Food Empire

BEYOND

A RELENTLESS PURSUIT FOR GROWTH AND INNOVATION

ANNUAL REPORT 2019

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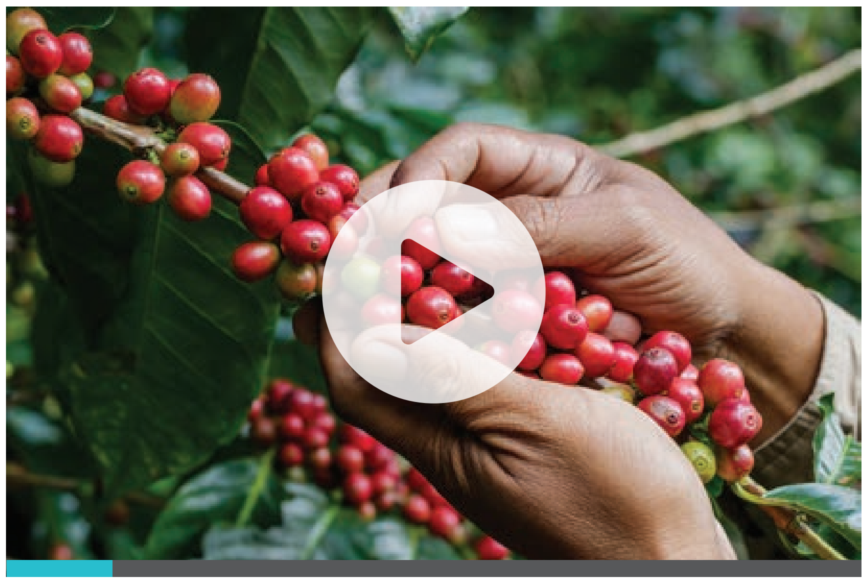
NATURE'S FINEST INGREDIENTS

ABOUT FOOD EMPIRE



SGX Mainboard-listed Food Empire Holdings ("the Group") is a global branding and manufacturing company specialising in the food and beverage industry. The Group's portfolio of products includes instant beverages, frozen convenience food, confectionery and snacks.

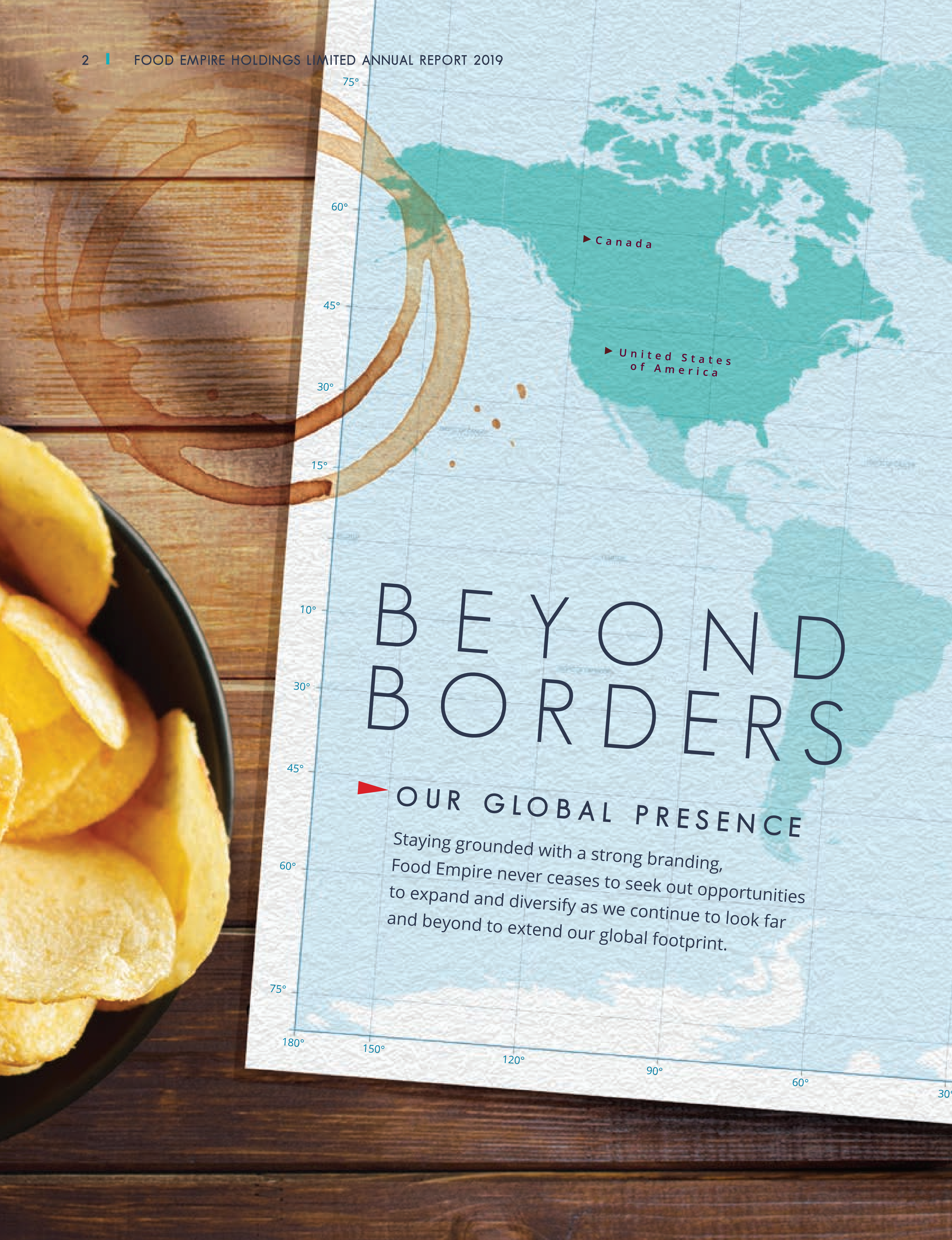
Food Empire produces a wide variety of instant beverages such as regular and flavoured coffee mixes and cappuccinos, chocolate drinks and flavoured fruit teas. The Group also markets instant breakfast cereal, assorted easy-to-prepare frozen foods, and snack items such as potato crisps. In addition to consumer retail products, the Group also sells raw ingredients like instant coffee and non-dairy creamer to other food manufacturers under its B2B arm.

Catch the Corporate Video of Food Empire on Youtube now!

Food Empire's products are sold to over 50 countries, in markets such as Russia, Ukraine, Kazakhstan, Central Asia, China, Indochina, the Middle East, Africa, Mongolia, Europe and the US. The Group has 23 offices (representative and liaison) worldwide. The Group operates 7 manufacturing facilities in Russia, Ukraine, Vietnam, Malaysia and India.

Food Empire's strength lies in its proprietary brands – including MacCoffee, Petrovskaya Sloboda, Café PHO, Klassno, CaféRite, NutriRite, Hillway, Hyson, OrienBites and Kracks. MacCoffee - the Group's flagship brand - has been consistently ranked as the leading 3-in-1 instant coffee brand in the Group's core market of Russia, Ukraine and Kazakhstan. The Group employs sophisticated brand building activities, localised to match the demographics and consumer trends of the local markets in which its products are sold.

Since its public listing in 2000, Food Empire has won numerous accolades and awards including being recognised as one of the "Most Valuable Singapore Brands" by IE Singapore (now known as Enterprise Singapore), while MacCoffee has been ranked as one of "The Strongest Singapore Brands". Forbes Magazine has twice named Food Empire as one of the "Best under a Billion" companies in Asia and the company has also been awarded one of Asia's "Top Brand" by Influential Brands.



BEYOND BORDERS

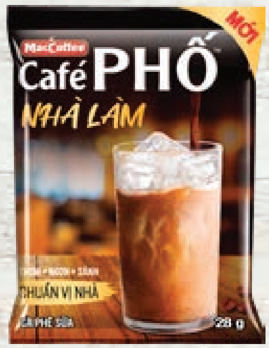
OUR GLOBAL PRESENCE

Staying grounded with a strong branding, Food Empire never ceases to seek out opportunities to expand and diversify as we continue to look far and beyond to extend our global footprint.

30°
60°
90°
120°
150°
0°
Latvia
Lithuania
Russia
Belgium
Ukraine
Kazakhstan
Italy
Mongolia
Georgia
Armenia
Azerbaijan
Uzbekistan
Turkey
Turkmenistan
Lebanon
Iraq
China
South Korea
Jordan
Bahrain
Nepal
Saudi Arabia
Qatar
Dubai
Bhutan
Bangladesh
Oman
Burkina Faso
India
Ivory Coast
Nigeria
Vietnam
Liberia
Cameroon
Ethiopia
Philippines
Gabon
Congo
Kenya
Sri Lanka
Brunei
Malaysia
Singapore
Indonesia
Seychelles
Mauritius
Reunion Island
Australia

NEW SENSES FOR THE CURIOUS SOUL

MacCoffee Café PHO Nha Lam



Perfected with the finest roasted coffee beans and premium ingredients, Café PHO Nha Lam is irresistibly delicious and rich with a taste of homemade milk coffee. Experience the comforting taste of home in the midst of the hustle and bustle of modern day life!

MacCoffee Cappuccino di Torino with Cinnamon

Fall in love with our new cappuccino flavour with aromatic cinnamon flakes prepared based on the famous recipe from the city of Turin, Italy. Enjoy a good cup of cappuccino anytime and anywhere you may be - simply empty the sachet in a cup, add hot water and stir. Mamma mia!

MacCoffee Morning White Coffee Mix

Ever needed an energy boost in the morning before you start your day? Awake your senses with MacCoffee Morning 3-in-1 White Coffee that is delightfully tasty and smooth. Also available in large packs to give you the extra boost to power through your day.

MacTea Milk Tea with Salt and Pepper

If you have a taste for a good cup of milk tea rich in culture and tradition, you must try MacTea Milk Tea with Salt and Pepper. This all-new luscious milk tea with a hint of salt and pepper is an authentic traditional drink of Kalmyk Steppe culture. Live like a local and enjoy!

MacTea Ginger and Cardamom Milk Tea

Made with the perfect blend of milk tea and ginger, MacTea Ginger Milk Tea is amazingly refreshing yet keeps you warm. For those who appreciate a strong-flavoured tea with an added zest, MacTea Cardamom Milk Tea is the drink for you!

OrienBites Pho Ga

OrienBites Pho Ga is made with the authentic recipe of Vietnamese rice noodles in a deliciously savoury soup base topped with tender chicken bits and crunchy vegetables. Enjoy this wholesome dish by simply heating it in the oven and it is ready to be served within minutes!

THE PERFECT BLEND OF SUMMER
Café PHỐ
Café PHO Sua Da

EXECUTIVE CHAIRMAN'S MESSAGE

Dear Valued Shareholders,

2019 was a bountiful year for Food Empire Holdings Limited ("Food Empire" or together with its subsidiaries, the "Group") as we delivered another consecutive year of revenue growth and profitability. Despite the challenging operating environment with ongoing trade tensions between the United States and China, our team was able to traverse through adversities by seeking further expansion in our performing markets while rationalising the non-performing units. We believe the resultant leaner structure will allow a more efficient allocation of resources, for the Group's long-term growth. On behalf of the Board, it is my pleasure to present our annual report for the financial year ended 31 December 2019 ("FY2019").

FINANCIAL OVERVIEW

In FY2019, the Russian Ruble weakened from an average exchange rate of 62.6 Ruble per US dollar in FY2018 to an average exchange rate of 64.7 Ruble per US dollar. Over the same period, the Ukrainian Hryvnia strengthened from an average exchange rate of 27.3 Hryvnia per US dollar in FY2018 to 25.7 Hryvnia per US dollar in FY2019.

Notwithstanding global growth slowdown, the Group's top line continued to grow with a 1.5% increase in revenue year-on-year ("yoy") to US$288.6 million in FY2019. While the Group's Russia market posted a decrease in revenue of 0.6% yoy to US$112.6 million as a result of further depreciation of the Russian Ruble, sales in the Group's Ukraine, Kazakhstan and CIS markets increased 10.5% yoy to US$69.4 million. In the Group's South-East Asia market, sales decreased by 1.8% from US$79.7 million in FY2018 to US$78.3 million in FY2019 due to the rationalisation of underperforming markets such as the Group's Myanmar market, partly offset by the growth in the Group's Vietnam market. Similarly, sales in the Group's Other Markets saw a decrease of 3.5% to US$19.7 million in FY2019. However, the Group's South Asia market witnessed a 6.7% growth to US$8.7 million in FY2019.

For FY2019, the Group registered net profit after tax of US$25.7 million, a 44.9% growth compared to the previous financial year mainly due to the rationalisation of underperforming markets and the absence of foreign exchange loss in FY2019 as compared to FY2018.

DIVIDENDS

To thank our shareholders, the Board is recommending a first and final dividend of 1 Singapore cent per ordinary share and a special dividend of 1 Singapore cent per ordinary share, subject to approval at the upcoming Annual General Meeting. The book closure date is on 5 May 2020 and the dividend is to be paid on 19 May 2020.

STRENGTHENING OF GLOBAL MARKET SHARES

After years of hard work from both management team and staff alike, our Group has come to achieve remarkable results across all our markets. With its robust brand equity and an extensive network of distributors, our Group's flagship instant coffee brand – MacCoffee – continues to hold the largest market share in Russia's coffee mix market. Additionally, it is also the leading coffee mix brand in most of the Commonwealth Independent States ("CIS") countries. Moving forward, we strive to maintain our position in these markets in the years to come.

In 2013, the Group made its foray into the Vietnamese market with the introduction of Café PHO, an iced coffee product. Café PHO rapidly gained substantial market share and rose to become the top brand in the iced coffee segment. Currently, Vietnam is the Group's Asian stronghold and dominates the position as our second-largest market.

STREAMLINING OF OPERATIONS

Delivering value to shareholders has always been, and will continue to be, one of the Group's key priorities. To achieve that goal, the Group has embarked on an introspection journey to review our organisational structure and markets to understand and enhance our operating efficiency.

Other than streamlining our operations, we also conducted evaluations of our current holdings and subsidiaries, and are in the process of sieving out those that are no longer viable or have no purpose in remaining operational. On the business front, we have also been assessing the Group's presence in various markets and rationalising the non-performing ones. As a result, the Group has decided to cease our Myanmar operations. At the same time, the Group also decided to restructure our Philippines operations to improve performance of the Group. With this, the Group can direct more resources to develop its core businesses in other markets.

These corporate exercises are a part of the Group's ongoing efforts to ensure the sustainability of our business amidst the uncertain economic climate. With a more efficient operating structure, the Group will be better poised to adapt to any challenges that may arise along the way.

BUILDING UP BRAND EQUITY

To help us stand out from our competitors in an ever-changing marketplace, the Group has undertaken steps to elevate our brand image in the eyes of our consumers. We focused our efforts on improving our customers' experience and interaction with the Group's brands, all while delivering quality products and services to our consumers. At the same time, we continued to invest in advertising and marketing to increase the salience of the Group's brands. Our collective efforts in this aspect have not gone unnoticed, and our Group is proud to have MacCoffee be once again recognised at the "Narodnaya Marka" competition as the "No.1 Brand in Russia" under the coffee drinks category. It is the Group's honour to receive the "Narodnaya Marka" title that is known to be a fiercely competitive ranking of leading Fast-Moving Consumer Goods brands in the Russian market based on consumers' choice. With the affirmation that we are on the right track, the Group continues to strive to bring new and quality products to our consumers.

THE LONG RUN

At Food Empire, we recognise and appreciate the importance of adopting a sustainable model. The need for sustainable business not only enables us to protect the environment, it also allows us to use our resources more effectively.

Since 2017, the Group has initiated sustainability practices and guidelines to further develop our business model into a holistic one. Besides implementing country-specific energy initiatives, we have also put into place stringent measures to ensure the safety and well-being of our employees. A more detailed report on the Group's sustainability strategies and performance can be found at http://foodempire.listedcompany.com/sr.html.

In recognition of our efforts, we are proud to announce that the Group has clinched our inaugural Sustainability Award at SIAS 20th Investors' Choice Award 2019. This honour is a validation of our continuous endeavours in implementing environmentally and socially responsible practices, and the Group will strive to achieve excellence in its corporate sustainability measures henceforth.

GIVING BACK

We are committed to helping those in our community. In the year, we initiated the "Give a Line, Change a Life" project which we collaborated with Industrial & Services Co-operative Society Limited ("ISCOS"). This project serves to ease ex-offenders' reintegration into society by providing modern-day mobile technology, allowing them to reconnect with their family and friends, as well as to keep them abreast of the latest happenings. Through this, we hope to help ex-offenders start afresh, rebuild their lives and reconnect with society.

OUTLOOK

While trade tensions have lessened in light of "Phase 1" trade deal between the United States and China being signed in January 2020, many tariffs are still in place and market volatility could persist in the near future, impacting the rate of growth. In the United Kingdom, with the newly elected Prime Minister in office, Brexit finally took place on 31 January 2020. This resulted in much economic uncertainty and consumer sentiments remain soft.

More significantly, the start of the new year was met with an unexpected global health emergency, the novel coronavirus disease ("COVID-19"), which was declared as a pandemic by the World Health Organisation on 11 March 2020. COVID-19 has dampened the macroeconomic outlook considerably and the global economy is widely expected to contract as many world governments reacted by initiating drastic measures to contain its spread.

Currently our core businesses are largely unaffected by the outbreak as the nature of our products are mainly for home-based consumption. However, going forward, we may encounter some temporary disruptions in both our production and sales due to the lockdown imposed in several countries which may restrict business operations and the movement of goods and people. We are also impacted by the devaluation of the Russian Ruble brought about by a sharp fall in global oil prices as a result of the disagreement between the Organisation of the Petroleum Exporting Countries ("OPEC") and Russia on oil production cuts. Nevertheless, we expect our business to remain resilient and will monitor the situation closely, as well as take the necessary steps to mitigate any negative fallout of this crisis.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt appreciation to our customers, business partners and distributors for their continued support. I would also like to extend my gratitude to our management team and staff for their dedication and hard work over the past year. Last but not least, I would like to thank our shareholders for your unwavering faith in us.

Mr Tan Wang Cheow
Executive Chairman

GROUP CEO'S MESSAGE

Dear Shareholders,

FY2019 has been an exceptional year for Food Empire, where we delivered record Sales and Profitability against a backdrop of continuing economic uncertainty. These results were the culmination of a period of strategic rationalisation, hard work and difficult choices, while staying true to our mission of building a leading Food & Beverage group that is transforming to become an organisation that is globally focused. At this juncture, I am pleased to present a snapshot of what we have achieved in a new journey that is just beginning.

For FY2019, the Group recorded revenue increase of 1.5% to US$288.6 million compared to US$284.3 million in FY2018. The Group's revenue grew for a fourth consecutive year despite currency fluctuation in Russia, our biggest market, which saw lower sales mainly due to depreciation of the Russian Ruble against the US dollar, although performance in local currency terms showed an improvement. In the neighbouring regions, our other key markets of Ukraine, Kazakhstan and CIS all posted increases in revenue due to better sales volume. These improvements are attributable to the Group's well-established market position that has enabled us to navigate through numerous crises and thrive in the face of relentless competition. More fundamentally, it reflects our willingness to devote resources to invest in people and market development, which has resulted in the creation of deep expertise and intangibles that are necessary for the Group to stay relevant in a fast-evolving consumer goods landscape. We foresee that the Group will continue to invest in a sustainable manner to solidify our brand names and market leadership position.

Meanwhile, our South-East Asia market saw a 1.8% decrease in revenue, from US$79.7 million in FY2018 to US$78.3 million in FY2019. The decrease can be attributed to the closure of our key underperforming market, Myanmar, which was partly offset by the growth in the Group's Vietnam market. For FY2019, our Vietnam market has continued to power ahead. However, conditions in our Myanmar market were not conducive for business. Hence, we made the decision to cut our exposure and redeploy our capital elsewhere.

The Group's South Asia market witnessed a 6.7% increase in revenue from US$8.1 million in FY2018 to US$8.7 million in FY2019, whereas revenue in the Group's Other Markets saw a decrease of 3.5% from US$20.4 million to US$19.7 million.

In terms of expenses, the Group recorded lower selling and marketing expenses of 13.3% for FY2019 due to the rationalisation of underperforming businesses. General and administrative expenses also decreased by US$1.5 million for FY2019 mainly attributable to the lower provision of doubtful debts, which was offset by higher manpower costs. As a result, net profit after tax for FY2019 was US$25.7 million as compared to a net profit after tax of US$17.7 million for FY2018.

Overall, for FY2019, the Group achieved its highest net income since it became a publicly listed company in the year 2000. This achievement represents the contributions from the twin pillars of our strategic initiatives, namely the optimisation of our corporate structure and business operations, as well as the diversification of revenue streams.

Since 2018, as part of the Group's optimisation efforts, the Group has reviewed and streamlined our corporate structure. We have also critically evaluated non-performing businesses. Our rationalisation process in FY2019 resulted in the voluntary liquidation of loss-making Myanmar subsidiaries and the restructuring of our Philippines and Malaysia operations. We expect the streamlining process to continue and reap incremental improvements resulting from a leaner business structure.

On the other hand, the Group has been enjoying favourable results due to continued success from our diversification efforts. Since the beginnings, the Group's key markets have been Russia, Ukraine, Kazakhstan and CIS. However, the aftermath of the 2009 financial crisis led to the Group's realisation that it was excessively dependent on the Eastern Europe markets. As such, the Group made a concerted effort to diversify its markets and to move away from reliance on the Eastern Europe and CIS markets, embarking on a new venture into the Asia Pacific region. This is where we found a measure of success in Vietnam, which has since grown to be our second-largest market. Today, after striving for more than six years, the Group has made headway and we have gained meaningful market share in the South-East Asia region. For FY2019, our Vietnam market generated US$50.5 million worth of revenue.

Moving forward, the Group will continue to invest to grow the Vietnam business within the South-East

Asia region. As for our core markets such as Russia, Ukraine, Kazakhstan and CIS, our brands in these markets have enjoyed strong market leadership with an experienced business team. These segments will continue to provide stable operating income, cash flow and growth in local currency terms. Collectively, I believe the Group will continue to see healthy organic growth in these key markets as long as the local currencies remain stable.

For our upstream commodities projects, the construction of our second instant coffee plant in India under our subsidiary, Indus Coffee, is in progress. It is expected to be commissioned in FY2020 and commercial production is planned to commence in the second half of the year, barring any unforeseen circumstances we may face in the light of the COVID-19 outbreak situation. Following the success of our first Non-Dairy Creamer ("NDC") plant, which is currently fully utilised, the Group has also decided to embark on its second NDC project in the same location in Malaysia. We anticipate that the plant will be completed within a 24-month period and begin commercial production from FY2022 onwards. Upon completion, it will double our current NDC capacity and enable the Group to broaden its Business-to-Business customer base by providing customised and value-added products.

Regarding Mergers & Acquisitions ("M&A"), the Group will continue to seek out accretive and strategic M&A targets that could expedite our growth and help us to achieve our geographical diversification goals. The Group remains on the lookout for opportunities that could give us a competitive edge along the value chain and propel our expansion into new markets or territories that will enhance the Group's long-term prospects.

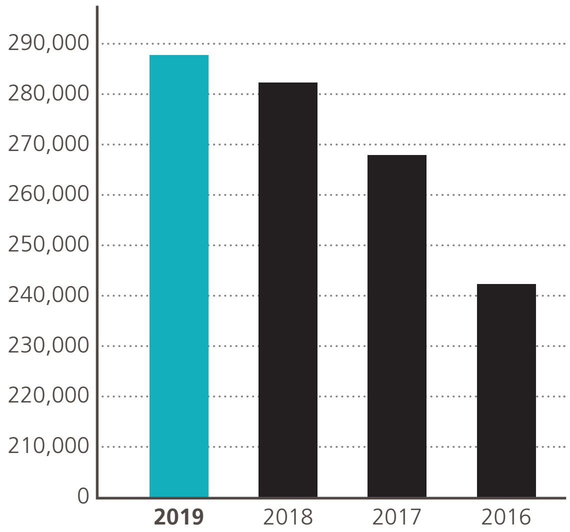
Looking ahead, while interim deals between the US and China could potentially alleviate longstanding trade tensions, global economic growth is expected to experience a dramatic slowdown due to the outbreak of COVID-19 that has since been declared as a pandemic by the World Health Organisation. We are also witnessing oil prices volatility that has negatively impacted the Russian Ruble. Nevertheless, our main markets have experienced minimal direct impact and remain stable thus far. We believe that successful efforts to restructure our businesses over the years have put the Group in a much better position to withstand external shocks and we expect the Group to remain resilient in the face of these challenges. Despite headwinds, we are cautiously optimistic in growing our business in the medium to long-term by continuing to stay focused, disciplined, and by leveraging on our core competencies that have been developed through experience in past crises.

In closing, I would like to express my utmost gratitude to the Board, our management team and our staff for their collective efforts and the commitment towards our business. To our shareholders, investors, clients and business partners, I would also like to thank you for your support and your faith in us. Our transformation will not be possible without you, and we look forward to your continuous support in the years to come.

