Food Empire

THE EMPIRE JOURNAL.

Food Empire Holdings Limited
Annual Report 2009
www.foodempire.com

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

Food Empire Overcomes the Storms

"The MacCoffee Heroes Academy" Dealers Conference 2009 at the Carpathian Mountains, Ukraine

Operations Review

The focus of the Group was on strengthening our balance sheet so as to limit the effects of the financial crisis. By making the Group internally strong we were able to withstand the numerous external shocks throughout the year.

Financial Performance

The Group ended the year with revenue of US$134.8 million and a profit after tax of US$2.7 million.

Revenue was 39.3% down from 2008, with lower sales recorded in most of the Group's key markets. In Russia, the drop in revenue came as consumer confidence fell in response to the economic slowdown. The lower revenue in Russia was also the result of a deliberate strategy employed by the Group to review the trading terms applied to distributors. The review led to a tightening of credit terms which resulted in a reduction in sales.

Eastern Europe and Central Asia's revenue was down by 36.8% in 2009 compared to the previous year.

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Keeping brand awareness high in the consumers' minds

Russia

Russia is the largest market for Food Empire. In 2009, various promotional initiatives were carried out in different cities to raise sales for our products as well as keep brand awareness high in the consumers' minds.

Capturing Kazan

Kazan is a strategic city that helped the MacCoffee team to plan and implement a host of marketing activities throughout the year in the city centre. This concerted effort has raised MacCoffee's brand profile and introduced its great taste to more and more people.

Putting our best foot forward in Russia

To build a young and positive image, MacCoffee kick-started its sponsorship of mini-football clubs – "Signal" in Novosibirsk and "Dina" in Moscow. "Signal" is a young team that has great potential and popularity. "Dina" on the other hand, holds several championship cups and currently plays in Russian Federal Cup. More and more Russians are into the sport and we are confident that MacCoffee can benefit from the association.

St. Petersburg Tasting

The unique flavours of MacCoffee and MacChocolate speak for themselves. That's why we frequently carry out sampling promotions to introduce best tasting products to more consumers. In 2009, several sampling promotions were carried at various locations in Saint Petersburg.

Off the Beaten Track

MacCoffee gained more brand mileage through continued participation in the Siberian Racing Competition – Angara 2009, a popular off-road racing event held annually in Novosibirsk. This year, our team successfully completed the race turning in an impressive timing yet again.

Staying Tuned

MacCoffee tuned into the sitting rooms of consumers every morning by sponsoring the popular daily television show "Orange Morning" in Novosibirsk. This branding initiative featured the slogan "My Day, My Coffee – MacCoffee" and successfully projected the message – to start the day right, start it with the unique taste of MacCoffee.

MacCoffee Team in Kazan

MacCoffee Mini-football Club

Russian Team

Sudeep Nair

Kshitij Mathur

Amrish Rungta

Albert Fernandes

Serghey Anisimkin

Galina Sikacheva

Irina Mozgovaya

Oxana Panchenko

Off-Road Racing Event

THE EMPIRE JOURNAL.

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What's News

Contents

Food Empire stole the limelight at Anuga 2009, a biennial international showcase for food and beverages from all over the world. We successfully promoted more than 400 types of instant beverages and food including MacCoffee, our flagship brand which is a household name in many markets. We are set to enthrall consumers with two new offerings: MacCoffee Original Agglomerated Coffee and MacCoffee Gold.

Empire News

While overall revenue was down from US$222.3 million to US$134.8 million, but turnover continued to improve quarter by quarter. **3**

In Depth

Since its public listing in 2000, Food Empire has won numerous accolades and awards including being ranked one of "The Most Valuable Singapore Brands" at the national brand award organised by IE Singapore. MacCoffee was ranked one of "The Strongest Singapore Brands" and the company has been named one of the "Best under a Billion" companies in Asia by Forbes Magazine. **4**

Review & Outlook

The Group remained committed to innovative brand building activities throughout 2009 and as a result, the Group's brands maintained their dominant market position in its key markets. **5**

Business & Finance

As part of its ongoing support for winter sports, MacCoffee became the official sponsor of the European Figure Skating Championship 2009. **6**

Food Empire made an impression once again at the International ARC Award 2009. Our 2008 Annual Report "Riding the Storms" bagged the Bronze award for its bold concept and winning aesthetics. **6**

Global Business

MacCoffee and MacChocolate take branding up onto the slopes of Protasov Yar, the only ski resort in Kiev, with a massive out of home campaign. **7**

Region

Food Empire stole the limelight at Anuga 2009, a biennial international showcase for food and beverages from all over the world. **8**

Food Empire demonstrated its commitment to education once again by sponsoring the Food Empire Centre for International Studies in Kuo Chuan Presbyterian. Mr Tan Wang Cheow also personally funded the school's Chinese Room in his alma mater. **8**

Inside

MacCoffee Mini sampling activities. **6**

Professionals figure skaters in Helsinki. **6**

Emerging Market - Wet sampling of Klassno Coffee in Iran. **7**

Tantalising Treats. **64**

ONLINE TODAY

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."

Corporate

http://www.foodempire.com/corp1.htm

"At any given time, somewhere out in the world, someone is relishing a moment with a cup of coffee from Food Empire, a moment in time, sharing a common sentiment despite the diversity of geographical and cultural backgrounds."

Brands

http://www.foodempire.com/brands.htm

"In a competitive market, price and packaging are a given in deciding a purchase but ultimately, it is the experience that etches a favourable impression in the consumer's mind."

We feel this is the reason why Food Empire keeps growing and growing. Yet we must not forget the product is able to do this because of an undying commitment to quality and constant reinvention to make great products even better.

Investors

http://www.foodempire.com/investor1.htm

"A product that strikes a chord and fills a void in their lives. When it's least expected, an emotion should register every time a customer comes into contact with the brand. A good brand stays in your memory."

From day one, Food Empire had a clear direction in the path it wanted. It was to create a product that resonates strongly and soundly in an individual's emotions and everything he does.

THE EMPIRE JOURNAL ASIA

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Food Empire wants us to rediscover the true enjoyment of conversing with a friend, the innocence of a child's smile, the changing colours when dusk beckons the stillness of night. Ultimately, it's about establishing relationships and an overlapping ideal that travels over the world coming closer together with the help of Food Empire.

EMPIRE NEWS

Chairman's Statement

Grabbing the recession by its horns.

BY MR TAN WANG CHEOW
CHAIRMAN

The measure of a good team is not how they perform when the going is easy, but how they respond when the going gets tough. The team at Food Empire has met the challenges presented to us and finished the year strongly, leaving us confident about 2010.

Food Empire has come through the toughest 12 months in our history. The economic crisis that hit the world in the final quarter of 2008 continued into 2009. Many countries were affected, especially those in Europe and North America. Companies were forced to adjust their strategies to meet the changed economic conditions.

As an international company in the food and beverage sector, our company was not immune to the pain caused by the global financial crisis, resulting in the decline in global trade and the subsequent fall in consumer spending.

Despite the worst year any of us can remember, we have remained profitable – as we have done each year since our public listing in 2000.

We were challenged on many fronts – falling demands, a tightening of credit to our distributors, loss of consumer confidence and unfavourable currency fluctuations. And yet our company showed resilience – finishing the year with a healthy increase in demand for our products during the final quarter, and a solid balance sheet that puts the company in a strong position for our next wave of growth.

Overall revenue for 2009 was down from US$222.3 million to US$134.8 million, but turnover continued to improve quarter by quarter. The first quarter was by far the most severe when our revenue dropped significantly. During the second quarter there was a stabilisation in our markets and by the third quarter there were noticeable signs of improvement. In the final quarter, there was a strong rebound as we saw a healthy increase in demand across all markets. Compared to the third quarter, fourth quarter revenue was up by 58.2%. In Russia fourth quarter revenue was up by 63.8%, Eastern Europe and Central Asia up by 68.4% and from other markets up by 17.9%, compared to third quarter of 2009.

Throughout the year we continued to pursue a strategy of improving our balance sheet and our cashflow to prepare the company for a possible extended period of external shocks.

Our actions in response to the crisis were swift. Credit terms were adjusted and outstanding debts were reigned in. Our manufacturing capacity was reviewed and brought in line with the lower level of demand. Stock inventory levels were drastically reduced. Our net cashflow from operations for the year leaped from US$1.6 million to US$59.4 million – our strongest performance ever.

Emerging landscape delicate but filled with possibilities

As we emerge from a tumultuous period and welcome a more positive economic climate, the Group will continue to temper optimism with caution. While the worst of the storm is seemingly over, what greets us is still a fragile global economy. It will take some time for currency exchange rates to stabilise. Consumers will be cautious in their spending and will remain price sensitive.

In response to this, we have introduced new smaller packing sizes which will keep our products attractive in the current competitive environment. We are also rationalising the range of SKUs which we offered before the crisis. Our consumers are going back to basics and we need to be innovative in response to the changes in our consumers' buying behaviour.

Cost control is the other focus of our strategy to stay competitive. We will continue to streamline our production setup and explore all possibilities to ensure our products remain attractive and competitive in our markets. As leaders in our category, we cannot wait for the market to lead us.

To be more self-reliant, we will continue to embark on both upstream and downstream business integration. Upstream, we shall seek opportunities for control and production of our raw materials. While in the downstream area we shall explore distribution businesses in our existing markets, which will provide better strategic support to our brands and products.

On a more exciting note, the crisis has left in its wake positive opportunities for both organic and inorganic growth. With our strong cashflow, we are well-poised to explore acquisitions to expand our business.

Our marketing and branding efforts will continue to keep MacCoffee at the forefront of our consumers' minds. Responding to wellness trends in the marketplace, we shall cascade our core brands into new product segments while sustaining market share in existing product categories.

Over the longer term, we will look to diversify our markets beyond the CIS region, which has been our main strength in the past. By developing our business outside of this region we will give our Group a more balanced portfolio so that we remain strong in any future financial or regional crisis.

More importantly, strong leadership and sound management will continue to steer the Group in the right direction. Teamwork and the enterprising spirit which prevailed throughout this trying period will be the cornerstone of our strategy in the challenging times ahead.

Appreciation

As we emerge from these trying times, it heartens me to look back at the teamwork and solidarity demonstrated by the people at Food Empire. I am endlessly thankful to our shareholders whose constant faith and support are always a source of strength.

I would also like to extend my appreciation to our customers, suppliers, partners and associates for their invaluable assistance which made weathering the storm that much easier.

Finally, to my fellow Board members and all the staff at Food Empire, thank you for your dedication and hard work, without which we could not have pulled through so admirably. I am confident that with the same grit and sense of purpose, we will be able to turn in favourable results for the year ahead.

IN DEPTH

Directors' Profile

The legion of strength

Mr Tan Wang Cheow
Chairman and Managing Director

Chairman and Managing Director, Mr Tan has been providing leadership to the Board of Directors since April 2000. Mr Tan is a founder of the Group and has been instrumental in guiding the Group's business, including taking the company public in 2000. As Managing Director, Mr Tan is responsible for the Group's day to day operations and the achievement of the Group's long term goals. His role includes formulating the Group's strategies including overseeing new business opportunities, market development and product innovation. A passionate believer in the power of brands, Mr Tan is actively involved in the marketing and branding activities across the Group. He has served as the Vice-Chairman of the Microcomputer Trade Association of Singapore and as a Council Member of the Singapore Information Technology Federation. He holds a Bachelor of Accountancy from the National University of Singapore.

Mr Sudeep Nair
Executive Director

Mr Nair was appointed to the Board as an Executive Director in July 2005. Mr Nair is primarily responsible for the Group's strategy and business operations in the Group's largest market, Russia. He is also responsible for the group's activities in other countries in the Commonwealth Independent States (CIS). As an Executive Director, his responsibilities include identifying and developing new business opportunities in the Group's existing markets as well as developing new markets. Mr Nair has more than 15 years of experience in managing the Group's business in Russia and CIS countries in various capacities that includes being Country Manager and an Executive Director for the Group's subsidiary companies.

Mdm Tan Guek Ming
Non-Executive Director

Mdm Tan was appointed to the Board as a Non-Executive Director in April 2000. Mdm Tan brings both financial and business expertise to the Board having held both executive and non executive directorships in listed companies with interests in property, hospitality and the food and beverage sectors. She holds a Bachelor of Accountancy Degree (Second Class Honours) from the National University of Singapore and has numerous years of leadership experience in the fields of accounting and auditing.

Mr Hartono Gunawan
Non-Executive Director

Mr Gunawan was appointed to the Board as a Non-Executive Director in September 2006. Mr Gunawan brings substantial international business experience and expertise to the Board. Since 1990, he has served as an Executive Director of the Salim Group and sits on the Boards of several companies with the Salim Group with responsibility for setting the overall direction and goals of those companies. Mr Gunawan has spearheaded numerous investment projects in Indonesia, Asia Pacific and Australia and holds principal directorship in the corporate and other business entities overseeing such investments. He graduated from the University of Indonesia in 1979 with an accounting degree (Sariana Ekonomi-Universitas, Indonesia).

