

FOOD EMPIRE HOLDINGS LIMITED
(Co Registration No: 200001282G)
First Quarter Financial Statement and Dividend Announcement for the Period ended 31 March 2019
PART I- INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Increase/ (Decrease) %
	1Q 19 US\$'000	1Q 18 US\$'000	
Revenue	70,684	72,143	(2.0)
Cost of sales	(42,251)	(43,134)	(2.0)
Gross profit	28,433	29,009	(2.0)
Selling and distribution expenses	(10,131)	(11,915)	(15.0)
General and administrative expenses	(9,170)	(8,842)	3.7
Results from operating activities	9,132	8,252	10.7
Net other income (Note 1)	884	915	(3.4)
Net finance costs (Note 2)	(305)	(114)	167.5
Share of profit of associates	28	278	(89.9)
Profit before taxation (Note 3)	9,739	9,331	4.4
Taxation (Note 4)	(2,162)	(2,224)	(2.8)
Profit for the period	7,577	7,107	6.6
Profit attributable to:			
Equity shareholders of the Company	7,663	7,190	6.6
Non-controlling interest	(86)	(83)	3.6
	7,577	7,107	6.6

NM denotes not meaningful.

Notes:

1. Net other income comprises:

	Group		Increase/ (Decrease)
	1Q 19 US\$'000	1Q 18 US\$'000	%
<u>Other income</u>			
Sale of scrapped items	52	57	(8.8)
Other income	415	621	(33.2)
Insurance claim	2	1	100.0
Foreign exchange gain	416	405	2.7
	885	1,084	(18.4)
<u>Other expenses</u>			
Loss on disposal of property, plant and equipment	(1)	(1)	0.0
Impairment of loan to associates	-	(168)	NM
	(1)	(169)	(99.4)
Net other income	884	915	(3.4)

2. Net finance costs comprises:

	1Q 19 US\$'000	1Q 18 US\$'000	Increase/ (Decrease) %
<u>Finance income</u>			
Interest income	36	209	(82.8)
<u>Finance costs</u>			
Interest expenses on:			
- Bank loans	(285)	(323)	(11.8)
- Lease liabilities	(56)	-	NM
	(341)	(323)	5.6
Net finance costs	(305)	(114)	167.5

3. Included in profit before taxation are as follows:

	1Q 19 US\$'000	1Q 18 US\$'000	Increase/ (Decrease) %
Depreciation of property, plant and equipment	(1,487)	(1,341)	10.9
Depreciation of investment properties	(42)	(43)	(2.3)
Depreciation of right-of-use assets	(445)	-	NM
Inventories write back/(written down)	142	(40)	NM
(Allowance)/write back for doubtful receivables	(28)	158	NM



4. Included in the taxation is as follows:

	Group		Increase/ (Decrease)
	1Q 19 US\$'000	1Q 18 US\$'000	%
Current income tax			
- Current income taxation	(1,908)	(1,347)	41.6
- Over/(under) provision for prior year	19	(46)	NM
Deferred income tax	(273)	(831)	(67.1)
	(2,162)	(2,224)	(2.8)

1(a)(ii) Statement of group comprehensive income

	Group		Increase/ (Decrease)
	1Q 19 US\$'000	1Q 18 US\$'000	%
Profit net of tax	7,577	7,107	6.6
<u>Other comprehensive income:</u>			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation gain	2,270	920	146.7
Share of other comprehensive income of associates	447	83	438.6
Share of other comprehensive income of non-controlling interest	(4)	-	NM
Other comprehensive income for the period, net of tax	2,713	1,003	170.5
Total comprehensive income for the period	10,290	8,110	26.9
Total comprehensive income attributable to:			
Equity shareholders of the Company	10,380	8,193	26.7
Non-controlling interest	(90)	(83)	8.4
	10,290	8,110	26.9