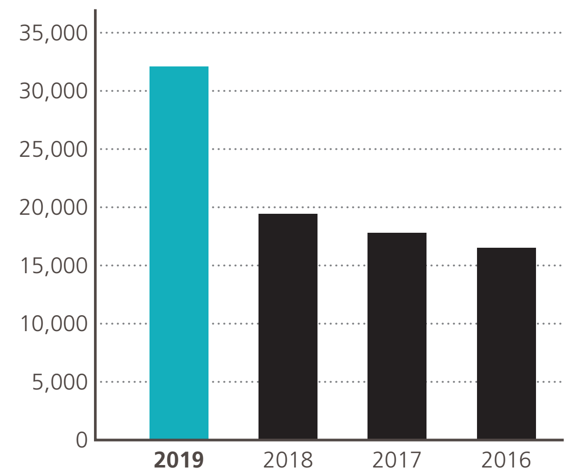
Mr Sudeep Nair
Group Chief Executive Officer and Executive Director

FINANCIAL HIGHLIGHTS

REVENUE
(US$'000)



PROFIT BEFORE TAX
(US$'000)



	2019	2018	2017	2016
(US$'000)				
Revenue	288,570	284,330	269,450	242,210
Profit before taxation	31,536	19,900	17,958	17,457
Profit after taxation	25,696	17,731	13,299	13,815
FINANCIAL INDICATORS				
Debt to Equity Ratio	27.6%	19.4%	21.7%	25.3%
Working Capital Ratio	2.6	2.5	2.3	2.1
Quick Ratio	1.7	1.6	1.5	1.4
EBITDA Margin	14.3%	9.5%	9.0%	9.8%
Diluted EPS (USD cents)	4.84	3.36	2.62	2.72
NAV per share (USD cents)	38.57	33.00	31.45	28.83
REVENUE BY GEOGRAPHICAL REGIONS (US$'000)				
Russia	112,570	113,305	116,702	107,938
Ukraine, Kazakhstan and CIS markets	69,374	62,788	56,911	50,650
South-East Asia	78,267	79,704	65,209	55,524
South Asia	8,664	8,117	8,451	4,860
Others	19,695	20,416	22,177	23,238
	288,570	284,330	269,450	242,210
REVENUE BY PRODUCT GROUP (US$'000)				
Beverages	249,798	246,700	233,269	216,365
Non-Beverages	17,994	18,486	17,176	15,374
Ingredients	20,778	19,144	19,005	10,471
	288,570	284,330	269,450	242,210

Russia

US$ 112.6 MILLION

Ukraine, Kazakhstan and CIS Markets

US$69.4 MILLION

South-East Asia

US$78.3 MILLION

South Asia

US$8.7 MILLION

Others

US$ 19.7 MILLION

OPERATIONS AND FINANCIAL REVIEW

FINANCIAL PERFORMANCE

Revenue for the financial year ended 31 December 2019 ("FY2019") was US$288.6 million, a year-on year ("yoy") increase of 1.5% compared with the US$284.3 million revenue recorded in FY2018. In FY2019, sales in the Group's largest market, Russia, increased in local currency terms but translated USD sales decreased by 0.6% to US$112.6 million as compared to US$113.3 million in FY2018 due to sustained devaluation of the Russian Ruble against the US dollar. In the Group's Ukraine, Kazakhstan and CIS markets, sales increased by 10.5% from US$62.8 million in FY2018 to US$69.4 million in FY2019. Sales in the Group's Ukraine market increased due to higher sales volume and appreciation of the Hryvnia against the US dollar. Sales in the Group's CIS markets increased due to higher sales volume. In the Group's South-East Asia market, sales decreased by 1.8% from US$79.7 million in FY2018 to US$78.3 million in FY2019 largely due to the rationalisation of underperforming markets such as the Group's Myanmar market partly offset by growth in the Group's Vietnam market.

For FY2019, selling and marketing expenses decreased by US$6.3 million from US$47.8 million in FY2018 to US$41.5 million. The decrease was caused by the rationalisation of underperforming markets partly offset by higher manpower cost.

General and administrative expenses decreased by US$1.5 million from US$41.4 million in FY2018 to US$39.9 million in FY2019. The decrease was mainly attributed to lower provision for doubtful debts partly offset by higher manpower cost.

For FY2019, the Group's net profit after tax increased by 44.9% to US$25.7 million mainly due to rationalisation of underperforming markets and the absence of foreign exchange loss in FY2019 as compared to FY2018.

FINANCIAL POSITION

Property, plant and equipment increased US$30.4 million to US$99.3 million as at 31 December 2019 mainly due to the expansion of the Group's subsidiary, Indus Coffee's manufacturing facility in India.

Interest-bearing loans and borrowings, both current and non-current, increased cumulatively from US$33.5 million as at 31 December 2018 to US$50.0 million as at 31 December 2019 due to drawdown of loan for Indus Coffee partly offset by repayment of existing loans.

Lease liabilities, both current and non-current, increased cumulatively from US$0.6 million as at 31 December 2018 to US$6.8 million as at 31 December 2019 due to the impact of adopting SFRS(I) 16 *Leases*.

Other payables increased US$3.5 million to US$6.1 million as at 31 December 2019 mainly due to ongoing capital expenditure at Indus Coffee.

Inventories increased US$5.3 million to US$55.9 million as at 31 December 2019 largely due to stock up of inventories in anticipation of higher sales.

The Group's net operating cash inflow increased from US$15.1 million in FY2018 to US$39.3 million in FY2019 mainly due to better performance and better working capital management. The Group's cash and cash equivalents were US$54.7 million as at 31 December 2019, compared to US$42.2 million as at 31 December 2018.

The Group's net assets as at 31 December 2019 were US$205.7 million. The net asset value per ordinary share (excluding non-controlling interest) as at 31 December 2019 was 38.57 US cents as compared to 33.00 US cents as at 31 December 2018.


Kracks
ORIGINAL
ORIGINALE
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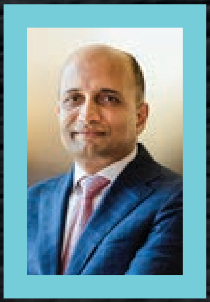
BOARD OF DIRECTORS

Mr Tan Wang Cheow, PBM
Executive Chairman

Mr Tan has been providing leadership to the Board of Directors since April 2000. Mr Tan is founder of the Group and has been instrumental in guiding the Group's business, including taking the company public in 2000. As Executive Chairman, Mr Tan is responsible for the achievement of the Group's long-term goals. His role includes providing strategic leadership and exploring business opportunities for the Group. A passionate believer in the power of brands, Mr Tan is actively involved in the marketing and branding activities across the Group.

Mr Tan has been active in the local grassroots community since 1990. He received the Service to Education Award 2014 by the Ministry of Education, and was awarded the Public Service Medal in 2014 for his significant contributions to the society and in the field of business. He holds a Bachelor of Accountancy from the National University of Singapore. In 2018, he received the NUS Business School Eminent Business Alumni Award (Senior Alumni Category) for excelling in Singapore and beyond, as well as for having made contributions to serve the community. Mr Tan is also the Chairman of the School Advisory Committee of Woodgrove Secondary School since 2010.



Mr Sudeep Nair, Group Chief Executive Officer and Executive Director

Mr Nair has been serving the Board as an Executive Director since July 2005. In October 2012, Mr Nair was appointed as the Group CEO and is responsible for the Group's growth strategy and overall oversight of its day-to-day operations. His role includes geographical expansion of business, as well as identifying new business and M&A opportunities for the Group.

Mr Nair has over 25 years of experience in building and managing the Group's business.

Mdm Tan Guek Ming, Non-Executive Director

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

Mr 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 within the Salim Group. He holds a Bachelor of Arts (Economics) Honours from the University of Manchester.

Mr Ong Kian Min
Lead 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 his legal practice, he is also 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 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.

Mr Lew Syn Pau
Independent Director

Mr Lew has served as an Independent Director on the Board since April 2000 and is the Chairman of the Remuneration and Nominating Committees, as well as a member of the Audit Committee. He is also a Director of several other Singapore listed companies involved in a range of industries including palm oil, properties, energy and resources, marina & yachting, and precision machining. His previous career included being Managing Director of NTUC Comfort, Executive Director of NTUC Fairprice 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. A Singapore Government scholar, Mr Lew holds a Masters Degree in Engineering from the University of Cambridge, UK and a Masters Degree in Business Administration from Stanford University, USA.

Mr Saw Meng Tee
Independent Director

Mr Saw was appointed to the Board as Non-Executive Independent Director in April 2019 and is a member of the Audit Committee, the Nominating Committee as well as the Remuneration Committee. Mr Saw brings both Corporate Finance and Accounting experience to the Board, having worked formerly in industries with that domain and having started in 1999 a firm of Chartered Accountants, EisnerAmper PAC, the Singapore member of EisnerAmper Global. He is currently the Managing Partner of EisnerAmper Singapore as well as a Director with EisnerAmper Global. He has been on the Board of Directors for other SGX mainboard listed companies and holds a Bachelor of Accountancy from Nanyang Technological University. His other professional memberships include: Fellow Chartered Accountant Singapore, Chartered Accountant (ICAEW) and Fellow of the Insolvency Practitioners Association of Singapore.

THE SCOOP ON FOOD EMPIRE

Market Activities Highlights: Here's what Food Empire has been up to around the world

MacCoffee at European Figure Skating Championships 2019

We are honoured to announce that MacCoffee is once again part of the European Figure Skating Championships this year held at Minsk, Belarus. Millions around the globe watched and rooted for the best skaters, including the Olympic Champions! MacCoffee continues to be a strong supporter of sporting events, bringing sportsmen and consumers the delicious taste of MacCoffee all year round.

Café PHO at the 7th Buon Ma Thuot Coffee Festival in Vietnam

Café PHO was part of one of the most exciting coffee festivals, Buon Ma Thuot Coffee Festival, in Vietnam! Miss Universe Vietnam and Café PHO's goodwill ambassador, H'hen Nie, made a special appearance and mingled with fans, promoting Vietnam's favourite instant iced coffee. In the evening, we had performances by popular singers, drummers and DJs, as well as interactive games to entertain the crowd. It was one of the most unforgettable events ever for Café PHO!

MacCoffee Bollywood Film Festival in Russia

MacCoffee Bollywood Film Festival took place in five Russian cities and featured eight movies. For three years in a row, MacCoffee has been of key prominence of the film festival as the main sponsor. The festival was in Moscow, St. Petersburg, Kazan, Yekaterinburg, and Kaliningrad. Fans got the opportunity to meet Bollywood stars up close and were entertained with an amazing dance performance by the Satrangi Dance School.

Food Empire at Gulfood 2019

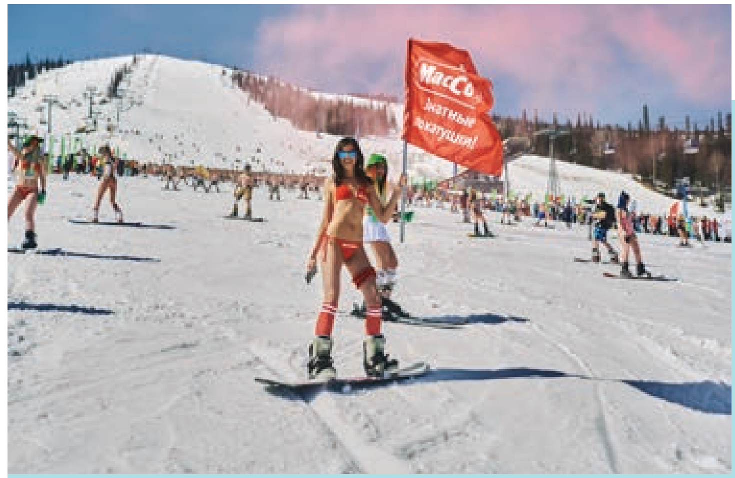
Food Empire participated at the Gulfood 2019 exhibition held at Dubai World Trade Centre from 17 to 21 February. Food Empire is proud to be a leading coffee brand in the whole of GCC and one of the few Singaporean companies selling actively in this region.

MacCoffee at International Conference USENET 2019

The international conference USENET 2019 was held at Tashkent, Uzbekistan for digital specialists to gather and share knowledge on the digital marketing sphere, e-commerce, etc. MacCoffee is proud to be the Official Drink of this event once again this year as we introduced our new product, Café PHO.

Petrosvkaya Sloboda Music Weekend

Music Weekend with Petrovskaya Sloboda was held in Ukraine where families and friends gathered to spend quality time amidst wonderful music, good coffee and a beautiful ambience! Also introducing the new Dark Chocolate flavour which was a big hit with the crowd!



MacCoffee Cappuccino di Torino at Boogel Woogel & GrelkaFest 2019

The highly-anticipated and high-altitude Boogel Woogel festival was held at the legendary ski resort, Rosa Khutor, while GrelkaFest was held at the famous Siberian Ski Resort Sheregesh, with MacCoffee as an avid supporter of both festivals once again! Despite the weather conditions, more than a thousand skiers and snowboarders were present and participated in the various activities, including the beauty pageants!

MacCoffee had its own pavilion that provided red puffs, VR glasses, wonderful music, cool prizes, grilled marshmallows, and lots of delicious MacCoffee Cappuccino di Torino that kept skiers and snowboarders warm on the snowy slopes.

27th Kyiv Chestnut Run

MacCoffee was a proud sponsor of the 27th Kyiv Chestnut Run – one of the biggest charity marathons across Ukraine. "Kyiv Chestnut Run" is a race to save the lives of children with heart defects, gathering tens of thousands of people who love running for a cause. This year, there were more than 18,000 participants and we are pleased to serve everyone with the deliciously aromatic new drink, MacCoffee Cappuccino di Torino. Apart from being one of the proud sponsors for this cause, MacCoffee also participated as a sports team for the first time!

Launch of the all-new Café PHO Nha Lam

The launch of the new Café PHO Nha Lam was held in the presence of over 470 excited attendees. This was the first time Food Empire ever had a sales launch event for a new product in Vietnam. The guests were entertained by high-technology effects, such as drones that flew in the hall to introduce the new product on stage. The launch event was also held in conjunction with our Sales Award Ceremony to recognise outstanding performances of our top sales personnel.

Kracks at Canada's largest South Asian Urban Music Festival

Kracks was part of DESIFEST 2019, Canada's largest South Asian Urban Music Festival that brings an unforgettable musical and cultural experience to Toronto every year. Canadians are one of the biggest consumers of potato crisps and we simply had to be part of this mega event to share the irresistible goodness of Kracks potato crisps!

Cultural Evening of Uzbekistan in Singapore

Food Empire was one of the major sponsors of the Cultural Evening of Uzbekistan held at iFly's Sky Garden, Singapore. It was a fun-filled day as guests experienced the fashion and cuisines of Uzbekistan. There was also a photo exhibition showing the beauty that Uzbekistan has to offer. The night ended with a cultural dance performance and a lucky draw which involved ten lucky winners with prizes sponsored by Food Empire and Tazzanera.

An Amazing Weekend at Sokolniki park

MacCoffee, Hillway and MacChoco were part of the «CoffeeTeaChocolate» festival that took place at Sokolniki Park, Moscow. Visitors were offered refreshments of MacCoffee Cappuccino di Torino and the new cappuccino with fragrant cinnamon. Tea lovers were also treated to our premium Hillway Ceylon tea. We had a 3D floor installation and a flying balloon for visitors to take pictures with, as well as invited our Italian mime friends to entertain the crowd. For our young children visitors, we put up an educational and a fascinating show "The Perfect MacChoco Recipe" where Professor Ponchikova Glazur Experimentovna conducted a series of exciting chemistry experiments to discover the secret recipe of the well-loved cocoa drink!

Music Videos featuring MacCoffee

For the first time in history, MacCoffee was featured in a music video. The first music video titled "Vozmi moe serdce (Take My Heart)" is by world-famous DJs and Russian artist, and produced by Warner Music Russia music label.

The second music video featuring MacCoffee was released shortly after and was performed by a famous Russian band named GAYAZOVS BROTHERS.

ANUGA 2019

Food Empire was part of ANUGA 2019, the largest trade fair with a history of 100 years and the industry's foremost meeting place for the food and beverage sector. It was an excellent global platform for Food Empire as we presented our award-winning brands and products to more than 7,000 companies from over 100 countries.

MacTea "Toi Kazan" Festival

The festival of national Kazakh cuisine, "Toi Kazan", takes place in Almaty every year where the best national dishes were showcased. Several thousands of guests visit the event each year to witness the best cooks in action.

This year, over 3,000 people attended the celebration, which is the highest in all the years. More than 2,200 cups of MacTea were served and several hundreds of photos were taken at our photo booth.

FOOD EMPIRE CLINCHED THE 58TH SPOT FOR THIS YEAR'S "MOST VALUABLE SINGAPOREAN BRANDS" BY BRAND FINANCE

Food Empire was ranked as one of the Top 100 "Most Valuable Singaporean Brands" at the 58th place by Brand Finance, the world's leading valuation and strategy consultancy. This year, we achieved the best ranking since 2016 and our brand value also improved from US$73 million in 2018 to US$76 million in 2019. This serves as a solid endorsement for Food Empire's proactive stance towards improving customers' experience and interaction with its brands.

"NARODNAYA MARKA": MACCOFFEE CELEBRATES A WIN AGAIN!

This year, MacCoffee has once again clinched the highly-coveted "No. 1 Brand in Russia" award title in the category of coffee drinks.

The "Narodnaya Marka" competition is a ranking of leading FMCG brands in the Russian market based on nominations gathered from consumers.

With the recognition of "Narodnaya Marka", it is an honour knowing that consumers consider us as the best and that we are on the right track.

MACCOFFEE WINS PRODUCT OF THE YEAR 2019 NATIONAL AWARD

MacCoffee triumphs once again at the Product of the Year 2019 National Award ceremony held at Moscow, Russia. Every year, the Award Ceremony recognises the most popular FMCG products. We are pleased that MacCoffee has won the "Product of the Year 2019" award in the category of "Coffee with milk / sugar / cream additives".

SIAS 20TH INVESTORS' CHOICE AWARDS

Food Empire bagged its inaugural Sustainability Award as Winner under the "Small Cap" category, outranking over 700 listed companies at SIAS 20th Investors' Choice Awards 2019. Universal values such as ethics, integrity, business resilience and environmental protection are strongly emphasised upon, in all of the Group's geographical markets as well as business segments of exposure. Food Empire strives to continually implement environmentally and socially responsible practices to safeguard a future for all generations to come, creating sustainable value for our stakeholders.


THE EXCITING
TASTE
OF ADVENTURE
MacCoffee Cappuccino di Torino
MacCoffee
CAPPUCCINO
DI TORINO

KEEPING IT WARM AT HEART

Social Activities Highlights: Warming hearts of our fellow Singaporeans

Woodgrove Secondary School 20th Annual Speech Day

Food Empire supported the Performing Arts Award at Woodgrove Secondary School's 20th Annual Speech Day, recognising exceptional students who have displayed outstanding talent and contributions to the Performing Arts.

"Give a Line, Change a Life" Project

Together with Industrial & Services Co-operative Society Ltd (ISCOS), Food Empire initiated the "Give a Line, Change a Life" project by providing basic smart phones with Zero1 Unlimited Data Plan and pre-installed ISCOS Mobile App to new releasees. This project aims to ease ex-offenders' integration into society by giving them ready access to modern-day mobile technology to keep them abreast of the latest happenings while providing them an effective avenue to reconnect with their family and friends.

54th National Day Celebration

This year, Food Empire is heartened to be part of Singapore's National Day Celebration organised by the Bedok Reservoir-Punggol Division as we shared good cheer and community spirit.

SANA Charity Golf & Dinner 2019

Food Empire is honoured to be one of the sponsors of the Singapore Anti-Narcotics Association (SANA) Charity Golf & Dinner 2019 that was organised to raise funds for SANA's preventive and reintegration programmes. Food Empire continues to be supportive of the community's efforts to combat drug abuse and assist ex-drug addicts to reintegrate into society.

Temasek Polytechnic Students Visit to Food Empire's Moscow Office

Food Empire is honoured to have hosted a group of students from Temasek Polytechnic's School of Informatics & IT at our Moscow's office during their Overseas Study Trip this year. We shared about Food Empire's journey - how the company and our brands, including our flagship brand, MacCoffee, have evolved over the years, as we manouvered through global economic and political changes, as well as to meet the ever-changing demands of the markets and consumers.

At Food Empire, not only do we aim to create a positive difference in the lives of consumers by providing quality food and beverages, we also hope to inspire people through our brands, bringing greater value to our consumers, stakeholders, partners and the community at large.

NUS Giving Run BIG

At Food Empire, we believe in the importance of education and empowering the community through knowledge and lifelong learning. Food Empire is pleased to be one of the sponsors of NUS Giving Run BIG, a unique race experience in Singapore that celebrates everyday heroes that inspire students and the community of the National University of Singapore (NUS).

FOOD EMPIRE ANNUAL REPORT
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CORPORATE GOVERNANCE REPORT

Food Empire Holdings Limited (the "Company") together with its subsidiaries (the "Group") are committed to maintaining good corporate governance to enhance and protect the interests of the Company's shareholders. The Company recognises the importance of practicing good corporate governance and supports the Code of Corporate Governance 2018 (the "Code"). The Company has complied in all material respects with the principles and guidelines in the Code. Where there are deviations from the Code, appropriate explanations will be provided.

This report outlines the corporate governance framework and practices adopted by the Company with reference given to the principles of the Code.

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 Group;

2) approving Board policies, overall strategic plans, key operational initiatives, financial and human resources objectives of the Group;

3) reviewing and monitoring the performance and rewarding of key management;

4) overseeing the processes for evaluating the adequacy and effectiveness of internal controls, risk management, financial reporting and compliance;

5) approving the nomination of the Board of Directors and appointment of key management personnel;

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

7) assuming responsibility for corporate governance.

The Board also plays an important role in setting the Company's values and standards, establishing framework of prudent and effective controls and engaging with stakeholder groups and overseeing the sustainability issues of the Group.

Each member of the Board has fiduciary duty to discharge his or her duties and responsibilities in the best interest of the Company at all times and to take into account the interests of key stakeholder groups in its decision making.

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 chairman 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")

The Board approves transactions exceeding certain threshold limits set by the Board, while delegating authority for transactions below those limits to Board Committees and the Management via a structured Delegation of Authority matrix. This matrix is reviewed on a regular basis. The Board Committees and the Management remain accountable to the Board. Matters which specifically require the Board's approval 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 of Directors and the Group's employees are also guided by The Food Empire Business Ethics and Code of Conduct and Employee Handbook and which prescribe the standards of ethical behaviour. Any director facing conflicts of interests will recuse himself or herself from discussions and decisions involving the issues of conflict.

CORPORATE GOVERNANCE REPORT

A) BOARD MATTERS *(cont'd)*
- Principle 1: Effective Board to lead and control the Company *(cont'd)*

The Board conducts scheduled meetings on a quarterly basis. Ad-hoc meetings are convened as and when circumstances require. Telephonic conference or video-conference via audio-visual communication at Board meetings are allowed under the Company's Constitution.

The Non-executive Directors ("NED") and Independent NEDs ("INED") always constructively challenge and help develop proposals on strategy and review Management's performance in meeting agreed goals and objectives, and monitor the reporting of Management's performance. Where necessary, NEDs and/or INEDs led by the Lead Independent Director ("Lead ID") may meet amongst themselves without the presence of Management outside of Board meetings.

The attendance of the Directors at meetings of the Board and Board Committees, and general meetings for the financial year ended 31 December 2019 ("FY2019") as well as the frequency of these meetings, are disclosed as follows:

Directors	Board Meeting	Audit Committee Meeting	Nominating Committee Meeting	Remuneration Committee Meeting	Annual General Meeting	Extraordinary General Meeting
Tan Wang Cheow	5	N/A	1	N/A	1	1
Sudeep Nair	5	N/A	N/A	N/A	1	1
Tan Guek Ming	5	4	N/A	2	1	1
Koh Yew Hiap [1]	5	2	N/A	2	1	1
Ong Kian Min	5	4	1	2	1	1
Lew Syn Pau	5	4	1	2	1	1
Saw Meng Tee [2]	3	3	0	1	N/A	N/A
Hartono Gunawan [3]	0	N/A	N/A	N/A	0	0
Boon Yoon Chiang [4]	2	4	1	1	0	0
No. of Meetings Held in 2019	**5**	**4**	**1**	**2**	**1**	**1**

1 Mr Koh Yiew Hiap was appointed a member of the Audit Committee on 1 July 2019
2 Mr Saw Meng Tee was appointed a Director and member of the Audit Committee, Nominating Committee and Remuneration Committee on 25 April 2019
3 Mr Hartono Gunawan retired as a Director on 24 April 2019
4 Mr Boon Yoon Chiang retired as a Director and member of the Audit Committee, Nominating Committee and Remuneration Committee on 24 April 2019

The Directors are appointed based on the strength of their skills and experience and potential to contribute to the Company. The current Board comprises business leaders and professionals. Profiles of the Directors can be found under the 'Board of Directors' section of this annual report.

All new directors appointed on the Board, if any, will be provided with a formal letter of appointment and briefed on matters relating to the Group's business activities, its strategic directions and policies, the regulatory environment in which the Group operates and the Company's corporate governance practices.

The Company will also arrange for first-time directors, if any, to undergo training on the roles and responsibilities as directors of a listed company organised by the Singapore Institute of Directors for an understanding of his legal and fiduciary obligations as an individual and of the Board as a whole. Briefings by the Executive Chairman, Group Chief Executive Officer ("Group CEO"), Group Chief Financial Officer ("Group CFO") and all the department heads will be done to familiarise the new directors with the Company's business and operations.

