Thailand, Australasia, and holds principal directorship in the corporate and other business entities overseeing such investments.

Mr Koh Yew Hiap was appointed as a Non-Executive Director of Food Empire Holdings Limited on 1st March 2007. He is the Managing Director of Universal Integrated Corporation Consumer Products Pte Ltd and United Detergent Industries Sdn Bhd. He was the Group General Manager and Executive Director of Universal Integrated Corporation Consumer Products Pte Ltd from 2002. He was a Director of Networld Pte Ltd, UIC Printing & Packaging Pte Ltd, Active Building & Civil Construction (1985) Pte Ltd and CITIC-UIC Investment Pte Ltd.

Directors' Profile

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.

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).

Ukraine

A frenetic future beckons... amidst a setting of tradition and history

Hurl yourself back to the yesteryears as you examine the settings of a rural Ukraine farmhouse. Savour the simplicity of life as humble folks go about their daily routine with little fuss. Look beyond the horizon; catch a glimpse of that majestic church calling out to you. It's all the variety, beauty and old-world charm along with the space and tranquility you dream of.

Ukraine is ushering in a new era, as a rousing sense of rebellion and thirst for change lingers in the air. In the frenetic capital, Kyiv, citizens flaunt bold fashions and fresh attitudes as they smoke, drink, dance and sing wherever and whenever they want. The country is coming alive to a brand new vibe – prepare your taste buds.

Culture and history

Ukraine has long been a crossroads between Europe, Arabia and the Orient, and the modern Ukrainians have acquired a strong Asiatic and Arabic look. The culture of Ukraine has been formed by influences of its eastern and western neighbours, and the architecture, music and dance of Ukraine all reflect this.

Tips

Bring flowers if you have a date with the local womenfolk. Flowers play a much more important role in Ukraine than they do in the West. Make her melt; share a mug of MacChocolate with her.

Weather

Ukraine has the typical harsh eastern European winter; however, it is shorter than most countries of this region. The northern parts of the Ukraine see the temperature rise from an icy range of -10 to -4°C in January to a comfortable 15-25°C range in July. The southern regions are just that bit friendlier, with cold but still milder winters and slightly warmer summers. Moderate rainfall occurs the year round but is nowhere particularly heavy at any time.

Classified by the World Bank as a lower-middle income state, the rapidly growing Ukrainian economy has a very interesting emerging market with a relatively big population, and large profits buoyed by a booming Ukrainian Stock Market.

Economy

In 2005, the economic growth temporary slowed down due to unfavorable changes in terms of trade, as world energy prices went up and metal prices went down. In 2006, the economy was again experiencing above 5% growth. The growth was under girded by strong domestic demand and growing consumer and investor confidence.

Food Empire in Ukraine

We have taken a strong view towards enhancing our branding in Ukraine. Through strategic branding activities such as sponsorship of car rallies, various promotional and marketing activities, Food Empire has managed to bond with the locals by linking our products with their lifestyle. Our particularly robust growth in this market is a glowing testament to this successful brand strategy that we have undertaken.

Operations Review

Performance Review

Food Empire ended 2006 with record revenue and profit and a strong balance sheet.

Revenue rose by 27.2% to S$234.1 million and net profit attributable to shareholders rose by 30.4% to $26.9 million. Earnings per share on a fully diluted basis rose by 18.4% from 5.54 cents to 6.56 cents.

It is important to note that the 2005 profit included a one off gain of $3.4 million from the sale of a business. If this is taken into consideration, the profit increase achieved in 2006 would be higher.

The record sales performance was driven by strong demand for Food Empire's beverages, especially the MacCoffee range of products.

Sales of beverage products constitute the majority of Food Empire's revenue. Food Empire manufactures a range of beverage products including 3 in 1 instant coffee, cappuccino, tea and chocolate.

Operations Review

Beverage sales increased by $47.3 million to $217.8 million with the best-selling 3 in 1 coffee mix products continuing to grow in popularity. The performance of the MacChocolate product was very encouraging.

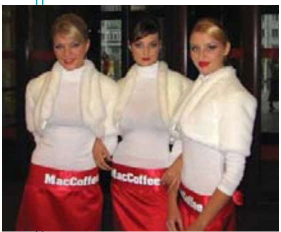
Food Empire also produces a range of non-beverage products including confectionery, snack foods and frozen convenience food products. Sales of non-beverage products increased by 20.6% due to increased demand for snack foods. Food Empire's snack food products are marketed under the Kracks and MacFood brands.

The cost of raw materials remained high although prices did fluctuate throughout the year. Food Empire has responded to the impact of rising prices by using its purchasing power to negotiate better prices.

Food Empire increased expenditure on brand building activities in 2006. These activities include advertising such as the Nationwide Consumer Promotion Campaigns held in Ukraine, promotions, point of sale collateral, sponsorships and events. Brand building activities are the key to Food Empire securing the long-term loyalty of consumers. The increase in brand building activities is the primary reason why Other Operating Expenses rose by 16% to S$56.7 million.

Operations Review

The Group finished the year with low gearing and a strong balance sheet. Net assets after minority interests were S$139 million as at 31st December 2006. Net Asset Value per share increased by 25% from 25.63 cents per share to 32.11 cents per share.



The proceeds from the sale of new shares generated S$22.3 million resulting in a cash and bank balance of S$36.3 million.

A Global Company

Food Empire operates in many exciting emerging markets such as Russia, Ukraine, Kazakhstan, Middle East and Vietnam. These markets are all enjoying strong economic growth. Food Empire is also benefiting from the growing popularity of coffee in many of these emerging countries.

The majority (55.8%) of Food Empire's sales was in Russia. Sales to Russia increased by 17.8% to S$130.7 million on the back of the increasing popularity of MacCoffee as well as other beverage products.

Eastern Europe and Central Asia is the second largest market contributing 38.1% of revenue. Sales to this region increased by 45.4% to S$89.1 million.

The major contributor was Ukraine where sales increased by 53% due to a series of successful promotions and other brand building activities.

Sales to other markets increased from S$11.7 million to S$14.3 million due to increased demand for frozen convenience food products.

Outlook

Food Empire operates in emerging markets where its business may be meeting challenging market conditions at any time. However, Food Empire has shown in the past that its management team has the experience and agility of responding to changing market conditions in these markets.

In 2007, Food Empire plans to grow its market share and distribution network, particularly in its two largest markets of Russia and Ukraine.

A major focus will be placed on brand building activities. These activities are crucial to winning and keeping the support of consumers.

Kazakhstan

A bewitching, dream-like landscape for that special moment

Stand among the varied landscape that stretches from the mountainous, heavily populated regions of the east to the sparsely populated, energy-rich lowlands in the west. Traverse from the industrialised north, with its Siberian climate and terrain, through the arid, empty steppes of the centre, to the fertile south. An amazing spectacle that will hold you spellbound awaits.

It's a vast expanse of remoteness, wide-open spaces, coupled with lunar landscapes and long hypnotic train rides. Embrace the beauty as time comes to a standstill. Have a sip, sit back, reflect and enjoy the moment.

Culture and history

Before the Russian conquest, the Kazaks had a well-articulated culture based on their nomadic pastoral economy. Although Islam was introduced to most of the Kazaks in the seventeenth and eighteenth centuries, the religion was not fully assimilated until much later. Traditional Kazak belief held that separate spirits inhabited and animated the earth, sky, water, and fire, as well as domestic animals. To this day, particularly honored guests in rural settings are treated to a feast of freshly killed lamb.

Weather

Kazakhstan doesn't mess around when it comes to summer and winter. A July day in the desert will likely be around the 32°C mark, plunging to about half that at night. In winter the day might get to -9°C before it dives to an icy

-15°C at night. Expect more rainfall, particularly in the east around April - May. Snow starts to fall around November and the mountain passes fill with snow until April, some times even May.

Economy
A huge country covering a territory equivalent to the whole of Western Europe, Kazakhstan has vast mineral resources and enormous economic potential. The economy continues to grow at a rate of over 9% a year on the back of its oil and gas reserves, largely concentrated in the Caspian Sea region. Oil exports are increasingly headed for China, thanks to a new 962km pipeline running the entire width of the country.

Food Empire in Kazakhstan
We continue to do well in the Kazakhstan market, maintaining our position as the leading 3-in-1 coffee mix brand. Through sales and promotional campaigns, the launch of MacChocolate and MacTea was met with overwhelming responses as the locals took to them warmly.

Tips

Show respect when people are praying - sit down and don't talk until the prayer has finished. After it is over, offer a mug of MacTea to them. Watch their eyes light up.

