EMPIRE NETWORKS 100%

FORECAST:
SUNNY

High:31°
Low:25°

2011

FOOD EMPIRE HOLDINGS LIMITED ANNUAL REPORT 2011: **MOVING WITH THE TIMES**

UNLOCK VALUES

EMPIRE NETWORKS 100%

Food Empire Holdings Limited

F.Y. 2011
Annual Report

Compass | Mission Statement

We aim to be the 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.

Calendar | Introduction

Information Architecture

1 and 0. Two simple numbers that have resulted in the freewheeling digital revolution of this era.

Many will recall that not too long ago, communication by faxes, snail mail and face-to-face meetings were the norm. Today, more than 2 billion people worldwide are plugged into the Internet, emails and text messaging are favoured over telephone calls, and virtual conferences occur in every other business organisation. Even tiny toddlers scroll iPhones and iPads with deftness and decisiveness.

Yet, this is not the end of the story. The evolving phenomenon continues every day. In the foreseeable future, smart phones are likely to replace all basic mobile phones. A little farther down the road, augmented reality applications could become, well, reality. And what about real-time language translation, and electronic telepathy one day?

When put against advancements in technology, Food Empire's very own revolution is equally remarkable. Because here, the importance of constant innovation, adaptation and chance is deeply etched in the Group's DNA.

At Food Empire, we work not just for the present, but for the future. Big dreams are never brushed aside but are instead set in motion, tried and tested until the world is ready for them. It is with unconventional foresight that we set new trends, explore new markets and engage in strategic collaborations. This is how we surf ahead of the competition, ahead of the times.

Analogue Turns Digital
The Descent of the Information Age

YEAR
1844

Morse code telegraphy, created by Samuel Morse, Joseph Henry and Alfred Vail, came into mainstream use.

YEAR
1876

Alexander Graham Bell invented the telephone and submitted it for patent rights.

YEAR
1895

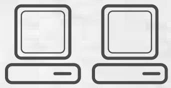
The Marconi Company in England built a wireless system to transmit radio signals at long distances (wireless telegraphy).

tv

YEAR
1926

John Logie Baird demonstrated a working television set to members of the Royal Institution in London and one newspaper reporter.

Calendar | Introduction



YEAR
1944

Harvard Mark I computers, developed by Howard Aiken and Grace Hopper, were used by the US government.

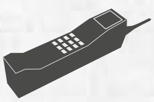
YEAR
1951

Alexander Graham Bell and Thomas A. Watson exhibit an electric telephone in Boston.

www

YEAR
1969

Tim Berners-Lee gave the world ARPAnet, the first version of the Internet.



YEAR
1973

Martin Cooper of Motorola made the first analogue mobile phone. It weighed 1kg.

YEAR
1975

IBM 5100 was the first commercially available laptop.

YEAR
1989

GRidPad, a tablet by GRiD Systems Corporation, was made available to the public.

YEAR
1993

IBM Simon was the first commercial smart phone.

YEAR
2007

Apple Inc. introduced its first iPhone.

YEAR
2010

Apple Inc. released the first iPad in April 2010.

Notes | Corporate Profile

“Be a yardstick of quality. Some people aren’t used to an environment where excellence is expected.” -Steve Jobs

Food Empire is unabashedly hardwired for success. A relentless quest for growth and relevance has turned Food Empire Holdings (Food Empire) to be the leading global food company it is today. Listed on the SGX Mainboard, the Group manufactures and markets a comprehensive range of award-winning instant beverage products, frozen convenience food, confectionery and snack food.

Food Empire strategically seizes every window of opportunity in both emerging and established markets, exporting its products to over 60 countries such as Russia, Ukraine, Kazakhstan, Central Asia, China, Indochina, the Middle East, Mongolia and the U.S. The Group has a network of 17 offices (representative and liaison) in Russia, Ukraine, Kazakhstan, Uzbekistan, Iran, Poland, UAE, Mongolia and Vietnam.

Among the Group’s innovative creations include regular and flavoured coffee mixes and cappuccinos, chocolate drinks, instant breakfast cereal and flavoured fruit teas. It also markets a refreshing range of food products including snack food such as potato crisps, confectionery and an assortment of frozen convenience food such as bite-sized seafood, dim sum and spring roll, providing respite for wired minds at any time of the day.

Notes | Corporate Profile

Two crucial factors power the Food Empire system: effective brand management and distribution. Brands including MacCoffee, Petrovskaya Sloboda, Klassno, Hyson, OrienBites and Kracks have spun off more than 200 types of products. And MacCoffee - the Group's flagship brand - has been consistently ranked as the leading 3-in-1 instant coffee brand in the Group's core markets, including Russia, Ukraine and Kazakhstan.

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

In a world that moves faster every day, Food Empire is not just going to keep up; it is charging ahead of the competition by continuously refreshing its thoughts and operations, and logging into consumer mindsets to deliver what the world truly wants. A consuming process, but at the same time, the only way forward here at Food Empire.

CHAIRMAN'S STATEMENT

SEARCH

FEBRUARY 2012

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29			

FOOD EMPIRE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

Running a System of Optimised Performance

As technology and change dominate our fast pace lives, there are simple pleasures that can never be replaced. Such as relishing a moment with a cup of coffee from Food Empire and sharing a common sentiment despite the diversity of geographical and cultural backgrounds.

Food Empire is built around giving people these types of satisfying experiences, every time they enjoy one of our products. That's why our brands are market leaders in our key markets, commanding the support of millions of consumers.

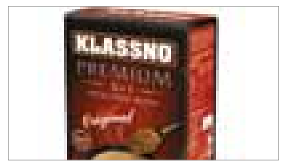
It was the loyalty of our consumers as well as the many new converts we won in 2011 that helped us achieve our best sales performance ever. The Group achieved a record revenue of US$225.7 million in 2011. Our profit after tax was US$14.8 million, an increase of 8.4% in 2011.

Prior to 2011, the Group's best sales performance was in 2008, before the global financial crisis hit. I am proud that in 2011 the team at Food Empire drove our company's sales to a new high.

The record sales result was achieved by focusing on what we do best – developing great products and building powerful brands. This means investing in creative advertisements and promotions, as well as sponsorships that keep our brands at the forefront of the consumer's mind when making purchasing choices, and converting new fans into loyal customers.

The Group's strategy proved to be the correct one, as economic conditions turned around, we began to aggressively push again our product through an expanded distribution network.

While our brand building efforts were successful in winning market share, they do represent a sizeable investment on the part of the company. We know the benefits of our advertising and promotional efforts will increase consumer loyalty for our products for several years to come.



NEW PRODUCTS

Tags

2011
best performance
creative advertisements
satisfying experience
record revenue
$225.7 million
increase of 28.4% (revenue)
expanded distribution
winning market share
consumer loyalty

MacCoffee ambassadors during Anuga 2011

The Empire's Expansion Pack

We also grew our product range during 2011, as part of our strategy to extend the reach of our proprietary brands into new areas of consumer demand.

MacCoffee Freeze Dried Gold 3-in-1 launch promotion in Kazakhstan

The selection of products offered under our flagship MacCoffee brand was expanded with the launch of new products. MacCoffee Max which was just introduced last year, was well-received in different markets. This is a powerful and intense version of our best selling 3-in-1 instant coffee product. To cater for the growing health conscious consumer, we introduced MacCoffee Wellness which combines the great MacCoffee taste with ginseng and collagen, delivering antioxidants and other health benefits with your cup of coffee. Extending our popular existing 3-in-1 range, MacCoffee Freeze Dried Gold 3-in-1 is a premium drink using a perfect blend of Arabica and Robusta coffee beans.

Notable Events

Selection of products offered under our flagship MacCoffee expanded with the launch of new products.

Introduction of MacCoffee Max

Launch of MacCoffee Wellness

CHAIRMAN'S STATEMENT

Klassno Sampling event in Touchal Ski Resort in Tehran, Iran

Our Klassno range also expanded with the launch of White Coffee 3-in-1, Rich Chocolate and Freeze Dried Premium 3-in-1. Our snack brand Kracks, added Corn Crunches to its range with four delightful flavours: Creamy, Sour Cream & Onion, Barbeque and Taco. To round up the new product launches last year, we introduced a savoury crunchy peanut coated snack called MacCreezz.

We are particularly pleased with the performance of our Freeze Dried range of coffee products. In 2011, we shipped a significant volume of freeze dried coffee in Russia alone.

Certificates of Trust

During 2011, our efforts were acknowledged with several awards and recognition. In Russia, a national survey by Russian Business Consulting, of more than 250,000 consumers declared that MacCoffee was the nation's favourite brand of 3-in-1 instant coffee mix.

We won a Silver Award for excellence in summary review and a Bronze Award for excellence in the production of our Annual Report at the 25th Annual International ARC Awards - the world's largest annual report competition. Our Annual Report was selected from more than 2,100 entries from 31 countries.

In Ukraine, our MacCoffee brand was given the status of a 'Well-Known Mark'. This is a recognition of the popularity and entrenched identification of the MacCoffee brand with consumers, providing us with important trademark protection. With this tremendous acknowledgement, MacCoffee is now in the same elite group as Yahoo, Google, Yamaha and other famous brands in Ukraine.

SEARCH

MARCH 2012

	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

NEW PRODUCTS

Like

Follow

CHAIRMAN'S STATEMENT


Food Empire Family Day at Sentosa iFly

NEW PRODUCTS

Connecting to the World

Looking ahead, our company can expect continued growth in our key markets. We are also encouraged by promising sales in the Middle East and Asia. We will persevere to grow these markets as a means of providing a more balanced geographical spread in our company's sales.

The Group is currently exploring the option of building its own upstream manufacturing facilities for both instant coffee and non-dairy creamer.

2011 was a year when the power of the Internet to connect people had a major impact on world events. At Food Empire, we understand that brands must move with the times, and we have embraced social media along with various technology platforms to reach out to our consumers. We aim to stay ahead of the technology curve and to embrace technology as a means of building relationships with our consumers and shareholders.

United Empire

Our achievement last year would not have been possible without the invaluable support of our management team and staff whom we can always depend on. Their constant devotion and hard work have helped bolster our impressive sales performance of the year. I would like to express my deepest thanks for your continued loyalty and dedication.

Sincere appreciation goes out to our committed shareholders who have been generous with their constant trust and belief in the Group through trying and triumphant times. I would also like to take this opportunity to thank our customers, suppliers, partners and associates for their unwavering support throughout 2011.

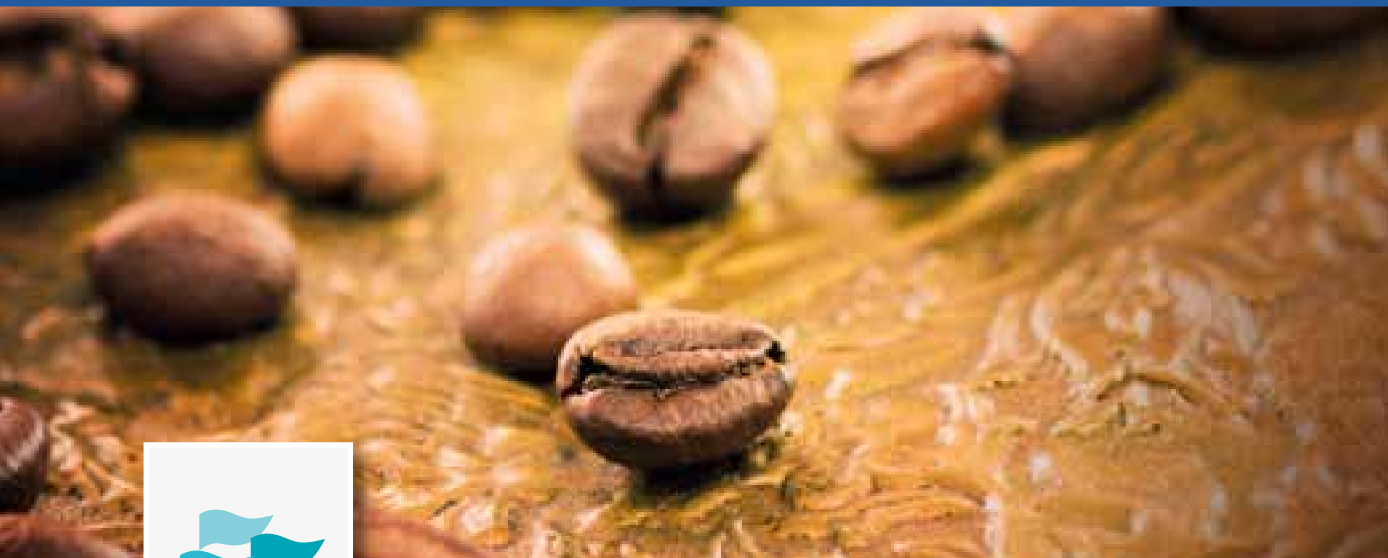
Finally, to my fellow Board members, I am grateful for the wisdom, the dedication and the guidance you have always readily given.

Tags

best performance
continued growth
Middle East and Asia
constant devotion
loyalty and devotion
sincere appreciation

MARKETING ACTIVITIES

fe Search Food Empire ▼ Home



Food Empire Holdings Limited

Now

Best Practices

Food Empire picked up a Silver Award for excellence in summary annual review and Bronze Award for excellence in the production of our Annual Report 2010 at the 25th Annual International ARC Awards, the world's largest annual report competition. This is Food Empire's sixth time winning the awards since 2002, indicating consistently high international standards not just for products and services, but also for corporate practices and governance.

Performance Verified

As a testament to its unrivalled quality, MacCoffee was once again voted number one coffee brand in Russia after a national brand survey held in September 2011. The survey was conducted by Russian Business Consulting, a leading business company, and a vast majority of the 250,000 participants chose MacCoffee as their favourite coffee drink.

