The Empire Gallery presents

A Renaissance of the Empire

Food Empire Holdings Limited
Annual Report 2010

CONTENTS

gallery 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.

a renaissance of the empire

The word Renaissance is a French word meaning rebirth or revival, an expression given to inspire men to create new and modern interests, enthusiasm and ideals. The Renaissance of Food Empire is marked by its innovative and adaptable style in overcoming challenges and reign in its position in the ever increasing competitive market.

Indeed, an avant-garde empire that outlives its creator, fascinates the world, moves the people to discover life, and inspires whoever it touches to look beyond oneself and transcend impossibilities.

a tour of art

THROUGH THE ERAS

Art Movement	Characteristics	Notable Artists & Major Works
Stone Age 30,000 BC - 2500 BC	Cave paintings and megalithic structures	Lascaux Cave Painting Stonehenge
Egyptian 3100 BC - 30 BC	Art with an afterlife focus: pyramids & tomb paintings	Great Pyramids Step Pyramid Bust of Nefertiti
Greek & Hellenistic 850 BC - 31 BC	Greek idealism: balance, perfect proportions; architectural orders	Parthenon Myron Praxiteles
Chinese & Japanese 653 BC - 1900 AD	Serene and meditative art, Arts of the Floating World	Li Cheng Hokusai Hiroshige
Early & High Renaissance 1400 - 1550	Rebirth of Classical culture	Leonardo da Vinci Michelangelo Raphael
Baroque 1600 - 1750	Splendor & flourish for God; Art as weapon in the religious wars	Reubens Rembrandt Palace of Versailles
Impressionism 1865 - 1885	Capturing fleeting effects of natural light	Claude Monet Pierre-Auguste Renoir
Cubism 1905 - 1920	New forms to express modern life	Picasso Georges Braque
Pop Art 1950s	Popular art absorbs consumerism	Andy Warhol Roy Lichtenstein
Postmodernism 1970s - Present	Art without a centre, reworking and mixing past styles	Cindy Sherman Gerhard Richter Anselm Kiefer


MacCoffee

about the empire gallery

CORPORATE PROFILE

THE STROKE OF GENIUS, THE HUES OF DISTINCTION

A portrait of commitment to excellence and innovation, Food Empire Holdings (Food Empire) is a global leading SGX Mainboard-listed food company that manufactures and markets instant beverage products, frozen convenience food, confectionery and snack food in many markets around the world. Food Empire's masterfully conceptualized and skillfully created 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, Bahrain, Mongolia and Vietnam.

True to its tradition of delivering works of ingenuity and utilizing a well-administered distribution network, 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 that have captured the taste of people of various cultures and demographics. 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-size morsels of seafood, dim sum and spring roll that brings delightful and delectable treats to a vast number of consumers.

Food Empire's strength lies in its creative conception and clever execution in brand management and distribution, including MacCoffee, Petrovskaya Sloboda, Klassno, Hyson, OrienBites and Kracks and has over 400 types of products under these brands, which further ascertained its hold in the world of food manufacturing. A mark of success and distinction, 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.

As artists skillfully combine their inner genius with external inspirations to create distinctive masterpieces, Food Empire works similarly by looking into its intrinsic capabilities and observing the changes, demands, and opportunities in its environment. Combining these two, it then masterfully develops the optimum medium by which it enhances and builds up its performance. Such is the manner of work that rises above challenges, expresses true ingenuity, and inspires success. It is the stroke of a genius that creates hues of distinction. It is the way to create masterpieces, it is the way of the Empire.

curator's note

CHAIRMAN'S STATEMENT

A YEAR OF RENAISSANCE: OUR RESPONSE, OUR DIRECTION

The team at Food Empire started 2010 ready to embrace our next challenge - the reconstruction and recovery of our business and profitability.

We began the year optimistically, and the positive results each quarter confirmed our company was headed in the right direction.

The result was a positive turnaround in the Group's performance during the last 12 months. The Group delivered a 413 percent increase in profit after tax, from US$2.7 million in 2009 to US$13.7 million in 2010.

Revenue for the financial year grew 30.4 percent to US$175.8 million from US$134.8 million in 2009. We benefited from improved economic conditions in our key regions, which helped lift both the confidence and spending power of our consumers.

The revenue growth could also be attributed to the efforts of our distributors, sales and marketing teams as we were aggressive in our efforts to push our products in the market place. We were also effective in our brand building activities such as advertising, sponsorships and promotions.

In 2010, all the Group's regions delivered double digit revenue growth. Russia was the best performer and we enjoyed a strong rebound in sales.

In Eastern Europe and Central Asia, our two key countries are Ukraine and Kazakhstan. The political situation in Ukraine appears to be more stable now, and the country's relationship with Russia has improved, all of which are good signs for the future of our business. We continue to see modest organic growth in Kazakhstan, which was the country least affected by the economic downturn. Our other markets also performed well, with revenue rising by 15 percent.

STAYING FOCUSED IN THE CHALLENGING ECONOMY

Although the overall result for 2010 was very positive, the year was not without its challenges. One of our strategies was to focus on cost control in order to stay competitive. An obstacle to this was the significant rise in the price of commodities and raw materials used in our blending and packed food business. This require us to continue to further sharpen our focus on cost control and be as responsive and proactive to this challenge in the future.

A strategic and modest selling price adjustment was done as a necessary response to rising production costs. Fortunately, this did not have any adverse impact on our sales and did not cause a significant change in market response, largely due to the consumers' strong loyalty to our brands.

EXPLORING NEW AVENUES, INSPIRING GREATER VISIONS

In 2010, we also started to reap the benefits of the Group's acquisition of the Petrovskaya Sloboda brand in 2007. Petrovskaya Sloboda is an established local brand of instant coffee mix in Russia and Ukraine as well as other Eastern European and CIS countries. In 2010, sales of the Petrovskaya Sloboda brand contributed 10.7 percent of the Group's revenue.

Seeing both the short and long-term benefits of fortifying our business and widening our reach through acquisitions, we continued on this policy during the course of the year. In April 2010, we completed the acquisition of a 40 percent stake in PT Marindo Makmur Usahjaya ("PT MMU"). PT MMU is a company based in Java, Indonesia engaged in the manufacture of frozen seafood products exported primarily to European Union countries under our proprietary brand, OrienBites. The acquisition allows the Group to vertically integrate a key component of our non-beverage business and is in line with our strategy to grow our frozen convenience food business.

In June 2010, Food Empire entered into an investment agreement with Empire Tea (Pvt) Ltd ("Empire Tea") to subscribe for 30 percent of its enlarged capital for US$2.1 million. At the same time, the Group's ownership of a 49 percent stake in Hyson Teas was transferred to Empire Tea for a consideration of US$0.75 million. Empire Tea is one of Sri Lanka's top tea exporters and has been one of the top 10 exporters of Ceylon tea to Russia since 2007. The enlarged set up now encompasses both tea trading and packing.

In November 2010, the Group made a 26 percent acquisition of Vayhan Coffee Limited ("Vayhan"). Vayhan is a company located in Hyderabad, India whose principal business is producing and marketing instant spray dried and agglomerated coffee. Vayhan exports all its products and boasts state-of-the-art technology in its manufacturing processes. The acquisition of Vayhan is part of the Group's strategy in becoming more self-reliant by exploring both upstream and downstream business integration, giving us greater control over the supply of our product range.

In the middle of the year, Food Empire also acquired a new freehold building located in the up and coming Tai Seng estate along Upper Paya Lebar Road, which now serves as the Group's global headquarters. We are confident of the office property sector's upside potential in Singapore and particularly optimistic of the development in the surrounding area where we are located.

To arm ourselves for the future, we have been and will continue to be proactive and responsive in spotting and seizing opportunities that will enhance our strength and build up our capabilities. Acquisitions will continue to be a key factor of our future growth and we will continue to seek opportunities to push our business to the next level.

A TAPESTRY OF CONCERTED EFFORTS, A PORTRAIT OF UNIFIED STRENGTH

I would like to express my heartfelt thanks to our shareholders who have been a pillar of strength to the Food Empire team as we made our way through this year of reconstruction and recovery. The year saw us facing the enormous task of revitalizing and strengthening our corporate muscle to keep and reinforce our standing in the increasingly competitive market environment. Your unwavering faith and support are deeply appreciated.

I would also like to take this opportunity to thank our customers, suppliers, partners and associates whose loyalty, assistance and support have contributed a great deal in keeping our company resilient, strong, and confident. My gratitude goes to all of you.

Finally, I would like to pay tribute to my fellow board members and colleagues at Food Empire. It is your tireless dedication and passion that has made Food Empire what it is today. A company of strength, resilience, and sound optimism is made possible by our oneness in goal and spirit.

I am confident that with our continued efforts, we will be able to produce commendable results for the year ahead. I urge all of us to continue being proactive in moving the company forward with our mighty hearts and souls, as a people fueled by a purpose-driven passion.

MR TAN WANG CHEOW
Chairman & Managing Director

programs & events

MARKETING ACTIVITIES

ART ON DEMAND / MARKETING

HUES OF SUMMER

MacCoffee's outdoor campaign "Don't Sleep Your Summer Away" coloured and dotted Russia's prime locations with various advertisements including billboards, buses and vans that were spread out in summer resorts in Sochi, Anapa, Gelendjik, Novorosiisk as well as in popular tourist spots in Siberia (Altay Region), Novosibirsk, Barnaul, Gornoaltaisk, Biisk, and Belokurikha to further and effectively reach wider audiences.

THE ART OF EXCITEMENT

Treasures of daily prizes were handed out in Ukraine for MacCoffee's "Win 5000 UAN everyday" promo where MacCoffee buyers had equal chances of winning by simply sending via SMS, the random 12-digit promo codes found in MacCoffe promo sachets. Each day, a lucky winner of 5000 UAN was drawn for this promo which consumers excitedly participated for 6 months.

A KLASSNO FRUIT TEA CHRISTMAS PROMOTION IN IRAN

The dynamic and western influenced young Iranians celebrated Christmas and their love for hot beverages as they were treated to the Klassno Fruit Tea Christmas promotion and wet sampling in a supermarket in Iran. The festive market atmosphere was a perfect venue for the event and the awesome response received helped raise and strengthen brand awareness and further drive the sales for the Klassno Brand.

AN EXHIBIT OF MASTERPIECES IN FASIKA

Our participation in the Addis Ababa Trade for Development 2010, a 16-day consumer fair from March 19 to April 3, 2010 in the Ethiopian capital was a huge hit among the city's locals and visitors. More than 80,000 people visited our booth during the exhibit which translated to high sales for Klassno & Kracks as well as a successful wet sampling occasion for our brands.

FINE EXPRESSIONS AT THE FOMARIC

An exhibition of the MacCoffee product range was held in Douala, Cameroon during the FOMARIC Consumer Fair from February 8 to March 8, 2010. Women's Day was also celebrated by the sales staff during the event through the "Women's Day with MacCoffee, Power Your Now" experience. It was a fun and purpose-filled affair that raised awareness both for our brand and for women's significant role in the society.

SKETCHES OF FUN

Prizes galore were handed to the winners of the successful SMS promotion in Kazakhstan where many participated for a chance to win various instant and weekly prizes including gadgets like mobile units, mp3 players, notebooks, cameras, as well as cars as major prizes. The promotion was a success as it broke records in the relatively new sphere of mobile marketing in Kazakhstan.

programs & events

MARKETING ACTIVITIES

AUCTION REVIEWS / EVENTS

IMPRESSING A MASTER

OrienBites made a mark in one of the most prestigious global cooking event in Belgium organized by Food Invest NV when Mr. Peter Goossens, no. 1 master chef in Belgium and owner of one of the top restaurants in the world, visited the OrienBites booth and tasted its very own Oriental Chicken snacks and Potato Shrimps. Impressed by OrienBites' authentic oriental taste, Goossens signed the OrienBites brochure as a gesture of delight and appreciation.

THE PARISIAN GALLERY EXPERIENCE

Food Empire Holdings successfully showcased more than 400 types of its instant beverages and food products in the SIAL 2010, the world's largest international food and beverage exhibit held in Paris from October 17-21, 2010 participated by 5,500 exhibitors from all over the world. The event was a global platform where our products had a major share of the spotlight that further elevated our brands in the presence of the stalwarts of the global food industry.

MARK OF RECOGNITION / AWARDS

PAINTING THE TOWN SILVER

A glimmering recognition was given by the Shanghai City government to Klassno as a result of a consumer satisfaction survey it conducted in line with the World Expo 2010 that was held there. Food Empire was honored to receive the Silver Award for the Instant Beverage within the Food Industry category that serves as a proof of the brand's strong global recognition and competitiveness.

A DISTINCTION FOR OUR OPUS

Food Empire Holdings was again awarded by IE Singapore as a Singapore International 100 Company based on its overseas revenues, vision, and role in developing Singapore's external economy. The SI 100 Ranking is a national initiative which celebrates Singapore's Top 100 companies ranked by highest revenue performance. It also acknowledges the top companies with the largest revenue contributions from the following key overseas markets: Africa, the Americas, China, Europe, India, the Middle East, North Asia, Oceania and Southeast Asia.

CONTRIBUTORS / SPONSORS

DAZZLING FORMS AND FIGURES

MacCoffee was honoured to support the Junior Gymnastics Competition in Fryazino, Russia. Each participant was also given a gift pack of MacCoffee, MacChocolate and Kracks. This event was an opportunity for Food Empire not only to promote its brands but to support young dreamers to excel in their field of sports. This sponsorship is planned to be continued in the years to come so that more young generation gymnasts will be encouraged to pursue their dreams.

SILHOUETTES OF BRILLIANCE

Food Empire's flagship brand, MacCoffee is honoured to be the official sponsor of the annual ISU European Figure Skating Championships for the fourth time. The sponsorship continues the Group's involvement with world-class winter sports as a powerful medium to communicate its dynamic and leading image of 3-in-1 instant coffee mix towards its target audiences, especially in its core markets of Russia and Eastern Europe.

programs & events

MARKETING ACTIVITIES

SYMPHONY OF COLOURS AND SPEED

Klassno was a major sponsor of the Iran Car Race Grand Prix held last March 5, 2010 at the AZADI Stadium in Tehran. It was a major spotlight avenue as the event was covered by TV networks and was watched by a large audience. Klassno banners and logos strategically dotted the venue and our sampling team had an easy access to the event's high-traffic areas adding more fun and colour to the event.

