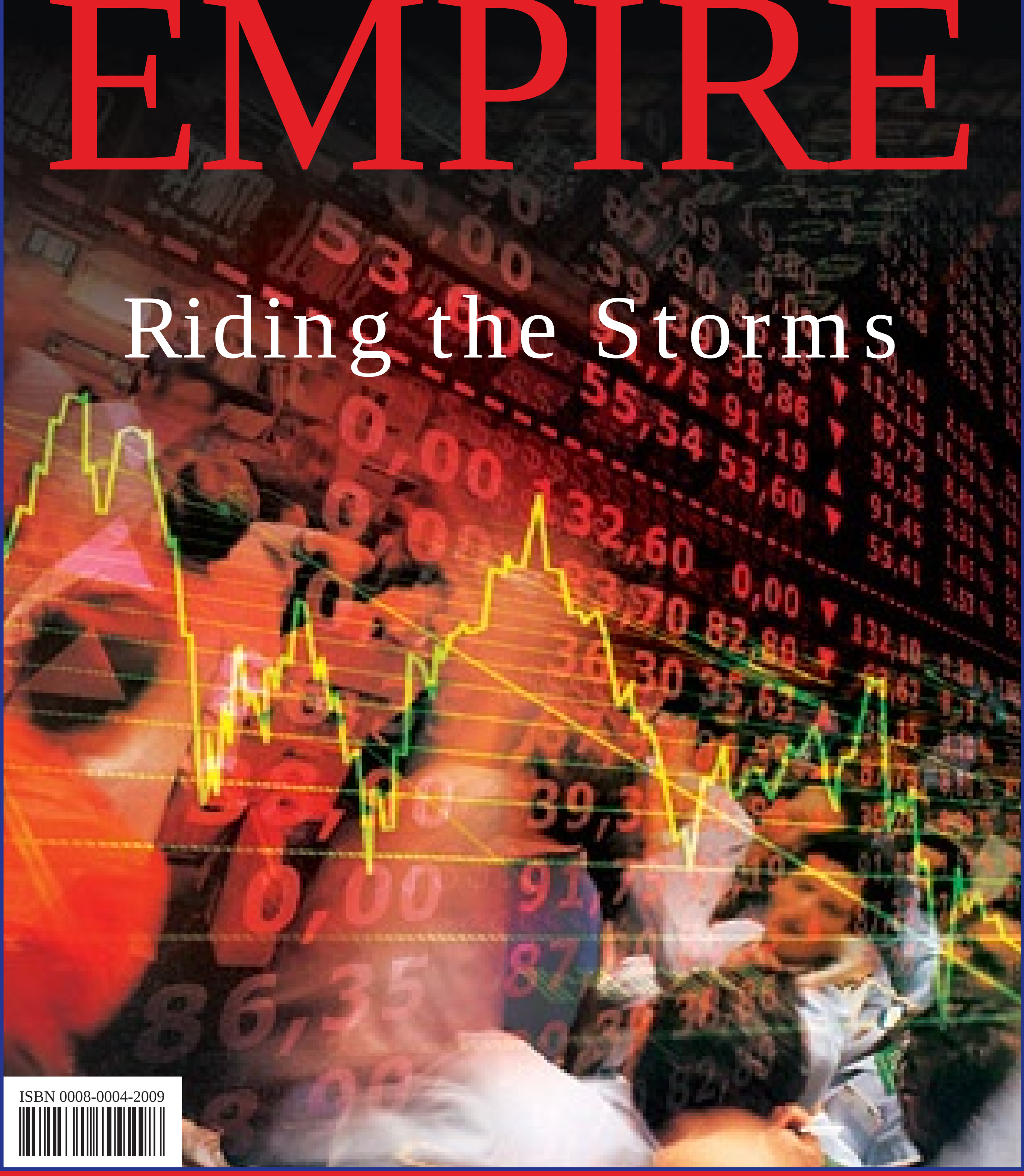
Food Empire

Events that struck the global financial markets

Year 2008 was yet another record year for Food Empire

THE EMPIRE



Riding the Storms

ISBN 0008-0004-2009


Food Empire
i love MacCoffee
MacCoffee

THE
EMPIRE

www.foodempire.com

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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.

The Annual Report is published by Food Empire Holdings Limited. For enquiries, please call +65 6622 6900 or email to info@foodempire.com for more information.

The magnate of the food and beverage manufacturing industry, Food Empire Holdings Limited boasts of over 400 units of products under its name and a global distribution network that spans across 69 countries.

Corporate Profile

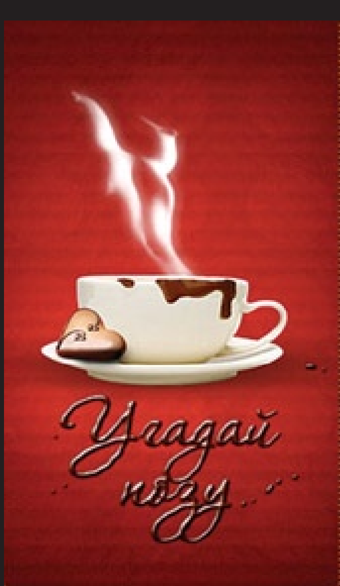
Its flagship brand, MacCoffee™ remains a household favourite in many countries especially Russia showing positive and strong brand equity. Food Empire has been continually building on its reputation for its impressive portfolio of quality brands that have long been established as household names if not already a favourite to people of all ages, across the lands. Its current portfolio of brands includes: MacChocolate™, MacTea, Klassno, FesAroma, OrienBites, MacCandy, Zinties, Kracks, Melosa, and Petrovskaya Sloboda, besides MacCoffee™. Through years of extensive research, we have been able to grasp the varying taste and preference of consumers around the world and offering what would appeal to their palates.

Food Empire also exports its products to countries in the following regions: Eastern Europe, Central Asia, Australasia, Southeast Asia, Middle East, IndoChina and North America, anchoring on its extensive and expansive global network.

There are a total of four manufacturing facilities under Food Empire. Each of them is located in Russia, Singapore, Vietnam and Malaysia respectively. With our very own manufacturing facilities, we do not compromise on quality as we impose stringent quality control, assuring that only the best of products get manufactured and delivered out of the factories. This is to ensure that each customer who consumes our products gets the best gastronomic experience no matter where they are. With this promise, Food Empire together with its people put in the best efforts at every single stage of the manufacturing process.

Food Empire also won numerous accolades and bagged awards for its unrelenting and entrepreneurial spirit since its listing on the Singapore Exchange in year 2000. We were honoured to be lauded with the title of "The Most Valuable Brands in Singapore" for four consecutive years during the National Brand Award ceremony organised by IE Singapore. We were also selected by the acclaimed Forbes magazine as one of the "Best under a Billion" companies in Asia.

Food Empire has indeed lived up to its name as the food empire in the industry that enthralls the world with the commitment to deliver the best of products and experience to each and every consumer.



Chairman's Message

A strong first nine months helped deliver the Group's eighth consecutive full year of double digit revenue growth, with sales up 20.5% compared to the previous year. Profit after tax was US$21.1 million. During the final quarter of the year, as the world slumped into its worst recession in recent memory, the Group acted swiftly to strengthen its balance sheet and improve cashflow. Powerful brands, loyal customers and prudent management are the key elements of Food Empire's strategy to ride out the storms.

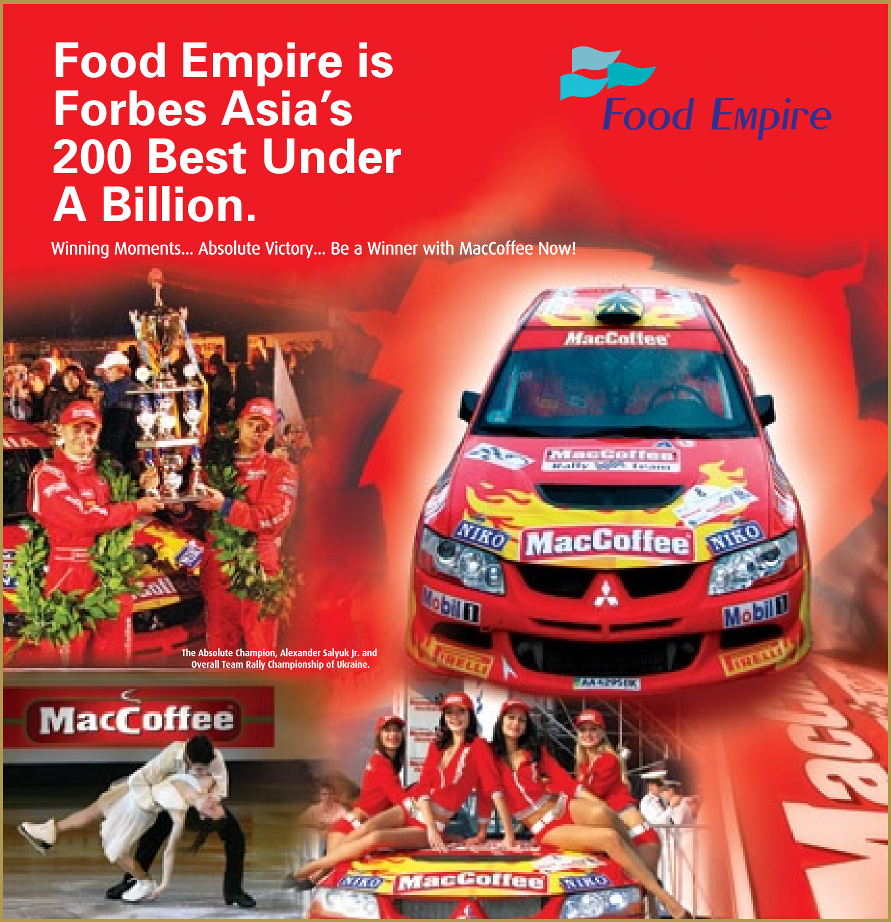
Year in Review

Year 2008 was unlike any other in our Group's history. The year got off to a strong start and management delivered three strong quarters of growth across all of our key markets. While revenue was up 41% for the first nine months, the period was not without its challenges. Management had to contend with escalating commodity prices as well as an appreciating US dollar which increased the cost of wages in our key markets.

We were pleased with the results in Russia - our largest market - where the launch of new product packaging saw sales leapt as consumers quickly warmed to the new presentation of our products.

The cost of coffee, creamer, sugar and packaging materials all increased significantly during the first nine months of the year. The strength of our customers' brand loyalty meant we could progressively introduce price increases to offset the cost pressures caused by rising commodity prices.

The strong increase in demand in Russia prompted the Group to increase production at its Moscow factory to its full capacity by the middle of the year. We also upgraded the facilities of our factory in Malaysia in anticipation of the seasonally strong fourth quarter.



The Storms Arrive

A series of economic storms beginning with the sub-prime loan collapse at the end of 2007 culminated in the major global crisis that arrived in October 2008. It was clear that the final quarter would be very different to the preceding nine months.

The economic crisis meant the traditionally strong final quarter did not arrive. The Ukrainian hryvnia depreciated steeply against the US dollar, and this was quickly followed by the Russian rouble. As a result, both the Group's profit and revenue in the last three months of the year were affected.

Management's response to the crisis has been swift and appropriate. We aggressively reviewed the credit status of all our distributors. We moved to speed up the collection of outstanding debts and began rationalising our costs to reflect the lower level of demand. All these steps helped to strengthen our balance sheet and place our company on a strong financial footing as we entered a difficult trading period.

Surviving the Storms

The global economic crisis has deepened the further we move into 2009. While consumer spending will be affected in all our key markets, the management of Food Empire knows that successful brands are the key to negotiating a path through the downturn. That is why we continue to develop our brands and aggressively defend our market share. We are also continuing to expand our distribution network so that our core products can be brought to more consumers.

On a positive note, we are keeping our eyes open for possible growth opportunities such as mergers and brand acquisitions. However, we will act cautiously, as we have always done, and will only move if we know we have identified the right opportunity at the right price.

Heartfelt Appreciation

The economic storm clouds are still around us, and in difficult times like this it is all the more important that Food Empire pull together as a team. I thank our shareholders for their continued support and know that their confidence will be repaid as the economy swings back into positive growth. Our customers, suppliers, partners and associates are all vital parts of the Food Empire family and I again express my appreciation for their assistance.

Finally, to my fellow Board members and to all the staff at Food Empire we are grateful for their commitment to our company. It is their guidance and untiring effort that will ensure Food Empire emerges strongly and confidently from the current economic situation.

Mr Tan Wang Cheow

Chairman

Financial Highlights

(US$'000)	2008	2007
Revenue	**222,315**	184,443
Profit Before Taxation and Minority Interests	**23,201**	23,322
Net Profit	**21,127**	21,053

	2008	2007
Financial Indicators		
Debt to Equity Ratio	**13.6%**	8.7%
Working Capital Ratio	**5.5**	4.5
Quick Ratio	**4.8**	3.8
EDITDA Margin	**11.5%**	13.8%
Diluted EPS (USD cents)	**3.98**	3.97
NAV per share (USD cents)	**23.18**	20.74

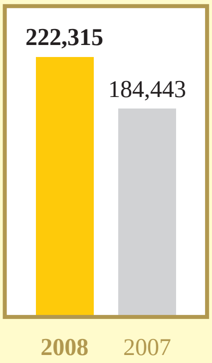
Revenue By Geographical Regions

(US$'000)	2008	2007
Russia	**126,680**	100,803
Eastern Europe & Central Asia	**77,870**	70,397
Others	**17,765**	13,243
	222,315	184,443

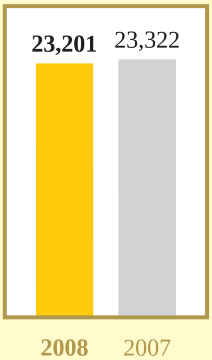
Revenue By Product Group

(US$'000)	2008	2007
Beverages	**205,718**	170,798
Non-Beverages	**16,597**	13,645
	222,315	184,443