The Management monitors changes to regulations and accounting standards. The Directors are briefed on the new updates in the requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Companies Act, Chapter 50 or other regulations/statutory requirements from time to time by external professionals such as the auditors, Company Secretary, or at seminars. If required, all Directors will receive further training. The Company is responsible for arranging and funding the training of Directors.

CORPORATE GOVERNANCE REPORT

A) BOARD MATTERS *(cont'd)*
- Principle 1: Effective Board to lead and control the Company *(cont'd)*

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 NEDs and INEDs are briefed and updated on major developments and the progress of the Group at the Board meetings.

- Provision 1.6: 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 complete, adequate and timely information. The Management also provides quarterly updates of the latest developments in the Group, financial and management accounts, operational metrics, audit findings and risk dashboard and reports and other financial information.

The Board is provided board papers and related materials with explanatory information such as facts, resources needed, risk analysis and strategies, financial impact and expected outcomes and recommendation to facilitate discussion and decision making before the Board and Board Committees' meetings. Any material variance between any projections and the actual results of budgets are disclosed and explained to the Board. Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the meetings.

The Directors have been provided with the contact particulars of the Company's senior management staff and the Company Secretary to facilitate access.

The Company Secretary or his representatives will attend all Board and Board Committees' meetings. They are responsible for ensuring that Board procedures are followed and that the Company has complied with the requirements of the Companies Act, Chapter 50 and the SGX-ST Listing Manual. The appointment and removal of the Company Secretary are subject to the Board's approval.

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.

B) BOARD COMPOSITION AND GUIDANCE
- Principle 2: Independent and diversity elements of the Board

As at the date of this report, the Board comprises seven Directors, three of whom are independent. The Board composition is as follows:

Mr Tan Wang Cheow	Executive Chairman
Mr Sudeep Nair	Group CEO and Executive Director
Mdm Tan Guek Ming	NED
Mr Koh Yew Hiap	NED
Mr Ong Kian Min	Lead ID
Mr Lew Syn Pau	INED
Mr Saw Meng Tee	INED

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	√	√	√		
Koh Yew Hiap	√	√	√		
Ong Kian Min	√		√		√
Lew Syn Pau	√		√	√	
Saw Meng Tee	√	√	√		

CORPORATE GOVERNANCE REPORT

B) BOARD COMPOSITION AND GUIDANCE *(cont'd)*
- Principle 2: Independent and diversity elements of the Board *(cont'd)*

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

The independence of each INED is assessed at least annually by the NC. Particular scrutiny is applied in assessing the continued independence of Directors having served beyond nine years from the date of his first appointment.

Although Mr Ong Kian Min has served on the Board for more than nine years, in determining the independence of a Director, the NC and the Board, with the affected INED Directors abstaining from the review, takes into consideration circumstances set out in Section 210(5)(d) of the SGX-ST Listing Manual and Guideline 2.1 of the Code including the following:

(i) He is not employed by the Company or any of its related corporations for the current or any of the past three financial years;

(ii) He is not a director who has an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporation and whose remuneration is determined by the RC; and

(iii) He has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere with his exercise of independent business judgement in the best interest of the Company.

Furthermore, the Board also notes that Mr Ong Kian Min did not have any interested person transactions with the Group or the substantial shareholders that might affect his independence.

The Board has observed his performance at Board meetings, Board Committees' meetings and other occasions and has no reasons to doubt his independence in the course of discharging his duties.

Hence, the Board is of the view that Mr Ong Kian Min should still be considered independent despite having been on the Board for more than nine years as there are no circumstances which might affect his independent judgement. His strength of character, objectivity and wealth of useful and relevant experience would enable him to be an effective independent director, notwithstanding his long tenure.

While recognising the benefits of the experience and stability brought by long-standing Directors, the Board remains committed to the progressive renewal of board membership.

As a part of the Board renewal process, Mr Saw Meng Tee was appointed as an Independent Non-executive Director of the Company on 25 April 2019. The Board, taking into consideration the credentials, skills, experience and qualifications, and at the recommendation of the NC, was satisfied that Mr Saw possesses the requisite competencies and experience to assume the responsibilities as an Independent Director. He was also appointed a member of the AC, NC and RC. In accordance with the Constitution of the Company, Mr Saw will hold office until the conclusion of the forthcoming Annual General Meeting of the Company ("AGM") and he will be eligible for re-election as a director of the Company at the AGM. In accordance with the Constitution of the Company, the Company's Non-executive Director, Mr Koh Yew Hiap will be subject to retirement by rotation and he will be eligible for re-election as a director of the Company at the AGM. Mr Lew Syn Pau has decided not to seek re-election and will retire as a Director at the AGM. His office as a Director will cease at the conclusion of the forthcoming AGM. The Company is in the process of appointing new directors and will announce the appointment of the new directors to SGX-ST at the appropriate time.

The Board Diversity Policy was established in February 2020 and sets out the approach to achieve diversity in the Company's Board. The Company recognises and embraces the importance and benefits of having a diverse Board to enhance the quality of its performance. It is accordingly committed to promoting diversity of the Board. The Board, with the concurrence of the NC, is also of the view that the composition of the Board and the Board Committees, as a group, provides an appropriate balance and diversity of skills, experience, ethnicity, gender, age and knowledge of the Group. No individual or group dominates the decision-making process of the Board and Board Committees. The NC is of the view that the current Board and Board Committees have the necessary competencies, skills and attributes to meet the Group's targets and to respond to the demands facing the Group.

CORPORATE GOVERNANCE REPORT

B) BOARD COMPOSITION AND GUIDANCE *(cont'd)*
- Principle 2: Independent and diversity elements of the Board *(cont'd)*

The NC is also of the view that the current Board size of seven Directors is appropriate, taking into account the nature and scope of the Company's operations. The Company has a majority of NEDs on its Board. The Board is of the view that a Directors' independence cannot be determined arbitrarily with reference to set period of service. However, the NC recognises that the Board renewal process is of utmost importance. Having regard to the experience and leadership of the founder Chairman, Mr Tan Wang Cheow, it is in the best interest of the Company to maintain his executive chairmanship in the Company so that the Board could have the benefit of a Chairman who is knowledgeable about the business of the Group, which he founded and is capable to guide and watch over the best interests of the Company. The Company is actively searching for candidates for appointment as new INEDs to ensure that there is a majority of INEDs on the board where the founder Chairman, Mr Tan, is not an independent director as required by Provision 2.2 of the Code. The Company will also actively seek to replace those directors who have served the Board for more than nine years. The NC will continue to monitor the progress of the Board renewal, also taking into account the commitment, experience and invaluable advice each Director offers when deciding on the board renewal in the interest of a smooth transition, and the Company will announce the reconstitution of its Board membership to SGX-ST at the appropriate time.

C) CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER
- Principle 3: Clear division of responsibilities at the top of the Company

The roles of the Executive Chairman and Group CEO are separate to ensure a clear division of responsibilities, balance of power, increase accountability and greater capacity of the Board for independent decision-making. The Executive Chairman and the Group CEO do not have any familial relationship with each other.

The Executive Chairman, Mr Tan Wang Cheow, is the founder of the Company and he is primarily responsible for overseeing the Group's strategies, which includes developing new markets and exploring opportunities for acquisitions.

The Group CEO, Mr Sudeep Nair, is responsible for overseeing the overall management, planning and execution of the Group's business and marketing strategies.

In addition, the Executive Chairman has responsibility for the workings of the Board and ensuring the integrity and effectiveness of its governance processes. The Executive Chairman is also responsible for representing the Board to shareholders, ensuring that Board meetings are held when necessary, setting the Board meeting agendas and ensuring that the Board members are provided with adequate and timely information. He promotes high standards of corporate governance and open environment for debate and ensures that NEDs are able to speak freely and contribute effectively. Regular meetings are scheduled to enable the Board to perform its duties and agendas are prepared in consultation with Management as well as the Company Secretary. At the AGM and other shareholders' meetings, the Executive Chairman plays a pivotal role in fostering constructive dialogue between shareholders, key stakeholder groups, the Board and Management.

The Lead ID, Mr Ong Kian Min, shall be available to shareholders where they have concerns and for which contact through the normal channels of the Executive Chairman or Management are inappropriate or inadequate. He shall also represent the INEDs in responding to shareholders' questions and comments that are directed to the INEDs as a group at any general meetings of the Company.

The Lead ID may call for meetings of the INEDs as and when necessary and provides feedback to the Executive Chairman after such meetings.

In carrying out their duties, the Executive Chairman, Group CEO and Lead ID are also guided by a Terms of Reference of the Executive Chairman, CEO and Lead ID established by the Board in February 2020.

CORPORATE GOVERNANCE REPORT

D) BOARD MEMBERSHIP
- Principle 4: Formal and transparent process of appointment of new Directors

The NC comprises:

Mr Lew Syn Pau (Chairman)
Mr Tan Wang Cheow
Mr Ong Kian Min
Mr Saw Meng Tee

The NC has a majority of INEDs including the NC Chairman. Mr Ong Kian Min, the Lead ID is a member of the NC.

The scope and responsibilities of the NC include:

1) identifying candidates and reviewing all nominations for all appointments and re-appointments to the Board of Directors, including making recommendations on the composition of the Board and balance between Executive Directors, NEDs and INEDs;

2) reviewing the Board structure, size, diversity and composition;

3) reviewing the strength and attributes of the existing Directors including assessing the effectiveness of the Board and Board Committees 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) reviewing Board succession plans for Directors, in particular the Executive Chairman, the Group CEO and key management personnel;

7) making recommendations to the Board on comprehensive training and professional development programs for the Board; and

8) 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>Dates of last re-election/re-appointment</u>

Directors	Date of last re-election/re-appointment
Tan Wang Cheow	24 April 2019
Sudeep Nair	24 April 2018
Tan Guek Ming	24 April 2018
Koh Yew Hiap	24 April 2017
Ong Kian Min	24 April 2018
Lew Syn Pau	24 April 2017
Saw Meng Tee	Not applicable

CORPORATE GOVERNANCE REPORT

D) BOARD MEMBERSHIP *(cont'd)*
- Principle 4: Formal and transparent process of appointment of new Directors *(cont'd)*

The NC had reviewed the multiple-board seats held by the Directors to determine if they had been adequately carrying out their duties as a Director of the Company. Though some of the Directors have multiple board representations, the NC is satisfied that the Directors have devoted sufficient time and attention to the Company. The Board determined that it is not necessary to set the maximum number of listed board representations that any Director may hold as all the Directors are able to devote time to the Company's affairs despite their other commitments.

The Board renewal is an ongoing process and the NC is responsible for identifying and recommending new Board members, after considering the necessary and desirable competencies. In its search and selection process for new directors, the NC considers the attributes including the diversity of skills, knowledge and experience on the Board. Other considerations include, but not limited to background, gender, age, and ethnicity. The short-listed candidates would be required to furnish their curricula vitae stating in detail their qualification, working experience, employment history, in addition to completing certain prescribed forms to enable the NC to assess the candidate's independence status and compliance with the Company's established internal guidelines. Thereafter, the NC will interview the candidates and make its recommendation to the Board for approval. In accordance with the Company's Constitution, the new director will hold office until the next AGM and, if eligible, can stand for re-election.

The NC may tap on its networking contacts and/or engage external search consultants to undertake research on, or to assess a candidate for new positions on the Board. The NC can engage other independent experts if necessary, to help it carry out its duties and responsibilities. Recommendations for new Board members are put to the Board for its consideration.

The Company does not have any alternate director on its Board.

E) BOARD PERFORMANCE
- Principle 5: Formal assessment of the effectiveness of the Board, Board Committees and contributions of each Director

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

a) attendance at Board and Board Committees' 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;

c) introducing contacts of strategic benefit to the Group; and

d) progress of implementation of the board diversity policy.

The Board's evaluation process is performed annually whereby questionnaires were sent to the Directors and the results of the evaluation were tabled to the NC for deliberation. The results of the performance evaluation showed that the overall performance of the Board, Board Committees and contribution of the individual Directors were in the categories of "consistently good". The NC and the Board were satisfied with the overall performance in FY2019.

CORPORATE GOVERNANCE REPORT

F) REMUNERATION MATTERS

- Principle 6: Formal and transparent procedure for fixing remuneration packages of Directors
- Principle 7: Remuneration of Directors should be appropriate but not excessive
- Principle 8: Remuneration policy, level and mix of remuneration and procedure for setting remuneration

The RC comprises:

Mr Lew Syn Pau (Chairman)
Mdm Tan Guek Ming
Mr Koh Yew Hiap
Mr Ong Kian Min
Mr Saw Meng Tee

All five members of the RC are NEDs. The RC has a majority of INEDs including the RC Chairman.

The RC's main responsibility is to review and recommend a framework of remuneration for the Board members and key executives of the Group that is appropriate and proportionate to the sustained performance and value creation. The objective is to motivate and retain executives, link rewards to corporate and individual performance, attract the best talent in order to maximise shareholder value and align with the interest of other key stakeholders of the Company.

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 months' notice in writing. Under the service agreements, the Executive Directors are entitled to a share of profits on the Group's profit after tax, on top of the monthly salary and bonus.

The NEDs and INEDs receive directors' fees determined based on factors such as duties and responsibilities, effort and time spent for serving on the Board and Board Committees. The aggregate directors' fees are subject to final approval by the shareholders at the AGM.

The current share option scheme applies to eligible employees and Directors of the Group, other than the controlling shareholders who are not Directors or employees. The participation of Directors who are controlling shareholders, associates of controlling shareholders or nominated by the controlling shareholders of the Group in the current share option scheme is subject to independent shareholders' approval. Additional information on the previous and current share option schemes can be found on pages 46 to 50 and 119 to 123 of the annual report.

Although the Code recommends the disclosure of amounts and breakdown of remuneration of each individual Director, Group CEO and top five key management personnel on a named basis, 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 and may compromise the personal safety of the individuals concerned as they travel to or work within some emerging markets. It also wishes to maintain confidentiality of remuneration within the Group for more harmonious and effective human resources management and deployment of executives across the many countries the Group operates in.

CORPORATE GOVERNANCE REPORT

F) REMUNERATION MATTERS *(cont'd)*
- Principle 6: Formal and transparent procedure for fixing remuneration packages of Directors *(cont'd)*
- Principle 7: Remuneration of Directors should be appropriate but not excessive *(cont'd)*
- Principle 8: Remuneration policy, level and mix of remuneration and procedure for setting remuneration *(cont'd)*

The aggregate total remuneration paid to the top five key management personnel (who are not the Directors or the Group CEO) was S$4,033,000 in FY2019.

The Company has implemented the clawback provision for its key office holders. The clawback will be triggered by events such as material violation of risk limits, misstatement of financial results, misconduct or fraud.

In FY2019, the RC did not engage external consultant to advise the RC on any remuneration matters.

The remuneration for FY2019 is shown below:-

Remuneration Bands	No. of Directors in Remuneration Bands
S$2,000,000 to S$2,249,999	2
S$1,750,000 to S$1,999,999	0
S$1,500,000 to S$1,749,999	0
S$1,250,000 to S$1,499,999	0
S$1,000,000 to S$1,249,999	0
S$750,000 to S$999,999	0
S$500,000 to S$749,999	0
S$250,000 to S$499,999	0
Below S$250,000	7

Remuneration Bands	Remuneration of top five key management personnel
S$1,250,000 to S$1,499,999	1
S$1,000,000 to S$1,249,999	0
S$750,000 to S$999,999	1
S$500,000 to S$749,999	2
S$250,000 to S$499,999	1
Below S$250,000	0

To maintain confidentiality of remuneration, the names, amounts and breakdown of remuneration of the Directors and the top five key executives are not stated. There are no employees who are substantial shareholders of the Company or immediate family members of a Director or the Group CEO or a substantial shareholder whose remuneration exceeds S$100,000 during FY2019.

CORPORATE GOVERNANCE REPORT

G) ACCOUNTABILITY AND AUDIT
- Principle 9: Sound systems of risk management and internal controls

The Board is accountable to the shareholders while the Management of the Group is accountable to the Board. The Board is committed to providing timely information to the shareholders and the public with a balanced, clear and understandable assessment of the Group's financial results, position and prospects on a quarterly basis.

The Company believes that presenting a balanced view of the Company's performance, position and prospects is imperative to maintaining shareholders' confidence and trust.

The Management provides quarterly management reports to the Board members and also presents to the Board the Group's quarterly and full year accounts and the AC 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 also reviews legislation and regulatory compliance reports from the Management to ensure that the Group complies with relevant statutory reporting requirements.

The Board is also responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses key stakeholders' expectations and does not expose the Group to an unacceptable level of risk.

The Board approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instils the right risk focused culture throughout the Group for effective risk governance.

The Board has approved a Group Risk Management Framework for the identification of key risks within the business which is aligned with the ISO 31000:2008 Risk Management framework. To enhance the effectiveness of the enterprise risk management ("ERM") framework, the Group implemented Orion ERM system, a third-party software that automates the risk management, internal control and assurance functions and enables these functions to be managed on an integrated platform.

The AC oversees risk governance which includes the following roles and responsibilities:

1) proposes the risk governance approach and risk policies for the Group to the Board;

2) reviews the risk management methodology adopted by the Group;

3) reviews the strategic, financial, operational, regulatory, compliance, information technology and other emerging risks relevant to the Group identified by Management; and

4) reviews Management's assessment of risks and Management's action plans to mitigate such risks.

The AC assumed the function of the Board risk committee to oversee the Group's ERM framework and policies.

Management presented an annual assurance report to the AC and the Board on the Group's risk profile, the risk mitigation action plans and the results of various assurance activities carried out on the adequacy of Group's internal controls including financial, operational, compliance and information technology controls and risk management systems. Such assurance activities include control self-assessments performed by Management, internal, external audits and external certifications conducted by various external professional service firms.

CORPORATE GOVERNANCE REPORT

G) ACCOUNTABILITY AND AUDIT *(cont'd)*
- Principle 9: Sound systems of risk management and internal controls *(cont'd)*

The Board has obtained a written confirmation from the Executive Chairman, Group CEO and Group CFO that:

1) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

2) the Group maintains effective and adequate risk management and internal control systems.

The Executive Chairman, Group CEO and Group CFO have obtained assurances from the respective risk and control owners.

Based on the risk management framework and internal controls established and maintained by the Group, works performed by the internal, external auditors and external certification firms and annual reviews performed by Management, various Board Committees and the Board, the Board (with the concurrence of the AC) is satisfied that the Group's risk management and internal control systems addressing financial, operational, compliance and information technology risks, were adequate and effective as at 31 December 2019.

The Board notes that system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

H) AUDIT COMMITTEE
- Principle 10: Establishment of AC with written terms of reference

The AC comprises:

Mr Ong Kian Min (Chairman)
Mdm Tan Guek Ming
Mr Lew Syn Pau
Mr Saw Meng Tee

All four members of the AC are NEDs and the majority, including the AC Chairman, is independent. The AC Chairman, Mr Ong Kian Min, is a lawyer and director of several publicly listed 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 all the members of the AC have recent and relevant accounting knowledge or related financial management expertise and experience to discharge the AC's duties and responsibilities. None of the AC members were previous partners or directors of the Company's external auditors, Ernst & Young LLP ("EY" or "External Auditors"), within a period of two years or hold any financial interest in EY.

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

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

a) the audit plan 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 remuneration and terms of engagement of the External Auditors;

f) the re-appointment of the External Auditors and recommend it to the Board for obtaining approval from the shareholders;

CORPORATE GOVERNANCE REPORT

H) AUDIT COMMITTEE *(cont'd)*
- Principle 10: Establishment of AC with written terms of reference *(cont'd)*

g) the Group's interested person transactions in accordance with the requirements of the SGX-ST Listing Manual;

h) the assurance from the Executive Chairman, Group CEO and Group CFO on the financial records and financial statements;

i) the significant financial reporting issues and judgements so as to ensure integrity of the financial statements and financial results announcements relating to the financial performance of the Company;

j) 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;

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

l) the audit plans of the internal auditors;

m) the results of their internal audit; and

n) the independence, adequacy and effectiveness of the external audit results and internal audit function of the Group.

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 co-operation 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 express authority to conduct investigation into any matters within its terms of reference.

During the year, the AC held four meetings. The AC meets with the External Auditors without the presence of Management at least once annually.

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 External Auditors provided regular updates and periodic briefings to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

The total fees paid to EY (including overseas EY entities) for FY2019 are as disclosed in the table below:

	US$'000	% of total audit fees
Audit Fees	350	82.0
Non-Audit Fees	77	18.0
Total Fees Paid	427	100.00

CORPORATE GOVERNANCE REPORT

H) AUDIT COMMITTEE *(cont'd)*
- Principle 10: Establishment of AC with written terms of reference *(cont'd)*

The AC has reviewed the non-audit services provided by the External Auditors and is satisfied with the independence of the External Auditors.

Different auditors have been appointed for some of the overseas subsidiaries. The names of these audit firms are disclosed under Note 15 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 in relation to its external auditors.

The AC has recommended to the Board that EY be nominated for re-appointment as auditors at the forthcoming AGM 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.

Significant financial statement reporting matters

In the review of the Company's financial statements for FY2019, the AC considered a number of significant matters and has discussed with Management the accounting principles that were applied and their judgement of items that might affect the financial statements.

The following key audit matters impacting the financial statements were discussed with Management and the External Auditor of the Company and were reviewed by the AC:

Significant matters	How the AC reviewed these matters
1. Revenue recognition	The AC reviewed Management's approach and assessment of the internal controls over the recognition of revenue. The AC was satisfied that Management's approach and assessment of internal controls over revenue recognition were appropriate. Please refer to page 53 of the External Auditors' report and Note 2.23 (Summary of significant accounting policies) and Note 4 (Notes on Revenue) of the financial statements for further details.
2. Recoverability of trade receivables	The AC considered Management's approach and methodology used in the evaluation of the Group's trade receivables for impairment. The Group determines expected credit losses for trade receivables by making debtor-specific assessment for credit-impaired debtors and using provision matrix method for outstanding trade receivables. The AC was satisfied that the approach and methodology used by Management in the process was appropriate. Please refer to page 53 of the External Auditors' report and Note 2.14 (Summary of significant accounting policies), Note 3.2b (Significant accounting estimates and judgements), and Note 24 (Notes on Trade Receivables) of the financial statements for further details.
3. Impairment assessment of intangible assets	The AC considered Management's approach and methodology applied to the valuation model in impairment assessment of the Group's intangible assets, including the key assumptions for growth rates, cash-flow expectations and the discount rates used. The AC was satisfied that the approach and methodology in the impairment assessment used by Management were appropriate. Please refer to page 54 of the External Auditors' report and Note 2.13 (Summary of significant accounting policies), Note 3.2a (Significant accounting estimates and judgements), and Note 17 (Notes on Intangible Assets) of the financial statements for further details.

CORPORATE GOVERNANCE REPORT

H) AUDIT COMMITTEE *(cont'd)*
- Principle 10.4: Internal audit function

The Group outsources its internal audit function to a professional service firm Yang Lee & Associates ("YLA" or "Internal Auditor"). The Internal Auditor reports directly to the AC and internal control weaknesses identified during the internal audit reviews and the recommended corrective actions are reported to the AC periodically. The AC approves the hiring, removal, evaluation and compensation to the Internal Auditor. The Internal Auditor has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

The AC has reviewed and confirmed that YLA is a suitable professional service firm to meet the Company's internal audit obligations, having regard to the adequacy of resources, independence and experience of the firm and the assigned engagement director, number and experience of supervisory and professional staff assigned to internal audits.

The AC reviews and approves the internal audit scope and plan to ensure that there is sufficient coverage of the Group's activities. It also oversees the implementation of the internal audit plan and ensures the Internal Auditor has appropriate standing and that Management provides the necessary co-operation and adequate resources to enable the Internal Auditor to perform its function.

The Internal Auditor is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

The AC annually reviews the independence, adequacy of the internal audit function to ensure that the internal audits are performed effectively.

The Internal Auditor completed three reviews during FY2019 in accordance with the internal control testing plan developed and approved by the Board under the Group's Risk Management Framework. The findings and recommendations of the Internal Auditor, Management's responses, and Management's implementation of the recommendations has been reviewed and discussed with the AC.

The AC meets with the Internal Auditor without the presence of Management at least once annually.

I) SHAREHOLDER RIGHTS AND ENGAGEMENT
- Principle 11: Shareholder rights and conduct of general meetings

The Group's corporate governance culture and awareness promotes fair and equitable treatment of all shareholders.

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

Shareholders are given the opportunity to participate effectively and vote at general meetings of the Company where relevant rules and procedures governing the meetings are clearly communicated. A relevant intermediary may appoint more than two proxies to attend and vote at the AGM.

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. In line with SGX's changes to the disclosure requirements implemented on 7 February 2020, the Company will announce its results on a half-yearly basis from financial year 2020.

At general meetings, the shareholders are given the opportunity to express their views and concerns and ask questions regarding the Group's performance that will be addressed by the Directors and Management in attendance.

The Company has an internal guide in determining the quantum of any dividend payable. The declaration of dividend is subject to various factors such as the Group's profitability, free cash flow and capital commitment.

All shareholders (except those who own the shares through nominees) of the Company will receive annual report, circulars and notices of general meeting of the Company. The notices are also advertised in newspapers and available at SGX-ST's website. The Constitution of the Company allows a member of the Company to appoint one or two proxies to attend and vote at all general meetings on his/her behalf.