MARKETING ACTIVITIES

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Now

Mark of Recognition

In Ukraine, MacCoffee attained the “Well-Known Mark”, a recognition accorded by the Ukrainian state department. This prestigious mark is earned via stringent requirements such as a high level of awareness among consumers and industry players, prominent promotions and marketing efforts, vast media coverage and more. It allows the brand and its trade mark to be legally protected according to Clause 6bis of the Paris Convention.

Dynamic Showcase at ANUGA

Held in Cologne, Germany, in October 2011, Food Empire’s participation at the biennial ANUGA fair was a complete success as we laid out more than 200 types of instant beverages and food products. Stretching over five days, ANUGA 2011 attracted thousands and exhibitors and more than 155,000 trade visitors from around the world, driving significant exposure for Food Empire brands.

Klassno Powers into Macau

From September 2 to 4, 2011, Food Empire participated in the Macau Direct Flight Destinations Trade & Cultural Expo held at The Venetian Hotel. The event also marked the soft launch of Klassno in Macau and results were encouraging. Sampling activities were met with positive feedback as Klassno’s range of coffee well-suited the public’s taste.

A Domain of Singapore Flavours

In support of promoting Singapore culinary creations and Food Empire brands to the world, we are partnering Singapore Takeout in a 12-month nine-city festival. Featured brands include Klassno, MacCoffee and Kracks Potato Chips. Sponsored by the Singapore Tourism Board, the Singapore Takeout fair is a custom-fabricated shipping container that unfolds into a working kitchen and the mobile branding experience covers London, Paris, Moscow, New York, Hong Kong, Shanghai, Delhi, Dubai and Sydney.

MARKETING ACTIVITIES

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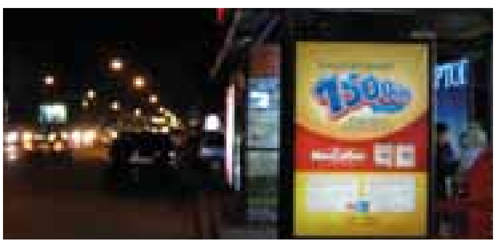
Now

Maximum Activation

The all-new MacCoffee Max was launched in Kazakhstan with a big bang, further strengthening MacCoffee's leadership position in the country. The range was launched in all channels including grocery stores, in-store dispensers and news stands. Point-of-sale merchandising displays were hard to miss, with premium shelf positions and eye-catching signboards and stickers. Trade promotions and outdoor mobile advertising were also carried out.

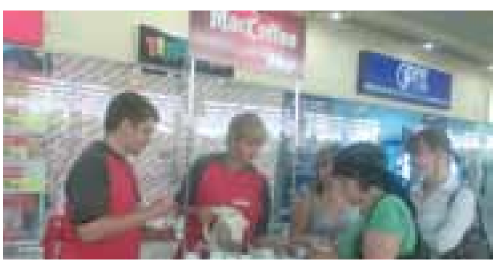
A trip to Remember

From October 15 to December 15, 2011, consumers in Kyrgyzstan who bought a pack of MacCoffee Original 3-in-1 were given the chance to win a trip to Singapore by registering a promotional code online or via SMS. After weeks of overwhelming response, a 20-year-old emerged as the lucky winner, taking her mother along for the trip. Other main prizes included video cameras, digital cameras, television sets and netbooks.



Text to Win

From October 1 to December 15, 2011, consumers in Kazakhstan who bought either MacCoffee 3-in-1 Original or MacTea were given the opportunity to win 150,000KZT every day. All they had to do was to send an SMS with a promotional code to 1010 or register the code online. On top of outdoor and in-store advertising, publicity flyers were distributed to 15,000 students in Almaty universities, attracting much interest for the contest.



Getting Interactive Pays Off

A sampling exercise in Ukraine's megastore Karavan saw some 15,000 consumers trying the MacCoffee Max over two weekends in September 2011. The successful sampling conducted in hypermarts drew warm response to the MacCoffee brew and resulted in increased sales.

Recharge with Klassno Premium 3-in-1

The latest offering from Klassno made its debut exclusively in Australia in December 2011. A combination of finest Arabica and Robusta coffee beans, this unique coffee is rich, smooth, bold and full-bodied. Klassno Premium 3-in-1 comes in three flavours – Original, Irish Cream and Latte.

MARKETING ACTIVITIES

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Now

Electrifying Movements
MacCoffee is proud to be the official sponsor of 2011 European Figure Skating Championship for the fifth time. The prestigious event, held in Bern, Switzerland from January 23 to 30, was a meeting point of skating talents across the world. It also served as a powerful medium to communicate the dynamic and leading image of the MacCoffee brand to target audiences, especially in core markets of Russia and Eastern Europe.

Prompt Support for Down Syndrome
MacCoffee was proud to be a food and beverage sponsor for the annual Charity Red Square Bike Ride marathon which took place from August 26 to 28, 2011, in Moscow, Russia. For three days, participants from all walks of life rode over 160km, starting from the Kaluga region and ending near the walls of Kremlin. The event was a fund-raiser to support programme developments for children with Down Syndrome.

An Olympian's Tutorial
MacCoffee sponsored the production of DVD featuring on beginners' advice from former Olympic figure skating champion Anton Sikharulidze. More than 50,000 DVDs will be distributed in major retail stores and special sports schools to guide and inspire children with interest in skating.

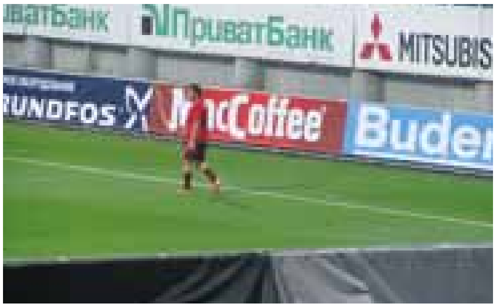
Style Spawn
On May 14 and 15, 2011, Kracks participated in the third annual "Battle of Styles", one of the hottest international hip-hop festivals for youths. Dancers and graffiti artists from all over Russia and overseas came together to display their skills while enjoying Kracks' prizes and photo-taking with everyone's favourite Kracks Potato Man.

A Green Revolution
In partnership with FES Industries Pte Ltd and National Parks Board, Food Empire demonstrated its commitment to education once again by sponsoring the development of an urban garden on the grounds of Kuo Chuan Presbyterian Secondary School. The garden was officially opened on August 8, 2011.

MARKETING ACTIVITIES

fe Search Food Empire ▼ Home

Now



High-Voltage Thrill

The MacCoffee brand was displayed in full glory in a soccer board placement at a UEFA Champions League match between Dynamo Kyiv and Rubin Kazan on July 2011 in Kiev, Ukraine. The exciting face off was widely watched by soccer fans in the region and around the world, with Rubin Kazan winning two goals to nil.

Annual Run Kindles Love for Kids

On May 29, 2011, MacCoffee was privileged to have participated in the popular charity sports event “Kiev Day Run 2011”. All funds collected from 2011’s run have been given to the Center of Child Cardiology and Cardiac Surgery in Ukraine for purchasing medical equipment and operating materials.

Making Gaming History

Some 150,000 participants and spectators of the Asian Games 2011 held in Almaty, Kazakhstan, were treated to complimentary MacCoffee and MacChocolate beverages. In the wintery climate, the piping hot drinks provided much respite and made us one of the most memorable sponsors of the event.

A Site of Culture and History

On May 25, 2011, MacCoffee was honoured to be part of “Night in a Museum” organised by the Central State Museum of Kazakhstan in Almaty. There, we served MacCoffee and MacChocolate beverages to visitors who thronged the venue for an evening of enrichment and fun.

GLOBAL PRESENCE

FoodEmpire

our offices |

Stocks | Financial Highlights

(US$'000)	2011	2010	2009	2008
Revenue	225,662	175,803	134,842	222,315
Profit before taxation and MI	16,165	13,601	3,179	23,201
Profit after taxation and MI	14,962	13,659	2,665	21,127
Financial Indicators				
Debt to Equity Percentage	9.3%	4.6%	4.7%	13.6%
Working Capital Ratio	4.3	4.2	4.7	5.5
Quick Ratio	3.6	3.3	4.0	3.7
EBITDA Margin	8.1%	8.9%	4.0%	11.5%
Diluted EPS (USD cents)	2.82	2.57	0.50	3.98
NAV per share (USD cents)	27.31	25.36	23.38	23.18
Revenue by Geographical Regions (US$'000)				
Russia	129,356	100,498	68,156	126,680
Eastern Europe & Central Asia	71,385	55,228	49,223	77,870
Others	24,921	20,077	17,463	17,765
	225,662	175,803	134,842	222,315
Revenue by Product Group (US$'000)				
Beverages	212,365	164,886	122,903	205,718
Non-Beverages	13,297	10,917	11,939	16,597
	225,662	175,803	134,842	222,315

Stocks | Financial Highlights

Russia

US$129.4 million

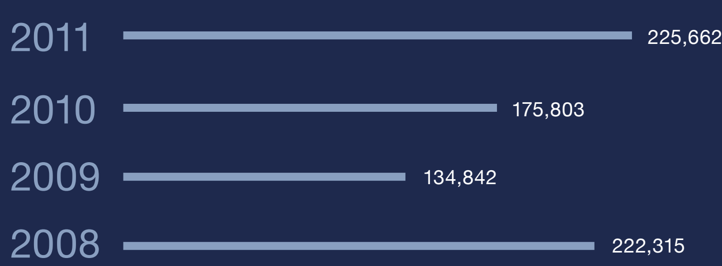
Eastern Europe & Central Asia

US$71.4 million

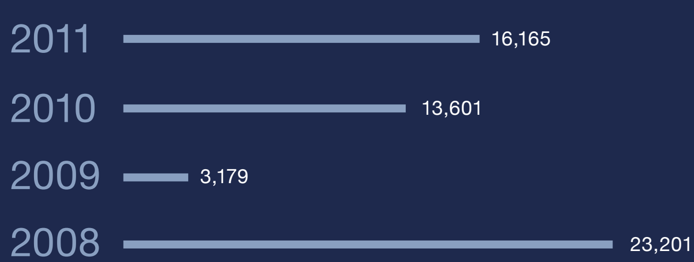
Other Territories

US$24.9 million

Group Revenue
(US$'000)



Group Profit Before Tax
(US$'000)



OPERATIONS REVIEW

Operations Review

Food Empire sponsored silk route expedition on a bamboo bike

Featured

MacCoffee sponsored 2011 European Figure Skating Championship in Bern, Switzerland

Klassno Off-road Chaloos (Karaj) Competition in Iran

AutoSum Result: Ground Breaking Sales

The Group set a new sales record of US$225.7 million in 2011, a 28.4% increase from the previous year. This surpassed the Group's record sales of US$222.3 million achieved prior to the financial crisis in 2008. It was also the first year where the Group's sales exceeded US$50 million in each of the four quarters.

A focus on brand building activities was crucial in driving up the Group's sales, together with the efforts of management to intensify the Group's penetration of its key markets. Consumer confidence was high with improved economic and trading conditions throughout the year.

The focus on brand building activities was designed to increase market share for the Group's proprietary brands, including the flagship brand, MacCoffee.

Performance Analysis

Close to 57 percent of the Group's sales came from its best performing market, Russia. Russia's revenue was up by 28.7 percent for the year, raking up a total of US$129.4 million.

Operations Review

Charity Red Square Bike Ride Marathon in Russia

Featured

Food Empire Social Outreach to the Children in Mongolia

Dry Sampling in Warsaw Poland 2011

Eastern Europe and Central Asia which comprise of Ukraine, Kazakhstan and CIS region were the Group's fastest growing regions, increasing by 29.3 percent to US$71.4 million in 2011. Both markets performed strongly throughout the year. Sales to Ukraine increased by 29.5 percent, while in Kazakhstan the increase was 39.8 percent.

Revenue from the Group's Other Markets was US$24.9 million, with the Middle East again being the largest contributor. The Group also enjoyed sales growth in Central Asia as well as Eastern Europe.

The profit before tax was US$16.2 million, an increase of 18.9 percent from last year. If the contribution from associates and foreign exchange losses were excluded, then the profit before tax would have risen by 31.7 percent compared to 2010.

The Group's profit after tax for the year was US$14.8 million – an increase of 8.4 percent compared to 2010. Taxation increased by US$1.4 million as a result of higher profits and the lower write-back of over-provisions in the previous year.

The Group's cost of inventory increased by 32.7 percent as the Group required more raw materials to meet the growing demand for the Group's products. The prices of the commodities the Group used also increased during 2011.

Operations Review

Klassno Horse Racing in Australia

Staff costs rose by 19.3 percent due to the higher headcount required as a result of the increased manufacturing output.

The Group's commitment to brand building was the major reason for its other operating expenses rising by 22.6 percent. The activities undertaken by the Group included in-store promotions, advertising, trade shows and sponsorships. The Group also increased expenditure to support its new product lines. Higher transport costs resulted from the increase in the volume of goods shipped throughout the year.

The Group ended the year with a healthy balance sheet. As of 31 December 2011, the Group held net assets of US$144.9 million including cash and equivalents of US$35.1 million, representing a net asset value per share of US27.31 cents.

In November 2010, the Group acquired a 26 percent interest in Vayhan Coffee Limited, a company located in Hyderabad, India, whose principal activity is the manufacturing of instant spray dried and agglomerated coffee. Owing to various issues that have arisen following the investment, and after seeking legal advice, the Group decided to exit from the venture.