Mr Koh Yew Hiap
Non-Executive Director

Mr Koh joined the Board as a Non-Executive Director in March 2007. Mr Koh has a distinguished career in business and is the Managing Director of Universal Integrated Corporation Consumer Products Pte Ltd and United Detergent Industries Sdn Bhd. He also sits on the Board of Directors of various companies with the Salim Group.

Mr Lew Syn Pau
Independent Director

Mr Lew has served as an Independent Director on the Board since April 2000 and is a member of the Audit Committee. He is currently the Chairman of an international executive search consultancy, Stanbridge International Pte Ltd and a Director of Capital Connections Pte Ltd, a financial advisory consultancy firm. He is also a Director of many Singapore listed companies involved in a range of industries including food, logistics, property and engineering. His previous positions include Managing Director of NTUC Comfort and General Manager and Senior Country Officer of Credit Agricole Indosuez. Between 2002 and 2006, Mr Lew was the President of the Singapore Manufacturers Federation. He was a Member of the Singapore Parliament from 1988 to 2001, serving as the Chairman of the Government Parliamentary Committee for National Development. A Singapore Government scholar, Mr Lew 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
Independent Director

Mr Ong has served on the Board as an Independent Director since April 2000. He is the Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees. As a lawyer and corporate adviser, Mr Ong brings invaluable legal and business experience to the Board. He was called to the Bar of England and Wales in 1988 and to the Singapore Bar the following year. In his 20 years' of legal practice, he focused on corporate and commercial law such as mergers and acquisitions, joint ventures, restructuring and corporate finance. In addition to practicing as a consultant with Drew & Napier LLC, a leading Singapore law firm, he is a senior advisor of Alpha Advisory Pte Ltd (a financial and corporate advisory firm). In 1979 Mr Ong was awarded the President's Scholarship and Police Force Scholarship. He holds a Bachelor of Laws (Hons) external degree from the University of London and a Bachelor of Science (Hons) degree from the Imperial College of Science and Technology in England. Mr Ong has been a Member of the Parliament of Singapore since 1997.

Mr Boon Yoon Chiang
Independent Director

Mr Boon was appointed to the Board as an Independent Director in December 2005. He is the Chairman and Managing Director of Jardine Matheson (Singapore) Ltd and Deputy Chairman of Jardine Cycle & Carriage Limited. He also serves on the Boards of other public listed companies including several 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). Currently, Mr Boon is a member of the Singapore's Securities Industry Council and the Competition Appeal Board. In 2009, Mr Boon was awarded the Public Service Medal.

Corporate Profile

The aroma of success

SGX Mainboard-listed Food Empire Holdings (Food Empire) is a global leading food company that manufactures and markets instant beverage products, frozen convenience food, confectionery and snack food.

Food Empire's products are exported to over 60 countries in markets such as Russia, Ukraine, Kazakhstan, Central Asia, China, Indochina, the Middle East, Mongolia and the U.S. The Group has 18 offices (representative and liaison) – in Russia, Ukraine, Kazakhstan, Uzbekistan, Iran, Poland, Jordan, Belgium, Bahrain, Mongolia and Vietnam.

The Group's products include a wide variety of beverages including regular and flavoured coffee mixes, cappuccinos, chocolate drinks, instant breakfast cereal and flavoured fruit teas. It also markets a refreshing range of food products including snack food such as potato crisps, confectionery and an assortment of frozen convenience food such as bite-sized morsels of seafood, dim sum and spring roll.

Food Empire's strength lies in its brand management and distribution, including MacCoffee, Petrovskaya Sloboda, Klassno, Hyson, OrienBites and Kracks and has over 400 types of products under these brands. MacCoffee – the group's flagship brand, has been consistently ranked as the leading 3-in-1 instant coffee brand in the Group's core markets including Russia, Ukraine and Kazakhstan.

Since its public listing in 2000, Food Empire has won numerous accolades and awards including being ranked one of "The Most Valuable Singapore Brands" at the national brand award organised by IE Singapore. MacCoffee was ranked one of "The Strongest Singapore Brands" and the company has been named one of the "Best under a Billion" companies in Asia by Forbes Magazine.

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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Fax number: 65-67442116

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Boardroom Corporate &
Advisory Services Pte. Ltd.
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Singapore Land Tower
Singapore 048623
Telephone number: 65-65365355
Fax number: 65-65361360

Auditors
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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

REVIEW & OUTLOOK

Operations Review

To be more self-reliant, we will continue to embark on both upstream and downstream business rationalisation.

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The Group's second largest country market, Ukraine was affected by the global slowdown, uncertainty from the run up to the national elections, as well as reduced consumer spending resulting from a significant depreciation of the Hryvnia against the US dollar. In the Group's third largest country market, Kazakhstan, revenue held up well and showed noticeable signs of improvement in the final quarter.

The Group recorded a profit after tax of US$2.7 million in 2009, down from US$21.1 million in 2008. The main reason for the decline was the lower level of sales throughout the year. A US$0.7 million impairment in goodwill and a US$1.7 million impairment in value in respect of the Group's investment in the Petrovskaya Sloboda brand also reduced the Group's profitability for the year.

The reduced sales led to lower raw material and consumables costs for the year.

The 34.6% reduction in staff costs was the result of rationalisations made to the Group's manufacturing capacity and a reduction in support staff to reflect the lower level of demand. The variable salary components were also substantially lower due to reduced profitability.

Other operating expenses were 35.6% lower in 2009 compared to 2008. Transport and logistics costs were down due to the reduced volume of goods shipped and a reduction in manufacturing overheads.

The Group ended the year with a stronger balance sheet as a result of steps taken in response to the global economic crisis. As of 31 December 2009, the Group had net assets of US$123.7 million including US$61.3 million in cash and bank balances.

Throughout the year, the Group kept a tight control over the level of credit it extended to distributors and was vigorous in debt collection. Together with the lower sales volume, trade receivables fell from US$60.7 million to US$36.5 million. Inventories were also substantially reduced from US$39.6 million to US$18.0 million.

Overall, bank loans were reduced with current loans down from US$5.3 million to US$3.3 million and non-current loans from US$11.3 million to US$2.5 million.

Net cashflows generated from operations rose from US$1.6 million in 2008 to US$59.4 million in 2009.

Acquisitions

In October the Group announced an agreement to acquire a 40% stake in PT Marindo Makmur Usahjaya. The acquisition allows the Group to vertically integrate a key component of its non-beverage business as well as securing a consistent supply of EU-approved products.

Honour Roll

Food Empire continued to win positive recognition for its marketing efforts. An innovative new advertising campaign for MacChocolate won the Bronze Medal at the Effie Advertising Festival in Ukraine in 2009.

The playful campaign, aptly named 'Hot Before, Hot After' was successfully launched in the cold autumn months of 2008 in Kiev, Ukraine.

Klassno was awarded the Silver Award in Shanghai under a customer satisfaction survey conducted in conjunction with the World Expo 2010. This accolade confirms Food Empire's commitment to customer satisfaction by continually manufacturing quality products which suit the taste of diverse markets.

And for the fourth year, the Group made the honour roll at the ARC Awards. Its 2008 Annual Report, named "Riding the Storms" clinched the bronze award for its creative Time Magazine inspired concept.

Looking Ahead

With branding and distribution being two of its core strengths, the Group will continue to make these areas the focus of its organic growth efforts. The Group remained committed to innovative brand building activities throughout 2009 and as a result, the Group's brands maintained their dominant market position in its key markets. New brand building strategies and tactics will ensure the Group's products continue to be the preferred choice in their respective categories. The Group will continue to develop new distribution channels in its existing markets to increase the reach of its products.

The strong cash position will also allow the Group to explore options for acquisitions if the right opportunity becomes available.

FRESHNESS FROM THE SEA

In October the Group announced an agreement to acquire a 40% stake in PT Marindo Makmur Usahjaya. The acquisition allows the Group to vertically integrate a key component of its non-beverage business as well as securing a consistent supply of EU-approved products.

Food Empire

MacCoffee Sponsors European Figure Skating Championship 2009

The most consummate figure skaters in the world congregrate in Helsinki in an ultimate battle of skills and form.

As part of its ongoing support for winter sports, MacCoffee became the official sponsor of the European Figure Skating Championship 2009. Held in Helsinki, Finland in January 2009, the event attracted the best figure skaters which pitted their skills in a thrilling competition that enthralled many figure skating aficionados.

MacCoffee being the official sponsor, reported the event on www.maccoffee-promo.ru and popular Ukrainian sport website: www.sport.com.ua, giving to-the-minute commentaries on the action as well as history of the sport and past successes of Ukrainian figure skaters.

This project is part of a long term marketing strategy that annually brings fruitful results not only for the Russian business, but also gives the additional equity to MacCoffee brand worldwide.

Next in the pipeline will be the European Figure Skating Championship 2010, held in Tallinn, Estonia. Looking forward, MacCoffee plans to renew its sponsorship of the event for the next three years, from 2011 to 2013. Discussions are still underway.

MacCoffee Goes Mini and Steals the Limelight

It has been another eventful year for MacCoffee in terms of marketing and promotional initiatives. To keep the flagship product always relevant to changing consumer needs, a new economical packaging was introduced to the market. The MacCoffee Mini features a distinctive great taste at a much reduced price.

To publicise this exciting offer, a new 15-second television commercial was produced and aired from August to September 2009. The tongue-in-cheek commercial dramatises the idea of an "indecently low price" through a hilarious scene at a convenience store where the sexy sales assistant spews expletives when asked the price of the new MacCoffee Mini.

To induce trial of MacCoffee Mini, sampling activities were planned and executed. For about a month, our sampling team visited our distribution outlets and treated sales people with hot piping MacCoffee Mini. Our beautiful sampling girls also hit the streets and distributed MacCoffee Mini sticks to passers-by. The activities met with warm reception which bodes well for sales.

Dealing with Heroes

"The MacCoffee Heroes Academy" Dealers Conference 2009 was successfully held between 20th and 23rd August 2009 at the Bukovel Hotel in Ukraine. 100 participants, including business owners, directors and commercial directors of distribution companies, gathered up on the Carpathian Mountains to review past successes and future strategies of the MacCoffee brand. Some participants even walked away with free trips to Singapore!

On Honour Roll

Food Empire continues to garner accolades for its brand through its various communication efforts. These are some of the most outstanding recognition of the year.

Riding high

Food Empire made an impression once again at the International ARC Award 2009. Our 2008 Annual Report "Riding the Storms" bagged the Bronze award for its bold concept and winning aesthetics.

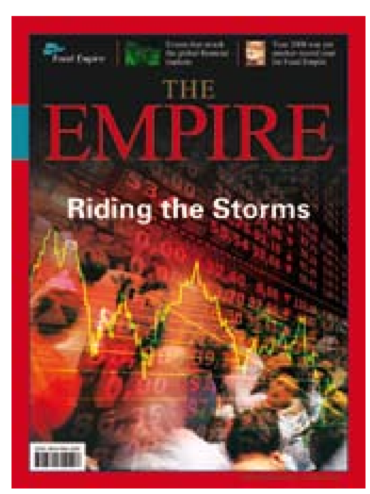
Judging criteria of the annual reports include: cover design, president's letter, interior design, clarity of written text, photography, presentation of corporate information, expression of financial data and how well the spirit of the organization is conveyed.

Winning this award is not just a pat on the shoulders, it shows our effort in telling an inspiring story of our financial performance to our shareholders.

A winning position

What happens when you launch an advertising campaign that alludes to acrobatics in bed? In the case of MacChocolate, it won Bronze at the Ukraine Effie Awards 2009. Its new campaign "Hot Before, Hot After" playfully adopted a concept based on the Kama Sutra. The advertisement featured a couple drenched in hot chocolate accompanied by illustrations of cups and saucers in popular Kama Sutra positions.

This recognition not only speaks volumes of our commitment to effective and creative marketing communication, as well as enhances MacChocolate's image as a brand that is playful and filled with tantalizing taste.



GLOBAL BUSINESS

Taking Marketing Initiatives Higher in Ukraine

MacCoffee and MacChocolate take branding up onto the slopes of Protasov Yar, the only ski resort in Kiev, with a massive out of home campaign. A training base for children and home to numerous youth sport schools, this location is a shrewd choice for building brand loyalty as well as converting new users amongst the sporty and dynamic youths.

Running on MacCoffee

The Kiev Day Run 2009 flagged off on 31 May 2009 as part of the official celebration of Kiev Day. This is a charity run to raise funds for medical equipments for children who suffers from cardiovascular problems. The event attracted scores of participants and was heavily covered by the Ukrainian media. Riding on the publicity, MacCoffee organized coffee tasting for all runners and sponsored prizes for winners. This not only made the brand more visible but also demonstrated our on-going commitment to charity.


Kiev Day Run

Open Market Mechanism

To enhance top-of-the mind recall amongst distributors, MacCoffee launched an aggressive open market promotion from December 2009 to February 2010. Boys and girls decked up in MacCoffee jackets and caps near points of sales and open markets to push a great-value promotion. With every purchase of stated quantity of MacCoffee Original or Strong, consumers received free products such as one box of MacChocolate. The promotion revved up sales effectively and further entrenched MacCoffee in the minds of consumers.