CORPORATE GOVERNANCE REPORT

I) SHAREHOLDER RIGHTS AND ENGAGEMENT *(cont'd)*

- Principle 11: Shareholder rights and conduct of general meetings *(cont'd)*

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 Company has been conducting electronic poll voting for all resolutions passed at the general meetings of shareholders for greater transparency in the voting process. Shareholders or their proxies are briefed by the appointed polling agent on the poll voting procedures at the AGM. The appointed scrutineer will ensure that the poll process is properly carried out and the counting of the votes is verified by the scrutineer.

The Chairmen of the AC, NC and RC are present and available to address questions at the AGM. The External Auditors shall be present to assist the Directors in addressing any relevant queries by shareholders.

The Company Secretary prepares minutes of general meetings, which incorporates substantial comments or queries questions from shareholders and responses from the Board and the Management, where relevant. The Company does not publish meeting minutes on the corporate website as the Company recognises the importance of shareholders' privacy. The Board is of the view that minutes are meant for the attendees of the general meeting and the extension of the minutes to shareholders upon request (regardless of attendance at the general meeting) is appropriate and adequate.

- Principle 12: Engagement with shareholders

The Company has in place an Investor Relations ("IR") policy outlining the principles and practices adopted in the course of its investor relations activities, including communication with shareholders and the investment community. The policy reflects avenues for communication between shareholders and the Company, including shareholders' meetings, the Company's annual report and sustainability report, the information available on the Company's website, results announcements, meetings with analysts and media, and describes how shareholders may contact the Company should they have questions. The policy thus allows for an ongoing exchange of views with shareholders, thereby promoting regular, effective and fair communication.

J) MANAGING STAKEHOLDER RELATIONSHIPS

- Principle 13: Engagement with stakeholders

The Company's key stakeholders are listed in its Sustainability Report. They are the Company's shareholders, its employees and workers, its consumers, its suppliers and business partners, communities, government and regulators, and its financiers. The Sustainability Report also outlines how relationships with these key stakeholders are managed.

The Company has put in place a Stakeholder Engagement Policy in February 2020. The policy shows how the Company engages its key stakeholders regularly through various channels to understand their key interests and needs and expectations and respond promptly to their concerns. Stakeholders can communicate or write to the Company via its corporate website.

The Group's other policies including the Board Diversity Policy, the Investor Relations Policy and Whistle-blowing Policy facilitate the Group's engagement with its key stakeholders. The Sustainability Report outlines the Group's policies, practices, performance and targets in relation to its Economic and Environmental, Social and Governance activities. Developed in accordance with the Global Reporting Initiative Standards 2016 (Core option), the Group endeavours to communicate how sustainability is embedded in its business practices and value chain across its operations in the report.

CORPORATE GOVERNANCE REPORT

SUPPLEMENTARY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (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 two 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.

During FY2019, the Company has complied with the best practices on dealing in securities in accordance with Rule 1207(19) of the SGX-ST Listing Manual.

(ii) **Material Contracts**

Other than those disclosed in the financial statements, the Group did not enter into any material contracts involving interests of the Directors or controlling shareholders and no such material contracts still subsist at the end of the financial year.

(iii) **Risk Management Policies and Processes**

Operating in Emerging Markets

The Group's sales are generated mainly from developing countries where economic, social, political and regulatory frameworks are less developed, resulting in uncertainties that could have a direct or indirect impact on sales and profitability.

The Group is also subject to changes in policies by the government of these countries, which may have an impact through (i) changes in laws and regulations; (ii) changes in custom and import tariff; (iii) restrictions on currency conversions and remittances; and (iv) the stability of the banking system.

The Group and its in-country teams constantly monitor ongoing macro environment of key markets to identify potential areas of problems and develop suitable strategies around them, including the possibility of rationalising some business operations if the situation warrants.

The Group maintains an internal control system which includes policies and procedures and information systems to mitigate this risk.

Foreign Exchange Exposure

The Group is subject to foreign exchange risk arising mainly from those sales, purchases and operating costs by operating units which are denominated in currencies other than the operating units' functional currency. Approximately 2.3% of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sales. Traditionally, the Group has relied upon natural hedging to protect itself against volatile foreign exchange rate movements, albeit only partially. In view of changes in the Group's business processes, the Group has become more exposed to foreign exchange risk. In FY2019, the Group had a natural hedge ratio of 54.8% (2018: 66.4%) which indicates the level of purchases and major operating expenses that are denominated in the functional currency of the operating units.

The Group maintains an internal control and monitoring system which includes policies and procedures and information systems to mitigate this risk.

The Group closely monitors its macro operating environment and will consider entering into appropriate hedging transactions to mitigate the exchange risk exposure, if necessary.

CORPORATE GOVERNANCE REPORT

SUPPLEMENTARY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (SGX-ST LISTING MANUAL REQUIREMENTS) *(cont'd)*

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

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 maintains an internal control system which includes policies and procedures and information systems to mitigate this risk.

Under its credit policy, credit evaluations are performed for new customers and ongoing evaluation is also performed for existing customers. Other key mitigating controls include credit limits established, regular review and follow up on trade receivables ageing.

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 suitable replacement will adversely affect the Group's operations and financial performance.

The Group maintains an internal control system which includes measures on human resources, policies and procedures and information systems to mitigate this risk.

The Group has implemented remuneration packages aimed at retaining existing personnel and conducts regular performance reviews to reward key management personnel who contribute to the success of the Group.

Investment Risk

In the normal course of its business, the Group may invest in setting up new businesses or production plants and by way of acquisition of existing businesses. Investments in unfamiliar territories, new businesses or products could carry a high risk of failure due to a lack of visibility and knowledge of the business nature and market. Besides the initial capital, the Group may also have to support the new investments financially post acquisition.

The Group maintains an internal control system which includes policies and procedures and information systems to mitigate this risk.

Under its investment policy, a delegation of authority matrix is established for approval of different levels of investments. Due diligence exercises are conducted prior to acquisition and exposure to investment risk is monitored through regular reporting to Management and the Board on investment performance.

Information Technology Risk

The Group has implemented information technology ("IT") management controls and security controls so as to ensure an appropriate level of security awareness at all times by users of the Group's IT systems.

The Group has also put in place appropriate policies and control procedures to manage the risk of data privacy breaches.

CORPORATE GOVERNANCE REPORT

SUPPLEMENTARY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (SGX-ST LISTING MANUAL REQUIREMENTS) *(cont'd)*

(iv) **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	Nature of relationship	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 $100,000)	
		2019 US$'000	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**
a) Simonelo Limited and its subsidiaries	Companies associated to Mr Sudeep Nair (Group CEO and Executive director)				
- Lease payments made		2,006	1,977	-	-
b) UDI Marketing Sdn Bhd	Company associated to Universal Integrated Corporation Consumer Products Pte Ltd (Controlling Shareholder)				
- Sales of goods		900	1,762	-	-

CORPORATE GOVERNANCE REPORT

ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-APPOINTMENT

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Director who is seeking re-appointment at the forthcoming Annual General Meeting of the Company, as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

Name	Mr Saw Meng Tee (Independent Non-executive Director)	Mr Koh Yew Hiap (Non-executive Director)
Date of appointment	25 April 2019	1 March 2007
Date of last re-appointment	Not applicable	24 April 2017
Age	48	62
Country of principal residence	Singapore	Singapore
The Board's comments on the re-appointment	Based on the recommendation of the Nominating Committee, the Board (save for Mr Saw Meng Tee who abstained from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr Saw as a Director. Mr Saw will remain a member of the Audit Committee, Nominating Committee and Remuneration Committee.	Based on the recommendation of the Nominating Committee, the Board (save for Mr Koh Yew Hiap who abstained from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr Koh as a Director of the Company. Mr Koh will remain a member of the Audit Committee and Remuneration Committee.
Whether the appointment is executive, and if so, the area of responsibility	Non-executive	Non-executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-executive Director and members of the Audit Committee, the Nominating Committee and the Remuneration Committee	Non-executive Director and members of the Audit Committee and Remuneration Committee
Professional qualifications	Fellow of Chartered Accountant Singapore Chartered Accountant (ICAEW) Fellow of the Insolvency Practitioners Association of Singapore	Not applicable.
Working experience and occupation(s) in the past 10 years	Managing Partner, EisnerAmper PAC (Singapore)	Managing Director, Universal Integrated Corporation Consumer Products Pte Ltd Managing Director, United Detergent Industries Sdn Bhd
Shareholding interest in the listed issuer and its subsidiaries	None	None
Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes
Other principal commitments including directorships		
Past (for the last 5 years)	None	None
Present	EisnerAmper PAC Latitude 33 Pte Ltd Nouveau Urban Technologies Pte Ltd Green First Consulting Pte Ltd EA Corporate Advisory Pte Ltd EisnerAmper Global Limited Custom Food Ingredients Sdn Bhd	Ace Aim Pte. Ltd. EIG Cash & Carry Pty Ltd EPH Investments Pty Ltd Ettason Property Holdings Pty Ltd Ettason Pty Limited Great Orient Chemical Pte. Ltd. Great Orient Chemical (Taicang) Co. Ltd Kong Trading Pty Limited Leisuretivity Pte. Ltd. PT Indo Sukses Sentra Usaha PT UICCP Indonesia Universal Integrated Corporation Consumer Products Pte. Ltd. Touch Properties Pty Ltd UDI Marketing Sdn. Bhd. UICCP Holdings (M) Sdn Bhd. United Detergent Industries Sdn Bhd Universal Surfactants & Chemicals Sdn Bhd United Trading (Shanghai) Co Ltd Whalley Investments Pte. Ltd.

CORPORATE GOVERNANCE REPORT

Name		Mr Saw Meng Tee (Independent Non-executive Director)	Mr Koh Yew Hiap (Non-executive Director)
Information required pursuant to Listing Rule 704(7)			
(a)	**Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?**	No	No
(b)	**Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?**	No	No
(c)	**Whether there is any unsatisfied judgement against him?**	No	No
(d)	**Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?**	No	No
(e)	**Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?**	No	No
(f)	**Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?**	No	No
(g)	**Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?**	No	No
(h)	**Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?**	No	No
(i)	**Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?**	No	No
(j)	**Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:** **(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or** **(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or** **(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or** **(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?**	No	No
(k)	**Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?**	No	No

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

The Directors are pleased to present their statement 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 2019.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and 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.

DIRECTORS

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

Tan Wang Cheow
Sudeep Nair
Tan Guek Ming
Koh Yew Hiap
Ong Kian Min
Lew Syn Pau
Saw Meng Tee

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except for the Food Empire Holdings Limited Share Option Scheme (the "2002 Option Scheme" and "2012 Option Scheme"), neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects 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' STATEMENT

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, Chapter 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 2020**	**As at 21 January 2020**
The Company						
Ordinary shares						
Tan Wang Cheow	–	–	120,814,600	120,814,600	–	120,814,600
Sudeep Nair	–	1,300,000	58,076,399	60,076,399	1,300,000	60,076,399
Tan Guek Ming	37,547,400	37,547,400	83,267,200	83,267,200	37,547,400	83,267,200
Lew Syn Pau	384,000	480,000	96,000	–	480,000	–
Ong Kian Min	–	–	720,000	720,000	–	720,000

	Share options held in the name of the Directors		Share options held in the name of the Directors
Name of Director	**At the beginning of the year**	**At the end of the year**	**As at 21 January 2020**
The Company			
Options to subscribe for ordinary shares exercisable between 4 January 2011 to 3 January 2020 at S$0.335 per share			
Sudeep Nair	1,300,000	–	–
Options to subscribe for ordinary shares exercisable between 1 February 2012 to 31 January 2021 at S$0.505 per share			
Sudeep Nair	1,400,000	1,400,000	1,400,000
Options to subscribe for ordinary shares exercisable between 19 December 2012 to 18 December 2021 at S$0.315 per share			
Sudeep Nair	1,500,000	1,500,000	1,500,000
Options to subscribe for ordinary shares exercisable between 8 March 2014 to 7 March 2023 at S$0.669 per share			
Sudeep Nair	1,500,000	1,500,000	1,500,000

DIRECTORS' STATEMENT

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 2020
The Company *(cont'd)*			
Options to subscribe for ordinary shares exercisable between 4 July 2017 to 3 July 2026 at S$0.308 per share			
Sudeep Nair	1,500,000	1,500,000	1,500,000
Ong Kian Min [(1)]	100,000	100,000	100,000
Lew Syn Pau [(1)]	100,000	100,000	100,000
Options to subscribe for ordinary shares exercisable between 16 March 2019 to 15 March 2028 at S$0.679 per share			
Sudeep Nair	1,500,000	1,500,000	1,500,000
Ong Kian Min [(2)]	100,000	100,000	100,000
Lew Syn Pau [(2)]	100,000	100,000	100,000
Options to subscribe for ordinary shares exercisable between 15 March 2020 to 14 March 2029 at S$0.556 per share			
Sudeep Nair	–	1,500,000	1,500,000
Ong Kian Min [(3)]	–	100,000	100,000
Lew Syn Pau [(3)]	–	100,000	100,000

(1) Options to subscribe for ordinary shares expire on 3 July 2021.

(2) Options to subscribe for ordinary shares expire on 15 March 2023.

(3) Options to subscribe for ordinary shares expire on 14 March 2024.

By virtue of Section 7 of the Singapore Companies Act, Chapter 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 in the Company between the end of the financial year and 21 January 2020.

Except as disclosed in this statement, 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' STATEMENT

SHARE OPTIONS

The Food Empire Holdings Limited Share Option Scheme (the "2002 Option Scheme") was approved and adopted at an Extraordinary General Meeting of the Company held on 22 January 2002, which has since expired on 31 December 2011.

The Food Empire Holdings Limited Share Option Scheme (the "2012 Option Scheme") was approved and adopted at an Extraordinary General Meeting of the Company held on 27 April 2012.

The 2002 Option Scheme and 2012 Option Scheme are administered by the Remuneration Committee ("RC").

The total number of shares in respect of the 2012 Option Scheme and the 2002 Option Scheme that may be offered shall not exceed 15% of the Company's total issued share capital on the day immediately preceding the offer date.

Unissued shares under 2002 Option Scheme and 2012 Option Scheme

Unissued shares of the Company under the 2002 Option Scheme and 2012 Option Scheme at the end of the financial year were as follows:

	Number of holders at year end	Number of options outstanding at 1.1.2019	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 31.12.2019	Exercise price per share S$	Exercise period
2002 Option Scheme								
2010 Options	2	2,510,000	–	–	(2,410,000)	100,000	0.335	4 January 2011 to 3 January 2020
2011 Options (February)	10	3,080,000	–	(150,000)	–	2,930,000	0.505	1 February 2012 to 31 January 2021
2011 Options (December)	11	2,730,000	–	–	(20,000)	2,710,000	0.315	19 December 2012 to 18 December 2021
		8,320,000	–	(150,000)	(2,430,000)	5,740,000		
2012 Option Scheme								
2013 Options	16	3,980,000	–	(170,000)	–	3,810,000	0.669	8 March 2014 to 7 March 2023
2016 Options	17	4,671,000	–	(51,000)	(205,000)	4,415,000	0.308	4 July 2017 to 3 July 2026
2017 Options	6	550,000	–	–	–	550,000	0.693	23 May 2018 to 22 May 2027
2018 Options	15	4,750,000	–	(150,000)	–	4,600,000	0.679	16 March 2019 to 15 March 2028
2019 Options	21	–	5,450,000	–	–	5,450,000	0.556	15 March 2020 to 14 March 2029
		13,951,000	5,450,000	(371,000)	(205,000)	18,825,000		
		22,271,000	5,450,000	(521,000)	(2,635,000)	24,565,000		

DIRECTORS' STATEMENT

SHARE OPTIONS *(cont'd)*

Unissued shares under 2002 Option Scheme and 2012 Option Scheme *(cont'd)*

The options granted to Directors of the Company and participants who received 5% or more of the total number of options available under the 2002 Option Scheme and 2012 Option Scheme are as follows:

Name of Director	Aggregate options granted since commencement of 2002 Option Scheme and 2012 Option Scheme to end of financial year	Aggregate options exercised since commencement of 2002 Option Scheme and 2012 Option Scheme to end of financial year	Aggregate options lapsed/cancelled since commencement of 2002 Option Scheme and 2012 Option Scheme to end of financial year	Aggregate options outstanding as at end of financial year
2002 Option Scheme				
Lew Syn Pau	900,000	(600,000)	(300,000)	–
Ong Kian Min	900,000	(600,000)	(300,000)	–
Sudeep Nair [1]	12,000,000	(9,100,000)	–	2,900,000
2012 Option Scheme				
Lew Syn Pau	400,000	–	(100,000)	300,000
Ong Kian Min	400,000	–	(100,000)	300,000
Sudeep Nair	6,000,000	–	–	6,000,000

(1) 7,800,000 share options were granted before his appointment as an Executive Director of the Company.

Since the commencement of the 2002 Option Scheme and 2012 Option Scheme till the end of the financial year:

- 45,215,000 options were granted for 2002 Option Scheme
- 20,900,000 options were granted for 2012 Option Scheme
- 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 2002 Option Scheme and 2012 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. There are no options granted at a discount during the financial year.

DIRECTORS' STATEMENT

AUDIT COMMITTEE

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

AUDITOR

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

On behalf of the Board of Directors,

Tan Wang Cheow Director	Sudeep Nair Director

Singapore
23 March 2020

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOOD EMPIRE HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the 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 2019, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOOD EMPIRE HOLDINGS LIMITED *(cont'd)*

Key audit matters *(cont'd)*

1. Revenue recognition

We refer to Note 2.23 (Summary of significant accounting policies) and Note 4 (Notes on Revenue).

Revenue is measured taking into account of discounts and rebates earned by customers on the Group's sales, which give rise to variable consideration under SFRS(I)15. Variable consideration is estimated and is recognised as revenue to the extent that it is highly probable that a significant reversal in revenue recognised up-to-date will not occur when the discount and rebate amounts are subsequently finalized. In addition, due to the multitude and variety of contractual terms across the Group's operating markets, the estimation of variable consideration arising from discounts and rebates is considered to be complex and judgemental. As such, we considered this to be a key audit matter.

As part of our audit procedures, we evaluated the appropriateness of the Group's revenue recognition accounting policies. We obtained an understanding of the revenue recognition process, performed a walkthrough of the significant class of transactions and evaluated the design of the relevant internal controls for effectiveness. We also tested the effectiveness of the management's internal controls over the determination of variable consideration arising from discounts and rebates, timing of the revenue recognition and gross or net presentation of revenue. In addition, we read significant sales contracts and revenue arrangements, and performed inquiries with management to understand the potential impact of the various terms on revenue recognition, and to also determine if the arrangement is appropriately identified as a contract in accordance with SFRS(I)15.

In respect of discounts and rebates and the relating variable consideration recognised during the year, we checked to the terms of agreements and other supporting documents. We assessed the appropriateness of the method used and the reasonableness of data and assumptions used such as historical experience and purchasing patterns in the estimation of variable consideration and determination of the amount of revenue to be recognised. We also assessed the adequacy of disclosures in Note 2.23.

2. Recoverability of trade receivables

We refer to Note 3.2b (Significant accounting estimates and judgements), Note 2.14 (Summary of significant accounting policies) and Note 24 (Notes on Trade Receivables).

Trade receivable balances are significant to the Group as they represented 17.4% of the Group's net assets as at 31 December 2019. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. The Group determines expected credit losses for trade receivables by making debtor-specific assessment for credit-impaired debtors and using provision matrix method for the remaining group of debtors. In determining the estimated credit loss allowance for the Group's trade receivables as at year end, management had considered various factors such as the age of the outstanding balances, historical payment and credit loss patterns over an appropriate period, facts and circumstances specific to the countries and economic environments where the Group operates, correlation between economic conditions and historical credit losses, as well as the forecast of future macro-economic conditions over the expected life of the Group's trade receivables, which require significant management judgement. Accordingly, we determined that this is a key audit matter.

As part of our audit procedures, we assessed the Group's processes and key controls relating to the monitoring of trade receivables, including the process in determining whether a debtor is credit-impaired. We also considered ageing of the receivables to identify collection risks. We evaluated management's assumptions and inputs used in the computation of historical credit loss rates and reviewed data and information that management had used to make forward-looking adjustments. We requested trade receivable confirmations and reviewed for collectability by way of obtaining evidence of subsequent receipts from the trade receivables. We held discussions with management on their assessment of the recoverability of long outstanding receivables, analysed trend of collections and assessed management's assumptions used to determine expected credit losses for such trade receivables notably through consideration of their specific profiles and risks.

We assessed the adequacy of the Group's disclosures on the trade receivables and the related credit risk in Note 38a.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOOD EMPIRE HOLDINGS LIMITED *(cont'd)*

Key audit matters *(cont'd)*

3. Impairment assessment of intangible assets

We refer to Note 3.2a (Significant accounting estimates and judgements), Note 2.13 (Summary of significant accounting policies) and Note 17 (Notes on Intangible Assets).

As at 31 December 2019, intangible assets comprise goodwill of US$6,684,000 and brand of US$3,659,000, representing 3.2% and 1.8% of the Group's net assets respectively. The Group annually carries out an impairment assessment using a value-in-use model which is based on discounted cash flows of the cash generating units ("CGU"). As disclosed in Note 17, the Group's goodwill is allocated to each of the Group's CGU or group of CGUs. Management used assumptions in respect of future market and economic conditions to estimate expected revenue and margin, inflation rate, discount rates and economic growth. Intangible assets impairment assessment requires management to apply significant judgement in determining the key assumptions, hence we determined that this is a key audit matter.

As part of our audit procedures, we assessed the reasonableness of the key assumptions applied by the Group in determining the recoverable amounts of each CGU. In particular, we tested the underlying assumptions by comparing to historical results, assessed the appropriateness of discount rates used by the Group, including comparisons with external data sources, where available. We also considered the risk of potential management bias; and performed our own sensitivity analysis, including a reasonably possible reduction in the assumed growth rates.

We also focused on the adequacy of the note disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOOD EMPIRE HOLDINGS LIMITED *(cont'd)*

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOOD EMPIRE HOLDINGS LIMITED *(cont'd)*

Auditor's responsibilities for the audit of the financial statements *(cont'd)*

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Boon Leong.