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31 Mar 2019 US\$'000	31 Dec 2018 US\$'000	31 Mar 2019 US\$'000	31 Dec 2018 US\$'000
Non-Current Assets				
Property, plant and equipment	77,637	68,932	-	-
Right-of-use assets	2,766	-	-	-
Investment properties	16,185	16,117	-	-
Investments in subsidiaries	-	-	44,635	44,635
Investments in associates	11,867	11,392	-	-
Intangible assets	10,343	10,343	-	-
Deferred tax assets	2,363	2,615	-	-
	121,161	109,399	44,635	44,635
Current Assets				
Cash and cash equivalents	40,410	42,218	64	18
Trade receivables	39,317	32,632	-	18
Deferred expenses	247	178	-	-
Prepaid operating expenses and deposits	15,273	6,844	18	7
Other receivables	2,506	2,403	-	-
Amounts due from subsidiaries (non-trade)	-	-	9,272	8,837
Amounts due from associates (non-trade)	-	77	-	-
Amount due from a related party (trade)	254	428	-	-
Inventories	51,550	50,537	-	-
	149,557	135,317	9,354	8,880
Current Liabilities				
Trade payables and accruals	(33,237)	(29,731)	(713)	(121)
Lease liabilities	(1,337)	(61)	-	-
Interest-bearing loans and borrowings	(16,132)	(20,275)	-	-
Other payables	(3,245)	(2,579)	-	-
Amount due to a subsidiary (non-trade)	-	-	(20)	(20)
Amounts due to related parties (non-trade)	(519)	(573)	-	-
Amounts due to associates (non-trade)	(107)	(186)	-	-
Amounts due to associates (trade)	(161)	(161)	-	-
Income tax payable	(741)	(432)	(7)	(7)
	(55,479)	(53,998)	(740)	(148)
Net Current Assets	94,078	81,319	8,614	8,732
Non-Current Liabilities				
Lease liabilities	(1,531)	(569)	-	-
Interest-bearing loans and borrowings	(26,307)	(13,230)	-	-
Deferred tax liabilities	(1,468)	(1,466)	-	-
	(29,306)	(15,265)	-	-
Net Assets	185,933	175,453	53,249	53,367
Equity				
Share capital	41,234	41,202	41,234	41,202
Treasury shares	(317)	(317)	(317)	(317)
Reserves	145,927	135,389	12,332	12,482
	186,844	176,274	53,249	53,367
Non-controlling interest	(911)	(821)	-	-
Total Equity	185,933	175,453	53,249	53,367

1(b)(ii) Aggregate amount of group's borrowings and debt securities.
Amount repayable in one year or less, or on demand

	As at 31 Mar 2019		As at 31 Dec 2018	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Lease liabilities	(1,337)	-	(61)	-
Interest-bearing loans and borrowings	(8,166)	(7,966)	(9,991)	(10,284)
Total	(9,503)	(7,966)	(10,052)	(10,284)

Amount repayable after one year

	As at 31 Mar 2019		As at 31 Dec 2018	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Lease liabilities	(1,531)	-	(569)	-
Interest-bearing loans and borrowings	(23,219)	(3,088)	(9,661)	(3,569)
Total	(24,750)	(3,088)	(10,230)	(3,569)

Details of any collateral

As at 31 December 2018, the lease liabilities relate to finance lease creditors for leasehold land and motor vehicles held by subsidiaries of the Group. As at 31 March 2019, the lease liabilities include these leasehold land and motor vehicles held by subsidiaries of the Group amounting to US\$0.6 million, with the change in classification arising from the adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases.

As at 31 December 2018 and 31 March 2019, the secured interest-bearing loans and borrowings were secured by mortgages over the related freehold & leasehold properties and fixed charges over plant & machinery owned by subsidiaries of the Group.

As at 31 December 2018 and 31 March 2019, the unsecured interest-bearing loans and borrowings of subsidiaries were covered by corporate guarantees given by the Company.