Financial Highlights

For the year ended 31 December 2006

(S$'000)	2006	2005	2004	2003	2002
Revenue	234,124	184,011	160,389	139,590	112,090
Profit Before Taxation and Minority Interests	29,982	24,416	22,206	13,443	19,921
Net Profit	26,859	20,602	15,693	10,163	14,794

	2006	2005	2004	2003	2002
Financial Indicators					
Debt to Equity Ratio	0.1%	0.0%	0.0%	0.0%	0.1%
Working Capital Ratio	4.4	3.6	3.4	4.4	3.3
Quick Ratio	3.2	2.2	2.1	2.6	1.6
EDITDA Margin	13.8%	14.2%	14.8%	10.8%	18.9%
EPS (cents)	6.56	5.54	4.44	2.95	4.30
NAV per share (cents)	32.11	25.63	19.79	16.57	14.63

Revenue By Geographical Regions

(S$'000)	2006	2005	2004	2003	2002
Russia	130,737	110,987	98,277	77,560	61,097
Eastern Europe & Central Asia	89,115	61,306	48,344	51,446	36,864
Others	14,272	11,718	13,768	10,584	14,129
	234,124	184,011	160,389	139,590	112,090

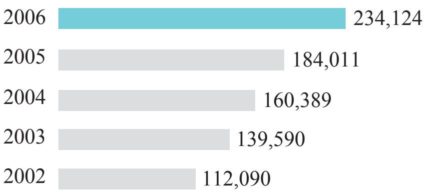
Revenue By Product Group

(S$'000)	2006	2005	2004	2003	2002
Beverages	217,785	170,468	143,640	127,735	100,312
Non-Beverages	16,339	13,543	16,749	11,855	11,778
	234,124	184,011	160,389	139,590	112,090

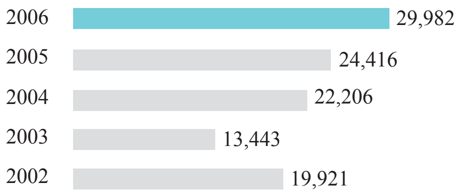
Financial Highlights

For the year ended 31 December 2006

Group Revenue (S$'000)

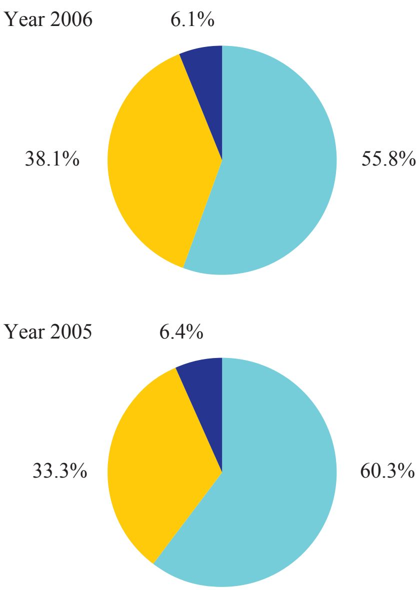


Group Profit Before Tax (S$'000)



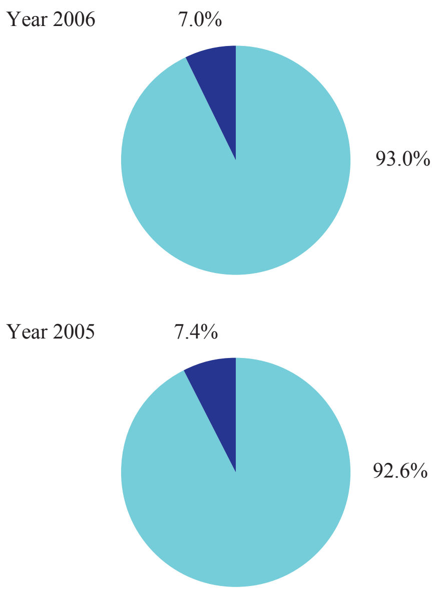
Contribution To Revenue

(by Geographical Region)



Contribution To Revenue

(by Product Group)



Russia Eastern Europe & Central Asia Others Beverages Non-Beverages

Vietnam

Luscious beauty that captivates every sensory gland

Divine beaches along the coast, soaring mountains in the inland, cloaked by dense, misty forests. Behold the sight and set your imagination racing. Be overwhelmed by the sublime beauty of the country's natural setting: the Red River Delta in the north, the Mekong Delta in the south and almost the entire coastal strip of brilliant green rice paddies tended by women in conical hats.

Vietnam offers you an opportunity to see a country of traditional charm and rare beauty rapidly opening up to the outside world. Take a motorbike ride through the old world streets, and experience for yourself what the buzz is all about. Our last stop promises to infuse your senses with the aromatic blend of colours, noise and smell.

Culture and history

Four great philosophies and religions have shaped the spiritual life of the Vietnamese people: Confucianism, Taoism, Buddhism and Christianity. Over the centuries, Confucianism, Taoism and Buddhism have melted with popular Chinese beliefs and ancient Vietnamese animism to form what is known as Tam Giao (or 'Triple Religion').

Weather

With a multitude of altitudes and latitudes there's always somewhere that is pleasantly sunny and warm if you're prepared to find it. Temperatures are usually hot and humid, but if you head north and along the coast they cool down to comfortable temperatures towards January. The weather is determined by two climates: the wintry and colder temperatures at the northeast, with dryer and warmer temperatures to the south.

Economy

With 60 percent of Vietnam's population under 30 years old, and its high literacy rate of 96 percent, Vietnam is increasingly getting a high share of global investors. Through an economy growing at nearly double-digit numbers, Vietnam is also beginning to face shortages in manpower, like China and India. The country's entry into the World Trade Organization (WTO) by the end of 2006, coupled with its pro-business policy, Vietnam looks set to shore up more investments in the days ahead. Vietnam, a one-party communist state, has one of South-east Asia's fastest-growing economies and has set its sights on becoming a developed nation by 2020.

Food Empire in Vietnam

Food Empire has been in Vietnam for about a decade now and we are one of the top imported coffee brands. We have a factory within the Vietnam-Singapore Industrial Park (VSIP) near Ho Chi Minh City which was set up in 2005 and the wholly-owned manufacturing operation is to cater to the local demand for Food Empire products in Vietnam.

Tips

The best way to fuse yourself into the Vietnam lifestyle and culture is to join the locals in a spot of morning tea – a MacTea at that. Share a special moment with them through this experience.

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	
Mdm. Tan Guek Ming	Non-Executive Director	
Mr. Hartono Gunawan	Non-Executive Director	Appointed Date: 15 September 2006
Mr. Koh Yew Hiap	Non-Executive Director	Appointed Date: 1 March 2007
Mr. Lew Syn Pau	Independent Director	
Mr. Ong Kian Min	Independent Director	
Mr. Boon Yoon Chiang	Independent Director	

A) Board Matters
Principle 1: Effective Board to lead and control the Company
The principal functions of the Board are:

1) Supervising the management of the business and affairs of the Company and the Group;
2) Approving Board policies, overall strategic 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 management;
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")

Corporate Governance

(cont'd)

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 FY2006 as well as the frequency of these meetings, are disclosed as follow:

Meeting	Board	Audit Committee	Nominating Committee	Remuneration Committee	Share Option Committee Note A
Tan Wang Cheow	7/7	N/A	2/2	1/1	0/0
Oon Peng Lim	6/7	N/A	N/A	N/A	0/0
Oon Peng Heng	7/7	N/A	N/A	N/A	0/0
Ong Kian Min	6/7	5/5	1/2	1/1	0/0
Lew Syn Pau	7/7	5/5	2/2	1/1	0/0
Tan Guek Ming *	7/7	5/5	N/A	N/A	0/0
Sudeep Nair	5/7	N/A	N/A	N/A	N/A
Boon Yoon Chiang **	6/7	5/5	1/1	N/A	N/A
Hartono Gunawan#	1/1	N/A	N/A	N/A	N/A

Notes:

Note A: There is no Share Option Meeting for 2006.
Mr. Hartono Gunawan was appointed as an Non-Executive Director of the Company on 15 September 2006.
* Mdm Tan Guek Ming was appointed a member of the Remuneration Committee on 1/3/2006.
** Mr. Boon Yoon Chiang was appointed a member of the Nominating Committee on the 21/2/2006 and a member of the Remuneration Committee on 1/3/2006.

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 16 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.

Corporate Governance

(cont'd)

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 ten Directors, three of whom are independent. Mr Oon Peng Lim has indicated that he is not seeking re-election at this Annual General Meeting, the Board continues to have 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	√		√		
Hartono Gunawan	√	√	√		
Koh Yew Hiap	√	√	√		

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, who as a group,

Corporate Governance
(cont'd)

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

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 ten 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
Mr. Tan Wang Cheow	Executive Director

Corporate Governance

(cont'd)

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
Oon Peng Heng	20 April 2006
Lew Syn Pau	20 April 2005
Ong Kian Min	20 April 2006
Tan Guek Ming	27 April 2004
Sudeep Nair	20 April 2006
Boon Yoon Chiang	20 April 2006
Hartono Gunawan	Appointed on 15 September 2006
Koh Yew Hiap	Appointed on 01 March 2007
Tan Wang Cheow - Chairman & Managing Director	Not subject to re-election under existing Articles of Association

Corporate Governance

(cont'd)

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

Corporate Governance

(cont'd)

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
Mdm.Tan Guek Ming	Non-Executive Director

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 an increase in the Directors' fees in FY2006 for the Non-Executive Directors as 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.