Ernst & Young LLP
Public Accountants
and Chartered Accountants

Singapore
23 March 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Revenue	4	288,570	284,330
Cost of sales		(176,815)	(173,473)
Gross profit		**111,755**	**110,857**
Selling and marketing expenses		(41,500)	(47,847)
General and administrative expenses		(39,858)	(41,430)
Results from operating activities		**30,397**	**21,580**
Other income	5	2,554	2,432
Other expenses	6	(170)	(3,826)
Net finance costs	7	(1,407)	(791)
Share of profit of associates		162	505
Profit before taxation	8	**31,536**	**19,900**
Income tax expense	9	(5,840)	(2,169)
Profit for the year		**25,696**	**17,731**
Profit/(loss) attributable to:			
Equity shareholders of the Company		26,112	18,092
Non-controlling interest		(416)	(361)
		25,696	**17,731**
Earnings per share			
Basic earnings per share (in cents)	11	4.89	3.39
Diluted earnings per share (in cents)	11	4.84	3.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	2019 US$'000	2018 US$'000
Profit net of tax	25,696	17,731
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation gain/(loss)	5,303	(6,426)
Share of other comprehensive income of associates	597	(1,593)
Share of other comprehensive income of non-controlling interest	–	3
Exchange differences realised on disposal of an associate	–	8
Exchange differences realised on liquidation of subsidiaries	(52)	–
Other comprehensive income for the year, net of tax	**5,848**	**(8,008)**
Total comprehensive income for the year	**31,544**	**9,723**
Total comprehensive income attributable to:		
Equity shareholders of the Company	31,957	10,081
Non-controlling interest	(413)	(358)
	31,544	**9,723**

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

BALANCE SHEETS

As at 31 December 2019

	Note	Group		Company	
		2019	2018	2019	2018
		US$'000	US$'000	US$'000	US$'000
Non-Current Assets					
Property, plant and equipment	12	99,325	68,932	–	–
Right-of-use assets	13	10,434	–	–	–
Investment properties	14	16,159	16,117	–	–
Investments in subsidiaries	15	–	–	44,635	44,635
Investments in associates	16	11,619	11,392	–	–
Intangible assets	17	10,343	10,343	–	–
Deferred tax assets	18	3,208	2,615	–	–
		151,088	109,399	44,635	44,635
Current Assets					
Inventories	19	55,852	50,537	–	–
Prepaid operating expenses and deposits	20	6,292	6,844	11	7
Deferred expenses		234	178	–	–
Amounts due from subsidiaries (non-trade)	21	–	–	21,901	8,837
Amounts due from associates (non-trade)	22	100	77	–	–
Amount due from a related party (trade)	23	113	428	–	–
Trade receivables	24	35,872	32,632	–	18
Other receivables	25	3,307	2,403	–	–
Cash and cash equivalents	26	54,735	42,218	322	18
		156,505	135,317	22,234	8,880

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

BALANCE SHEETS

As at 31 December 2019

	Note	Group		Company	
		2019	2018	2019	2018
		US$'000	US$'000	US$'000	US$'000
Current Liabilities					
Trade payables and accruals	27	34,987	29,731	2,200	121
Other payables	30	6,051	2,579	–	–
Finance lease creditors	13	–	61	–	–
Lease liabilities	13	2,005	–	–	–
Interest-bearing loans and borrowings	29	14,690	20,275	–	–
Amount due to a subsidiary (non-trade)	21	–	–	20	20
Amount due to an associate (non-trade)	22	255	186	–	–
Amounts due to associates (trade)	28	108	161	–	–
Amounts due to related parties (non-trade)	23	568	573	–	–
Income tax payable		1,539	432	29	7
		60,203	53,998	2,249	148
Net Current Assets		**96,302**	**81,319**	**19,985**	**8,732**
Non-Current Liabilities					
Finance lease creditors	13	–	569	–	–
Lease liabilities	13	4,837	–	–	–
Interest-bearing loans and borrowings	29	35,315	13,230	–	–
Deferred tax liabilities	18	1,535	1,466	–	–
		41,687	15,265	–	–
Net Assets		**205,703**	**175,453**	**64,620**	**53,367**
Equity					
Share capital	31	42,020	41,202	42,020	41,202
Treasury shares	31	(477)	(317)	(477)	(317)
Reserves	32	165,352	135,389	23,077	12,482
		206,895	176,274	64,620	53,367
Non-controlling interest		(1,192)	(821)	–	–
Total Equity		**205,703**	**175,453**	**64,620**	**53,367**

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

Group 2019	Share capital US$'000	Treasury shares US$'000	Foreign currency translation reserve US$'000	Share-based payment reserve US$'000	Accumulated profits US$'000	Total US$'000	Non-controlling interest US$'000	Total equity US$'000
	Attributable to equity shareholders of the Company							
Balance as at 1 January 2019	41,202	(317)	(8,011)	2,713	140,687	176,274	(821)	175,453
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**26,112**	**26,112**	**(416)**	**25,696**
Other comprehensive income								
Foreign currency translation gain	–	–	5,300	–	–	5,300	3	5,303
Share of other comprehensive income of associates	–	–	597	–	–	597	–	597
Exchange differences realised on liquidation of subsidiaries	–	–	(52)	–	–	(52)	–	(52)
Total comprehensive income for the year	**–**	**–**	**5,845**	**–**	**26,112**	**31,957**	**(413)**	**31,544**
Contributions by and distributions to owners								
Value of employee services received for issue of share options	–	–	–	823	–	823	–	823
Dividend paid to ordinary shareholders of the Company	–	–	–	–	(2,638)	(2,638)	–	(2,638)
Issuance of new shares	639	–	–	–	–	639	–	639
Exercise of share options	179	–	–	(179)	–	–	–	–
Purchase of treasury shares	–	(160)	–	–	–	(160)	–	(160)
Expiry of share options	–	–	–	(56)	56	–	–	–
Total contributions by and distributions to owners	**818**	**(160)**	**–**	**588**	**(2,582)**	**(1,336)**	**–**	**(1,336)**
Changes in ownership interest in subsidiaries								
Capital injection from non-controlling interest of a subsidiary, representing total changes in ownership interests in subsidiaries	–	–	–	–	–	–	42	42
Total transactions with owners in their capacity as owners	**818**	**(160)**	**–**	**588**	**(2,582)**	**(1,336)**	**42**	**(1,294)**
Balance as at 31 December 2019	**42,020**	**(477)**	**(2,166)**	**3,301**	**164,217**	**206,895**	**(1,192)**	**205,703**

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Attributable to equity shareholders of the Company							
Group	**Share capital**	**Treasury shares**	**Foreign currency translation reserve**	**Share-based payment reserve**	**Accumulated profits**	**Total**	**Non-controlling interest**	**Total equity**
2018	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 January 2018 (FRS Framework)	41,093	(317)	(11,209)	2,126	136,200	167,893	(463)	167,430
Cumulative effects of adopting SFRS(I)	–	–	11,209	–	(11,209)	–	–	–
Balance as at 1 January 2018 (SFRS(I) Framework)	41,093	(317)	–	2,126	124,991	167,893	(463)	167,430
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**18,092**	**18,092**	**(361)**	**17,731**
Other comprehensive income								
Foreign currency translation loss	–	–	(6,426)	–	–	(6,426)	–	(6,426)
Share of other comprehensive income of associates	–	–	(1,593)	–	–	(1,593)	–	(1,593)
Share of other comprehensive income of non-controlling interest	–	–	–	–	–	–	3	3
Exchange differences realised on disposal of an associate	–	–	8	–	–	8	–	8
Total comprehensive income for the year	**–**	**–**	**(8,011)**	**–**	**18,092**	**10,081**	**(358)**	**9,723**
Contributions by and distributions to owners								
Value of employee services received for issue of share options	–	–	–	613	–	613	–	613
Dividend paid to ordinary shareholders of the Company	–	–	–	–	(2,396)	(2,396)	–	(2,396)
Issuance of new shares	83	–	–	–	–	83	–	83
Exercise of share options	26	–	–	(26)	–	–	–	–
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	**109**	**–**	**–**	**587**	**(2,396)**	**(1,700)**	**–**	**(1,700)**
Balance as at 31 December 2018	**41,202**	**(317)**	**(8,011)**	**2,713**	**140,687**	**176,274**	**(821)**	**175,453**

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

Company **2019**	**Share capital** US$'000	**Treasury shares** US$'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 2019	41,202	(317)	(217)	2,713	9,986	53,367
Profit for the year	**–**	**–**	**–**	**–**	**12,323**	**12,323**
Other comprehensive income						
Foreign currency translation gain	–	–	266	–	–	266
Total comprehensive income for the year	**–**	**–**	**266**	**–**	**12,323**	**12,589**
Contributions by and distributions to owners						
Value of employee services received for issue of share options	–	–	–	823	–	823
Dividend paid to ordinary shareholders of the Company	–	–	–	–	(2,638)	(2,638)
Issuance of new shares	639	–	–	–	–	639
Exercise of share options	179	–	–	(179)	–	–
Purchase of treasury shares	–	(160)	–	–	–	(160)
Expiry of employee share options	–	–	–	(56)	56	–
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	**818**	**(160)**	**–**	**588**	**(2,582)**	**(1,336)**
Balance as at 31 December 2019	**42,020**	**(477)**	**49**	**3,301**	**19,727**	**64,620**

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

Company **2018**	**Share capital** US$'000	**Treasury shares** US$'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 2018 (FRS Framework)	41,093	(317)	3,634	2,126	9,672	56,208
Cumulative effects of adopting SFRS(I)	–	–	(3,634)	–	3,634	–
Balance as at 1 January 2018 (SFRS(I) Framework)	41,093	(317)	–	2,126	13,306	56,208
Loss for the year	**–**	**–**	**–**	**–**	**(924)**	**(924)**
Other comprehensive income						
Foreign currency translation loss	–	–	(217)	–	–	(217)
Total comprehensive income for the year	–	–	(217)	–	(924)	(1,141)
Contributions by and distributions to owners						
Value of employee services received for issue of share options	–	–	–	613	–	613
Dividend paid to ordinary shareholders of the Company	–	–	–	–	(2,396)	(2,396)
Issuance of new shares	83	–	–	–	–	83
Exercise of share options	26	–	–	(26)	–	–
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	**109**	**–**	**–**	**587**	**(2,396)**	**(1,700)**
Balance as at 31 December 2018	**41,202**	**(317)**	**(217)**	**2,713**	**9,986**	**53,367**

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2019

	2019 US$'000	2018 US$'000
Cash flows from operating activities		
Profit from operations before taxation	31,536	19,900
Adjustments for:		
Bad debts written off	97	14
Depreciation of property, plant and equipment	5,978	5,670
Depreciation of investment properties	167	169
Depreciation of right-of-use assets	2,098	–
Loss on disposal of property, plant and equipment	170	46
Loss on disposal of an associate	–	67
Gain on disposal of asset classified as held for sale	–	(408)
Impairment loss on loan to associates	–	172
Interest income	(218)	(506)
Interest expenses	1,625	1,297
Impairment loss on trade receivables	452	2,956
Impairment loss on other receivables	8	–
Inventories written down	1,322	880
Share of profit of associates	(162)	(505)
Value of employee services received for issue of share options	823	613
Exchange realignment	(1,272)	1,745
Operating cash flows before changes in working capital	**42,624**	**32,110**
Changes in working capital		
(Increase)/decrease in trade and other receivables	(2,893)	1,210
Increase in inventories	(3,509)	(7,723)
Increase/(decrease) in trade and other payables	8,548	(5,896)
Cash flows from operations	**44,770**	**19,701**
Income taxes paid	(5,488)	(4,585)
Net cash flows from operating activities	39,282	15,116
Cash flows from investing activities		
Interest received	355	553
Purchase of property, plant and equipment	(38,100)	(10,222)
Proceeds from disposal of property, plant and equipment	206	217
Proceeds from disposal of asset classified as held for sale	–	1,052
Dividend income from associates	531	–
Net cash flows used in investing activities	**(37,008)**	**(8,400)**

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2019

	2019 US$'000	2018 US$'000
Cash flows from financing activities		
Interest paid	(2,846)	(1,401)
Proceeds from issuance of shares	639	83
Dividends paid to shareholders of the Company	(2,638)	(2,396)
Repayment of obligations under lease liabilities	(1,654)	–
Repayment of obligations under finance leases	–	(40)
Proceeds from obligations under finance leases	–	66
Repayment of interest-bearing loans and borrowings	(54,216)	(57,980)
Proceeds from interest-bearing loans and borrowings	70,685	55,271
Purchase of treasury shares	(160)	–
Capital injection from non-controlling interest of a subsidiary	42	–
Net cash flows from/(used in) financing activities	**9,852**	**(6,397)**
Net increase in cash and cash equivalents	12,126	319
Effect of exchange rate changes on cash and cash equivalents	391	(936)
Cash and cash equivalents at beginning of year	42,218	42,835
Cash and cash equivalents at end of year (Note 26)	**54,735**	**42,218**

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 2019 were authorised for issue in accordance with a resolution of the Directors on 23 March 2020.

The Company is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office of the Company is located at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623. The principal place of business of the Company is located at 31 Harrison Road #08-01, Food Empire Building, Singapore 369649.

The principal activity of the Company is investment holding. The principal activities and other details of the subsidiaries are disclosed in Note 15 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below. The consolidated financial statements provide comparative information in respect of the previous period.

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), except when otherwise stated.

2.2 Adoption of new and amended standards and interpretations

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 which are effective for annual financial periods beginning on or after 1 January 2019. Except for the adoption of SFRS(I) 16 *Leases* described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group.

SFRS(I) 16 *Leases*

SFRS(I) 16 *Leases* supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 did not have an impact for leases where the Group is the lessor.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Adoption of new and amended standards and interpretations *(cont'd)*

SFRS(I) 16 *Leases (cont'd)*

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

The effect of adoption SFRS(I) 16 as at 1 January 2019 was as follows:

	Increase/ (decrease) US$'000
Assets	
Right-of-use assets	11,230
Property, plant and equipment	(4,735)
Prepayments	(86)
	6,409
Liabilities	
Finance lease creditors	(630)
Lease Liabilities	7,039
	6,409
Total adjustment on equity:	
Accumulated profits	–

The Group has lease contracts which include land, factories, motor vehicles, office premises and equipment. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The accounting policy beginning on and after 1 January 2019 is disclosed in Note 2.21. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17. The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Adoption of new and amended standards and interpretations *(cont'd)*

SFRS(I) 16 *Leases* *(cont'd)*

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment assessment;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- Right-of-use assets of US$11,230,000 were recognised and presented separately on the balance sheet. This included US$4,735,000 reclassified from property, plant and equipment;
- Prepayments of US$86,000 related to previous operating leases were derecognised;
- Lease liabilities of US$7,039,000 were recognised and presented separately on the balance sheet. This included US$630,000 reclassified from finance lease creditors; and
- The net effect of these adjustments to retained earnings was nil.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Adoption of new and amended standards and interpretations *(cont'd)*

SFRS(I) 16 *Leases* *(cont'd)*

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	US$'000
Operating lease commitments as at 31 December 2018	2,631
Less:	
Commitments relating to short-term leases	(338)
Commitments relating to leases of low-value assets	(9)
Add:	
Commitments previously classified as finance lease creditors	630
Lease payments relating to renewal periods not included in operating lease commitments as at 1 January 2019	7,112
	10,026
Weighted average incremental borrowing rate as at 1 January 2019	9.14%
Lease liabilities as at 1 January 2019	7,039

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.2 Adoption of new and amended standards and interpretations *(cont'd)*

SFRS(I) INT 23 *Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of SFRS(I) 1-12 *Income Taxes*. It does not apply to taxes or levies outside the scope of SFRS(I) 1-12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*	1 January 2020
Amendments to SFRS(I) 3: *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.4 Basis of consolidation and business combination

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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

(b) Business combinations and goodwill

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.

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 profit or loss.

Non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, are 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. 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.

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 the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill have 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.

2.5 Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.6 Foreign currency

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

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. 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 measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations 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 end of the reporting period 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.

2.7 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

2.8 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.8 Associates *(cont'd)*

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. 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 associate are eliminated to the extent of the interest in the 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 associate. The Group determines at the end of each reporting period 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 profit or loss.

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

2.9 Property, plant and equipment

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

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	– 10 – 50 years
Leasehold properties	– Over the remaining term of lease between 1 – 60 years
Plant and machinery	– 5 – 15 years
Furniture and fittings and other equipment	– 3 – 15 years
Factory and office equipment	– 5 – 10 years
Computers	– 3 – 5 years
Motor vehicles	– 3 – 5 years
Forklifts	– 10 years
Renovation, air-conditioners, electrical installation and leasehold improvements	– 5 – 10 years

Capital work-in-progress 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. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.10 Investment properties

Investment properties are properties that are owned by the Group that are held 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. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured 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 is met.

Depreciation is calculated using straight-line method to allocate the depreciable amounts over the estimated useful lives of 50 years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each financial year end. 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 off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2.11 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 carried 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 indefinite.

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.

Brand

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.12 Financial instruments

(a) 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.

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The Group has debt instruments which are held at amortised cost.

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

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.

(b) 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 directly attributable to transaction costs.

Subsequent measurement

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.12 Financial instruments *(cont'd)*

(b) Financial liabilities *(cont'd)*

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference in the respective carrying amounts and the consideration paid is recognised in profit or loss.

2.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing 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 of disposal 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.

Impairment losses are recognised in profit or loss.

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. Impairment losses relating to goodwill cannot be reversed in future periods.

2.14 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash with banks or financial institutions, including fixed deposits 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.

2.17 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 the end of each reporting period 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 grants are 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, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

2.19 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due 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 measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.14 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.20 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.

2.21 Leases

These accounting policies are applied on and after the initial application date of SFRS(I) 16 *Leases*, 1 January 2019:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land	– 33 – 60 years
Office and factory premises	– 2 – 3 years
Motor vehicles	– 2 – 3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.13. The Group's right-of-use assets are presented within Note 13.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.21 Leases *(cont'd)*

(a) As lessee *(cont'd)*

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are disclosed in Note 13.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases on the Group's investment properties is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.21 Leases *(cont'd)*

These accounting policies are applied before the initial application date of SFRS(I) 16 *Leases*, 1 January 2019:

(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.

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. 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 in which the Group does not transfer 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 2.23(b). Contingent rents are recognised as revenue in the period in which they are earned.

2.22 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.23 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The goods are often sold with a right of return and with retrospective volume rebates based on the aggregate sales over a period of time.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of the estimated volume discounts and rebates. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes.

(b) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line 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) Packaging service income

Packaging service income is recognised when the Group satisfies its performance obligation upon the rendering of services.

2.24 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.24 Employee benefits *(cont'd)*

(c) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognises related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employment benefits, short-term employee benefits, or other long-term employee benefits.

(d) 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 reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense. The employee share option reserve is transferred to accumulated profits upon expiry of the share option.

Where the employee share option plan is cancelled, it is treated as if it vested on the date of cancellation, and any expense that otherwise would have been recognised for services received over the remaining vesting period is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

2.25 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 at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.25 Taxes *(cont'd)*

(b) Deferred tax

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting period 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 end of each reporting period 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 end of each reporting period.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their geographical locations 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 reviews 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 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Share capital and share issuance expenses

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

2.28 Treasury shares

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, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.29 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(cont'd)*

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement which has the most significant effect on the amounts recognised in the consolidated financial statements:

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, judgement 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 determine 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. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of most of the entities of the Group is their respective local currency.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of intangible assets

As disclosed in Note 17 to the financial statements, the recoverable amounts of the cash-generating units which goodwill and brands have been allocated to are determined based on value-in-use calculations. The value-in-use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rates used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value-in-use are disclosed and further explained in Note 17 to the financial statements.

The carrying amount of the intangible assets as at 31 December 2019 is US$10,343,000 (2018: US$10,343,000).

(b) Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances as well as forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 24.

The carrying amount of trade receivables as at 31 December 2019 is US$35,872,000 (2018: US$32,632,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(cont'd)*

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

(c) Variable consideration arising from discounts and rebates

Revenue is measured taking into account of discounts and rebates earned by customers on the Group's sales, which give rise to variable consideration under SFRS(I) 15. Variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is subsequently resolved.

The Group provides rebates to some of its customers if the customers reach a certain threshold of purchase. The Group applied the "most likely amount method" to estimate the variable consideration to which it will be entitled.

For the financial year ended 31 December 2019, the Group recognised revenue amounting to US$288,570,000 (2018: US$284,330,000).

4. REVENUE

Disaggregation of revenue

Segments	Sale of goods		Rental income		Packaging service income		Total revenue	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Primary geographical markets								
Russia	112,534	113,261	–	–	36	44	112,570	113,305
Ukraine, Kazakhstan and CIS markets	69,368	62,783	6	4	–	1	69,374	62,788
South-East Asia	77,511	78,892	738	751	18	61	78,267	79,704
South Asia	8,629	8,117	–	–	35	–	8,664	8,117
Others	19,643	20,416	–	–	52	–	19,695	20,416
Total	287,685	283,469	744	755	141	106	288,570	284,330
Timing of transfer of goods or services								
At a point in time	287,685	283,469	–	–	141	106		

Rental income from the Group's operating leases are accounted for on a straight-line basis over the lease term of the contract.

During the year, the composition of the Group's operating segments have been updated following an internal assessment by management to identify and aggregate operating segments. The comparatives have been restated accordingly to reflect the change. The Group's segment information is disclosed in Note 34.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5. OTHER INCOME

	Group	
	2019	**2018**
	US$'000	US$'000
Government grants	1,236	1,522
Foreign exchange gain	610	–
Gain on disposal of asset classified as held for sale	–	408
Miscellaneous income	708	502
	2,554	2,432

6. OTHER EXPENSES

	Group	
	2019	**2018**
	US$'000	US$'000
Loss on disposal of property, plant and equipment	170	46
Loss on disposal of an associate	–	67
Foreign exchange loss	–	3,541
Impairment loss on loan to associates (Note 22)	–	172
	170	3,826

7. NET FINANCE COSTS

	Group	
	2019	**2018**
	US$'000	US$'000
Interest income from:		
– Bank deposits	218	502
– Associates	–	4
Interest expenses on:		
– Bank loans	(918)	(1,259)
– Lease liabilities	(684)	–
– Others	(23)	(38)
	(1,407)	(791)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

8. PROFIT BEFORE TAXATION

The following items have been included in arriving at profit before taxation:

	Group	
	2019	**2018**
	US$'000	US$'000
Audit fees paid to:		
– Auditors of the Company	183	175
– Other auditors	197	184
Non-audit fees paid to:		
– Auditors of the Company	54	62
– Other auditors	61	43
Directors' fee:		
– Directors of the Group	282	325
Depreciation of property, plant and equipment	5,978	5,670
Depreciation of investment properties	167	169
Depreciation of right-of-use assets	2,098	–
Impairment loss on trade receivables	452	2,956
Impairment loss on other receivables	8	–
Inventories written down	1,322	880
Advertising and promotion expenses	21,387	29,725
Legal and professional fees	1,494	1,619
Office upkeep and administrative expenses	2,768	3,449
Bad debts written off	97	14
Employee benefits expense (Note 33)	52,047	48,208

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

9. INCOME TAX EXPENSE

Major components of income tax expenses

The major components of income tax expenses for the years ended 31 December 2019 and 2018 are:

	Group	
	2019	**2018**
	US$'000	US$'000
Consolidated income statement		
Current income tax		
– Current income taxation	6,100	4,186
– Under/(over) provision in respect of prior years	228	(1,536)
	6,328	2,650
Deferred income tax		
– Utilisation of tax losses	1,945	1,434
– Origination and reversal of temporary differences	(2,433)	1,072
– Benefits from previously unrecognised investment tax allowances	–	(2,987)
	(488)	(481)
Income tax expense recognised in profit or loss	5,840	2,169

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 is as follows:

	Group	
	2019	**2018**
	US$'000	US$'000
Accounting profit before tax	31,536	19,900
Tax at the domestic rates applicable to profits in the countries where the Group operates	4,869	3,084
Adjustments:		
Non-deductible expenses	2,474	5,609
Income not subject to taxation	(1,398)	(1,273)
Effect of partial tax exemption and tax relief	(418)	(1,057)
Deferred tax assets not recognised	1,057	896
Under/(over) provision in respect of prior years	228	(1,536)
Benefits from previously unrecognised investment tax allowances	–	(2,987)
Utilisation of previously unrecognised tax losses and capital allowances	(832)	(533)
Others	(140)	(34)
Income tax expense recognised in profit or loss	5,840	2,169

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. DIVIDENDS

	Group and Company	
	2019	**2018**
	US$'000	US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
– Final exempt (one-tier) dividend for 2018: S$0.0068 (2017: S$0.006) per share	2,638	2,396
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholder approval at the Annual General Meeting:		
– Final exempt (one-tier) dividend for 2019: S$0.01 (2018: S$0.0068) per share	3,887	2,651
– Special exempt (one-tier) dividend for 2019: S$0.01 (2018: S$Nil) per share	3,887	–

11. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit for the year, net of tax, attributable to ordinary equity shareholders 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	
	2019	**2018**
	US$'000	US$'000
Net profit for the year used in computing basic earnings per share	26,112	18,092
	No. of shares	
	'000	'000
Weighted average number of ordinary shares used in basic earnings per share computation*	534,449	534,019

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. EARNINGS PER SHARE *(cont'd)*

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the profit for the year, 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 table reflects the profit and share data used in the computation of dilutive earnings per share for the years ended 31 December:

	Group	
	2019	**2018**
	US$'000	US$'000
Net profit for the year used in computing diluted earnings per share	26,112	18,092
	No. of shares	
	'000	'000
Weighted average number of shares issued, used in basic earnings per share computation*	534,449	534,019
Dilutive effect of share options	4,574	4,383
Weighted average number of ordinary shares used in diluted earnings per share computation*	539,023	538,402

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

9,064,000 (2018: 8,469,000) share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

Since the end of the financial year, senior executives have exercised the options to acquire 120,000 (2018: 35,000) ordinary shares. Other than disclosed under Note 40 to the financial statements, there have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold properties US$'000	Leasehold properties US$'000	Plant and machinery, furniture and other equipment US$'000	Factory and office equipment and computers US$'000	Forklifts and motor vehicles US$'000	Renovation, air conditioners, electrical installation and leasehold improvements US$'000	Capital work-in-progress US$'000	Total US$'000
Cost								
At 1 January 2018	17,006	22,295	33,762	5,892	2,695	5,136	3,533	90,319
Additions	–	1,952	994	610	107	143	7,028	10,834
Disposals	–	–	(260)	(164)	(130)	(49)	(14)	(617)
Reclassifications	–	1,382	4,189	260	274	202	(6,307)	–
Exchange realignment	(121)	(14)	(894)	(126)	(144)	(38)	(128)	(1,465)
At 31 December 2018	16,885	25,615	37,791	6,472	2,802	5,394	4,112	99,071
Effects of adoption of SFRS(I) 16	–	(5,017)	–	–	(111)	–	–	(5,128)
At 1 January 2019	16,885	20,598	37,791	6,472	2,691	5,394	4,112	93,943
Additions	86	158	901	305	244	69	38,989	40,752
Disposals	–	(2)	(307)	(212)	(175)	(27)	(59)	(782)
Reclassification	–	–	2,342	415	61	478	(3,296)	–
Transfer from right-of-use assets	–	–	–	–	95	–	–	95
Exchange realignment	78	231	710	110	131	93	91	1,444
At 31 December 2019	17,049	20,985	41,437	7,090	3,047	6,007	39,837	135,452

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Group	Freehold properties US$'000	Leasehold properties US$'000	Plant and machinery, furniture and other equipment US$'000	Factory and office equipment and computers US$'000	Forklifts and motor vehicles US$'000	Renovation, air conditioners, electrical installation and leasehold improvements US$'000	Capital work-in-progress US$'000	Total US$'000
Accumulated depreciation and impairment loss								
At 1 January 2018	680	2,049	15,245	3,796	1,663	2,269	–	25,702
Charge for the year	147	570	3,329	755	297	572	–	5,670
Disposals	–	–	(116)	(150)	(51)	(35)	–	(352)
Exchange realignment	(8)	–	(671)	(83)	(75)	(44)	–	(881)
At 31 December 2018	819	2,619	17,787	4,318	1,834	2,762	–	30,139
Effects of adoption of SFRS(I) 16	–	(356)	–	–	(37)	–	–	(393)
At 1 January 2019	819	2,263	17,787	4,318	1,797	2,762	–	29,746
Charge for the year	464	347	3,496	704	276	691	–	5,978
Transfer from right-of-use assets	–	–	–	–	41	–	–	41
Disposals	–	–	(152)	(104)	(143)	(6)	–	(405)
Exchange realignment	5	85	482	79	92	24	–	767
At 31 December 2019	1,288	2,695	21,613	4,997	2,063	3,471	–	36,127
Net carrying amount								
At 31 December 2019	15,761	18,290	19,824	2,093	984	2,536	39,837	99,325
At 31 December 2018	16,066	22,996	20,004	2,154	968	2,632	4,112	68,932

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Company	**Motor vehicle** US$'000
Cost	
At 1 January 2018	222
Exchange realignment	(4)
At 31 December 2018 and 1 January 2019	218
Exchange realignment	3
At 31 December 2019	221
Accumulated depreciation	
At 1 January 2018	222
Exchange realignment	(4)
At 31 December 2018 and 1 January 2019	218
Exchange realignment	3
At 31 December 2019	221
Net carrying amount	
At 31 December 2018 and 31 December 2019	–

The Group's freehold properties included US$9,874,000 (2018: US$9,828,000) which relate to freehold land.