BEAUTY THAT PARADES INGENUITY

MacCoffee supported the amber fair in Poland by sponsoring the Ms. Amber 2010 Beauty Pageant. The Amber Summer is a much-awaited event season in Poland that showcases Polish ingenuity, artistry, and beauty.

ART FOR A GOOD CAUSE / CHARITY

SHAPING TOMORROW

Community involvement from the west to the east is a commitment that sits at the heart of Food Empire. In line with this endeavour, Food Empire started a healthy snack programme by giving away free MacCereal to children in 40 schools in Mongolia. The programme was a huge success that received a very positive TV news coverage. MacCereal is a nutritious drink that can be prepared instantly and it contains all the goodness of cereals like wheat, rice and corn, blended with a touch of sugar and non-dairy creamer that kids love.

STROKES OF LOVE

Food Empire supported the Children's Charities Association's (CCA) annual fund raising project. Game booths were set up and proceeds of the event were collected for the benefit of 40,000 children, as well as for the Singapore Association for the Deaf.

THE EXQUISITE SPIRIT

The Food Empire staff's spirit was not dampened by the rain but instead remained fired up throughout the fundraising event "Walk for our Children 2010" held on August 10, 2010. Our products MacCoffee, MacChocolate, MacCereal, Klassno, Kracks & MacTea were sold in the said event and the proceeds were given to Singapore Children's Society.

NURTURING YOUNG ARTISTS / COMMUNITY

"TE DEUM"

Echoing our commitment to education and charity, Food Empire gladly supported the Kuo Chuan Presbyterian Secondary School's Biennial concert themed "Te Deum" (in Latin: You, God We Praise), a fund raising event for the school's needy students as well as for the residents of Bishan Home enabling the campaign to reach out to a wider community.

A NIGHT OF AESTHETICS

Food Empire gave Woodgrove Secondary School a helping hand to raise awareness for its Aesthetic Night Concert at The Republic Cultural Centre held last June 11, 2010. Titled LIVE it Up!, the concert showcased the diverse talents of the school's Performing Arts CCAs and staff in a night of fun and joyous celebration.

MacCoffee In The Country, c. 2009
Oil on Linen, 195 x 260 cm
Homage to Artist Boris Kustodiev

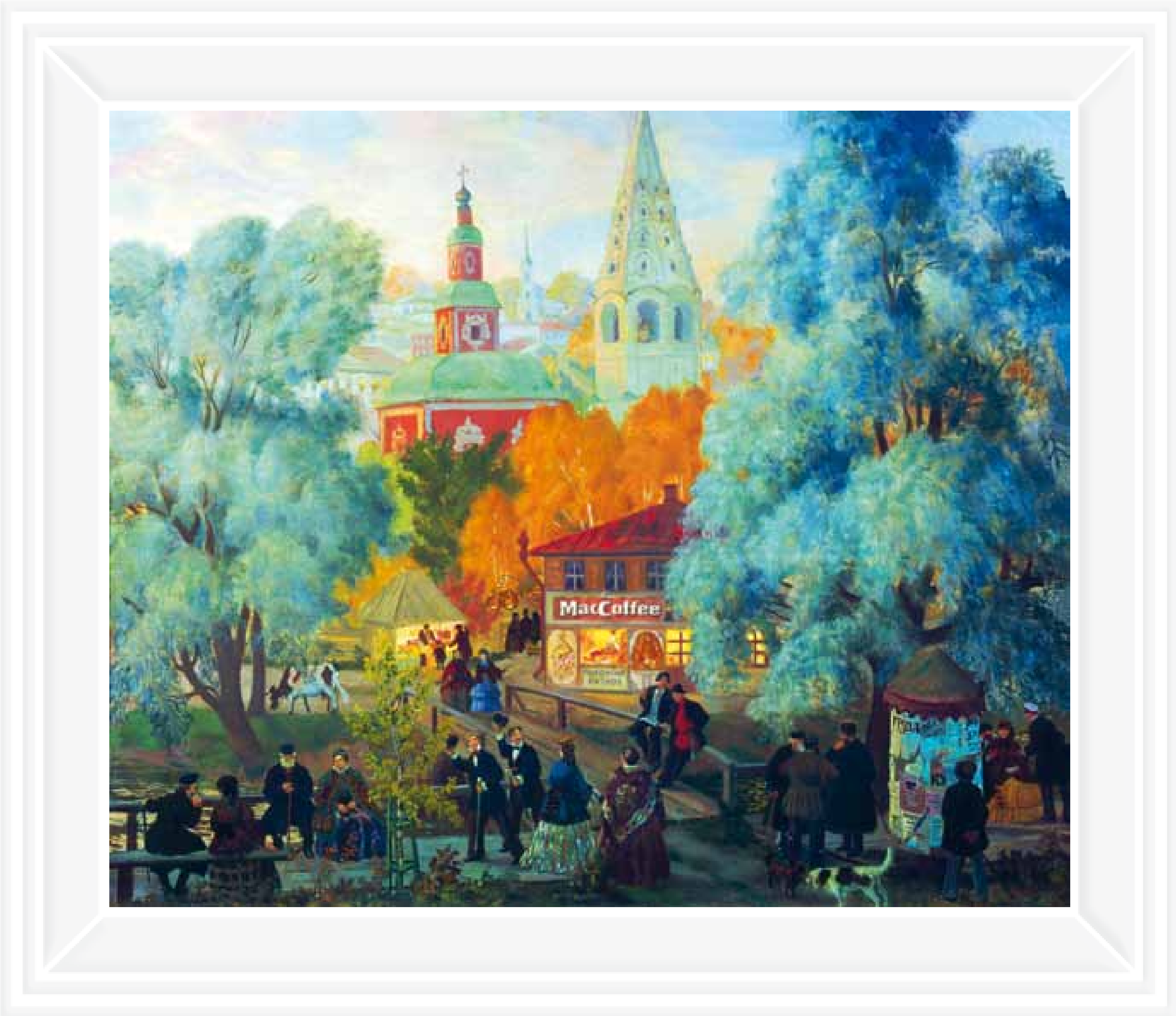
"When love and skill work together,
expect a masterpiece."

John Ruskin

THE ICONIC PAINTINGS OF RUSSIA: A HARMONY OF INSPIRATION

The tradition of icon painting in Russia was inherited by the Russians from Byzantium, where it began as a derivative of the mosaic and fresco tradition of early Byzantine churches. Certain kinds of balance and harmony became established as reflections of divinity, and as such they invited careful reproduction and subtle refinement rather than striking novelty. They weren't painted to be charming but to inspire reflection and self-examination.

The inspiration behind every work of art does not cease when the work is finished. Rather it transfers to the beholder and patron of the art making possible a chain of inspiration from one creator to another. Similarly, Food Empire works through a tapestry of harmonious minds and hearts creating products that are well-received by diverse markets from different corners of the world. Products that are first conceived in the mind, then brought to production, and then to masterful perfection.


MacCoffee

MacCoffee and the Merchant's Wife, c. 2010
Oil on Canvas, 430 x 675 cm
Homage to Artist Boris Kustodiev

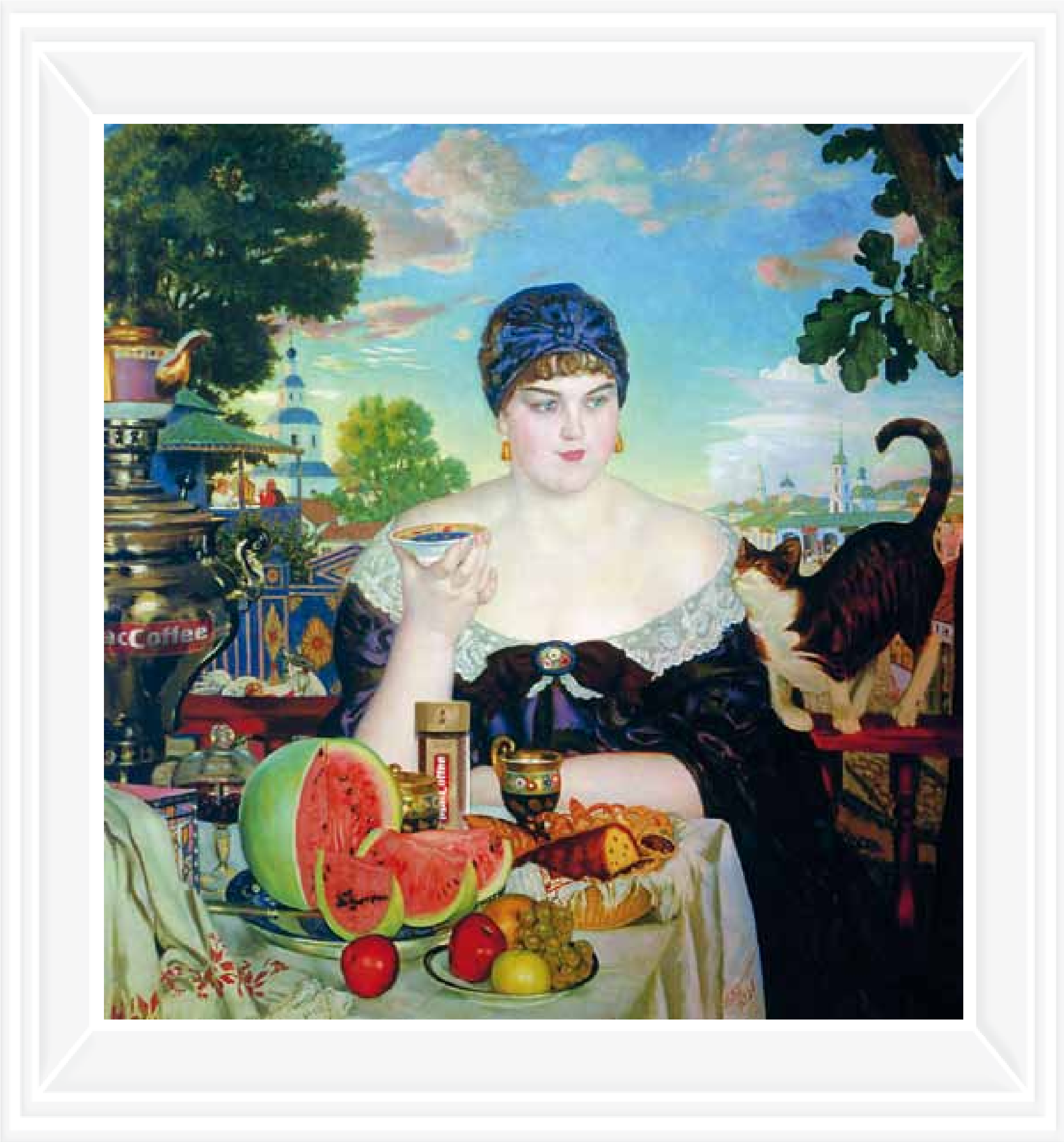
"In union there is strength."

Aesop

IN THE COLOURS OF UKRAINIAN ART – A NOBLE COOPERATION

In the early 1900's, the advocacy for unity and equality in the Soviet Union paved the way to the emergence of a form of collective farming called 'kolkhoz' that became one of the main components of the socialized farm sector into the 1920's. The noble goal of this collective labour was to manage the kolkhoz according to the principles of socialist self-management, democracy, and openness, with active participation of the members in decisions concerning all aspects of internal life. The setting where this system flourished as captured in Ukrainian art is a testament to the country's interesting history made possible by a nobility of ideas and boldness of tradition.

Resonating the lofty ideals of collective effort, Food Empire's people management has cultivated the spirit of cooperation among its employees. Their ownership of work, dependability, accountability, and active involvement in the vision, operations and direction of the company has no doubt brought the Empire to levels of success that every worker in the company has contributed much to. Our oneness has been the cornerstone of our solidity.


Coffee

gallery highlights

FINANCIAL HIGHLIGHTS

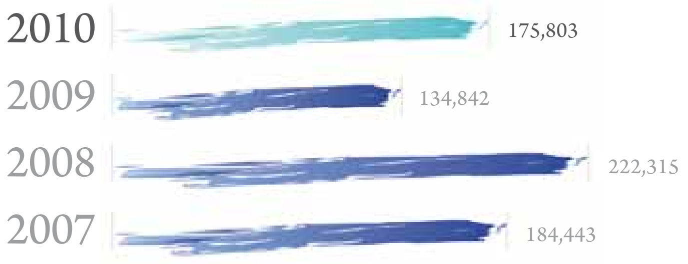
(US$'000)	2010	2009	2008	2007
Revenue	175,803	134,842	222,315	184,443
Profit before taxation and MI	13,601	3,179	23,201	23,322
Net profit	13,659	2,665	21,127	21,053
Financial Indicators				
Debt to Equity Percentage	4.6%	4.7%	13.6%	8.7%
Working Capital Ratio	4.2	4.7	5.5	4.5
Quick Ratio	3.3	4.0	3.7	3.3
EBITDA Margin	8.9%	4.0%	11.5%	13.8%
Diluted EPS (USD cents)	2.57	0.50	3.98	3.97
NAV per share (USD cents)	25.36	23.38	23.18	20.74
Revenue by Geographical Regions (US$'000)				
Russia	100,498	68,156	126,680	100,803
Eastern Europe & Central Asia	55,228	49,223	77,870	70,397
Others	20,077	17,463	17,765	13,243
	175,803	134,842	222,315	184,443
Revenue by Product Group (US$'000)				
Beverages	164,886	122,903	205,718	170,798
Non-Beverages	10,917	11,939	16,597	13,645
	175,803	134,842	222,315	184,443

Russia
US$100.5 million

Eastern Europe & Central Asia
US$55.2 million

Other Territories
US$20.1 million

Group Revenue
(US$'000)



Group Profit Before Tax
(US$'000)

artist's process

OPERATIONS REVIEW

Clockwise from left: Food Empire brands in SIAL Paris 2010; MacCoffee sponsors 2011 European Figure Skating Championship; Participation in FASIKA consumer fair

Financial Year 2010 saw the company return strongly to profitability. We enjoyed double digit sales growth in all our key markets leading to a 413% increase in net profit.