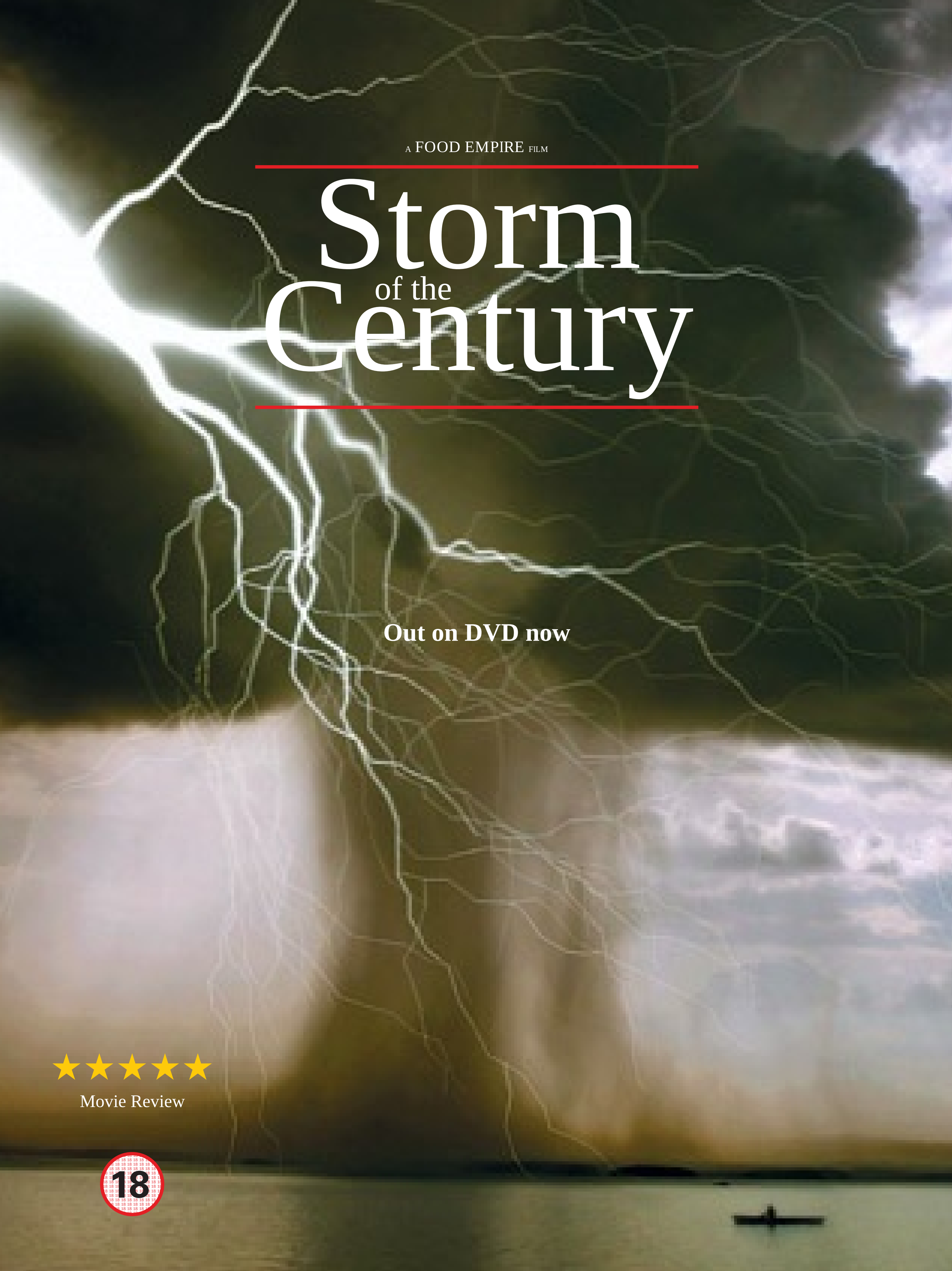
Group Revenue (US$'000)



Group Profit Before Tax (US$'000)



Russia US$126.7 million
Eastern Europe & Central Asia US$77.9 million
Other Territories US$17.8 million


A FOOD EMPIRE FILM
Storm
of the
Century
Out on DVD now
★★★★★
Movie Review
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Tumultuous Storms that Shook the World

There were quite a number of financial storms that changed the face of the global economy throughout the year 2008. Here is a quick review of the events that struck the global financial markets.

1. Shocking news of the flailing oil prices rocked the world in early January when it crossed US$100 a barrel.

2. The French bank, Société Générale's financial scandal unnerved the global financial markets in late January.

3. The world's fifth largest investment bank, Bear Stearns collapsed and was taken over by J.P Morgan in May.

4. Mortgage giants Federal National Mortgage Association (also known as Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) were given a lifeline of US$200 billion.

5. The 158-year -old Wall Street investment bank, Lehman Brothers, went under in September.

6. In late September, the US government lobbied and unveiled a US$700 billion Troubled Assets Relief Program (TARP) bailout plan. Britain followed suit a week later with 500 billion pounds and with similar moves by many others in Eurozone.

7. Worldwide stock markets were savaged in October 2008 and registered a loss close to US$5.8 trillion in one single month in history.

8. Merrill Lynch sought refuge in a US$50 billion takeover by the Bank of America.

9. AIG, the US insurer went under after rating agencies cut its debt ratings. The US government intervened with US$85 billion rescue feeling that AIG fallout could hurt the global financial markets severely.

10. The **Madoff** financial scandal involving loss of up to US$50 billion in cash and securities under a giant "**Ponzi scheme**" in December.

11. Severe currency fluctuation swept the world.

12. China announced an approximate amount of US$600 billion of public infrastructure expenditures

13. Europe rolled out a stimulus package of Euro 200 billion.

14. US planned a stimulus package of US$1 trillion which aims to create 3 million new jobs in the private sectors including emerging environmental technology and providing more relief to the middle-class people.

15. Russia's GDP growth continued to pace around 6% and its inflation registered around 13.5%.

16. Ukraine's GDP growth paced around 3.5 to 4.0% in 2008 and its inflation registered around 25%.

17. Kazakhstan's GDP growth paced around 3% in 2008 and its inflation registered around 10%.

18. Singapore was the first Asian country to enter into a recession in the final quarter of 2008.

19. Singapore registered a contraction of 12.5% between October and December and an unemployment rate of below 4%.

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 Sudeep Nair

He was appointed as an Executive Director with the Company from 1st July 2005. He is primarily responsible for the Group's strategy and business in Russia (the Group's largest market) and some other countries of the Commonwealth Independent States (CIS). Other responsibilities include identifying and developing new business opportunities in the existing markets and new markets worldwide. He has over 15 years of experience in managing the Group's business in Russia and CIS countries in various capacities that include being the Country Manager and Executive Director for the Group's subsidiary companies.

Mdm Tan Guek Ming

She 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

He 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 companies with the Salim Group. In his capacity, he is responsible for the overall operations 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

He 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 a Director of Networld Pte Ltd, UIC Printing & Packaging Pte Ltd, Active Building & Civil Construction (1985) Pte Ltd and CITIC-UIC Investment Pte Ltd.

Mr Lew Syn Pau

He was appointed as Independent Director of the Company in April 2000. He is a member of the Audit Committee. He is currently Chairman of an international executive search consultancy, Stanbridge International Pte Ltd and Director of Capital Connections Pte Ltd, a financial advisory consultancy firm. 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 was the President of the Singapore Manufacturers Federation between 2002 and 2006. 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, Mr Lew also holds 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

He was appointed as an Independent Director in 8th April 2000 and last re-appointed in 20th April 2006. He is Chairman of the Audit Committee and is also a member of the Remuneration and Nominating Committees. Mr Ong was called to the Bar of England and Wales in 1988 and to the Singapore Bar the following year. In addition to practising as a consultant with Drew & Napier LLC, a leading Singapore law firm, he is a senior adviser of Alpha Advisory Pte Ltd (a financial and corporate advisory firm) and an executive director of Katana Asset Management Pte Ltd. In his 19 years' of legal practice, he focused on corporate and commercial law such as mergers and acquisitions, joint ventures, restructuring and corporate finance. Mr Ong also serves as an independent director and chairs most of the audit committees of several other SGX-ST listed companies. Mr Ong was awarded the President's Scholarship and Police Force Scholarship in 1979. He holds a Bachelor of Laws (Honours) external degree from the University of London and a Bachelor of Science (Honours) Degree from the Imperial College of Science and Technology in England. Mr Ong has been a Member of Parliament of Singapore since January 1997, and serves as Deputy Chairman of the Government Parliamentary Committee (GPC) for Transport.

Mr Boon Yoon Chiang

He 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).

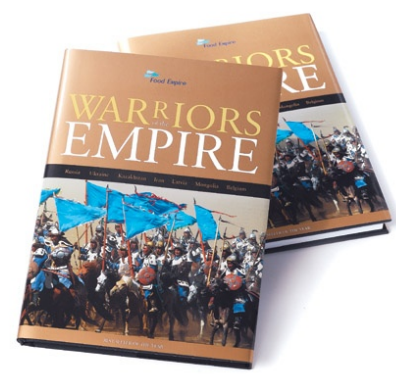
Food Empire

International ARC Awards

The Winners are...

2002

2006



2007

Food Empire's corporate annual reports for 2002, 2006 and 2007 were accorded 3 Gold awards respectively under the category of "Non-traditional Annual Report" at the 17th, 21st and 22nd Annual International ARC Awards. The ARC Awards, is sponsored by US-based MERCOMM, INC., the world's only independent awards organisation, founded with the mission to advance the standards of excellence in the fields of corporate communications.

The Award is accorded to annual reports that are judged to be among the best in terms of having an exceptional approach to an annual report, noteworthy creativity and unique presentation. Besides recognising distinctive effort, the ARC Awards also serves to promote awareness of the annual report as an important corporate communications tool and to encourage creative annual report design and unparalleled writing. As such, the ARC Awards is considered the most highly respected and prestigious competition in the industry.

There are approximately 2,100 entries submitted by some 1,068 different companies from 28 countries, representing over 200 industries each year. An international panel of judges is in place to evaluate the entries. Judges for the preliminary and final rounds include top-notch investor relations executives, financial executives, writers, designers and photographers from over 90 different agencies and corporations in the United States, Australia, Canada, Germany, Korea, Hong Kong, Singapore and the United Kingdom.

Global Marketing Activities

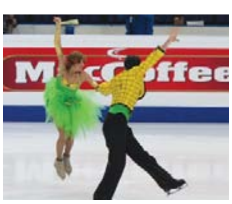
As financial storms started to brew in 2008, Food Empire Holdings Limited ("Food Empire") confidently continued its foray into sponsorships of sports events and promotions in especially its core markets: Russia, Ukraine and Kazakhstan.

Food Empire took the opportunity to create awareness and enhance the presence of its leading brands in the 3-in-1 instant coffee mix sector through a series of promotional activities and its sponsoring of events.

RUSSIA

The brand MacCoffee™, under Food Empire, is proud to be the official sponsor of 2008 ISU World Figure Skating Championships held in Göteborg, Sweden – an annual event that congregates professional skaters from the EU countries. Through the championship, Food Empire succinctly promoted healthy lifestyle standing as both a sports enthusiast and a sponsor.

The Group has been supporting the European and World Figure Skating Championships since 2005. We were the major sponsor for the Championships which was held in Warsaw (2007), Zagreb (2008) and Göteborg (2008). The recent 2008 ISU World Figure Skating Championships was held at the second largest indoor sports arena in Sweden - Scandinavium Arena, Göteborg. The event was witnessed by a strong 400 million viewers in over 63 countries.



The Group also sponsored the much-talk-about global event, 2008 UEFA Cup qualifying matches.

UKRAINE

The "Hot MacChocolate™ Autumn Campaign" held in Kiev, Ukraine, in October 2008 proved more than a success. The campaign caught the participation of the urbanites through its aggressive approach supported by a web portal. The general public was given a treat to the aromatic MacChocolate™ through a series of promotional activities.

Food Empire, under the brand MacChocolate™, went on to make headlines with its sponsorship of the European Business Association ("EBA") Amateur Tennis Tournament 2008, held in Kyiv. The spectacular event, which was split into two adult groups (male and mixed doubles); and two children groups (boys single and girls single); was witnessed by sports enthusiasts from across the country. The event also saw the supportive participation from members of the EBA.

The campaign, "MacCoffee™, Stir Up Your Money!" that stretched from October 2008 to January 2009 continued to aggressively enhance the presence of the MacCoffee™ brand. With the enticing promotional mechanics, the public was game to bag the grand prize of 500,000 Ukrainian hryvnia besides the other cash prizes. There was a total of 10 draws throughout the promotional period.

KAZAKHSTAN

Food Empire saw its very first Nationwide Consumer Promotion in Kazakhstan. This was the first ever MacCoffee™ luck draw to be held in the bustling city. The event was held at Hyundai car centre in Almaty in October 2008 and boasted of three Hyundai sedans for the grand prizes. The promotional activity drew good response, receiving over 10,000 entries within a month.


MacCoffee
Наколоти собі грошей!
MacCoffee
В акції розігрується 500 000 гривень!
Щотижня визначається десять переможців, кожен з яких отримує пять тисяч гривень
www.maccoffee.com.ua
8 800 300 4000

Operations Review

While the outlook remains volatile, Food Empire ended the year with a strong balance sheet, having delivered record sales and profit. In 2008, sales increased by 20.5% or US$37.9 million to US$222.3 million – the Group's eight consecutive year of double digit revenue growth.

Financial Performance

The Group enjoyed strong revenue growth in all its key markets. Sales to Russia increased by 25.7% while sales to Eastern Europe and Central Asia rose by 10.6%. Russia sales were boosted by the launch of a new-look product packaging for MacCoffee, while the branding efforts in Ukraine and Kazakhstan drove the sales growth in Eastern Europe and Central Asia. Revenue from other markets rose by 34.1% as sales to the Middle East continued to show promise.

The Group's profit after tax and minority interest was US$21.1 million, an increase of 0.3% compared to 2007. Food Empire acted to preserve its margins by actively managing costs and by gradually increasing selling prices throughout the year.

Cost pressures were felt on several fronts. First, there was an upward trend in commodity prices, which the Group responded to by incrementally increasing its sales price.

Second, the local currencies in which staff are paid appreciated against the US dollar in the first half of the year. Together with a higher headcount, this resulted in staff costs increasing by 23.5% for the year. However, staff costs fell in the final quarter as the Group rationalised its production capacity and the US dollar appreciated.

Other operating expenses rose as the Group invested additional resources into branding activities to support the launch of its new product packaging in the key market of Russia. The cost of transport and logistics increased, reflecting the higher oil prices experienced earlier in the year.

Responding to the Storm

The Group responded to the economic downturn with a three-pronged strategy. First, actions were taken to strengthen the balance sheet. Second, cashflow was improved by managing credit terms and aggressively pursuing outstanding receivables. And finally, steps were taken to rationalise production in line with the expected lower level of demand.

The Group worked with its banks to restructure the Group's loan portfolio. As a result, total loans were down from US$18 million at September 30, 2008 to US$16.7 million at the close of the financial year.

The Group's response to the financial crisis resulted in improved cashflow. During the three months ended 31 December 2008, receivables decreased by US$9.0 million, inventories decreased by US$7.3 million and payables decreased by US$10.9 million. As a result net cashflow from operation for the fourth quarter was US$9.4 million, compared to a negative cashflow of US$7.7 million for the nine months ended September 30, 2008. For the full year, the Group generated US$1.7 million of net cash from operations.

In order to better manage production for the usual last quarter surge in demand, the Group increased its production to full capacity during the middle of the year. When it was clear the final quarter sales would not be as high as previous years, the Group moved to rationalise the staffing levels and allowed existing inventory to be sold down.

These decisive steps helped strengthen the Group's financial position in preparation for an expected slower trading period in 2009. The Group finished the year with a strong balance sheet, with US$122.6 million in net assets including US$15.5 million in cash and bank balances.