Capitalisation of borrowing costs

The Group's plant and equipment include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of a plant and equipment. During the financial year, the borrowing costs capitalised as cost of capital work-in-progress amounted to US$1,083,000 (2018: US$56,000).

Assets held under finance leases

At the end of the previous financial year, the net carrying amount of the motor vehicles and leasehold property held under finance leases were US$133,000 and US$555,000 respectively. The leased assets were pledged as security for the related finance lease liabilities. Upon the adoption of SFRS(I) 16, these leased assets have been classified under right-of-assets as at 1 January 2019 (Note 13).

Assets pledged as security

At the end of the previous financial year, the portion of the freehold property at 31 Harrison Road, Singapore 369649, whose net carrying amount was US$5,572,000, was mortgaged to secure bank loans (Note 29). These secured bank loans have been fully repaid during the current financial year.

The freehold property at GM 1780, Lot 1723, Tempat Batu 9¼, Jalan Kapar, Mukim Kapar, Daerah Klang, Selangor whose net carrying amount was US$9,239,000 as at 31 December 2019 (2018: US$9,335,000) was mortgaged to secure bank loans (Note 29).

The leasehold property at PLO 88 and PLO 89 in the Mukim Sungai Tiram District Johor Bahru, State of Johor Darul Takzim whose net carrying amount was US$9,152,000 as at 31 December 2019 (2018: US$12,101,000) was mortgaged to secure bank loans (Note 29).

At the end of the previous financial year, the leasehold property at S.NO: 56 Part, 60 Part, 61 Part, 62 Part, 64 Part, 67 Part in Dwaraka Puram, MP SEZ Dwarakapuram Naidupeta Mandal Nellore District whose net carrying amount was US$1,242,000, was mortgaged to secure bank loans (Note 29). Upon the adoption of SFRS(I) 16, the leasehold property has been classified under right-of-use assets as at 1 January 2019 (Note 13).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. LEASES

Group as a lessee

The Group has lease contracts for various items of leasehold land, office and factory premises and motor vehicles used in its operations. Leases of leasehold land generally have lease terms between 33 and 60 years, while office and factory premises and motor vehicles generally have lease terms between 2 and 3 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options, which are further discussed below.

The Group also has certain leases of machinery, storage facilities and office premises with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

(a) Carrying amounts of right-of-use assets

	Group			
	Leasehold land US$'000	Office and factory premises US$'000	Motor Vehicles US$'000	Total US$'000
At 1 January 2019	4,712	6,342	176	11,230
Additions	–	696	66	762
Depreciation	(55)	(1,997)	(46)	(2,098)
Disposal	–	(5)	–	(5)
Transfer to property, plant and equipment	–	–	(54)	(54)
Exchange realignment	8	579	12	599
At 31 December 2019	4,665	5,615	154	10,434

(b) Lease liabilities

	Group 2019 US$'000
As at 1 January	7,039
Additions	747
Accretion	684
Payments	(2,400)
Exchange realignment	772
As at 31 December	6,842
Current	2,005
Non-current	4,837

The maturity analysis of lease liabilities is disclosed in Note 38b.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. LEASES *(cont'd)*

Group as a lessee *(cont'd)*

(c) Amounts recognised in profit or loss

	Group 2019 US$'000
Depreciation expense of right-of-use assets	2,098
Interest expense on lease liabilities (Note 7)	684
Lease expense not capitalised in lease liabilities and included in General and administrative expenses:	
– Expenses relating to short-term leases	631
– Expense relating to leases of low-value assets	27
Total amount recognised in profit or loss	3,440

(d) Total cash outflow

The Group had total cash outflows for leases of US$3,074,000 in 2019. The Group also had non-cash additions to right-of-use assets and lease liabilities of US$747,000 in 2019. As at 31 December 2019, there are no future cash outflows relating to leases that have not yet commenced.

(e) Extension options

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Group		
	Within five years	**More than five years**	**Total**
	US$'000	US$'000	US$'000
Extension options expected not to be exercised	–	3,692	3,692

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. INVESTMENT PROPERTIES

	Group	
	2019	**2018**
	US$'000	US$'000
Cost		
At 1 January	16,885	17,228
Exchange realignment	221	(343)
At 31 December	17,106	16,885
Accumulated depreciation		
At 1 January	768	613
Charge for the year	167	169
Exchange realignment	12	(14)
At 31 December	947	768
Net carrying amount		
At 31 December	16,159	16,117
Income statement:		
Rental income from investment properties:		
– Minimum lease payments	737	750
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating properties	293	261
– Non-rental generating properties	8	7

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. INVESTMENT PROPERTIES *(cont'd)*

Properties pledged as security

At the end of the previous financial year, the portion of the freehold property at 31 Harrison Road, Singapore 369649, whose net carrying amount was US$4,218,000, was mortgaged to secure bank loans (Note 29). These secured bank loans have been fully repaid during the current financial year.

The freehold property at 81 Playfair Road, Singapore 367999, whose net carrying amount was US$11,923,000 as at 31 December 2019 (2018: US$11,899,000), was mortgaged to secure bank loans (Note 29).

Capitalisation of borrowing costs

The Group's investment properties include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of buildings. During the financial year, no borrowing costs were capitalised as investment properties (2018: US$Nil).

Valuation of investment properties

Based on valuations performed by independent appraiser, Allied Appraisal Consultants Pte Ltd, for the years ended 31 December 2019 and 2018, there is no impairment required for the carrying amounts of 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. As at 31 December 2019, the fair values of the investment properties are determined at US$27,889,000 (2018: US$27,529,000).

Details of investment properties

The investment properties held by the Group as at 31 December 2019 are as follows:

Location	Description	Existing use	Tenure of land
1. #03-01, #04-01, #05-01, #06-01, #07-01, #07-02 and #09-02 of 31 Harrison Road Singapore 369649 *	6 units of a 11-Storey Building	Warehouse/Office	Freehold
2. 81 Playfair Road Singapore 367999	11-Storey Building	Warehouse/Office	Freehold

* Relates to the portion of the freehold properties which were leased out to third parties.

15. INVESTMENTS IN SUBSIDIARIES

	Company 2019 US$'000	Company 2018 US$'000
Unquoted shares, at cost, representing net carrying amount of investments	44,635	44,635

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

15. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

Composition of the Group

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 2019 %	2018 %
Held by the Company			
Future Enterprises Pte Ltd (1) (Singapore)	Sales and marketing of instant food and beverages	100	100
EPIQ Food Services Pte Ltd (1) (Singapore)	Investment holding	100	100
Future Investment Holdings Pte Ltd (1) (Singapore)	Investment holding	100	100
Held by Future Enterprises Pte Ltd			
FES Industries Pte Ltd (5) (Singapore)	Dormant	–*	100
FES Industries Sdn Bhd (5) (Malaysia)	Dormant	100	100
Foodaworld Marketing Pte Ltd (5) (Singapore)	Dormant	100	100
Food Empire Real Estates Pte Ltd (1) (Singapore)	Property investment holding	100	100
FER (HK) Limited ***(3) (Hong Kong)	Investment holding	100	100
WELLDis LLP ****(5) (Kazakhstan)	Distribution, procurement, wholesale and trade of beverage products	100	100
Empire Manufacturing Sdn Bhd (2) (Malaysia)	Manufacturing food and beverages and real estate activities relating to own or lease property	100	100
Food Excellence Specialist Sdn Bhd (2) (Malaysia)	Manufacturing food and beverages	100	100
Mei Ka Fei (Hohhot) Trade Co., Ltd (12) (People's Republic of China)	Trading (import and export) of Group's products	100	100
Empire Food Trading Co Ltd (9) (Mongolia)	General trading	100	100
Empire International Sdn Bhd (2) (Malaysia)	International procurement centre, procuring and selling of raw materials, processed and non-processed food and finished goods	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

15. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

Composition of the Group *(cont'd)*

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2019 %	2018 %
Held by Future Enterprises Pte Ltd (cont'd)			
Guangdong Future Enterprises Trade Ltd. Co. [5] (People's Republic of China)	Dormant	–*	100
FES Products LLC [2] (Russia)	Manufacturing and distribution of instant food and beverages	100	100
FES Impex LLC [2] (Russia)	Import/Export and trading activities in Russia	100	100
FES (Vietnam) Co., Ltd [2] (Vietnam)	Manufacturing and distribution of instant food and beverages	100	100
Food Land Empire Pte Ltd [5] (Singapore)	Dormant	100	100
Masters Corporation Pte Ltd [5] (Singapore)	Dormant	–*	100
FES UKR LLC [2] (Ukraine)	Production, preparation, packaging and distribution of instant beverages	100	100
Ukragroinvest-2005 [5] (Ukraine)	Ownership and leasing of factory space and equipment	100	100
FE Foods & Beverages Myanmar Company Limited [13] (Myanmar)	Manufacturing, marketing & distribution of packaged foods & beverages	100	100
FE Foods Philippines Inc. [14] (Philippines)	Importing and distribution of food and beverages	100	100
Held by Foodaworld Marketing Pte Ltd			
Lovena Limited [4] (Cyprus)	Investment holding	–**	100
Pavo Holding Limited [4] (Cyprus)	Investment holding	–**	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

15. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

Composition of the Group *(cont'd)*

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2019 %	2018 %
Held by FER (HK) Limited			
FES International FZE *****(5) (United Arab Emirates – Dafza)	Import, export, trading of food and beverages, management and finance support	100	100
Bexar Limited (5) (Cyprus)	Dormant	–**	100
Held by FES International FZE			
Navas Services Limited (5) (Cyprus)	Dormant	100	100
Bexar Limited (5) (Cyprus)	Dormant	100**	–
Lovena Limited (4) (Cyprus)	Investment holding	100**	–
Pavo Holding Limited (4) (Cyprus)	Investment holding	100**	–
Held by EPIQ Food Services Pte Ltd			
BVBA Food Expert (7) (Belgium)	Wholesale of food products	100	100
Positive Food Ventures Private Limited (10) (India)	Manufacturing and marketing ready-to-drink beverages	80	80
Held by Ukragroinvest-2005			
FE Production Ltd (5) (Ukraine)	Manufacturing of food products	100	100
Held by Future Investment Holdings Pte Ltd			
Food Land Investment Holding Pte Ltd (1) (Singapore)	Investment holding company and advertising activities	100	100
Coffee One Coffee System Pte Ltd (1) (Singapore)	Other investment holding company and selling rights to use intellectual property against royalty rights	51	51
Hallyu Ventures Pte Ltd (1) (Singapore)	Investment holding company	51	51

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

15. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

Composition of the Group *(cont'd)*

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2019 %	2018 %
Held by Food Land Investment Holding Pte Ltd			
Food Land Manufacturing Co., Ltd [6] (Myanmar)	Manufacturing and processing of instant food and beverages	100	100
Jointly held by EPIQ Food Services Pte Ltd and Future Investment Holdings Pte Ltd			
Global Food Excellence Ltd [8] (Nigeria)	Marketing support of Group's products	100	100
Indus Coffee Private Limited [2] (India)	Manufacturing and packaging of instant coffee	100	100
Jointly held by Future Investment Holdings Pte Ltd and Empire Tea (PVT) Ltd			
Tea Avenue Pte Ltd [1] (Singapore)	Investment holding company and office administrative services	72	72
Held by Tea Avenue Pte Ltd			
Tea Avenue (Private) Limited [2] (Sri Lanka)	To carry out restaurant and cafe service	72	72

(1) Audited by Ernst & Young LLP, Singapore.
(2) Audited by associated firms of Ernst & Young LLP, Singapore.
(3) Audited by Chow & Ng CPA Limited, Hong Kong.
(4) Audited by P. Kalopetrides & Co, Cyprus.
(5) Not required to be audited by the law of its country of incorporation.
(6) Audited by Kyaw Accounting & Auditing Service.
(7) Audited by BDO Belgium.
(8) Audited by UHY Maaji and Co. (Nigeria).
(9) Audited by New Balance Audit LLC.
(10) Audited by M. P. & Associates.
(11) Audited by Foshan Zhong Zheng Cheng Certified Public Accountant Co., Ltd.
(12) Audited by Hohhot Zhi Xin Lian He Accounting Firm.
(13) Audited by Win Thin & Associates.
(14) Audited by Ayson Accounting and Business Center.
* Entities liquidated or disposed in 2019.
** Entities which ownership was transferred within the Group in 2019.
*** FER (HK) Limited has changed their auditor from S.B. Chow & Co., Certified Public Accountants (Practising) in 2018 to Chow & Ng CPA Limited in 2019.
**** WELLDis LLP is audited by Grant Thornton LLP, Kazakhstan for the purposes of group reporting.
***** FES International FZE is audited by Ernst & Young LLP, Singapore for the purposes of group reporting.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. INVESTMENTS IN ASSOCIATES

The Group's investments in associates are summarised below:

	Group	
	2019	**2018**
	US$'000	US$'000
Caffe Bene Co., Ltd.	–	–
Triple Ace Ventures Limited	4,416	4,404
Empire Tea (PVT) Ltd	2,807	2,657
101 Caffe S.r.l.	2,217	2,777
Simonelo Limited	2,179	1,554
	11,619	11,392

		Percentage of equity held by the Group	
Name of company		**2019**	**2018**
(Country of incorporation)	**Principal activities**	%	%
Held by subsidiaries			
Caffe Bene Co., Ltd. * (1) (South Korea)	Coffee house chain	19.18	19.18
Triple Ace Ventures Limited **(2) (British Virgin Islands)	Investment holding	50.00	50.00
Empire Tea (PVT) Ltd (3) (Sri Lanka)	Exporter of bulk, packet and bagged tea	30.00	30.00
Simonelo Limited (4) (Cyprus)	Investment holding	50.00	50.00
101 Caffe S.r.l.***(5) (The Republic of Italy)	Distribution of coffee paraphernalia including pods, pads and capsules through its franchise network	24.98	24.98

(1) Audited by Dong-A & Song-Kang Accounting Corporation, Korea.

(2) Audited by N.D,S & Co, Chartered Accountants, India.

(3) Audited by PricewaterhouseCoopers, Sri Lanka.

(4) Audited by VGDA Accountants Limited, Cyprus.

(5) Audited by BDO, Italy.

* Caffe Bene Co., Ltd. is audited by Dong-A & Song-Kang Accounting Corporation, Korea in 2019 (previously known as Dong-A Accounting firm, Korea in 2018).

** Triple Ace Ventures Limited has changed their auditor from VGDA Accountants Limited, Cyprus in 2018 to N.D,S & Co, Chartered Accountants, India in 2019.

*** 101 Caffe S.r.l., has changed their auditor from Gianluigi Grossi, Italy in 2018 to BDO, Italy in 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. INVESTMENTS IN ASSOCIATES *(cont'd)*

The summarised financial information in respect of the Group's material associates based on their financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Caffe Bene Co., Ltd.		Triple Ace Ventures Limited		Empire Tea (PVT) Ltd		101 Caffe S.r.l.		Simonelo Limited	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Current assets	6,038	9,188	9,532	9,353	33,861	35,044	8,978	8,249	320	338
Non-current assets	19,651	20,653	–	–	5,389	4,821	1,987	2,007	14,148	13,085
Total assets	25,689	29,841	9,532	9,353	39,250	39,865	10,965	10,256	14,468	13,423
Current liabilities	(21,840)	(19,732)	(700)	(545)	(28,454)	(29,266)	(7,133)	(5,594)	(520)	(639)
Non-current liabilities	(19,414)	(23,736)	–	–	(1,703)	(1,934)	(2,343)	(1,786)	(9,590)	(9,676)
Total liabilities	(41,254)	(43,468)	(700)	(545)	(30,157)	(31,200)	(9,476)	(7,380)	(10,110)	(10,315)
Net (liabilities)/assets	(15,565)	(13,627)	8,832	8,808	9,093	8,665	1,489	2,876	4,358	3,108
Proportion of the Group's ownership	19.18%	19.18%	50.00%	50.00%	30.00%	30.00%	24.98%	24.98%	50.00%	50.00%
Group's share of net (liabilities)/assets	(2,985)	(2,613)	4,416	4,404	2,727	2,599	371	718	2,179	1,554
Goodwill on acquisition	8,440	8,440	–	–	–	–	1,696	1,696	–	–
Fair value adjustment on acquisition	2,123	2,123	–	–	–	–	441	441	–	–
Impairment loss	(4,281)	(4,281)	–	–	–	–	–	–	–	–
Others	(3,297)	(3,669)	–	–	80	58	(291)	(78)	–	–
Carrying amount of the investment	–	–	4,416	4,404	2,807	2,657	2,217	2,777	2,179	1,554

Summarised statement of comprehensive income

	Caffe Bene Co., Ltd.		Triple Ace Ventures Limited		Empire Tea (PVT) Ltd		101 Caffe S.r.l.		Simonelo Limited	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	23,782	26,146	1,784	1,196	69,914	67,015	17,233	12,955	3,522	3,074
Profit/(loss) after tax	(1,261)	4,591	336	452	559	831	(2,023)	(324)	664	(8)
Other comprehensive income	(678)	719	690	(1,197)	42	(1,472)	(219)	(433)	586	(887)
Total comprehensive income	(1,939)	5,310	1,026	(745)	601	(641)	(2,242)	(757)	1,250	(895)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. INTANGIBLE ASSETS

	Group Goodwill	Brand	Total
	US$'000	US$'000	US$'000
Cost			
At 1 January 2018, 31 December 2018 and 31 December 2019	7,489	8,361	15,850
Accumulated impairment			
At 1 January 2018, 31 December 2018 and 31 December 2019	805	4,702	5,507
Net carrying amount			
At 31 December 2018 and 31 December 2019	6,684	3,659	10,343

Impairment testing of goodwill and brand

Goodwill and brand acquired through business combinations have been allocated to the Group's cash-generating units ("CGU") or group of CGUs for impairment testing.

The carrying amounts of goodwill and brand allocated to each of the Group's CGU or group of CGUs are as follows:

	Group 2019	2018
	US$'000	US$'000
Goodwill		
– FER (HK) Limited Group	4,797	4,797
– Empire Manufacturing Sdn Bhd and Empire International Sdn Bhd	1,887	1,887
	6,684	6,684
Brand	3,659	3,659
	10,343	10,343

The recoverable amounts of the Group's CGU or group of 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:

	Goodwill				Brand	
	FER (HK) Limited Group		Empire Manufacturing Sdn Bhd and Empire International Sdn Bhd			
	2019	2018	2019	2018	2019	2018
Terminal growth rates	1.00%	1.00%	3.00%	1.00%	1.00%	2.20%
Pre-tax discount rates	12.27%	18.50%	10.00%	9.00%	15.2%	18.00%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. INTANGIBLE ASSETS *(cont'd)*

Key assumptions used in the value-in-use calculations

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

Forecasted sales – For the first five years of forecasted growth, sales 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 five years resulting from increased advertising and promotional activities. An average sales growth of 5% (2018: 5%) and 8% (2018: 5%) per annum were applied for brand and goodwill respectively.

Royalty rate – Royalty rates are based on the median royalty rates of an average of comparable royalty rates extracted from Royalty Source, a published database provider.

Terminal growth rates – The forecasted growth rates beyond the five years period are based on published industry research and do not exceed the long-term average growth rate for the mature industry that the Group's CGU or group of CGUs are in.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU or group of CGUs, 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.

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use for the Group's CGU or group of CGUs, management believes that no reasonably possible change in any of the above key assumptions would cause the recoverable amounts of the units to materially fall below its carrying amount.

Impairment loss recognised

There was no impairment loss recognised for the financial year ended 31 December 2019 and 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group	
	2019	**2018**
	US$'000	US$'000
Deferred tax assets/(liabilities):		
Provision	829	1,280
Unutilised tax losses	3,396	3,231
Excess of net book value over tax written down value	(4,405)	(3,272)
Others	1,853	(90)
	1,673	1,149
Deferred tax assets	3,208	2,615
Deferred tax liabilities	(1,535)	(1,466)

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities, and when deferred tax assets and the deferred tax liabilities relate to the same taxation authority.

Deferred tax assets are recognised to the extent that realisation of the related tax benefits through future taxable profits are probable.

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately US$8,287,000 (2018: US$13,423,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these unutilised tax losses is 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. The tax losses have no expiry date except for an amount of US$7,928,000 (2018: US$3,072,000) which have an expiry period ranging from 1 to 10 years from the date that the losses were incurred.

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2018: US$Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to US$169,242,000 (2018: US$176,056,000).

Tax consequences of proposed dividends

There are no income tax consequences (2018: US$Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 10).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. INVENTORIES

	Group	
	2019	**2018**
	US$'000	US$'000
Balance sheet:		
Raw materials	18,957	18,511
Packaging materials	8,901	8,089
Finished products/trading goods	27,994	23,937
Total inventories at lower of cost and net realisable value	55,852	50,537
Income statement:		
Inventories recognised as an expense in cost of sales	140,781	140,347
Inclusive of the following charge:		
- Inventories written down	1,322	880

20. PREPAID OPERATING EXPENSES AND DEPOSITS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Deposits	769	703	–	–
Prepayments	5,523	6,141	11	7
	6,292	6,844	11	7

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

	Company	
	2019	**2018**
	US$'000	US$'000
Amounts due from subsidiaries	21,901	8,837
Amount due to a subsidiary	(20)	(20)

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

	Company	
	Individually impaired	
	2019	**2018**
	US$'000	US$'000
Movement in allowance accounts:		
At 1 January	–	283
Written off	–	(278)
Exchange realignment	–	(5)
At 31 December	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

	Group	
	2019	**2018**
	US$'000	US$'000
Amounts due from associates	100	77
Amount due to an associate	(255)	(186)

The Group has a loan advance to an associate that is impaired at the end of the reporting period. The movement in allowance accounts used to record the impairment are as follows:

	Group	
	2019	**2018**
	US$'000	US$'000
Loan advance to an associate	3,454	3,454
Allowance for impairment	(3,454)	(3,454)
	–	–

	Group *Individually impaired*	
	2019	**2018**
	US$'000	US$'000
Movement in allowance accounts:		
At 1 January	3,454	3,600
Charge for the year (Note 6)	–	172
Written off	–	(318)
At 31 December	3,454	3,454

<u>Amounts due from/(to) associates</u>

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

<u>Loan advance to an associate</u>

Loan advance to an associate is unsecured and bears interest of 1% and 3% per annum. The loan is repayable either by cash or by issuance of common shares by the associate. The Group did not recognise any interest income on the loan for the financial years ended 31 December 2019 and 31 December 2018 as the loan principal had been fully impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

23. AMOUNT DUE FROM/(TO) A RELATED PARTY (TRADE)

	Group	
	Individually impaired	
	2019	**2018**
	US$'000	US$'000
Amount due from a related party (trade)	113	428
Amounts due to related parties (non-trade)	(568)	(573)

The amount due from a related party is unsecured, non-interest bearing and is on 60 days' credit terms.

The amounts due to related parties are unsecured, non-interest bearing and are repayable on demand.

24. TRADE RECEIVABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Trade receivables	40,667	36,865	–	18
Allowance for doubtful receivables	(4,795)	(4,233)	–	–
	35,872	32,632	–	18

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
United States Dollar	1,067	923	–	–
Euro	125	231	–	–
Malaysia Ringgit	409	801	–	–
Indian Rupees	164	318	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. TRADE RECEIVABLES *(cont'd)*

Expected credit losses

The movement in allowance for expected credit losses of trade receivables are computed based on lifetime ECL are as follows:

	Group	
	2019	**2018**
	US$'000	US$'000
Movement in allowance accounts:		
At 1 January under SFRS(I) 9	4,233	1,502
Charge for the year	452	2,956
Written off	(95)	–
Exchange realignment	205	(225)
At 31 December	4,795	4,233

25. OTHER RECEIVABLES

	Group	
	2019	**2018**
	US$'000	US$'000
Staff advances	130	138
Advance payment	–	170
Tax recoverable	1,754	1,659
Sundry receivables	1,443	450
Allowance for doubtful receivables	(20)	(14)
	3,307	2,403

	Group *Individually impaired*	
	2019	**2018**
	US$'000	US$'000
Movement in allowance accounts:		
At 1 January	14	345
Charge for the year	8	–
Written off	(2)	(331)
At 31 December	20	14

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Cash at banks and on hand	36,681	36,634	322	18
Short term deposits	18,054	5,584	–	–
Cash and short-term deposits	54,735	42,218	322	18

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 1 to 2 months and earn interest at the respective short-term deposit rates.