The Lavina factor

MacCoffee and MacChocolate enjoyed a boost of image through a branding campaign launched in "Lavina" Skiing Park Dnepropetrovsk city. The popular park has attracted more than 10,000 visitors so far and the number is growing by the day. The branding campaign featured bright and vibrant colours which blended with the resort perfectly. The campaign was well received and is expected to boost the two products' image positively.


Open Market Promotion

Lavina Skiing Park

Unlimited Opportunities for Growth

Food Empire's emerging market


Iran

Iraq

Mongolia

Uzbekistan

Getting Aggressive in Kazakhstan

2009 was a year of aggressive promotion activities indeed. We successfully captured the hearts and minds of our consumers, not to mention a boost to our market share. Kracks, MacChocolate and MacCoffee Crème all participated in the promotional drive. Bonus gifts were given away with every purchase, including MacCoffee 3-in-1, kitchen container set, beach bags and many more!

Racking Up More Sales in Kyrgyzstan

MacCoffee implemented one of its most successful consumer promotions in various Kyrgyzstan cities between 15 September and 15 November 2009. Consumers were required to bring 10 sachets of MacCoffee marked with the word "PROMOTION" to the Prize Distribution Centre and exchange for a sure-win scratch card. 50,000 guaranteed prizes awaited consumers, including household appliances, audiovisual equipment and MacCoffee branded paraphernalia.

Financial Highlights

Russia US$68.2 million
Eastern Europe & Central Asia US$49.2 million
Other Territories US$17.5 million

(US$'000)	2009	2008	2007
Revenue	134,842	222,315	184,443
Profit Before Taxation and Minority Interests	3,179	23,201	23,322
Net Profit	2,665	21,127	21,053
	2009	2008	2007
Financial Indicators			
Debt to Equity Percentage	4.71%	13.6%	8.7%
Working Capital Ratio	4.7	5.5	4.5
Quick Ratio	4.0	3.7	3.3
EBITDA Margin	4.0%	11.5%	13.8%
Diluted EPS (USD cents)	0.5	3.98	3.97
NAV per share (USD cents)	23.38	23.18	20.74

REGION

Voices of the Empire

Manoj Kedia
based in Iraq

(Mis)adventures in Iraq

"Within a week of my arrival in the Kurdistan region of Iraq, I almost had a "near death" experience.

On a cold evening of January 2006, I wanted to get some fresh air and decided to take a stroll to my motel from the distributor's office. As soon as I stepped out onto the street, a van stopped next to me and out came six men in army uniforms. Very quickly, they surrounded me and I assumed they were asking to see my ID in their language which I didn't understand. So I reached for my passport in the inside pocket of my jacket. Big mistake! My innocent action was misread as an attempt to reach for a weapon and I found a rifle pointed right at my chest! Not knowing what to do, I turned my back and shouted for help, hoping the distributor would hear me.

Another big mistake! Six rifles were pointing to my back. And by the clicking sounds I heard, I could tell they had unlocked the safety lock of their rifles! I immediately froze and tried desperately to stay calm.

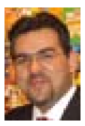
Luckily, the distributor heard my cries and quickly came out to explain to my "attackers" that I was from India. The army men apologized profusely and started asking about Amitabh Bachchan, the famous Bollywood actor.

Later, I learnt that many Indians were working in this region as doctors, professors and engineers since the first Gulf War in 1991 and the locals have high respect for them. I also learnt that Indian movies are very popular here."

Raymond Neogh
based in Vietnam

Making cow sense

"When I was posted to Vietnam in 2005, I had difficulty communicating with the locals at the beginning. There was this one time a colleague and I were at a coffee shop and we wanted to order coffee with milk. We know black coffee was "Ca phe" in Vietnamese. We did not know how to say milk. Furthermore, it didn't help when the menu has no English translation. Eventually, we managed to get our coffee with milk by saying "Ca phe" while squeezing my breast much like milking a cow!"



Soni Raghav
based in Malaysia

Who Mangled the English Language?

"Let me tell you something unique about Malaysia – Manglish. No it's not a dish. It's a hilarious version of English heavily influenced by the Malay, Chinese and Indian languages. So when you visit Malaysia, do take note of the lingo and you'll blend in just fine!

English becomes Manglish:
I'll drop you home = I follow you home
Do you eat meat? = You take Meat?
Yes of course = Can lah
Not an issue = No problem maaa
I insist = come on lah bradder (brother)
Fried rice with Coke = fry rye with cock
Shangri-La Hotel = Shangri-lah."

Maurice Yeo
based in Ukraine

While in Ukraine, do as the Ukrainians do

"I have been living and working in Ukraine for the past 18 months. Adapting to the Ukraine culture wasn't that difficult because I was mentally and physically prepared before coming over. Blending in became even easier, after I made the acquaintance of several Americans and Europeans. One philosophy was particularly useful in helping me assimilate as long as we eat to live and enjoy what is available, you'll feel right at home. Ukrainians to some extent are not as commercially exposed as we are in Singapore but they are definitely a friendly and helpful bunch."

Abhishek Gupta
based in Bahrain

Maximising the Middle East

"Everyday is a new adventure when you are operating in countries like Saudi, Bahrain, Qatar, UAE, Kuwait and Oman. For many years, this region has been directly affected with issues related to terrorism, as well as the Iran-US & Israel-Palestine conflicts.

My job involves a lot of travelling among these countries and I have to take utmost care especially in Saudi Arabia. Being a conservative country, rules are very strict. During prayer timings, all businesses come to a standstill. Even super and hypermarkets are closed. So I have to plan my day in advance in order to maximize shopping time.

There are lots of adventurous & unique sports as well, like Dune Bashing, Desert Safari & Camping, which brings me a lot of enjoyment."

Dina Chimbayeva
based in Singapore

Uniquely Singapore

As a fresh graduate, I came to Singapore almost four years ago to take up my first job. I was very excited to live and work in this country. Being originally from Kazakhstan, getting used to living in South East Asia was a big challenge. Life in Singapore is very different – the never-ending summer, the humidity, food, language and the culture took some effort to adapt to. I missed the change in seasons, the first snow, the mountains of my home town, and not forgetting the apple blossoms in spring. Now, Singapore is my second home and I think it is the best place to experience South East Asia and I am happy to learn more about it every day.

Events & Exhibitions

MacCoffee Carnival in Vietnam

MacCoffee Carnival in Vietnam

"Can do" in Can Tho

The MacCoffee team demonstrated their "can do" attitude in organizing the MacCoffee "Ngap Hoi" Party held on 18 October 2009 in Can Tho, Vietnam. The event comprises a day carnival and night concert, which offer a host of entertainment, from challenging and fun-filled games to dance competition to a terrific night concert for both young and old. Despite the erratic weather, the party was a huge success as participants remained in high spirits and sweated it out in all the activities.

Can Tho is among the most economically-viable province that is mandatory for MacCoffee to establish its brand position. It was aimed to build a firmer foothold in Can Tho in order to provide a springboard to its neighbouring provinces. This event successfully created the desired brand awareness in order to support physical distribution, trade relationship and consumer demand.

Food Empire shines at Anuga 2009

Food Empire stole the limelight at Anuga 2009, a biennial international showcase for food and beverages from all over the world. We successfully promoted more than 400 types of instant beverages and food including MacCoffee, our flagship brand which is a household name in many markets. We are set to enthrall consumers with two new offerings: MacCoffee Original Agglomerated Coffee and MacCoffee Gold.

Some of the other Food Empire classics on showcase include Klassno, Kracks and OrienBites, which have won the hearts of consumers in markets spanning Europe, Middle East, Asia and Africa.

Anuga 2009 in Germany

Harnessing the Community Spirit

Let's hear it for Academic Excellence

Food Empire has been a partner of excellence in education with WoodGrove Secondary School. In 2009, the Group sponsored book prizes for the Food Empire-WoodGrove Performing Art Awards, presented to eight graduating students with outstanding academic performance as well as leadership and other contributions in CCAs. This is a five-year sponsorship programme and book prizes will be given to six to eight students each year.

Appreciating the Alma Mater

Food Empire demonstrated its commitment to education once again by sponsoring the Food Empire Centre for International Studies in Kuo Chuan Presbyterian. An old boy from the school, Mr Tan Wang Cheow, Chairman of Food Empire Holdings, also personally funded the opening of the Chinese Room in his alma mater. Both rooms officially opened in 2009, and the Chinese Room, in particular, is dedicated to and named after Mr Tan's parents for their unwavering care.

The Chinese Room

Food Empire Centre for International Studies

The Chinese Room was refurbished with a stage, book shelves as well as glass cabinets to showcase Chinese cultural items. To enhance the ambience, calligraphy and art pieces were also added. Newly laid parquet flooring exudes a sense of welcoming warmth which is complemented perfectly by wooden window frames with oriental motifs. All these gave the room a traditional Chinese feel, providing students with a conducive environment to immerse in and learn more about the Chinese culture.

The Food Empire Centre for International Studies is a room designed to showcase the school's experiential learning programmes. Students who are given opportunities to travel abroad to obtain first-hand experience in interacting with people from other cultures, return and culminate the learning experience in the real-life interactive centre.

Corporate Governance

BOARD OF DIRECTORS

Presently, the Board comprises: -

Mr. Tan Wang Cheow	Managing Director and 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 Non-executive Director
Mr. Ong Kian Min	Independent Non-executive Director
Mr Boon Yoon Chiang	Independent Non-executive 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 rewarding 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 of a substantial shareholder or a Director, material acquisitions and disposal of assets, corporate or financial restructuring and share issuances, dividends and other returns to shareholders.

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

The attendance of the Directors at meetings of the Board and Board Committees in FY2009 as well as the frequency of these meetings, are disclosed follow:

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	3/3
Lew Syn Pau	4/4	4/4	1/1	3/3
Tan Guek Ming	4/4	4/4	N/A	3/3
Sudeep Nair	4/4	N/A	N/A	N/A
Boon Yoon Chiang	4/4	4/4	1/1	3/3
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 based on the strength of their experience and potential to contribute to the Company. The current Board is comprised of business leaders and professionals. Profiles of the Directors can be found in page 4 of this annual report. The management monitors changes to regulations and accounting standards 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 the 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.

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.

Corporate Governance

B) BOARD COMPOSITION AND BALANCE (CONT'D)

The core competencies of the Board members are as follows:

	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 Directors contribute their independent views and objective judgments on issues of strategy, business performance, resources and standards of conduct.

The NC has assumed the function of reviewing the independence of each Director annually. The NC is of the view that the current Board has the necessary competencies, skills and attributes to meet the Group's targets and to respond to the demands facing the Group.

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

C) CHAIRMAN AND EXECUTIVE OFFICER

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

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

The MD has executive responsibilities for the Group's business and day to day operations.

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

D) BOARD MEMBERSHIP

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

The 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
Mr. Ong Kian Min	
Mr. Tan Wang Cheow	
Mr. Boon Yoon Chiang	

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) 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 they have multiple Board representations.

Corporate Governance

D) BOARD MEMBERSHIP (CONT'D)

Last re-election date

Directors	Date of last re-election
Ong Kian Min	28 April 2009
Hartono Gunawan	28 April 2009
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	28 April 2009
Tan Wang Cheow - Chairman & Managing Director	28 April 2009

The NC is responsible for identifying and recommending new Board members, after considering the necessary and desirable competencies. The NC may engage consultants to undertake research on, or to assess a candidate for new positions on the Board. The NC can engage other independent experts if it considers it necessary to help it 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 of strategic benefit to the Group.

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 Directors make to the long-term success of the Company.

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 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
Mr. Ong Kian Min	
Mr. Boon Yoon Chiang	
Mdm. Tan Guek Ming	

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 ensures 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 the monthly salary and bonus.

The Non-executive Directors receive directors' fee, 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 Group or are not appointed by the controlling shareholders of the Group are eligible for share options under the current Share Option Scheme. Additional information on the share option schemes can be found on pages 15 – 16 and 45 – 46 of the annual report.

Although the Code recommends the disclosure of the name of the individual Directors and at least the top five key executives (who are not the directors of the Group) 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 Group's interest as it may lead to poaching of executives within a highly competitive industry.

Corporate Governance

G) REMUNERATION MATTERS (CONT'D)

The remuneration for the financial year ended 31 December 2009 is shown below:

Remuneration Bands	No. of Directors in Remuneration Bands
S$500,000 to S$749,999	2
S$250,000 to S$499,999	–
Below S$250,000	6

Remuneration Bands	Remuneration of top 5 executives
S$250,000 to S$499,999	2
Below S$250,000	3

To maintain confidentiality of staff remuneration, the names of the Directors and the top five 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

The Board is accountable to the shareholders while the management of the Group is accountable to the Board. The management presents to the Board the Group's quarterly and full year accounts and the Audit Committee reports on the results for review and approval. The Board approves the results and authorizes the release of the results to SGX-ST and the public via SGXNET.

The Board is committed to provide 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
Mr. Lew Syn Pau	
Mr. Boon Yoon Chiang	
Mdm. Tan Guek Ming	

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.

During the year, the AC carried out its function in accordance with its written terms of reference.

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

(a) the audit plans of the external auditors of the Group, the results of their examination and evaluation of the Group's systems of internal 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 Group'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.