Achievements and Accolades

Food Empire continued to set new standards for brand development and the Group's marketing efforts again won numerous accolades throughout the year.

ISU World Figure Skating Championships 2008

"HOT" MacChocolate Autumn Campaign in Kiev, Ukraine

The repackaging exercise in Russia was well received by our loyal customers who liked the new, modern feel of the products. The new packaging for the MacCoffee™ branded products, is strategically targeted at a young demographic - aged between 18 and 35 – by associating the brand with young people's on-the-go lifestyle. This has helped introduce MacCoffee™ products to a new segment of consumers.

Outdoor advertisements featuring MacCoffee™ '3-in-1' Original and MacCoffee™ Strong generated substantial sales from major cities including Rostov, Krasnodar, Novosibirsk and St Petersburg.

This repackaging exercise has now been completed in the Group's three biggest country markets of Russia, Ukraine and Kazakhstan.

Food Empire's portfolio of brands was valued at USD130.5 million by international branding consultancy Brand Finance. The MacCoffee™ Brand was also voted by Brand Finance as Most Hardworking Singapore Brand.

Food Empire's brand building activities continue to deliver value to shareholders through increased sales and the preservation of its market share. Food Empire's products continue to dominate the 3 in 1 instant coffee market in Russia (53%), Ukraine (60.1%) and Kazakhstan (84%).

For the second consecutive year, Food Empire made it into Forbes Magazine's prestigious list of the top 200 firms in Asia with turnover under $1 billion. Forbes' 'Best under a Billion' list identifies companies with consistent sales and revenue growth over a three year period.

Promotion of Petrovskaya Sloboda in Russia

Food Empire was again acknowledged as an International 100 Company by IE Singapore. The ranking recognises the top 100 Singapore companies when ranked by revenue generated overseas.

And for the third year, the Group's 2007 Annual Report, aptly named Warriors of the Empire, won a Gold Medal in the International ARC Awards.

Looking Ahead

While it is easy to see nothing but more storm clouds on the horizon, the Board and management of Food Empire believe long term growth opportunities still exist in emerging markets for premium quality products, supported by professional branding activities.

However, during this period of economic uncertainty, Food Empire will take steps to conserve resources, streamline its purchases and rationalise production. These steps will keep the organisation lean and cost efficient during these tumultuous times. Management will also be cautious before launching new products.

Over the long term, the investment the Group has made in developing its brands and acquiring the loyalty of consumers will leave the Group well positioned to benefit from a change in the economic weather. The Group believes it has the right product and market mix in place to enjoy further growth when confidence returns to the global market place.

Community Outreach

A keen believer in making a difference in the lives of the needy in the global community through various outreach programmes, sponsorships and partnerships with social organisations, Food Empire has been offering aids and giving back to the society each year.

The following are some of the recent projects the Group undertook:

- Sponsored beverages and made visits to the Moral Home for the Disabled under Thye Hua Kwan Moral Society at Eunos, Singapore
- Participated in fund raising event: Changi General Hospital ("CGH") Home Care Assist Charity Bazaar 2008, Singapore
- Sponsored beverages and raised funds at the WoodGrove Secondary School Food & Fun Fair, Singapore
- Assumed the role of the main sponsor for the launching of Food Empire Centre for International Studies and the Chinese Room in Kuo Chuan Presbyterian School, Singapore
- Powered the laboratories of Almaty University with 30 sets of computers in Kazakhstan
- Gave away hampers of Kracks products to the orphans in an orphanage in Kazakhstan
- Partnered South West Community Development Council ("CDC") in its community programmes to alleviate financial stress on the lower income families in Singapore

ISU EUROPEAN
FIGURE SKATING
CHAMPIONSHIPS
HELSINKI 20 –25.1.2009

Tantalizing Treats

Klassno Xtreme 5-in-1 Coffee

Klassno Xtreme 5-in-1 Coffee (essence of Ginseng and Tongkat Ali) Power-packed with the invigorating goodness of Ginseng and Tongkat Ali, let Klassno Xtreme 5-in-1 give that additional boost to your energy level. Rich in Vitamins A, E, and B2, and niacin, calcium, iron, kalium and ginsenoside, Ginseng is proven to strengthen the body's immune system. Take a sip and feel the difference.

OrienBites Yakitori Mix (Party Pack)

Add a tinge of tropical flavour to your life with the assortment pack of Asian delights. The tender grilled chicken marinated with zesty pineapple or mango sauce will definitely excite your palate and bring on a smile. The Yakitori Mix comes in Japanese and Thai flavours.

MacCoffee™ 2-in-1

Smooth and aromatic, MacCoffee™ 2-in-1 is the perfect beverage for coffee lovers. Its unique blend retains the natural goodness of creamer and authentic taste of coffee beans, leaving a refreshing aftertaste with every sip.

MacChocolate™

Good news for hot chocolate lovers! You can now enjoy a thick, creamy and fragrant cup of hot chocolate wherever you are. Let MacChocolate™ perks you up and adds an additional tinge of flavour to your day. It is available in boxes of 10 sachets and convenient poly-bags of 20.

MacTea™

Strawberry, lemon, peach, apple, raspberry and blackcurrant - these are the refreshing flavours available for you to satiate your craving for a brilliant brew of tea. MacTea™ is available in convenient sachets for you to enjoy a cup of tea wherever you may be.

Kracks

With a range of exciting taste that teases your taste bud, this crunchy snack is definitely a darling to snack lovers. This healthier alternative to the regular potato chips on the shelves are made from a potpourri of ingredients including potatoes, rice and peanuts. Try out the two new exciting flavours: Tomato Mayonnaise and Mushroom. Kracks comes in canisters and sharing bags.

MacCoffee™ Premium

Freeze dried, rich and aromatic, MacCoffee™ Premium pleases even the most discerning coffee connoisseur. MacCoffee™ Premium retains the original flavour and fragrance of Arabica coffee beans from the high lands. To either share with friends or for a self-indulgent treat, MacCoffee™ Premium is definitely the right choice.

Corporate Information

Board of Directors
Executive
Tan Wang Cheow
(Chairman and Managing Director)
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
Tan Cher Liang
Tan San-Ju

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

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

Principal Bankers
United Overseas Bank Limited
Standard Chartered Bank
Citibank Singapore Limited

Corporate Governance

BOARD OF DIRECTORS

Presently, the Board comprises: -

Mr. Tan Wang Cheow	Managing Director / Chairman
Mr. Sudeep Nair	Executive Director
Mdm. Tan Guek Ming	Non-executive Director
Mr. Hartono Gunawan	Non-executive Director
Mr. Koh Yew Hiap	Non-executive Director
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 personnel;

6) Approving annual budgets, major funding, investment and divestment proposals; and

7) Assuming responsibility for corporate governance.

To facilitate effective management, the Board has delegated certain functions to various Board Committees. The Board Committees operate under clearly defined terms of reference. The Chairmen of the respective Committees will report to the Board the outcomes of the Committee meetings.

There are three Board Committees:-
- Audit Committee (“AC”)
- Remuneration Committee (“RC”)
- Nominating Committee (“NC”)

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.

Corporate Governance

(cont'd)

A) BOARD MATTERS (cont'd)

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 FY2008 as well as the frequency of these meetings, are disclosed as follows:

Meeting	Board	Audit Committee	Nominating Committee	Remuneration Committee
Tan Wang Cheow	4/4	N/A	1/1	N/A
Ong Kian Min	4/4	4/4	1/1	2/2
Lew Syn Pau	4/4	4/4	1/1	2/2
Tan Guek Ming	4/4	4/4	N/A	2/2
Sudeep Nair	4/4	N/A	N/A	N/A
Boon Yoon Chiang	4/4	4/4	1/1	2/2
Hartono Gunawan	4/4	N/A	N/A	N/A
Koh Yew Hiap	4/4	N/A	N/A	N/A

The Directors are appointed on the strength of their experience and potential to contribute to the Company. Currently, the Board is comprised of business leaders and professionals. Profiles of the Directors are found on pages 8 to 9 of this annual report. Changes to regulations and accounting standards are monitored by management and the Directors are briefed on the new updates in the requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), Companies Act or other regulations/statutory requirements from time to time by management. 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 eight Directors, three of whom are independent. 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	√	√	√		
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, provide the core competencies necessary to meet the Company's targets and whose diverse skills, experience and attributes match the demands facing the Group.

The NC is also of the view that the current Board size of eight directors is appropriate, taking into account the nature and scope of the Company's operations.

Corporate Governance
(cont'd)

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. Tan Wang Cheow	Executive Chairman
Mr. Boon Yoon Chiang	Independent Director

The scope and responsibilities of the NC include-:

1) identifying candidates and reviewing all nominations for all appointments and reappointments to the Board of Directors, including making recommendations on the composition of the Board and 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.

Corporate Governance
(cont'd)

D) BOARD MEMBERSHIP (cont'd)

Last re-election date

Directors	Date of last re-election
Ong Kian Min	20 April 2006
Hartono Gunawan	19 April 2007
Koh Yew Hiap	19 April 2007
Tan Guek Ming	19 April 2007
Lew Syn Pau	29 April 2008
Sudeep Nair	29 April 2008
Boon Yoon Chiang	29 April 2008
Tan Wang Cheow - Chairman & Managing Director	Mr Tan Wang Cheow will be subject to re-election at the Annual General Meeting to be held on 28 April 2009.

The NC is responsible for identifying and recommending to the Board new Board members, after considering the necessary and desirable competencies. In selecting potential new directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. The NC may engage consultants to undertake research on, or assess, candidates for new positions on the Board, or to engage such other independent experts, as it consider necessary to carry out its duties and responsibilities. Recommendations for new Board members are put to the Board for its consideration.

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.

The Board is of the view that the financial parameters recommended by the Code as performance criteria for the evaluation of Directors do not fully measure the contributions of Directors to the long-term success of the Company.

Corporate Governance

(cont'd)

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 and the SGX-ST Listing Manual.

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

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 a share of profits on the Group's profit before tax, on top of monthly salary and bonus.

The Non-Executive Directors receive directors' fees, in accordance with their contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and Board Committees. The Directors' fees are subject to final approval by the shareholders at the Annual General Meeting.

There is no change in the existing remuneration package for the Executive and Non-executive Directors compared to the previous 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.

Corporate Governance
(cont'd)

G) REMUNERATION MATTERS (cont'd)

Although the Code recommends the disclosure of the names of the individual Directors and at least the top 5 key executives (who are not directors of the Company) within the bands of S$250,000 and a breakdown (in percentage terms) of each Directors' remuneration, the Board has decided not to adopt this practice because it is of the view that such disclosure may be detrimental to the Company's interests as it may lead to the poaching of executives within a highly competitive industry.

The remuneration for the financial year ended 31 December 2008 is as shown below:-

Remuneration Bands	No. of Directors in Remuneration Bands
S$1,000,000 & above	2
Below S$250,000	6

Remuneration Bands	Remuneration of Top 5 key executives
S$500,000 to S$750,00	1
S$250,000 to S$499,999	4
Below S$250,000	-

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

H) ACCOUNTABILITY AND AUDIT
Principle 10: Accountability of the Board and management

Currently, management updates the Executive Directors with appropriately detailed reports on the Group's performance on a monthly basis. On a quarterly basis, a performance review is submitted to the Board for review. The Board is committed to providing timely information to the shareholders and the public on a quarterly basis.

I) AUDIT COMMITTEE
Principle 11: Establishment of Audit Committee ("AC") with written terms of reference

The Audit Committee ("AC") comprises:

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

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

Corporate Governance
(cont'd)

I) AUDIT COMMITTEE (cont'd)

During the year, the AC carried out its functions 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 accounting 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;

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 adequacy and effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;

h) the audit plans of the internal auditors; and

i) 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 four meetings.

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 non-audit related fees paid/payable to the external auditor of the Company in financial year 2008 amounted to US$34,000. 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 and overseas subsidiaries. The names of the auditing firms are disclosed in Note 12 of 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 LLP, Certified Public Accountants be nominated for re-appointment as Auditors at the forthcoming Annual General Meeting of the Company.

The Committee has established a whistle-blowing policy where staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financials that might have a significant impact on the Company, such as actions that may lead to incorrect financial reporting, unlawful and/or otherwise amount to serious improper conduct according to company policy.

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.

Yang Lee & Associates has been appointed as internal auditors to assess 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 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 2008. The findings and recommendations of the internal auditors, management's responses, and management's implementation of the recommendations had 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.

Corporate Governance

(cont'd)

J) INTERNAL CONTROLS AND INTERNAL AUDIT (cont'd)
Principle 12: Sound systems of internal audit (cont'd)
Principle 13: Setting up independent internal audit function (cont'd)

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.

J) COMMUNICATION WITH SHAREHOLDERS
Principle 14: Regular, effective and fair communication with shareholders

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-ST.

K) GREATER SHAREHOLDER PARTICIPATION
Principle 15: Shareholders' participation at AGMs

All shareholders (except those who own the shares 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 of Association of the Company allow a member of the Company to appoint one or two proxies to attend and vote for him.

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

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

The Chairperson of the AC, NC and RC are present and available to address questions at the AGM. The external auditors are also present to assist the Directors in addressing any relevant queries by shareholders.

SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2008 (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 Practices Guide in the SGX-ST Listing Manual. 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.

Corporate Governance

(cont'd)

i) **Dealing in Securities (cont'd)**

Directors and officers are also prohibited from dealing in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, and one month before the announcement of the Company's full year results and ending on the date of announcement of the relevant results.

The Company has complied with its Code of Best Practices 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 57.0% of our turnover in 2008. 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.

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 1.3% 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 89.6% as 89.6% of the 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.

Corporate Governance
(cont'd)

iii) **Risk Management Policies and Processes (cont'd)**

Political and Regulatory Consideration (cont'd)
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 or depreciation 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.

The Group has 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.

Fluctuation in Raw Material Prices
Instant coffee powder, creamer, sugar and packaging materials are the main raw materials used for our products, accounting for an aggregate of approximately 80.6% 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 the raw material utilized. 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.

Corporate Governance

(cont'd)

iii) **Risk Management Policies and Processes (cont'd)**

Dependence on Key Personnel

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

The Group has implemented remuneration packages aimed at retaining existing personnel and rewards key management personnel who contribute to the success of the Group.

Interested Person Transactions

Interested person transactions ("IPT") 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 IPT during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholder's mandate pursuant to Rule 920)		Aggregate value of all IPT conducted under shareholder's mandate pursuant to Rule 920 (excluding transactions less than $100,000)	
	2008 US$'000	**2007** US$'000	**2008** US$'000	**2007** US$'000
Simonelo Limited Group of Companies				
- Factory and office rental expense	1,867	1,117	-	-
- Loan provided	250	157	-	-
Triple Ace Limited Group of companies				
- Loan provided	-	175	-	3,000
- Interest Income	87	153	-	-

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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 (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2008.