Corporate Governance

(cont'd)

G) Remuneration Matters (cont'd)
Directors & Key Executives Remuneration

2006

Directors' Remuneration	Salary/CPF/ Allowances	Bonus	Share of profit	Director fee	Total
$1,000,000 & above					
Tan Wang Cheow	16%	4%	80%		100%
Sudeep Nair	33%	5%	62%		100%
$750,000 & above					
Oon Peng Lim	27%	7%	66%		100%
Oon Peng Heng	25%	6%	69%		100%
Below $250,000					
Boon Yoon Chiang				100%	100%
Lew Syn Pau				100%	100%
Ong Kian Min				100%	100%
Tan Guek Ming				100%	100%
Hartono Gunawan				100%	100%

Remuneration of Top 5 Key executives	
$250,000 to $499,999	3
Below $250,000	2

Remarks: During the FY 2006, there is no share option granted.

2005

Directors' Remuneration	Salary/CPF/ Allowances	Bonus	Share of profit	Director 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					
Boon Yoon Chiang				100%	100%
Lew Syn Pau				100%	100%
Ong Kian Min				100%	100%
Tan Guek Ming				100%	100%

2005 Remuneration of top 5 key executives	
Below $250,000	5

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

Corporate Governance

(cont'd)

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 a regular 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
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 Financial and Corporate Advisor 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;

Corporate Governance

(cont'd)

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.

Corporate Governance

(cont'd)

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.

The Committee is in the process of establishing the whistle-blowing where staff of the Group may, in confidence, raise concerns about possible inproprieties in matters of financial reporting, fraudulent acts and other matters and ensure that arrangements are in place for independent investigations of such matters and for appropriate follow-up actions.

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.

C.C.Yang & Associates has been appointed as internal auditors to access the adequacy of internal controls. They conduct reviews on the effectiveness of the Group's internal control systems covering the financial, operational, compliance controls and risk management annually.

The AC reviews and approves the internal audit scope and plan. The internal auditors report directly to the AC. Internal control weaknesses identified during the internal audit reviews and the recommended corrective actions are reported to the AC periodically.

The internal auditors completed a review during the last financial year ended 31 December 2006. The findings and recommendations of the internal auditors were reported to and have been reviewed and discussed by the AC.

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.

Corporate Governance

(cont'd)

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 the AGM, 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.

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.

Corporate Governance

(cont'd)

SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2006 (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. 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.

The Company has complied with its Best Practices Guide on Securities Transactions.

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 55.8% of our turnover in 2006. 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.

Corporate Governance

(cont'd)

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 2.5% 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 89.5% as 89.5% 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.

Corporate Governance

(cont'd)

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 and rewarding the existing key management personnel who contribute to the success of the Group.

Corporate Governance

(cont'd)

iii Risk Management Policies and Processes (cont'd)

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 transactions during the financial year under review (excluding transcations less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
OOO SNB Invest				
Rental expense	845	150	-	-
Interest income	(24)	-	-	-

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 2006.

Directors
The Directors of the Company in office at the date of the report are:

Tan Wang Cheow	
Oon Peng Lim	
Oon Peng Heng	
Sudeep Nair	
Tan Guek Ming	
Lew Syn Pau	
Ong Kian Min	
Boon Yoon Chiang	
Hartono Gunawan	(Appointed on 15 September 2006)
Koh Yew Hiap	(Appointed on 1 March 2007)

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' Report
(cont'd)

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

	Shares held in the name of the Directors		Shareholdings in which Directors are deemed to have an interest		Shares held in the name of the Directors	Shareholdings in which Directors are deemed to have an interest
Name of Director	**At the beginning of the year**	**At the end of the year**	**At the beginning of the year**	**At the end of the year**	**As at 21 January 2007**	**As at 21 January 2007**
The Company						
Ordinary shares						
Tan Wang Cheow	55,700,000	43,700,000	55,862,000	56,062,000	43,700,000	56,062,000
Oon Peng Lim	28,720,000	11,720,000	10,000,000	-	11,720,000	-
Oon Peng Heng	33,500,000	23,500,000	10,000,000	10,000,000	23,500,000	10,000,000
Sudeep Nair	8,298,429	3,298,429	*25,028,571	*25,028,571	3,298,429	*25,028,571
Tan Guek Ming	55,862,000	56,062,000	55,700,000	43,700,000	56,062,000	43,700,000
Lew Syn Pau	200,000	680,000	-	-	280,000	-
Ong Kian Min	-	480,000	-	-	480,000	-

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

Options to subscribe for ordinary shares 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 exercisable between 14 March 2004 to 13 March 2007 at $0.17 per share

Lew Syn Pau	400,000	-	-	-	-	-
Ong Kian Min	400,000	-	-	-	-	-

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

Lew Syn Pau	200,000	120,000	-	-	120,000	-
Ong Kian Min	200,000	120,000	-	-	120,000	-

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

Directors' Report

(cont'd)

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 at the end of the financial year.

Except as disclosed in this report, there was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2007.

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.

Directors' Report

(cont'd)

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 1.1.2006	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 31.12.2006	Exercise price per share $	Exercise period
2002 Options	33	5,170,000	-	(360,000)	(1,890,000)	2,920,000	0.17	14 March 2004 to 13 March 2012
2002 Options	2	800,000	-	-	(800,000)	-	0.17	14 March 2004 to 13 March 2007
2003 Options	1	500,000	-	-	-	500,000	0.27	4 June 2005 to 13 March 2012
2004 Options	2	400,000	-	-	(160,000)	240,000	0.275	25 May 2006 to 24 May 2009
2004 Options	46	11,475,000	-	(400,000)	(1,180,000)	9,895,000	0.275	25 May 2006 to 24 May 2014
	84	18,345,000	-	(760,000)	(4,030,000)	13,555,000		

Directors' Report

(cont'd)

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	(480,000)	-	120,000
- Ong Kian Min	600,000	(480,000)	-	120,000
Participant who received more than 5% of total options available				
- Sudeep Nair #	4,650,000	-	-	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.

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 Heng Director

Singapore
14 March 2007

Statement by Directors

We, Tan Wang Cheow and Oon Peng Heng, 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, statements of changes in equity and consolidated statement of cash flow together with the notes thereto 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 2006 and the results of the business, 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.

On behalf of the Board of Directors,

Tan Wang Cheow	Oon Peng Heng
Director	Director

Singapore
14 March 2007

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 subsidiaries (collectively, the "Group"), set out on pages 58 to 118, which comprise the balance sheets of the Group and the Company as at 31 December 2006, statements of changes in equity of the Group and the Company, the profit and loss account and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' Report

to the Members of Food Empire Holdings Limited (cont'd)

Opinion

In our opinion,

(a) the consolidated financial statements of the Group and the balance sheet and statements of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 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 2006 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the 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 subsidiaries 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 2007

Consolidated Profit and Loss Account

for the year ended 31 December 2006

	Note	2006 $'000	2005 $'000
Revenue	3	234,124	184,011
Other income		1,301	499
Changes in inventories of finished goods		(3,576)	(224)
Raw materials and consumables used		(117,509)	(95,095)
Staff costs	4	(23,904)	(17,358)
Impairment loss on property, plant and equipment		(2)	(311)
Depreciation of property, plant and equipment		(1,877)	(1,779)
Foreign exchange (loss)/gain		(2,725)	429
Other operating expenses		(56,746)	(48,927)
Finance costs	5	(437)	(25)
Share of profit of associated companies		1,243	3,196
Profit from operations before taxation		29,892	24,416
Taxation	6	(3,303)	(2,106)
Profit for the year	7	26,589	22,310
Attributable to:			
Shareholders of the Company		26,859	20,602
Minority interests, net of taxation		(270)	1,708
		26,589	22,310
Earnings per share			
Basic earnings per share (in cents)	9	6.66	5.60
Diluted earnings per share (in cents)	9	6.56	5.54