1 (c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	1Q 19	1Q 18
	US\$'000	US\$'000
Cash flows from operating activities		
Profit from operations before taxation	9,739	9,331
Adjustment for :		
Depreciation of property, plant and equipment	1,487	1,341
Depreciation of investment properties	42	43
Depreciation of right-of-use assets	445	-
Loss on disposal of property, plant and equipment	1	1
Interest income	(36)	(209)
Interest expenses	341	323
Exchange realignment	(701)	143
Share of profit of associates	(28)	(278)
Allowance/(writeback) for doubtful receivables	28	(158)
Impairment of loan to associates	-	168
Inventories (write back)/written down	(142)	40
Value of employee services received for issue of share options	166	51
Operating cash flows before changes in working capital	11,342	10,796
<u>Changes in working capital:</u>		
Increase in trade and other receivables	(6,381)	(6,604)
Decrease/(increase) in inventories	417	(1,778)
Increase in trade and other payables	4,074	3,273
Cash flows from operations	9,452	5,687
Income taxes paid	(1,185)	(713)
Net cash flows from operating activities	8,267	4,974
Cash flows from investing activities		
Interest received	135	209
Purchase of property, plant and equipment	(18,489)	(2,329)
Proceeds from disposal of property, plant and equipment	63	86
Net cash flows used in investing activities	(18,291)	(2,034)
Cash flows from financing activities		
Interest paid	(533)	(323)
Dividends refunded from shareholders of the Company	-	1
Repayment of interest-bearing loans and borrowings	(15,523)	(15,168)
Proceeds from interest-bearing loans and borrowings	24,419	14,604
Repayment of obligations under lease liabilities	(448)	(9)
Proceed from obligation under lease liabilities	23	-
Proceeds from issuance of shares	24	25
Net cash flows from/(used in) financing activities	7,962	(870)
Net (decrease)/increase in cash and cash equivalents	(2,062)	2,070
Effect of exchange rate changes on cash and cash equivalents	254	316
Cash and cash equivalents at beginning of the period	42,218	42,835
Cash and cash equivalents at end of the period	40,410	45,221

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Group – 1Q 19

	Attributable to equity shareholders of the Company							
	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
Balance as at 1 January 2019	41,202	(317)	(8,011)	2,713	140,687	176,274	(821)	175,453
Profit/(loss) for the period	-	-	-	-	7,663	7,663	(86)	7,577
<u>Other comprehensive income</u>								
Foreign currency translation gain	-	-	2,270	-	-	2,270	-	2,270
Share of other comprehensive income of associates	-	-	447	-	-	447	-	447
Share of other comprehensive income of non-controlling interest	-	-	-	-	-	-	(4)	(4)
Total comprehensive income for the period	-	-	2,717	-	7,663	10,380	(90)	10,290
<u>Contributions by and distributions to owners</u>								
Value of employee services received for issue of share options	-	-	-	166	-	166	-	166
Issuance of new shares	24	-	-	-	-	24	-	24
Exercise of share options	8	-	-	(8)	-	-	-	-
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	32	-	-	158	-	190	-	190
Balance as at 31 March 2019	41,234	(317)	(5,294)	2,871	148,350	186,844	(911)	185,933

The Group – 1Q 18

	Attributable to equity shareholders of the Company							
	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
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 period	-	-	-	-	7,190	7,190	(83)	7,107
Other comprehensive income								
Foreign currency translation gain	-	-	920	-	-	920	-	920
Share of other comprehensive income of associates	-	-	83	-	-	83	-	83
Total comprehensive income for the period	-	-	1,003	-	7,190	8,193	(83)	8,110
<u>Contributions by and distributions to owners</u>								
Value of employee services received for issue of share options	-	-	-	51	-	51	-	51
Issuance of new shares	25	-	-	-	-	25	-	25
Exercise of share options	7	-	-	(7)	-	-	-	-
Dividends refunded from equity shareholders of the Company	-	-	-	-	1	1	-	1
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	32	-	-	44	1	77	-	77
Balance as at 31 March 2018	41,125	(317)	1,003	2,170	132,182	176,163	(546)	175,617