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

Tan Wang Cheow
Sudeep Nair
Tan Guek Ming
Hartono Gunawan
Koh Yew Hiap
Lew Syn Pau
Ong Kian Min
Boon Yoon Chiang

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 object 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 Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company, as stated below:

	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 2009**	**As at 21 January 2009**
The Company **Ordinary shares**						
Tan Wang Cheow	43,700,000	52,440,000	56,062,000	67,367,400	52,440,000	67,367,400
Sudeep Nair	1,748,429	30,932,399	27,928,571	4,680,000	30,932,399	4,680,000
Tan Guek Ming	44,062,000	52,967,400	55,700,000	66,840,000	52,967,400	66,840,000
Lew Syn Pau	260,000	384,000	80,000	96,000	384,000	96,000
Ong Kian Min	60,000	-	480,000	720,000	-	720,000

Directors' Report
(cont'd)

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

Name of Director	Share options held in the name of the Directors: At the beginning of the year	Share options held in the name of the Directors: At the end of the year	Share options in which Directors are deemed to have an interest: At the beginning of the year	Share options in which Directors are deemed to have an interest: At the end of the year	Share options held in the name of the Directors: As at 21 January 2009	Share options in which Directors are deemed to have an interest: As at 21 January 2009
The Company						
Options to subscribe for ordinary shares exercisable between 25 May 2006 to 24 May 2014 at S$0.229 per share (previously S$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 S$0.229 per share (previously S$0.275 per share)						
Lew Syn Pau	60,000	-	-	-	-	-
Ong Kian Min	60,000	-	-	-	-	-

After the bonus issue of shares on 5 June 2008, the exercise price of the share options were revised downwards on 6 June 2008 for all outstanding unexercised share options as at 6 June 2008 (Note 26).

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

By virtue of Section 7 of the Singapore Companies Act, Cap. 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, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or date of appointment if later, or at the end of the financial year.

2,705,000 ordinary shares were issued at an average price of S$0.273 each, upon the exercise of options granted to the Food Empire Share Option Scheme.

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 2009.

Directors' Report

(cont'd)

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 Remuneration Committee ("RC") which comprises Mr. Lew Syn Pau (Chairman), Mr. Ong Kian Min, Mr Boon Yoon Chiang and Mdm. Tan Guek Ming.

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

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 at year end	Number of options outstanding at 1.1.2008	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 31.12.2008	Exercise price per share S$	Exercise period
2002 Options	4	295,000	-	-	(55,000)	240,000	0.142#	14 March 2004 to 13 March 2012
2003 Options	-	100,000	-	-	(100,000)	-	0.270	4 June 2005 to 13 March 2012
2004 Options	-	120,000	-	-	(120,000)	-	0.275	25 May 2006 to 24 May 2009
2004 Options	3	6,125,000	-	(45,000)	(2,430,000)	3,650,000	0.229#	25 May 2006 to 24 May 2014
	7	6,640,000	-	(45,000)	(2,705,000)	3,890,000		

\# After the bonus issue of shares on 5 June 2008, the exercise price of the share options were revised downwards on 6 June 2008 for all outstanding unexercised share options as at 6 June 2008 (Note 26).

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	(600,000)	-	-
- Ong Kian Min	600,000	(600,000)	-	-
Participant who received more than 5% of total options available				
- Sudeep Nair #	4,650,000	(1,350,000)	-	3,300,000

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 Singapore Companies Act, Cap. 50. The functions performed by the Audit Committee are detailed in the Report on Corporate Governance.

Auditors

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

On behalf of the Board of Directors,

Tan Wang Cheow Director	Sudeep Nair Director

Singapore
20 March 2009

Statement by Directors

We, Tan Wang Cheow and Sudeep Nair, 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 income statement, statements of changes in equity and consolidated cash flow statement together with 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 2008 and the results of the business, 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

(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
Director

Sudeep Nair
Director

Singapore
20 March 2009

Independent 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"), which comprise the balance sheets of the Group and the Company as at 31 December 2008, the statements of changes in equity of the Group and the Company and the income statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is 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 devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; 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 management, 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.

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 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 2008 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 LLP
Public Accountants and
Certified Public Accountants

Singapore
20 March 2009

Consolidated Income Statement

for the year ended 31 December 2008

	Note	2008 US$'000	2007 US$'000
Revenue	3	**222,315**	**184,443**
Other income		416	482
Changes in inventories of finished goods		5,554	(1,080)
Raw materials and consumables used		(122,330)	(96,783)
Staff costs	4	(23,934)	(19,380)
Reversal of/(impairment) loss on property, plant and equipment		1	(13)
Depreciation of property, plant and equipment		(1,746)	(1,446)
Depreciation of investment properties		(30)	(29)
Net loss from fair value adjustment in leasehold investment properties		(8)	(7)
Write off of goodwill		-	(92)
Foreign exchange loss		(983)	(1,012)
Other operating expenses		(55,188)	(41,623)
Finance costs	5	(693)	(568)
Share of (loss)/profit of associated companies		(173)	430
Profit before taxation		**23,201**	**23,322**
Taxation	6	(2,074)	(2,264)
Profit for the year	7	**21,127**	**21,058**
Attributable to:			
Shareholders of the Company		21,127	21,053
Minority interests, net of taxation		-	5
		21,127	21,058
Earnings per share			
Basic earnings per share (in cents)	9	4.00	4.03
Diluted earnings per share (in cents)	9	3.98	3.97

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

Balance Sheets

as at 31 December 2008

	Note	Group		Company	
		2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Non-Current Assets					
Property, plant and equipment	10	11,474	10,924	-	-
Investment properties	11	1,383	1,424	-	-
Investments in subsidiary companies	12	-	-	44,558	7,529
Investments in associated companies	13	5,752	5,771	-	-
Amounts due from associated companies	14	957	1,607	-	-
Intangible assets	15	15,751	15,751	-	-
Deferred tax assets	16	219	786	-	-
		35,536	36,263	44,558	7,529
Current Assets					
Inventories	17	39,645	27,781	-	-
Prepaid operating expenses and other debtors		2,040	2,342	18	21
Deferred expenses		1,110	883	-	-
Amounts due from subsidiary companies (non-trade)	18	-	-	51	36,875
Amounts due from associated companies (trade)	19	76	257	-	-
Amounts due from associated companies (non-trade)	19	1,189	858	-	-
Trade receivables	20	60,672	55,778	-	-
Other receivables	21	963	853	-	3
Cash and cash equivalents	22	15,537	15,974	62	38
		121,232	104,726	131	36,937
Current Liabilities					
Trade payables and accruals	23	(14,149)	(18,462)	(358)	(365)
Other payables	24	(160)	(243)	-	-
Finance lease creditors	30	(3)	-	-	-
Interest-bearing loans and borrowings	25	(5,336)	(2,000)	-	-
Provision for taxation		(2,543)	(2,444)	-	(210)
		(22,191)	(23,149)	(358)	(575)
Net Current Assets/(Liabilities)		**99,041**	**81,577**	**(227)**	**36,362**
Non-Current Liabilities					
Finance lease creditors	30	(15)	-	-	-
Interest-bearing loans and borrowings	25	(11,330)	(7,500)	-	-
Deferred tax liabilities	16	(612)	(1,294)	-	-
		(11,957)	(8,794)	-	-
Net Assets		122,620	109,046	44,331	43,891
Equity					
Share capital	26	39,666	38,867	39,666	38,867
Reserves	27	82,954	70,179	4,665	5,024
Total equity		122,620	109,046	44,331	43,891

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 2008

	Attributable to equity		
Group 2007	**Share capital US$'000**	**Foreign currency translation reserve US$'000**	**Asset revaluation reserve US$'000**
Balance as at 1 January 2007	37,650	1,576	60
Foreign currency translation differences	-	1,589	-
Net income recognised directly in equity	-	1,589	-
Net profit for the year	-	-	-
Total recognised income and expenses for the year	-	1,589	-
Value of employee services received for issue of share options	-	-	-
Dividends paid to shareholders of the Company (Note 8)	-	-	-
Acquisition of minority interest	-	-	-
Exercise of share options	296	-	-
Issuance of ordinary shares	921	-	-
Balance as at 31 December 2007	38,867	3,165	60

Group 2008	**Share capital US$'000**	**Foreign currency translation reserve US$'000**	**Asset revaluation reserve US$'000**
Balance as at 1 January 2008	38,867	3,165	60
Foreign currency translation differences	-	(2,105)	-
Net expense recognised directly in equity	-	(2,105)	-
Net profit for the year	-	-	-
Total recognised income and expenses for the year	-	(2,105)	-
Value of employee services received for issue of share options	-	-	-
Dividends paid to shareholders of the Company (Note 8)	-	-	-
Acquisition of minority interest	-	-	-
Exercise of share options	242	-	-
Issuance of ordinary shares	557	-	-
Balance as at 31 December 2008	39,666	1,060	60

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

holders of the Company

Share-based payment reserve US$'000	Accumulated profits US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
664	50,618	90,568	1,225	91,793
-	-	1,589	68	1,657
-	-	1,589	68	1,657
-	21,053	21,053	5	21,058
-	21,053	22,642	73	22,715
78	-	78	-	78
-	(5,163)	(5,163)	-	(5,163)
-	-	-	(1,298)	(1,298)
(296)	-	-	-	-
-	-	921	-	921
446	66,508	109,046	-	109,046

Share-based payment reserve US$'000	Accumulated profits US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
446	66,508	109,046	-	109,046
-	-	(2,105)	-	(2,105)
-	-	(2,105)	-	(2,105)
-	21,127	21,127	-	21,127
-	21,127	19,022	-	19,022
120	-	120	-	120
-	(6,125)	(6,125)	-	(6,125)
-	-	-	-	-
(242)	-	-	-	-
-	-	557	-	557
324	81,510	122,620	-	122,620

Statement of Changes in Equity

for the year ended 31 December 2008 (cont'd)

Company	Share capital US$'000	Foreign currency translation reserve US$'000	Share-based payment reserve US$'000	Accumulated profits US$'000	Total equity US$'000
2007					
Balance as at 1 January 2007	37,650	1,367	664	629	40,310
Foreign currency translation differences	-	2,206	-	-	2,206
Net income recognised directly in equity	-	2,206	-	-	2,206
Net profit for the year	-	-	-	5,539	5,539
Total recognised income and expenses for the year	-	2,206	-	5,539	7,745
Value of employee services received for issue of share options	-	-	78	-	78
Dividends paid to shareholders of the Company (Note 8)	-	-	-	(5,163)	(5,163)
Exercise of share options	296	-	(296)	-	-
Issuance of ordinary shares	921	-	-	-	921
Balance as at 31 December 2007	38,867	3,573	446	1,005	43,891
2008					
Balance as at 1 January 2008	38,867	3,573	446	1,005	43,891
Foreign currency translation differences	-	454	-	-	454
Net income recognised directly in equity	-	454	-	-	454
Net profit for the year	-	-	-	5,434	5,434
Total recognised income and expenses for the year	-	454	-	5,434	5,888
Value of employee services received for issue of share options	-	-	120	-	120
Dividends paid to shareholders of the Company (Note 8)	-	-	-	(6,125)	(6,125)
Exercise of share options	242	-	(242)	-	-
Issuance of ordinary shares	557	-	-	-	557
Balance as at 31 December 2008	39,666	4,027	324	314	44,331

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 2008

	2008 US$'000	2007 US$'000
Cash flows from operating activities		
Profit from operations before taxation	23,201	23,322
Adjustments for:		
Depreciation of property, plant and equipment	1,746	1,446
Depreciation of investment properties	30	29
Net loss from fair value adjustment in leasehold investment properties	8	7
Loss/(gain) on disposal on property, plant and equipment	51	(2)
Interest income	(252)	(448)
Interest expenses	693	568
Exchange realignment	(676)	1,200
Loss on disposal of associated company	-	59
Write off of goodwill	-	92
(Reversal)/impairment loss on property, plant and equipment	(1)	13
Impairment of trade receivables	47	274
Impairment loss on inventories	383	408
Share of loss/(profit) of associated companies	173	(430)
Value of employee services received for issue of share options	120	78
Write back of impairment loss on inventories	(354)	-
Operating profit before working capital changes	25,169	26,616
Increase in receivables	(5,128)	(17,489)
Increase in inventories	(11,893)	(4,254)
(Decrease)/increase in payables	(4,396)	524
Cash flows generated from operations	3,752	5,397
Income taxes paid	(2,083)	(1,068)
Net cash flows from operating activities	1,669	4,329
Cash flows from investing activities		
Interest income received	252	448
Purchase of property, plant and equipment	(3,316)	(2,045)
Proceeds from sale of property, plant and equipment	68	51
Proceeds from sale of investment held for sale	-	350
Net cash paid for acquisition of subsidiaries	-	(9,407)
Acquisition of additional shares in subsidiaries	-	(1,298)
Proceeds from the disposal of interest in associates	-	2,877
Dividends from an associated company	38	-
Investments in associated companies	(721)	(831)
Decrease/(increase) in amounts due from associated companies	650	(2,149)
Net cash flows used in investing activities	(3,029)	(12,004)
Cash flows from financing activities		
Interest expenses paid	(693)	(568)
Dividends paid to shareholders of the Company	(6,125)	(5,163)
Proceeds from issuance of shares	557	920
Increase in finance lease	18	-
Increase in interest-bearing loans and borrowings	7,166	4,772
Net cash flows generated from/(used in) financing activities	923	(39)
Net decrease in cash and cash equivalents	(437)	(7,714)
Cash and cash equivalents at beginning of year (Note 22)	15,974	23,688
Cash and cash equivalents at end of year (Note 22)	15,537	15,974

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

Notes to the Financial Statements

for the year ended 31 December 2008

1. Corporate information

The financial statements of Food Empire Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the Directors on 20 March 2009.

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

The Group changed its presentation currency from Singapore dollars to United States dollars (“USD”) with effect from 1 January 2008. As the functional currency of the subsidiaries is USD, the change will minimise foreign currency translation adjustment on consolidation and will show a more representative view of the Group’s performance.

Accordingly, the United States dollar comparative figures for the prior year have been restated based on the respective audited financial statements/unaudited management account of the companies in the Group on the assumption that the United States dollars presentation currency had been adopted by the Company and its subsidiaries since their respective dates of incorporation or acquisition.

The statutory financial statements of the Company and of the Group are presented in United States dollars for the reasons set out above. The Company has received approval from the Registrar of Companies and Businesses to file its statutory financial statements in United States dollars for the financial year ended 31 December 2008.