Featured

Klassno Charity Walk Event - Iran

MacCoffee sponsored the city days of Novosibirsk and Nizhnii Novgorod in Russia

Operations Review

Sampling on Children's Day at Tehran Park

Featured

MacCoffee recently sponsored a DVD with Olympic Figure Skating Champion

Strategic Manoeuvre

In late December 2011, the Group completed the purchase of a freehold property located at 81 Playfair Road for a total consideration of S$7.8 million. The property has a site area of 998 sq meters. It is located adjacent to the Group's global headquarters building. The Group is optimistic of the long-term prospects of the real estate in the Tai Seng neighbourhood.

Moving Forward

Despite the continuous rise of raw material prices, the Group continues to work hard to manage it by improving efficiency; sourcing goods from multiple suppliers; using the Group's purchasing power to negotiate the best deals; and overseeing procurement to meet immediate needs as well as longer term requirements.

With improved business conditions, the Group will constantly explore organic and inorganic growth through merger and acquisition, although this has always been challenging and intricate.

BOARD OF DIRECTORS

Empiredin | 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.

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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.

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BOARD OF DIRECTORS

Empired in | Board of Directors

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.

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Mr Hartono Gunawan

Non-Executive Director

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

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BOARD OF DIRECTORS

Empired in | Board of Directors

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. He holds a Bachelor of Arts (Economics) Honours from the University of Manchester.

Share | Print

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 palm oil, logistics, property and precision machining. 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.

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BOARD OF DIRECTORS

Empired in | Board of Directors

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 more than 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 which invests in and operates 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 was a Member of Parliament of Singapore from January 1997 to April 2011.

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Mr Boon Yoon Chiang
Independent Director

Mr. Boon was appointed to the Board as an Independent Director in December 2005. He is the Country Chairman of the Jardine Matheson Group of Companies in Singapore, 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). Mr. Boon is a member of the Competition Appeal Board.

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STAFF CONTRIBUTION

fe team

Home Profile Messages

What are you doing?

BORIS BARANOV
@ UKRAINE

The development of digital technologies and the Internet have given everyone easy access to better achieve targets, self-develop and organise matters.

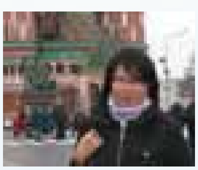
Plus, with modern management systems, companies are now able to streamline processes, monitor operations, analyse statistics and minimise errors.

In Ukraine, an increasing number of organisations now use such systems. For example, trade outlets use stock-taking systems; merchants now conduct selling over pocket personal computers and smart phones; online interaction between consumers and companies have become the norm; and budgets for digital marketing are growing day by day.

With new smartphones and widespread wireless Internet, we have reached a new level of business communication. Personally, gadgets keep me connected on the go and help me make decisions more efficiently. Online shopping using a credit card saves time and effort.

And when strategically and cleverly used by companies, digital marketing can help win over new markets and outshine competitors. With the sheer variety of innovations entering the market every year, I have no doubt the digital era will continue to develop in 2012 and beyond. I look forward to witnessing and participating in this incredible phenomenon.

Posted 24 hours ago



Galina Khaptakhaeva
@ RUSSIA

In recent years, technology has had so much an effect on human behavior, patterns of thought and way of life, that we marketers are now at a point where only a few of the methods and processes used over the past years can now be implemented to achieve sustainable, long-term success.

Consumers have become more informed due to the development of the digital media. More than ever, they want to participate in the process of creating a product; they wish to create and influence the design and content, as well as share their work with others. Communication technology is so interrelated that messages can easily flow from one communication channel to another and from one person to another.

This is why it is so important for each company to have a qualitative online presence. Until recently, our website www.maccoffee.ru mainly contained information about the key brands,

STAFF CONTRIBUTION

fe team

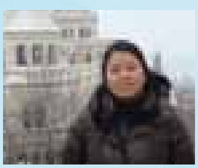
Home Profile Messages

What are you doing?

but the company continues to grow, new products in new categories have been launched. Therefore, there was a need to update and expand our presence on the network. In 2011 we launched a corporate website, www.foodempire.ru, which combines the functions of corporate and product websites in Russia zone.

For better communication between the brand and the consumers, brand websites were developed for the key brands MacCoffee, MacChocolate, Kracks and Petrovskaya Sloboda, which are linked to the main page. Our task is to promptly reflect all the relevant events and activity of the brand on our site so that the consumer can keep track of events on-line. The site also has a feedback form that allows one to give a review no message will be ignored. This year, we plan to continue to develop our presence on the global network, and will try to focus on the website and company's brands promotion in search engines.

Posted 9 hours ago



SHIRLEY GOH
@ SINGAPORE

My typical day starts with going through my Blackberry messages and emails so I can plan and settle the urgent issues. As to not waste time, I read news and flip through various news sites on my tablet while having breakfast. Since I am constantly travelling, communicating with colleagues from HQ to discuss shipment plan, checking on my children or sending birthday wishes to a customer are not a problem anymore even if there's time difference. Using Skype or Yahoo messenger made things possible to connect and accomplish things quickly. Doing everything online like booking a ticket for a business trip or banking transaction are a breeze, especially for a working mom like me.

Gone are the days of snail mail, telegram, compact discs, fax, typewriter. The digital communication era has changed our lives completely, making things fast and efficient. This brought a totally new level of expectation in human communication. People may be miles apart with time difference, but these don't stop us from connecting, communicating and keeping up with the world's hurried pace.

Posted 9 hours ago

STAFF CONTRIBUTION

fe team

Home Profile Messages

What are you doing?

LUSHANTHA DE SILVA
@ SRI LANKA

The Information Age is continuously re-shaping the modern office. It is an era that has allowed rapid growth of global communications and creating shortcuts for many tasks. Some of us in the workforce were not born into the digital world but had at some point been persuaded to adopt new technologies. Many have chosen to retain a foot in the past, refusing to be taken over by technology, referring to the Internet only as a second opinion for example.

Nevertheless, the convenience of digital technologies is undeniable. While one had to travel in the past, online conferences are now the norm. There is no need to print hardcopy documents when a tremendous amount of data can be carried around in your pocket. Even language barriers are no more with Google Translate.

In spite of all that, we should never disregard the fact that, quoting Marshall McLuhan, "we use the new to do the old". Each organisation should implement the right management policies for technology to serve the company optimally, and combine that with adequate staffing and funding to fruitfully deliver customers' expectations.

Posted 24 hours ago

SANTOSH KUMAR
@ BELGIUM

Like every other business, access to updated information is a driving force in ours. Thanks to the Internet, we remain well-informed about our customers, competitors and suppliers, enabling us to make wise business decisions. Plus, we are able to collaborate with business partners all over the globe, sharing documents, ideas or products in living colour, in real time and in any language. Being in the sales function, applications like Google Maps and mappy.com help us chart our routes to clients' offices so we can plan out our days efficiently.

With the recent onset of cloud-based technology, we have moved away from storing business applications locally. The information stored over clouds can be accessed easily on our laptops and smart phones. This way, we cut costs and reduce the risk of losing valuable data.

The benefits of modern technology to our business go beyond the points mentioned. As we grow used to these conveniences, it is difficult to imagine conducting business without them now. In 2012 and beyond, we hope to keep pace with technological changes and continue to use them to stay ahead of our competition.

Posted 24 hours ago

CORPORATE INFORMATION

empire

Search

MacCoffee

For Those Who Can't Wait

Personalize

New Search Contacts, Group...

Contacts Conversations

Food Empire
MacTea
MacChocolate
OrienBites
Klassno
Kracks

Food Empire

Your Future is with Future.

10.24am Singapore

http://www.foodempire.com/
A Way of Life
Food Empire

Call Video Call

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

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Featured | New Products

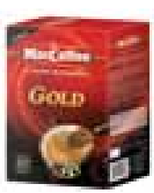
New & Noteworthy

MacCoffee Max 3-in-1
Two of the finest Arabica beans are found in this powerful range, delivering unrivalled intensity and aroma. A must-try for coffee lovers who demand only the best, this smooth and great-tasting coffee is the perfect beverage the start the day with, and the ideal pick-me-up whenever you need one. With Max 3-in-1, it is all zap and no nap. Max 3-in-1 comes in two versions - Classic or Strong.

★★★★★

MacCoffee Wellness
Here is a coffee that not only gives you a shot of energy, but also health- and beauty-boosting benefits. The same award-winning MacCoffee taste is now combined with ginseng and collagen. While coffee on its own provides antioxidants, ginseng helps improve blood circulation, mental concentration, memory and more. Plus, collagen, the fibrous protein, keeps skin healthy and youthful. Now, looking and feeling good is just a cup away.

★★★★★



MacCoffee Freeze Dried Gold 3-in-1
Premium flavours in an instant – that is MacCoffee Freeze Dried Gold 3-in-1 for you. Made from a combination of Arabica and Robusta beans, this instant coffee is rich, smooth and aromatic all at once. Complete satisfaction is guaranteed. MacCoffee Freeze Dried Gold 3-in-1 Classic serves as an ideal mood lifter at any time, any season. For a creamy and comforting concoction, opt for Gold Latte.

★★★★★

MacCoffee XL
Indulgence is the operative word in this full-flavoured, rich and extra creamy 3-in-1 mix. Its fragrant buttery quality wraps the palate in utter bliss, and each succulent slurp is reminiscent of heaven on earth. Perfect for cold rainy days, or anytime you need a little pampering.

★★★★★

Featured | # New Products

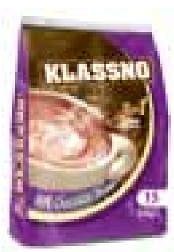
New & Noteworthy

Klassno Premium 3-in-1 Freeze Dried
Watch your brew come to life before your eyes. The Premium 3-in-1 is truly great coffee that you can prepare by just adding water. Made from a combination of Arabica and Robusta beans, this full-bodied beverage is a fresh take on the Klassno coffee our customers know and love. Enjoy the invigorating kick in mere seconds and let the wonderful taste take you on a journey of gourmet delight. Comes in three flavours – Original, Irish Cream and Latte.

★★★★★

Klassno White Coffee
As indulgent and comforting as a homemade coffee, this full-bodied creation is all of buttery and rich goodness – the benchmarks sought by a true coffee connoisseur. Made with the highest-quality, ethically sourced Colombian beans, the magic is in the proprietary all-natural process that we have spent years perfecting, micro-grinding coffee in a way that preserves all essential oils and flavour.

★★★★★



Klassno Rich Chocolate
Relive the warmth of childhood memories in a hot piping mug of Klassno Rich Chocolate. The delicious creamy instant hot chocolate is food for the soul and a reminder that contentment can be found in the simplest thing, a gentle, inviting beverage.

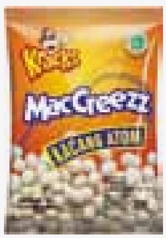
★★★★★

Kracks Corn Crunches
Sweet in taste and high in fibre and fat-fighting abilities, there is nothing not to love about corn. The only thing better than corn is the perfect corn chip, in the form of Kracks Corn Crunches. Rolls of crunchy goodness are gently seasoned with all-natural ingredients and spices, creating deep flavours and fresh-from-the-field character. Find your perfect flavour from Taco, Sour Cream & Onion, Creamy and Barbeque.

★★★★★

Featured | New Products

New & Noteworthy



Kracks MacCreezz
It is easy to get nuts about nuts with Kracks MacCreezz. Savoury crunchy peanuts are coated with sweet and lightly salted layers to create a delicious and flavourful snack to go with any beverage. It fits in perfectly at any family occasion, picnic or party and is a great pre-meal snack for everyone, young or old.

★★★★★

MacCoffee Favorite Agglomerated Coffee
MacCoffee Favorite is 100% pure soluble coffee granules, made from a exquisite 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 favorite, this instant coffee is always in high demand and definitely the right way to start the day.

★★★★★

MacFito Chicory
With health benefits such as improving calcium absorption, reduce cholesterol and boost digestion, MacFito Chicory is for the health conscious. This special brew is from natural chicory which is an edible herb that contains vitamin and mineral including inulin. Without additional coffee, MacFito Chicory is a natural and hearty way to perk up your day.

★★★★★

MacCoffee Arabica Freeze Dried Coffee
A cup of MacCoffee Arabica Freeze Dried coffee conjures profound and sophisticated aroma that will ensure to stimulate your senses. From the finest Arabica coffee beans, MacCoffee Arabica will thoroughly delight your palate with its rich and exquisite taste. With its smooth and delicate taste, MacCoffee Arabica is the perfect companion any time of the day.

★★★★★

BOARD OF DIRECTORS

Presently, the Board comprises: -

Tan Wang Cheow	Chairman and Managing Director
Sudeep Nair	Executive Director
Tan Guek Ming	Non-executive Director
Hartono Gunawan	Non-executive Director
Koh Yew Hiap	Non-executive Director
Lew Syn Pau	Independent Non-executive Director
Ong Kian Min	Independent Non-executive Director
Boon Yoon Chiang	Independent Non-executive Director

A) BOARD MATTERS

Principle 1: Effective Board to lead and control the Company

The principal functions of the Board are:

1) supervising the management of the business and affairs of the Company and the Group;
2) approving board policies, overall strategic plans, key operational initiatives, financial objectives of the Group;
3) reviewing and monitoring the performance and rewarding of key management;
4) overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
5) approving the nomination of the Board of Directors and appointment of key personnel;
6) approving annual budgets, major funding, investment and divestment proposals; and
7) assuming responsibility for corporate governance.

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

There are three Board Committees: -

- Audit Committee ("AC")
- Remuneration Committee ("RC")
- Nominating Committee ("NC")

Other matters which specifically require the full Board's decisions are those involving conflicts of interests of a substantial shareholder or a Director, material acquisitions and disposal of assets, corporate or financial restructuring and share issuances, dividends and other returns to shareholders.