Significant cash and short-term deposits denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
United States Dollar	775	854	11	–
Singapore Dollar	461	457	–	–
Euro	977	9,548	–	–
Russian Ruble	8	1,217	–	–
Malaysia Ringgit	8,984	1,893	–	–
Indian Rupees	3,399	6,223	–	–

27. TRADE PAYABLES AND ACCRUALS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Trade payables	22,210	14,920	13	7
Accruals	12,777	14,811	2,187	114
Total trade payables and accruals	34,987	29,731	2,200	121

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

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
United States Dollar	1,601	1,411	1,598	–
Singapore Dollar	693	2,707	–	–
Euro	852	353	–	–
Indian Rupees	714	724	–	–
Malaysia Ringgit	4,279	3,766	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

28. AMOUNTS DUE TO ASSOCIATES (TRADE)

	Group 2019 US$'000	Group 2018 US$'000
Amounts due to associates (trade)	108	161

The amounts due to associates are unsecured, non-interest bearing and repayable on demand.

29. INTEREST-BEARING LOANS AND BORROWINGS

	Maturity	Group 2019 US$'000	Group 2018 US$'000
Current			
– SGD loan at SWAP + 0.85% p.a.	2020/2019	–	698
– USD loan at COF + 1.50% p.a.	2020/2019	343	343
– SGD loan at COF + 1.15% p.a.	2020/2019	645	637
– USD loan at COF + 2.35% p.a.	2020/2019	–	1,306
– USD loan at SIBOR + 2.30% p.a. [1]	2020/2019	–	2,240
– USD loan at COF + 1.50% p.a. [1]	2020/2019	4,858	6,315
– USD loan at COF + 2.20% p.a.	2020/2019	964	770
– USD loan at COF + 1.50% p.a. [1]	2020/2019	193	722
– USD loan at LIBOR + 2.75% p.a.	2020/2019	–	564
– USD loan at LIBOR + 2.00% p.a.	2020/2019	3,238	3,433
– USD loan at LIBOR + 2.75% or COF + 2.75% p.a. [1]	2020/2019	2,612	1,923
– VND loan at 5.3% to 5.4% or COF + 1.50% p.a. [1]	2020/2019	1,837	1,324
		14,690	20,275
Non-current			
– SGD loan at SWAP + 0.85% p.a.	2020	–	523
– USD loan at COF + 1.50% p.a.	2021	343	687
– SGD loan at COF + 1.15% p.a.	2024	2,098	2,707
– USD loan at COF + 2.20% p.a.	2022	1,028	744
– USD loan at LIBOR + 2.75% or COF + 2.75% p.a. [1]	2021	957	3,569
– USD loan at LIBOR + 2.45% p.a.	2024	30,889	5,000
		35,315	13,230
Total loans and borrowings		50,005	33,505

[1] The loan is unsecured and is covered by corporate guarantee issued by the Company.

NOTES TO THE FINANCIAL STATEMENTS

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29. INTEREST-BEARING LOANS AND BORROWINGS *(cont'd)*

SWAP – Swap rate is the rate of the fixed leg of a swap as determined by its particular market.

COF – Cost of Funds is the difference between the average yield of interest obtained from loans and the average rate of interest paid for deposits and other such funds.

SIBOR – Singapore Interbank Offered Rate is a daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks in the Singapore wholesale money market (or interbank market).

LIBOR – Intercontinental Exchange London Interbank Offered Rate is a benchmark rate that some of the world's leading banks charge each other for short term loans.

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

The loan is secured by a mortgage of the freehold building at 31 Harrison Road, Singapore 369649 (Notes 12 and 14). This loan includes a covenant which requires the subsidiary to be wholly owned by its ultimate holding company.

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

The loan is secured by a first mortgage over the freehold property at GM 1780, Lot 1723, Tempat Batu 9¼, Jalan Kapar, Mukim Kapar, Daerah Klang, Selangor (Note 12). This loan includes a covenant which requires the subsidiary to be wholly owned by its ultimate holding company.

<u>SGD loan at COF + 1.15% p.a.</u>

The loan is secured by a first mortgage over the freehold property at 81 Playfair Road, Singapore 367999 (Note 14). This loan includes a covenant which requires the subsidiary to be wholly owned by its ultimate holding company.

<u>USD loan at COF + 2.35% p.a.</u>

The loan is secured by an Assignment and Power of Attorney over the lease agreement and fixed specific charge over property at PLO 88 and PLO 89 in the Mukim Sungai Tiram District Johor Bahru, State of Johor Darul Takzim (Note 12). This loan includes a covenant which requires the subsidiary to be wholly owned by its ultimate holding company.

<u>USD loan at LIBOR + 2.00% p.a. and LIBOR + 2.75% p.a.</u>

The loan is secured by an exclusive charge over subsidiary's inventory, receivables, plant and machinery, land and building and is covered by corporate guarantee issued by the ultimate holding company.

<u>USD loan at COF + 2.20% p.a.</u>

The loan is secured by an exclusive charge over subsidiary's plant and machinery and is covered by corporate guarantee issued by the ultimate holding company.

<u>USD loan at LIBOR + 2.45% p.a.</u>

The loan is secured by a mortgage of the subsidiary's leasehold building, plant and equipment at S.NO: 56 Part, 60 Part, 61 Part, 62 Part, 64 Part, 67 Part in Dwaraka Puram, MP SEZ Dwarakapuram Naidupeta Mandal Nellore District and is covered by corporate guarantee issued by the ultimate holding company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29. INTEREST-BEARING LOANS AND BORROWINGS *(cont'd)*

A reconciliation of liabilities arising from the Group's financing activities is as follows:

			Non-cash changes				
	1 January 2019	**Cash flows**	**Foreign exchange movement**	**Acquisition**	**Accretion of interest**	**Others**	**31 December 2019**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Loans and borrowings							
– Current	20,275	(7,198)	5	–	918	690	14,690
– Non-current	13,230	22,749	26	–	–	(690)	35,315
Lease liabilities (Note 13)							
– Current	1,560	(2,400)	226	219	684	1,716	2,005
– Non-current	5,479	–	546	528	–	(1,716)	4,837
Total	40,544	13,151	803	747	1,602	–	56,847

			Non-cash changes			
	1 January 2018	**Cash flows**	**Foreign exchange movement**	**Acquisition**	**Others**	**31 December 2018**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Loans and borrowings						
– Current	20,041	(518)	(18)	–	770	20,275
– Non-current	16,291	(2,191)	(100)	–	(770)	13,230
Finance lease (Note 13)						
– Current	31	7	1	22	–	61
– Non-current	17	19	–	533	–	569
Total	36,380	(2,683)	(117)	555	–	34,135

The "Others" column relates to reclassification of non-current and current portion of loans and borrowings and lease liabilities.

30. OTHER PAYABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Current				
Rental and other deposits	420	411	–	–
Advance payment received from customers	1,169	458	–	–
Payables for purchase of property, plant and equipment	3,011	478	–	–
Sundry payables	1,451	1,232	–	–
Total other payables	6,051	2,579	–	–

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

31. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company	
	2019	**2018**
	US$'000	US$'000
At beginning of the year		
535,162,999 (2018: 534,809,999) ordinary shares including treasury shares	41,202	41,093
Issued for cash under employee share option		
2,410,000 (2018: 100,000) ordinary shares issued at exercised price of S$0.335	589	26
Issued for cash under employee share option		
20,000 (2018: 44,000) ordinary shares issued at exercised price of S$0.315	5	10
Issued for cash under employee share option		
205,000 (2018: 209,000) ordinary shares issued at exercised price of S$0.308	45	47
Transfer from share-based payment reserve	179	26
At end of the year		
537,797,999 (2018: 535,162,999) ordinary shares including treasury shares	42,020	41,202

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, the total number of unissued ordinary shares of the Company under options granted to eligible employees and Directors under the 2002 Option Scheme and 2012 Option Scheme amounted to 5,740,000 (2018: 8,320,000) and 18,825,000 (2018: 13,951,000) shares respectively. Details of outstanding options are set out in Note 33.

(b) Treasury shares

	Group and Company	
	2019	**2018**
	US$'000	US$'000
At beginning of the year		
1,001,000 (2018: 1,001,000) treasury shares	317	317
Purchase of 424,500 (2018: Nil) treasury shares	160	–
At end of the year		
1,425,500 (2018: 1,001,000) treasury shares	477	317

Treasury shares relate to ordinary shares of the Company that are held by the Company.

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For the financial year ended 31 December 2019

32. RESERVES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Foreign currency translation reserve	(2,166)	(8,011)	49	(217)
Share-based payment reserve	3,301	2,713	3,301	2,713
Accumulated profits	164,217	140,687	19,727	9,986
	165,352	135,389	23,077	12,482

(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) Share-based payment reserve

The share-based payment reserve represents the equity-settled share options granted to employees (Note 33). 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.

33. EMPLOYEE BENEFITS

	Group	
	2019	**2018**
	US$'000	US$'000
Salaries, wages and other staff benefits	46,240	43,183
Employer's contribution to defined contribution plans, including Central Provident Fund	4,984	4,412
Value of employee services received for issue of share options	823	613
	52,047	48,208

The Food Empire Holdings Limited Share Option Scheme (the "2002 Option Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 22 January 2002 which has since expired on 31 December 2011.

The Food Empire Holdings Limited Share Option Scheme (the "2012 Option Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 27 April 2012. The 2012 Option Scheme applies to eligible employees and Directors of the Group, other than the controlling shareholders who are not Directors or employees. The participation of Directors who are controlling shareholders, associates of controlling shareholders or nominated by the controlling shareholders of the Group is subject to independent shareholders' approval.

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 price which is greater than the market price at the time of grant, at the discretion of the Remuneration Committee ("RC").

The option period shall commence after 1 year from the offer date if the offer price is the prevailing market price.

The 2002 Option Scheme and 2012 Option Scheme are administered by the RC.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. EMPLOYEE BENEFITS *(cont'd)*

Movements in the number of share options outstanding under the 2002 Option Scheme and 2012 Option Scheme as at 31 December 2019 and the details of the 2002 Option Scheme and 2012 Option Scheme are as follows:

	Number of holders at end of year	Number of options outstanding at 1.1.2019	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 31.12.2019	Exercise price per share S$	Exercise period	Remaining contractual life (years)
2002 Option Scheme									
2010 Options	2	2,510,000	–	–	(2,410,000)	100,000	0.335	4 January 2011 to 3 January 2020	0
2011 Options (February)	10	3,080,000	–	(150,000)	–	2,930,000	0.505	1 February 2012 to 31 January 2021	1.1
2011 Options (December)	11	2,730,000	–	–	(20,000)	2,710,000	0.315	19 December 2012 to 18 December 2021	2.0
		8,320,000	–	(150,000)	(2,430,000)	5,740,000			
2012 Option Scheme									
2013 Options	16	3,980,000	–	(170,000)	–	3,810,000	0.669	8 March 2014 to 7 March 2023	3.0
2016 Options	17	4,671,000	–	(51,000)	(205,000)	4,415,000 [(1)]	0.308	4 July 2017 to 3 July 2026	6.5
2017 Options	6	550,000	–	–	–	550,000	0.693	23 May 2018 to 22 May 2027	7.4
2018 Options	15	4,750,000	–	(150,000)	–	4,600,000 [(2)]	0.679	16 March 2019 to 15 March 2028	8.3
2019 Options	21	–	5,450,000	–	–	5,450,000 [(3)]	0.556	15 March 2020 to 14 March 2029	9.3
		22,271,000	5,450,000	(521,000)	(2,635,000)	24,565,000			
Weighted average share price (S$)		0.492	0.556	–	–	0.521			

(1) Includes 200,000 outstanding options held by Independent Non-Executive Directors which are exercisable between 4 July 2017 to 3 July 2021.

(2) Includes 300,000 outstanding options held by Independent Non-Executive Directors which are exercisable between 16 March 2019 to 15 March 2023.

(3) Includes 300,000 outstanding options held by Independent Non-Executive Directors which are exercisable between 15 March 2020 to 14 March 2024.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. EMPLOYEE BENEFITS *(cont'd)*

Movements in the number of share options outstanding under the 2002 Option Scheme and 2012 Option Scheme as at 31 December 2018 and the details of the 2002 Option Scheme and 2012 Option Scheme are as follows:

	Number of holders at end of year	Number of options outstanding at 1.1.2018	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 31.12.2018	Exercise price per share S$	Exercise period	Remaining contractual life (years)
2002 Option Scheme									
2010 Options	7	2,610,000	–	–	(100,000)	2,510,000	0.335	4 January 2011 to 3 January 2020	1.0
2011 Options (February)	11	3,080,000	–	–	–	3,080,000	0.505	1 February 2012 to 31 January 2021	2.1
2011 Options (December)	12	2,774,000	–	–	(44,000)	2,730,000	0.315	19 December 2012 to 18 December 2021	3.0
		8,464,000	–	–	(144,000)	8,320,000			
2012 Option Scheme									
2013 Options	17	4,280,000 [(1)]	–	(300,000)	–	3,980,000	0.669	8 March 2014 to 7 March 2023	4.0
2016 Options	22	4,880,000	–	–	(209,000)	4,671,000 [(2)]	0.308	4 July 2017 to 3 July 2026	7.5
2017 Options	6	650,000	–	(100,000)	–	550,000	0.693	23 May 2018 to 22 May 2027	8.4
2018 Options	16	–	4,750,000	–	–	4,750,000 [(3)]	0.679	16 March 2019 to 15 March 2028	9.3
		18,274,000	4,750,000	(400,000)	(353,000)	22,271,000			
Weighted average share price (S$)		0.444	0.679	–	–	0.492			

(1) Includes 300,000 outstanding options held by Independent Non-Executive Directors which are exercisable between 8 March 2014 to 7 March 2018.

(2) Includes 300,000 outstanding options held by Independent Non-Executive Directors which are exercisable between 4 July 2017 to 3 July 2021.

(3) Includes 300,000 outstanding options held by Independent Non-Executive Directors which are exercisable between 16 March 2019 to 15 March 2023.

Out of the 24,565,000 (2018: 22,271,000) outstanding options on 31 December 2019, 16,190,000 (2018: 15,685,000) share options are exercisable as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. EMPLOYEE BENEFITS *(cont'd)*

The fair value of the share options as at the date of grant was estimated by an external valuer using Black Scholes Valuation 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) 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

(b) 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

(c) 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

(d) 2013 Options

	Group
	Grant – 10 years
Average dividend per share (S$)	0.01044
Expected volatility (%)	38.255
Risk-free rate (%)	0.312
Expected life of option (years)	4.5
Weighted average share price (S$)	0.669

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. EMPLOYEE BENEFITS *(cont'd)*

(e) 2016 Options

	Group Grant – 10 years
Average dividend per share (S$)	0.00975
Expected volatility (%)	45.921
Risk-free rate (%)	1.474
Expected life of option (years)	5.6
Weighted average share price (S$)	0.308

(f) 2017 Options

	Group Grant – 10 years
Average dividend per share (S$)	0.0065
Expected volatility (%)	49.123
Risk-free rate (%)	1.654
Expected life of option (years)	5.78
Weighted average share price (S$)	0.693

(g) 2018 Options

	Group Grant – 10 years
Average dividend per share (S$)	0.00643
Expected volatility (%)	46.206
Risk-free rate (%)	2.163
Expected life of option (years)	5.89
Weighted average share price (S$)	0.679

(h) 2019 Options

	Group Grant – 10 years
Average dividend per share (S$)	0.00637
Expected volatility (%)	44.859
Risk-free rate (%)	2.080
Expected life of option (years)	6.05
Weighted average share price (S$)	0.556

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. SEGMENT INFORMATION

For management purposes, the Group is organised into five reportable segments based on geographical locations. During the financial year ended 31 December 2019, the composition of the Group's geographical segments has been updated following an internal assessment by management to identify and aggregate operating segments. The comparatives have been restated accordingly to reflect the change. The five main segments are:

(i) Russia

(ii) Ukraine, Kazakhstan and CIS markets

(iii) South-East Asia

(iv) South Asia

(v) Others

In presenting information on the basis of geographical segments, the segment revenue and results for sale of ingredients are based on the physical location of the factories.

For all other sales, the segment revenue and results are based on the geographical locations of the customers. This is consistent with the manner which the Group's chief operating decision makers review the segment results of the Group.

The Group regularly reviews each reportable 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. SEGMENT INFORMATION *(cont'd)*

	Russia		Ukraine, Kazakhstan and CIS markets		South-East Asia		South Asia		Others		Adjustments and eliminations		Per consolidated financial statements	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue														
Segment to external customers	112,570	113,305	69,374	62,788	78,267	79,704	8,664	8,117	19,695	20,416	–	–	288,570	284,330
Inter-segment sales [(a)]	1,158	777	–	–	120,985	113,618	14,914	14,415	–	–	(137,057)	(128,810)	–	–
Total revenue	113,728	114,082	69,374	62,788	199,252	193,322	23,578	22,532	19,695	20,416	(137,057)	(128,810)	288,570	284,330
Results														
Segment results	16,657	17,501	13,223	9,460	35,785	22,303	3,767	3,573	(1,628)	(3,840)	(24,180)	(18,341)	43,624	30,656
Interest income	21	9	75	61	79	320	24	92	19	24	–	–	218	506
Interest expenses	(601)	(1)	(55)	(17)	(512)	(627)	(211)	(344)	(246)	(308)	–	–	(1,625)	(1,297)
Share of (loss)/profit of associates	(6)	256	–	–	–	–	–	–	168	249	–	–	162	505
Income tax (expense)/ credit	(475)	(2,189)	(707)	(1,179)	(3,644)	2,931	(1,002)	(1,688)	(12)	(44)	–	–	(5,840)	(2,169)
Non-controlling interest	54	49	–	–	–	–	286	202	76	110	–	–	416	361
Depreciation for property, plant and equipment	(885)	(717)	(374)	(328)	(3,053)	(3,042)	(1,580)	(1,494)	(86)	(89)	–	–	(5,978)	(5,670)
Depreciation for investment properties	–	–	–	–	(167)	(169)	–	–	–	–	–	–	(167)	(169)
Depreciation for right-of-use assets	(1,629)	–	(132)	–	(157)	–	(97)	–	(83)	–	–	–	(2,098)	–
Impairment loss on loan to associates	–	(166)	–	–	–	–	–	–	–	(6)	–	–	–	(172)
Other non-cash expenses [(b)]	(765)	(662)	(226)	(547)	(1,348)	(489)	(118)	(40)	(143)	(2,721)	–	–	(2,600)	(4,459)
Profit/(loss) attributable to equity shareholders of the Company	12,371	14,080	11,804	7,450	26,983	21,227	1,069	301	(1,935)	(6,625)	(24,180)	(18,341)	26,112	18,092

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. SEGMENT INFORMATION *(cont'd)*

	Russia		Ukraine, Kazakhstan and CIS markets		South-East Asia		South Asia		Others		Adjustments and eliminations		Per consolidated financial statements	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Assets														
Segment assets	70,390	52,319	18,499	19,080	143,875	129,237	68,870	36,571	5,959	7,509	–	–	307,593	244,716
Liabilities														
Segment liabilities	(18,421)	(9,612)	(2,103)	(2,182)	(38,904)	(43,866)	(41,430)	(12,623)	(1,032)	(980)	–	–	(101,890)	(69,263)
Other Information														
Investment in associates	8,812	8,735	–	–	–	–	–	–	2,807	2,657	–	–	11,619	11,392
Additions to non-current assets	1,193	1,735	494	251	1,426	2,967	38,176	5,831	225	50	–	–	41,514	10,834

(a) Inter-segment revenues are eliminated on consolidation.

(b) Other non-cash expenses consist of allowance for doubtful receivables, bad debts written off, inventories written down, write down of property, plant and equipment, loss on disposal of a subsidiary and value of employee services received for issue of share options as presented in the respective notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. SEGMENT INFORMATION *(cont'd)*

Segment revenue information based on the product segment of external customers are as follows:

	Group	
	2019	**2018**
	US$'000	US$'000
Beverages	249,798	246,700
Ingredients	20,778	19,144
Others	17,994	18,486
	288,570	284,330

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

	Group	
	2019	**2018**
	US$'000	US$'000
Russia	17,811	11,952
Ukraine, Kazakhstan and CIS markets	2,737	2,308
South-East Asia	58,157	57,451
South Asia	57,276	20,687
Others	280	2,994
	136,261	95,392

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

Information about major customers

Revenue from six major customers amounted to US$61,077,000 (2018: US$49,929,000), arising from sale of goods and services in the Russia, Ukraine, Kazakhstan and CIS markets segments.

35. COMMITMENTS AND CONTINGENCIES

Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2019	**2018**
	US$'000	US$'000
Capital commitments in respect of property, plant and equipment	4,671	33,956

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. COMMITMENTS AND CONTINGENCIES *(cont'd)*

Operating lease commitments as lessee

The Group leases certain properties under lease agreements which expire at various dates till 2020. Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to US$2,959,000.

Future minimum lease payments payable under non-cancellable operating leases as at the end of the previous reporting period are as follows:

	Group
	2018
	US$'000
Not later than one year	1,969
Later than one year but not later than five years	662
	2,631

As disclosed in Note 2.2, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low-value leases.

Operating lease commitments as lessor

The Group has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining terms of between one and five years as at 31 December 2019.

Future minimum rental receivables under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2019	**2018**
	US$'000	US$'000
Not later than one year	580	896
Later than one year but not later than five years	450	187
	1,030	1,083

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For the financial year ended 31 December 2019

35. COMMITMENTS AND CONTINGENCIES *(cont'd)*

Finance lease commitments

The Group had finance leases for motor vehicles and leasehold property. The motor vehicles held under finance leases contain purchase options but no terms of renewal or escalation clauses. The leasehold property held under finance lease contains terms of renewal.

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

	Group 2018	
	Minimum lease payments	**Present value of payments**
	US$'000	US$'000
Not later than one year	61	61
Later than one year but not later than five years	570	569
Total minimum lease payments	631	630
Less: Amounts representing finance charges	(1)	–
Present value of minimum leases payments	630	630

As disclosed in Note 2.2, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments under finance leases have been recognised as right-of-use assets and lease liabilities on the balance sheet as at 31 December 2019.

Contingent liabilities

The Group has given corporate guarantees to banks amounting to US$154,946,000 (2018: US$179,284,000) to secure banking facilities granted to its subsidiaries.

Financial Support

The Company has agreed to provide financial support to certain subsidiaries to meet their liabilities as and when they fall due and to subordinate the amount owing from them for the prior payment of other liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. 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:

	2019 US$'000	2018 US$'000
Group		
Simonelo Limited and its subsidiaries [a]		
– Lease payments made	2,006	1,977
UDI Marketing Sdn Bhd [b]		
– Sale of goods	900	1,762
Company		
Subsidiaries		
– Management fees received	1,565	1,387

[a] Companies associated to one of the director and substantial shareholder, Mr Sudeep Nair.

[b] Company associated to Universal Integrated Corporation Consumer Products Pte Ltd., one of the Group's controlling shareholder.

(b) Compensation of key management personnel

	Group	
	2019 US$'000	**2018** US$'000
Salaries, wages and other staff benefits	5,568	4,383
Central Provident Fund contributions	49	53
Value of employee services received for issue of share options	503	370
Total compensation paid to key management personnel	6,120	4,806

	Group	
	2019 US$'000	**2018** US$'000
Comprise amounts paid to:		
Directors of the Group	3,169	2,323
Other key management personnel	2,951	2,483
Total compensation paid to key management personnel	6,120	4,806

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. 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 2002 Option Scheme and 2012 Option Scheme granted under 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 33.

As at 31 December, share options outstanding to the Directors and key management personnel of the Company are as follows:

	Outstanding share options	
	2019	**2018**
	'000	'000
Directors	9,700	9,300
Key management personnel	8,850	7,960
	18,550	17,260

37. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value of hierarchy

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation input used as follows:

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

(ii) Level 2 – 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); and

(iii) Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs at different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 2019 and 2018.

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amount of trade and other receivables, cash and cash equivalents, amounts due from subsidiaries (non-trade), amounts due from associates (non-trade), amounts due from related parties (trade), trade and other payables, current finance lease creditors and lease liabilities, and current interest-bearing loans and borrowing, amounts due to subsidiaries (non-trade), amounts due to related parties (trade and non-trade) and amounts due to associates (trade and non-trade) are reasonable approximation of fair values due to their short-term nature.

The carrying amount of non-current finance lease creditors, lease liabilities and interest-bearing loans and borrowings are reasonable approximation of fair values as their interest rate approximate the market lending rate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. FAIR VALUE OF ASSETS AND LIABILITIES *(cont'd)*

(c) Assets not carried at fair value but for which fair value is disclosed

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The significant non-financial asset of the Group categorised within Level 3 of the fair value hierarchy is investment properties. Generally, the fair values of investment properties are determined annually by independent professional valuers. The carrying amount of the investment properties is disclosed in Note 14.

The following table shows the valuation techniques used in measuring significant Level 3 fair values, as well as the significant unobservable inputs used.

Recurring fair value measurement

Description	**Fair value as at 31 December 2019** US$'000	**Valuation techniques**	**Key unobservable inputs**
Investment properties			
– Singapore	27,889	Market comparison method	Transacted price of comparable properties [1]

Description	**Fair value as at 31 December 2018** US$'000	**Valuation techniques**	**Key unobservable inputs**
Investment properties			
– Singapore	27,529	Market comparison method	Transacted price of comparable properties [1]

[1] Adjustments are made for any difference in the location, tenure, size, shape, design and layout, age and condition of the specific property, dates of transactions and other factors.