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

Balance Sheets

as at 31 December 2006

	Note	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Non-Current Assets					
Property, plant and equipment	10	17,582	15,802	-	-
Investments in subsidiary companies	11	-	-	12,519	12,519
Investments in associated companies	12	11,330	4,701	1,647	979
Intangible assets	13	10,244	11,115	-	-
Deferred tax assets	14	299	1,386	-	-
		39,455	33,004	14,166	13,498
Current Assets					
Cash and bank balances	15	36,305	17,198	105	107
Trade receivables	16	59,356	35,436	-	-
Other receivables	17	6,236	6,000	155	227
Amounts due from subsidiary companies (non-trade)	18	-	-	56,117	29,042
Amounts due from associated companies (trade)	19	474	205	-	-
Amounts due from associated companies (non-trade)	19	483	623	-	-
Inventories	20	36,433	37,059	-	-
		139,287	96,521	56,377	29,376
Current Liabilities					
Trade payables and accruals	22	(27,851)	(24,997)	(402)	(353)
Interest-bearing loans and borrowings	21	(1,532)	-	(1,532)	-
Other payables	22	(94)	(370)	-	(324)
Amount due to a related party (trade)	19	-	(2)	-	-
Provision for taxation		(2,335)	(1,625)	(102)	-
		(31,812)	(26,994)	(2,036)	(677)
Net Current Assets		107,475	69,527	54,341	28,699
Non-Current Liabilities					
Interest-bearing loans and borrowings	21	(5,620)	-	(5,620)	-
Deferred tax liabilities	14	(631)	(633)	-	-
		(6,251)	(633)	(5,620)	-
Net Assets		140,679	101,898	62,887	42,197
EQUITY					
Share capital	23	60,622	19,454	60,622	19,454
Reserves		78,180	80,273	2,265	22,743
		138,802	99,727	62,887	42,197
Minority interest		1,877	2,171	-	-
Total equity		140,679	101,898	62,887	42,197

The accompanying 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 2006

Attributable to equity holders of the Company

	Share capital $'000	Share premium $'000	Foreign currency translation reserve $'000	Asset revaluation reserve $'000	Share-based payment reserve $'000	Accumulated profits $'000	Total $'000	Minority interests $'000	Total equity $'000
Group									
2005									
Balance as at 1 January 2005	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 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 accompanying 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 2006 (cont'd)

Attributable to equity holders of the Company

	Share capital $'000	Share premium $'000	Foreign currency translation reserve $'000	Asset revaluation reserve $'000	Share-based payment reserve $'000	Accumulated profits $'000	Total $'000	Minority interests $'000	Total equity $'000
Group									
2006									
Balance as at 1 January 2006	19,454	17,843	(979)	-	902	62,507	99,727	2,171	101,898
Foreign currency translation differences	-	-	(5,537)	-	-	-	(5,537)	(24)	(5,561)
Net surplus on revaluation of property	-	-	-	91	-	-	91	-	91
Net income recognised directly in equity	-	-	(5,537)	91	-	-	(5,446)	(24)	(5,470)
Net profit for the year	-	-	-	-	-	26,859	26,859	(270)	26,589
Total recognised income and expenses for the year	-	-	(5,537)	91	-	26,859	21,413	(294)	21,119
Transfer of share premium reserve to share capital (Note 23)	17,843	(17,843)	-	-	-	-	-	-	-
Value of employee services received for issue of share options	-	-	-	-	348	-	348	-	348
Dividends paid to shareholders of the Company (Note 8)	-	-	-	-	-	(5,856)	(5,856)	-	(5,856)
Exercise of share options	155	-	-	-	(155)	-	-	-	-
Issuance of ordinary shares	23,170	-	-	-	-	-	23,170	-	23,170
Balance as at 31 December 2006	**60,622**	**-**	**(6,516)**	**91**	**1,095**	**83,510**	**138,802**	**1,877**	**140,679**

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

Statement of Changes in Equity

for the year ended 31 December 2006

	Share capital $'000	Share premium $'000	Share-based payment reserve $'000	Accumulated profits $'000	Total equity $'000
Company					
2005					
Balance as at 1 January 2005	17,457	6,703	346	6,808	31,314
Net profit for the year	-	-	-	1,415	1,415
Total recognised income 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
2006					
Balance as at 1 January 2006	19,454	17,843	902	3,998	42,197
Net profit for the year	-	-	-	3,028	3,028
Total recognised income for the year	-	-	-	3,028	3,028
Transfer of share premium reserve to share capital (Note 23)	17,843	(17,843)	-	-	-
Value of employee services received for issue of share options	-	-	348	-	348
Issuance of ordinary shares	23,170	-	-	-	23,170
Dividends paid to shareholders of the Company (Note 8)	-	-	-	(5,856)	(5,856)
Exercise of share options	155	-	(155)	-	-
Balance as at 31 December 2006	60,622	-	1,095	1,170	62,887

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

Consolidated Cash Flow Statement

for the year ended 31 December 2006

	2006 $'000	2005 $'000
Cash flows from operating activities		
Profit from operations before taxation	29,892	24,416
Adjustments for:		
Depreciation of property, plant and equipment	1,877	1,779
Gain on disposal on property, plant and equipment	(51)	(2)
Interest income	(304)	(87)
Interest expenses	437	25
Exchange realignment	(3,747)	351
Impairment loss on property, plant and equipment	2	311
Share of profit of associated companies	(1,243)	(3,196)
Value of employee services received for issue of share options	348	556
Operating profit before working capital changes	27,211	24,153
Increase in receivables	(24,156)	(8,525)
Decrease/(increase) in inventories	626	(5,153)
Increase in payables	2,576	4,530
Cash flows generated from operations	6,257	15,005
Income taxes paid	(1,391)	(3,979)
Net cash flows from operating activities	4,866	11,026
Cash flows from investing activities		
Interest income received	304	87
Purchase of property, plant and equipment	(4,656)	(3,799)
Proceeds from sale of property, plant and equipment	226	5
Investments in associated companies	(5,517)	(162)
(Increase)/decrease in amounts from associated companies	(145)	266
Net cash flows used in investing activities	(9,788)	(3,603)

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

Consolidated Cash Flow Statement

for the year ended 31 December 2006 (cont'd)

	2006 $'000	2005 $'000
Cash flows from financing activities		
Interest expenses paid	(437)	(25)
Dividends paid to shareholders of the Company	(5,856)	(4,225)
Dividends paid to minority shareholders of subsidiary companies	-	(2,360)
Proceeds from issuance of shares	23,170	705
Proceeds from interest-bearing loans and borrowings	7,152	-
Net cash flows generated from/(used in) financing activities	24,029	(5,905)
Net increase in cash and cash equivalents	19,107	1,518
Cash and cash equivalents at beginning of year (Note 15)	17,198	15,680
Cash and cash equivalents at end of year (Note 15)	36,305	17,198

Major non-cash transactions

(i) During the year, the Group disposed of property, plant and equipment with aggregate net book values of $175,000 (2005: $24,000) for a sale consideration of $226,000 (2005: $26,000), of which $226,000 (2005: $5,000) has been received and Nil (2005: $21,000) is receivable at the end of the year.

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

Notes to the Financial Statements

31 December 2006

1. Corporate information

The financial statements of Food Empire Holdings Limited (the "Company") for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the Directors on 14 March 2007.

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

The registered office of the Company is located at 3 Church Street, #08-01, Samsung Hub, Singapore 049483. 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. Summary of 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 instruments 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.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.2 FRS and INT FRS not yet effective

The Group and the Company have not applied the following FRS and INT FRS that have been issued but not yet effective:

			Effective date (Annual periods beginning on or after)
FRS 1	:	Amendment to FRS 1 (revised)	
		Presentation of Financial Statements (Capital Disclosures)	1 January 2007
FRS 40	:	Investment Property	1 January 2007
FRS 107	:	Financial Instruments: Disclosures	1 January 2007
INT FRS 107	:	Applying the Restatement Approach under FRS 29,	
		Financial Reporting in Hyperinflationary Economics	1 March 2006
INT FRS 108	:	Scope of FRS 102, Share-based Payment	1 May 2006
INT FRS 109	:	Reassessment of Embedded Derivatives	1 June 2006
INT FRS 110	:	Interim Financial Reporting and Impairment	1 November 2006

The Directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 107 and the amendment to FRS 1 as indicated below.

FRS 107, Financial Instruments: Disclosures and amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires that disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and amendment to FRS 1 from annual period beginning 1 January 2007.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

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.

(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 2006 was $10,244,000 (2005: $11,115,000). More details are provided in Note 13.

(ii) Depreciation of property, plant and equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2006 was $17,582,000 (2005: $15,802,000). 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 2006 was $2,335,000 (2005: $1,625,000).

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.3 Significant accounting estimates and judgements (cont'd)

(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.

- 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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.4 Functional and foreign currency (cont'd)

(b) Foreign currency transactions (cont'd)

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.

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) Foreign currency translation

The results and financial position of foreign operations are translated into Singapore Dollars 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 Singapore Dollars 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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

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.

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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of 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 and unaudited management 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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. Land and buildings are subsequently revalued on an asset-by-asset basis, to their fair values. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are made annually to ensure that their carrying amount does not differ materially from their fair value at the balance sheet date.

When an asset is revalued, any increase in the carrying amount is credited directly to the asset revaluation reserve. However, the increase is recognised in the profit and loss account to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit and loss account. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the profit and loss account. However, the decrease is deducted against the asset revaluation reserve to the extent of any balance existing in the reserve in respect of that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment (cont'd)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, 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 items of property, plant and equipment.