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

Corporate Governance cont'd

A) BOARD MATTERS (CONT'D)

Principle 1: Effective Board to lead and control the Company (cont'd)

The attendance of the Directors at meetings of the Board and Board Committees in FY2011 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	4/4
Lew Syn Pau	4/4	4/4	1/1	4/4
Tan Guek Ming	4/4	4/4	N/A	4/4
Sudeep Nair	4/4	N/A	N/A	N/A
Boon Yoon Chiang	4/4	4/4	1/1	4/4
Hartono Gunawan	3/4	N/A	N/A	N/A
Koh Yew Hiap	4/4	N/A	N/A	2/2

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 22 to 25 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 cont'd

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 MD, taking into account the corporate structure and scope of the Company's operations.

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

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

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

D) BOARD MEMBERSHIP

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

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

Lew Syn Pau (Chairman)
Ong Kian Min
Tan Wang Cheow
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.

<u>Last re-election date</u>

Directors	**Date of last re-election**
Ong Kian Min	28 April 2011
Hartono Gunawan	28 April 2011
Koh Yew Hiap	28 April 2010
Tan Guek Ming	28 April 2010
Lew Syn Pau	28 April 2010
Sudeep Nair	28 April 2011
Boon Yoon Chiang	28 April 2011
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.

Corporate Governance cont'd

E) BOARD PERFORMANCE

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

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

a) attendance at Board and Committee meetings;
b) participation in meetings and special contributions including management's access to the Director for guidance or exchange of views outside the formal environment of Board meetings; and
c) introducing contacts of strategic benefit to the Group.

The Board's evaluation process is performed annually.

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

F) ACCESS TO INFORMATION

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

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

At least one of the Company Secretaries or their representatives 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:

Lew Syn Pau	(Chairman)
Ong Kian Min	
Boon Yoon Chiang	
Tan Guek Ming	
Koh Yew Hiap	(appointed with effect from 4 May 2011)

Corporate Governance cont'd

G) REMUNERATION MATTERS (CONT'D)

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

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

There is no change in the existing remuneration package for the Executive and Non-executive Directors compared to the previous year. All Directors, including Non-executive Directors, who are not the controlling shareholders of the Group or are not appointed by the controlling shareholders of the Group, were eligible for share options under the previous share option scheme which expired on 31 December 2011 and will be eligible for share options under the proposed new share option scheme if approved by shareholders at the forthcoming Extraordinary General Meeting. Additional information on the previous share option scheme can be found on pages 45 to 49 and 117 to 121 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 2011 is shown below:

Remuneration Bands	No. of Directors in Remuneration Bands
S$1,000,000 & above	2
S$500,000 to S$749,999	-
S$250,000 to S$499,999	-
Below S$250,000	6

Remuneration Bands	Remuneration of top 5 executives
S$500,000 to 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 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 authorises 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.

I) AUDIT COMMITTEE

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

The Audit Committee ("AC") comprises:

Ong Kian Min (Chairman)
Lew Syn Pau
Boon Yoon Chiang
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;

I) AUDIT COMMITTEE (CONT'D)

Principle 11: Establishment of Audit Committee ("AC") with written terms of reference (cont'd)

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

h) the audit plans of the internal auditors; and

i) the results of their internal audit.

Apart from the duties listed above, the AC has the authority to commission and review the findings of internal investigations into any matter where there is suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results or financial position.

In performing its functions, the AC has:

a) full access to and cooperation from the management and has full discretion to invite any Director and executive officer to attend its meetings;

b) been given reasonable resources to enable it to discharge its duties and responsibilities properly; and

c) the expressed authority to conduct investigation into any matters within its terms of reference.

During the year, the AC held 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 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 Group has complied with Rules 712 and 716 of the SGX-ST Listing Manual.

Corporate Governance cont'd

I) AUDIT COMMITTEE (CONT'D)

Principle 11: Establishment of Audit Committee ("AC") with written terms of reference (cont'd)

The AC has recommended to the Board of Directors that the Auditors, Ernst & Young LLP, Certified Public Accountants be nominated for reappointment as Auditors at the forthcoming Annual General Meeting of the Company.

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

J) INTERNAL CONTROLS AND INTERNAL AUDIT

Principle 12: Sound systems of internal audit

Principle 13: Setting up independent internal audit function

The Board is responsible for the Group's systems of internal controls and risk management and for reviewing the adequacy and integrity of these systems. However, such systems are designed to manage rather than eliminate completely 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 misstatements (the occurrence of human errors), losses or fraud.

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 and compliance risks.

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 2011. 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 Board of Directors and the AC have reviewed the adequacy of the Group's internal controls that address the Group's financial, operational and compliance risks. Based on work done by the internal and external auditors and reviews performed by management throughout the financial year 2011, the Board, with the concurrence of the AC, is of the opinion that, in the absence of any evidence to the contrary, the systems of internal controls in place are adequate in providing reasonable assurance of the effectiveness of the Group in safeguarding its assets and shareholders' value under the current business environment.

Corporate Governance cont'd

K) COMMUNICATION WITH SHAREHOLDERS

Principle 14: Regular, effective and fair communication with shareholders

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

L) GREATER SHAREHOLDER PARTICIPATION

Principle 15: Shareholders' participation at AGMs

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

At general meetings, the shareholders are given the opportunity to express their views and ask questions regarding the Group's performance.

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

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

SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2011 (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.

Corporate Governance cont'd

SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2011 (SGX-ST LISTING MANUAL REQUIREMENTS) (CONT'D)

(iii) Risk Management Policies and Processes

Dependence on the Russian Market
The Group is dependent on the Russian market, which accounted for 57.3% of its turnover in 2011. 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 by developing new markets, which over time will reduce its dependency on the Russian market.

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 88.1% as 88.1% 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 on-going basis. Management believes that concentration of credit risk is limited due to the on-going 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.

SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2011 (SGX-ST LISTING MANUAL REQUIREMENTS) (CONT'D)

(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 unauthorised use is difficult and the law on intellectual property rights and protection in some countries may not be as developed as others. Unauthorised use of trademarks, service marks, copyrights, trade secrets and other intellectual property may damage the brand and the name recognition of the Group and its credibility. The Group relies on trademark laws to protect its marks in countries that it operates in. The Group has filed for registration of trademarks in countries where its products are marketed and distributed. The Group will take a strong stand on infringement and will take legal action to protect its intellectual property against counterfeit products and those who have unlawfully made use of its registered trademarks.

Dependence on Key Personnel

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

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

Interested Person Transactions

Interested person transactions ("IPT") carried out during the financial year which falls 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 $100,000)	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Simonelo Limited and its subsidiaries				
- Rental expense paid	2,043	1,882	-	-
- Sale of goods	-	2	-	-
- Sale of property, plant and equipment	-	10	-	-
Triple Ace Ventures Limited and its subsidiaries				
- Interest income received	148	19	-	-
- Loans provided	1,300	1,308	-	-
Companies associated to a substantial shareholder				
- Consumption of services	-	2	-	-
- Sales of goods	795	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 2011.

DIRECTORS

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

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

ARRANGEMENT TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except for the Food Empire Holdings Limited Share Option Scheme (the "Option Scheme"), neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following Directors of the Company who held office at the end of the financial year had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company, as stated below:

	Shares held in the name of the Directors		Shareholdings in which Directors are deemed to have an interest		Shares held in the name of the Directors	Shareholdings in which Directors are deemed to have an interest
Name of Director	**At the beginning of the year**	**At the end of the year**	**At the beginning of the year**	**At the end of the year**	**As at 21 January 2012**	**As at 21 January 2012**
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	–	–	480,000	480,000	–	480,000
Ong Kian Min	–	–	720,000	720,000	–	720,000
Boon Yoon Chiang	–	40,000	–	–	40,000	–

Directors' Report cont'd

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

Name of Director	Share options held in the name of the Directors: At the beginning of the year	Share options held in the name of the Directors: At the end of the year	Share options held in the name of the Directors: As at 21 January 2012
The Company			
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			
Sudeep Nair	1,300,000	1,300,000	1,300,000
Ong Kian Min	100,000	100,000	100,000
Lew Syn Pau	100,000	100,000	100,000
Boon Yoon Chiang	100,000	60,000	60,000
Options to subscribe for ordinary shares exercisable between 1 February 2012 to 31 January 2021 at S$0.505 per share [2]			
Sudeep Nair	–	1,400,000	1,400,000
Ong Kian Min	–	100,000	100,000
Lew Syn Pau	–	100,000	100,000
Boon Yoon Chiang	–	100,000	100,000
Options to subscribe for ordinary shares exercisable between 19 December 2012 to 18 December 2021 at S$0.315 per share [3]			
Sudeep Nair	–	1,500,000	1,500,000
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 1 February 2011, the Company granted options to subscribe for ordinary shares 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. See note 34 for more information on this grant of options.

3 On 19 December 2011, the Company granted options to subscribe for ordinary shares exercisable between 19 December 2012 to 18 December 2021 at S$0.315 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' 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.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2012.

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:

- the Company has 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 Company has granted 4,470,000 options to subscribe for ordinary shares which are exercisable between 19 December 2012 to 18 December 2021 at S$0.315 per share to selected group of Directors and employees eligible under the Option Scheme.

Directors' Report cont'd

SHARE OPTIONS (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 1.1.2011	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 31.12.2011	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	2	3,650,000	–	–	(250,000)	3,400,000	0.229	25 May 2006 to 24 May 2014
2010 Options	17	4,750,000	–	(900,000)	(120,000)	3,730,000	0.335	4 January 2011 to 3 January 2020
2011 Options (February)	18	–	4,750,000	(700,000)	–	4,050,000	0.505	1 February 2012 to 31 January 2021
2011 Options (December)	21	–	4,470,000	–	–	4,470,000	0.315	19 December 2012 to 18 December 2021
		8,640,000	9,220,000	(1,600,000)	(370,000)	15,890,000		

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

Name of Director	Aggregate options granted since commencement of Option Scheme to end of financial year	Aggregate options exercised since commencement of Option Scheme to end of financial year	Aggregate options lapsed/cancelled since commencement of Option Scheme to end of financial year	Aggregate options outstanding as at end of financial year
Lew Syn Pau	900,000	(600,000)	–	300,000
Ong Kian Min	900,000	(600,000)	–	300,000
Sudeep Nair [4]	12,000,000	(4,500,000)	–	7,500,000
Boon Yong Chiang	300,000	(40,000)	–	260,000

[4] 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:

- 45,215,000 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.

AUDIT COMMITTEE

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Cap. 50. The functions performed by the Audit Committee are detailed in the Report on Corporate Governance.

AUDITORS

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

On behalf of the Board of Directors,

Tan Wang Cheow Director	Sudeep Nair Director

23 March 2012

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 2011 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

23 March 2012

Independent Auditors' Report

For the financial year ended 31 December 2011

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 2011, 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 cont'd

For the year ended 31 December 2011

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 2011 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

23 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Note	2011 US$'000	2010 US$'000
Revenue	4	225,662	175,803
Other income	5	1,101	1,136
Changes in inventories of finished goods		(1,396)	5,698
Raw materials and consumables used		(125,494)	(101,306)
Staff costs	6	(24,435)	(20,477)
Depreciation of property, plant and equipment		(2,012)	(1,870)
Depreciation of investment properties		(41)	(45)
Foreign exchange (loss)/gain		(812)	50
Other operating expenses		(56,599)	(46,165)
Finance costs	7	(86)	(97)
Share of profit of associates		277	874
Profit before taxation	8	**16,165**	**13,601**
Taxation	9	(1,352)	58
Profit for the year		**14,813**	**13,659**
Profit attributable to:			
Equity shareholders of the Company		14,962	13,659
Non-controlling interest		(149)	–
		14,813	**13,659**
Earnings per share			
Basic earnings per share (in cents)	11	2.83	2.58
Diluted earnings per share (in cents)	11	2.82	2.57

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 2011

	2011 US$'000	2010 US$'000
Profit net of tax	14,813	13,659
Other comprehensive income:		
Net gain/(loss) on debentures	76	(76)
Foreign currency translation (loss)/gain	(314)	538
Share of other comprehensive (loss)/income of associates	(181)	7
Other comprehensive (loss)/income for the year, net of tax	(419)	469
Total comprehensive income for the year	14,394	14,128
Total comprehensive income attributable to:		
Equity shareholders of the Company	14,587	14,128
Non-controlling interest	(193)	–
	14,394	14,128

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

Balance Sheets

As at 31 December 2011

	Note	Group		Company	
		2011	2010	2011	2010
		US$'000	US$'000	US$'000	US$'000
Non-Current Assets					
Property, plant and equipment	12	23,857	17,938	221	–
Investment properties	13	10,765	4,530	–	–
Investment in subsidiaries	14	–	–	44,545	44,545
Investment in associates	15	9,988	11,535	–	–
Amount due from an associate	16	2,600	1,308	–	–
Intangible assets	17	13,343	13,343	–	–
Deferred tax assets	18	142	95	–	–
Debentures	19	–	593	–	–
		60,695	49,342	44,766	44,545
Current Assets					
Inventories	20	22,257	23,654	–	–
Prepaid operating expenses and other debtors	21	2,173	2,352	29	4
Deferred expenses		400	328	–	–
Amounts due from subsidiaries (non-trade)	22	–	–	5,889	602
Amounts due from associates (non-trade)	23	514	390	–	–
Trade receivables	24	63,050	49,661	–	–
Other receivables	25	2,435	548	–	–
Derivatives	26	–	684	–	–
Assets held for sale	27	–	312	–	–
Cash and cash equivalents	28	35,148	41,670	116	231
		125,977	119,599	6,034	837

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

Balance Sheets cont'd

As at 31 December 2011

	Note	Group 2011 US$'000	Group 2010 US$'000	Company 2011 US$'000	Company 2010 US$'000
Current Liabilities					
Trade payables and accruals	29	(25,672)	(26,378)	(1,043)	(926)
Other payables	30	(719)	(1,225)	–	–
Finance lease creditor	36	(9)	–	–	–
Interest-bearing loans and borrowings	31	(1,076)	(627)	–	–
Amounts due to subsidiaries (non-trade)	22	–	–	(21)	(21)
Provision for taxation		(1,662)	(548)	–	–
		(29,138)	(28,778)	(1,064)	(947)
Net Current Assets/(Liabilities)		**96,839**	**90,821**	**4,970**	**(110)**
Non-Current Liabilities					
Finance lease creditor	36	(8)	–	–	–
Interest-bearing loans and borrowings	31	(12,310)	(5,485)	–	–
Deferred tax liabilities	18	(364)	(508)	–	–
		(12,682)	(5,993)	–	–
Net Assets		144,852	134,170	49,736	44,435
Equity					
Share capital	32	39,751	39,666	39,751	39,666
Reserves	33	104,850	94,504	9,985	4,769
		144,601	134,170	49,736	44,435
Non-controlling interest		251	–	–	–
Total Equity		144,852	134,170	49,736	44,435

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

Statement of Changes in Equity

For the year ended 31 December 2011

Group 2010	Share capital US$'000	Foreign currency translation reserve US$'000	Asset revaluation reserve US$'000	Share-based payment reserve US$'000	Fair value adjustment reserve US$'000	Accumulated profits US$'000	Total equity US$'000
	Attributable to equity holders of the Company						
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/(loss) 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.