The Company – 1Q

	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
Loss for the period	-	-	-	-	(368)	(368)
<u>Other comprehensive income</u>						
Foreign currency translation gain	-	-	60	-	-	60
Total comprehensive income for the period	-	-	60	-	(368)	(308)
<u>Contributions by and distributions to owners</u>						
Value of employee services received for issue of share options	-	-	-	166	-	166
Issuance of new shares	24	-	-	-	-	24
Exercise of share options	8	-	-	(8)	-	-
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	32	-	-	158	-	190
Balance as at 31 March 2019	41,234	(317)	(157)	2,871	9,618	53,249
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 period	-	-	-	-	(315)	(315)
<u>Other comprehensive income</u>						
Foreign currency translation gain	-	-	221	-	-	221
Total comprehensive income for the period	-	-	221	-	(315)	(94)
<u>Contributions by and distributions to owners</u>						
Value of employee services received for issue of share options	-	-	-	51	-	51
Issuance of new shares	25	-	-	-	-	25
Exercise of share options	7	-	-	(7)	-	-
Dividends refunded from equity shareholders of the Company	-	-	-	-	1	1
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	32	-	-	44	1	77
Balance as at 31 March 2018	41,125	(317)	221	2,170	12,992	56,191

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Details of movement in the number of issued ordinary shares (excluding treasury shares), treasury shares and share options are as follows: -

	FY 2019	FY 2018
<u>Share Capital</u>		
Number of issued ordinary shares as at 1 Jan (including treasury shares)	535,162,999	534,809,999
Ordinary shares held as treasury shares	(1,001,000)	(1,001,000)
Issued for cash under employee share option scheme:		
- at the exercise price of S\$0.335 each	-	100,000
- at the exercise price of S\$0.308 each	85,000	-
- at the exercise price of S\$0.315 each	20,000	-
Balance of issued ordinary shares as at 31 Mar (excluding treasury shares)	<u>534,266,999</u>	<u>533,908,999</u>
<u>Share Option - exercise price of S\$0.335</u>		
Balance as at 1 Jan	2,510,000	2,610,000
Options exercised during the period	-	(100,000)
Balance as at 31 Mar	<u>2,510,000</u>	<u>2,510,000</u>
<u>Share Option - exercise price of S\$0.505</u>		
Balance as at 1 Jan and 31 Mar	<u>3,080,000</u>	<u>3,080,000</u>
<u>Share Option - exercise price of S\$0.315</u>		
Balance as at 1 Jan	2,730,000	2,774,000
Options exercised during the period	(20,000)	-
Balance as at 31 Mar	<u>2,710,000</u>	<u>2,774,000</u>
<u>Share Option - exercise price of S\$0.669</u>		
Balance as at 1 Jan	3,980,000	4,280,000
Options lapsed during the period	-	(300,000)
Balance as at 31 Mar	<u>3,980,000</u>	<u>3,980,000</u>
<u>Share Option - exercise price of S\$0.308</u>		
Balance as at 1 Jan	4,671,000	4,880,000
Options exercised during the period	(85,000)	-
Balance as at 31 Mar	<u>4,586,000</u>	<u>4,880,000</u>
<u>Share Option - exercise price of S\$0.693</u>		
Balance as at 1 Jan and 31 Mar	<u>550,000</u>	<u>650,000</u>

	FY 2019	FY 2018
<u>Share Option - exercise price of S\$0.679</u>		
Balance as at 1 Jan	4,750,000	-
Granted to eligible participants on 16 Mar 2018	-	4,750,000
Balance as at 31 Mar	<u>4,750,000</u>	<u>4,750,000</u>
<u>Share Option - exercise price of S\$0.556</u>		
Balance as at 1 Jan	-	-
Granted to eligible participants on 15 Mar 2019	5,450,000	-
Balance as at 31 Mar	<u>5,450,000</u>	<u>-</u>

Out of the 27,616,000 outstanding share options on 31 March 2019 (31 March 2018: 22,624,000), 17,480,000 (31 March 2018: 14,212,000) share options are exercisable.