An item of property, plant and equipment 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 account in the year the asset is derecognised.

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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.8 Intangible assets (cont'd)

Goodwill (cont'd)

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.

2.9 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.

(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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.9 Financial assets (cont'd)

(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.

(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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.9 Financial assets (cont'd)

(d) Available-for-sale financial assets (cont'd)

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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of 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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

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.

2.13 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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.13 Impairment of financial assets (cont'd)

(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.

2.14 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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

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.

2.17 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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.17 Leases (cont'd)

(a) As lessee (cont'd)

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.

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Marketing service fee is recognised when service are rendered.

2.19 Finance costs

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

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

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').

(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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.20 Employee benefits (cont'd)

(d) Employee equity compensation benefits (cont'd)

(ii) Equity settled transactions (cont'd)
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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of 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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.22 Segment reporting (cont'd)

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

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

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

(i) Business Segments

The main business segments of the Group 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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

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.

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.

Notes to the Financial Statements

31 December 2006 (cont'd)

2. Summary of significant accounting policies (cont'd)

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

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

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

Revenue is analysed as follows:

	Group	
	2006	**2005**
	$'000	**$'000**
Sale of goods	214,651	183,982
Rental income	58	29
Royalty income	613	-
Marketing service fee	18,802	-
	234,124	184,011

Notes to the Financial Statements

31 December 2006 (cont'd)

4. Staff costs

	Group 2006 $'000	Group 2005 $'000
Salaries, wages and other staff benefits	22,970	15,888
Employer's contribution to defined contribution plans including Central Provident Fund	582	806
Retrenchment benefits	4	108
Value of employee services received for issue of share options	348	556
	23,904	17,358
Directors' remuneration included in staff costs are as follows:		
Directors' remuneration		
- Directors of the Company		
- Salaries and other remuneration	4,467	3,269
- Employer's contribution to defined contribution plans including Central Provident Fund	37	44
- Value of employee services received for issue of share options	108	174
- Other Directors of subsidiary companies		
- Salaries and other remuneration	409	117
- Employer's contribution to defined contribution plans including Central Provident Fund	5	8
- Value of employee services received for issue of share options	10	16
	5,036	3,628

5. Finance costs

	Group 2006 $'000	Group 2005 $'000
Interest expenses on:		
Term loan	159	-
Bank trust receipts	278	25
	437	25

Notes to the Financial Statements

31 December 2006 (cont'd)

6. Taxation

	Group	
	2006	**2005**
	$'000	**$'000**
Provision for taxation in respect of result for the year:		
Current taxation	1,675	1,998
Deferred taxation		
- movements in temporary differences	1,108	143
	2,783	2,141
(Over)/under provision in respect of prior year		
- current taxation	569	(53)
- deferred taxation	(49)	18
	3,303	2,106

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	
	2006	**2005**
	$'000	**$'000**
Accounting profit	29,892	24,416
Tax at statutory tax rate of 20% (2005: 20%)	5,978	4,883
Adjustments:		
Tax effect of double taxation relief	(49)	(441)
Expenses not deductible for tax purposes	863	528
Tax effect of income not subject to tax	(547)	(8)
Tax effect of income exempted from tax	-	(19)
Tax effect of capital gain not subject to tax	-	(683)
Tax effect of partial tax exemption	(45)	(50)
Deferred tax assets not recognised	325	13
Effect of different tax rates in other countries	(3,962)	(2,059)
(Over)/under provision in respect of prior year deferred taxation	(49)	18
Under/(over) provision in respect of prior year current taxation	569	(53)
Others	220	(23)
Tax expense	3,303	2,106

Notes to the Financial Statements

31 December 2006 (cont'd)

7. Profit for the year

	Group	
	2006	2005
	$'000	$'000
Profit for the year is stated after charging/(crediting):		
Non-audit fees paid to		
- auditors of the Company	2	33
- other auditors of subsidiary companies	19	56
Bad debts written off - trade	493	15
Depreciation of property, plant and equipment	1,877	1,779
Directors' fee		
- Directors of the Company	195	125
- other Directors of the subsidiary companies	2	-
Foreign exchange loss/(gain)	2,725	(429)
Gain on disposal of property, plant and equipment	(51)	(2)
Impairment loss on property, plant and equipment	2	311
Interest income on		
- bank deposits	(282)	(39)
- others	(22)	(48)
- related company	(69)	(26)

8. Dividends

	Company	
	2006	2005
	$'000	$'000
First and final dividend paid in respect of the previous financial year of $0.005 (2005: $0.005) per ordinary share less tax at 20% (2005: 20%)	1,562	1,408
Special dividend paid in respect of the previous financial year of $0.01375 (2005: $0.01) per ordinary share less tax at 20% (2005: 20%)	4,294	2,817
	5,856	4,225

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.

Notes to the Financial Statements

31 December 2006 (cont'd)

8. Dividends (cont'd)

	Company 2006 $'000	Company 2005 $'000
Proposed first and final dividend of		
- $0.00275 (2005: $0.005) per ordinary share less tax at 18% (2005: 20%)	975	1,556
- one-tier tax exempted dividend of $0.016 (2005: Nil)	6,917	-
Proposed special dividend of Nil (2005: $0.01375) per ordinary share less tax at Nil (2005: 20%)	-	4,280
	7,892	5,836

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 2006 $'000	Group 2005 $'000
Net profit attributable to ordinary shareholders of the Company used in computation of basic earnings per share	26,859	20,602
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation	403,208	368,128

(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.

Notes to the Financial Statements

31 December 2006 (cont'd)

9. Earnings per share (cont'd)

(b) Diluted earnings per share (cont'd)

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

	Group	
	2006	**2005**
	$'000	**$'000**
Net profit attributable to ordinary shareholders of the Company used in computation of diluted earnings per share	26,859	20,602
	'000	**'000**
Weighted average number of shares issued, used in the calculation of basic earnings per share	403,208	368,128
Effect of dilution:		
Weighted average number of unissued ordinary shares under option	15,515	20,437
Number of shares that would have been issued at fair value	(8,985)	(16,514)
Weighted average number of ordinary shares adjusted for the effect of dilution which is used for diluted earnings per share computation	409,738	372,051

Since the end of the year, employees (including senior executives and Directors) have exercised the option to acquire 580,000 (2005: 105,000) 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.

Notes to the Financial Statements

31 December 2006 (cont'd)

10. Property, plant and equipment

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 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 and 1 January 2006	3,239	7,928	10,094	2,118	1,025	1,308	-	25,712
Additions	-	12	3,088	445	585	69	457	4,656
Disposals	-	-	(502)	(5)	(77)	(148)	-	(732)
Exchange realignment	(116)	(439)	(584)	(174)	(74)	(92)	(17)	(1,496)
At 31 December 2006	3,123	7,501	12,096	2,384	1,459	1,137	440	28,140
Accumulated depreciation and impairment losses								
At 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 and 1 January 2006	1,353	2,683	3,249	1,236	488	901	-	9,910
Charge for the year	45	256	875	403	175	123	-	1,877
Disposals	-	-	(329)	(2)	(77)	(149)	-	(557)
Reversal of impairment losses	(17)	(72)	-	-	-	-	-	(89)
Exchange realignment	(24)	(138)	(206)	(111)	(39)	(65)	-	(583)
At 31 December 2006	1,357	2,729	3,589	1,526	547	810	-	10,558
Carrying amount								
At 31 December 2006	1,766	4,772	8,507	858	912	327	440	17,582
At 31 December 2005	1,886	5,245	6,845	882	537	407	-	15,802

Notes to the Financial Statements

31 December 2006 (cont'd)

10. Property, plant and equipment (cont'd)

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/ Office	Freehold	–

Based on valuations performed by independent appraisers, Allied Appraisal Consultants Pte Ltd for the properties in Singapore and Henry Butcher Malaysia (Johor) Sdn Bhd for the property in Malaysia (2005: Allied Appraisal Consultants Pte Ltd for the properties in Singapore) on 1 December 2006 and 26 July 2006 respectively, (2005: 8 December 2005), the carrying amounts of these properties were written back by net amount of $89,000 (2005: written down by $311,000). $91,000 (2005: Nil) is directly recognised into the equity as asset revaluation reserve, while $2,000 (2005: $311,000) is charged to the profit and loss statement as impairment loss (Note 7). The valuation 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 2006 $'000	2005 $'000
Unquoted shares, at cost	13,100	13,100
Impairment losses	(581)	(581)
Carrying amount of investments	12,519	12,519