The non-audit related fee paid/payable to the external auditor of the Group in the financial year 2009 amounted to US$3,000. The AC has reviewed the non-audit services provided by the external auditors and is satisfied with the independence of the external auditors.

Different auditors have been appointed for some of the Singapore incorporated subsidiaries and overseas subsidiaries. The names of these audit firms are disclosed under Note 12 of the financial statements. This matter has been reviewed by the AC and the Board and both are satisfied that these appointments did not compromise the standard and effectiveness of the audit of the Group.

Corporate Governance

I) AUDIT COMMITTEE (CONT'D)

The AC 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 AC has established the 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 Group, 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 could 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 2009. 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 Group's external auditors also report to the AC on any material internal control weaknesses noted during the course of their audit.

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

K) COMMUNICATION WITH SHAREHOLDERS

Principle 14: Regular, effective and fair communication with shareholders

Price sensitive information is first publicly released via SGXNET before any meeting with any group of investors or analysts. Results are announced within the mandatory period on a quarterly basis to SGX-ST.

L) 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, the shareholders are given the opportunity to express their views and ask questions regarding the Group's performance.

Resolutions to be passed at general meetings are always separate and distinct in terms of issue so that shareholders are 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 Chairpersons 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 2009 (SGX-ST LISTING MANUAL REQUIREMENTS)

(i) Dealing in Securities

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

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 the announcements of the relevant results.

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

(ii) Material Contracts

Other than those disclosed in the financial statements, the Company and its subsidiary companies did not enter into any material contracts involving interests of the 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

The Group is dependent on the Russian market, which accounted for 50.5% of its turnover in 2009. Any significant decline in the demand for the Group's products in this market, whether or not brought about by political, social and/or economic changes, would adversely affect its turnover and profitability.

The Group undertakes on-going efforts to increase sales by increasing sales in other existing markets and be developing new markets, which over time will reduce its dependency on the Russian market.

Corporate Governance

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

Foreign Exchange Exposure

The Group is subject to foreign exchange risk arising mainly from those sales, purchases and operating costs by operating units denominated in currencies other than the operating units' functional currency. Approximately 1.7% 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 volatile foreign exchange rate movements. The Group has a natural hedge of 83.4% as 83.4% of the purchases and major operating expenses are denominated in the functional currency of the operating units.

Political and Regulatory Consideration

The Group's 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 sales. For example, changes in policies by the respective government authorities of these regions may have an impact 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.

The Group has representative offices in its major markets and is constantly updated on developments in government policy and regulation, allowing it to respond promptly to any policy changes that might affect sales.

Credit Risk of Customers

In the normal course of its business, the Group extends credit terms to its customers, primarily to those located in developing countries. In the event of any significant devaluation or depreciation of the currencies of these markets or if any major customer encounters financial difficulties, the Group would be exposed to the risk of non-collectability of some of its trade receivables.

The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Management believes that concentration of credit risk is limited due to the 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 the Group's products. Due to the competitive nature of the instant beverage industry, the Group may not be able to pass on increases in raw material prices to its customers. Therefore any major increase in raw material prices may adversely affect profitability. There is no regulated commodity market for trading of these raw materials. The Group monitors the movements of raw materials prices closely and keeps in regular contact with its major suppliers. The Group' s policy is to source from multiple suppliers where possible, so as to reduce dependency on any single source of supply.

Intellectual Property Risks

Third parties may unlawfully copy and use the Group's 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 trademarks, service marks, copyrights, trade secrets and other intellectual property may damage the brand and the name recognition of the Group and its credibility. The Group relies on trademark laws to protect its marks in countries that it operates in. The Group has filed for registration of trademarks in countries where its products are marketed and distributed. The Group will take a strong stand on infringement and will take legal action to protect its intellectual property against counterfeit products and those who have unlawfully made use of its registered trademarks.

Dependence on Key Personnel

The Executive Directors and the country/general managers in the Group's 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 the Group's operations and financial performance.

The Group has implemented remuneration packages aimed at retaining existing personnel and rewards for 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 $100,000)**	
	2009 US$'000	**2008** US$'000	**2009** US$'000	**2008** US$'000
Simonelo Limited Group of Companies				
- Factory and office rental expenses	1,927	1,867	–	–
- Loan provided	–	250	–	–
Triple Ace Limited Group of companies				
- Loan provided	–	–	–	–
- Interest Income	44	87	–	–

Directors' Report

The Directors are pleased to present 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 2009.

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 2010**	**As at 21 January 2010**
The Company **Ordinary shares**						
Tan Wang Cheow	52,440,000	52,440,000	67,367,400	67,367,400	52,440,000	67,367,400
Sudeep Nair	30,932,399	30,932,399	4,680,000	4,680,000	30,932,399	4,680,000
Tan Guek Ming	52,967,400	67,367,400	66,840,000	52,440,000	67,367,400	52,440,000
Lew Syn Pau	384,000	384,000	96,000	96,000	384,000	96,000
Ong Kian Min	–	–	720,000	720,000	–	720,000

	Share options held in the name of the Directors		Share options in which Directors are deemed to have an interest		Share options held in the name of the Directors	Share options 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 2010**	**As at 21 January 2010**
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)** [1]						
Sudeep Nair [2]	3,300,000	3,300,000	–	–	3,300,000	–
Options to subscribe for ordinary shares exercisable between 4 January 2011 to 3 January 2020 at S$0.335 per share [3]						
Sudeep Nair	–	–	–	–	1,300,000	–
Ong Kian Min	–	–	–	–	100,000	–

1 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 2009 (Note 26).

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

3 On 4 January 2010, the Company granted options to subscribe for ordinary shares exercisable between 4 January 2011 to 3 January 2020 at S$0.335 per share to selected group of directors and employees eligible under the Option Scheme. Mr. Sudeep Nair and Mr. Ong Kian Min accepted their grant of 1,300,000 and 100,000 options respectively before 21 January 2010 while Mr. Lew Syn Pau and Mr. Boon Yoon Chiang accepted their grant of 100,000 options each after 21 January 2010. See note 36 for more information on this grant of options.

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, there was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2010.

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.

Directors' Report

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 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.

Options granted and shares issued under Option Scheme

During the financial year:
- there were no new ordinary shares allocated and issued pursuant to the exercise of options granted under the Food Empire Share Option Scheme.
- no options were granted by the Company to any person under the Option Scheme.

Unissued shares under Option Scheme

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

	Number of holders at year end	Number of options outstanding at 1.1.2009	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 31.12.2009	Exercise price per share S$	Exercise period
2002 Options	4	240,000	–	–	–	240,000	0.142	14 March 2004 to 13 March 2012
2004 Options	3	3,650,000	–	–	–	3,650,000	0.229	25 May 2006 to 24 May 2014
	7	3,890,000	–	–	–	3,890,000		

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 Director	Aggregate options granted since commencement of Option Scheme to end of financial year	Aggregate options exercised since commencement of Option Scheme to end of financial year	Aggregate options lapsed/cancelled since commencement of Option Scheme to end of financial year	Aggregate options outstanding as at end of financial year
Lew Syn Pau	600,000	(600,000)	–	–
Ong Kian Min	600,000	(600,000)	–	–
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.

Since the commencement of the Option Scheme till the end of the financial year:
- 31,245,000 options were granted
- No options had been granted to the controlling shareholders of the Company or their associates
- No options had been granted to the Directors appointed by the controlling shareholders
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation had been granted
- No participant other than Mr. Sudeep Nair has been granted 5% or more of the total options available 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.

Options granted after the year end

On 4 January 2010, the Company granted 4,750,000 options to subscribe for ordinary shares exercisable between 4 January 2011 to 3 January 2020 at S$0.335 per share to selected group of directors and employees eligible under the Option Scheme.

The options granted to the Directors of the Company on 4 January 2010 were as follows:

Directors of the Company	Options to subscribe for ordinary shares exercisable between 4 January 2011 to 3 January 2020 at S$0.335 per share
Sudeep Nair	1,300,000
Lew Syn Pau	100,000
Ong Kian Min	100,000
Boon Yoon Chiang	100,000

See note 36 for more information on this grant of options.

Directors' Report

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
26 March 2010

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, consolidated statement of comprehensive income, 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 2009 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
26 March 2010

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 2009, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated 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 2009 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

26 March 2010

FOOD EMPIRE FINANCIAL

Consolidated Income Statement

for the year ended 31 December 2009

	Note	2009 US$'000	2008 US$'000
Revenue	3	**134,842**	**222,315**
Other income		772	416
Changes in inventories of finished goods		(21,689)	5,554
Raw materials and consumables used		(54,966)	(122,330)
Staff costs	4	(15,661)	(23,934)
Write back of impairment of property, plant and equipment		15	1
Impairment of intangibles		(2,408)	–
Depreciation of property, plant and equipment		(1,736)	(1,746)
Depreciation of investment properties		(37)	(30)
Net loss from fair value adjustment in leasehold investment properties		–	(8)
Foreign exchange loss		(314)	(983)
Other operating expenses		(35,531)	(55,188)
Finance costs	5	(439)	(693)
Share of profit / (loss) of associated companies		331	(173)
Profit before taxation	6	**3,179**	**23,201**
Taxation	7	(514)	(2,074)
Profit for the year		**2,665**	**21,127**
Earnings per share			
Basic earnings per share (in cents)	9	0.50	4.00
Diluted earnings per share (in cents)	9	0.50	3.98

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	2009 US$'000	2008 US$'000
Profit net of tax	2,665	21,127
Other comprehensive income:		
Foreign currency translation	(449)	(1,575)
Share of other comprehensive income of associates	145	(530)
Other comprehensive income for the year, net of tax	(304)	(2,105)
Total comprehensive income for the year	2,361	19,022

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

FOOD EMPIRE FINANCIAL

Balance Sheets

as at 31 December 2009

	Note	Group		Company	
		2009	2008	2009	2008
		US$'000	US$'000	US$'000	US$'000
Non-Current Assets					
Property, plant and equipment	10	11,328	11,474	–	–
Investment properties	11	1,366	1,383	–	–
Investments in subsidiary companies	12	–	–	44,545	44,558
Investments in associated companies	13	6,526	5,752	–	–
Amount due from associated company	14	309	957	–	–
Intangible assets	15	13,343	15,751	–	–
Deferred tax assets	16	69	219	–	–
		32,941	35,536	44,545	44,558
Current Assets					
Inventories	17	17,955	39,645	–	–
Prepaid operating expenses and other debtors		1,479	2,040	21	18
Deferred expenses		389	1,110	–	–
Amounts due from subsidiary companies (non-trade)	18	–	–	–	51
Amounts due from associated companies (trade)	19	–	76	–	–
Amounts due from associated companies (non-trade)	19	970	1,189	–	–
Trade receivables	20	36,489	60,672	–	–
Other receivables	21	719	963	–	–
Cash and cash equivalents	22	61,291	15,537	108	62
		119,292	121,232	129	131
Current Liabilities					
Trade payables and accruals	23	(21,177)	(14,149)	(278)	(358)
Other payables	24	(154)	(160)	–	–
Finance lease creditors	30	(4)	(3)	–	–
Interest-bearing loans and borrowings	25	(3,336)	(5,336)	–	–
Amount due to subsidiary companies (non-trade)	18	–	–	(167)	–
Provision for taxation		(956)	(2,543)	–	–
		(25,627)	(22,191)	(445)	(358)
Net Current Assets/(Liabilities)		**93,665**	**99,041**	**(316)**	**(227)**
Non-Current Liabilities					
Finance lease creditors	30	(11)	(15)	–	–
Interest-bearing loans and borrowings	25	(2,494)	(11,330)	–	–
Deferred tax liabilities	16	(400)	(612)	–	–
		(2,905)	(11,957)	–	–
Net Assets		123,701	122,620	44,229	44,331
Equity					
Share capital	26	39,666	39,666	39,666	39,666
Reserves	27	84,035	82,954	4,563	4,665
Total Equity		123,701	122,620	44,229	44,331

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

Statements of Changes in Equity

for the year ended 31 December 2009

Group	Share capital US$'000	Foreign currency translation reserve US$'000	Asset revaluation reserve US$'000	Share-based payment reserve US$'000	Accumulated profits US$'000	Total equity US$'000
	Attributable to equity holders of the Company					
2008						
Balance as at 1 January 2008	38,867	3,165	60	446	66,508	109,046
Total comprehensive (loss) / income	–	(2,105)	–	–	21,127	19,022
Dividends paid to shareholders of the Company (Note 8)	–	–	–	–	(6,125)	(6,125)
Value of employee services received for issue of share options	–	–	–	120	–	120
Exercise of share options	242	–	–	(242)	–	–
Issuance of ordinary shares	557	–	–	–	–	557
Balance as at 31 December 2008	39,666	1,060	60	324	81,510	122,620
2009						
Balance as at 1 January 2009	39,666	1,060	60	324	81,510	122,620
Total comprehensive (loss) / income	–	(304)	–	–	2,665	2,361
Dividends paid to shareholders of the Company (Note 8)	–	–	–	–	(1,280)	(1,280)
Balance as at 31 December 2009	39,666	756	60	324	82,895	123,701