IMAGERIES OF A POSITIVE RECOVERY / **FINANCIAL PERFORMANCE**

The Group ended the year with a revenue of US$175.8 million and a profit after tax of US$13.7 million.

Revenue for the financial year was up 30.4 percent as trading conditions continued to improve in all the Group's key markets. The optimistic economic outlook led to higher consumer confidence which, together with an increase in brand building activities, helped drive the Group's sales growth.

Russia was the best performing market and contributed 57.2 percent of the Group's sales. Full year revenue in Russia was US$100.5 million compared to US$68.2 million in 2009 – an increase of 47.5 percent. The growth was primarily due to the Group's efforts to grow its distribution channels, together with targeted brand building activities aimed at increasing its market share.

Clockwise from top right: MacCoffee products in Cameroon; MacCoffee events in Russia

413%

413% increase in net profit

Sales to Eastern Europe and Central Asia rose by 12.2 percent in 2010 to US$55.2 million. In the Group's second largest country market Ukraine, a successful consumer promotion in the third quarter helped increase sales by 19.6 percent for the year.

Kazakhstan, which was least affected by the economic downturn, managed a sales growth of 4.5 percent.

Sales to the Group's other markets in 2010 rose by 15 percent, from US$17.5 million to US$20.1 million. The Middle East was the major contributor to this growth, and is now the fourth largest geographical region in terms of sales.

On the back of the stronger sales performance, the Group recorded a profit after tax of US$13.7 million in 2010, compared to US$2.7 million in 2009. This represented a year on year growth of 413 percent.

Raw materials costs increased by 24.7 percent compared to the previous year reflecting the higher volume of sales, as well as increases in raw material costs toward the end of 2010.

artist's process

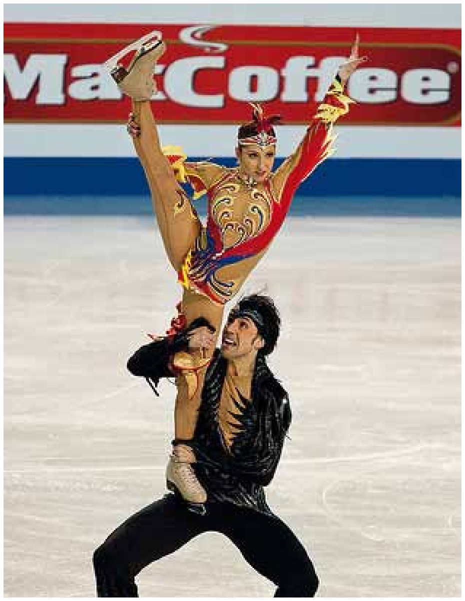
OPERATIONS REVIEW

"On the back of the stronger sales performance, the Group recorded a profit after tax of US$13.7 million in 2010, compared to US$2.7 million in 2009. This represents a year on year growth of 413 percent."

Staff costs were 30.8 percent higher as the Group increased its manufacturing output to meet the growing demand for its products. It also made higher provisions for its variable salary components, in line with its improved financial performance.

Other operating expenses were 29.9 percent higher. The majority of the increase was due to brand building activities, which included promotions, advertising and sponsorships as part of the Group's strategy to increase its market share.

The Group ended the year with a healthy balance sheet. As of 31 December 2010, the Group had net assets of US$134.2 million, representing a net asset value per share of US25.36 cents, and a cash and bank balance of US$41.7 million.



Above: MacCoffee sponsors 2010 European Figure Skating Championship; Klassno sponsors a school event in Iran

SHAPING THINGS FOR THE FUTURE / CHALLENGES

An important challenge faced by the Group was the increase in prices of commodities and raw materials used in its blending and packed food business. Sugar, one of the components in our 3-in-1 products, which constitutes slightly more than 50 percent of the content of a three-in-one instant coffee mix, increased sharply in price towards the end of 2010. The price of coffee beans also increased substantially, as well as non-dairy creamer.

However, due to the recent financial crisis, many producers were still experiencing a production overcapacity so the Group was able to lock-in some contracts at competitively lower prices available at that time.

With the current trend of rising prices, the Group will be vigilant in monitoring price movements and negotiating contracts for its raw material and commodity requirements. The Group will also actively manage its raw material costs by leveraging its purchasing power as well as its long-standing relationships with suppliers.

INGENUITY, PASSION, OPTIMISM / LOOKING AHEAD

The Group expects conditions to improve in 2011 as its major markets continue to enjoy economic growth. To maximise the better trading conditions, the Group is pursuing aggressive sales and marketing activities to retain existing consumers, as well as attract new customers.

The Group is continuing to pursue its plans to drive additional, non-organic business growth through acquisitions. The Group believes there are opportunities to enhance its business model by making strategic investments in both upstream and downstream activities.

curatorial board

BOARD OF DIRECTORS

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 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-Executiave 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 a Director of Capital Connections Pte Ltd, a financial advisory consultancy firm. He is also a Director of several other 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, and served as the Chairman of the Government Parliamentary Committees for Education, Finance, Trade & Industry and National Development at different times during the course of his tenure. 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

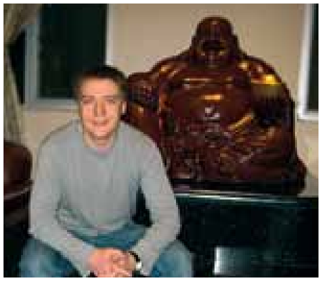
Mr Ong has served on the Board as an Independent Director since April 2000. He is the Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees. As a lawyer and corporate adviser, Mr Ong brings invaluable legal and business experience to the Board. He was called to the 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) and CEO of Kanesaka Sushi Private Limited, a company set up to invest in and operate Japanese fine-dining restaurants in the region. 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 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.

gallery of expression

FROM OUR INTERNATIONAL ARTISTS



MAXIM SHEKHOVTSOV, RUSSIA

My cultural background is a mix of Asian and European. I was originally from Kyrgyzstan (Central Asia) and moved to Russia in the early 2000s. I had also lived in the US for a year.

Having lived in different countries, I have learnt to be more tolerant and sensitive to other traditions and cultures. I try to take the best of different ways of thinking and implement it in my work.

During brainstorming, you also have to absorb a variety of concepts and filter the best ones. Marketing is one of the spheres of business, where you must hear and feel what is needed and implement the best idea into practice.

My work is a mix of American pragmatism and precision to details, nurtured by industrialization and innovations; Asian philosophy of harmony (Confucius); and understanding of Russian soul (Dostoevsky). With these combined qualities, I believe it will help me better utilize my potential.

ANDREY GALUNKO, UKRAINE

Traditional Ukrainian art are pottery, painting and embroidery which teach people to be patient and focused. For the long period, Ukrainian culture developed like a folk culture with its songs, dances and art.

For me, Ukrainian culture is a basement of my thoughts and behavior: to reach high results, you must be a part of society and respond to its standards. That's why gathering together to get inspired by folk (team) spirit is way for each Ukrainian is in touch with relatives or colleagues.

FE understands our needs and every year we have Annual Distributor's Conference where people spend time together, to share news, experiences and understand not only for business but for pleasure as well. After the event, participants get into corporate culture and combine it with their own views to get successful results.

FROM OUR INTERNATIONAL ARTISTS

NATALYA USTYANTSEVA, KAZAKHSTAN

"While I dance I cannot judge, I cannot hate, I cannot separate myself from life. I can only be joyful and whole. That is why I dance." This has been my motto for the last 2 years.

Kazakhstan is a developing country not only in economic terms, but also in cultural. It is like a baby trying to make his first steps. This is all about Latin dancing in my region. I dance social Afro-Latino (salsa, bachata, kizomba, etc)… It's a free field to develop and maintain Latin culture! This is what gives me the freedom to create, rise to accountability and self-sufficiency which are needed to be an outstanding marketing manager in FE. Professional strength starts with inner (mental) strength which I generate through dancing.

This is where I really feel "joyful and whole", and living the moment! After work, I contribute to Latin dance development in Kazakhstan by assisting at the dance studio. My perception of life has significantly changed since I am so much into it… Dancing does not make you think, it makes you FEEL… your body, your heart… So… Dance first. Think later!

SAHAMPATHY DISSANAYAKE, SRI LANKA

The visual beauty of Sri Lanka and the mythological splendour of ancient beliefs are two factors that have inspired artists over the ages. The visual arts, architecture, literature, music and dance of Sri Lanka all bear the definitive seal of centuries-old Buddhist culture which has greatly influenced the social fabric of the country, with distinct influences also from other long existing religions.

Cultural, religious and natural influences continue to drive our values, beliefs and attitude; as well as our modes of expression, choice of colour, use of imagery and design.

As a Marketer, I am constantly inspired by the visual beauty of tea plantations with which my work is inextricably linked. While showcasing the scenic beauty of the country, I also extensively use traditional visuals and sounds to communicate our values to the world. Tea holds a great cultural significance in Sri Lanka, and I consider it a responsibility to preserve that heritage for future generations.

FROM OUR INTERNATIONAL ARTISTS

ABHISHEK RANA, ETHIOPIA

I read somewhere, before I came to Ethiopia, that it is a place where everything is colourful. For example, vibrant coloured shops – buildings in red, pink, yellow and orange, and beautiful bright coloured beads and baskets as well as other small carvings. After arriving here and seeing Ethiopia myself, I fully agree with the author.

I am not very well-versed in arts but one thing I'm sure of, is that the Ethiopians emphasize a lot on performing arts where in communal and ceremonial contexts, they would put on masks and costumes to dance.

Another notable 'performing arts' is the Ethiopian coffee ceremony, which is an important part of their culture. It is customary for women to perform the 'ceremony' when welcoming visitors to their homes as well as during celebrations. I was glad to be invited to one of these ceremonies and I truly enjoyed the process – from roasting the coffee beans, grinding, to brewing and serving. If you have a chance to visit Ethiopia, don't miss the awesome artistry performance of the coffee ceremony.

PIOTR WOZNIAK, POLAND

Having been born and raised in Poland, I have been greatly influenced by the aesthetics of the European art of the early 20th century particularly the art of photography of that era. I appreciate the art's simplicity and great craftsmanship as well as its respect for the viewers and sensibility in capturing their minds and emotions.

Working at Food Empire has given me the opportunity to visit Asia and as a photography enthusiast, I have been able to see the beauty of Asia through my lens and share it with my colleagues in the company. Travelling to Singapore has helped widen my horizon in photography art. I am especially awed by the different traditions and cultures of the different races that comprise this successful nation. The cultural uniqueness and varying interests of each race – the Chinese, Malays, Indians and Eurasians living in Singapore do not only make this nation a business hub but also a nation of modern diverse art.

the empire's new gallery

NEW OFFICE BUILDING

The Food Empire Business Suite
at 31 Harrison Road

FOOD EMPIRE CELEBRATES OPENING OF NEW OFFICE BUILDING

Food Empire held a grand opening on 23rd February, 2011 in celebration of its much anticipated brand new office building, The Food Empire Business Suite, at 31 Harrison Road. The modern offices, conveniently located near the Tai Seng MRT Station, will serve as Food Empire's head office.

Leaders from various divisions and other distinguished guests joined Mr. Tan Wang Cheow, Chairman of Food Empire Holdings Limited, as well as partners and staff, in the official opening of the freehold property with festivities including a tree-planting ceremony.

the gallery's committee

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

REGISTERED OFFICE
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Telephone number: 65-65365355
Fax number: 65-65361360

BUSINESS OFFICE
31 Harrison Road, #08-01
Food Empire Business Suites
Singapore 369649
Telephone number: 65-66226900
Fax number: 65-67442116

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Telephone number: 65-65365355
Fax number: 65-65351360

AUDITORS
Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583

AUDIT PARTNER-IN-CHARGE
Ang Chuen Beng (w.e.f. the financial year ended 31 December 2010)

PRINCIPAL BANKERS
United Overseas Bank Limited
Standard Chartered Bank
Citibank Singapore Limited

modern arts

LATEST PRODUCTS

MACCOFFEE ORIGINAL

Like most classics, part of its appeal comes from its simplicity. MacCoffee Original is 100% pure soluble coffee granules, made from a perfect combination of Central and South American Arabica beans, which have been roasted to perfection. It has an amazing aroma, rich in taste and an easy lingering finish. Chosen by our clients as an all-time favourite, this instant coffee is always in high demand and definitely the right way to start the day. MacCoffee Original is packed in 100g jar, 95g pouch and 25 sachets box & 100 sachets box, available in Azerbaijan, Afghanistan, and Armenia, Russia, Tajikistan, Uzbekistan, Turkmenistan, Latvia, Georgia and Bulgaria.

MACCOFFEE GOLD

When it comes to coffee, coffee connoisseurs are always looking for something special. Made from quality Arabica beans grown in the high altitudes of Central and South America and Africa, MacCoffee Gold is a freeze dried instant coffee that is intoxicatingly aromatic, bold and wonderfully balanced. See what it's like to have the world in your hands, or better yet, in your cup! Let our MacCoffee Gold take you to a world away, where only the finest coffee exists. MacCoffee Gold is packed in 100g jar and 95g pouch, available in Iraq, Kazakhstan, Ukraine and Hungary.

THAI BON BON DELI

Crunch into the crispy spring roll skin and you will find heavenly Thai flavours of chopped chicken marinated in spicy and fragrant red curry. Get artsy in arranging them; create a pinwheel pattern on a round plate or line them up like soldiers on a rectangle dish. Guests will come back for seconds and thirds, so make sure you make plenty! It will be launched in April 2011.

HIGH QUALITY FROZEN SUSHI

Eating Sushi is healthy, boasting high traits of Omega 3 and is a favourite amongst the health conscious and fashionable set. A typical setting for 7-9 pieces of Sushi contains about 300-450 calories, raw fish is the most popular ingredient in sushi, but the main element of sushi is Japanese sticky rice that provides complex carbohydrates. OrienBites currently provide two great assortment packs – Premium Sushi Pack and Vegetarian Sushi Selection. Premium Sushi Pack is a seafood selection of raw salmon, cooked shrimp and tuna while Vegetarian Sushi Selection has varied vegetables like avocado, asparagus, cucumber and carrot. Both assortments will be launched in May 2011.