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 have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars (“US$”) and all values are rounded to the nearest thousand (US$’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

for the year ended 31 December 2008 (cont'd)

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

2.2 *Future changes in accounting policies*

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

Reference		*Description*	*Effective for annual periods beginning on or after*
FRS 1	:	Presentation of Financial Statements	
		– Revised presentation	1 January 2009
		– Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23	:	Borrowing Costs	1 January 2009
FRS 27	:	Consolidated and Separate Financial Statements	1 January 2009
		– Amendments Relating to Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate	
FRS 32	:	Financial Instruments: Presentation	1 January 2009
		– Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	
FRS 39	:	Financial Instruments: Recognition and Measurement	1 July 2009
		– Amendments relating to Eligible Hedged Items	
FRS 101	:	First-time Adoption of Financial Reporting Standards	1 January 2009
		– Amendments Relating to Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate	
FRS 102	:	Share-based payment – Vesting conditions and cancellations	1 January 2009
FRS 108	:	Operating Segments	1 January 2009
INT FRS 113	:	Customer Loyalty Programmes	1 July 2008
INT FRS 116	:	Hedges of a Net Investment in a Foreign Operation	1 October 2008
INT FRS 117	:	Distributions of Non-cash Assets to Owners	1 July 2009

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 1 and FRS 108 as indicated below.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

2.2 ***Future changes in accounting policies (cont'd)***

FRS 1 Presentation of Financial Statements – Revised Presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt.

FRS 108 Operating Segments

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or results of the Group when implemented in 2009.

2.3 ***Significant accounting estimates and judgements***

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(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 2008 was US$7,390,000 (2007: US$7,390,000). More details are provided in Note 15.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

2.3 ***Significant accounting estimates and judgement (cont'd)***

(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 2008 was US$11,474,000 (2007: US$10,924,000). 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 2008 was US$2,543,000 (2007: US$2,444,000).

(b) Critical judgements made in applying accounting policies
In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has 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 ***Foreign currency***

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary companies 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 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

for the year ended 31 December 2008 (cont'd)

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

2.4 ***Foreign currency (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 income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiary companies, which are recognised initially in equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the subsidiary company.

The assets and liabilities of foreign subsidiary companies are translated into USD at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in foreign currency translation reserve relating to that particular foreign subsidiary company is recognised in the income statement.

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 impairment losses.

(b) Basis 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 used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiary companies are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of the business combination over the Group's share in the net fair value of the acquired subsidiary company's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.9 below. Any excess of the Group's share in the net fair value of the acquired subsidiary company's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

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

(b) Basis of consolidation (cont'd)

Subsidiary companies are 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.

Minority interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group and are presented in the consolidated income statement and within equity in the consolidated balance sheet, separately from the parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with equity holders. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2.6 *Associated companies*

An associated company is an entity, not being a subsidiary company or a joint venture, in which the Group has significant influence. 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.

The Group's investments in associated companies are accounted for using the equity method. Under the equity method, the investment in associated company is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of 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 associated company's identifiable assets, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associated company 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 associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

The financial statements of the associated company are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

Notes to the Financial Statements

for the year ended 31 December 2008 (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. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the balance sheet date.

Any revaluation surplus is credited directly to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in income statement, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

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 whole of the revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings 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:

Leasehold factory buildings	-	Over the remaining term of lease
Plant and machinery	-	5 – 10 years
Furniture and fittings and other equipment	-	3 – 15 years
Factory and office equipment	-	5 – 10 years
Computers	-	3 – 5 years
Motor vehicles	-	3 – 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 yet available for use.

Notes to the Financial Statements

for the year ended 31 December 2008 (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 on derecognition of the asset is included in the income statement in the year the asset is derecognised.

2.8 *Investment properties*

Cost model

Investment properties are measured at cost less accumulated impairment losses. Depreciation is computed on a straight-line basis so as to write off the investment properties over 50 years.

Fair value model

The fair value model is applied for leasehold investment properties. Leasehold investment properties are initially recorded at cost. Subsequent to recognition, leasehold investment properties are measured at fair value and gains or losses arising from changes in fair value of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

2.9 *Intangible assets*

(a) Goodwill

Goodwill acquired in a business combination is initially measured at cost. 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 circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

2.9 *Intangible assets (cont'd)*

(a) Goodwill (cont'd)

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit 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 fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

Brand

The brand was acquired in a business combination. The useful life of the brand is estimated to be indefinite because based on the current market share of the brand, management believes there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows for the Group.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

2.10 *Financial assets*

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.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

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

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss held for trading are classified as financial assets. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the income statement. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(b) Loans and receivables
Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) Held-to-maturity investments
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 investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

2.10 ***Financial assets (cont'd)***

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised directly in the fair value adjustment reserve in equity, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2.11 ***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 assessment for an asset 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the income statement except for assets that are previously revalued where the revaluation was taken to equity. In this case the impairment loss is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. 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 increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

2.12 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and cash with banks or financial institutions, including fixed deposits and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.13 ***Impairment of financial assets***

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

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) Assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at 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 discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

2.13 ***Impairment of financial assets (cont'd)***

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

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 income statement, is transferred from equity to the income statement. Reversals of impairment losses in respect of equity instruments are not recognised in the income statement. Reversals of impairment losses on debt instruments are recognised in the income statement if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in the income 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.

2.15 ***Provisions***

Provisions are recognised: (a) when the Group has a present obligation as a result of a past event, (b) it is probable that an outflow of economic resources will be required to settle the obligation and (c) the amount of the obligation can be estimated reliably.

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 economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

2.16 *Financial liabilities*

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the income statement. Net gains or losses on derivatives include exchange differences.

2.17 *Financial guarantee*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in the income statement over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the income statement.

2.18 *Borrowing costs*

Borrowing costs are recognised in the income statement in the period in which they are incurred.

2.19 *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 income statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

2.19 ***Leases (cont'd)***

(a) As lessee (cont'd)
Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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

(b) As lessor
Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.20.

2.20 ***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:

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

(b) Rental income
Rental income is recognised on the time apportionment basis.

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

(d) Interest income
Interest income is recognised using the effective interest method.

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

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

2.20 ***Revenue (cont'd)***

(f) Marketing service income
Marketing service fee is recognised when services are rendered.

(g) Packaging service income
Packaging service fee is recognised when the services are rendered.

2.21 ***Finance costs***

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

2.22 ***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 defined contribution 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 as a liability when they accrue to employees. The estimated liability for leave is recognised for 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').

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

2.22 *Employee benefits (cont'd)*

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

(ii) Equity settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in the income statement, with a corresponding increase in the share-based payment reserve, over the vesting period. The cumulative expense recognised 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 options that will ultimately vest. The charge or credit to the income statement 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 vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. The share-based payment reserve is transferred to retained earnings upon expiry of the awards. When the awards are exercised, the share-based payment reserve is transferred to share capital if new shares are issued, or to treasury shares if the awards are satisfied by the reissuance of treasury shares.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised over the remaining vesting period as if the terms had not been modified. Additional expense is recognised for any increase in the total fair value of the awards due to the modification, 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.

2.23 *Income taxes*

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

2.23 *Income taxes (cont'd)*

(b) Deferred tax (cont'd)

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;

- In respect of temporary differences associated with investments in subsidiary companies, associated companies and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

2.24 *Segment reporting*

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environment.

(a) 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.

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

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Sales to other markets include countries like the Middle East, Europe and Asia.

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

2.25 *Derecognition of financial assets*

A financial asset is derecognised when:

- the Group transfers the contractual rights to receive cash flows of the financial asset; or

- the Group retains the contractual rights to receive cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in a 'pass-through' arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or 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.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

2.25 *Derecognition of financial assets (cont'd)*

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

Where an entity has transferred financial assets in such a way that part or all of the financial assets do not qualify for derecognition, the entity shall disclose for each class of such financial assets: a) the nature of the assets; b) the nature of the risks and rewards of ownership to which the entity remains exposed; c) when the entity continues to recognise all of the assets, the carrying amounts of the assets and of the associated liabilities; and d) when the entity continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets, the amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.

2.26 *Share capital and share issue expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.27 *Contingencies*

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

3. Revenue

Revenue is analysed as follows:

	Group	
	2008	**2007**
	US$'000	**US$'000**
Sale of goods	180,231	149,116
Rental income	942	326
Royalty income	996	907
Marketing service fee	32,178	28,662
Packaging service fee	7,968	5,432
	222,315	184,443

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

4. Staff costs

	Group 2008 US$'000	Group 2007 US$'000
Salaries, wages and other staff benefits	21,631	18,237
Employer's contribution to defined contribution plans including Central Provident Fund	2,183	956
Retrenchment benefits	-	108
Value of employee services received for issue of share options	120	79
	23,934	19,380

Directors' remuneration included in staff costs are as follows:

	Group 2008 US$'000	Group 2007 US$'000
Directors' remuneration		
- Directors of the Company		
- Salaries and other remuneration	2,025	2,608
- Employer's contribution to defined contribution plans including Central Provident Fund	14	17
- Value of employee services received for issue of share options	120	34
- Other Directors of subsidiary companies		
- Salaries and other remuneration	744	522
- Employer's contribution to defined contribution plans including Central Provident Fund	19	17
- Value of employee services received for issue of share options	-	6
	2,922	3,204

5. Finance costs

	Group 2008 US$'000	Group 2007 US$'000
Interest expenses on:		
Term loan	688	550
Bank trust receipts	5	18
	693	568

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

6. Taxation

Major components of income tax expenses

The major components of income tax expenses for the years ended 31 December 2008 and 2007 are:

	Group	
	2008	**2007**
	US$'000	**US$'000**
Income statement		
Current income tax		
- Current income taxation	2,306	2,372
- Overprovision in respect of prior years	(120)	(126)
	2,186	2,246
Deferred income tax		
- Origination and reversal of temporary differences	(112)	327
- Benefits from previously unrecognised tax losses	-	(272)
- Effect of reduction in tax rate	-	(37)
	(112)	18
Income tax expense recognised in the income statement	2,074	2,264

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2008 and 2007 are as follows:

	Group	
	2008	**2007**
	US$'000	**US$'000**
Accounting profit before tax	23,201	23,322

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

6. Taxation (cont'd)

	Group 2008 US$'000	Group 2007 US$'000
Tax at statutory tax rate of 18% (2007: 18%)	4,176	4,198
Adjustments:		
Effect of change in tax rate	-	(35)
Tax effect of double taxation relief	(294)	-
Expenses not deductible for tax purposes	568	1,668
Tax effect of income not subject to tax	(56)	(160)
Tax effect of capital gain not subject to tax	-	(327)
Tax effect of partial tax exemption	(43)	(96)
Deferred tax assets not recognised	65	43
Effect of different tax rates in other countries	(2,100)	(2,528)
Benefits from previously unrecognised tax losses	-	(270)
Overprovision in respect of prior year taxation	(120)	(126)
Others	(122)	(103)
Income tax expense recognised in the income statement	2,074	2,264

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 18% for the year of assessment 2008 onwards from 20% for year of assessment 2007. The corporate income tax rate applicable to Malaysian companies of the Group was reduced from 28% to 27% and 26% for the year of assessment 2007 and the year of assessment 2008 onwards respectively.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

7. Profit for the year

	Group 2008 US$'000	Group 2007 US$'000
Profit for the year is stated after charging/(crediting):		
Non-audit fees paid to		
- auditors of the Company	34	-
Net loss from fair value adjustment in leasehold investment properties	8	7
Directors' fee		
- Directors of the Company	177	160
- other directors of the subsidiary companies	1	1
Foreign exchange loss	983	1,012
(Reversal of)/impairment loss on property, plant and equipment	(1)	13
Write off of goodwill	-	92

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

7. Profit for the year (cont'd)

	Group 2008 US$'000	Group 2007 US$'000
Other operating expenses		
- Loss/(gain) on disposal of property, plant and equipment	51	(1)
- Loss on disposal of associated company	-	59
- Impairment of trade receivables	47	274
- Impairment loss on inventories	383	408
- Write back of impairment loss on inventories	(354)	-
- Advertising expenses	30,683	20,727
- Legal and professional fess	951	1,085
Interest income on		
- bank deposits	(152)	(277)
- associated companies	(100)	(172)

8. Dividends

	Company 2008 US$'000	Company 2007 US$'000
First and final dividend paid in respect of the previous financial year of:		
- S$Nil (2007: S$0.00275) per ordinary share less tax at 18% (2007: 18%)	-	637
- One-tier exempted dividend of S$0.019 (2007: S$0.016)	6,125	4,526
	6,125	5,163

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

	Company 2008 US$'000	Company 2007 US$'000
Proposed first and final dividend of		
- one-tier tax exempted dividend of S$0.0035 (2007: S$0.019)	1,234	6,125

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

9. Earnings per share

(a) Basic earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year from continuing operations attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

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

	Group	
	2008	**2007**
	US$'000	**US$'000**
Net profit attributable to ordinary shareholders of the Company used in computation of basic earnings per share	21,127	21,053
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation *	527,833	522,186

* The weighted average number of shares for the prior financial year had been adjusted to take into account the effect of the bonus shares issued on 5 June 2008.

(b) Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing profit for the year from continuing operations attributable to ordinary equity holders of the Company (after deducting dividends) by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	Group	
	2008	**2007**
	US$'000	**US$'000**
Net profit attributable to ordinary shareholders of the Company used in computation of diluted earnings per share	21,127	21,053
	'000	'000
Weighted average number of shares issued, used in the calculation of basic earnings per share	527,833	522,186
Effect of dilution:		
Weighted average number of unissued ordinary shares under option	4,914	12,529
Number of shares that would have been issued at fair value	(2,025)	(4,088)
Weighted average number of ordinary shares adjusted for the effect of dilution which is used for diluted earnings per share computation	530,722	530,627

Since the end of the year, employees (including senior executives and Directors) have exercised the options to acquire Nil (2007: 170,000) 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

for the year ended 31 December 2008 (cont'd)

10. Property, plant and equipment

Group	Leasehold factory buildings US$'000	Plant and machinery, furniture and other equipment US$'000	Factory and office equipment and computers US$'000	Forklifts and motor vehicles US$'000	Renovation, airconditioners, electrical installation and leasehold improvements US$'000	Capital work-in progress US$'000	Total US$'000
Cost							
At 1 January 2007	4,070	7,890	1,555	952	741	287	15,495
Additions	76	1,354	241	200	70	104	2,045
Disposals	-	(146)	(3)	(150)	-	-	(299)
Acquisitions of a subsidiary	-	7	5	-	-	-	12
Reclassifications	17	78	58	-	123	(276)	-
Exchange realignment	62	290	21	28	7	-	408
At 31 December 2007 and 1 January 2008	4,225	9,473	1,877	1,030	941	115	17,661
Additions	37	2,173	446	273	275	112	3,316
Disposals	-	(405)	(160)	(61)	(537)	-	(1,163)
Reclassifications	-	119	-	-	-	(119)	-
Exchange realignment	(88)	(927)	(40)	(79)	(17)	-	(1,151)
At 31 December 2008	4,174	10,433	2,123	1,163	662	108	18,663
Accumulated depreciation and impairment losses							
At 1 January 2007	1,214	2,341	996	357	528	-	5,436
Charge for the year	185	779	274	137	71	-	1,446
Disposals	-	(111)	(12)	(122)	-	-	(245)
Acquisition of a subsidiary	-	6	2	-	-	-	8
Impairment losses	13	-	-	-	-	-	13
Reclassifications	-	(96)	32	-	64	-	-
Exchange realignment	14	55	3	5	2	-	79
At 31 December 2007 and 1 January 2008	1,426	2,974	1,295	377	665	-	6,737
Charge for the year	186	1,039	276	156	89	-	1,746
Disposals	-	(319)	(147)	(37)	(537)	-	(1,040)
Reversal of impairment losses	(1)	-	-	-	-	-	(1)
Exchange realignment	(19)	(182)	(16)	(25)	(11)	-	(253)
At 31 December 2008	1,592	3,512	1,408	471	206	-	7,189
Net carrying amount							
At 31 December 2008	2,582	6,921	715	692	456	108	11,474
At 31 December 2007	2,799	6,499	582	653	276	115	10,924

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

Based on valuations performed by independent appraiser, Allied Appraisal Consultants Pte Ltd for properties in Singapore and Henry Butcher Malaysia (Johor) Sdn Bhd for the property in Malaysia on 28 November 2008 and 2 December 2008 (2007: 11 December 2007 and 13 November 2007) respectively, the carrying amount of these properties were written back by US$1,000 (2007: written down of US$13,000).