Statement of Changes in Equity cont'd

For the year ended 31 December 2011

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	Non-controlling interest	Total equity
2011	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 January 2011	39,666	1,301	60	535	(76)	92,684	134,170	–	134,170
Profit for the year	–	–	–	–	–	14,962	14,962	(149)	14,813
Other comprehensive income									
Net gain on disposal of debenture	–	–	–	–	76	–	76	–	76
Foreign currency translation	–	(270)	–	–	–	–	(270)	(44)	(314)
Share of other comprehensive income of associates	–	(181)	–	–	–	–	(181)	–	(181)
Total comprehensive (loss) /income for the year	–	(451)	–	–	76	14,962	14,587	(193)	14,394
Dividends paid to shareholders of the Company (Note 10)	–	–	–	–	–	(4,531)	(4,531)	–	(4,531)
Value of employee services received for issue of share options	–	–	–	299	–	–	299	–	299
Capital injection from non-controlling interest of a subsidiary	–	–	–	–	–	–	–	444	444
Issuance of new shares	76	–	–	–	–	–	76	–	76
Exercise of share options	9	–	–	(9)	–	–	–	–	–
Balance as at 31 December 2011	39,751	850	60	825	–	103,115	144,601	251	144,852

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

Statement of Changes in Equity cont'd

For the year ended 31 December 2011

Company 2010	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 2010	39,666	4,007	324	232	44,229
Profit for the year	–	–	–	3,909	3,909
Other comprehensive income					
Foreign currency translation	–	(44)	–	–	(44)
Total comprehensive (loss)/income for the year	–	(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
2011					
Balance as at 1 January 2011	39,666	3,963	535	271	44,435
Profit for the year	–	–	–	9,551	9,551
Other comprehensive income					
Foreign currency translation	–	(94)	–	–	(94)
Total comprehensive (loss)/income for the year	–	(94)	–	9,551	9,457
Issuance of new shares	76	–	–	–	76
Exercise of share options	9	–	(9)	–	–
Dividends paid to shareholders of the Company (Note 10)	–	–	–	(4,531)	(4,531)
Value of employee services received for issue of share options	–	–	299	–	299
Balance as at 31 December 2011	39,751	3,869	825	5,291	49,736

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 2011

	2011 US$'000	2010 US$'000
Cash flows from operating activities		
Profit from operations before taxation	16,165	13,601
Adjustments for:		
Depreciation of property, plant and equipment	2,012	1,870
Depreciation of investment properties	41	45
Fair value gain on derivatives	–	(50)
Loss/(gain) on disposal of property, plant and equipment	15	(20)
Gain on disposal of investment properties	–	(557)
Gain on disposal of assets classified as held for sale	(357)	–
Loss on disposal of investment in an associate	342	49
Interest income	(269)	(158)
Interest expenses	86	97
Impairment for doubtful receivables	286	505
Write down of inventories	437	440
Share of profit of associates	(277)	(874)
Value of employee services received for issue of share options	299	211
Exchange realignment	(304)	31
Operating profit before working capital changes	18,476	15,190
Increase in trade and other receivables	(12,373)	(14,338)
Decrease/(increase) in inventories	960	(6,138)
(Decrease)/increase in trade and other payables	(1,212)	5,191
Cash flows generated from/(used in) operations	5,851	(95)
Income taxes paid	(427)	(267)
Net cash flows generated from/(used in) operating activities	5,424	(362)
Cash flows from investing activities		
Interest income received	269	158
Purchase of property, plant and equipment	(8,643)	(6,927)
Purchase of investment properties	(6,418)	(3,834)
Proceeds from disposal of property, plant and equipment	319	73
Proceeds from disposal of investments in associates	–	754
Proceeds from disposal of investment properties	–	1,134
Proceeds from disposal of assets classified as held for sale	669	–
Dividend income from an associate	38	–
Investment in an associate	–	(4,931)
Subscription for debentures from an associate	8	(669)
Payment for derivatives	–	(634)
Loans provided to associate	(1,300)	(1,308)
Repayment of loans due from associates	–	909
Net cash flows used in investing activities	(15,058)	(15,275)

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

Consolidated Cash Flow Statement cont'd

For the year ended 31 December 2011

	2011 US$'000	2010 US$'000
Cash flows from financing activities		
Interest expenses paid	(86)	(97)
Proceeds from issuance of shares	76	–
Dividends paid to shareholders of the Company	(4,531)	(3,870)
Repayment of obligation under financial lease	–	(15)
Repayment of interest-bearing loans and borrowings	(708)	(5,987)
Proceeds from interest-bearing loans and borrowings	8,076	6,269
Capital injection from non-controlling interest of a subsidiary	184	–
Net cash flows generated from/(used in) financing activities	3,011	(3,700)
Net decrease in cash and cash equivalents	(6,623)	(19,337)
Effect of exchange rate changes on cash and cash equivalents	101	(284)
Cash and cash equivalents at beginning of year	41,670	61,291
Cash and cash equivalents at end of year (Note 28)	35,148	41,670

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 2011

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 2011 were authorised for issue in accordance with a resolution of the Directors on 23 March 2012.

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 2011 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.

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 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

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

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 107 *Disclosures – Transfers of Financial Assets*	1 July 2011
Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*	1 January 2012
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2013
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2013
FRS 110 *Consolidated Financial Statements*	1 January 2013
FRS 111 *Joint Arrangements*	1 January 2013
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2013
FRS 113 *Fair Value Measurements*	1 January 2013

Except for the Amendments to FRS 12, Amendments to FRS 111 and revised FRS 28 and FRS 112, the Directors expect that the adoption of the 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 Amendments to FRS 12, Amendments to FRS 111 and revised FRS 28 and FRS 112, are described below.

Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*

The Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets are effective for annual periods beginning on or after 1 January 2012.

The Amendments to FRS 12 apply to the measurement of deferred tax liabilities and assets arising from investment properties measured using the fair value model under FRS 40 Investment Property, including investment property acquired in a business combination and subsequently measured using the fair value model. For the purposes of measuring deferred tax, the Amendments introduce a rebuttable presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

The Group provides for deferred tax liabilities for its investment properties on the basis that the carrying amount of the investment properties will be recovered through use. Upon adoption of the Amendments to FRS 12, there is a presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. Accordingly, there will be no deferred tax liability on investment properties in Singapore as there is no capital gains tax in Singapore. The Group expects the adoption of Amendments to FRS 12 to result in a decrease in deferred tax liabilities of the Group and a corresponding increase in retained earnings upon initial application of the amendments.

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

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

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income ("OCI") is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures*

FRS 111 and the revised FRS 28 are effective for financial periods beginning on or after 1 January 2013.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

The Group currently applies proportionate consolidation for its joint ventures. Upon adoption of FRS 111, the Group expects the change to equity accounting for these joint ventures will affect the Group's financial statements presentation.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 is effective for financial periods beginning on or after 1 January 2013.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

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

2.4 *Basis of consolidation and business combination*

(a) Basis of consolidation

Business of consolidation from 1 January 2010

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 and dividends 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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

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

2.4 *Basis of consolidation and business combination (cont'd)*

(b) Business combinations

Business combinations from 1 January 2010

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.

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 a change to other comprehensive income. If the contingent consideration is classified as equity, it is not to 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's 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 prior to 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.

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

2.4 ***Basis of consolidation and business combination (cont'd)***

(b) Business combinations (cont'd)

Business combinations prior to 1 January 2010 (cont'd)

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. Any additional acquired share of interest did not affect previously recognised goodwill.

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 modified the cash flows that otherwise would have been 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 adjustments to the contingent consideration were recognised as part of goodwill.

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 Company.

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.

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

2.6 *Foreign currency (cont'd)*

(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.

(b) Consolidated financial statements

For consolidation purpose, 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

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 and recognises 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.

Notes to the Financial Statements cont'd

For the year ended 31 December 2011

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

2.9 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses. The 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.

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 cont'd

For the year ended 31 December 2011

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 comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recorded at cost, including transaction costs. 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.

Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

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.

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

2.11 *Intangible assets (cont'd)*

(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 acquiree 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.

(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.

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

2.11 *Intangible assets (cont'd)*

(b) Other intangible assets (cont'd)

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.

2.12 *Financial assets*

Initial recognition and measurement

Financial assets are recognised 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.

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

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

(a) Financial assets at fair value through profit or loss (cont'd)

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.

(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.

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

2.12 *Financial assets (cont'd)*

(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.

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, recent market transactions are taken into account, if available. If no such transactions can be identified, 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.

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

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

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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.

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 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.

Notes to the Financial Statements cont'd

For the year ended 31 December 2011

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

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

(a) Financial assets carried at amortised cost (cont'd)

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.

(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.

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

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

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

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, 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.

2.16 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: costs of direct materials and goods purchased for resale are stated on a weighted average basis
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 *Provisions*

General

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 resources embodying economic benefits 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.

2.19 *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised 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, plus, in the case of financial liabilities not at fair value through profit or loss, 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 through profit or loss. 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.

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

2.19 *Financial liabilities (cont'd)*

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.

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 in accordance with the terms of a debt instrument.

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, even if that right is not explicitly specified in an arrangement.

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.

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 their 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 principally 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.

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, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding 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 usually on delivery of goods. 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. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) Dividend income

Dividend income is recognised when the Group's right to receive the payment is established.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Royalty income

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

(f) Marketing service income

Marketing service income is recognised when services are rendered.

(g) Packaging service income

Packaging service income is recognised when services are rendered.

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

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 and is recognised in employee benefits expense.

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.

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

2.27 *Taxes*

(a) Current income 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 substantively 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.

(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.

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

2.27 ***Taxes (cont'd)***

(b) Deferred tax (cont'd)

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 recovered.

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 income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

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

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.

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. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

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 cont'd

For the year ended 31 December 2011

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

2.32 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies :

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) nne entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 periods.

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 balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(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.

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 2011 were US$1,662,000 (2010: US$548,000) and US$364,000 (2010: US$508,000) 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.

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 receivables at the balance sheet is disclosed in Note 24 to the financial statements.

4. REVENUE

Revenue is analysed as follows:

	Group	
	2011	**2010**
	US$'000	US$'000
Sale of goods	181,310	138,949
Rental income	1,350	1,247
Royalty income	977	1,021
Marketing service fee	33,188	28,232
Packaging service fee	8,837	6,354
	225,662	175,803

Notes to the Financial Statements cont'd

For the year ended 31 December 2011

5. OTHER INCOME

	Group	
	2011	2010
	US$'000	US$'000
Fair value gain on derivatives	–	50
Gain on disposal of investment properties	–	557
Gain on disposal of assets classified as held for sale	357	–
Gain on disposal of property, plant and equipment	–	20
Interest income from		
- Bank deposits	121	139
- Associates	148	19
Grant income from Jobs Credit Scheme	–	54
Grant income from IE Singapore	263	159
Sales of cartons/scrapped items	55	33
Other income	157	105
	1,101	1,136

During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme ("Scheme"). Under this Scheme, the Group received a 12% cash grant on the first S$2,500 of each month's wages for each employee on their Central Provident Fund payroll. The Government extended the Scheme with another two payments at stepped-down rates of 6% and 3% in March and June 2010 respectively. During the financial year ended 31 December 2010, the Group received grant income of US$54,000 under the Scheme.