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
2008					
Balance as at 1 January 2008	38,867	3,573	446	1,005	43,891
Total comprehensive income	–	454	–	5,434	5,888
Dividends paid to shareholders of the Company (Note 8)	–	–	–	(6,125)	(6,125)
Value of employee services received for issue of share options	–	–	120	–	120
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
2009					
Balance as at 1 January 2008	39,666	4,027	324	314	44,331
Total comprehensive (loss)/income	–	(20)	–	1,198	1,178
Dividends paid to shareholders of the Company	–	–	–	(1,280)	(1,280)
Balance as at 31 December 2009	39,666	4,007	324	232	44,229

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 2009

	2009 US$'000	2008 US$'000
Cash flows from operating activities		
Profit from operations before taxation	3,179	23,201
Adjustments for:		
Depreciation of property, plant and equipment	1,736	1,746
Depreciation of investment properties	37	30
Net loss from fair value adjustment on investment properties	–	8
Write back of impairment of property, plant and equipment	(15)	(1)
Losses on disposal of property, plant and equipment	52	51
Interest income	(144)	(252)
Interest expenses	439	693
Allowance for doubtful debts	861	214
Write back of impairment loss on other receivable	–	(23)
Write back of impairment loss on amount due from associated companies	(14)	(144)
Write down of inventories	782	29
Impairment of intangibles	2,408	–
Share of (profit)/loss of associated companies	(331)	173
Value of employee services received for issue of share options	–	120
Exchange realignment	(223)	(778)
Operating profit before working capital changes	8,767	25,067
Decrease / (increase) in receivables	24,856	(5,128)
Decrease / (increase) in inventories	20,908	(11,893)
Increase / (decrease) in payables	7,022	(4,396)
Cash flows generated from operations	61,553	3,650
Income taxes paid	(2,167)	(2,083)
Net cash flows from operating activities	59,386	1,567
Cash flows from investing activities		
Interest income received	144	252
Purchase of property, plant and equipment	(2,048)	(3,316)
Proceeds from disposal of property, plant and equipment	192	68
Dividend income from associated company	21	38
Investment in an associated company	(15)	(721)
Repayment of loans due from associated companies	648	650
Net cash flows used in investing activities	(1,058)	(3,029)
Cash flows from financing activities		
Interest expenses paid	(439)	(693)
Dividends paid to shareholders of the Company	(1,280)	(6,125)
Proceeds from issuance of shares	–	557
(Decrease) / increase in finance lease	(3)	18
Repayment of interest-bearing loans and borrowings	(10,836)	(2,000)
Proceeds from interest-bearing loans and borrowings	–	9,166
Net cash flows (used in)/generated from financing activities	(12,558)	923
Net increase/(decrease) in cash and cash equivalents	45,770	(539)
Effect of exchange rate changes on cash and cash equivalent	(16)	102
Cash and cash equivalents at beginning of year (Note 22)	15,537	15,974
Cash and cash equivalents at end of year (Note 22)	61,291	15,537

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

Notes to the Financial Statements

31 December 2009

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 2009 were authorised for issue in accordance with a resolution of the Directors on 26 March 2010.

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

The registered office of the Company is located at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. 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.

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*

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$") and all values in the tables are rounded to the nearest thousand (US$'000), unless otherwise stated.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except as follows:

i) On 1 January 2009, the Group changed the valuation of leasehold investment properties from fair value model to cost model. The change is to more accurately reflect the nature of the Group's leasehold investment properties.

The change in this accounting policy had no material impact to the financial statements of the Group and no adjustments were made to the prior year figures as the impact is immaterial.

ii) On 1 January 2009, the Group changed the accounting policy on the costing of direct materials and goods purchased from a first-in first-out basis to weighted average basis. The new policy will be more reflective of the Group's operation.

The change in this accounting policy had no material impact to the financial statements of the Group and no adjustments were made to the prior year figures as the impact is immaterial.

iii) On 1 January 2009, the Group adopt the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009.

- FRS 1 Presentation of Financial Statements (Revised)
- Amendments to FRS 18 Revenue
- Amendments to FRS 23 Borrowing Costs
- Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 101 First-time Adoption of Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 102 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 107 Financial Instruments: Disclosures
- FRS 108 Operating Segments
- Improvements to FRSs issued in 2008
- INT FRS 113 Customer Loyalty Programmes
- INT FRS 116 Hedges of a Net Investment in a Foreign Operation
- Amendments to INT FRS 109 Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
- INT FRS 118 Transfers of Assets from Customers

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures and revised presentation.

The principal effects of these changes are as follows:

FRS 1 Presentation of Financial Statements – Revised Presentation

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as two linked statements.

FRS 108 Operating Segments

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 Segment Reporting. Additional disclosures about each segment are shown in Note 29, including revised comparative information.

Notes to the Financial Statements

31 December 2009

2. Summary of significant accounting policies (continued)

2.3 *Future changes in accounting policies*

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 27 *Consolidated and Separate Financial Statements*	1 July 2009
Amendments to FRS 39 *Financial Instruments: Recognition and Measurement* – Eligible Hedged Item	1 July 2009
Revised FRS 103 *Business Combinations*	1 July 2009
Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 July 2009
INT FRS 117 *Distributions of Non-cash Assets to Owners*	1 July 2009
Improvements to FRSs issued in 2009:	
– Amendments to FRS 38 *Intangible Assets*	1 July 2009
– Amendments to FRS 102 *Share-based Payment*	1 July 2009
– Amendments to FRS 108 *Operating Segments*	1 July 2009
– Amendments to INT FRS 109 *Reassessment of Embedded Derivatives*	1 July 2009
– Amendments to INT FRS 116 *Hedges of a Net Investment in a Foreign Operation*	1 July 2009
– Amendments to FRS 1 *Presentation of Financial Statements*	1 January 2010
– Amendments to FRS 7 *Statement of Cash Flows*	1 January 2010
– Amendments to FRS 17 *Leases*	1 January 2010
– Amendments to FRS 36 *Impairment of Assets*	1 January 2010
– FRS 39 *Financial Instruments: Recognition and Measurement*	1 January 2010
– Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2010
– Amendments to FRS 108 *Operating Segments*	1 January 2010

Except for the revised FRS 103 and the amendments to FRS 27, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 103 and the amendments to FRS 27 are described below.

Revised FRS 103 Business Combinations and Amendments to FRS 27 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2009. The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 27 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to FRS 7 Statement of Cash Flows, FRS 12 Income Taxes, FRS 21 The Effects of Changes in Foreign Exchange Rates, FRS 28 Investments in Associates and FRS 31 Interests in Joint Ventures. The changes from revised FRS 103 and Amendments to FRS 27 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to early adopt.

2.4 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to 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 subsidiaries 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 business combination over the Group's share in the net fair value of the acquired subsidiary'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 2.11. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries 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.

2.5 *Significant accounting estimates and judgments*

The preparation of the Group's financial statements requires management to make judgments, 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) Judgments made in applying accounting policies

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

(i) 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 judgment, 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.

Notes to the Financial Statements

31 December 2009

2. Summary of significant accounting policies (continued)

2.5 *Significant accounting estimates and judgments (continued)*

(b) 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 2009 was US$6,684,000 (2008: US$7,390,000). More details are provided in Note 15.

(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 2009 was US$11,328,000 (2008: US$11,474,000). 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 judgment 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 2009 was US$956,000 (2008: US$2,543,000).

2.6 *Foreign currency*

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

The assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the balance sheet date and their statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

2.7 *Subsidiaries*

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.

2.8 *Associated company*

An associated company is an entity, not being a subsidiary 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.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit or loss.

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

31 December 2009

2. Summary of significant accounting policies (continued)

2.9 *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 recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, 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.

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 profit or loss in the year the asset is derecognised.

2.10 *Investment properties*

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.

2.11 *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.

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 profit or loss. 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.

Notes to the Financial Statements

31 December 2009

2. Summary of significant accounting policies (continued)

2.11 ***Intangible assets (continued)***

(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. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

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. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(i) 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.

2.12 ***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 had been recognised in other comprehensive income is recognised in profit or loss.

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 held for trading are classified as financial assets at fair value through profit or loss. 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 profit or loss. 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 profit or loss 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 profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(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 in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

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

2.13 ***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 an 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 using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. 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 profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income 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 been recognised previously. Such reversal is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

Notes to the Financial Statements

31 December 2009

2. Summary of significant accounting policies (continued)

2.14 *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 asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's 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 profit or loss.

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 profit or loss.

(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.

(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 profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss. Reversals of impairment losses on debt instruments are recognised in profit or loss 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 profit or loss.

2.15 *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.

2.16 *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 weighted average 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.

2.17 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and 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.

2.18 *Financial liabilities*

Financial liabilities within the scope of FRS 39 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, derivatives are measured at fair value. Other financial liabilities (except for financial guarantee) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss 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 profit or loss. Net gains or losses on derivatives include exchange differences.

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

Notes to the Financial Statements

31 December 2009

2. Summary of significant accounting policies (continued)

2.19 ***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 as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss 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 profit or loss.

2.20 ***Borrowing costs***

Borrowing costs are recognised in the profit and loss in the period in which they are incurred.

2.21 ***Leases***

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(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 profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

Operating lease payments are recognised as an expense in profit or loss 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 2.22.

2.22 ***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. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods
Revenue from the sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer.

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

(c) Dividend income
Dividend income is recognised when the Group'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.

(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.

2.23 ***Finance costs***

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

2.24 ***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.

Notes to the Financial Statements

31 December 2009

2. Summary of significant accounting policies (continued)

2.24 *Employee benefits (continued)*

(c) 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 options as consideration for services rendered ('equity-settled transactions').

The cost of these 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 profit or loss, with a corresponding increase in the share-based payment reserve, over the vesting period. The cumulative expense are 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 profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. The share-based payment reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the share-based payment reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

2.25 *Income taxes*

(a) Current tax

Current tax assets and liabilities 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 profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or 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.

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

- where the deferred income tax liability arises from the initial recognition of goodwill or 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; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary difference 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; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets 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 income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

(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

31 December 2009

2. Summary of significant accounting policies (continued)

2.26 *Segment reporting*

For management purposes, the Group is organized into different business segments. Each 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. The Group regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosure on each of these segments are shown in Note 29, including the factors used to identify the reportable segment and the measurement basis of segment information.

2.27 *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.

2.28 *Treasury Shares*

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

2.29 *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	
	2009	**2008**
	US$'000	**US$'000**
Sale of goods	117,000	180,231
Rental income	1,370	942
Royalty income	857	996
Marketing service fee	10,798	32,178
Packaging service fee	4,817	7,968
	134,842	222,315

4. Staff costs

	Group	
	2009	**2008**
	US$'000	**US$'000**
Salaries, wages and other staff benefits	13,854	21,631
Employer's contribution to defined contribution plans including Central Provident Fund	1,807	2,183
Value of employee services received for issue of share options	–	120
	15,661	23,934
Directors' remuneration included in staff costs are as follows:		
Directors' remuneration		
- Directors of the Company		
- Salaries and other remuneration	699	2,025
- Employer's contribution to defined contribution plans including Central Provident Fund	13	14
- Value of employee services received for issue of share options	–	120
	712	2,159

5. Finance costs

	Group	
	2009	**2008**
	US$'000	**US$'000**
Interest expenses on:		
Term loan	438	688
Bank trust receipts	1	5
	439	693

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6. Profit before taxation

	Group 2009 US$'000	Group 2008 US$'000
Profit before taxation is stated after charging/(crediting):		
Non-audit fees paid to		
- Auditors of the Company	3	34
Directors' fee		
- Directors of the Company	176	177
- Other directors of the subsidiary companies	–	1
Foreign exchange loss	314	983
Write back of impairment loss on property, plant and equipment	(15)	(1)
Impairment of intangible assets	2,408	–
Other operating expenses		
- Losses on disposal of property, plant and equipment	52	51
- Allowance for doubtful debts	861	214
- Write back of impairment loss on other receivable	–	(23)
- Write back of impairment loss on amount due from associated companies	(14)	(144)
- Inventories written down	782	383
- Reversal of write down of inventories	–	(354)
- Advertising expenses	20,419	30,683
- Legal and professional fess	624	951
Interest income from		
- Bank deposits	(100)	(152)
- Associated companies	(44)	(100)
Inventories recognised as an expense in cost of sales	75,505	115,883
Amortisation of intangible assets	2,408	–
Grant income from job credit scheme	266	–

During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme ("Scheme"). Under this Scheme, the Group received a 12% cash grant on the first S$2,500 of each month's wages for each employee on their Central Provident Fund payroll. The Group received its grant income of US$266,000 (2008 : Nil) in four receipts in March, June, September and December 2009.