Notes to the Financial Statements

31 December 2006 (cont'd)

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 2006 %	2005 %
Held by the Company			
Future Enterprises Pte Ltd [(1)] (Singapore)	Sales and marketing of instant food and beverages	100	100
Future Corporation Pte Ltd [(4)] (Singapore)	Property investment holding	100	100
Masters Corporation Pte Ltd [(4)] (Singapore)	Dealers in food products	100	100
Foodaworld Marketing Pte Ltd [(4)] (Singapore)	Dealers in food products	100	100
Epiq Food Services Pte Ltd [(4)] (Singapore)	Dealers in beverages to be used in coffee machines	100	100
Held by Future Enterprises Pte Ltd			
Future Enterprises (Russia) Pte Ltd [(6)] (Singapore)	Dormant	100	100
FES Industries Pte Ltd [(1)] (Singapore)	Manufacturing and processing of instant food and beverages	100	100
FES Industries Sdn Bhd [(3)] (Malaysia)	Manufacturing and processing of instant food and beverages	79.9	79.9
Express Food & Beverages Limited [(5)] (Hong Kong)	Dormant	100	100
Klassno Foods Limited [(5)] (Hong Kong)	Dormant	100	100
FES (Mauritius) Ltd [(3)] (Mauritius)	Investment holding	100	100

Notes to the Financial Statements

31 December 2006 (cont'd)

11. Investments in subsidiary companies (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2006 %	2005 %
Held by FES (Mauritius) Ltd			
FER (HK) Limited (2) (Hong Kong)	Sales and marketing of instant food and beverages	100	100
Lovena Limited (7) (Cyprus)	Investment holding	100	-
Pavo Holding Limited (7) (Cyprus)	Investment holding	100	-
Held by FES Industries Pte Ltd			
FES (Vietnam) Co., Ltd (3) (Vietnam)	Manufacturing and distribution of instant pre-mix coffee	100	100
Held by FER (HK) Limited			
FES International FZE (8) (United Arab Emirates)	Import, export, trading of food and beverages, management and finance support	100	100
Navas Services Limited (9) (Cyprus)	Investment holding	100	100
Bexar Limited (9) (Cyprus)	Licensing, management and finance support	100	100
Held by Navas Services Limited			
FES Products LLC (10) (Russia)	Manufacturing of instant beverages	100	100
Held by Pavo Holding Limited			
Delta Future (11) (Ukraine)	Manufacturing of food products	100	-
FE Production Ltd (11) (Ukraine)	Manufacturing of food products	100	-

Notes to the Financial Statements

31 December 2006 (cont'd)

11. Investments in subsidiary companies (cont'd)

(1) Audited by Ernst & Young, Singapore.
(2) Audited by S.B. Chow & Co., Certified Public Accountants (Practising).
(2005: Ernst & Young, Hong Kong)
(3) Audited by other associated firms of Ernst & Young, Singapore.
(4) Audited by IKA International Certified Public Accountants.
(5) No audited financial statements are prepared as those companies have remained dormant since incorporation.
(6) No audited financial statements are prepared as the company is currently in the process of filing for liquidation.
(7) Audited by P. Kalopetrides & Co, Cyprus.
(8) Not required to be audited by the law of its country of incorporation.
(9) Audited by Jurinterburo Audit (Cyprus).
(10) Audited by FBK LLC (Moscow).
(11) No audited financial statements are prepared as these companies were incorporated during the current financial year.

During the year ended 31 December 2005, 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) Limited 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 consideration 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 23) and a deferred cash settlement of $276,000 due to a Director, Mr. Sudeep Nair (Note 22).

12. Investment in associated companies

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Unquoted shares, at cost	7,695	2,223	1,647	1,647
Impairment losses	-	-	-	(668)
	7,695	2,223	1,647	979
Share of net post-acquisition reserves	3,635	2,478	-	-
	11,330	4,701	1,647	979

For the financial year ended 31 December 2006, $1,326,000 negative goodwill arising on the acquisition of an associated company was included in the share of profit of associated companies.

Notes to the Financial Statements

31 December 2006 (cont'd)

12. Investments in associated companies (cont'd)

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 2006 %	2005 %
	Held by the Company			
*	Custom Food Ingredients Sdn. Bhd. (Formerly known as 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
**	Simonelo Limited (Cyprus)	Investment holding (Cyprus)	50	-
#	Triple Ace Ventures Limited (British Virgin Islands)	Investment holding (British Virgin Islands)	50	-

* Audited by associated firms of Ernst & Young, Singapore.
** Audited by BDO Philippines Chartered Accountants.
@ Audited by Kosasih & Nurdiyaman, Registered Public Accountants.
# Not required to be audited by the law of its country of incorporation.

Notes to the Financial Statements

31 December 2006 (cont'd)

12. Investments in associated companies (cont'd)

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

	Group	
	2006	**2005**
	$'000	**$'000**
Assets and liabilities:		
Current assets	27,934	14,429
Non-current assets	11,403	151
Total assets	39,337	14,580
Current liabilities	9,020	923
Non-current liabilities	11,327	464
Total liabilities	20,347	1,387
Results:		
Revenue	6,177	3,405
(Loss)/profit for the year	(693)	9,382

13. Intangible assets

Intangible assets relate to goodwill on consolidation.

	Group	
	2006	**2005**
	$'000	**$'000**
Cost		
At 1 January	11,115	99
Elimination of accumulated amortisation	-	(99)
Exchange realignment	(871)	-
	10,244	-
Acquisition of additional equity interests in subsidiary companies	-	11,115
At 31 December	10,244	11,115
Accumulated amortisation		
At 1 January	-	99
Amortisation recognised during the year	-	-
Elimination of accumulated amortisation	-	(99)
	-	-
Carrying amount		
At 31 December	10,244	11,115

Notes to the Financial Statements

31 December 2006 (cont'd)

13. Intangible assets (cont'd)

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	
	2006	**2005**
	$'000	**$'000**
FER (HK) Limited	7,320	7,943
FES Industries Pte Ltd	2,924	3,172
	10,244	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 6.10% to 7.58% (2005: 4.98% to 9.66%). The weighted growth rate used to extrapolate the cash flows of each CGU is 5.00% (2005: 5.00%), 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	
	2006	**2005**
	$'000	**$'000**
Deferred tax assets		
Sundry provisions	273	1,531
Unutilised tax losses	26	420
Unabsorbed capital allowances	-	120
Gross deferred tax assets	299	2,071

Notes to the Financial Statements

31 December 2006 (cont'd)

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

	Group	
	2006	**2005**
	$'000	**$'000**
Deferred tax liabilities		
Excess of net book value over tax written down value	(561)	(858)
Others	(70)	(460)
Gross deferred tax liabilities	(631)	(1,318)

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	
	2006	**2005**
	$'000	**$'000**
Deferred tax assets	299	1,386
Deferred tax liabilities	(631)	(633)
Net deferred tax (liabilities)/assets	(332)	753

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

	Deferred tax assets		Deferred tax liabilities	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of the year	1,386	1,392	(633)	(256)
Recognised/(provided) during the year	367	808	(583)	(390)
Written down during the year	(1,403)	(598)	560	16
Transfer to related companies under the Group Relief Scheme	-	(192)	-	-
Translation difference	(51)	(24)	25	(3)
Balance at end of the year	299	1,386	(631)	(633)

Notes to the Financial Statements

31 December 2006 (cont'd)

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

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

	Group	
	2006	**2005**
	$'000	**$'000**
Tax losses	1,684	360
Unabsorbed capital allowance	143	-
Net deferred tax assets	1,827	360

The use of the unutilised tax losses and unabsorbed capital allowance 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	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	36,305	17,198	105	107

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging from 0.01% to 2.30% (2005: 0.10% to 0.11%) per annum.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Singapore Dollar	9,550	1,165	105	107
United States Dollar	24,983	13,096	-	-
Euro	1,292	2,051	-	-
Others	480	886	-	-
	36,305	17,198	105	107

Notes to the Financial Statements

31 December 2006 (cont'd)

16. Trade receivables

	Group	
	2006	**2005**
	$'000	**$'000**
Trade receivables	60,091	36,369
Allowance for doubtful receivables	(735)	(933)
	59,356	35,436

For the year ended 31 December 2006, a write back of allowance for doubtful receivables of $198,000 (2005: an allowance of doubtful debts of $288,000) was recognised in the profit and loss statement subsequent to a debt recovery assessment performed on trade receivables as at 31 December 2006.

Trade receivables are denominated in the following currencies:

	Group	
	2006	**2005**
	$'000	**$'000**
Singapore Dollar	552	516
United States Dollar	54,142	33,393
Euro	918	815
Others	3,744	712
	59,356	35,436

17. Other receivables

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Prepayments	2,880	3,547	63	24
Deposits	1,209	431	-	-
Staff advances	710	408	-	-
Sundry receivables	1,070	1,070	92	203
Advance payment to suppliers of goods	-	274	-	-
Tax recoverable	367	270	-	-
	6,236	6,000	155	227
Sundry receivables and staff advances are stated after deducting allowance for doubtful receivables of	216	242	-	-

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

Notes to the Financial Statements

31 December 2006 (cont'd)

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

	Company	
	2006	**2005**
	$'000	**$'000**
Amounts due from subsidiary companies	58,159	31,083
Allowance for doubtful receivables	(2,042)	(2,041)
	56,117	29,042

The amounts due from subsidiary companies are unsecured, bear a floating interest of 3.0% to 6.1% (2005: a fixed rate of 3.0%) 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 associated companies (trade)

	Group	
	2006	**2005**
	$'000	**$'000**
Amounts due from associated companies	496	229
Allowance for doubtful receivables	(22)	(24)
	474	205

For the year ended 31 December 2006, an allowance for doubtful receivables of Nil (2005: $24,000) 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 2006.