YAKITORI SOYA

Yakitori is grilled chicken speared on sticks. All different parts of the chicken, thighs, skin, liver, etc. can be used for yakitori. OrienBites Yakitori Soya is made of juicy chicken thighs, marinated with special Japanese soy sauce that gives this snack a distinct taste and aroma. It's a great appetizer that goes well with beer or sake. Such tasty snack definitely deserves the famous Japanese phrase – "Itadakimasu!". This delicious snack will be launched in June 2011.

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.

corporate governance

A) BOARD MATTERS (cont'd)

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

The attendance of the Directors at meetings of the Board and Board Committees in FY2010 as well as the frequency of these meetings, are disclosed as follows:

Meeting	Board	Audit Committee	Nominating Committee	Remuneration Committee
Tan Wang Cheow	4/4	N/A	1/1	N/A
Ong Kian Min	4/4	4/4	1/1	2/2
Lew Syn Pau	4/4	4/4	1/1	2/2
Tan Guek Ming	4/4	4/4	N/A	2/2
Sudeep Nair	4/4	N/A	N/A	N/A
Boon Yoon Chiang	3/4	3/4	1/1	2/2
Hartono Gunawan	2/4	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 pages 24 to 26 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)

Principle 2: Strong and independent element of the Board (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 Nominating Committee ("NC") has assumed the function of reviewing the independence of each Director annually. The NC is of the view that the current Board 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.

corporate governance

C) **CHAIRMAN AND EXECUTIVE OFFICER (CONT'D)**

Principle 3: Clear division of responsibilities at the top of the Company (cont'd)

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

The Chairman ensures that the Board members are provided with adequate and timely information.

D) **BOARD MEMBERSHIP**

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

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

Mr. Lew Syn Pau (Chairman)
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)

Principle 4: Formal and transparent process of appointment of new Directors (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	28 April 2010
Tan Guek Ming	28 April 2010
Lew Syn Pau	28 April 2010
Sudeep Nair	29 April 2008
Boon Yoon Chiang	28 April 2010
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.

corporate governance

F) ACCESS TO INFORMATION

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

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

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

G) REMUNERATION MATTERS

Principle 7: Formal and transparent procedure for fixing remuneration packages of Directors
Principle 8: Remuneration of Directors should be adequate but not excessive
Principle 9: Remuneration policy, level and mix of remuneration and procedure for setting remuneration

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

Mr. Lew Syn Pau (Chairman)
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.

corporate governance

G) REMUNERATION MATTERS (cont'd)

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 47 to 51 and 125 to 129 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.

The remuneration for the financial year ended 31 December 2010 is shown below:

Remuneration Bands	No. of Directors in Remuneration Band
S$1,000,000 & above	1
S$500,000 to S$749,999	1
S$250,000 to S$499,999	-
Below S$250,000	6

Remuneration Bands	Remuneration of top 5 executives
S$500,000 - S$749,999	1
S$250,000 to S$499,999	3
Below S$250,000	1

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 providing timely information to the shareholders and the public on a quarterly basis.

corporate governance

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.

corporate governance

I) AUDIT COMMITTEE (cont'd)

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 4 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 2010 amounted to US$16,000. The AC has reviewed the non-audit services provided by the external auditors and is satisfied with the independence of the external auditors.

The AC meets with the external auditors without the presence of management at least once annually.

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 14 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.

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.

corporate governance

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 2010. 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.

corporate governance

L) **GREATER SHAREHOLDER PARTICIPATION (cont'd)**

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 2010 (SGX-ST LISTING MANUAL REQUIREMENTS)

(i) **Dealing in Securities**
The Company has in place an internal policy prohibiting share dealings by Directors and officers of the Group while in possession of unpublished material or price sensitive information during the period commencing one month prior to the announcement of the Company's annual result, and 2 weeks before the announcement of its quarterly results and ending on the date of the announcement of the relevant results. Directors and officers of the Group are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading period.

The Directors and officers of the Group are strongly discouraged to deal in the Company's securities on short-term considerations.

(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 57.2% of its turnover in 2010. 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

SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2010 (SGX-ST LISTING MANUAL REQUIREMENTS) (con'td)

(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 1.6% 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 84.0% as 84.0% 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.

corporate governance

SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2010 (SGX-ST LISTING MANUAL REQUIREMENTS) (con'td)

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

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.

corporate governance

SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2010 (SGX-ST LISTING MANUAL REQUIREMENTS) (con'td)

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

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 $100,000)	
	2010	**2009**	**2010**	**2009**
	US$'000	US$'000	US$'000	US$'000
Simonelo Limited Group of Companies				
- Factory and office rental expenses	1,882	1,927	-	-
- Sale of goods	2	-	-	-
- Sale of property, plant and equipment	10	-	-	-
Triple Ace Limited Group of companies				
- Loan provided	1,308	-	-	-
- Interest Income	19	44	-	-
Companies associated to a substantial shareholder				
- Consumption of services	2	-	-	-
- Sale of goods	270	-	-	-

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 subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2010.

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:

directors' report

CONT'D

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

Name of Director	Shares/share options held in the name of the Directors		Shareholdings/share options in which Directors are deemed to have an interest		Shares/share options held in the name of the Directors	Shareholdings/ share options in which Directors are deemed to have an interest
	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 2011	As at 21 January 2011
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	67,367,400	67,367,400	52,440,000	52,440,000	67,367,400	52,440,000
Lew Syn Pau	384,000	–	96,000	480,000	–	480,000
Ong Kian Min	–	–	720,000	720,000	–	720,000
Options to subscribe for ordinary shares exercisable between 25 May 2006 to 24 May 2014 at S$0.229 per share						
Sudeep Nair [1]	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 [2]						
Sudeep Nair	–	1,300,000	–	–	1,300,000	–
Ong Kian Min	–	100,000	–	–	100,000	–
Lew Syn Pau	–	100,000	–	–	100,000	–
Boon Yoon Chiang	–	100,000	–	–	100,000	–

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

2 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. See note 34 for more information on this grant of options.

directors' report

CONT'D

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

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 subsidiaries 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 2011.

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' 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.
- the Company has granted 4,750,000 options to subscribe for ordinary shares which are 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.

directors' report

CONT'D

SHARE OPTIONS (CONT'D)

Options granted and shares issued under Option Scheme (cont'd)

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 1.1.2010	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 31.12.2010	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
2010 Options	18	–	4,750,000	–	–	4,750,000	0.335	4 January 2011 to 3 January 2020
	25	3,890,000	4,750,000	–	–	8,640,000		

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	700,000	(600,000)	–	100,000
Ong Kian Min	700,000	(600,000)	–	100,000
Sudeep Nair [3]	9,100,000	(4,500,000)	–	4,600,000
Boon Yong Chiang	100,000	–	–	100,000

[3] 7,800,000 share options were granted before his appointment as an Executive Director of the Company.

directors' report

CONT'D

SHARE OPTIONS (CONT'D)

Unissued shares under Option Scheme (cont'd)

Since the commencement of the Option Scheme till the end of the financial year:

- 35,995,000 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 subsidiaries under options as at the end of the financial year.

Options granted after the financial year end

On 1 February 2011, the Company granted 4,750,000 options to subscribe for ordinary shares which are exercisable between 1 February 2012 to 31 January 2021 at S$0.505 per share to selected group of Directors and employees eligible under the Option Scheme.

The options granted to the Directors of the Company on 1 February 2011 were as follows:

Directors of the Company	Options to subscribe for ordinary shares exercisable between 1 February 2011 to 31 January 2021 at S$0.505 per share
Sudeep Nair	1,400,000
Lew Syn Pau	100,000
Ong Kian Min	100,000
Boon Yoon Chiang	100,000

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.

directors' report

CONT'D

AUDITORS

Ernst & Young LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors,

Tan Wang Cheow
Director

Sudeep Nair
Director

26 March 2011

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 2010 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

26 March 2011

independent auditors' report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

To the members of Food Empire Holdings Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated 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 2010, 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 information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for 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 accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

independent auditors' report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

CONT'D

Opinion

In our opinion, 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 2010 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.

Report on Other Legal and Regulatory Requirements

In our opinion, 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 2011

consolidated income statement

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 US$'000	2009 US$'000
Revenue	4	**175,803**	**134,842**
Other income	5	1,136	772
Changes in inventories of finished goods		5,698	(21,689)
Raw materials and consumables used		(101,306)	(54,966)
Staff costs	6	(20,477)	(15,661)
Write back of impairment of property, plant and equipment		–	15
Impairment of intangibles		–	(2,408)
Depreciation of property, plant and equipment		(1,870)	(1,736)
Depreciation of investment properties		(45)	(37)
Foreign exchange gain / (loss)		50	(314)
Other operating expenses		(46,165)	(35,531)
Finance costs	7	(97)	(439)
Share of profit of associates		874	331
Profit before taxation	8	**13,601**	**3,179**
Taxation	9	58	(514)
Profit for the year		**13,659**	**2,665**
Earnings per share			
Basic earnings per share (in cents)	11	2.58	0.50
Diluted earnings per share (in cents)	11	2.57	0.50

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 2010

	2010 US$'000	2009 US$'000
Profit net of tax	13,659	2,665
Other comprehensive income:		
Net loss on fair value changes of debentures	(76)	–
Foreign currency translation	538	(449)
Share of other comprehensive income of associates	7	145
Other comprehensive income/(loss) for the year, net of tax	469	(304)
Total comprehensive income for the year	14,128	2,361

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

balance sheets

AS AT 31 DECEMBER 2010

	Note	Group		Company	
		2010	2009	2010	2009
		US$'000	US$'000	US$'000	US$'000
Non-Current Assets					
Property, plant and equipment	12	17,938	11,328	–	–
Investment properties	13	4,530	1,366	–	–
Investment in subsidiaries	14	–	–	44,545	44,545
Investment in associates	15	11,535	6,526	–	–
Amount due from an associate	16	1,308	309	–	–
Intangible assets	17	13,343	13,343	–	–
Deferred tax assets	18	95	69	–	–
Debentures	19	593	–	–	–
		49,342	32,941	44,545	44,545
Current Assets					
Inventories	20	23,654	17,955	–	–
Prepaid operating expenses and other debtors	21	2,352	1,479	4	21
Deferred expenses		328	389	–	–
Amounts due from subsidiaries (non-trade)	22	–	–	602	–
Amounts due from associates (non-trade)	23	390	970	–	–
Trade receivables	24	49,661	36,489	–	–
Other receivables	25	548	719	–	–
Derivatives	26	684	–	–	–
Assets held for sale	27	312	–	–	–
Cash and cash equivalents	28	41,670	61,291	231	108
		119,599	119,292	837	129

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

balance sheets

AS AT 31 DECEMBER 2010

	Note	Group 2010 US$'000	Group 2009 US$'000	Company 2010 US$'000	Company 2009 US$'000
Current Liabilities					
Trade payables and accruals	29	(26,378)	(21,177)	(926)	(278)
Other payables	30	(1,225)	(154)	–	–
Finance lease creditors	36	–	(4)	–	–
Interest-bearing loans and borrowings	31	(627)	(3,336)	–	–
Amounts due to subsidiaries (non-trade)	22	–	–	(21)	(167)
Provision for taxation		(548)	(956)	–	–
		(28,778)	(25,627)	(947)	(445)
Net Current Assets/(Liabilities)		**90,821**	**93,665**	**(110)**	**(316)**
Non-Current Liabilities					
Finance lease creditors	36	–	(11)	–	–
Interest-bearing loans and borrowings	31	(5,485)	(2,494)	–	–
Deferred tax liabilities	18	(508)	(400)	–	–
		(5,993)	(2,905)	–	–
Net Assets		134,170	123,701	44,435	44,229
Equity					
Share capital	32	39,666	39,666	39,666	39,666
Reserves	33	94,504	84,035	4,769	4,563
Total Equity		134,170	123,701	44,435	44,229

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 2010

Group	Attributable to equity holders of the Company						
	Share capital	**Foreign currency translation reserve**	**Asset revaluation reserve**	**Share-based payment reserve**	**Fair value adjustment reserve**	**Accumulated profits**	**Total equity**
2009	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 January 2009	39,666	1,060	60	324	–	81,510	122,620
Profit for the year	–	–	–	–	–	2,665	2,665
Other comprehensive income							
Foreign currency translation	–	(449)	–	–	–	–	(449)
Share of other comprehensive income of associates	–	145	–	–	–	–	145
Total comprehensive income for the year	–	(304)	–	–	–	2,665	2,361
Dividends paid to shareholders of the Company (Note 10)	–	–	–	–	–	(1,280)	(1,280)
Balance as at 31 December 2009	39,666	756	60	324	–	82,895	123,701

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 2010
CONT'D

	Attributable to equity holders of the Company						
Group	**Share capital**	**Foreign currency translation reserve**	**Asset revaluation reserve**	**Share-based payment reserve**	**Fair value adjustment reserve**	**Accumulated profits**	**Total equity**
2010	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 January 2010	39,666	756	60	324	–	82,895	123,701
Profit for the year	–	–	–	–	–	13,659	13,659
Other comprehensive income							
Net loss on fair value changes of debenture	–	–	–	–	(76)	–	(76)
Foreign currency translation	–	538	–	–	–	–	538
Share of other comprehensive income of associates	–	7	–	–	–	–	7
Total comprehensive income for the year	–	545	–	–	(76)	13,659	14,128
Dividends paid to shareholders of the Company (Note 10)	–	–	–	–	–	(3,870)	(3,870)
Value of employee services received for issue of share options	–	–	–	211	–	–	211
Balance as at 31 December 2010	39,666	1,301	60	535	(76)	92,684	134,170

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 2010
CONT'D

Company **2009**	**Share capital** US$'000	**Foreign currency translation reserve** US$'000	**Share-based payment reserve** US$'000	**Accumulated profits** US$'000	**Total equity** US$'000
Balance as at 1 January 2009	39,666	4,027	324	314	44,331
Total comprehensive (loss)/income	–	(20)	–	1,198	1,178
Dividends paid to shareholders of the Company (Note 10)	–	–	–	(1,280)	(1,280)
Balance as at 31 December 2009	39,666	4,007	324	232	44,229
2010					
Balance as at 1 January 2010	39,666	4,007	324	232	44,229
Total comprehensive (loss)/income	–	(44)	–	3,909	3,865
Dividends paid to shareholders of the Company (Note 10)	–	–	–	(3,870)	(3,870)
Value of employee services received for issue of share options	–	–	211	–	211
Balance as at 31 December 2010	39,666	3,963	535	271	44,435