The valuations are estimates of the amounts for which these assets could be exchange between a knowledgeable willing buyer and seller on an arm's length transaction at the valuation date.

Assets held under finance leases

During the financial year, the Group acquired motor vehicle with cost of US$24,000 (2007: US$Nil) by means of finance leases. The cash outflow on acquisition of motor vehicle amounted to US$6,000 (2007: US$Nil).

The carrying amount of motor vehicle held under finance leases at the balance sheet date was US$20,000 (2007: US$Nil) respectively.

Leased assets are pledged as security for the related finance lease liabilities.

11. Investment properties

	Group	
	2008 US$'000	**2007 US$'000**
Cost model		
Investment properties		
Cost		
At 1 January	2,114	2,038
Exchange realignment	(7)	76
At 31 December	2,107	2,114
Accumulated depreciation		
At 1 January	960	885
Depreciation	30	29
Exchange realignment	(4)	46
	986	960
Carrying amount		
At 31 December	1,121	1,154
Fair value model		
Leasehold investment properties		
As at 1 January	270	277
Net loss through fair value adjustments recognised in		
- Income statement	(8)	(7)
At 31 December	262	270
	1,383	1,424

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

11. Investment properties (cont'd)

	Group 2008 US$'000	Group 2007 US$'000
Income statement:		
Rental income from investment properties:		
- Minimum lease payments	63	67
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	34	22

Valuation of investment properties

Based on a valuation performed by an independent appraiser, Allied Appraisal Consultants Pte Ltd on 28 November 2008 (2007: 11 December 2007), there are no impairments required for the carrying amounts of these properties.

The valuation is 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. The fair value of the investment properties is determined at US$2,007,000 (2007: US$1,704,000).

The investment properties held by the Group as at 31 December are as follows:

Location	Description	Existing use	Tenure of land
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	60 years, with effect from 25 July 1981 Leasehold
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

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

12. Investments in subsidiary companies

	Company 2008 US$'000	Company 2007 US$'000
Unquoted shares, at cost	44,907	7,878
Impairment losses	(349)	(349)
Carrying amount of investments	44,558	7,529

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 2008 %	Percentage of equity held by the Group 2007 %
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
Epiq Food Services Pte Ltd [(4)] (Singapore)	Dealers in beverages 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	100	100
Express Food & Beverages Limited [(5)] (Hong Kong)	Dormant	-	100
Klassno Foods Limited [(5)] (Hong Kong)	Dormant	-	100
FES (Mauritius) Ltd [(3)] (Mauritius)	Investment holding	100	100

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

12. Investments in subsidiary companies (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2008 %	2007 %
Held by Future Enterprises Pte Ltd (cont'd)			
Foodaworld Marketing Pte Ltd (4) (Singapore)	Dealers in food products	100	100
Empire Instant Food Pte Ltd (4) (Singapore)	Dormant	100	-
FER (HK) Limited (2) (Hong Kong)	Sales and marketing of instant food and beverages	100	100
Held by Foodaworld Marketing Pte Ltd			
Lovena Limited (7) (Cyprus)	Investment holding	100	100
Pavo Holding Limited (7) (Cyprus)	Investment holding	100	100
Held by Pavo Holding Limited			
Delta Future (8) (Ukraine)	Manufacturing of food products	100	100
FE Production Ltd (8) (Ukraine)	Manufacturing of food products	100	100
Held by Lovena Limited			
FES Distribution Limited (8) (Ukraine)	Sales and marketing of food products	100	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 - Dafza)	Import, export, trading of food and beverages, management and finance support	100	100
FES International FZE (5) (Hamriyah) (United Arab Emirates - Hamriyah)	Import, export, trading of food and beverages, management and finance support	-	100

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

12. Investments in subsidiary companies (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2008 %	2007 %
Held by FER (HK) Limited (cont'd)			
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 Bexar Limited			
Naturant System Inc. [(8)] (British Virgin Islands)	Investment holding	100	100

(1) Audited by Ernst & Young LLP, Singapore.
(2) Audited by S.B. Chow & Co., Certified Public Accountants (Practising), Hong Kong.
(3) Audited by associated firms of Ernst & Young LLP, Singapore.
(4) Audited by IKA International Certified Public Accountants, Singapore.
(5) The companies are liquidated and closed off during the year.
(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 KPMG Cyprus.
(10) Audited by FBK LLC (Moscow, Russia).

Increased investment in subsidiary

During the financial year, the Company subscribed for an additional 100,000 ordinary shares in its wholly-owned subsidiary, Future Enterprises Pte Ltd ("FEPL"). The Company increased its shareholdings from 700,000 to 800,000 ordinary shares in the capital of FEPL. FEPL had allocated 99,930 ordinary shares in satisfaction of US$37,096,000 owing by FEPL to the Company and 70 ordinary shares for a cash consideration of US$25,000.

Disposal of subsidiary

During the financial year, the Company disposed off a wholly-owned subsidiary, Foodaworld Marketing Pte Ltd, to another wholly-owned subsidiary, FEPL for a cash consideration of US$106,000.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

13. Investments in associated companies

	Group 2008 US$'000	Group 2007 US$'000
Unquoted shares, at cost	5,302	4,777
Impairment losses	-	(196)
	5,302	4,581
Share of net post-acquisition reserves	450	1,190
	5,752	5,771

In the financial year 2008, the Group increased its investment in Simonelo Limited by US$721,000, without a change in the Group's effective interest in the associated company.

On 1 December 2007, the Group disposed its entire investment in PT. ABC Future Indonesia for a cash consideration of US$1. However, as some of the documents are still pending finalisation, legal title has yet to be transferred to the buyer, PT Anugerohtama. The Group has fully written off the investment. As such, the asset held for sale as at 31 December 2008 is US$Nil.

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

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2008 %	Percentage of equity held by the Group 2007 %
Held by a subsidiary company			
Hyson Teas (Private) Limited * (Sri Lanka)	Manufacturing and exporting of tea	49	49
PT. ABC Future Indonesia (Indonesia)	Marketing and distribution of instant beverages	-	49
Simonelo Limited ** (Cyprus)	Investment holding	50	50
Triple Ace Ventures Limited # (British Virgin Islands)	Investment holding	50	50

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

** Audited by KPMG Cyprus.

\# Not required to be audited by the law of its country of incorporation.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

13. Investments in associated companies (cont'd)

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

	Group	
	2008	**2007**
	US$'000	**US$'000**
Assets and liabilities:		
Current assets	11,081	9,876
Non-current assets	8,629	12,720
Total assets	19,710	22,596
Current liabilities	4,896	1,793
Non-current liabilities	7,718	9,479
Total liabilities	12,614	11,272
Revenue	3,820	6,399
(Loss)/profit for the year	(460)	129

14. Amounts due from associated companies (non-current)

This amount is the non-current portion of the remaining outstanding balance of a 5 year loan that one of the subsidiaries provided to an associated company in financial year 2007. The loan bears a floating interest rate from 3.4% to 6.9% (2007: 5.1% to 6.1%) per annum during the year.

15. Intangible assets

	Goodwill	**Brand**	**Total**
	US$'000	**US$'000**	**US$'000**
Cost			
At 1 January 2007	6,684	-	6,684
Acquisition of interest in subsidiary companies	706	8,361	9,067
At 31 December 2007 and 2008	7,390	8,361	15,751
Accumulated amortisation			
At 1 January 2007 and 31 December 2008	-	-	-
Carrying amount			
At 31 December 2007 and 31 December 2008	7,390	8,361	15,751

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

15. Intangible assets (cont'd)

Impairment testing of goodwill and brand

Goodwill and brand 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	
	2008	**2007**
	US$'000	**US$'000**
FER (HK) Limited Group	4,797	4,797
FES Industries Pte Ltd	1,887	1,887
Russia and Ukraine segment	706	706
Brand	8,361	8,361
	15,751	15,751

The recoverable amount of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering five year period (2007: 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.

16. Deferred tax assets/(liabilities)

Deferred income tax as at 31 December relates to the following:

	Group	
	2008	**2007**
	US$'000	**US$'000**
Deferred tax assets		
Sundry provisions	219	786
Deferred tax liabilities		
Excess of net book value over tax written down value	(246)	(242)
Others	(366)	(1,052)
Gross deferred tax liabilities	(612)	(1,294)

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to setoff 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	
	2008	**2007**
	US$'000	**US$'000**
Deferred tax assets	219	786
Deferred tax liabilities	(612)	(1,294)
Net deferred tax liabilities	(393)	(508)

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

	Group	
	2008	**2007**
	US$'000	**US$'000**
Tax losses	287	262
Unabsorbed capital allowances	107	42
Other deductible temporary differences	-	11
Net deferred tax assets	394	315

The use of these unutilised tax losses and unabsorbed capital allowances 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.

17. Inventories

	Group	
	2008	**2007**
	US$'000	**US$'000**
Balance sheet:		
Raw materials	20,119	16,009
Packaging materials	4,272	2,692
Finished products/trading goods	15,254	9,080
Total inventories at lower of cost and net realisable value	39,645	27,781
Income statement:		
Inventories recognised as an expense in income statement		
Inclusive of the following charge/(credit):		
- Impairment loss on inventories	383	408
- Write back of impairment loss on inventories	(354)	-
	29	408

The write back of impairment loss on inventories was made when the related inventories were sold.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

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

	Company	
	2008	**2007**
	US$'000	**US$'000**
Amounts due from subsidiary companies	2,572	39,409
Allowance for doubtful receivables	(2,521)	(2,534)
	51	36,875

The amounts due from subsidiary companies are unsecured, interest-free (2007: bear a floating interest rate of 6.0% to 6.1%) per annum and are expected to be repayable on demand.

19. Amounts due from associated companies (trade and non-trade)

Amounts due from associated companies (trade)

	Group	
	2008	**2007**
	US$'000	**US$'000**
Amounts due from associated companies	90	553
Allowance for doubtful receivables	(14)	(296)
	76	257

For the year ended 31 December 2008, a write-back for doubtful receivables of US$144,000 (2007: a charge of allowance of doubtful debts of US$282,000) was recognised in the income statement subsequent to a debt recovery assessment performed on amounts due from associated companies (trade) as at 31 December 2008. The amounts due from associated companies (trade) are unsecured, interest free and expected to be repayable on demand.

Amounts due from associated companies (non-trade)

The amounts due from associated companies (non trade) are unsecured, repayable on demand and bears a fixed interest rate of 5.5% (2007: 5.5%) except for the amount due from an associated company of US$372,000 (2007: Nil) which is unsecured and non-interest bearing and is repayable upon demand and the current portion of the remaining outstanding balance of US$600,000 (2007: US$600,000) of the 5 year loan given to an associated company which bears a floating interest rate of 3.4% to 6.9% (2007: 5.1% to 6.1%) during the year (Note 14).

20. Trade receivables

	Group	
	2008	**2007**
	US$'000	**US$'000**
Trade receivables	60,765	55,820
Allowance for doubtful receivables	(93)	(42)
	60,672	55,778

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

20. Trade receivables (cont'd)

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms, except for sales of raw materials and packaging materials to 2 customers in Russia whose credit terms are 180 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$20,905,000 (2007: US$14,675,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2008	**2007**
	US$'000	**US$'000**
Trade receivables past due:		
Lesser than 90 days	18,631	8,145
91 to 120 days	571	4,457
121 to 150 days	541	1,889
More than 150 days	1,162	184
	20,905	14,675

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group *Individually impaired*	
	2008	**2007**
	US$'000	**US$'000**
Trade receivables – nominal amounts	116	43
Less: Allowance for impairment	(93)	(42)
	23	1
Movement in allowance accounts:		
At 1 January	42	480
Charge for the year	214	2
Bad debts written off against provision	(163)	(432)
Write back of provision	-	(9)
Exchange realignment	-	1
At 31 December	93	42

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

20. Trade receivables (cont'd)

Receivables that are impaired (cont'd)

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

For the year ended 31 December 2008, impairment loss on trade receivables of US$214,000 (2007: net write back of impairment loss of US$7,000) was recognised in the income statement subsequent to a debt recovery assessment performed on trade receivables as at year end.

Trade receivables denominated in currencies other than the functional currency as at 31 December are as follows:

	Group	
	2008	**2007**
	US$'000	**US$'000**
Singapore Dollar	450	4,981
Euro	778	1,329
Russia Rubles	4,320	-
Others	385	659

21. Other receivables

	Group		Company	
	2008	**2007**	**2008**	**2007**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Staff advances	393	266	-	-
Sundry receivables	360	330	-	3
Tax recoverable	210	257	-	-
	963	853	-	3
Sundry receivables and staff advances are stated after deducting allowance for doubtful receivables of	-	(63)	-	-

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

During the year, a write-back for other receivable of US$23,000 (2007: US$Nil) was credited to the income statement.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

22. Cash and cash equivalents

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

	Group		Company	
	2008 US$'000	**2007 US$'000**	**2008 US$'000**	**2007 US$'000**
Cash and bank balances	15,537	15,974	62	38

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging from 0.01% to 4% (2007: 0.01% to 5%) per annum.

Cash and cash equivalents denominated in currencies other the functional currency as at 31 December are as follows:

	Group		Company	
	2008 US$'000	**2007 US$'000**	**2008 US$'000**	**2007 US$'000**
Singapore Dollar	559	833	62	38
Euro	241	181	-	-
Others	391	964	-	-

23. Trade payables and accruals

	Group		Company	
	2008 US$'000	**2007 US$'000**	**2008 US$'000**	**2007 US$'000**
Trade payables	6,753	9,592	63	47
Accruals	7,396	8,870	295	318
Total trade payables and accruals	14,149	18,462	358	365

Trade payables are non-interest bearing and normally settled on 60-day terms.