(ii) Valuation policies and procedures

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 *Fair Value Measurement* guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use a minimum of two valuation approaches to allow for cross-checks.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. FAIR VALUE OF ASSETS AND LIABILITIES *(cont'd)*

(d) Classification of assets and liabilities

Group 2019	Financial assets at amortised cost US$'000	Financial liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Assets				
Property, plant and equipment	–	–	99,325	99,325
Investment properties	–	–	16,159	16,159
Investment in associates	–	–	11,619	11,619
Intangible assets	–	–	10,343	10,343
Right-of-use assets	–	–	10,434	10,434
Deferred tax assets	–	–	3,208	3,208
Inventories	–	–	55,852	55,852
Prepaid operating expenses and deposits	769	–	5,523	6,292
Deferred expenses	–	–	234	234
Amounts due from associates (non-trade)	100	–	–	100
Amount due from a related party (trade)	113	–	–	113
Trade receivables	35,872	–	–	35,872
Other receivables	1,422	–	1,885	3,307
Cash and cash equivalents	54,735	–	–	54,735
	90,614	–	216,979	307,593
Liabilities				
Trade payables and accruals	–	(34,987)	–	(34,987)
Other payables	–	(4,880)	(1,171)	(6,051)
Interest-bearing loans and borrowings	–	(50,005)	–	(50,005)
Lease liabilities	–	(6,842)	–	(6,842)
Amounts due to associates (trade)	–	(108)	–	(108)
Amount due to an associate (non-trade)	–	(255)	–	(255)
Amounts due to related parties (non-trade)	–	(568)	–	(568)
Income tax payable	–	–	(1,539)	(1,539)
Deferred tax liabilities	–	–	(1,535)	(1,535)
	–	(95,128)	(6,762)	(101,890)

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For the financial year ended 31 December 2019

37. FAIR VALUE OF ASSETS AND LIABILITIES *(cont'd)*

(d) Classification of assets and liabilities *(cont'd)*

Group **2018**	**Financial assets at amortised cost** US$'000	**Financial liabilities at amortised cost** US$'000	**Non-financial assets/ liabilities** US$'000	**Total** US$'000
Assets				
Property, plant and equipment	–	–	68,932	68,932
Investment properties	–	–	16,117	16,117
Investment in associates	–	–	11,392	11,392
Intangible assets	–	–	10,343	10,343
Deferred tax assets	–	–	2,615	2,615
Inventories	–	–	50,537	50,537
Prepaid operating expenses and deposits	703	–	6,141	6,844
Deferred expenses	–	–	178	178
Amounts due from associates (non-trade)	77	–	–	77
Amounts due from related parties (trade)	428	–	–	428
Trade receivables	32,632	–	–	32,632
Other receivables	436	–	1,967	2,403
Cash and cash equivalents	42,218	–	–	42,218
	76,494	–	168,222	244,716
Liabilities				
Trade payables and accruals	–	(29,731)	–	(29,731)
Other payables	–	(2,121)	(458)	(2,579)
Interest-bearing loans and borrowings	–	(33,505)	–	(33,505)
Finance lease creditors	–	(630)	–	(630)
Amounts due to associates (trade)	–	(161)	–	(161)
Amount due to an associate (non-trade)	–	(186)	–	(186)
Amount due to a related party (non-trade)	–	(573)	–	(573)
Income tax payable	–	–	(432)	(432)
Deferred tax liabilities	–	–	(1,466)	(1,466)
	–	(66,907)	(2,356)	(69,263)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. FAIR VALUE OF ASSETS AND LIABILITIES *(cont'd)*

(d) Classification of assets and liabilities *(cont'd)*

Company 2019	Financial assets at amortised cost US$'000	Financial liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Assets				
Investment in subsidiaries	–	–	44,635	44,635
Prepaid operating expenses	–	–	11	11
Amounts due from subsidiaries (non-trade)	21,901	–	–	21,901
Cash and cash equivalents	322	–	–	322
	22,223	–	44,646	66,869
Liabilities				
Trade payables and accruals	–	(2,200)	–	(2,200)
Amount due to a subsidiary (non-trade)	–	(20)	–	(20)
Income tax payable	–	–	(29)	(29)
	–	(2,220)	(29)	(2,249)

Company 2018	Financial assets at amortised cost US$'000	Financial liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Assets				
Investment in subsidiaries	–	–	44,635	44,635
Prepaid operating expenses	–	–	7	7
Trade receivables	18	–	–	18
Amounts due from subsidiaries (non-trade)	8,837	–	–	8,837
Cash and cash equivalents	18	–	–	18
	8,873	–	44,642	53,515
Liabilities				
Trade payables and accruals	–	(121)	–	(121)
Amount due to a subsidiary (non-trade)	–	(20)	–	(20)
Income tax payable	–	–	(7)	(7)
	–	(141)	(7)	(148)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38. 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 the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group sells mainly to Russia, South-East Asia, Ukraine, Kazakhstan and CIS markets. Hence, risk is concentrated on the trade receivables in these countries.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

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

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

– Internal credit rating

– External credit rating

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– Actual or expected significant changes in the operating results of the borrower

– Significant increases in credit risk on other financial instruments of the same borrower

– Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

– Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

– There is significant difficulty of the issuer or the borrower

– A breach of contract, such as a default or past due event

– It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

– There is a disappearance of an active market for that financial asset because of financial difficulty.

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 150 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

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

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables, and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 December 2019 and 31 December 2018 incorporates forward looking information such as forecast of economic conditions where the gross domestic product may change significantly over the next year.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using the provision matrix:

2019	**Current**	**1-30 days past due**	**31-60 days past due**	**61-90 days past due**	**91-120 days past due**	**121-150 days past due**	**More than 150 days**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Gross carrying amount	25,530	7,468	1,728	589	488	196	4,668	40,667
Loss allowance provision	(146)	(80)	(33)	(22)	(11)	(32)	(4,471)	(4,795)
	25,384	7,388	1,695	567	477	164	197	35,872

2018	**Current**	**1-30 days past due**	**31-60 days past due**	**61-90 days past due**	**91-120 days past due**	**121-150 days past due**	**More than 150 days**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Gross carrying amount	22,932	6,284	1,530	741	536	561	4,281	36,865
Loss allowance provision	–	(4)	(1)	(3)	–	(363)	(3,862)	(4,233)
	22,932	6,280	1,529	738	536	198	419	32,632

Information regarding loss allowance movement of trade receivables are disclosed in Note 24.

Exposure to credit risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

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

Trade receivables *(cont'd)*

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group	
	2019	**2018**
	US$'000	US$'000
Russia	15,865	13,461
Ukraine, Kazakhstan and CIS markets	9,013	7,840
South-East Asia	8,577	8,408
South Asia	783	1,008
Others	1,634	1,915
	35,872	32,632

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 Notes 21, 22, 24 and 25.

(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.

At the end of reporting period, approximately 30% (2018: 59%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by Management to finance the Group's operation and to mitigate the effects of fluctuations in cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

(b) Liquidity risk *(cont'd)*

Analysis of financial instruments by remaining contractual maturities

The tables below summarise the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group 2019	Within 1 year US$'000	Within 1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
Financial assets:				
Trade and other receivables	35,666	–	–	35,666
Amount due from a related party (trade)	113	–	–	113
Amounts due from associates (non-trade)	100	–	–	100
Cash and cash equivalents	54,735	–	–	54,735
Total undiscounted financial assets	90,614	–	–	90,614
Financial liabilities:				
Amounts due to associates (trade)	(108)	–	–	(108)
Amount due to an associate (non-trade)	(255)	–	–	(255)
Amounts due to related parties (non-trade)	(568)	–	–	(568)
Interest-bearing loans and borrowings	(16,602)	(38,914)	–	(55,516)
Lease liabilities	(2,571)	(4,988)	(1,874)	(9,433)
Trade and other payables	(37,350)	–	–	(37,350)
Total undiscounted financial liabilities	(57,454)	(43,902)	(1,874)	(103,230)
Total net undiscounted financial assets/(liabilities)	33,160	(43,902)	(1,874)	(12,616)

Group 2018	Within 1 year US$'000	Within 1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
Financial assets:				
Trade and other receivables	35,035	–	–	35,035
Amounts due from related parties (trade)	428	–	–	428
Amounts due from associates (non-trade)	77	–	–	77
Cash and cash equivalents	42,218	–	–	42,218
Total undiscounted financial assets	77,758	–	–	77,758
Financial liabilities:				
Amounts due to associates (trade)	(161)	–	–	(161)
Amount due to an associate (non-trade)	(186)	–	–	(186)
Amount due to a related party (non-trade)	(573)	–	–	(573)
Interest-bearing loans and borrowings	(21,148)	(12,287)	(2,165)	(35,600)
Finance lease creditors	(61)	(569)	–	(630)
Trade and other payables	(32,310)	–	–	(32,310)
Total undiscounted financial liabilities	(54,439)	(12,856)	(2,165)	(69,460)
Total net undiscounted financial assets/(liabilities)	23,319	(12,856)	(2,165)	8,298

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

(b) Liquidity risk *(cont'd)*

Analysis of financial instruments by remaining contractual maturities *(cont'd)*

Company **2019**	**Within 1 year** US$'000	**Within 1 to 5 years** US$'000	**More than 5 years** US$'000	**Total** US$'000
Financial assets:				
Amounts due from subsidiaries (non-trade)	21,901	–	–	21,901
Cash and cash equivalents	322	–	–	322
Total undiscounted financial assets	22,223	–	–	22,223
Financial liabilities:				
Trade payables and accruals	(2,200)	–	–	(2,200)
Amount due to a subsidiary (non-trade)	(20)	–	–	(20)
Total undiscounted financial liabilities	(2,220)	–	–	(2,220)
Total net undiscounted financial assets	20,003	–	–	20,003

Company **2018**	**Within 1 year** US$'000	**Within 1 to 5 years** US$'000	**More than 5 years** US$'000	**Total** US$'000
Financial assets:				
Amounts due from subsidiaries (non-trade)	8,837	–	–	8,837
Cash and cash equivalents	18	–	–	18
Total undiscounted financial assets	8,855	–	–	8,855
Financial liabilities:				
Trade payables and accruals	(121)	–	–	(121)
Amount due to a subsidiary (non-trade)	(20)	–	–	(20)
Total undiscounted financial liabilities	(141)	–	–	(141)
Total net undiscounted financial assets	8,714	–	–	8,714

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For the financial year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

(b) Liquidity risk *(cont'd)*

Analysis of financial instruments by remaining contractual maturities *(cont'd)*

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. Financial guarantee contracts are recorded in the contractual maturity analysis based on the maximum amount guaranteed. They are allocated to the earliest date they can be drawn.

Company	2019 1 year or less US$'000	2019 Over 1 year US$'000	2019 Total US$'000	2018 1 year or less US$'000	2018 Over 1 year US$'000	2018 Total US$'000
Financial guarantees	154,946	–	154,946	179,284	–	179,284

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group'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 favourable rates. At the end of the reporting period, all of the Group's borrowings are at floating rates of interest.

Sensitivity analysis for interest rate risk

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.

	Group Increase/ decrease in basis points	Group Effect on profit, net of tax US$'000
2019		
Cash and cash equivalents	+10	55
Interest-bearing loans and borrowings	+100	(371)
2018		
Cash and cash equivalents	+10	42
Interest-bearing loans and borrowings	+100	(346)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38. 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:

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
2019							
Floating rate							
Cash and cash equivalents	54,735	–	–	–	–	–	54,735
Interest-bearing loans and borrowings	14,690	7,144	7,768	7,911	12,492	–	50,005
2018							
Floating rate							
Cash and cash equivalents	42,218	–	–	–	–	–	42,218
Interest-bearing loans and borrowings	20,275	4,860	2,624	1,778	1,813	2,155	33,505

Company	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
2019							
Floating rate							
Cash and cash equivalents	322	–	–	–	–	–	322
2018							
Floating rate							
Cash and cash equivalents	18	–	–	–	–	–	18

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38. 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 2.3% (2018: 2.2%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst 54.8% (2018: 66.4%) of purchases and operating costs are denominated in the unit's functional currency.

The Management ensures that the net exposure is maintained at an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short-term fluctuations.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the EURO, Malaysia Ringgit (RM), Ukrainian Hryvnia (UAH), Russian Ruble (RUR) and Indian Rupees (INR) against the respective functional currencies of the Group entities, with all variables held constant.

		Group Profit before tax	
		2019	**2018**
		US$'000	US$'000
EURO/USD	– strengthened 5% (2018: 5%)	53	471
	– weakened 5% (2018: 5%)	(53)	(471)
RM/USD	– strengthened 5% (2018: 5%)	265	54
	– weakened 5% (2018: 5%)	(265)	(54)
UAH/USD	– strengthened 5% (2018: 5%)	52	225
	– weakened 5% (2018: 5%)	(52)	(225)
RUR/USD	– strengthened 5% (2018: 5%)	198	348
	– weakened 5% (2018: 5%)	(198)	(348)
INR/USD	– strengthened 5% (2018: 5%)	234	291
	– weakened 5% (2018: 5%)	(234)	(291)

39. 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 maximise 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 2019 and 31 December 2018.

A gearing ratio with a specific measurement basis has been disclosed as this is the measure used to monitor capital. The Group considers both capital and net debt as relevant components of funding, hence part of its capital management.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

39. CAPITAL MANAGEMENT *(cont'd)*

The Group monitors its capital structure as follows:

	2019 US$'000	2018 US$'000
Interest-bearing loans and borrowings (Note 29)	50,005	33,505
Finance lease creditors (Note 13)	–	630
Lease liabilities (Note 13)	6,842	–
Trade payables and accruals (Note 27)	34,987	29,731
Other payables (Note 30)	6,051	2,579
Less: Cash and cash equivalents (Note 26)	(54,735)	(42,218)
Net debt	43,150	24,227
Equity attributable to the equity shareholders of the Company	206,895	176,274
Capital and net debt	**250,045**	**200,501**
Gearing Ratio	**17%**	**12%**

40. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 6 March 2020, the Company granted 5,450,000 options to subscribe for ordinary shares exercisable between 6 March 2021 to 5 March 2030 at market price of S$0.667 per share to a selected group of Directors and employees eligible under the 2012 Option Scheme.

Details of the 6 March 2020 options granted are as follows:

	Exercisable period	Number of options granted which is exercisable
Executive Directors and other employees		
Tranche 1	6 March 2021 to 5 March 2030	2,060,000
Tranche 2	6 March 2022 to 5 March 2030	1,545,000
Tranche 3	6 March 2023 to 5 March 2030	1,545,000
		5,150,000
Non-executive Directors		
Tranche 1	6 March 2021 to 5 March 2025	120,000
Tranche 2	6 March 2022 to 5 March 2025	90,000
Tranche 3	6 March 2023 to 5 March 2025	90,000
		300,000

From 16 to 18 March 2020, the Company acquired 600,000 treasury shares for a total consideration of S$306,950.

41. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 23 March 2020.

SHAREHOLDERS' INFORMATION

As at 16 March 2020

Class of equity securities	:	Ordinary share
No. of equity securities (excluding treasury shares)	:	536,492,499
Voting rights	:	One vote per share

As at 16 March 2020, the total number of treasury shares held is 1,425,500. The treasury shares as a percentage of the total number of issued shares excluding treasury shares is 0.27%.

DIRECTORS' SHAREHOLDINGS AS AT 16 MARCH 2020
(As recorded in the Register of Directors' Shareholdings)

	Direct Interest	%	Deemed Interest	%
Tan Wang Cheow	–	–	120,814,600	22.52
Tan Guek Ming	37,547,400	7.00	83,267,200	15.52
Lew Syn Pau	580,000	0.11	–	–
Sudeep Nair	1,300,000	0.24	60,076,399	11.20
Ong Kian Min (5)	–	–	720,000	0.13

SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2020
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Tan Wang Cheow (1)	–	–	120,814,600	22.52
Tan Guek Ming (2)	37,547,400	7.00	83,267,200	15.52
Sudeep Nair (3)	1,300,000	0.24	60,076,399	11.20
Anthoni Salim (4)	–	–	132,079,200	24.62
Universal Integrated Corporation Consumer Products Pte Ltd	132,079,200	24.62	–	–
FMR LLC on behalf of the managed accounts of its direct and indirect subsidiaries & FIL Ltd. on behalf of the managed accounts of its direct and indirect subsidiaries	–	–	47,387,800	8.83

Notes:

(1) Mr Tan Wang Cheow is deemed to have an interest in the 52,440,000 shares held by United Overseas Bank Nominees (Private) Limited. Mr Tan Wang Cheow is the husband of Mdm Tan Guek Ming and he is deemed to have an interest in the 68,374,600 shares held by Mdm Tan Guek Ming.

(2) Mdm Tan Guek Ming has a direct interest of 37,547,400 shares and she is deemed to have an interest in the 30,827,200 shares held by DB Nominees (Singapore) Pte Ltd. Mdm Tan Guek Ming is the wife of Mr Tan Wang Cheow, she is deemed to have an interest in the 52,440,000 shares held by Mr Tan Wang Cheow.

(3) Mr Sudeep Nair is deemed to have an interest in the 60,076,399 shares held by UOB Kay Hian Private Limited, RHB Securities Singapore Pte Ltd, Raffles Nominees (Pte.) Ltd and DBSN Services Pte Ltd.

(4) Mr Anthoni Salim is the controlling shareholder 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.

(5) Mr Ong Kian Min is deemed to have an interest in 720,000 shares held by Hong Leong Finance Nominees Pte. Ltd.

PUBLIC FLOAT

As at 16 March 2020, 32.01% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2020

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	7	0.44	240	0.00
100 - 1,000	118	7.43	63,282	0.01
1,001 - 10,000	815	51.29	3,978,901	0.74
10,001 - 1,000,000	620	39.02	40,424,077	7.54
1,000,001 and above	29	1.82	492,025,999	91.71
Total	**1,589**	**100.00**	**536,492,499**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	DBS NOMINEES (PRIVATE) LIMITED	142,921,416	26.64
2	RAFFLES NOMINEES (PTE.) LIMITED	72,907,884	13.59
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	56,025,400	10.44
4	DBSN SERVICES PTE. LTD.	47,541,899	8.86
5	TAN GUEK MING	37,547,400	7.00
6	DB NOMINEES (SINGAPORE) PTE LTD	30,827,200	5.75
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	18,232,900	3.40
8	CITIBANK NOMINEES SINGAPORE PTE LTD	13,943,700	2.60
9	OON PENG HENG	10,083,600	1.88
10	KOH PUAY LING	8,000,000	1.49
11	ESTATE OF TAN BIAN CHYE, DECEASED	7,580,800	1.41
12	OON PENG LIM	6,655,300	1.24
13	OON PENG LAM	6,010,500	1.12
14	PHILLIP SECURITIES PTE LTD	3,971,200	0.74
15	LIM SIEW KHENG	3,960,000	0.74
16	TAN SIOK CHER	2,910,000	0.54
17	UOB KAY HIAN PRIVATE LIMITED	2,865,700	0.53
18	RHB SECURITIES SINGAPORE PTE. LTD.	2,851,000	0.53
19	TAN SEOK WAH	2,580,000	0.48
20	OON PENG WAH	2,333,500	0.43
	Total	479,749,399	89.41

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

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 31 Harrison Road, Food Empire Building, Singapore 369649 on Thursday, 23 April 2020 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2019 together with the Auditor's Report thereon.

   (Resolution 1)

2. To declare a first and final dividend of S$0.01 per ordinary share (one-tier tax exempt) and special dividend of S$0.01 per ordinary share (one-tier tax exempt) for the financial year ended 31 December 2019.

   (Resolution 2)

3. To re-elect the following Director of the Company retiring pursuant to Article 115 of the Constitution of the Company[1]:

   Mr Koh Yew Hiap **(Resolution 3)**

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

4. To re-elect the following Director of the Company retiring pursuant to Article 119 of the Constitution of the Company[1]:

   Mr Saw Meng Tee **(Resolution 4)**

   Mr Saw Meng Tee will, upon re-election as a Director of the Company, remain as members of the Audit Committee, Remuneration Committee and Nominating Committee and will be considered independent.

5. To note the retirement of the following Director of the Company at the conclusion of this Annual General Meeting:

   Mr Lew Syn Pau

   Mr Lew Syn Pau will, upon his retirement as a Director of the Company, cease to be Chairman of the Nominating Committee, Chairman of the Remuneration Committee and a member of the Audit Committee.

6. To approve the payment of Directors' fees of S$372,462.00 for the year ended 31 December 2019 (2018: S$415,200.00).

   (Resolution 5)

7. 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 6)

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

[1] Detailed information on the Director who is proposed to be re-appointed can be found under the sections entitled "Board of Directors" and "Additional Information on Directors seeking re-appointment" in the Annual Report of the Company.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

9. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Chapter 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 and subsidiary holdings, if any) 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 and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) 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; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

provided that adjustments in accordance with (2)(a) or (2)(b) above is only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time this Resolution is passed.

(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 Constitution 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 (i)]

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING

10. **Authority to issue shares under the Food Empire Holdings Limited Employees' Share Option Scheme ("2002 Option Scheme")**

    That pursuant to Section 161 of the Companies Act, Chapter 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 2002 Option Scheme approved by shareholders on 22 January 2002, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the 2002 Option 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 and subsidiary holdings, if any) 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 (ii)]

    (Resolution 8)

11. **Authority to grant options and to issue shares under the Food Empire Holdings Limited Employees' Share Option Scheme ("2012 Option Scheme")**

    That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant options under the 2012 Option 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 or to be granted by the Company under the 2012 Option Scheme approved by shareholders on 27 April 2012, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the 2012 Option 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 and subsidiary holdings, if any) 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 9)

By Order of the Board

Kevin Cho
Company Secretary

Singapore,
7 April 2020

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The Ordinary Resolution 7 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, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to twenty per centum (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 and subsidiary holdings, if any) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) 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.

(ii) Although the 2002 Option 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 Option Scheme.

The Ordinary Resolution 8 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 under the 2002 Option 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 Option Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time.

(iii) The Ordinary Resolution 9 in item 11 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held 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 Option 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 Option Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time.

Notes:

1. (a) A Member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "AGM").

   (b) A Member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a Member of the Company.

3. 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.

NOTICE OF ANNUAL GENERAL MEETING

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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

IMPORTANT:

1. A Relevant Intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "Relevant Intermediary").
2. 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**.
3. 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.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________________ (Name)

of ______________________________ (Address)

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

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

and/or (delete as appropriate)

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

or failing the person or both of the persons above, the Chairman of the Annual General Meeting (the "AGM"), as my/our proxy/proxies to vote for me/us on my/our behalf at the AGM of the Company to be held at 31 Harrison Road, Food Empire Building, Singapore 369649 on Thursday, 23 April 2020 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:	Number of Votes For[1]	Number of Votes Against[1]	Number of Votes Abstain[1]
1	Adoption of Directors' Statement and Audited Financial Statements for the year ended 31 December 2019			
2	Proposed first and final dividend, and special dividend			
3	Re-election of Mr Koh Yew Hiap as a Director			
4	Re-election of Mr Saw Meng Tee as a Director			
5	Approval of Directors' fees amounting to S$372,462.00			
6	Re-appointment of Ernst & Young LLP as Auditors			
7	Authority to issue shares			
8	Authority to issue shares under the Food Empire Holdings Limited Employees' Share Option Scheme ("2002 Option Scheme")			
9	Authority to grant options and to issue shares under the Food Empire Holdings Limited Employees' Share Option Scheme ("2012 Option Scheme")			

(1) *If you wish to exercise all your votes "For" or "Against" or "Abstain", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this ________ day of ________ 2020

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 81SF of the Securities and Futures Act, Chapter 289), 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. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant Intermediary" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. 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 AGM.

6. 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 AGM.

7. 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.

8. 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 AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 7 April 2020.

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 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive

Tan Wang Cheow
(Executive Chairman)

Sudeep Nair
(Group CEO and Executive Director)

Non-Executive

Tan Guek Ming
(Non-Independent)

Koh Yew Hiap
(Non-Independent)

Ong Kian Min
(Lead Independent)

Lew Syn Pau
(Independent)

Saw Meng Tee
(Independent)

AUDIT COMMITTEE

Ong Kian Min
(Chairman)

Lew Syn Pau
Saw Meng Tee
Tan Guek Ming
Koh Yew Hiap

NOMINATING COMMITTEE

Lew Syn Pau
(Chairman)

Ong Kian Min
Saw Meng Tee
Tan Wang Cheow

REMUNERATION COMMITTEE

Lew Syn Pau
(Chairman)

Koh Yew Hiap
Ong Kian Min
Saw Meng Tee
Tan Guek Ming

COMPANY SECRETARY

Kevin Cho

REGISTERED OFFICE

50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Telephone number : (65) 6536 5355
Fax number : (65) 6536 1360

BUSINESS OFFICE

31 Harrison Road, #08-01
Food Empire Building
Singapore 369649
Telephone number : (65) 6622 6900
Fax number : (65) 6744 8977

SHARE REGISTRAR

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Telephone number : (65) 6536 5355
Fax number : (65) 6535 1360

AUDITORS

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

AUDIT PARTNER-IN-CHARGE

Tan Boon Leong (w.e.f. the financial year
ended 31 December 2019)

PRINCIPAL BANKERS

DBS Bank Limited
Overseas-Chinese Banking
Corporation Limited
United Overseas Bank Limited

Food Empire | BEYOND

FOOD EMPIRE HOLDINGS LIMITED

31 Harrison Road, #08-01, Food Empire Building, Singapore 369649
T (65) 6622 6900   F (65) 6744 8977
www.foodempire.com