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 2010

	2010 US$'000	2009 US$'000
Cash flows from operating activities		
Profit from operations before taxation	13,601	3,179
Adjustments for:		
Depreciation of property, plant and equipment	1,870	1,736
Depreciation of investment properties	45	37
Fair value gain on derivatives	(50)	–
Write back of impairment of property, plant and equipment	–	(15)
(Gain)/loss on disposal of property, plant and equipment	(20)	52
Gain on disposal of investment properties	(557)	–
Loss on disposal of investment in an associate	49	–
Interest income	(158)	(144)
Interest expenses	97	439
Allowance for doubtful receivables	505	861
Write back of impairment loss on amount due from an associate	–	(14)
Write down of inventories	440	782
Impairment loss on intangible assets	–	2,408
Share of profit of associates	(874)	(331)
Value of employee services received for issue of share options	211	–
Exchange realignment	31	(223)
Operating profit before working capital changes	15,190	8,767
(Increase)/decrease in receivables	(14,338)	24,856
(Increase)/decrease in inventories	(6,138)	20,908
Increase in payables	5,191	7,022
Cash flows (used in)/generated from operations	(95)	61,553
Income taxes paid	(267)	(2,167)
Net cash flows (used in)/generated from operating activities	(362)	59,386

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 2010
CONT'D

	2010 US$'000	2009 US$'000
Cash flows from investing activities		
Interest income received	158	144
Purchase of property, plant and equipment	(6,927)	(2,048)
Purchase of investment properties	(3,834)	–
Proceeds from disposal of property, plant and equipment	73	192
Proceeds from disposal of investments in associates	754	–
Proceeds from disposal of investment properties	1,134	–
Dividend income from an associate	–	21
Investment in an associate	(4,931)	(15)
Subscription for debentures from an associate	(669)	–
Payment for derivatives	(634)	–
Loans provided to associate	(1,308)	–
Repayment of loans due from associates	909	648
Net cash flows used in investing activities	(15,275)	(1,058)
Cash flows from financing activities		
Interest expenses paid	(97)	(439)
Dividends paid to shareholders of the Company	(3,870)	(1,280)
Repayment of obligation under financial lease	(15)	(3)
Repayment of interest-bearing loans and borrowings	(5,987)	(10,836)
Proceeds from interest-bearing loans and borrowings	6,269	–
Net cash flows used in financing activities	(3,700)	(12,558)
Net (decrease)/increase in cash and cash equivalents	(19,337)	45,770
Effect of exchange rate changes on cash and cash equivalent	(284)	(16)
Cash and cash equivalents at beginning of year	61,291	15,537
Cash and cash equivalents at end of year (Note 28)	41,670	61,291

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

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010 were authorised for issue in accordance with a resolution of the Directors on 26 March 2011.

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. From 1 January 2010 to 14 January 2011, the principal place of business of the Company is located at 101 Geylang Lorong 23, #05-03/04 Prosper House, Singapore 388399. On 15 January 2011, the Company relocated its principal place of business to 31 Harrison Road, #08-01 Food Empire Business Suite, Singapore 369649.

The principal activity of the Company is that of an investment holding company. The principal activities and other details of the subsidiaries are stated in Note 14 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 Company's functional currency is Singapore Dollars ("S$" or "SGD") while the financial statements are presented in United States Dollars ("US$" or "USD"). The Group adopted USD as the presentation currency as it is more reflective of the business operations of the Group, where transactions are mostly in USD.

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

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ***Changes in accounting policies***

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

FRS 103 Business Combinations (revised) and FRS 27 *Consolidated and Separate Financial Statements* (revised)

The revised FRS 103 Business Combinations and FRS 27 Consolidated and Separate Financial Statements are applicable for annual periods beginning on or after 1 July 2009. As of 1 January 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

FRS 103 *Business Combinations* (revised)

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;

- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;

- The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and

- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 *Changes in accounting policies (cont'd)*

FRS 27 *Consolidated and Separate Financial Statements (revised)*

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;

- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and

- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attribution of losses to non-controlling interests and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

2.3 *Standards issued but not yet effective*

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 32 Financial Instruments: *Presentation Classification of Right Issues*	1 February 2010
INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Revised FRS 24 *Related Party Disclosures*	1 January 2011
Amendments to INT FRS 114 *Prepayments of a Minimum Funding Requirement*	1 January 2011
INT FRS 115 *Agreements for the Construction of Real Estate*	1 January 2011

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but *not yet effective (cont'd)*

Except for the revised FRS 24, 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 24 is described below.

<u>Revised FRS 24 *Related Party Disclosures*</u>

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

2.4 *Basis of consolidation*

<u>Business combinations from 1 January 2010</u>

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. 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.

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.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 *Basis of consolidation (cont'd)*

Business combinations from 1 January 2010 (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.11 (a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired 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.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

2.6 *Foreign currency*

The Group's consolidated financial statements are presented in United States Dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

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.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 *Foreign currency (cont'd)*

(b) Group companies

The assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the balance sheet date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

The Group has elected to recycle the accumulated exchange differences in the separate component of other comprehensive income that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

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.

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

2.8 *Associates*

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate in the period in which the investment is acquired.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 *Associates (cont'd)*

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

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

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 associates 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.

Upon loss of significant influence over the associate, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

2.9 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.21. 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.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 *Property, plant and equipment (cont'd)*

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold and leasehold properties 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 freehold and leasehold properties 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 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.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold properties	-	50 years
Leasehold properties	-	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

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 *Property, plant and equipment (cont'd)*

Capital work-in-progress included in property, plant and equipment are 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, and adjusted prospectively, if appropriate.

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 properties that are owned by the Group in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

Investment properties are initially recorded at cost, including transaction costs and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Depreciation is calculated using straight-line method to allocate the depreciable amounts over the estimated useful lives of 50 years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.9 up to the date of change in use.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 *Intangible assets*

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

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. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in 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 cash-generating 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.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

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

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 *Intangible assets (cont'd)*

(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 any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss in the year in which the expenditure is incurred.

The useful lives of the intangible assets are assessed as either finite or indefinite.

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 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 profit or loss when the asset is derecognised.

Brand

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

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 *Financial assets*

Initial recognition and measurement

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. The Group determines the classification of its financial assets at initial recognition.

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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

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.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 *Financial assets (cont'd)*

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. 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

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. 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 include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently 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.

Derecognition

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.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 *Financial assets (cont'd)*

Derecognition (cont'd)

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.

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 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 or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, 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.

For assets excluding goodwill, 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. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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 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

FOR THE YEAR ENDED 31 DECEMBER 2010
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current 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) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed 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. These also include bank overdrafts that form an integral part of the Group's cash management.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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 *Government grants*

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss under other income.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

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

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities 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 liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 *Financial liabilities (cont'd)*

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 profit or loss.

2.20 *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.

2.21 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.22 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment 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.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 *Leases (cont'd)*

(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 2.24 (b). Contingent rents are recognised as revenue in the period in which they are earned.

2.23 *Non-current assets held for sale*

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 *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, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) **Sale of goods**

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) **Rental income**

Rental income arising from operating leases in investment properties is accounted for on a time apportionment basis over the lease terms.

(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 income is recognised when services are rendered.

(g) **Packaging service income**

Packaging service income is recognised when services are rendered.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 *Finance costs*

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

2.26 *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 the employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

(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 share based payment transactions').

The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market condition and non-vesting conditions. 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 recognised at each balance sheet 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.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 *Employee benefits (cont'd)*

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

(i) Employee share option plans (cont'd)

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting 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. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. 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.

2.27 *Taxes*

(a) Current tax

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

Current income 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. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 *Taxes (cont'd)*

(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 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 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 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 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.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 *Taxes (cont'd)*

(b) Deferred tax (cont'd)

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

(c) Sales tax

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

- where the sales tax incurred on 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.

2.28 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.29 *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.

2.30 *Treasury Shares*

The Group's own equity instruments, which are reacquired (Treasury Shares) are recognised at costs and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received is recognised directly in equity.

2.31 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

- (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.32 *Related parties*

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,

(i) controls, is controlled by, or is under common control with, the Group;

(ii) has an interest in the Group that gives it significant influence over the Group; or

(iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

3. 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 balance sheet 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.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
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3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

3.1 *Judgments made in applying accounting policies*

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

(a) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment properties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

(b) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, 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.

(a) Impairment of goodwill and brand

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of goodwill and brands, are given in Note 17 to the financial statements.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

3.2 *Key sources of estimation uncertainty (cont'd)*

(b) Depreciation of property, plant and equipment and investment properties

The costs of property, plant and equipment and investment properties are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment and investment properties to be within 3 to 50 years. 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. The carrying amount of the Group's property, plant and equipment and investment properties at the balance sheet date are disclosed in Note 12 and Note 13 to the financial statements respectively.

(c) 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 and deferred liabilities as at 31 December 2010 were US$548,000 (2009: US$956,000) and US$508,000 (2009: US$400,000) respectively.

(d) Employee share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 34.

(e) Fair value of financial instruments

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Note 38.

notes to the financial statements

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3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

3.2 *Key sources of estimation uncertainty (cont'd)*

(f) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the balance sheet is disclosed in Note 24 to the financial statements.

4. REVENUE

Revenue is analysed as follows:

	Group	
	2010	**2009**
	US$'000	US$'000
Sale of goods	138,949	117,000
Rental income	1,247	1,370
Royalty income	1,021	857
Marketing service fee	28,232	10,798
Packaging service fee	6,354	4,817
	175,803	134,842

notes to the financial statements

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5. OTHER INCOME

	Group	
	2010	**2009**
	US$'000	US$'000
Fair value gain on derivatives	50	–
Gain on disposal of investment properties	557	–
Gain on disposal of property, plant and equipment	20	–
Interest income from		
- Bank deposits	139	100
- Associates	19	44
Grant income from job credit scheme	54	266
Grant income from IE Singapore	159	17
Sales of cartons/scrapped items	33	12
Other income	105	333
	1,136	772

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. During the financial year, the Group received grant income of US$54,000 (2009: US$266,000) under the Scheme.

6. STAFF COSTS

	Group	
	2010	**2009**
	US$'000	US$'000
Salaries, wages and other staff benefits	18,250	13,854
Employer's contribution to defined contribution plans including Central Provident Fund	2,016	1,807
Value of employee services received for issue of share options	211	–
	20,477	15,661

notes to the financial statements

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6. STAFF COSTS (CONT'D)

	Group 2010 US$'000	Group 2009 US$'000
Directors' remuneration included in staff costs are as follows:		
Directors' remuneration		
- Directors of the Company		
- Salaries and other remuneration	1,336	699
- Employer's contribution to defined contribution plans including Central Provident Fund	21	13
- Value of employee services received for issue of share options	58	–
	1,415	712

7. FINANCE COSTS

	Group 2010 US$'000	Group 2009 US$'000
Interest expenses on:		
Term loan	80	438
Obligation under financial lease	1	1
Others	16	–
	97	439

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
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8. PROFIT BEFORE TAXATION

	Group	
	2010	**2009**
	US$'000	US$'000
The following items have been included in arriving at profit before taxation:		
Non-audit fees paid to		
- Auditors of the Company	16	3
Directors' fee		
- Directors of the Company	239	176
Foreign exchange (gain)/loss	(50)	314
Write back of impairment loss on property, plant and equipment	–	(15)
Impairment of intangible assets	–	2,408
Other operating expenses		
- (Gain)/loss on disposal of property, plant and equipment	(20)	52
- Allowance for doubtful receivables	505	861
Write back of impairment loss on amounts due from associates	–	(14)
- Inventories written down	440	782
- Advertising expenses	27,683	20,419
- Legal and professional fees	1,369	624

9. TAXATION

Major components of income tax expenses

The major components of income tax expenses for the years ended 31 December 2010 and 2009 are:

	Group	
	2010	**2009**
	US$'000	US$'000
Current income tax		
- Current income taxation	584	693
- Overprovision in respect of prior years	(725)	(117)
	(141)	576

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
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9. TAXATION (CONT'D)

Major components of income tax expenses (cont'd)

	Group 2010 US$'000	Group 2009 US$'000
Deferred income tax		
- Origination and reversal of temporary differences	83	(41)
- Benefits from previously unrecognised tax losses	–	(8)
- Effect of reduction in tax rate	–	(13)
	83	(62)
Income tax expense recognised in profit or loss	(58)	514

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 2010 and 2009 are as follows:

	Group 2010 US$'000	Group 2009 US$'000
Accounting profit before tax	13,601	3,179
Tax at statutory tax rate of 17%	2,312	540
Adjustments:		
Effect of change in tax rate	–	(13)
Non-deductible expenses	629	574
Tax effect of double taxation relief	(205)	(144)
Income not subject to taxation	(481)	(125)
Effect of partial tax exemption	(59)	(23)
Deferred tax assets not recognized	122	172
Effect of different tax rates in other countries	(1,730)	(250)
Benefits from previously unrecognised tax losses	–	(8)
Overprovision in respect of previous years taxation	(725)	(117)
Others	79	(92)
Income tax expense recognised in profit or loss	(58)	514

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

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FOR THE YEAR ENDED 31 DECEMBER 2010
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10. DIVIDENDS

	Group and Company	
	2010	**2009**
	US$'000	US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for the previous financial year: S$0.0022 (2009: S$0.0035) per share	851	1,280
- Special exempt (one-tier) dividend for the previous financial year: S$0.0078 (2009: S$nil) per share	3,019	–
	3,870	1,280
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 2010: S$0.0105 (2009: S$0.0022) per share	4,320	829
- Special exempt (one-tier) dividend for 2010: S$nil (2009: S$0.0078) per share	–	2,939
	4,320	3,768

11. 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	
	2010	**2009**
	US$'000	US$'000
Net profit for the year used in computing basic earnings per share	13,659	2,665
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	529,044	529,044

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11. EARNINGS PER SHARE (CONT'D)

(b) Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing net profit for the year (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	
	2010	**2009**
	US$'000	US$'000
Net profit for the year used in computing diluted earnings per share	13,659	2,665
	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	529,044
Effect of dilution:		
Weighted average number of unissued ordinary shares under option	8,601	3,890
Number of shares that would have been issued at fair value	(7,061)	(2,858)
Weighted average number of ordinary shares adjusted for the effect of dilution which is used for diluted earnings per share computation	530,584	530,076

Since the end of the financial year, 120,000 options had been exercised by employees (including senior executives and Directors) to acquire ordinary shares (2009: 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 1 February 2011, 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 41.