7. Taxation

Major components of income tax expenses

The major components of income tax expenses for the years ended 31 December 2009 and 2008 are:

	Group 2009 US$'000	Group 2008 US$'000
Current income tax		
- Current income taxation	693	2,306
- Overprovision in respect of prior years	(117)	(120)
	576	2,186
Deferred income tax		
- Origination and reversal of temporary differences	(41)	(112)
- Benefits from previously unrecognised tax losses	(8)	–
- Effect of reduction in tax rate	(13)	–
	(62)	(112)
Income tax expense recognised in profit or loss	514	2,074

Relationship between tax expense and accounting profit

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 2009 and 2008 are as follows:

	Group 2009 US$'000	Group 2008 US$'000
Accounting profit before tax	3,179	23,201
Tax at statutory tax rate of 17% (2008: 18%)	540	4,176
Adjustments:		
Effect of change in tax rate	(13)	–
Expenses not deductible for tax purposes	574	568
Tax effect of double taxation relief	(144)	(294)
Tax effect of income not subject to tax	(125)	(56)
Tax effect of partial tax exemption	(23)	(43)
Deferred tax assets not recognised	172	65
Effect of different tax rates in other countries	(250)	(2,100)
Benefits from previously unrecognised tax losses	(8)	–
Overprovision in respect of prior year taxation	(117)	(120)
Others	(92)	(122)
Income tax expense recognised in profit or loss	514	2,074

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7. Taxation (continued)

Relationship between tax expense and accounting profit (continued)

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 17% for the year of assessment 2010 onwards from 18% for year of assessment 2009. The corporate income tax rate applicable to Malaysian company of the Group was reduced to 26% and 25% for the year assessment 2008 and the year assessment of 2009 onwards respectively.

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

8. Dividends

	Company	
	2009 US$'000	**2008 US$'000**
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- First and final exempt (one-tier) dividend for the previous financial year: S$0.0035 (2008: S$0.019) per share	1,280	6,125

	Company	
	2009 US$'000	**2008 US$'000**
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- Final exempt (one-tier) dividend for 2009: S$0.0022 (2008: S$0.0035) per share	829	1,234
- Special exempt (one-tier) dividend for 2009: S$0.0078 (2008: S$Nil) per share	2,939	–
	3,768	1,234

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	
	2009 US$'000	**2008 US$'000**
Net profit attributable to ordinary shareholders of the Company used in computation of basic earnings per share	2,665	21,127
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares for basic earnings per share computation	529,044	527,833

(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	
	2009 US$'000	**2008 US$'000**
Net profit attributable to ordinary shareholders of the Company used in computation of diluted earnings per share	2,665	21,127
	No. of shares '000	**No. of shares '000**
Weighted average number of shares issued, used in the calculation of basic earnings per share	529,044	527,833
Effect of dilution:		
Weighted average number of unissued ordinary shares under option	3,890	4,914
Number of shares that would have been issued at fair value	(2,858)	(2,025)
Weighted average number of ordinary shares adjusted for the effect of dilution which is used for diluted earnings per share computation	530,076	530,722

Since the end of the financial year, no options had been exercised by employees (including senior executives and Directors) to acquire ordinary shares (2008: Nil). 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.

On 4 January 2010, the Company granted 4,750,000 options under the Option Scheme. This grant of options after year end had no impact on the above calculated basic and diluted earnings per share. The information on this grant of options is set out in Note 36.

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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, air conditioners, electrical installation and leasehold improvements US$'000	Capital work-in-progress US$'000	Total US$'000
Cost							
At 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 and 1 January 2009	4,174	10,433	2,123	1,163	662	108	18,663
Additions	–	1,740	295	–	13	–	2,048
Disposals	–	(553)	(636)	(69)	(38)	–	(1,296)
Reclassifications	–	–	108	–	–	(108)	–
Exchange realignment	(13)	(488)	(14)	(24)	5	–	(534)
At 31 December 2009	4,161	11,132	1,876	1,070	642	–	18,881
Accumulated depreciation and impairment losses							
At 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 and 1 January 2009	1,592	3,512	1,408	471	206	–	7,189
Charge for the year	186	1,015	300	154	81	–	1,736
Disposals	–	(358)	(606)	(64)	(24)	–	(1,052)
Reversal of impairment losses	(15)	–	–	–	–	–	(15)
Exchange realignment	4	(302)	(3)	(6)	2	–	(305)
At 31 December 2009	1,767	3,867	1,099	555	265	–	7,553
Net carrying amount							
At 31 December 2009	2,394	7,265	777	515	377	–	11,328
At 31 December 2008	2,582	6,921	715	692	456	108	11,474

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 23 December 2009 and 18 November 2009 (2008: 28 November 2008 and 2 December 2008) respectively, the carrying amount of these properties were written back by US$15,000 (2008: written back by US$1,000).

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

Assets held under finance leases

In the prior financial year, the Group acquired motor vehicles with the cost of US$24,000 by means of finance leases. The cash outflow on this acquisition of motor vehicles in the prior year was US$6,000.

There were no such acquisitions or transactions during the financial year 2009.

As at the end of the financial year, the carrying amount of these motor vehicles held under finance leases was US$16,000 (2008: US$20,000).

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

11. Investment properties

	Group	
	2009 US$'000	2008 US$'000
Cost		
At 1 January	2,107	2,114
Effect of change from fair value model to cost model	877	–
	2,984	2,114
Exchange realignment	61	(7)
At 31 December	3,045	2,107

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11. Investment properties (continued)

	Group	
	2009 US$'000	2008 US$'000
Accumulated depreciation		
At 1 January	986	960
Effect of change from fair value model to cost model	615	–
	1,601	960
Depreciation	37	30
Exchange realignment	41	(4)
	1,679	986
Carrying amount		
At 31 December	1,366	1,121
Leasehold investment properties		
As at 1 January	262	270
Net loss through fair value adjustments recognised in profit or loss	–	(8)
Effect of change from fair value model to cost model	(262)	–
At 31 December	–	262
	1,366	1,383
Income statement:		
Rental income from investment properties:		
- Minimum lease payments	106	63
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	27	34

Valuation of investment properties

Based on a valuation performed by an independent appraiser, Allied Appraisal Consultants Pte Ltd on 23 December 2009 (2008: 28 November 2008), there are no impairment required for the carrying amounts of these properties.

The valuations are estimates of the amounts for which the assets could be exchanged between a knowledgeable willing buyer and knowledgeable willing seller on an arm's length transaction at the valuation date. The fair value of the investment properties is determined at US$1,958,000 (2008: US$2,007,000).

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

12. Investments in subsidiary companies

	Company	
	2009 US$'000	2008 US$'000
Unquoted shares, at cost	44,894	44,907
Impairment losses	(349)	(349)
Carrying amount of investments	44,545	44,558

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12. Investments in subsidiary companies (continued)

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 2009 %	2008 %
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)	Dormant	100	100
Epiq Food Services Pte Ltd (4) (Singapore)	Dormant	100	100
Held by Future Enterprises Pte Ltd			
Future Enterprises (Russia) Pte Ltd (5) (Singapore)	Dormant	–	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
FES (Mauritius) Ltd (3) (Mauritius)	Dormant	100	100
Foodaworld Marketing Pte Ltd (4) (Singapore)	Dormant	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 (6) (Cyprus)	Investment holding	100	100
Pavo Holding Limited (6) (Cyprus)	Investment holding	100	100
Held by Pavo Holding Limited			
Delta Future (7) (Ukraine)	Manufacturing of food products	100	100
FE Production Ltd (7) (Ukraine)	Manufacturing of food products	100	100
Held by Lovena Limited			
FES Distribution Limited (7) (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 food and beverages	100	100
Held by FER (HK) Limited			
FES International FZE (7) (United Arab Emirates - Dafza)	Import, export, trading of food and beverages, management and finance support	100	100
Navas Services Limited (8) (Cyprus)	Investment holding	100	100
Bexar Limited (8) (Cyprus)	Licensing, management and finance support	100	100
Held by Navas Services Limited			
FES Products LLC (9) (Russia)	Manufacturing of instant beverages	100	100
Held by Bexar Limited			
Naturant System Inc. (7) (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 company is liquidated and closed off during the year.
(6) Audited by P. Kalopetrides & Co, Cyprus.
(7) Not required to be audited by the law of its country of incorporation.
(8) Audited by KPMG Cyprus.
(9) Audited by FBK LLC (Moscow, Russia).

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13. Investments in associated companies

	Group 2009 US$'000	Group 2008 US$'000
Unquoted shares, at cost	5,622	5,302
Share of net post-acquisition reserves	904	450
	6,526	5,752

In the financial year 2009, the Group increased its investment in Hyson Teas (Private) Limited by US$320,000 for which US$305,000 is through conversion of debts and US$15,000 is through cash injection. There is no change in the Group's effective interest in the associated company.

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 2009 %	2008 %
Held by a subsidiary company			
Hyson Teas (Private) Limited * (Sri Lanka)	Manufacturing and exporting of tea	49	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.

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

	Group 2009 US$'000	Group 2008 US$'000
Assets and liabilities:		
Current assets	10,585	11,081
Non-current assets	9,038	8,629
Total assets	19,623	19,710
Current liabilities	4,355	4,896
Non-current liabilities	6,436	7,718
Total liabilities	10,791	12,614
Revenue	7,286	3,820
Profit/(loss) for the year	887	(460)

14. Amount due from associated company (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 2.3% to 4.0% (2008: 3.4% to 6.9%) per annum during the year (Note 19).

15. Intangible assets

	Goodwill US$'000	Brand US$'000	Total US$'000
Cost			
At the beginning and ending of the year for financial year 2009 and 2008	7,390	8,361	15,751
Accumulated amortisation and impairment			
At the beginning and ending of financial year 2008	–	–	–
Impairment loss	706	1,702	2,408
At 31 December 2009	706	1,702	2,408
Net carrying amount			
At 31 December 2009	6,684	6,659	13,343
At 31 December 2008	7,390	8,361	15,751

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15. Intangible assets (continued)

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	
	2009	**2008**
	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
Brand	6,659	8,361
	13,343	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 (2008: 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.

Impairment loss recognised

During the financial year, an impairment loss of US$706,000 and US$1,702,000 (2008: Nil) were recognised to write-down the carrying amount of goodwill attributed to the Russia and Ukraine segment and the brand value respectively. The total impairment loss of US$2,408,000 (2008: Nil) had been recognised in profit or loss.

16. Deferred tax assets/(liabilities)

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

	Group	
	2009	**2008**
	US$'000	**US$'000**
Deferred tax assets		
Sundry provisions	69	219
Deferred tax liabilities		
Excess of net book value over tax written down value	(351)	(246)
Others	(49)	(366)
Gross deferred tax liabilities	(400)	(612)

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

	Group	
	2009	**2008**
	US$'000	**US$'000**
Deferred tax assets	69	219
Deferred tax liabilities	(400)	(612)
Net deferred tax liabilities	(331)	(393)

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

	Group	
	2009	**2008**
	US$'000	**US$'000**
Tax losses	305	287
Unabsorbed capital allowances	12	107
Net deferred tax assets	317	394

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	
	2009	**2008**
	US$'000	**US$'000**
Balance sheet:		
Raw materials	7,539	20,119
Packaging materials	3,093	4,272
Finished products/trading goods	7,323	15,254
Total inventories at lower of cost and net realisable value	17,955	39,645

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17. Inventories (continued)

	Group 2009 US$'000	Group 2008 US$'000
Income statement:		
Inventories recognised as an expense in cost of sales	75,505	115,883
Inventories written down	782	383
Reversal of write down of inventories	–	(354)
	76,287	115,912

The reversal of write down of inventories was made when the related inventories were sold above their carrying amounts.

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

	Company 2009 US$'000	Company 2008 US$'000
Amounts due from subsidiary companies	2,521	2,572
Allowance for doubtful receivables	(2,521)	(2,521)
	–	51
Amounts due to subsidiary companies	(167)	–

The amounts due from and due to subsidiary companies are unsecured, interest-free 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 2009 US$'000	Group 2008 US$'000
Amounts due from associated companies	–	90
Allowance for doubtful receivables	–	(14)
	–	76

For the year ended 31 December 2009, a write-back of provision for doubtful receivables of US$14,000 (2008: US$144,000) was recognised in the profit or loss subsequent to a debt recovery assessment performed on amounts due from associated companies (trade) as at year end.

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)

	Group 2009 US$'000	Group 2008 US$'000
Unsecured, repayable on demand and interest free	370	372
Unsecured, repayable on demand and fixed interest rate of 5.5% per annum	–	217
Current portion of the remaining outstanding balance of a 5 year loan provided in financial year 2007	600	600
	970	1,189

The remaining outstanding balance of the 5 year loan given to an associated company in financial year 2007, is unsecured and bears a floating interest rate of 2.3% to 4.0% (2008: 3.4% to 6.9%) during the year (Note 14).

20. Trade receivables

	Group 2009 US$'000	Group 2008 US$'000
Trade receivables	37,255	60,765
Allowance for doubtful receivables	(766)	(93)
	36,489	60,672

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.