6. STAFF COSTS

	Group	
	2011	2010
	US$'000	US$'000
Salaries, wages and other staff benefits	21,376	18,250
Employer's contribution to defined contribution plans including Central Provident Fund	2,760	2,016
Value of employee services received for issue of share options	299	211
	24,435	20,477

Directors' remuneration included in staff costs are as follows:

Directors' remuneration		
- Directors of the Company		
- Salaries and other remuneration	1,682	1,336
- Employer's contribution to defined contribution plans including Central Provident Fund	17	21
- Value of employee services received for issue of share options	91	58
	1,790	1,415

Notes to the Financial Statements cont'd

For the year ended 31 December 2011

7. FINANCE COSTS

	Group	
	2011	**2010**
	US$'000	US$'000
Interest expenses on:		
Term loan	76	80
Obligation under financial lease	–	1
Others	10	16
	86	97

8. PROFIT BEFORE TAXATION

	Group	
	2011	**2010**
	US$'000	US$'000
The following items have been included in arriving at profit before taxation:		
Audit fees paid to		
- Auditors of the Company	39	33
- Other auditors of the Group	170	172
Non-audit fees paid to other auditors of the Group	53	15
Directors' fee		
- Directors of the Group	230	239
Foreign exchange loss/(gain)	812	(50)
Other operating expenses/(income)		
- Loss/(gain) on disposal of property, plant and equipment	15	(20)
- Allowance for doubtful receivables	286	505
- Inventories written down	437	440
- Advertising and promotions expenses	35,008	27,683
- Legal and professional fees	1,450	1,369

9. TAXATION

Major components of income tax expenses

The major components of income tax expenses for the years ended 31 December 2011 and 2010 are:

	Group	
	2011	**2010**
	US$'000	US$'000
Consolidated income statement		
Current income tax		
- Current income taxation	1,738	584
- Overprovision in respect of prior years	(196)	(725)
	1,542	(141)
Deferred income tax		
- Origination and reversal of temporary differences	(190)	83
Income tax expense/(credit) recognised in profit or loss	1,352	(58)

Relationship between tax expense and accounting profit

The reconciliation between the tax expense/(credit) and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2011 and 2010 are as follows:

	Group	
	2011	**2010**
	US$'000	US$'000
Accounting profit before tax	16,165	13,601
Tax at statutory tax rate of 17%	2,748	2,312
Adjustments:		
Non-deductible expenses	695	629
Tax effect of double taxation relief	–	(205)
Income not subject to taxation	(235)	(481)
Effect of partial tax exemption and tax relief	(70)	(59)
Deferred tax assets not recognised	329	122
Effect of different tax rates in other countries	(1,901)	(1,730)
Overprovision in respect of previous years taxation	(196)	(725)
Others	(18)	79
Income tax expense/(credit) recognised in profit or loss	1,352	(58)

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

Notes to the Financial Statements cont'd

For the year ended 31 December 2011

10. DIVIDENDS

	Group and Company	
	2011	2010
	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$0.01052 (2010: S$0.0022) per share	4,531	851
- Special exempt (one-tier) dividend for the previous financial year: S$Nil (2010: S$0.0078) per share	–	3,019
	4,531	3,870
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 2011: S$0.01052 (2010: S$0.01052) per share	4,445	4,320

11. EARNINGS PER SHARE

(a) *Basic earnings per share*

Basic earnings per share, net of tax, 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	
	2011	2010
	US$'000	US$'000
Net profit for the year used in computing basic earnings per share	14,962	13,659
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	529,272	529,044

11. EARNINGS PER SHARE (CONT'D)

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing net profit for the year (after deducting dividends) from continuing operations, net of tax, attributable to original equity shareholders of the Company 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	
	2011	**2010**
	US$'000	US$'000
Net profit for the year used in computing diluted earnings per share	14,962	13,659
	No. of shares '000	No. of shares '000
Weighted average number of shares issued, used in the calculation of basic earnings per share	529,272	529,044
Effect of dilution:		
Weighted average number of unissued ordinary shares under option	8,388	8,601
Number of shares that would have been issued at fair value	(7,010)	(7,061)
Weighted average number of ordinary shares adjusted for the effect of dilution which is used for diluted earnings per share computation	530,650	530,584

Since the end of the financial year, there have been no other transactions involving ordinary shares or potential ordinary shares that would have changed significantly the ordinary shares or potentially ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period.

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 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 and 1 January 2011	7,028	4,299	11,839	2,193	1,083	704	35	27,181
Additions	4,970	–	608	490	431	1,866	295	8,660
Disposals	–	–	(561)	(117)	(88)	(109)	–	(875)
Exchange realignment	(74)	(82)	(372)	(16)	(37)	(12)	(27)	(620)
At 31 December 2011	11,924	4,217	11,514	2,550	1,389	2,449	303	34,346

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 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 and 1 January 2011	19	1,982	4,881	1,365	635	361	–	9,243
Charge for the year	58	187	1,127	324	158	158	–	2,012
Disposals	–	–	(330)	(77)	(67)	(67)	–	(541)
Exchange realignment	(2)	(12)	(174)	(11)	(19)	(7)	–	(225)
At 31 December 2011	75	2,157	5,504	1,601	707	445	–	10,489
Net carrying amount								
At 31 December 2011	11,849	2,060	6,010	949	682	2,004	303	23,857
At 31 December 2010	7,009	2,317	6,958	828	448	343	35	17,938

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Motor vehicle
	US$'000
Cost	
At 31 December 2010 and 1 January 2011	–
Addition	229
At 31 December 2011	229
Accumulated depreciation	
At 31 December 2010 and 1 January 2011	–
Charge for the year	8
At 31 December 2011	8
Net carrying amount	
At 31 December 2011	221
At 31 December 2010	–

The Group's freehold properties included US$9,067,000 which relate to freehold land.

Based on valuations performed by independent appraisers, Allied Appraisal Consultants Pte Ltd for properties in Singapore and Henry Butcher Malaysia (Johor) Sdn Bhd and JS Valuers Property Consultants Sdn Bhd for the properties in Malaysia on 27 December 2011, 30 December 2011 and 21 February 2012 (2010: 8 December 2010, 13 December 2010 and Nil) respectively, there are no impairment required for the carrying amounts of these properties.

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.

<u>Assets held under finance leases</u>

As at 31 December 2010, the Group had fully settled the outstanding amount of the financial lease and the pledge security are discharged.

During the current financial year, the Group acquired motor vehicle with the cost of US$50,000, of which US$33,000 was settled by cash and the remaining US$17,000 by finance lease. As at the end of the financial year, the carrying amount of this motor vehicle is US$40,000. The leased asset is pledged as security for the related finance lease liabilities.

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Additions of freehold properties

During the financial year, a subsidiary of the Group acquired freehold property, GM 1780, Lot 1723, Tempat Batu 9 1/4, Jalan Kapar, Mukim Kapar, Daerah Klang, Selangor for a total consideration of approximately US$4,917,000. As at 31 December 2011, the Group had paid the full amount and out of the US$4,917,000 paid, US$3,433,000 was financed through bank loans. See Note 31 for more details.

Assets pledged as security

The portion of the freehold property at 31 Harrison Road, Singapore 369649 whose carrying amount is US$6,932,000 as at 31 December 2011 (2010: US$7,009,000) is mortgaged to secure bank loans.

The freehold property at GM 1780, Lot 1723, Tempat Batu 9 1/4, Jalan Kapar, Mukim Kapar, Daerah Klang, Selangor whose carrying amount is US$4,917,000 as at 31 December 2011 (2010: US$Nil) is mortgaged to secure bank loans.

13. INVESTMENT PROPERTIES

	Group	
	2011	2010
	US$'000	US$'000
Cost		
At 1 January	5,417	3,045
Additions (acquisition of properties)	6,418	3,834
Transfer to assets held for sale	–	(445)
Disposals	–	(1,377)
Exchange realignment	(282)	360
At 31 December	11,553	5,417
Accumulated depreciation		
At 1 January	887	1,679
Depreciation	41	45
Transfer to assets held for sale	–	(133)
Disposals	–	(800)
Exchange realignment	(140)	96
At 31 December	788	887
Carrying amount		
At 31 December	10,765	4,530

13. INVESTMENT PROPERTIES (CONT'D)

	Group	
	2011	**2010**
	US$'000	US$'000
Income statement:		
Rental income from investment properties:		
- Minimum lease payments	161	109
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	320	101

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Properties pledged as security

The portion of the freehold property at 31 Harrison Road, Singapore 369649 whose carrying amount is US$3,976,000 as at 31 December 2011 (2010: US$4,038,000) was mortgaged to secure bank loans.

The freehold property at 81 Playfair Road, Singapore 367999 whose carrying amount is US$6,180,000 as at 31 December 2011 (2010: US$Nil) was mortgaged to secure bank loans.

Valuation of investment properties

Based on a valuation performed by independent appraisers, Allied Appraisal Consultants Pte Ltd and DTZ Debenham Tie Leung (Sea) Pte Ltd on 27 December 2011 and 7 October 2011 (2010: 8 December 2010 and Nil) respectively, 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$11,937,000 (2010: US$4,660,000).

13. INVESTMENT PROPERTIES (CONT'D)

Details of Investment properties

The investment properties held by the Group as at 31 December 2011 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
3.	81 Playfair Road Singapore 367999	1 unit of a 3-Storey Building	Warehouse/ Office	Freehold

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

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2011	2010
	US$'000	US$'000
Unquoted shares, at cost	44,894	44,894
Impairment losses	(349)	(349)
Carrying amount of investments	44,545	44,545

Notes to the Financial Statements cont'd

For the year ended 31 December 2011

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 2011 %	2010 %
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

Notes to the Financial Statements cont'd

For the year ended 31 December 2011

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group	
		2011	2010
		%	%
Held by Future Enterprises Pte Ltd (cont'd)			
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	60
Empire Distribution (Europe) Spółka Z Ograniczona Odpowiedzialnoscia [6] (Poland)	Distribution, procurement, wholesale and trade of beverage products	100	100
WELLDis LLP [6] (Kazakhstan)	Distribution, procurement, wholesale and trade of beverage products	100	100
Empire Manufacturing Sdn Bhd (Malaysia) [10]	Manufacturing food & beverages and real estate activities relating to own or lease property	100	–
Future Investment Holdings Pte Ltd (Singapore) [10]	Investment holding	100	–

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2011 %	2010 %
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
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

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2011 %	2010 %
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
Jointly held by FES International FZE and Future Enterprises Pte Ltd			
FES Marketing LLP.[8] (Russia)	Providing royalty and trade-mark contract service; and trade and marketing services	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) Audited by Osman Bing Satrio & Rekan (Member of Deloitte Touche Tohmatsu Limited).
(10) No audited financial statements had been prepared as company had remained dormant since incorporation.

During the financial year, FES Distribution Limited a subsidiary held by Lovena Limited was liquidated on 1 August 2011.

15. INVESTMENT IN ASSOCIATES

	Group 2011 US$'000	Group 2010 US$'000
Unquoted shares, at cost	8,230	9,947
Share of net post-acquisition reserves	1,758	1,588
	9,988	11,535

Disposal

During the financial year, the Group disposed of its 26% interest in Vayhan Coffee Limited for a total consideration of approximately US$2,689,000. A loss on disposal of interest, amounting to US$342,000 was recognised in the profit or loss.

Notes to the Financial Statements cont'd

For the year ended 31 December 2011

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	
		2011	2010
		%	%
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	40
Empire Tea (PVT) Ltd [4] (Sri Lanka)	Exporter of bulk, packet and bagged tea	30	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

15. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information of the associates is as follows:

	Group	
	2011	**2010**
	US$'000	US$'000
Assets and liabilities:		
Total assets	59,187	79,900
Total liabilities	39,213	53,936
Revenue	70,883	58,611
Profit for the year	1,547	1,789

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

	Group	
	2011	**2010**
	US$'000	US$'000
3 years, unsecured long term loan	2,600	1,308

The 3 years loan of US$2,600,000 is unsecured and bears a floating interest rate of 7% per annum during the financial year.

17. INTANGIBLE ASSETS

	Goodwill	**Brand**	**Total**
	US$'000	US$'000	US$'000
Cost			
At the beginning and end of the year for financial year 2011 and 2010	7,390	8,361	15,751
Less: Impairment			
At the beginning and end of the year for financial year 2011 and 2010	706	1,702	2,408
Net carrying amount			
At 31 December 2011	6,684	6,659	13,343
At 31 December 2010	6,684	6,659	13,343

Notes to the Financial Statements cont'd

For the year ended 31 December 2011

17. INTANGIBLE ASSETS (CONT'D)

Impairment testing of goodwill and brand

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

	Group	
	2011	**2010**
	US$'000	US$'000
FER (HK) Limited Group	4,797	4,797
FES Industries Pte Ltd	1,887	1,887
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. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period are as follows:

	FER (HK) Limited Group		FES Industries Pte Ltd		Brand	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Growth rates	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Pre-tax discount rates	9.8%	10.1%	7.9%	7.9%	9.8%	10.1%

The calculations of value-in-use for the CGU's are most sensitive to the following assumptions:

Forecasted sales values – For the first 5 years of forecasted growth, sales values are based on actual values achieved in the years preceding the start of the budget period. These are adjusted over the budget period of the next 5 years resulting from increased advertising and promotional effects. An average of 14.4% for brand and 9.0% for goodwill per annum were applied.

Growth rates – The forecasted growth rates beyond the 5-year period are based on published industry research and do not exceed the long-term average growth rate for the mature industry that the CGU is in.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

18. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group	
	2011	2010
	US$'000	US$'000
Deferred tax assets		
Sundry provisions	142	95
Deferred tax liabilities		
Excess of net book value over tax written down value	(364)	(508)

At the balance sheet date, the Group has taxes losses of approximately US$2,469,000 (2010: US$2,371,000) that are available for offset against future taxable profits of the companies in which the losses arose. The resulting deferred tax asset of US$499,000 (2010: US$562,000) are not recognised due to uncertainty of its recoverability. The use of these unutilised tax losses are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

19. DEBENTURES

During the financial year ended 31 December 2010, the Group purchased 5.5 years mandatory convertible debentures through one of its subsidiaries for US$669,000. The debentures bears 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 current year, the debentures were disposed and was derecognised.