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FOR THE YEAR ENDED 31 DECEMBER 2010
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12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold properties	Leasehold properties	Plant and machinery, furniture and other equipment	Factory and office equipment and computers	Forklifts and motor vehicles	Renovation, air conditioners, electrical installation and leasehold improvements	Capital work-in-progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost								
At 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 and 1 January 2010	–	4,161	11,132	1,876	1,070	642	–	18,881
Additions	6,654	56	758	400	83	22	35	8,008
Disposals	–	–	(128)	(96)	(71)	–	–	(295)
Exchange realignment	374	82	77	13	1	40	–	587
At 31 December 2010	7,028	4,299	11,839	2,193	1,083	704	35	27,181

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FOR THE YEAR ENDED 31 DECEMBER 2010
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12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold properties	Leasehold properties	Plant and machinery, furniture and other equipment	Factory and office equipment and computers	Forklifts and motor vehicles	Renovation, air conditioners, electrical installation and leasehold improvements	Capital work-in-progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Accumulated depreciation and impairment losses								
At 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 and 1 January 2010	–	1,767	3,867	1,099	555	265	–	7,553
Charge for the year	18	189	1,101	339	143	80	–	1,870
Disposals	–	–	(90)	(87)	(65)	–	–	(242)
Exchange realignment	1	26	3	14	2	16	–	62
At 31 December 2010	19	1,982	4,881	1,365	635	361	–	9,243
Net carrying amount								
At 31 December 2010	7,009	2,317	6,958	828	448	343	35	17,938
At 31 December 2009	–	2,394	7,265	777	515	377	–	11,328

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FOR THE YEAR ENDED 31 DECEMBER 2010
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12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group's freehold properties included US$4,193,000 which relate to freehold land.

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 8 December 2010 and 13 December 2010 (2009: 23 December 2009 and 18 November 2009) respectively, the carrying amount of these properties were written back by US$nil (2009: written back by US$15,000).

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

As at 31 December 2009, the carrying amount of motor vehicles held under finance leases was US$16,000. These leased assets are pledged as security for the related finance lease liabilities.

During the current financial year, the Group had fully settled the outstanding amount of the financial lease and the pledge security are discharged.

Additions of freehold properties

During the financial year, a subsidiary of the Group acquired freehold properties, 31 Harrison Road, Singapore 369649 for a total consideration of approximately US$10,488,000. As at 31 December 2010, the Group had paid approximately US$9,407,000. The remaining balance of US$1,081,000 is classified as other payables and will be due in 2011. Out of the US$9,407,000 paid, US$6,269,000 was financed through bank loans. See Note 31 for more details.

Portion of the freehold properties are owner-occupied while the remaining portion are intended to be leased out to third parties. The carrying amount of owner-occupied properties amounting to US$6,654,000 are classified as freehold properties while the remaining portion amounting to US$3,834,000 are classified as investment properties. See Note 13 for more details.

Assets pledged as security

The portion of the freehold property at 31 Harrison Road, Singapore 369649 whose carrying amount is US$7,009,000 as at 31 December 2010 (2009: US$nil) is mortgaged to secure bank loans.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
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13. INVESTMENT PROPERTIES

	Group 2010 US$'000	Group 2009 US$'000
Cost		
At 1 January	3,045	2,107
Effect of change from fair value model to cost model	–	877
	3,045	2,984
Additions	3,834	–
Transfer to assets held for sale	(445)	–
Disposals	(1,377)	–
Exchange realignment	360	61
At 31 December	5,417	3,045
Accumulated depreciation		
At 1 January	1,679	986
Effect of change from fair value model to cost model	–	615
	1,679	1,601
Depreciation	45	37
Transfer to assets held for sale	(133)	–
Disposals	(800)	–
Exchange realignment	96	41
	887	1,679
Carrying amount		
At 31 December	4,530	1,366
Leasehold investment properties		
As at 1 January	–	262
Net loss through fair value adjustments recognised in profit or loss	–	–
Effect of change from fair value model to cost model	–	(262)
	–	–
Income statement:		
Rental income from investment properties:		
- Minimum lease payments	109	106
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	101	27

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13. INVESTMENT PROPERTIES (CONT'D)

Transfer to assets held for sale

On 31 December 2010, the Group transferred No 3 Upper Aljunied Link, Block B, Joo Seng Warehouse, #07-04 Singapore 367902, that was held as investment property to assets held for sale. The disposal was completed on 6 January 2011.

Properties pledged as security

The portion of the freehold property at 31 Harrison Road, Singapore 369649 whose carrying amount is US$4,038,000 as at 31 December 2010 (2009: US$nil) is mortgaged to secure bank loans.

Valuation of investment properties

Based on a valuation performed by an independent appraiser, Allied Appraisal Consultants Pte Ltd on 8 December 2010 (2009: 23 December 2009), 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$4,660,000 (2009: US$1,958,000).

Disposal of investment properties

During the financial year, the Group disposed off the following investment properties:

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

A total of US$ 557,000 are recognised in profit or loss as gain from disposal of investment properties.

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13. INVESTMENT PROPERTIES (CONT'D)

Details of Investment properties

The investment properties held by the Group as at 31 December 2010 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.	#03-01, #04-01, #05-01, #06-01, #07-01 and #07-02 of 31 Harrison Road, Singapore 369649*	6 units of a 11-Storey Building	Warehouse/ Office	Freehold

* Relates to the portion of the freehold properties which is intended to be leased out to third parties. See Note 12 for more details.

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2010	**2009**
	US$'000	US$'000
Unquoted shares, at cost	44,894	44,894
Impairment losses	(349)	(349)
Carrying amount of investments	44,545	44,545

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14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries as at 31 December are as follows:

Name of company (Country of incorporation)	**Principal activities**	**Percentage of equity held by the Group 2010 %**	**2009 %**
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			
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
Food Empire Real Estate Pte Ltd [(1)] (Formerly known as Empire Instant Food Pte Ltd) (Singapore)	Property investment holding	100	100
FER (HK) Limited [(2)] (Hong Kong)	Sales and marketing of instant food and beverages	100	100
PT Empire Prima Indonesia[(9)] (Indonesia)	Distribution, procurement, wholesale and trade of beverage products	60	–

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14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries as at 31 December are as follows: (cont'd)

Name of company (Country of incorporation)	**Principal activities**	**Percentage of equity held by the Group 2010 %**	**2009 %**
Held by Future Enterprises Pte Ltd			
Empire Distribution (Europe) Spółka Z Ograniczona Odpowiedzialnoscia [(6)] (Poland)	Distribution, procurement, wholesale and trade of beverage products	100	–
WELLDis LLP [(6)] (Kazakhstan)	Distribution, procurement, wholesale and trade of beverage products	100	–
Held by Foodaworld Marketing Pte Ltd			
Lovena Limited [(5)] (Cyprus)	Investment holding	100	100
Pavo Holding Limited [(5)] (Cyprus)	Investment holding	100	100
Held by Pavo Holding Limited			
Delta Future [(6)] (Ukraine)	Manufacturing of food products	100	100
FE Production Ltd [(6)] (Ukraine)	Manufacturing of food products	100	100
Held by Lovena Limited			
FES Distribution Limited [(6)] (Ukraine)	Sales and marketing of food products	100	100

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14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2010 %	2009 %
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 [6] (United Arab Emirates - Dafza)	Import, export, trading of food and beverages, management and finance support	100	100
Navas Services Limited [7] (Cyprus)	Investment holding	100	100
Bexar Limited [7] (Cyprus)	Licensing, management and finance support	100	100
Held by Navas Services Limited			
FES Products LLC [8] (Russia)	Manufacturing of instant beverages	100	100
Held by Bexar Limited			
Naturant System Inc.[6] (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) Audited by P. Kalopetrides & Co, Cyprus.
(6) Not required to be audited by the law of its country of incorporation.
(7) Audited by KPMG Cyprus.
(8) Audited by KPMG (Moscow, Russia).
(9) No audited financial statements had been prepared as company had remained dormant since incorporation.

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15. INVESTMENT IN ASSOCIATES

	Group	
	2010	**2009**
	US$'000	US$'000
Unquoted shares, at cost	9,947	5,622
Share of net post-acquisition reserves	1,588	904
	11,535	6,526

Acquisition

During the financial year, the Group acquired 40%, 30%, and 26% interest in PT Marindo Makmur Usahjaya, Empire Tea (PVT) Ltd and Vayhan Coffee Limited respectively.

The purchase price allocation of the acquisition of Vayhan Coffee Limited in the financial year ended 31 December 2010 was provisional as the Group had sought an independent valuation for the assets owned by Vayhan Coffee Limited. The results of this valuation had not been received at the date the 2010 financial statement were authorised for issue.

Disposal

During the financial year, the Group disposed off its 49% interest in Hyson Teas (Private) Limited for a total consideration of approximately US$754,000. A loss on disposal of interest, amounting to US$49,000 was recognised in the profit or loss.

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FOR THE YEAR ENDED 31 DECEMBER 2010
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15. INVESTMENT IN ASSOCIATES (CONT'D)

Details of the associates as at 31 December are as follows:

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2010 %	2009 %
Held by a subsidiary			
Simonelo Limited[(1)] (Cyprus)	Investment holding	50	50
Triple Ace Ventures Limited[(2)] (British Virgin Islands)	Investment holding	50	50
PT Marindo Makmur Usahjaya[(3)] (Indonesia)	Manufacturing of frozen seafood products	40	–
Empire Tea (PVT) Ltd[(4)] (Sri Lanka)	Exporter of bulk, packet and bagged tea	30	–
Vayhan Coffee Limited[(5)] (India)	Manufacturing of instant coffee in spray dried, agglomerated forms	26	–

(1) Audited by KPMG Cyprus.
(2) Not required to be audited by the law of its country of incorporation.
(3) Audited by Drs. Suprihadi dan Rekan, Indonesia
(4) Audited by HLB Edirisinghe & Company, Sri Lanka
(5) Audited by GMK Associates, Chartered Accountants, India

notes to the financial statements

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15. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information of the associates is as follows:

	Group	
	2010	**2009**
	US$'000	US$'000
Assets and liabilities:		
Current assets	43,948	10,585
Non-current assets	35,952	9,038
Total assets	79,900	19,623
Current liabilities	21,391	4,355
Non-current liabilities	32,545	6,436
Total liabilities	53,936	10,791
Revenue	58,611	7,286
Profit for the year	1,789	887

16. AMOUNT DUE FROM AN ASSOCIATE (NON-CURRENT)

	Group	
	2010	**2009**
	US$'000	US$'000
3 years, unsecured long term loan	1,308	–
Non-current portion of the remaining outstanding balance of a 5 year loan provided in financial year 2007	–	309
	1,308	309

The non-current portion of the remaining outstanding balance of a 5 year loan was unsecured, and bears a floating interest rate of 1.84% to 3.70% (2009: 2.3% to 4.0%) per annum during the financial year (Note 23). The amount was fully repaid by the associate during the financial year.

The 3 years loan of US$1,308,000 is unsecured and bears a floating interest rate of 7% per annum during the financial year.

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FOR THE YEAR ENDED 31 DECEMBER 2010
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17. INTANGIBLE ASSETS

	Goodwill US$'000	Brand US$'000	Total US$'000
Cost			
At the beginning and ending of the year for financial year 2010 and 2009	7,390	8,361	15,751
Accumulated amortisation and impairment			
At the beginning and ending of the year for financial year 2010 and 2009	706	1,702	2,408
Net carrying amount			
At 31 December 2010	6,684	6,659	13,343
At 31 December 2009	6,684	6,659	13,343

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	
	2010 US$'000	2009 US$'000
FER (HK) Limited Group	4,797	4,797
FES Industries Pte Ltd	1,887	1,887
Russia and Ukraine segment	–	–
Brand	6,659	6,659
	13,343	13,343

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 a five year period. Management have considered and determined the factors applied in these financial budgets which include budgeted gross margins and average growth rate. The budgeted gross margins are based on past performance and its expectation of market development.

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17. INTANGIBLE ASSETS (CONT'D)

Impairment loss recognised

During the financial year, no impairment loss (2009: US$706,000 and US$1,702,000) was recognised to write-down the carrying amount of goodwill attributed to the Russia and Ukraine segment and the brand value respectively.

18. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group	
	2010	**2009**
	US$'000	US$'000
Deferred tax assets		
Sundry provisions	95	69
Deferred tax liabilities		
Excess of net book value over tax written down value	(508)	(351)
Others	–	(49)
Gross deferred tax liabilities	(508)	(400)

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

	Group	
	2010	**2009**
	US$'000	US$'000
Tax losses	562	305
Unabsorbed capital allowances	–	12
	562	317

notes to the financial statements

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18. DEFERRED TAX (CONT'D)

At the balance sheet date, the Group has taxes losses of approximately US$2,371,000 (2009: US$1,663,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. 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.

19. DEBENTURES

During the year, the Group purchased 5.5 years mandatory convertible debentures through one of its subsidiaries for US$669,000. The debentures bear interest at 12% per annum and the principal is convertible into the issuer's equity at a discount of 50% over its value.

During the financial year, the Group has recognised fair value change of US$76,000 in "Fair Value Adjustment Reserve" after a fair valuation exercise.