Treasury Shares

As at 31 March 2019, the total number of treasury shares held was 1,001,000 (31 March 2018: 1,001,000).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued ordinary shares excluding treasury shares is as follows: -

	Group	
	<u>As at 31 Mar 2019</u>	<u>As at 31 Dec 2018</u>
Issued ordinary shares	534,266,999	534,161,999

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and method of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2018, as well as applicable new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") which became effective for financial years beginning on or after 1 January 2019. The adoption of these new and revised SFRS(I) has no material effect on the announcement for the current financial period, except for the adoption of SFRS(I) 16 Leases which came into effect on 1 January 2019.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The impact of adopting SFRS(I) 16 Leases resulted in the recognition of right-of-use assets of US\$2.8 million and non-current and current lease liabilities of US\$2.9 million as at 1 January 2019. The lease liabilities include finance lease creditors of US\$0.6 million as at 1 January 2019.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	1Q 19	1Q 18
Profit per share		
Based on existing issued share capital (USD cents)	1.43	1.35
On a fully diluted basis (USD cents)	1.42	1.33

	Group	
	1Q 19	1Q 18
Weighted average number of shares table		
Weighted average number of shares for calculation of basic EPS	534,175,999	533,821,221
Weighted average number of shares for calculation of diluted EPS	538,536,662	540,023,056

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Net asset value per ordinary share (USD cents)	34.97	33.00	9.97	9.99

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Revenue for the first quarter ended 31 March 2019 ("1Q2019") was US\$70.7 million, a year-on-year ("yoy") decrease of 2.0% as compared with the US\$72.1 million revenue recorded in 1Q2018. The Group's net profit after tax increased 6.6% to US\$7.6 million for 1Q2019 as compared to US\$7.1million in 1Q2018.

Revenue by Markets (US\$'000)

	Group		Increase/ (Decrease) %
	1Q 19 US\$'000	1Q 18 US\$'000	
Russia	29,240	30,595	(4.4)
Ukraine	6,665	5,713	16.7
Kazakhstan and CIS markets	9,072	9,714	(6.6)
Indochina	14,450	12,545	15.2
Other Markets	11,257	13,576	(17.1)
Total	70,684	72,143	(2.0)

In 1Q2019, sales in the Group's largest market, Russia, increased in local currency terms but translated USD sales decreased by 4.4% to US\$29.2 million as compared to US\$30.6 million in 1Q2018 mainly due to depreciation of the Russian Ruble against the US dollar. The average exchange rate was 56.8 Ruble per US dollar in 1Q2018 as compared to 65.7 Ruble per US dollar in 1Q2019. In the Group's Ukraine market, sales increased by 16.7% from US\$5.7 million in 1Q2018 to US\$6.7 million in 1Q2019 due to higher selling price coupled with change in business model. In the Group's Kazakhstan and CIS markets, sales decreased by 6.6% to US\$9.1 million in 1Q2019 as compared to US\$9.7 million in 1Q2018 mainly due to depreciation of the Kazakhstan Tenge against the US dollar. In the Group's Indochina market, sales increased by 15.2% from US\$12.5 million in 1Q2018 to US\$14.5 million in 1Q2019 due to higher sales volume. Sales in the Group's Other Markets decreased by 17.1% from US\$13.6 million in 1Q2018 to US\$11.3 million in 1Q2019 mainly due to lower sales contribution from the Group's markets in Middle East as well as non-dairy creamer plant and snacks manufacturing facility in Malaysia.

Profitability

For 1Q2019, the Group's net profit after tax increased by 6.6% to US\$7.6 million mainly due to rationalisation of advertising and promotion expenses.