20. INVENTORIES

	Group	
	2011	2010
	US$'000	US$'000
Balance sheet:		
Raw materials	9,761	8,967
Packaging materials	2,779	3,912
Finished products/trading goods	9,717	10,775
Total inventories at lower of cost and net realisable value	22,257	23,654
Income statement:		
Inventories recognised as an expense in cost of sales	126,890	95,608
Inclusive of the following charge:		
- Inventories written down	437	440

Notes to the Financial Statements cont'd

For the year ended 31 December 2011

21. PREPAID OPERATING EXPENSES AND OTHER DEBTORS

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Deposits	368	1,040	–	–
Prepayments	1,805	1,312	29	4
	2,173	2,352	29	4

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

	Company	
	2011	2010
	US$'000	US$'000
Amounts due from subsidiaries	8,582	3,322
Allowance for doubtful receivables	(2,693)	(2,720)
	5,889	602
Amounts due to subsidiaries	(21)	(21)

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

23. AMOUNTS DUE FROM ASSOCIATES (NON-TRADE)

	Group	
	2011	2010
	US$'000	US$'000
Unsecured, repayable on demand and interest free	514	390

24. TRADE RECEIVABLES

	Group	
	2011	2010
	US$'000	US$'000
Trade receivables	63,530	49,880
Allowance for doubtful receivables	(480)	(219)
	63,050	49,661

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 3 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.

24. TRADE RECEIVABLES (CONT'D)

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

	Group	
	2011	**2010**
	US$'000	US$'000
Singapore Dollar	52	517
Euro	539	432
Russia Rubles	3,587	4,593
Others	759	354

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$10,890,000 (2010: US$4,628,000) 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	
	2011	**2010**
	US$'000	US$'000
Trade receivables past due but not impaired:		
Lesser than 90 days	10,496	4,470
91 to 120 days	57	12
121 to 150 days	331	4
More than 150 days	6	142
	10,890	4,628

24. TRADE RECEIVABLES (CONT'D)

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	
	2011	**2010**
	US$'000	US$'000
Trade receivables – nominal amounts	480	224
Less: Allowance for impairment	(480)	(219)
	–	5
Movement in allowance accounts:		
At 1 January	219	766
Charge for the year	286	505
Bad debts written off against provision	(25)	(1,052)
At 31 December	480	219

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 2011, net impairment loss on trade receivables of US$286,000 (2010: US$505,000) was recognised in the profit or loss subsequent to a debt recovery assessment performed.

25. OTHER RECEIVABLES

	Group	
	2011	**2010**
	US$'000	US$'000
Staff advances	148	171
Sundry receivables	2,168	254
Tax recoverable	119	123
	2,435	548

Included in sundry receivables for 2011, is an amount of approximately US$1,525,000 relating to the receivable amount from the disposal of associate, Vayhan Coffee Limited upon signing of the Memorandum of Understanding on 14 November 2011.

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

26. DERIVATIVES

During the financial year ended 31 December 2010, the Group entered into 5.5 years forward contract to sell 5% shareholding in Vayhan Coffee Limited at a minimum price per share back to the associate.

As at 31 December 2010, a fair value gain on derivative of US$50,000 was recognised in profit or loss.

On 14 November 2011, the forward contract was terminated with mutual consent of the counterparty .

27. ASSETS HELD FOR SALE

On 6 January 2011, the Group disposed off No. 3 Upper Aljunied Link, Block B, Joo Seng Warehouse, #07-04 Singapore 367902, and a gain of US$357,000 was recognised in profit or loss.

28. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Cash and bank balances	35,148	41,670	116	231

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging from 0.1% to 0.5% (2010: 0.1% to 0.5%) per annum.

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

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Singapore Dollar	1,651	4,830	116	231
Euro	166	337	–	–
Russia Rubles	429	313	–	–
Malaysia Ringgit	1,160	346	–	–
Vietnam Dong	112	136	–	–
Others	217	142	–	–

29. TRADE PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Trade payables	12,471	18,384	26	58
Accruals	13,201	7,994	1,017	868
Total trade payables and accruals	25,672	26,378	1,043	926

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	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Singapore dollar	3,294	2,195	1,043	230
Euro	74	489	–	–
Russia Rubles	1,116	1,154	–	–
Malaysia Ringgit	408	471	–	–
Others	460	331	–	–

30. OTHER PAYABLES

	Group	
	2011	2010
	US$'000	US$'000
Rental and other deposits	59	112
Sundry payables	660	1,113
Other payables	719	1,225

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 2011 US$'000	Group 2010 US$'000
Current			
- SGD loan at SIBOR + 0.85% p.a.	2012	733	627
- USD loan at COF + 1.50% p.a.	2012	343	–
		1,076	627
Non-current			
- SGD loan at SIBOR + 0.85% p.a.	2020	5,679	5,485
- USD loan at COF + 1.50% p.a.	2021	3,090	–
- SGD loan at COF + 1.25% p.a.	2024	3,541	–
		12,310	5,485
Total loans and borrowings		13,386	6,112

<u>SGD loan at SIBOR + 0.85% p.a.</u>

During the financial year ended 31 December 2010, 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.

<u>USD loan at COF + 1.50% p.a.</u>

During the current financial year, a subsidiary of the Group has taken up the loan to finance the purchase of the freehold property, GM 1780, Lot 1723, Tempat Batu 9 1/4, Jalan Kapar, Mukim Kapar, Daerah Klang, Selangor. The loan is secured by a first mortgage over the freehold property. See Note 12 for more details.

<u>SGD loan at COF + 1.25% p.a.</u>

During the current financial year, a subsidiary of the Group has taken up the loan to finance the purchase of the freehold property, 81 Playfair Road, Singapore 367999. The loan is secured by a first mortgage over the freehold property. See Note 13 for more details.

Notes to the Financial Statements cont'd

For the year ended 31 December 2011

32. SHARE CAPITAL

	Group and Company	
	2011	2010
	US$'000	US$'000
Issued and fully paid:		
At beginning of the year		
529,043,999 (2010: 529,043,999) ordinary shares	39,666	39,666
Issued for cash under employee share option		
120,000 ordinary shares issued at exercised price of S$0.335	32	–
250,000 ordinary shares issued at exercised price of S$0.229	44	–
Transfer from share-based payment reserve	9	–
At end of the year	39,751	39,666

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. The ordinary shares have no par value.

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 15,890,000 (2010: 8,640,000) ordinary shares. Details of outstanding options are set out in Note 34.

33. RESERVES

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Foreign currency translation reserve	850	1,301	3,869	3,963
Asset revaluation reserve	60	60	–	–
Share-based payment reserve	825	535	825	535
Fair value adjustment reserve	–	(76)	–	–
Accumulated profits	103,115	92,684	5,291	271
	104,850	94,504	9,985	4,769

(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.

33. RESERVES (CONT'D)

(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.

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.

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	1.2
2004 Options	3	3,650,000	–	–	–	3,650,000	0.229	25 May 2006 to 24 May 2014	3.4
2010 Options	18	–	4,750,000	–	–	4,750,000	0.335	4 January 2011 to 3 January 2020	9.0
		3,890,000	4,750,000	–	–	8,640,000			
Weighted average share price (S$)		0.224	0.335	–	–	0.285			

34. EMPLOYEE BENEFITS (CONT'D)

Movements in the number of ordinary shares outstanding under the Option Scheme as at 31 December 2011 and the details of the Option Scheme are as follows:

	Number of holders at end of year	Number of options outstanding at 1.1.2011	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 31.12.2011	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	0.2
2004 Options	2	3,650,000	–	–	(250,000)	3,400,000	0.229	25 May 2006 to 24 May 2014	2.4
2010 Options	17	4,750,000	–	(900,000)	(120,000)	3,730,000	0.335	4 January 2011 to 3 January 2020	8.0
2011 Options (February)	18	–	4,750,000	(700,000)	–	4,050,000	0.505	1 February 2012 to 31 January 2021	9.1
2011 Options (December)	21	–	4,470,000	–	–	4,470,000	0.315	19 December 2012 to 18 December 2021	10.0
		8,640,000	9,220,000	(1,600,000)	(370,000)	15,890,000			
Weighted average share price (S$)		0.285	0.335	0.335	0.263	0.309			

[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.

34. EMPLOYEE BENEFITS (CONT'D)

Out of the 15,890,000 (2010: 8,640,000) outstanding options on 31 December 2011, 7,370,000 (2010: 3,890,000) shares are exercisable as at 31 December 2011.

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:

(a) 2004 Options

	Group	
	Grant – 10 years	Grant – 5 years
Dividend yield (%)	3.05	3.05
Expected volatility (%)	38.81	38.81
Historical volatility (%)	38.81	38.81
Risk-free interest rate[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

34. EMPLOYEE BENEFITS (CONT'D)

The fair value of the share options as at the date of grant was estimated by an external valuer using Trinomial Option Valuation Model, taking into the account the terms and conditions under which the options were granted. The inputs to the model used for the options granted are shown below:

(c) ***2011 Options (February)***

	Group Grant 10 years
Average dividend per share (S$)	0.01218
Expected volatility (%)	43.00
Risk-free rate (%)	0.935
Expected life of option (years)	4
Weighted average share price (S$)	0.505

(d) ***2011 Options (December)***

	Group Grant 10 years
Average dividend per share (S$)	0.01218
Expected volatility (%)	41.23
Risk-free rate (%)	0.602
Expected life of option (years)	5
Weighted average share price (S$)	0.315

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

35. SEGMENT INFORMATION (CONT'D)

(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 segments.

The Group regularly reviews each business segment results for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from the operating profit or loss in the consolidated financial statements.

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

	Beverages		Others		Per consolidated financial statements	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue						
Segment revenue from external customers	212,365	164,886	13,297	10,917	225,662	175,803
Results						
Interest income	265	147	4	11	269	158
Dividend income	–	–	38	–	38	–
Depreciation of property, plant and equipment	(1,880)	(1,841)	(132)	(29)	(2,012)	(1,870)
Depreciation of investment properties	–	–	(41)	(45)	(41)	(45)
Share of profit of associates	126	180	151	694	277	874
Interest expenses	(80)	(90)	(6)	(7)	(86)	(97)
Other non-cash expenses [a]	(974)	(952)	(48)	(154)	(1,022)	(1,106)
Segment profit before tax	14,973	11,980	1,192	1,621	16,165	13,601

[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.

35. SEGMENT INFORMATION (CONT'D)

	Beverages		Others		Per consolidated financial statements	
	2011	2010	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Assets						
Segment assets	156,497	143,735	30,175	25,206	186,672	168,941
Liabilities						
Segment liabilities	29,498	25,042	12,322	9,729	41,820	34,771
Other Information						
Investment in associates	2,456	4,006	7,532	7,529	9,988	11,535
Additions to non-current assets	8,660	7,998	6,418	3,844	15,078	11,842

Geographical information

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

	Group	
	2011	2010
	US$'000	US$'000
Russia	129,356	100,498
Eastern Europe and Central Asia	71,385	55,228
Other countries	24,921	20,077
	225,662	175,803

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

	Group	
	2011	2010
	US$'000	US$'000
Singapore	24,314	17,565
Malaysia	7,050	2,226
Russia	11,532	10,877
Eastern Europe and Central Asia	4,431	4,419
Other countries	638	724
	47,965	35,811

35. SEGMENT INFORMATION (CONT'D)

Geographical information (cont'd)

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$120,379,000 (2010: US$91,860,000), arising from sales and services in the beverages segment.

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$3,007,000 and US$2,964,000 for the years ended 31 December 2011 and 2010 respectively.

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

	Group	
	2011	**2010**
	US$'000	US$'000
Within one year	2,031	2,447
After one year but not more than five years	387	413
More than five years	274	332
	2,692	3,192

Operating lease commitment as lessor

The Group has entered into commercial properties leases on its investment properties. These non-cancellable leases have remaining terms of 1 - 3 years as at 31 December 2011.

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

	Group	
	2011	**2010**
	US$'000	US$'000
Within one year	253	85
After one year but not more than five years	227	136
	480	221

36. COMMITMENTS AND CONTINGENCIES (CONT'D)

Finance lease commitments

The Group has a finance lease for an item of motor vehicle. The lease contains a purchase option but no terms of renewal or escalation clauses.

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

	Group			
	2011		2010	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	US$'000	US$'000	US$'000	US$'000
Not later than one year	9	9	–	–
Later than one year but not later than five years	9	8	–	–
Total minimum lease payments	18	17	–	–
Less: Amounts representing finance charges	(1)	–	–	–
Present value of minimum lease	17	17	–	–

Contingent liabilities

The Company has given a corporate guarantee to bank amounting to US$61,715,000 (2010: US$53,145,000) 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:

	2011	2010
Group	US$'000	US$'000
Triple Ace Ventures Limited and its subsidiaries		
- Interest income received	148	19
- Loans provided	1,300	1,308
Simonelo Limited and its subsidiaries		
- Rental expense paid	2,043	1,882
- Sale of goods	–	2
- Sale of property, plant and equipment	–	10
Companies associated to a substantial shareholder		
- Consumption of services	–	2
- Sale of goods	795	270
Company		
Subsidiaries		
- Management fees received	1,278	1,090
- Dividend income received	10,255	4,370

(b) *Compensation of key management personnel*

	Group	
	2011	2010
	US$'000	US$'000
Salaries, wages and other staff benefits	3,214	2,684
Central Provident Fund contributions	40	82
Value of employee services received for issue of share options	189	154
Total compensation paid to key management personnel	3,443	2,920
Comprise amounts paid to:		
• Directors of the Group	1,790	1,415
• Other key management personnel	1,653	1,505
Total compensation paid to key management personnel	3,443	2,920

37. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Compensation of key management personnel (cont'd)

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, share options outstanding to the Directors and key management personnel of the Company are as follows:

	Outstanding share options	
	2011	**2010**
	'000	'000
Directors	8,360	4,900
Key management personnel	3,680	2,180
	12,040	7,080

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 classifies 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 (i.e. as prices) or indirectly (i.e. 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).