Trade payables and accruals denominated in currencies other than the functional currency as at 31 December are as follows:

	Group		Company	
	2008 US$'000	**2007 US$'000**	**2008 US$'000**	**2007 US$'000**
Singapore dollar	866	569	358	365
Euro	372	417	-	-
Others	784	848	-	-

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

24. Other payables

	Group		Company	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Rental and other deposits	52	80	-	-
Sundry payables	108	163	-	-
Other payables	160	243	-	-

The sundry payables are non-interest bearing and are normally settled on a 180-day terms.

25. Interest-bearing loans and borrowings

	Effective interest rate (per annum)	Maturity	Group		Company	
			2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Bank borrowings:						
Current	SIBOR + 1.53%	2009	5,336	2,000	-	-
Non-current	SIBOR + 1.39%	2010 - 2012	11,330	7,500	-	-
			16,666	9,500	-	-

These loans are unsecured and are repayable every quarterly.

26. Share capital

	Group and Company	
	2008 US$'000	2007 US$'000
Issued and fully paid:		
At beginning of the year 438,165,000 (2007: 432,315,000) ordinary shares	38,867	37,650
Issued during the year		
Issued for cash under employee share option		
55,000 (2007: 2,130,000) ordinary shares issued at the exercise price of S$0.17 each	7	240
100,000 (2007: 400,000) ordinary shares issued at the exercise price of S$0.27 each	20	72
2,550,000 (2007: 3,320,000) ordinary shares issued at the exercise price of S$0.275 each	530	609
88,173,999 (2007: Nil) bonus shares issued for every 5 ordinary shares held	-	-
Transfer from share-based payment reserve	242	296
At end of the year 529,043,999 (2007: 438,165,000) ordinary shares	39,666	38,867

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

26. Share capital (cont'd)

During the year the Company issued 2,705,000 (2007: 5,850,000) ordinary shares pursuant to the Food Empire Share Option Scheme at an average price of S$0.273 (2007: S$0.236) each.

On 5 June 2008, the Company had a bonus issue of 88,173,999 new ordinary shares ("Bonus Shares") in the capital of the Company on the basis of one bonus share credited as fully paid for every five existing shares held by the shareholders of the Company.

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 restrictions.

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 3,890,000 (2007: 6,640,000) ordinary shares. Details of outstanding options are set out in Note 28.

27. Reserves

	Group		Company	
	2008 US$'000	**2007 US$'000**	**2008 US$'000**	**2007 US$'000**
Foreign currency translation reserve	1,060	3,165	4,027	3,573
Asset revaluation reserve	60	60	-	-
Share-based payment reserve	324	446	324	446
Accumulated profits	81,510	66,508	314	1,005
	82,954	70,179	4,665	5,024

(a) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2008 US$'000	**2007 US$'000**
At 1 January	3,165	1,576
Net effect of exchange differences arising from translation of financial statements of foreign operations	(2,105)	1,589
At 31 December	1,060	3,165

(b) Asset revaluation reserve

The asset revaluation reserve represents increases in the fair value of freehold land and buildings, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

	Group	
	2008 US$'000	**2007 US$'000**
At 1 January and 31 December	60	60

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

27. Reserves (cont'd)

(c) Share-based payment reserve

Share-based payment reserve represents the equity-settled share options granted to employees (Note 28). The reserve is made up of the cumulative value of services rendered from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

	Group and Company	
	2008	**2007**
	US$'000	**US$'000**
At 1 January	446	664
Value of employee services received for issue of share options	120	78
Exercise of share options	(242)	(296)
At 31 December	324	446

(d) Accumulated profits

	Group		Company	
	2008	**2007**	**2008**	**2007**
	US$'000	**US$'000**	**US$'000**	**US$'000**
At 1 January	66,508	50,618	1,005	629
Net profit for the year	21,127	21,053	5,434	5,539
Dividends paid to shareholders of the Company	(6,125)	(5,163)	(6,125)	(5,163)
At 31 December	81,510	66,508	314	1,005

28. 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 Remuneration Committee ("RC") which comprises Mr. Lew Syn Pau (Chairman), Mr. Ong Kian Min, Mr Boon Yoon Chiang and Mdm. Tan Guek Ming.

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 RC.

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

for the year ended 31 December 2008 (cont'd)

28. Employee benefits (cont'd)

Movements in the number of ordinary shares outstanding under the Option Scheme as at 31 December 2007 and the details of the Option

	No. of holders at end of year	Number of options outstanding at 1.1.2007	Number of options granted during the financial year	Number of options lapsed during the financial year
2002 Options[1]	5	2,920,000	-	(495,000)
2003 Options	1	500,000	-	-
2004 Options	2	240,000	-	-
2004 Options	36	9,895,000	-	(570,000)
	44	13,555,000	-	(1,065,000)

Movements in the number of ordinary shares outstanding under the Option Scheme as at 31 December 2008 and the details of the Option

	No. of holders at end of year	Number of options outstanding at 1.1.2008	Number of options granted during the financial year	Number of options lapsed during the financial year
2002 Options[1]	4	295,000	-	-
2003 Options	-	100,000	-	-
2004 Options	-	120,000	-	-
2004 Options	3	6,125,000	-	(45,000)
	7	6,640,000	-	(45,000)

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

The exercise price of the share options were revised down on 6 June 2008 for all outstanding unexercised options as at 6 June 2008.

Scheme are as follows:

Number of options exercised during the financial year	Number of options outstanding at 31.12.2007	Exercise price per share S$	Exercise period	Remaining contractual life (years)
(2,130,000)	295,000	0.17	14 March 2004 to 13 March 2012	4.24
(400,000)	100,000	0.27	4 June 2005 to 13 March 2012	4.20
(120,000)	120,000	0.275	25 May 2006 to 24 May 2009	1.40
(3,200,000)	6,125,000	0.275	25 May 2006 to 24 May 2014	6.40
(5,850,000)	6,640,000			

Scheme are as follows:

Number of options exercised during the financial year	Number of options outstanding at 31.12.2008	Exercise price per share S$	Exercise period	Remaining contractual life (years)
(55,000)	240,000	0.142#	14 March 2004 to 13 March 2012	3.24
(100,000)	-	0.27	4 June 2005 to 13 March 2012	3.20
(120,000)	-	0.275	25 May 2006 to 24 May 2009	0.40
(2,430,000)	3,650,000	0.229#	25 May 2006 to 24 May 2014	5.40
(2,705,000)	3,890,000			

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

for the year ended 31 December 2008 (cont'd)

28. Employee benefits (cont'd)

Out of the outstanding options on 3,890,000 shares (2007: 6,640,000), options on 3,890,000 shares (2007: 3,602,500) are exercisable.

The weighted average share price at the date of exercise for the option exercised was S$0.78 (2007: S$0.93).

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	2.75 - 4.250
Weighted average share price (S$)	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 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

for the year ended 31 December 2008 (cont'd)

29. Segment information

(a) Business segments

The following table presents revenue, results information, assets, liabilities and other segment information regarding the Group's business segments for the years ended 31 December 2008 and 2007.

	Beverages		Others		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Segment revenue from external customers	205,718	170,798	16,597	13,645	222,315	184,443
Segment results	21,915	23,228	2,152	232	24,067	23,460
Share of profit of associated companies	130	130	(303)	300	(173)	430
Finance costs					(693)	(568)
Profit before taxation					23,201	23,322
Taxation					(2,074)	(2,264)
Profit for the year					21,127	21,058
Assets and liabilities						
Segment assets	137,192	90,997	13,608	43,435	150,800	134,432
Investments in associated companies	476	410	5,276	5,361	5,752	5,771
Unallocated assets					216	785
Total assets					156,768	140,988
Segment liabilities	15,753	19,409	1,299	1,917	17,052	21,326
Interest-bearing loan and borrowings					16,666	9,500
Unallocated liabilities					430	1,117
Total liabilities					34,148	31,943
Other segment information						
Capital expenditure						
- Property, plant and equipment	3,273	2,021	43	23	3,316	2,044
- Brand	-	8,361	-	-	-	8,361
(Reversal)/impairment loss on property, plant and equipment	(1)	13	-	-	(1)	13
Depreciation of property, plant and equipment and investment properties	1,744	1,437	32	38	1,776	1,475
Net loss from fair value adjustment in leasehold investment properties	-	-	8	7	8	7
Write off of goodwill	-	47	-	45	-	92
Other non-cash expenses	(80)	541	106	143	26	684

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

29. Segment information (cont'd)

(b) Geographical segments

The following table presents revenue and results information regarding the Group's business segments for the years ended 31 December 2008 and 2007.

	Russia		Eastern Europe and Central Asia		Other countries		Total	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Segment revenue from external customers	126,680	100,803	77,870	70,397	17,765	13,243	222,315	184,443

The following table presents assets, liabilities and other segment information regarding the Group's business segments for the years ended 31 December 2008 and 2007.

	Singapore		Malaysia		Other countries		Elimination		Total	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Segment assets	97,306	92,103	1,392	6,415	65,334	60,217	(13,232)	(24,303)	150,800	134,432
Investments in associated companies	476	1	-	-	5,276	5,770	-	-	5,752	5,771
Unallocated assets									216	786
Total assets									156,768	140,989
Capital expenditure										
- Property, plant and	504	225	986	-	1,826	1,819	-	-	3,316	2,044
- Brand value	-	-	-	-	-	8,361	-	-	-	8,361

30. Commitments and contingencies

Finance lease commitments

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	2008		2007	
	Minimum lease payments US$'000	Present value of payments US$'000	Minimum lease payments US$'000	Present value of payments US$'000
Not later than one year	5	3	-	-
Later than one year but not later than five years	17	15	-	-
Total minimum lease payments	22	18	-	-
Less: Amounts representing finance charges	(4)	-	-	-
Present value of minimum lease	18	18	-	-

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

30. Commitments and contingencies (cont'd)

Operating lease commitments

The Group leases certain properties under lease agreements which expire at various dates till 2020. Rental expenses were US$2,557,000 and US$1,585,000 for the years ended 31 December 2008 and 2007 respectively. Future minimum lease payments payable under non-cancellable operating leases as at the balance sheet date are as follows:

	Group	
	2008	**2007**
	US$'000	**US$'000**
Within one year	2,202	944
After one year but not more than five years	3,337	379
More than five years	355	449
	5,894	1,772

	Group	
	2008	**2007**
	US$'000	**US$'000**
Capital commitments		
Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements	-	448

Contingent liabilities

The Company has given corporate guarantees amounting to US$55,902,000 (2007: US$33,739,000) to bankers to secure banking facilities granted to its subsidiary companies.

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

31. 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.

(a) Sales and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following transactions between the Group and related parties took place during the financial year:

	2008 US$'000	2007 US$'000
Interest income		
- associated company	100	171
Purchases of goods		
- companies owned by substantial shareholder	50	-
Rental expense paid to an associated company	1,867	1,117
Security services paid to an associated company	-	55

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 28. As at 31 December 2008, 3,300,000 (2007: 3,420,000) share options were outstanding to the Directors of the Company at the end of the year.

(b) 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 12.

	Group	
	2008 US$'000	2007 US$'000
Salaries, wages and other staff benefits	3,352	3,714
Central Provident Fund contributions	33	39
Value of employee services received for issue of share options	120	40
Total compensation paid to key management personnel	3,505	3,793
Comprise amounts paid to:		
• Directors of the Company	2,159	2,659
• Other key management personnel	1,346	1,134
Total compensation paid to key management personnel	3,505	3,793

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

for the year ended 31 December 2008 (cont'd)

32. Fair value of financial instruments

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), reasonably approximate their fair values due to their short-term nature or repriced frequently.

Set out below is a comparison by category of carrying amounts of all the Group's assets and liabilities that are carried in the financial statements:

Classification of financial statements

Group 2008	Loans and receivables US$'000	Liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Assets				
Property, plant and equipment	-	-	11,474	11,474
Investment properties	-	-	1,383	1,383
Investments in associated companies	-	-	5,752	5,752
Amounts due from associated companies	957	-	-	957
Intangible assets	-	-	15,751	15,751
Deferred tax assets	-	-	219	219
Inventories	-	-	39,645	39,645
Prepaid operating expenses and deposits	-	-	2,040	2,040
Deferred expenses	-	-	1,110	1,110
Amounts due from associated companies (trade)	76	-	-	76
Amounts due from associated companies (non-trade)	1,189	-	-	1,189
Trade receivables	60,672	-	-	60,672
Other receivables	963	-	-	963
Cash and cash equivalents	15,537	-	-	15,537
	79,394	-	77,374	156,768
Liabilities				
Trade payables and accruals	-	14,149	-	14,149
Other payables	-	108	52	160
Interest-bearing loans and borrowings (current)	-	5,336	-	5,336
Finance lease creditors (current)	-	3	-	3
Provision for taxation	-	-	2,543	2,543
Interest-bearing loans and borrowings (non-current)	-	11,330	-	11,330
Finance lease creditors (non-current)	-	15	-	15
Deferred tax liabilities	-	-	612	612
	-	30,941	3,207	34,148

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

32. Fair value of financial instruments (cont'd)

Classification of financial statements (cont'd)

Group 2007	Loans and receivables US$'000	Liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Assets				
Property, plant and equipment	-	-	10,924	10,924
Investment properties	-	-	1,424	1,424
Investments in associated companies	-	-	5,771	5,771
Amounts due from associated companies	1,607	-	-	1,607
Intangible assets	-	-	15,751	15,751
Deferred tax assets	-	-	786	786
Inventories	-	-	27,781	27,781
Prepaid operating expenses and deposits	-	-	2,342	2,342
Deferred expenses	-	-	883	883
Amounts due from associated companies (trade)	257	-	-	257
Amounts due from associated companies (non-trade)	858	-	-	858
Trade receivables	55,778	-	-	55,778
Other receivables	853	-	-	853
Cash and cash equivalents	15,974	-	-	15,974
	75,327	-	65,662	140,989
Liabilities				
Trade payables and accruals	-	18,462	-	18,462
Other payables	-	163	80	243
Interest-bearing loans and borrowings (current)	-	2,000	-	2,000
Provision for taxation	-	-	2,444	2,444
Interest-bearing loans and borrowings (non-current)	-	7,500	-	7,500
Deferred tax liabilities	-	-	1,294	1,294
	-	28,125	3,818	31,943

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

32. Fair value of financial instruments (cont'd)

Classification of financial statements (cont'd)

Company 2008	Loans and receivables US$'000	Liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Assets				
Investment in subsidiary companies	-	-	44,558	44,558
Prepaid operating expenses	-	-	18	18
Amounts due from subsidiary companies	51	-	-	51
Other receivables	-	-	-	-
Cash and cash equivalents	62	-	-	62
	113	-	44,576	44,689
Liabilities				
Trade payables and accruals	-	358	-	-
Company 2007				
Assets				
Investment in subsidiary companies	-	-	7,529	7,529
Prepaid operating expenses	-	-	21	21
Amounts due from subsidiary companies	36,875	-	-	36,875
Other receivables	3	-	-	3
Cash and cash equivalents	38	-	-	38
	36,916	-	7,550	44,466
Liabilities				
Trade payables and accruals	-	365	-	365
Provision for taxation	-	-	210	210
	-	365	210	575

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

33. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate and foreign currency. The Board of Directors reviews and agrees policies and procedures for the management of these risks.