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 $483,000 (2005: $623,000) which bears interest at 5.5% (2005: 5.5%) per annum.

Notes to the Financial Statements

31 December 2006 (cont'd)

20. Inventories

	Group	
	2006	2005
	$'000	$'000
Raw materials	14,070	11,578
Packaging materials	6,734	4,556
Finished products/trading goods	15,629	20,925
Total inventories at lower of cost and net realisable value	36,433	37,059

Inventories are stated after allowance for stock obsolescence of $355,000 (2005: $517,000).

The cost of inventories recognised as expense included in changes in inventories of finished goods and raw materials and consumables used amounted to $17,237,000 (2005: $20,404,000).

21. Interest-bearing loans and borrowings

	Effective interest rate (p.a)	Maturity	Group		Company	
			2006	2005	2006	2005
			$'000	$'000	$'000	$'000
Current	SIBOR + 0.75%	2007	1,532	-	1,532	-
Non-current	SIBOR + 0.75%	2008 - 2011	5,620	-	5,620	-
			7,152	-	7,152	-

The loans are unsecured.

Notes to the Financial Statements

31 December 2006 (cont'd)

22. Trade payables, accruals and other payables

Trade payables and accruals are denominated in the following currencies:

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Singapore Dollar	5,221	10,909	402	353
United States Dollar	20,191	12,828	-	-
Euro	369	570	-	-
Others	2,070	690	-	-
	27,851	24,997	402	353

Other payables

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Rental deposits	28	23	-	-
Other deposits	9	9	-	-
Sundry payables	57	62	-	48
Deferred cash settlement	-	276	-	276
	94	370	-	324

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).

23. Share capital

	Group and Company	
	2006	2005
	$'000	$'000
Issued and fully paid:		
At beginning of the year		
389,085,000 (2005: 349,140,000) ordinary shares	19,454	17,457
Issued during the year ended 31 December 2005		
Issued for cash under employee share options		
4,145,000 ordinary shares of $0.05 each issued for cash at a premium of $0.12 each	-	207
Issued in exchange for issued share capital of subsidiary companies		
25,400,000 ordinary shares of $0.05 each allotted and issued at a premium of $0.29 each	-	1,270
10,400,000 ordinary shares of $0.05 each allotted and issued at a premium of $0.315 each	-	520

Notes to the Financial Statements

31 December 2006 (cont'd)

23. Share capital (cont'd)

	Group and Company 2006 $'000	2005 $'000
Issued during the year ended 31 December 2006		
Transfer of share premium reserve to share capital	17,843	-
39,200,000 ordinary shares issued for cash at the price of $0.57 each	22,344	-
Issued for cash under employee share option 2,690,000 ordinary shares issued at the exercise price of $0.17 each	457	-
1,340,000 ordinary shares issued at the exercise price of $0.275 each	369	-
Transfer from share-based payment reserve	155	-
At end of the year 432,315,000 (2005: 389,085,000)	60,622	19,454

In accordance with the Companies (Amendment) Act 2005, on 30 January 2006, the shares of the Company ceased to have a par value and the amount standing in the share premium reserve became part of the Company's share capital.

The Company issued the following shares during the year:

(a) The Company issued 4,030,000 (2005: 4,145,000) ordinary shares pursuant to the Food Empire Share Option Scheme at an average price of $0.205 (2005: $0.170) each.

(b) 39,200,000 new ordinary shares with an issued price of $0.57 each were allocated and issued to Universal Integrated Corporation Consumer Products Pte Ltd on 13 September 2006.

During the year ended 31 December 2005, the Company issued the following shares:

(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, a Director of FES Industries Pte Ltd and completed on 6 September 2005.

Notes to the Financial Statements

31 December 2006 (cont'd)

23. Share capital (cont'd)

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 the Company under options granted to eligible employees and Directors under the Food Empire Holdings Limited Share Option Scheme amounted to a total of 13,555,000 (2005: 18,345,000) ordinary shares. Details of outstanding options are set out in Note 24.

24. 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.

Notes to the Financial Statements

31 December 2006 (cont'd)

24. 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 $	Exercise 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	6.20
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			

Notes to the Financial Statements

31 December 2006 (cont'd)

24. Employee benefits (cont'd)

Movements in the number of ordinary shares outstanding under the Option Scheme as at 31 December 2006 and the details of the Option Scheme are as follows:

	No. of holders	Number of options outstanding at 1.1.2006	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 31.12.2006	Exercise price per share $	Exercise Period	Remaining contractual life (years)
2002 Options [1]	33	5,170,000	-	(360,000)	(1,890,000)	2,920,000	0.17	14 March 2004 to 13 March 2012	5.24
2002 Options [1]	2	800,000	-	-	(800,000)	-	0.17	14 March 2004 to 13 March 2007	0.20
2003 Options	1	500,000	-	-	-	500,000	0.27	4 June 2005 to 13 March 2012	5.20
2004 Options	2	400,000	-	-	(160,000)	240,000	0.275	25 May 2006 to 24 May 2009	2.40
2004 Options	46	11,475,00	-	(400,000)	(1,180,000)	9,895,000	0.275	25 May 2006 to 24 May 2014	7.40
	84	18,345,000	-	(760,000)	(4,030,000)	13,555,000			

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.

Notes to the Financial Statements

31 December 2006 (cont'd)

24. Employee benefits (cont'd)

Out of the outstanding options on 13,555,000 shares (2005: 18,345,000), options on 6,520,000 shares (2005: 1,919,000) are exercisable.

The weighted average share price at the date of exercise for the option exercised was $0.425 (2005: $0.339).

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	
	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	2.750 - 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.

	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

Notes to the Financial Statements

31 December 2006 (cont'd)

25. Group segment reporting

Business segments

	Beverages		Others		Elimination		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue from external customers	217,785	170,468	16,339	13,543	-	-	234,124	184,011
Total revenue	217,785	170,468	16,339	13,543	-	-	234,124	184,011
Segment results	30,794	21,116	(1,708)	129	-	-	29,086	21,245
Finance costs							(437)	(25)
Share of profit of associated companies	23	3,196	1,220	-	-	-	1,243	3,196
Profit from operations before taxation							29,892	24,416
Taxation							(3,303)	(2,106)
Profit for the year							26,589	22,310

Assets and liabilities

Segment assets	101,352	81,738	65,762	41,497	-	-	167,114	123,235
Investments in associated companies	4,638	4,701	6,692	-	-	-	11,330	4,701
Unallocated assets							298	1,589
Total assets							178,742	129,525
Segment liabilities	25,029	20,898	5,251	4,471	-	-	30,280	25,369
Interest-bearing loan and borrowings							7,152	-
Unallocated liabilities							631	2,258
Total liabilities							38,063	27,627

Other segment information

Capital expenditure								
- Property, plant and equipment	4,143	4,338	513	69	-	-	4,656	4,407
- Intangible assets	9,234	10,321	1,010	794	-	-	10,244	11,115
Impairment loss on property, plant and equipment	30	297	(28)	14	-	-	2	311
Depreciation of property, plant and equipment	1,735	1,703	142	76	-	-	1,877	1,779
Non-cash expenses other than depreciation of property, plant and equipment	834	680	111	41	-	-	945	721

Notes to the Financial Statements

31 December 2006 (cont'd)

25. Group segment reporting (cont'd)

Geographical segments

	Russia		Eastern Europe and Central Asia		Other countries		Elimination		Total	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**	**2006 $'000**	**2005 $'000**	**2006 $'000**	**2005 $'000**	**2006 $'000**	**2005 $'000**
Segment revenue from external customers	130,737	110,987	89,115	61,306	14,272	11,718	-	-	234,124	184,011
Total revenue	130,737	110,987	89,115	61,306	14,272	11,718	-	-	234,124	184,011

	Singapore		Malaysia		Other countries		Elimination		Total	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**	**2006 $'000**	**2005 $'000**	**2006 $'000**	**2005 $'000**	**2006 $'000**	**2005 $'000**
Segment assets	177,449	167,300	9,466	4,811	74,435	14,526	(94,210)	(63,402)	167,140	123,235
Investments in associated companies	4,638	4,701	-	-	6,692	-	-	-	11,330	4,701
Unallocated assets									272	1,589
Total assets									178,742	129,525
Capital expenditure										
- Property, plant and equipment	1,158	989	76	203	3,422	3,215	-	-	4,656	4,407
- Intangible assets	2,924	3,172	-	-	7,320	7,943	-	-	10,244	11,115

Notes to the Financial Statements

31 December 2006 (cont'd)

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 $1,589,477 and $708,799 for the years ended 31 December 2006 and 2005 respectively. Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2006	**2005**
	$'000	**$'000**
Within one year	1,493	403
After one year but not more than five years	1,165	815
More than five years	778	920
	3,436	2,138

Capital expenditure commitments

Amount committed for capital expenditure but not provided for in the financial statements	668	524

Contingent liabilities

The Company has given corporate guarantees amounting to $21,073,000 (2005: $15,680,000) to bankers to secure banking facilities granted to its subsidiary companies.