There have been no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 2011 and 2010.

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

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

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

	Quoted prices in active markets for identical instruments (Level 1)	**Significant other observable inputs** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
2011	US$'000	US$'000	US$'000	US$'000
Financial assets:				
Available-for-sale financial assets				
- Debentures (Note 19)	–	–	–	–
Derivatives				
- Forward contract (Note 26)	–	–	–	–
	–	–	–	–
2010				
Financial assets:				
Available-for-sale financial assets				
- Debentures (Note 19)	–	–	593	593
Derivatives				
- Forward contract (Note 26)	–	–	684	684
	–	–	1,277	1,277

<u>Movements in Level 3 financial instruments measured at fair value</u>

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

2011	**Available-for-sale financial assets** US$'000	**Derivatives** US$'000	**Total** US$'000
Opening balance	593	684	1,277
Addition	–	–	–
Total gain or losses:			
In other comprehensive income [(i)]	76	–	76
Loss on disposal	(669)	(684)	(1,353)
Closing balance	–	–	–

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 (cont'd)

	Available-for-sale financial assets	Derivatives	Total
	US$'000	US$'000	US$'000
2010			
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 gain/(loss) on debentures".

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

There have been no transfers from Level 1 and Level 2 to Level 3 during the year ended 31 December 2011.

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

(b) Classification of financial instruments

Group 2011	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	–	–	–	–	23,857	23,857
Investment properties	–	–	–	–	10,765	10,765
Investment in associates	–	–	–	–	9,988	9,988
Amount due from an associate	–	–	2,600	–	–	2,600
Intangible assets	–	–	–	–	13,343	13,343
Deferred tax assets	–	–	–	–	142	142
Inventories	–	–	–	–	22,257	22,257
Prepaid operating expenses and deposits	–	–	–	–	2,173	2,173
Deferred expenses	–	–	–	–	400	400
Amounts due from associates (non-trade)	–	–	514	–	–	514
Trade receivables	–	–	63,050	–	–	63,050
Other receivables	–	–	2,316	–	119	2,435
Cash and cash equivalents	–	–	–	–	35,148	35,148
	–	–	68,480	–	118,192	186,672
Liabilities						
Trade payables and accruals	–	–	–	25,672	–	25,672
Other payables	–	–	–	660	59	719
Interest-bearing loans and borrowings	–	–	–	13,386	–	13,386
Finance lease creditors	–	–	–	17	–	17
Provision for taxation	–	–	–	–	1,662	1,662
Deferred tax liabilities	–	–	–	–	364	364
	–	–	–	39,735	2,085	41,820

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
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
Liabilities						
Trade payables and accruals	–	–	–	26,378	–	26,378
Other payables	–	–	–	1,113	112	1,225
Interest-bearing loans and borrowings	–	–	–	6,112	–	6,112
Provision for taxation	–	–	–	–	548	548
Deferred tax liabilities	–	–	–	–	508	508
	–	–	–	33,603	1,168	34,771

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

Classification of financial instruments (cont'd)

Company 2011	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	–	–	221	221
Investment in subsidiaries	–	–	44,545	44,545
Prepaid operating expenses	–	–	29	29
Amounts due from subsidiaries (non-trade)	5,889	–	–	5,889
Cash and cash equivalents	116	–	–	116
	6,005	–	44,795	50,800
Liabilities				
Trade payables and accruals	–	1,043	–	1,043
Amounts due to subsidiaries	–	21	–	21
	–	1,064	–	1,064
Company 2010				
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

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 on-going basis. The management believes that concentration of credit risk is limited due to on-going credit evaluations on all customers and maintaining an allowance for doubtful receivables, which the management believes will adequately provide for potential credit risks.

The Group sells mainly to Russia and Eastern European countries. Hence, risk is concentrated on the trade receivables in these countries.

Exposure to credit risk

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

Credit risk concentration profile

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	US$'000	US$'000	US$'000	US$'000
By country:				
Russia	41,403	30,866	–	–
Eastern Europe and Central Asia	15,308	12,831	–	–
Other countries	6,339	5,964	–	–
	63,050	49,661	–	–

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

(a) Credit risk (cont'd)

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

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	**Within 1 year**	**Within 1 to 5 years**	**More than 5 years**	**Total**
2011	US$'000	US$'000	US$'000	US$'000
Trade and other receivables	65,485	–	–	65,485
Cash and cash equivalents	35,148	–	–	35,148
Interest-bearing loans and borrowings	(1,076)	(4,304)	(8,006)	(13,386)
Finance lease obligation	(9)	(9)	–	(18)
Trade and other payables	(26,391)	–	–	(26,391)
Total net undiscounted financial assets/ (liabilities)	73,157	(4,313)	(8,006)	60,838
2010				
Trade and other receivables	50,209	–	–	50,209
Cash and cash equivalents	41,670	–	–	41,670
Interest-bearing loans and borrowings	(627)	(2,508)	(2,977)	(6,112)
Trade and other payables	(27,603)	–	–	(27,603)
Total net undiscounted financial assets/ (liabilities)	63,649	(2,508)	(2,977)	58,164
Company				
2011				
Amounts due from subsidiaries (non-trade)	5,889	–	–	5,889
Cash and cash equivalents	116	–	–	116
Trade and other payables	(1,043)	–	–	(1,043)
Amounts due to subsidiaries (non-trade)	(21)	–	–	(21)
Total net undiscounted financial assets	4,941	–	–	4,941

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

(b) Liquidity risk (cont'd)

Company 2010	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)	602	–	–	602
Cash and cash equivalents	231	–	–	231
Trade and other payables	(926)	–	–	(926)
Amounts due to subsidiaries (non-trade)	(21)	–	–	(21)
Total net undiscounted financial liabilities	(114)	–	–	(114)

(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's and the Company's exposure to interest rate risk arises primarily 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
2011		
Cash and cash equivalents	+10	32
Amounts due from associates (non-trade)	+100	20
Interest-bearing loans and borrowings	+100	(233)
2010		
Cash and cash equivalents	+10	52
Amounts due from associates (non-trade)	+100	11
Interest-bearing loans and borrowings	+100	(61)

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:

2011 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	–	–	–	–	–	–	–
Floating rate							
Cash and bank balances	35,148	–	–	–	–	–	35,148
Amount due from an associate	–	–	2,600	–	–	–	2,600
Finance lease obligation	9	8	–	–	–	–	17
Interest-bearing loans and borrowings	1,076	1,076	1,076	1,076	1,076	8,006	13,386
2011 Company							
Floating rate							
Cash and bank balances	116	–	–	–	–	–	116

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

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% (2010: 1.6%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst 88.1% (2010: 84.0%) 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 fluctuations.

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	
		Profit before tax	
		2011	**2010**
		US$'000	US$'000
SGD/USD	- strengthened 5% (2010: 5%)	42	22
	- weakened 5% (2010: 5%)	(42)	(22)
EURO/USD	- strengthened 5% (2010: 5%)	32	14
	- weakened 5% (2010: 5%)	(32)	(14)
RM/USD	- strengthened 5% (2010: 5%)	200	114
	- weakened 5% (2010: 5%)	(200)	(114)
GBP/USD	- strengthened 5% (2010: 5%)	9	7
	- weakened 5% (2010: 5%)	(9)	(7)
INR/USD	- strengthened 5% (2010: 5%)	–	34
	- weakened 5% (2010: 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 2011 and 31 December 2010.

40. CAPITAL MANAGEMENT (CONT'D)

The Group monitors its capital structure as follows:

	2011 US$'000	2010 US$'000
Interest-bearing loans and borrowings (Note 31)	13,386	6,112
Finance lease creditors (Note 36)	17	–
Trade payables and accruals (Note 29)	25,672	26,378
Other payables (Note 30)	719	1,225
Less: Cash and cash equivalents (Note 28)	(35,148)	(41,670)
Net debt	4,646	(7,955)
Equity attributable to the equity holders of the Company	144,601	134,170
Less: Fair value adjustment reserve	–	76
	144,601	134,246
Capital and net debt	149,247	126,291

41. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Directors on 23 March 2012.

Shareholders' Information

As at 16 March 2012

Class of equity securities	:	Ordinary share
No. of equity securities	:	529,263,999
Voting rights	:	One vote per share

As at 16 March 2012, the total number of treasury shares held is 150,000. The treasury shares as a percentage of the total number of issued shares excluding treasury shares is 0.03%.

DIRECTORS' SHAREHOLDINGS AS AT 16 MARCH 2012

(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	5.84	4,680,000	0.88
Ong Kian Min	-	-	720,000	0.14
Boon Yoon Chiang	40,000	0.01	-	-

SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2012

(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	5.84	4,680,000	0.88
Anthoni Salim (3)	-	-	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	-	-	52,900,000	10.00

Shareholders' Information cont'd

As at 16 March 2012

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. 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 16 March 2012, 35.45% 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 shareholding

As at 16 March 2012

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	47	3.40	18,861	0.00
1,000 - 10,000	730	52.78	2,933,939	0.56
10,001 - 1,000,000	577	41.72	38,341,000	7.24
1,000,001 AND ABOVE	29	2.10	487,970,199	92.20
TOTAL :	1,383	100.00	529,263,999	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	DBS NOMINEES PTE LTD	134,980,300	25.50
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	32,853,100	6.21
6.	SUDEEP NAIR	30,932,399	5.84
7.	MAYBANK KIM ENG SECURITIES PTE LTD	16,601,400	3.14
8.	OON PENG HENG	13,005,500	2.46
9.	KOH PUAY LING	11,000,000	2.08
10.	MERRILL LYNCH (SINGAPORE) PTE LTD	10,325,200	1.95
11.	OON PENG LIM	9,869,300	1.86
12.	CHAN MENG HUAT	9,567,000	1.81
13.	TAN BIAN CHYE	7,580,800	1.43
14.	OON PENG LAM	6,010,500	1.14
15.	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,600,400	0.68
16.	LIM SIEW KHENG	3,460,000	0.65
17.	OON PENG WAH	3,022,500	0.57
18.	TAN SIOK CHER	2,760,000	0.52
19.	TAN SEOK WAH	2,630,000	0.50
20.	HSBC (SINGAPORE) NOMINEES PTE LTD	2,501,400	0.47
	TOTAL :	473,517,199	89.47

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Food Empire Holdings Limited ("the Company") will be held at River View Hotel, Lily Ballroom, Level 4, 382 Havelock Road, Singapore 169629 on Friday, 27 April 2012 at 5.00 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 2011 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of 1.052 Singapore cents per ordinary share (one-tier tax exempt) for the year ended 31 December 2011 (2010: A first and final dividend of 1.052 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 Tan Wang Cheow **(Resolution 3)**
   Mdm Tan Guek Ming **(Resolution 4)**
   Mr Koh Yew Hiap **(Resolution 5)**

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

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

   Mr Koh Yew Hiap will, upon re-election as a Director of the Company, remain as a member of the Remuneration Committee and will be considered independent.

4. To re-appoint Mr Boon Yoon Chiang, a Director of the Company retiring under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company.
   [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 2011 (2010: S$306,000). **(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;

Notice of Annual General Meeting

(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

(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 previous 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 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 previous Food Empire Holdings Limited Employees' Share Option Scheme approved by shareholders on 22 January 2002 (the "2002 Scheme"), provided always that the aggregate number of additional ordinary shares to be issued pursuant to the 2002 Scheme and all other share-based incentive schemes of the Company 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)] **(Resolution 10)**

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

That contingent upon the shareholders passing the ordinary resolution to approve the adoption of the new Food Empire Holdings Limited Employees' Share Option Scheme (the "2012 Scheme") at the Extraordinary General Meeting to be held immediately after this Annual General Meeting, 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 2012 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 2012 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 2012 Scheme and all other share-based incentive schemes of the Company shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (iv)] **(Resolution 11)**

By Order of the Board

Tan Cher Liang
Tan San-Ju
Secretaries
Singapore,
11 April 2012

Notice of Annual General Meeting

Explanatory Notes:

(i) The effect of the Ordinary Resolution 6 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, 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) Although the 2002 Scheme had expired on 31 December 2011, outstanding options granted prior to that date subsist and remain exercisable in accordance with the rules of the 2002 Scheme.

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 under the 2002 Scheme and all other share-based incentive schemes of the Company up to a number not exceeding in aggregate (for the entire duration of the 2002 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 in item 10 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the 2012 Scheme and all other share-based incentive schemes of the Company up to a number not exceeding in aggregate (for the entire duration of the 2012 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.

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.

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.

FOOD EMPIRE HOLDINGS LIMITED
Company Registration No. 200001282G
(Incorporated In the Republic of Singapore)

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 27 April 2012 at 5.00 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 2011		
2	Payment of proposed first and final dividend		
3	Re-election of Mr Tan Wang Cheow as a Director		
4	Re-election of Mdm Tan Guek Ming as a Director		
5	Re-election of Mr Koh Yew Hiap as a Director		
6	Re-appointment of Mr Boon Yoon Chiang as a Director		
7	Approval of Directors' fees amounting to S$306,000		
8	Re-appointment of Ernst & Young LLP as Auditors		
9	Authority to issue shares		
10	Authority to issue shares under the previous Food Empire Holdings Limited Employees' Share Option Scheme		
11	Authority to issue shares under the new Food Empire Holdings Limited Employees' Share Option Scheme		

Dated this ____________ day of ______________________________ 2012

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.

Food Empire Holdings Limited
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Singapore 369649

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