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20. Trade receivables (continued)

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$7,757,000 (2008: US$20,905,000) 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	
	2009	**2008**
	US$'000	**US$'000**
Trade receivables past due:		
Lesser than 90 days	6,713	18,631
91 to 120 days	452	571
121 to 150 days	104	541
More than 150 days	488	1,162
	7,757	20,905

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*	
	2009	**2008**
	US$'000	**US$'000**
Trade receivables – nominal amounts	11,960	116
Less: Allowance for impairment	(766)	(93)
	11,194	23
Movement in allowance accounts:		
At 1 January	93	42
Charge for the year	861	214
Bad debts written off against provision	(187)	(163)
Exchange realignment	(1)	–
At 31 December	766	93

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 2009, net impairment loss on trade receivables of US$861,000 (2008: impairment loss of US$214,000) was recognised in the profit or loss 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	
	2009	**2008**
	US$'000	**US$'000**
Singapore Dollar	528	450
Euro	392	778
Russia Rubles	4,444	4,320
Others	410	385

21. Other receivables

	Group		Company	
	2009	**2008**	**2009**	**2008**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Staff advances	235	393	–	–
Sundry receivables	349	360	–	–
Tax recoverable	135	210	–	–
	719	963	–	–

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

During the year, there was no write-back of provision for other receivables (2008: US$23,000) credited to the profit or loss.

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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	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Cash and bank balances	61,291	15,537	108	62

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging from 0.1% to 0.4% (2008: 0.01% to 4%) per annum.

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

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Singapore Dollar	3,363	559	108	62
Euro	607	241	–	–
Others	761	391	–	–

23. Trade payables and accruals

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Trade payables	16,028	6,753	50	63
Accruals	5,149	7,396	228	295
Total trade payables and accruals	21,177	14,149	278	358

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	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Singapore dollar	3,332	866	278	358
Euro	257	372	–	–
Others	1,285	784	–	–

24. Other payables

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Rental and other deposits	31	52	–	–
Sundry payables	123	108	–	–
Other payables	154	160	–	–

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

25. Interest-bearing loans and borrowings

	Maturity	Group		Company	
		2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Current					
- USD loan at SIBOR + 2.00% p.a.	2010	3,336	3,336	–	–
- USD loan at SIBOR + 0.75% p.a.	2010	–	2,000	–	–
		3,336	5,336	–	–
Non-current					
- USD loan at SIBOR + 2.00% p.a.	2011	2,494	5,830	–	–
- USD loan at SIBOR + 0.75% p.a.	2012	–	5,500	–	–
		2,494	11,330	–	–
Total Loans and borrowings		5,830	16,666	–	–

USD loan at SIBOR + 2.00% p.a.
This loan is unsecured and is repayable every quarter.

USD loan at SIBOR + 0.75% p.a.
During the current financial year, the Group and the subsidiary had breached a covenant of this bank loan. The Group and the subsidiary did not fulfill the requirement to maintain a debt to EBITA ratio of less than 3 times.

After the breach and notification to the bank, the Group had voluntarily repaid and settled the full outstanding amount of the loan.

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26. Share capital

	Group And Company 2009 US$'000	Group And Company 2008 US$'000
Issued and fully paid:		
At beginning of the year 529,043,999 (2008: 438,165,000) ordinary shares	39,666	38,867
Issued during the financial year 2008		
Issued for cash under employee share option		
- 55,000 ordinary shares issued at the exercise price of S$0.17 each	–	7
- 100,000 ordinary shares issued at the exercise price of S$0.27 each	–	20
- 2,550,000 ordinary shares issued at the exercise price of S$0.275 each	–	530
88,173,999 bonus shares issued for every 5 ordinary shares held	–	–
Transfer from share-based payment reserve	–	242
At end of the year 529,043,999 (2008: 529,043,999) ordinary shares	39,666	39,666

There were no ordinary shares issued during the financial year 2009. In the financial year 2008, the Company had issued the following shares:

i) 2,705,000 new ordinary shares were issued pursuant to the Food Empire Share Option Scheme (the "Option Scheme") at an average price of S$0.273 each.
ii) 88,173,999 new bonus shares were issued on 5 June 2008 on the basis of 1 bonus share credited as fully paid for every 5 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 Option Scheme amounted to a total of 3,890,000 (2008: 3,890,000) ordinary shares. Details of outstanding options are set out in Note 28.

27. Reserves

	Group 2009 US$'000	Group 2008 US$'000	Company 2009 US$'000	Company 2008 US$'000
Foreign currency translation reserve	756	1,060	4,007	4,027
Asset revaluation reserve	60	60	–	–
Share-based payment reserve	324	324	324	324
Accumulated profits	82,895	81,510	232	314
	84,035	82,954	4,563	4,665

(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 2009 US$'000	Group 2008 US$'000
At 1 January	1,060	3,165
Net effect of exchange differences arising from translation of financial statements of foreign operations	(304)	(2,105)
At 31 December	756	1,060

(b) *Asset revaluation reserve*

The asset revaluation reserve represents increases in the fair value of leasehold factory 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 2009 US$'000	Group 2008 US$'000
At 1 January and 31 December	60	60

(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 2009 US$'000	Group And Company 2008 US$'000
At 1 January	324	446
Value of employee services received for issue of share options	–	120
Exercise of share options	–	(242)
At 31 December	324	324

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27. Reserves (continued)

(d) Accumulated profits

	Group 2009 US$'000	Group 2008 US$'000	Company 2009 US$'000	Company 2008 US$'000
At 1 January	81,510	66,508	314	1,005
Net profit for the year	2,665	21,127	1,198	5,434
Dividends paid to shareholders of the Company	(1,280)	(6,125)	(1,280)	(6,125)
At 31 December	82,895	81,510	232	314

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:

i) the controlling shareholders of the Company and their associates
ii) Directors appointed by the controlling shareholders

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.

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

	Number 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	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)
2002 Options [1]	4	295,000	–	–	(55,000)	240,000	0.142 #	14 March 2004 to 13 March 2012	3.24
2003 Options	–	100,000	–	–	(100,000)	–	0.27	4 June 2005 to 13 March 2012	3.20
2004 Options	–	120,000	–	–	(120,000)	–	0.275	25 May 2006 to 24 May 2009	0.40
2004 Options	3	6,125,000	–	(45,000)	(2,430,000)	3,650,000	0.229 #	25 May 2006 to 24 May 2014	5.40
	7	6,640,000	–	(45,000)	(2,705,000)	3,890,000			

Movements in the number of ordinary shares outstanding under the Option Scheme as at 31 December 2009 and the details of the Option Scheme are as follows:

	Number of holders at end of year	Number of options outstanding at 1.1.2009	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 31.12.2009	Exercise price per share S$	Exercise period	Remaining contractual life (years)
2002 Options [1]	4	240,000	–	–	–	240,000	0.142 #	14 March 2004 to 13 March 2012	2.24
2004 Options	3	3,650,000	–	–	–	3,650,000	0.229 #	25 May 2006 to 24 May 2014	4.40
	7	3,890,000	–	–	–	3,890,000			

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

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

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28. Employee benefits (continued)

All the outstanding options on 3,890,000 shares are exercisable (2008: 3,890,000).

The fair value of the 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 ($)	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

29. Segment information

For management purposes, the Group is organised into 2 different business segments. Each 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 each other. The 2 main segments are:

i) The beverages segment is involved in the manufacture, sales and promotion of beverage products

ii) The other products segment is involved in:
- the manufacture, sales and promotion of other non-beverage products, such as confectionery, snack and frozen convenience food
- collection of rental income

Except as indicated above, no operating segments have been aggregated to form the above reporting operating segment.

The Group regularly reviews each business segment results in order to allocate resources to the segments and to assess the segment performance. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from the operating profit or loss in the consolidated financial statements.

Transfer pricing between operating parties, are on arm's length basis in a manner similar to transactions with third parties.

	Beverages		Others		Total	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Revenue						
Segment revenue from external customers	122,903	205,718	11,939	16,597	134,842	222,315
Results						
Segment results before tax	2,289	21,414	890	1,787	3,179	23,201
Other information						
Interest income	130	235	14	17	144	252
Interest expenses	(395)	(642)	(44)	(51)	(439)	(693)
Dividend income	21	38	–	–	21	38
Net loss from fair value adjustment in investment leasehold properties	–	–	–	(8)	–	(8)
Depreciation of property, plant and equipment	(1,717)	(1,746)	(19)	(14)	(1,736)	(1,760)
Depreciation of investment properties	–	–	(37)	(30)	(37)	(30)
Share of profit/(loss) of associated companies	(43)	130	374	(303)	331	(173)
Impairment of intangible assets	(2,408)	–	–	–	(2,408)	–
Write back of impairment of property, plant and equipment	15	1	–	–	15	1

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29. Segment information (continued)

	Beverages		Others		Total	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Other non-cash expenses [a]	(1,535)	(461)	(94)	265	(1,629)	(196)
Assets						
Segment assets	124,559	137,675	27,605	18,874	152,164	156,549
Deferred tax assets					69	219
Total assets per consolidated financial statements					152,233	156,768
Liabilities						
Segment liabilities	20,599	15,753	1,990	1,299	22,589	17,052
Interest-bearing loans and borrowings					5,830	16,666
Deferred tax liabilities					113	430
Total liabilities per consolidated financial statements					28,532	34,148
Other Information						
Investments in associated companies	726	476	5,800	5,276	6,526	5,752
Additions to non-current assets	2,043	3,273	5	43	2,048	3,316

[a] Other non-cash expenses consist of allowance for doubtful debts, write back of impairment loss on other receivable and amount due from associated companies, write-down of inventories and value of employee services received for issue of share option as presented in the respective notes to the financial statements.

Geographical information

Segment revenue information based on the geographical location of customers are as follows:

	Group	
	2009 US$'000	2008 US$'000
Russia	68,156	126,680
Eastern Europe and Central Asia	49,223	77,870
Other countries	17,463	17,765
	134,842	222,315

Non-current assets and other information based on the geographical location of the assets are as follows:

	Group	
	2009 US$'000	2008 US$'000
Singapore	7,608	7,484
Malaysia	1,920	1,790
Russia	11,431	12,614
Eastern Europe and Central Asia	4,397	5,978
Other countries	681	742
	26,037	28,608

Non-current assets information presented above consist of property, plant and equipment, investment properties, and intangibles as presented in the consolidated balance sheet.

Information about a major customer

Revenue from one major customer amounted to US$53,242,000 (2008: US$108,367,000), arising from sales and services in the beverages segment.

30. Commitments and contingencies

The Group has entered into an agreement to acquire a third-party company for a consideration of US$1,000,000. The investment will be undertaken via the acquisition of 10,000,000 new shares of Indonesian Rupiah 1,000 each. As at balance sheet date, the transaction is not completed and the result of the third-party company is not recognised in the financial statements.

Operating lease commitments as lessee

The Group leases certain properties under lease agreements which expire at various dates till 2020. Rental expenses were US$3,255,000 and US$2,557,000 for the years ended 31 December 2009 and 2008 respectively.

Future minimum lease payments payable under non-cancellable operating leases as at the balance sheet date are as follows:

	Group	
	2009 US$'000	2008 US$'000
Within one year	2,115	2,202
After one year but not more than five years	1,398	3,337
More than five years	298	355
	3,811	5,894

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30. Commitments and contingencies (continued)

Operating lease commitments as lessor

The Group has entered into commercial properties leases on its investment properties. These non-cancellable leases have remaining terms of 1 - 2 years as at 31 December 2009.

Future minimum rentals receivable under non-cancellable operating leases at the balance sheet date are as follows:

	Group	
	2009 US$'000	**2008 US$'000**
Within one year	94	96
After one year but not more than five years	8	73
More than five years	–	–
	102	169

Finance lease commitments

The Group has finance leases for motor vehicles. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	2009		**2008**	
	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	4	5	3
Later than one year but not later than five years	12	11	17	15
Total minimum lease payments	17	15	22	18
Less: Amounts representing finance charges	(2)	–	(4)	–
Present value of minimum lease	15	15	18	18

The finance leases are secured by a charge over the leased assets (Note 10). The discount rate implicate in the leases is 8.76% p.a. (2008: 8.76%).

Contingent liabilities

The Company has given corporate guarantees amounting to US$45,775,000 (2008: US$55,902,000) to bankers to secure banking facilities granted to its subsidiary companies.

31. Related party transactions

(a) Sale and purchase of goods and services

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

	2009 US$'000	**2008 US$'000**
Interest income received from associated company	(44)	(100)
Purchases of goods from companies owned by substantial shareholder	–	50
Rental expense paid to an associated company	1,927	1,867

(b) Compensation of key management personnel

	Group	
	2009 US$'000	**2008 US$'000**
Salaries, wages and other staff benefits	1,599	3,352
Central Provident Fund contributions	32	33
Value of employee services received for issue of share options	–	120
Total compensation paid to key management personnel	1,631	3,505
Comprise amounts paid to:		
• Directors of the Company	712	2,159
• Other key management personnel	919	1,346
Total compensation paid to key management personnel	1,631	3,505

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

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 2009, 3,300,000 (2008: 3,300,000) share options were outstanding to the Directors of the Company at the end of the year.

Notes to the Financial Statements

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32. Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Bank balances, other liquid funds and short-term receivables

The carrying amounts approximate fair values due to the relatively short-term maturity of these instruments.

Short-term borrowings and other current payables

The carrying amounts approximate fair values because of the short period to maturity of these instruments.

Loan receivables

The fair values of loan receivables are estimated based on the expected cash flows discounted to present value.