For 1Q2019, selling and distribution expenses decreased by US\$1.8 million from US\$11.9 million in 1Q2018 to US\$10.1 million. The decrease was mainly attributed to lower advertising and promotion expenses.

For 1Q2019, general and administrative expenses increased by US\$0.4 million from US\$8.8 million in 1Q2018 to US\$9.2 million. The increase was mainly attributed to higher manpower cost.

For 1Q2019, the Ukrainian Hryvnia strengthened from 27.7 Hryvnia per US dollar on 31 December 2018 to 27.2 Hryvnia per US dollar on 31 March 2019. Over the same period, the Russian Ruble strengthened from 69.5 Ruble per US dollar on 31 December 2018 to 64.7 Ruble per US dollar on 31 March 2019. As the Group is economically exposed to both markets, it was affected by the revaluation of its outstanding trade receivables denominated in currencies other than the US dollar.

Balance Sheet & Cashflow

Interest-bearing loans and borrowings, both current and non-current, increased cumulatively from US\$33.5 million as at 31 December 2018 to US\$42.4 million as at 31 March 2019 due to draw-down of loan for the Group's subsidiary, Indus Coffee Private Limited ("Indus Coffee") in India partly offset by repayment of existing loans.

Property, plant and equipment increased US\$8.7 million to US\$77.6 million as at 31 March 2019 mainly due to Indus Coffee's expansion of its manufacturing facility in India.

Prepaid operating expenses and deposit increased from US\$6.8 million as at 31 December 2018 to US\$15.3 million as at 31 March 2019 mainly due to prepayments for purchase of machineries for Indus Coffee.

Trade receivables increased US\$6.7 million to US\$39.3 million as at 31 March 2019 mainly due to higher receivables from the Group's Russia market.

Trade payables and accruals increased US\$3.5 million to US\$33.2 million as at 31 March 2019 mainly due to higher procurements coupled with higher accruals of staff costs, advertising and promotion expenses for the Group's Russia market.

The Group's net operating cash inflow increased from US\$5.0 million in 1Q2018 to US\$8.3 million in 1Q2019 mainly due to lower working capital requirement. The Group's cash and cash equivalents was US\$40.4 million as at 31 March 2019, compared to US\$42.2 million as at 31 December 2018.

The Group's net assets as at 31 March 2019 were US\$185.9 million. The net asset value per ordinary share (excluding non-controlling interests) as at 31 March 2019 was 34.97 US cents as compared to 33.00 US cents as at 31 December 2018.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The global economy is projected to grow at a slower pace for 2019, amidst uncertain financial market sentiment, trade wars and volatility of the currencies in the countries where we operate in. In spite of this, the Group expects business to remain resilient and it will continue to focus its efforts to grow key markets, streamline business operations and simplify its Group structure to achieve better operational efficiencies.

For the foreseeable future, the Group is committed in ensuring that the construction of its second coffee plant in India remains on track. Additionally, it continues to be active in looking out for suitable mergers & acquisitions opportunities.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend have been declared/recommended, a statement to that effect and reason for the decision.

No dividend has been declared for the current financial period as the Board deems it appropriate to retain cash for the Group's capital expenditure and future growth.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate from shareholders for IPTs.

14. Confirmation by the Board Pursuant to Rule 705(5) of the SGX-ST Listing Manual

We, Tan Wang Cheow and Sudeep Nair, being two Directors of Food Empire Holdings Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the financial period ended 31 March 2019 to be false or misleading in any material aspect.

15. Confirmation by the Company in compliance with Rule 720(1) of the SGX-ST Listing Manual

The Company has procured the undertakings (in the format set out in Appendix 7.7) from all its Directors and Executive Officers.

On behalf of the Board of Directors

Tan Wang Cheow
Director

Sudeep Nair
Director

BY ORDER OF THE BOARD

Kevin Cho
Company Secretary
10 May 2019