20. INVENTORIES

	Group	
	2010	**2009**
	US$'000	US$'000
Balance sheet:		
Raw materials	8,967	7,539
Packaging materials	3,912	3,093
Finished products/trading goods	10,775	7,323
Total inventories at lower of cost and net realisable value	23,654	17,955
Income statement:		
Inventories written down	440	782

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21. PREPAID OPERATING EXPENSES AND OTHER DEBTORS

	Group	
	2010	2009
	US$'000	US$'000
Deposits	1,040	673
Prepayments	1,312	806
	2,352	1,479

22. AMOUNTS DUE FROM/(TO) SUBSIDIARIES (NON-TRADE)

	Company	
	2010	2009
	US$'000	US$'000
Amounts due from subsidiaries	3,322	2,521
Allowance for doubtful receivables	(2,720)	(2,521)
	602	–
Amounts due to subsidiaries	(21)	(167)

The amounts due from and due to subsidiaries are unsecured, interest-free, to be settled in cash and are expected to be repayable on demand.

23. AMOUNTS DUE FROM ASSOCIATES (CURRENT)

	Group	
	2010	2009
	US$'000	US$'000
Unsecured, repayable on demand and interest free	390	370
Current portion of the remaining outstanding balance of a 5 year loan provided in financial year 2007	–	600
	390	970

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23. AMOUNTS DUE FROM ASSOCIATES (CURRENT) (CONT'D)

The current portion of the remaining outstanding balance of a 5 year loan was unsecured and bears a floating interest rate of 1.84% to 3.70% (2009: 2.3% to 4.0%) per annum during the financial year (Note 16). The amount was fully repaid by the associate during the financial year.

24. TRADE RECEIVABLES

	Group	
	2010	**2009**
	US$'000	US$'000
Trade receivables	49,880	37,255
Allowance for doubtful receivables	(219)	(766)
	49,661	36,489

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.

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group	
	2010	**2009**
	US$'000	US$'000
Singapore Dollar	517	528
Euro	432	392
Russia Rubles	4,593	4,444
Others	354	410

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24. TRADE RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$4,628,000 (2009: US$7,757,000) 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	
	2010	**2009**
	US$'000	US$'000
Trade receivables past due:		
Lesser than 90 days	4,470	6,713
91 to 120 days	12	452
121 to 150 days	4	104
More than 150 days	142	488
	4,628	7,757

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*	
	2010	**2009**
	US$'000	US$'000
Trade receivables – nominal amounts	224	11,960
Less: Allowance for impairment	(219)	(766)
	5	11,194

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24. TRADE RECEIVABLES (CONT'D)

Receivables that are impaired (cont'd)

	Group	
	Individually impaired	
	2010	**2009**
	US$'000	US$'000
Movement in allowance accounts:		
At 1 January	766	93
Charge for the year	505	861
Bad debts written off against provision	(1,052)	(187)
Exchange realignment	–	(1)
At 31 December	219	766

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 2010, net impairment loss on trade receivables of US$505,000 (2009: US$861,000) was recognised in the profit or loss subsequent to a debt recovery assessment performed.

25. OTHER RECEIVABLES

	Group	
	2010	**2009**
	US$'000	US$'000
Staff advances	171	235
Sundry receivables	254	349
Tax recoverable	123	135
	548	719

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

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26. DERIVATIVES

During the year, the Group has entered into 5.5 years forward contract with one of its associates for US$634,000. The forward contract relates to sale of 5% shareholding in the associate at a minimum price per share back to the associate.

As at 31 December 2010, the Group has recognised fair value gain on derivative of US$50,000 in profit or loss after a fair value exercise.

27. ASSETS HELD FOR SALE

On 31 December 2010, the Group transferred No 3 Upper Aljunied Link, Block B, Joo Seng Warehouse, #07-04 Singapore 367902, that was held as investment property to assets held for sale. The disposal was completed on 6 January 2011.

28. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	US$'000	US$'000	US$'000	US$'000
Cash and bank balances	41,670	61,291	231	108

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging from 0.1% to 0.5% (2009: 0.1% to 0.4%) per annum.

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	US$'000	US$'000	US$'000	US$'000
Singapore Dollar	4,830	3,363	231	108
Euro	337	607	–	–
Russia Roubles	313	57	–	–
Malaysia Ringgit	346	289	–	–
Vietnam Dong	136	319	–	–
Others	142	96	–	–

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29. TRADE PAYABLES AND ACCRUALS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	US$'000	US$'000	US$'000	US$'000
Trade payables	18,384	16,028	58	50
Accruals	7,994	5,149	868	228
Total trade payables and accruals	26,378	21,177	926	278

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	
	2010	**2009**	**2010**	**2009**
	US$'000	US$'000	US$'000	US$'000
Singapore dollar	2,195	3,332	230	278
Euro	489	257	–	–
Russia Roubles	1,154	837	–	–
Malaysia Ringgit	471	141	–	–
Others	331	307	–	–

30. OTHER PAYABLES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	US$'000	US$'000	US$'000	US$'000
Rental and other deposits	112	31	–	–
Sundry payables	1,113	123	–	–
Other payables	1,225	154	–	–

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30. OTHER PAYABLES (CONT'D)

A portion of the sundry payables of approximately US$1,081,000 relates to remaining payable amount for the purchase of the freehold properties, 31 Harrison Road, Singapore 369649, which will be due in 2011.

The remaining sundry payables are non-interest bearing and are normally settled on a 120-day terms.

31. INTEREST-BEARING LOANS AND BORROWINGS

	Maturity	Group		Company	
		2010	**2009**	**2010**	**2009**
		US$'000	US$'000	US$'000	US$'000
Current					
- USD loan at SIBOR + 2.00% p.a.	2011	–	3,336	–	–
- SGD loan at SIBOR + 0.85% p.a.	2011	627	–	–	–
		627	3,336	–	–
Non-current					
- USD loan at SIBOR + 2.00% p.a.	2011	–	2,494	–	–
- SGD loan at SIBOR + 0.85% p.a.	2020	5,485	–	–	–
		5,485	2,494	–	–
Total Loans and borrowings		6,112	5,830	–	–

USD loan at SIBOR + 2.00% p.a.

This loan is unsecured and is repayable every quarter.

During the financial year, the Group had voluntary repaid and settled the full outstanding amount of the loan before maturity.

SGD loan at SIBOR + 0.85% p.a.

During the financial year, a subsidiary of the Group has taken up the loan to finance the purchase of the freehold properties, 31 Harrison Road Singapore 369649. The loan is secured by a first mortgage over the freehold properties. See Note 12 and 13 for more details.

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32. SHARE CAPITAL

	Group and Company	
	2010	2009
	US$'000	US$'000
Issued and fully paid:		
At beginning and ending of the year		
529,043,999 (2009: 529,043,999) ordinary shares	39,666	39,666

There were no ordinary shares issued during the financial year 2010 and 2009.

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.

As 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 8,640,000 (2009: 3,890,000) ordinary shares. Details of outstanding options are set out in Note 34.

33. RESERVES

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Foreign currency translation reserve	1,301	756	3,963	4,007
Asset revaluation reserve	60	60	–	–
Share-based payment reserve	535	324	535	324
Fair value adjustment reserve	(76)	–	–	–
Accumulated profits	92,684	82,895	271	232
	94,504	84,035	4,769	4,563

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33. RESERVES

(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.

(b) *Asset revaluation reserve*

The asset revaluation reserve represents increases in the fair value of freehold and leasehold properties, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

(c) *Share-based payment reserve*

Share-based payment reserve represents the equity-settled share options granted to employees (Note 34). 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.

(d) *Fair value adjustment reserve*

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of debentures until they are disposed or impaired.

34. 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.

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34. EMPLOYEE BENEFITS (CONT'D)

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 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			

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34. EMPLOYEE BENEFITS (CONT'D)

Movements in the number of ordinary shares outstanding under the Option Scheme as at 31 December 2010 and the details of the Option Scheme are as follows:

	Number of holders at end of year	Number of options outstanding at 1.1.2010	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 31.12.2010	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	1.24
2004 Options	3	3,650,000	–	–	–	3,650,000	0.229	25 May 2006 to 24 May 2014	3.40
2010 Options	18	–	4,750,000	–	–	4,750,000	0.335	4 January 2011 to 3 January 2020	9.00
	25	3,890,000	4,750,000	–	–	8,640,000			

[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.

Out of the 8,640,000 (2009: 3,890,000) outstanding options on 31 December 2010, 3,890,000 (2009: 3,890,000) shares are exercisable.

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 are shown below:

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34. EMPLOYEE BENEFITS (CONT'D)

(a) 2004 Options

	Group Grant – 10 years	Group 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[1] (%)	2.039 - 2.687	1.413 - 2.175
Expected life of option[2] (years)	4.000 - 5.500	2.75 - 4.250
Weighted average share price (S$)	0.35	0.35

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

(b) 2010 Options

	Group Grant 10 years
Average dividend per share (S$)	0.01262
Expected volatility (%)	45.36
Risk-free rate (%)	1.088
Expected life of option (years)	4
Weighted average share price (S$)	0.335

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34. EMPLOYEE BENEFITS (CONT'D)

(b) 2010 Options (cont'd)

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.

35. 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.

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35. SEGMENT INFORMATION (CONT'D)

	Beverages		Others		Total	
	2010	2009	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue						
Segment revenue from external customers	164,886	122,903	10,917	11,939	175,803	134,842
Results						
Interest income	147	130	11	14	158	144
Dividend income	–	21	–	–	–	21
Depreciation of property, plant and equipment	(1,841)	(1,717)	(29)	(19)	(1,870)	(1,736)
Depreciation of investment properties	–	–	(45)	(37)	(45)	(37)
Share of profit/(loss) of associates	180	(43)	694	374	874	331
Impairment of intangible assets	–	(2,408)	–	–	–	(2,408)
Interest expenses	(90)	(395)	(7)	(44)	(97)	(439)
Write back of impairment of property, plant and equipment	–	15	–	–	–	15
Other non-cash expenses [(a)]	(952)	(1,535)	(154)	(94)	(1,106)	(1,629)
Segment profit before tax	11,980	2,289	1,621	890	13,601	3,179

(a) Other non-cash expenses consist of allowance for doubtful debts, write back of impairment loss on other receivable and amount due from associates, write-down of inventories, fair value gain on derivatives and value of employees services received for issue of share option as presented in the respective notes to the financial statements.

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35. SEGMENT INFORMATION (CONT'D)

	Beverages		Others		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Assets						
Segment assets	143,735	124,559	25,111	27,605	168,846	152,164
Deferred tax assets					95	69
Total assets per consolidated financial statements					168,941	152,233
Liabilities						
Segment liabilities	25,042	20,599	3,552	1,990	28,594	22,589
Interest-bearing loans and borrowings					6,112	5,830
Deferred tax liabilities					65	113
Total liabilities per consolidated financial statements					34,771	28,532
Other Information						
Investment in associates	4,006	726	7,529	5,800	11,535	6,526
Additions to non-current assets	7,998	2,043	3,844	5	11,842	2,048

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35. SEGMENT INFORMATION (CONT'D)

Geographical information

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

	Group	
	2010	**2009**
	US$'000	US$'000
Russia	100,498	68,156
Eastern Europe and Central Asia	55,228	49,223
Other countries	20,077	17,463
	175,803	134,842

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

	Group	
	2010	**2009**
	US$'000	US$'000
Singapore	17,565	7,608
Malaysia	2,226	1,920
Russia	10,877	11,431
Eastern Europe and Central Asia	4,419	4,397
Other countries	724	681
	35,811	26,037

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$ 91,860,000 (2009: US$53,242,000), arising from sales and services in the beverages segment.

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36. COMMITMENTS AND CONTINGENCIES

Operating lease commitments as lessee

The Group leases certain properties under lease agreements which expire at various dates till 2020. Rental expenses were US$2,964,000 and US$3,255,000 for the years ended 31 December 2010 and 2009 respectively.

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

	Group	
	2010	**2009**
	US$'000	US$'000
Within one year	2,447	2,115
After one year but not more than five years	413	1,398
More than five years	332	298
	3,192	3,811

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 2010.

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

	Group	
	2010	**2009**
	US$'000	US$'000
Within one year	85	94
After one year but not more than five years	136	8
	221	102

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36. COMMITMENTS AND CONTINGENCIES (CONT'D)

Finance lease commitments

The outstanding obligations under the financial lease for motor vehicles were fully settled during the current financial year.

Contingent liabilities

The Company has given a corporate guarantee to bank amounting to US$53,145,000 (2009: US$45,775,000) to secure banking facilities granted to its subsidiaries.

37. RELATED PARTY TRANSACTIONS

(a) Sales 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:

	2010 US$'000	**2009** US$'000
Triple Ace Ventures Limited and its subsidiaries		
- Interest income received	(19)	(44)
Loans provided	1,308	–
Simonelo Limited and its subsidiaries		
- Rental expense paid	1,882	1,927
- Sale of goods	2	–
- Sale of property, plant and equipment	10	–
Companies associated to a substantial shareholder		–
- Consumption of services	2	–
- Sale of goods	270	–

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37. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Compensation of key management personnel

	Group	
	2010	**2009**
	US$'000	US$'000
Salaries, wages and other staff benefits	2,684	1,599
Central Provident Fund contributions	82	32
Value of employee services received for issue of share options	154	–
Total compensation paid to key management personnel	2,920	1,631
Comprise amounts paid to:		
• Directors of the Company	1,415	712
• Other key management personnel	1,505	919
Total compensation paid to key management personnel	2,920	1,631

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 34.

As at 31 December 2010, 4,900,000 (2009: 3,300,000) share options were outstanding to the Directors of the Company.

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38. 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.

(a) Fair value of financial instruments that are carried at fair value

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices) (Level 2); and
(iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

2010	**Quoted prices in active markets for identical instruments** (Level 1) US$'000	**Significant other observable inputs** (Level 2) US$'000	**Significant unobservable inputs** (Level 3) US$'000	**Total** US$'000
Financial assets:				
Available-for-sale financial assets				
- Debentures (Note 19)	–	–	593	593
Derivatives				
- Forward contract (Note 26)	–	–	684	684
	–	–	1,277	1,277

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38. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(a) Fair value of financial instruments that are carried at fair value (cont'd)

Movements in Level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial assets measured at fair value based on significant unobservable inputs:

	Available-for sale financial assets	Derivatives	Total
	US$'000	US$'000	US$'000
Opening balance	–	–	–
Addition	669	634	1,303
Total gain or losses:			
In other comprehensive income (i)	(76)	–	(76)
In profit or loss (ii)	–	50	50
Closing balance	593	684	1,277

(i) Included in other comprehensive income under the line item "Net loss on fair value changes of debentures".