It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken. The Group and the Company does not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing with high credit rating counterparties.

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.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each financial assets in the balance sheets.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade at the balance sheet date is as follows:

	Group		Company	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
By country:				
Russia	41,963	41,621	-	-
Eastern Europe and Central Asia	13,750	9,701	-	-
Other countries	4,961	4,457	-	-
	60,674	55,779	-	-

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

33. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

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.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

Group **2008**	**Total** **US$'000**	**Within 1 year** **US$'000**	**Within 1 to 5 years** **US$'000**	**More than 5 years** **US$'000**
Loans and borrowings	16,666	5,336	11,330	-
Finance lease creditors	18	3	15	-
Trade and other payables	14,309	14,309	-	-
	30,993	19,648	11,345	-
2007				
Loans and borrowings	9,500	2,000	7,500	-
Trade and other payables	18,705	18,705	-	-
	28,205	20,705	7,500	-
Company **2008**				
Trade and other payables	358	358	-	-
2007				
Trade and other payables	365	365	-	-

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

33. Financial risk management objectives and policies (cont'd)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments 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.

Movements in interest rates will have an impact on the Group. At the balance sheet date, a change of 100 basis points in interest rate would increase/decrease profit or loss and equity by the amounts shown below.

	Increase/ decrease in basis points	Effect on profit, net of tax US$'000	Effect on equity US$'000
2008			
Cash and cash equivalents	+100	160	160
Amounts due from associates (non-trade)	+100	20	20
Bank loans	+100	(170)	(170)
2007			
Cash and cash equivalents	+100	209	209
Amounts due from associates (non-trade)	+100	28	28
Bank loans	+100	(97)	(97)

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

33. Financial risk management objectives and policies (cont'd)

(c) Interest rate risk (cont'd)

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:

2008 **Group**	**Within 1 year** **US$'000**	**1 – 2 years** **US$'000**	**2 – 3 years** **US$'000**	**3 – 4 years** **US$'000**	**4 – 5 years** **US$'000**	**More than 5 years** **US$'000**	**Total** **US$'000**
Fixed rate							
Amount due from an associated company	217	-	-	-	-	-	217
Floating rate							
Cash and bank balances	15,537	-	-	-	-	-	15,537
Amount due from an associated company	600	600	357	-	-	-	1,557
Interest-bearing loans and borrowings	(5,336)	(5,336)	(4,494)	(1,500)	-	-	(16,666)
2008 **Company**							
Floating rate							
Cash and bank balances	62	-	-	-	-	-	62
2007 **Group**							
Fixed rate							
Amount due from an associated company	258	-	-	-	-	-	258
Floating rate							
Cash and bank balances	15,974	-	-	-	-	-	15,974
Amount due from an associated company	600	600	600	408	-	-	2,206
Interest-bearing loans and borrowings	(2,000)	(2,000)	(2,000)	(2,000)	(1,500)	-	(9,500)
2007 **Company**							
Floating rate							
Cash and bank balances	38	-	-	-	-	-	38
Amounts due from subsidiary companies	36,875	-	-	-	-	-	36,875

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

33. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk

The Group has transactional currency exposures arising from sales, purchases or operating costs by operating units in currencies other than the unit's functional currency. Approximately 1.3% (2007: 3.8%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst 89.6% (2007: 88.8%) 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.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD, SGD, EURO and United Arab Emirates Dirham (AED) and Malaysia Ringgit (RM) against the respective functional currencies of the Group entities, with all variables held constant, of the Group's profit net of tax.

		Group	
		2008	**2007**
		US$'000	**US$'000**
SGD/USD	- strengthened 5% (2007: 5%)	22	29
	- weakened 5% (2007: 5%)	(22)	(29)
EURO/USD	- strengthened 5% (2007: 5%)	32	54
	- weakened 5% (2007: 5%)	(32)	(54)
AED/USD	- strengthened 5% (2007: 5%)	1	16
	- weakened 5% (2007: 5%)	(1)	(16)
USD/RUB	- strengthened 5% (2007: 5%)	-	165
	- weakened 5% (2007: 5%)	-	(165)
USD/RM	- strengthened 5% (2007: Nil%)	225	-
	- weakened 5% (2007: Nil%)	(225)	-

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

34. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

	2008 US$'000	**2007 US$'000**
Loans and borrowings (Note 25)	16,666	9,500
Finance lease creditors	18	-
Trade and other accruals (Note 23)	14,149	18,462
Other payables (Note 24)	160	243
Less: Cash and cash equivalents (Note 22)	(15,537)	(15,974)
Net debt	15,456	12,231
Equity attributable to the equity holders of the parent	122,620	109,046
Capital and net debt	138,076	121,277
Gearing ratio	11.2%	10.1%

35. 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	
	2008	**2007**
S$500,000 and above	2	3
S$250,000 to S$499,999	-	-
Below S$250,000	6	7
Total	8	10

Notes to the Financial Statements

for the year ended 31 December 2008 (cont'd)

36. Event occurring after the balance sheet date

On 22 January 2009, the Singapore Finance Minister announced the revision in the Singapore corporate tax rate from 18% to 17% with effect from Year of Assessment 2010. A one-year Jobs Credit scheme was also introduced. Under this scheme, the Jobs Credit that an employer receives will comprise 12% of the first S$2,500 of the wages of each employee who is on the CPF payroll. It will be given in four quarterly payments, with each payment being based on the workers who are with the employer at the time. Employers will receive the first payment at the end of March 2009. The next three payments will be in June, September and December 2009. For each payment, employers will receive Jobs Credits on the employees that are on their CPF payroll at the start of the quarter in which the payment is made. The wages paid to these employees in the previous quarter will be the qualifying wages used to calculate the 12% cash credit that employers will receive.

In accordance with FRS 12, Income Taxes, and FRS 10, Events After the Balance Sheet Date, this is a non-adjusting subsequent event and the financial effect of the reduced tax rate and Jobs Credit Scheme will be reflected in the 31 December 2009 financial year.

37. Authorisation of financial statements

The financial statements for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 20 March 2009.

Shareholders' Information

as at 12 March 2009

Class of equity securities	Number of equity securities	Voting Rights
Ordinary	529,043,999	One vote per share

DIRECTORS' SHAREHOLDINGS AS AT 12 MARCH 2009
(As recorded in the Register of Directors' Shareholdings)

	Direct Interest	%	Deemed Interest	%
Tan Wang Cheow	52,440,000	9.91	67,367,400	12.73
Tan Guek Ming	52,967,400	10.01	66,840,000	12.63
Lew Syn Pau	384,000	0.07	96,000	0.02
Sudeep Nair	30,932,399	5.85	4,680,000	0.88
Ong Kian Min	-	-	720,000	0.14

SUBSTANTIAL SHAREHOLDERS AS AT 12 MARCH 2009
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Tan Wang Cheow	52,440,000	9.91	67,367,400	12.73
Tan Guek Ming	52,967,400	10.01	66,840,000	12.63
Sudeep Nair	30,932,399	5.85	4,680,000	0.88
Irina Nair	-	-	35,612,399	6.73
Anthoni Salim	-	-	127,511,200	24.10
Universal Integrated Corporation Consumer Products Pte. Ltd.	127,511,200	24.10	-	-
Deutsche Bank AG	-	-	26,113,000	4.94
FMR LLC on behalf of the managed accounts of its direct and indirect subsidiaries & FIL Ltd. on behalf of the managed accounts of its direct and indirect subsidiaries	-	-	32,000,000	6.05

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. Ms. Irina Nair is deemed interested in the shares held by Mr. Sudeep Nair.

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

4. The last notification of interest by Deutsche Bank AG was on 13 November 2007, which was given prior to the bonus issue of the Company in June 2008. The percentage is calculated based on the number of shares held as at the last notification by Deutsche Bank AG.

PUBLIC FLOAT

As at 12 March 2009, 35.31% 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 12 March 2009

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	15	1.05	7,430	0.00
1,000 - 10,000	762	53.51	2,984,250	0.57
10,001 - 1,000,000	620	43.54	37,521,080	7.09
1,000,001 And Above	27	1.90	488,531,239	92.34
Total :	1,424	100.00	529,043,999	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	DBS NOMINEES PTE LTD	162,962,040	30.80
2.	HSBC (SINGAPORE) NOMINEES PTE LTD	61,878,400	11.70
3.	TAN GUEK MING	52,967,400	10.01
4.	TAN WANG CHEOW	52,440,000	9.91
5.	SUDEEP NAIR	30,932,399	5.85
6.	HONG LEONG FINANCE NOMINEES PTE LTD	15,241,200	2.88
7.	OON PENG HENG	13,970,500	2.64
8.	OON PENG LIM	12,031,300	2.27
9.	KOH PUAY LING	12,000,000	2.27
10.	CHAN MENG HUAT	9,567,000	1.81
11.	MERRILL LYNCH (SINGAPORE) PTE LTD	9,500,400	1.80
12.	CITIBANK NOMINEES SINGAPORE PTE LTD	8,505,800	1.61
13.	TAN BIAN CHYE	7,366,800	1.39
14.	OON PENG LAM	6,010,500	1.14
15.	UNITED OVERSEAS BANK NOMINEES PTE LTD	5,515,800	1.04
16.	KIM ENG SECURITIES PTE. LTD.	4,084,200	0.77
17.	OON PENG WAH	3,022,500	0.57
18.	LIM SIEW KHENG	2,960,000	0.56
19.	TAN SIOK CHER	2,710,000	0.51
20.	TAN SEOK WAH	2,630,000	0.50
	Total :	476,296,239	90.03

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 River View Hotel, The Camellia Room (Level 4), 382 Havelock Road, Singapore 169629 on Tuesday, 28 April 2009 at 3.00 p.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 2008 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of 0.35 Singapore cent per ordinary share (one-tier tax exempt) for the year ended 31 December 2008 (2007: A first and final dividend of 1.9 Singapore cents per ordinary share (one-tier tax exempt)). **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Article 115 of the Articles of Association of the Company:

Mr. Tan Wang Cheow	(Retiring under Article 115)	**(Resolution 3)**
Mr. Ong Kian Min	(Retiring under Article 115)	**(Resolution 4)**
Mr. Hartono Gunawan	(Retiring under Article 115)	**(Resolution 5)**

Mr. Tan Wang Cheow will, upon re-election as a Director of the Company, remain as Chairman of the Board and a member of the Nominating Committee and will be considered non-independent.

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

4. To re-appoint Mr. Boon Yoon Chiang, a Director of the Company retiring under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 6)**
[See Explanatory Note (i)]

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

5. To approve the payment of Directors' fees of S$255,000 for the year ended 31 December 2008 (2007: S$249,167). **(Resolution 7)**

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

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

Notice of Annual General Meeting
(cont'd)

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 issue shares

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;
(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) the 50% limit in sub-paragraph (1) above may be increased to 100% for the Company to undertake pro-rata renounceable rights issues;

(4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

Notice of Annual General Meeting

(cont'd)

(5) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company 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)**

9. **Authority to issue shares other than on a pro-rata basis pursuant to the aforesaid share issue mandate at discounts not exceeding twenty per centum (20%) of the weighted average price for trades done on the SGX-ST**

That subject to and pursuant to the aforesaid share issue mandate being obtained, the Directors of the Company be hereby authorised and empowered to issue shares other than on a pro-rata basis at a discount not exceeding twenty per centum (20%) to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement in relation to such shares is executed (or if not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement or subscription agreement is executed), provided that :-

(a) in exercising the authority conferred by this Resolution, the Company complies with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST); and

(b) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company 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)**

10. **Authority to issue shares under the Food Empire Holdings Limited Employees' Share Option Scheme**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the Food Empire Holdings Limited Employees' Share Option Scheme ("the Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company 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 (iv)] **(Resolution 11)**

11. **Renewal of Share Purchase Mandate**

That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in paragraph 2.4.4 of the Company's Circular to Shareholders dated 9 April 2009 (the "Circular"), in accordance with the "Terms of the Share Purchase Mandate" set out in the Circular, and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company 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 (v)] **(Resolution 12)**

Notice of Annual General Meeting
(cont'd)

By Order of the Board

Tan Cher Liang
Tan San-Ju
Secretaries
Singapore, 9 April 2009

Explanatory Notes:

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

(ii) The Ordinary Resolution 9 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders. The 50% limit referred to in the preceding sentence may be increased to 100% for the Company to undertake pro-rata renounceable rights issues.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

The 100% renounceable pro-rata rights issue limit is one of the new measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 and which became effective on 20 February 2009. It will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares. It is subject to the condition that the Company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

(iii) The Ordinary Resolution 10 in item 9 above is pursuant to measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 and which became effective on 20 February 2009. Under the measures implemented by the SGX-ST, issuers will be allowed to undertake non pro-rata placements of new shares priced at discounts of up to 20% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed, subject to the conditions that (a) shareholders' approval be obtained in a separate resolution (the "Resolution") at a general meeting to issue new shares on a non pro-rata basis at discount exceeding 10% but not more than 20%; and (b) that the resolution seeking a general mandate from shareholders for issuance of new shares on a non pro-rata basis is not conditional upon the Resolution.

It should be noted that under the Listing Manual of the SGX-ST, shareholders' approval is not required for placements of new shares, on a non pro-rata basis pursuant to a general mandate, at a discount of up to 10% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed.

Notice of Annual General Meeting
(cont'd)

(iv) The Ordinary Resolution 11 in item 10 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(v) The Ordinary Resolution 12 proposed in item 11 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in Paragraph 2.4.4 to the Circular to Shareholders dated 9 April 2009. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2008 are set out in greater detail in Paragraph 2.7 to the Circular to Shareholders dated 9 April 2009.

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.

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FOOD EMPIRE HOLDINGS LIMITED

Company Registration No. 200001282G
(Incorporated In The Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

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.

I/We, ______________________________

of ______________________________

being a member/members of Food Empire Holdings Limited (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing 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 28 April 2009 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2008		
2	Payment of proposed first and final dividend		
3	Re-election of Mr. Tan Wang Cheow as a Director		
4	Re-election of Mr. Ong Kian Min as a Director		
5	Re-election of Mr. Hartono Gunawan as a Director		
6	Re-appointment of Mr. Boon Yoon Chiang as a Director		
7	Approval of Directors' fees amounting to S$255,000		
8	Re-appointment of Ernst & Young LLP as Auditors		
9	Authority to issue new shares		
10	Authority to issue new shares up to discount of 20%		
11	Authority to issue shares under Food Empire Holdings Limited Employees' Share Option Scheme		
12	Renewal of Share Purchase Mandate		

Dated this ____________ day of ______________ 2009

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

____

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

Notes:

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

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

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

4. 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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