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

Classification of financial instruments

Group	Loans and receivables US$'000	Liabilities at amortised cost US$'000	Non-financial assets/liabilities US$'000	Total US$'000
2009				
Assets				
Property, plant and equipment	–	–	11,328	11,328
Investment properties	–	–	1,366	1,366
Investments in associated companies	–	–	6,526	6,526
Amounts due from associated company	309	–	–	309
Intangible assets	–	–	13,343	13,343
Deferred tax assets	–	–	69	69
Inventories	–	–	17,955	17,955
Prepaid operating expenses and deposits	–	–	1,479	1,479
Deferred expenses	–	–	389	389
Amounts due from associated companies (non-trade)	970	–	–	970
Trade receivables	36,489	–	–	36,489
Other receivables	584	–	135	719
Cash and cash equivalents	61,291	–	–	61,291
	99,643	–	52,590	152,233
Liabilities				
Trade payables and accruals	–	21,177	–	21,177
Other payables	–	123	31	154
Interest-bearing loans and borrowings (current)	–	3,336	–	3,336
Finance lease creditors (current)	–	4	–	4
Provision for taxation	–	–	956	956
Interest-bearing loans and borrowings (non-current)	–	2,494	–	2,494
Finance lease creditors (non-current)	–	11	–	11
Deferred tax liabilities	–	–	400	400
	–	27,145	1,387	28,532
Group				
2008				
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 company	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	753	–	210	963
Cash and cash equivalents	15,537	–	–	15,537
	79,184	–	77,584	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

31 December 2009

32. Fair value of financial instruments (continued)

Classification of financial instruments (continued)

Company 2009	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	–	–	44,545	44,545
Prepaid operating expenses	–	–	21	21
Cash and cash equivalents	108	–	–	108
	108	–	44,566	44,674
Liabilities				
Trade payables and accruals	–	278	–	278
Amount due to subsidiary companies	167	–	–	167
	167	278	–	445
Company 2008				
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	–	358

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 risk and foreign currency risk. 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 receivables at the balance sheet date is as follows:

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
By country:				
Russia	18,747	41,962	–	–
Eastern Europe and Central Asia	12,949	13,750	–	–
Other countries	4,793	4,960	–	–
	36,489	60,672	–	–

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.

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33. Financial risk management objectives and policies (continued)

(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 2009	Within 1 year US$'000	Within 1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
Loans and borrowings	3,336	2,494	–	5,830
Finance lease creditors	4	11	–	15
Trade and other payables	21,331	–	–	21,331
	24,671	2,505	–	27,176
2008				
Loans and borrowings	5,336	11,330	–	16,666
Finance lease creditors	3	15	–	18
Trade and other payables	14,309	–	–	14,309
	19,648	11,345	–	30,993
Company 2009				
Trade and other payables	278	–	–	278
Amount to subsidiary companies (non-trade)	167	–	–	167
	445	–	–	445
2008				
Trade and other payables	358	–	–	358

(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.

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in interest rate, with all other variables held constant.

	Increase/decrease in basis points	Effect on profit, net of tax US$'000
2009		
Cash and cash equivalents	+10	41
Amounts due from associated company (non-trade)	+100	15
Bank loans	+100	(58)
2008		
Cash and cash equivalents	+100	160
Amounts due from associated company (non-trade)	+100	20
Bank loans	+100	(170)

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:

2009 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							
Finance lease creditors	(4)	(11)	–	–	–	–	(15)
Floating rate							
Cash and bank balances	61,291	–	–	–	–	–	61,291
Amount due from associated company	600	309	–	–	–	–	909
Interest-bearing loans and borrowings	(3,336)	(2,494)	–	–	–	–	(5,830)
2009 Company							
Floating rate							
Cash and bank balances	108	–	–	–	–	–	108

Notes to the Financial Statements

31 December 2009

33. Financial risk management objectives and policies (continued)

(c) *Interest rate risk (continued)*

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
Finance lease creditors	(3)	(15)	–	–	–	–	(18)
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

(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 1.7% (2008: 1.3%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst 83.4% (2008: 89.6%) 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, 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	
		2009 US$'000	**2008 US$'000**
SGD/USD	- strengthened 5% (2008: 5%)	35	22
	- weakened 5% (2008: 5%)	(35)	(22)
EURO/USD	- strengthened 5% (2008: 5%)	37	32
	- weakened 5% (2008: 5%)	(37)	(32)
AED/USD	- strengthened 5% (2008: 5%)	4	1
	- weakened 5% (2008: 5%)	(4)	(1)
GBP/USD	- strengthened 5% (2008: 5%)	9	–
	- weakened 5% (2008: 5%)	(9)	–
RM/USD	- strengthened 5% (2008: Nil%)	79	225
	- weakened 5% (2008: Nil%)	(79)	(225)

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 2009 and 31 December 2008.

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

	2009 US$'000	**2008 US$'000**
Loans and borrowings (Note 25)	5,830	16,666
Finance lease creditors	15	18
Trade and other accruals (Note 23)	21,177	14,149
Other payables (Note 24)	154	160
Less : Cash and cash equivalents (Note 22)	(61,291)	(15,537)
Net debt	(34,115)	15,456
Equity attributable to the equity holders of the parent	123,701	122,620
Capital and net debt	89,586	138,076

Notes to the Financial Statements

31 December 2009

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	
	2009	**2008**
S$1,500,000 to S$1,749,999	–	1
S$1,250,000 to S$1,499,999	–	–
S$1,000,000 to S$1,249,999	–	1
S$750,000 to S$999,999	–	–
S$500,000 to S$749,999	2	–
S$250,000 to S$499,999	–	–
Below S$250,000	6	6
Total	8	8

36. Event occurring after the balance sheet date

On 4 January 2010, the Company granted 4,750,000 options to subscribe for ordinary shares exercisable between 4 January 2011 to 3 January 2020 at market price of S$0.335 per share to selected group of directors and employees eligible under the Option Scheme.

Details of the 4 January options granted are as follows:

	Exercisable period	Number of options granted which is exercisable
Tranche 1	4 January 2011 to 3 January 2020	1,900,000
Tranche 2	4 January 2012 to 3 January 2020	1,425,000
Tranche 3	4 January 2013 to 3 January 2020	1,425,000
		4,750,000

37. Authorisation of financial statements

The financial statements for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 26 March 2010.

Shareholders' Information

as at 15 March 2010

Class of equity securities	:	Ordinary share
No. of equity securities	:	529,043,999
Voting rights	:	One vote per share

As at 15 March 2010, the Company did not hold any treasury shares.

DIRECTORS' SHAREHOLDINGS AS AT 15 MARCH 2010
(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	67,367,400	12.73	52,440,000	9.91
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 15 MARCH 2010
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Tan Wang Cheow (1)	52,440,000	9.91	67,367,400	12.73
Tan Guek Ming (1)	67,367,400	12.73	52,440,000	9.91
Sudeep Nair (2)	30,932,399	5.85	4,680,000	0.88
Irina Nair (3)	–	–	35,612,399	6.73
Anthoni Salim (4)	–	–	127,511,200	24.10
Universal Integrated Corporation Consumer Products Pte. Ltd.	127,511,200	24.10	–	–
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	–	–	47,635,000	9.00

Notes:

1. Mr. Tan Wang Cheow and Mdm. Tan Guek Ming are husband and wife. Mr. Tan Wang Cheow is deemed to have an interest in the shares held by Mdm. Tan Guek Ming and vice versa.

2. Mr. Sudeep Nair is deemed to have an interest in the 4,680,000 shares held by UOB Kay Hian Pte Ltd, Kim Eng Securities Pte Ltd and DMG & Partners Securities Pte Ltd.

3. Mrs. Irina Nair and Mr. Sudeep Nair are husband and wife. Mrs. Irina Nair is deemed interested in the 30,932,399 shares held by Mr. Sudeep Nair and in the 4,680,000 shares deemed interested by Mr. Sudeep Nair.

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

PUBLIC FLOAT

As at 15 March 2010, 37.29% 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.

Statistics of Shareholdings

as at 15 March 2010

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	20	1.37	8,860	0.00
1,000 - 10,000	771	52.81	3,117,700	0.59
10,001 - 1,000,000	637	43.63	41,024,200	7.75
1,000,001 And above	32	2.19	484,893,239	91.66
Total :	1,460	100.00	529,043,999	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	DBS NOMINEES PTE LTD	136,499,040	25.80
2.	TAN GUEK MING	67,367,400	12.73
3.	RAFFLES NOMINEES (PTE) LTD	52,990,000	10.02
4.	TAN WANG CHEOW	52,440,000	9.91
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	36,806,600	6.96
6.	SUDEEP NAIR	30,932,399	5.85
7.	OON PENG HENG	13,970,500	2.64
8.	KOH PUAY LING	12,000,000	2.27
9.	OON PENG LIM	11,274,300	2.13
10.	CHAN MENG HUAT	9,567,000	1.81
11.	TAN BIAN CHYE	7,366,800	1.39
12.	OON PENG LAM	6,010,500	1.14
13.	UNITED OVERSEAS BANK NOMINEES PTE LTD	4,838,800	0.91
14.	MERRILL LYNCH (SINGAPORE) PTE LTD	4,168,800	0.79
15.	HSBC (SINGAPORE) NOMINEES PTE LTD	4,154,200	0.79
16.	KIM ENG SECURITIES PTE. LTD.	4,078,800	0.77
17.	OON PENG WAH	3,022,500	0.57
18.	LIM SIEW KHENG	2,960,000	0.56
19.	UOB KAY HIAN PTE LTD	2,800,000	0.53
20.	TAN SIOK CHER	2,710,000	0.51
	Total :	465,957,639	88.08

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Food Empire Holdings Limited ("the Company") will be held at River View Hotel, The Lily Ballroom, Level 4, 382 Havelock Road, Singapore 169629 on Wednesday, 28 April 2010 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 2009 together with the Auditors' Report thereon. (Resolution 1)

2. To declare a first and final dividend of 0.22 Singapore cent per ordinary share (one-tier tax exempt) and a special dividend of 0.78 Singapore cent per ordinary share (one-tier tax exempt) for the year ended 31 December 2009 (2008: A first and final dividend of 0.35 Singapore cent 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:

Mdm Tan Guek Ming	(Retiring under Article 115)	(Resolution 3)
Mr Koh Yew Hiap	(Retiring under Article 115)	(Resolution 4)
Mr Lew Syn Pau	(Retiring under Article 115)	(Resolution 5)

Mdm Tan Guek Ming will, upon re-election as a Director of the Company, remain as a member of the Audit and Remuneration Committees and will be considered non-independent.

Mr Lew Syn Pau will, upon re-election as a Director of the Company, remain as Chairman of the Nominating and Remuneration Committees and member of the Audit 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.
[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, Nominating and Remuneration Committees and will be considered independent. (Resolution 6)

5. To approve the payment of Directors' fees of S$255,000 for the year ended 31 December 2009 (2008: S$255,000). (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.

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 (the "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 to be issued other than on a pro rata basis to 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) (until 31 December 2010 or such other expiration date as may be determined by the SGX-ST), the limit on the aggregate number of shares (including shares to be issued pursuance of the Instruments, made or granted pursuance to this Resolution) of fifty per cent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company set out in sub-paragraph (1) above, shall be increased to 100%, for purposes of enabling 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

(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)

Notice of Annual General Meeting

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 to the shareholders of the Company) at a discount (the "Discount") not exceeding ten per centum (10%) to the weighted average price ("the Price") for trades done on the Singapore Exchange Securities Trading Limited (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 in exercising the authority conferred by this Resolution:-

(a) 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) the Company may, until 31 December 2010 or such other expiration date as may be determined by the SGX-ST increase the Discount to an amount exceeding ten per cent (10%) but not more than twenty per cent (20%) of the Price for shares to be issued,

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 12 April 2010 (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)

By Order of the Board

Tan Cher Liang
Tan San-Ju
Secretaries
Singapore, 12 April 2010

Notice of Annual General Meeting

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 subject to timeline stated below.

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 until 31 December 2010. The effectiveness of these measures will be reviewed by the SGX-ST at the end of the period. 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 until 31 December 2010. The effectiveness of these measures will be reviewed by SGX-ST at the end of the period. 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.

(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 12 April 2010. 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 2009 are set out in greater detail in Paragraph 2.7 to the Circular to Shareholders dated 12 April 2010.

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 50 Raffles Place #32-01 Singapore Land Tower Singapore 049623 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)

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.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________________

of ______________________________

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

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

and/or (delete as appropriate)

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

or failing 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 2010 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 2009		
2	Payment of proposed first and final dividend and special dividend		
3	Re-election of Mdm. Tan Guek Ming as a Director		
4	Re-election of Mr. Koh Yew Hiap as a Director		
5	Re-election of Mr. Lew Syn Pau 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 shares		
10	Authority to issue 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 ___________ 2010

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

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

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 50 Raffles Place #32-01 Singapore Land Tower, Singapore 049623 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.


KLASSNO™
Hot Chocolate Drink
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3 in 1
Instant Drink
KLASSNO
Hot
Chocolate

TANTALISING TREATS

Tempura Shrimp

Oriental Chicken Snacks

Coconut Shrimp Skewer

Colombian Blend Original

Colombian Blend Premium

Colombian Blend Mocha

Ice Coffee Traditional

MacCoffee Gold Freeze-Dried Coffee

MacCoffee Original Agglomerated Coffee

Cappuccino Caramel

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