(ii) Included in Other income under the line item "Fair value gain on derivatives".

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38. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Classification of financial instruments

Group 2010	Fair value through profit or loss US$'000	Available for sale US$'000	Loans and receivables US$'000	Liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Assets						
Property, plant and equipment	–	–	–	–	17,938	17,938
Investment properties	–	–	–	–	4,530	4,530
Investment in associates	–	–	–	–	11,535	11,535
Amount due from an associate	–	–	1,308	–	–	1,308
Intangible assets	–	–	–	–	13,343	13,343
Deferred tax assets	–	–	–	–	95	95
Debentures	–	593	–	–	–	593
Inventories	–	–	–	–	23,654	23,654
Prepaid operating expenses and deposits	–	–	–	–	2,352	2,352
Deferred expenses	–	–	–	–	328	328
Amounts due from associates (non-trade)	–	–	390	–	–	390
Trade receivables	–	–	49,661	–	–	49,661
Other receivables	–	–	425	–	123	548
Derivatives	684	–	–	–	–	684
Assets held for sale	–	–	–	–	312	312
Cash and cash equivalents	–	–	41,670	–	–	41,670
	684	593	93,454	–	74,210	168,941

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38. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Classification of financial instruments (cont'd)

Group 2010	**Fair value through profit or loss** US$'000	**Available for sale** US$'000	**Loans and receivables** US$'000	**Liabilities at amortised cost** US$'000	**Non-financial assets/ liabilities** US$'000	**Total** US$'000
Liabilities						
Trade payables and accruals	–	–	–	26,378	–	26,378
Other payables	–	–	–	1,113	112	1,225
Interest-bearing loans and borrowings (current)	–	–	–	627	–	627
Provision for taxation	–	–	–	–	548	548
Interest-bearing loans and borrowings (non-current)	–	–	–	5,485	–	5,485
Deferred tax liabilities	–	–	–	–	508	508
	–	–	–	33,603	1,168	34,771

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38. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Classification of financial instruments (cont'd)

Group 2009	**Fair value through profit or loss** US$'000	**Available for sale** US$'000	**Loans and receivables** US$'000	**Liabilities at amortised cost** US$'000	**Non-financial assets/ liabilities** US$'000	**Total** US$'000
Assets						
Property, plant and equipment	–	–	–	–	11,328	11,328
Investment properties	–	–	–	–	1,366	1,366
Investment in associates	–	–	–	–	6,526	6,526
Amount due from an associate	–	–	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 associates (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

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

38. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Classification of financial instruments (cont'd)

Group 2009	**Fair value through profit or loss** US$'000	**Available for sale** US$'000	**Loans and receivables** US$'000	**Liabilities at amortised cost** US$'000	**Non-financial assets/ liabilities** US$'000	**Total** US$'000
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

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

38. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Classification of financial instruments (cont'd)

Company 2010	Loans and receivables US$'000	Liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Assets				
Investment in subsidiaries	–	–	44,545	44,545
Prepaid operating expenses	–	–	4	4
Amounts due from subsidiaries (non-trade)	602	–	–	602
Cash and cash equivalents	231	–	–	231
	833	–	44,549	45,382
Liabilities				
Trade payables and accruals	–	926	–	926
Amounts due to subsidiaries	–	21	–	21
	–	947	–	947
Company 2009				
Assets				
Investment in subsidiaries	–	–	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
Amounts due to subsidiaries	167	–	–	167
	167	278	–	445

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

39. 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.

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. There has been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the 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.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) *Credit risk (cont'd)*

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	
	2010	**2009**	**2010**	**2009**
	US$'000	US$'000	US$'000	US$'000
By country:				
Russia	30,866	18,747	–	–
Eastern Europe and Central Asia	12,831	12,949	–	–
Other countries	5,964	4,793	–	–
	49,661	36,489	–	–

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 24.

(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.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

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 **2010**	**Within 1 year** US$'000	**Within 1 to 5 years** US$'000	**More than 5 years** US$'000	**Total** US$'000
Trade and other receivables	50,209	–	–	50,209
Cash and cash equivalents	41,670	–	–	41,670
Loans and borrowings	627	2,508	2,977	6,112
Trade and other payables	27,603	–	–	27,603
	120,109	2,508	2,977	125,594
2009				
Trade and other receivables	37,208	–	–	37,208
Cash and cash equivalents	61,291	–	–	61,291
Loans and borrowings	3,336	2,494	–	5,830
Finance lease creditors	4	11	–	15
Trade and other payables	21,331	–	–	21,331
	123,170	2,505	–	125,675
Company **2010**				
Amounts due from subsidiaries (non-trade)	602	–	–	602
Cash and cash equivalents	231	–	–	231
Trade and other payables	926	–	–	926
Amounts due to subsidiaries (non-trade)	21	–	–	21
	1,780	–	–	1,780

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

Company 2009	Within 1 year US$'000	Within 1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
Amounts due from subsidiaries (non-trade)	–	–	–	–
Cash and cash equivalents	108	–	–	108
Trade and other payables	278	–	–	278
Amounts due to subsidiaries (non-trade)	167	–	–	167
	553	–	–	553

(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 favorable 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
2010		
Cash and cash equivalents	+10	52
Amounts due from associates (non-trade)	+100	11
Loans and borrowings	+100	(61)
2009		
Cash and cash equivalents	+10	41
Amounts due from associates (non-trade)	+100	15
Loans and borrowings	+100	(58)

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) *Interest rate risk (cont'd)*

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

2010 **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							
Debentures	–	–	–	–	–	593	593
Floating rate							
Cash and bank balances	41,670	–	–	–	–	–	41,670
Amount due from an associate	–	–	1,308	–	–	–	1,308
Interest-bearing loans and borrowings	(627)	(627)	(627)	(627)	(627)	(2,977)	(6,112)
2010 **Company**							
Floating rate							
Cash and bank balances	231	–	–	–	–	–	231

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) *Interest rate risk (cont'd)*

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 an associate	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

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign currency risk

The Group has transactional currency exposures arising from sales, purchases or operating costs by operating units in currencies other than the unit's functional currency. Approximately 1.6% (2009: 1.7%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst 84.0% (2009: 83.4%) 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, Malaysia Ringgit (RM) and Indian Rupees (INR) against the respective functional currencies of the Group entities, with all variables held constant, of the Group's profit net of tax.

		Group	
		2010	**2009**
		US$'000	US$'000
SGD/USD	- strengthened 5% (2009: 5%)	22	35
	- weakened 5% (2009: 5%)	(22)	(35)
EURO/USD	- strengthened 5% (2009: 5%)	14	37
	- weakened 5% (2009: 5%)	(14)	(37)
RM/USD	- strengthened 5% (2009: 5%)	114	79
	- weakened 5% (2009: 5%)	(114)	(79)
INR/USD	- strengthened 5% (2009: 5%)	34	–
	- weakened 5% (2009: 5%)	(34)	–

40. 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 2010 and 31 December 2009.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
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40. CAPITAL MANAGEMENT (CONT'D)

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

	2010 US$'000	2009 US$'000
Loans and borrowings (Note 31)	6,112	5,830
Finance lease creditors (Note 36)	–	15
Trade payables and accruals (Note 29)	26,378	21,177
Other payables (Note 30)	1,225	154
Less: Cash and cash equivalents (Note 28)	(41,670)	(61,291)
Net debt	(7,955)	(34,115)
Equity attributable to the equity holders of the parent	134,170	123,701
Capital and net debt	126,215	89,586

41. EVENT OCCURRING AFTER THE BALANCE SHEET DATE

(a) On 6 January 2011, the Group has completed the disposal of No. 3 Upper Aljunied Link, Block B, Joo Seng Warehouse, #07-04 Singapore 367902, which has been classified as assets held for sale (Note 13) as at 31 December 2010, for a cash consideration of US$669,000.

(b) On 1 February 2011, the Company granted 4,750,000 options to subscribe for ordinary shares exercisable between 1 February 2012 to 31 January 2021 at market price of S$0.505 per share to selected group of directors and employees eligible under the Option Scheme.

notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010
CONT'D

41. EVENT OCCURRING AFTER THE BALANCE SHEET DATE (CONT'D)

Details of the 1 February options granted are as follows:

	Exercisable period	Number of options granted which is exercisable
Tranche 1	1 February 2012 to 31 January 2021	1,900,000
Tranche 2	1 February 2013 to 31 January 2021	1,425,000
Tranche 3	1 February 2014 to 31 January 2021	1,425,000
		4,750,000

42. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 26 March 2011.

shareholders' information

as at 17 March 2010

Class of equity securities	:	Ordinary share
No. of equity securities	:	529,163,999
Voting rights	:	One vote per share

As at 17 March 2011, the Company did not hold any treasury shares.

DIRECTORS' SHAREHOLDINGS AS AT 17 MARCH 2011

(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	-	-	480,000	0.09
Sudeep Nair	30,932,399	5.85	4,680,000	0.88
Ong Kian Min	-	-	720,000	0.14
Boon Yoon Chiang	40,000	0.01	-	-

SUBSTANTIAL SHAREHOLDERS AS AT 17 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)	-	-	132,079,200	24.96
Universal Integrated Corporation Consumer Products Pte. Ltd.	132,079,200	24.96	-	-
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

shareholders' information

as at 17 March 2010

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 the ultimate beneficial owner of the entire issued share capital of Trevose International Pte Ltd, which is the sole shareholder of Universal Integrated Corporation Consumer Products Pte Ltd. Mr Anthoni Salim is deemed to have an interest in the Shares held by Universal Integrated Corporation Consumer Products Pte Ltd.

PUBLIC FLOAT

As at 17 March 2011, 36.43% 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 17 March 2010

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	41	2.91	16,335	0.00
1,000 - 10,000	747	53.02	3,035,465	0.58
10,001 - 1,000,000	588	41.73	40,756,600	7.70
1,000,001 and above	33	2.34	485,355,599	91.72
TOTAL :	1,409	100.00	529,163,999	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	DBS NOMINEES PTE LTD	133,983,500	25.32
2.	TAN GUEK MING	67,367,400	12.73
3.	RAFFLES NOMINEES (PTE) LTD	53,010,000	10.02
4.	TAN WANG CHEOW	52,440,000	9.91
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	33,826,900	6.39
6.	SUDEEP NAIR	30,932,399	5.85
7.	OON PENG HENG	13,005,500	2.46
8.	KIM ENG SECURITIES PTE. LTD.	11,045,400	2.09
9.	KOH PUAY LING	11,000,000	2.08
10.	OON PENG LIM	10,496,300	1.98
11.	CHAN MENG HUAT	9,567,000	1.81
12.	TAN BIAN CHYE	7,409,800	1.40
13.	OON PENG LAM	6,010,500	1.14
14.	UOB KAY HIAN PTE LTD	4,744,000	0.90
15.	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,963,400	0.75
16.	MERRILL LYNCH (SINGAPORE) PTE LTD	3,692,800	0.70
17.	LIM SIEW KHENG	3,160,000	0.60
18.	HSBC (SINGAPORE) NOMINEES PTE LTD	3,114,400	0.59
19.	OON PENG WAH	3,022,500	0.57
20.	DBS VICKERS SECURITIES (S) PTE LTD	2,772,400	0.52
	TOTAL :	464,564,199	87.81

notice of annual general meeting

COMPANY REGISTRATION NO. 200001282G
INCORPORATED IN THE REPUBLIC OF SINGAPORE

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Food Empire Holdings Limited ("the Company") will be held at River View Hotel, Lily Ballroom, Level 4, 382 Havelock Road, Singapore 169629 on Thursday, 28 April 2011 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2010 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of 1.05 Singapore cents per ordinary share (one-tier tax exempt) for the year ended 31 December 2010 (2009: 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)). **(Resolution 2)**

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

   Mr Sudeep Nair **(Resolution 3)**
   Mr Ong Kian Min **(Resolution 4)**
   Mr Hartono Gunawan **(Resolution 5)**

   Mr Ong Kian Min will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and member of the Nominating and Remuneration Committees 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 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$306,000 for the year ended 31 December 2010 (2009: 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.

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AS SPECIAL BUSINESS

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

8. **Authority to issue shares**

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

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

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

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

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

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares 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 manner of 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 the exercise of 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) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

notice of annual general meeting

COMPANY REGISTRATION NO. 200001282G
INCORPORATED IN THE REPUBLIC OF SINGAPORE

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)] **(Resolution 9)**

9. **Authority to issue shares 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 (iii)] **(Resolution10)**

10. **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 11 April 2011 (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 (iv)] **(Resolution11)**

By Order of the Board

Tan Cher Liang
Tan San-Ju

Secretaries

Singapore,

11 April 2011

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INCORPORATED IN THE REPUBLIC OF SINGAPORE

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.

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.

(iii) The Ordinary Resolution 10 in item 9 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.

(iv) The Ordinary Resolution 11 proposed 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, 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 11 April 2011. 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 2010 are set out in greater detail in Paragraph 2.7 to the Circular to shareholders.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies 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 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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			

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 2011 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 Financial Statements for the year ended 31 December 2010		
2	Payment of proposed first and final dividend		
3	Re-election of Mr. Sudeep Nair as a Director		
4	Re-election of Mr. Ong Kian Min as a Director		
5	Re-election of Mr. Hartono Gunawan as a Director		
6	Re-appointment of Mr. Boon Yoon Chiang as a Director		
7	Approval of Directors' fees amounting to S$306,000		
8	Re-appointment of Ernst & Young LLP as Auditors		
9	Authority to issue shares		
10	Authority to issue shares under Food Empire Holdings Limited Employees' Share Option Scheme		
11	Renewal of Share Purchase Mandate		

Dated this ________ day of ______________ 2011

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

____

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

Notes :

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

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

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

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

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 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.

This Annual Report is published by Food Empire Holdings Limited.

For enquiries, please call +65 6622 6900 or email to info@foodempire.com for more information.

Design & Art Direction by
Credence Partnership

Food Empire

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