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:

	2006	**2005**
	$'000	**$'000**
Sales of goods		
- related party	-	(49)
- associated company	(246)	(372)
Purchases of goods		
- related party	-	18
- associated company	1	9
Rental expense		
- related party	845	150

Notes to the Financial Statements

31 December 2006 (cont'd)

27. Significant related party transactions (cont'd)

In addition to their salaries, certain Directors also participate in the Food Empire Holdings Limited Share Option Scheme 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 24. As at 31 December 2006, 4,890,000 (2005: 5,850,000) 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.

	Group	
	2006 **$'000**	**2005** **$'000**
Salaries, wages and other staff benefits	5,905	3,949
Central Provident Fund contribution	62	95
Value of employee services received for issue of share options	170	236
Total compensation paid to key management personnel	6,137	4,280
Comprise amounts paid to:		
• Directors of the Company	4,612	3,487
• Other key management personnel	1,525	793
Total compensation paid to key management personnel	6,137	4,280

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

Notes to the Financial Statements

31 December 2006 (cont'd)

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.

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 risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk mainly arising from interest-bearing loans and borrowings. The Group monitors the interest rate on loans and borrowings closely to ensure that the loans and borrowings are maintained at favourable rate.

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 2.5% of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst 89.5% 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.

Notes to the Financial Statements

31 December 2006 (cont'd)

28. Financial instruments (cont'd)

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, trade and other payables and floating rate interest-bearing loans and borrowings (including non-current) based on their notional amounts, reasonably approximate their fair values due to their short-term nature or repriced frequently.

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:

2006	**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**
Group							
Fixed rate							
Amount due from an associated company	483	-	-	-	-	-	483
Floating rate							
Cash and bank balances	36,305	-	-	-	-	-	36,305
Interest-bearing loans and borrowings	(1,532)	(1,532)	(1,532)	(1,532)	(1,024)	-	(7,152)
2006							
Company							
Floating rate							
Cash and bank balances	105	-	-	-	-	-	105
Amounts due from subsidiary companies	56,117	-	-	-	-	-	56,117
Interest-bearing loans and borrowings	(1,532)	(1,532)	(1,532)	(1,532)	(1,024)	-	(7,152)

Notes to the Financial Statements

31 December 2006 (cont'd)

28. Financial instruments (cont'd)

Interest rate risk (cont'd)

2005	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
Group							
Fixed rate							
Amount due from an associated company	623	-	-	-	-	-	623
Floating rate							
Cash and bank balances	17,198	-	-	-	-	-	17,198
2005							
Company							
Fixed rate							
Amounts due from subsidiary companies	29,042	-	-	-	-	-	29,042
Floating rate							
Cash and bank balances	107	-	-	-	-	-	107

29. Directors' remuneration

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

	Group	
	2006 $'000	2005 $'000
$500,000 and above	4	4
$250,000 to $499,999	-	-
Below $250,000	5	4
Total	9	8

Shareholders' Information

as at 7 March 2007

Class of shares	:	Ordinary share
No. of equity securities	:	432,655,000
Voting rights	:	One vote per share

Substantial Shareholders as at 7 March 2007
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Tan Wang Cheow	43,700,000	10.10	56,062,000	12.96
Tan Guek Ming	56,062,000	12.96	43,700,000	10.10
Oon Peng Heng	23,500,000	5.43	10,000,000	2.31
Koh Puay Ling	10,000,000	2.31	23,500,000	5.43
Sudeep Nair	3,298,429	0.76	25,028,571	5.78
Irina Nair	-	-	28,327,000	6.55
Bestgate Investments Ltd	25,028,571	5.78	-	-
Universal Integrated Corporation Consumer Products Pte Ltd	93,200,000	21.54	-	-
Anthoni Salim	-	-	93,200,000	21.54

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 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.

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

4. Mr. Anthoni Salim is deemed interested in the shares held by Universal Integrated Corporation Consumer Products Pte Ltd.

PUBLIC FLOAT

As at 7 March 2007, 21.49% 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 7 March 2007 (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	925	64.06	4,084,000	0.94
10,001 - 1,000,000	490	33.93	40,653,000	9.40
1,000,001 and above	29	2.01	387,918,000	89.66
Total :	1,444	100.00	432,655,000	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	DBS Nominees Pte Ltd	103,779,000	23.99
2.	Tan Guek Ming	56,062,000	12.96
3.	Tan Wang Cheow	43,700,000	10.10
4.	Bestgate Investments Ltd	25,028,571	5.78
5.	Oon Peng Heng	23,500,000	5.43
6.	Raffles Nominees Pte Ltd	21,835,000	5.05
7.	Oon Peng Lim	11,720,000	2.71
8.	HSBC (Singapore) Nominees Pte Ltd	11,062,000	2.56
9.	Koh Puay Ling	10,000,000	2.31
10.	United Overseas Bank Nominees Pte Ltd	8,197,000	1.89
11.	Merrill Lynch (Singapore) Pte Ltd	8,161,000	1.89
12.	Chan Meng Huat	7,800,000	1.80
13.	Oon Peng Lam	7,350,000	1.70
14.	Oon Peng Wah	6,675,000	1.54
15.	Citibank Nominees Singapore Pte Ltd	6,156,000	1.42
16.	Tan Bian Chye	5,874,000	1.36
17.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	4,168,000	0.96
18.	Lau Bak Soon	3,858,000	0.89
19.	Lau Chee Herng	3,345,000	0.77
20.	Sudeep Nair	3,298,429	0.76
	Total :	371,569,000	85.87

Notice of Annual General Meeting

(Company Registration No: 200001282G)
Incorporated in Singapore with limited liability

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Food Empire Holdings Limited ("the Company") will be held at Raffles Town Club Singapore, Dunearn 3, 1 Plymouth Avenue, Singapore 297753 on Thursday, 19 April 2007 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2006 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of 0.275 Singapore cents per ordinary share less income tax and a first and final dividend of 1.60 Singapore cents per ordinary share (one-tier tax exempt) for the year ended 31 December 2006 (2005: A first and final dividend of 0.5 Singapore cents per ordinary share less income tax and a special dividend of 1.375 Singapore cents 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:

Mdm. Tan Guek Ming	(Retiring under Article 104)	**(Resolution 3)**
Mr. Hartono Gunawan	(Retiring under Article 108)	**(Resolution 4)**
Mr. Koh Yew Hiap	(Retiring under Article 108)	**(Resolution 5)**

Mdm. Tan Guek Ming will, upon re-election as a Director of the Company, remain as member of Audit and Remuneration Committees and will not be considered independent.

Mr. Oon Peng Lim, who is retiring by rotation under Article 104 of the Company's Articles of Association, has indicated that he is not seeking re-election.

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 Director of the Company, remain as a member of the Audit, Nominating and Remuneration Committees and will be considered independent.

5. To approve the payment of Directors' fees of S$195,208 for the year ended 31 December 2006 (2005: S$125,250). **(Resolution 7)**

Food Empire Holdings Limited

Co. Registration No. 200001282G
(Incorporated in the Republic of Singapore)

Proxy 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 the person, or either or both of the persons, referred to above , 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, 19 April 2007 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your "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 2006		
2	Payment of proposed first and final dividend		
3	Re-election of Mdm. Tan Guek Ming as a Director		
4	Re-election of Mr. Hartono Gunawan as a Director		
5	Re-election of Mr. Koh Yew Hiap as a Director		
6	Re-appointment of Mr. Boon Yoon Chiang as a Director		
7	Approval of Directors' fees amounting to S$195,208		
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 __________ 2007

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

____

Signature of Shareholder(s)
or, Common Seal of Corporation Shareholder

Delete where inapplicable

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. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 3 Church Street # 08-01 Samsung Hub, Singapore 049483 not less than 48 hours before the time appointed for the Meeting.

6. 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.

7. 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.

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Notice of Annual General Meeting

(cont'd)

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, the Directors be empowered to allot and issue shares in 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)

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

Tan Cher Liang
Tan San-Ju
Secretaries
Singapore, 2 April 2007

Notice of Annual General Meeting

(cont'd)

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 issued shares is based on the 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 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 3 Church Street #08-01, Samsung Hub, Singapore 049483 not less than forty-eight (48) hours before the time appointed for holding the Meeting.