Food Empire

ANNUAL REPORT 2014

BUILDING RESILIENCE IN ADVERSITIES

CONTENTS

Corporate Profile

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 products portfolio 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, corn sticks, butter cookies and wafer rolls. 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.

Food Empire's products are exported to over 60 countries, in markets such as Russia, Ukraine, Kazakhstan, Central Asia, China, Indochina, the Middle East, Africa, Mongolia, Europe and the US. The Group has 24 offices (representative and liaison) worldwide. The Group operates five manufacturing facilities (Malaysia, Myanmar, Russia, Ukraine and Vietnam) and three production facilities (two in Malaysia and one in India).

Food Empire's strength lies in its proprietary brands – including MacCoffee, Petrovskaya Sloboda, Klassno, 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. The Group has been recognised as one of the "Most Valuable Singapore Brands" by IE Singapore; while MacCoffee has been ranked as one of "The Strongest Singapore Brands". Forbes Magazine also has twice named Food Empire as one of the "Best under a Billion" companies in Asia.

It takes a strong vision, lots of vigour, a knack for innovation and quality people to create, nurture and champion an endeavour that can withstand the test of time. At Food Empire, we believe and we have proven that building a resilient company relies on these fundamental blocks.

Brick by brick, we are building a resilient company that is firmly established, far-reaching and continuously setting its sights on growing.

WE BUILT RESILIENCE and will continue to do so.

BUILDING RESILIENCE
ON A STRONG FOUNDATION

TODAY, THE GLOBAL EXPANSE AND THE STRENGTH OF FOOD EMPIRE ARE UNDERPINNED BY GREAT PRODUCTS, MEMORABLE BRANDS AND SOUND MARKETING STRATEGIES-ALL GUIDED BY OUR VISION TO BE A GLOBAL ENTERPRISE KNOWN FOR QUALITY.

Built to Last.

Our mission: We aim to be the leading global food and beverage company providing quality products and services. We will achieve this goal as we have the people, the passion and the enterprising spirit to make a difference.

OVERVIEW OF ALL THE BRANDS

FINEST SELECTION OF TEA
HILLWAY®

KLASSNO™

macfito

ORIEN BITES

BÉSAME™

ПЕТРОВСКАЯ СЛОБОДА

Food Empire

Kracks™

MacTea

Zinties™

MacChocolate™

DONNACHOS™

MacCoffee™

CaféRite

NutriRite™

Chizzpa Chips

BUILDING RESILIENCE BY STAYING FOCUSED

THOUGH WE HAVE MADE GREAT STRIDES IN CAPTURING THE IMAGINATION OF OUR MARKETS AND GAINING RECOGNITION FOR WHAT WE DO, OUR FOCUS IS TO KEEP ON RAISING THE BAR AND ELEVATING OUR GAME.

Building on Our Achievements.
For the 9th consecutive year since 2002, Food Empire triumphed at the ARC Awards, a prestigious annual report design competition in New York, USA. Our 2013 annual report "Forging Ahead" garnered 3 awards under the Food & Consumer Packaged Goods category:

GOLD	HONORS	HONORS
Written Text	**Non-Traditional AR Format**	**Chairman's Letter**

GLOBAL PRESENCE

BUILDING RESILIENCE

THROUGH NONSTOP INNOVATION

BE IT FOR PRODUCT DEVELOPMENT, BRANDING INITIATIVES, OPERATIONAL ENHANCEMENTS OR NEW F&B CONCEPTS, FOOD EMPIRE PLACES GREAT EMPHASIS ON FINDING BETTER WAYS OF DOING THINGS.

Building A New Avenue of Growth.

In 2014, the Group, through its joint venture with Empire Tea in Sri Lanka, unveiled its very first tea café: Tea Avenue. Situated in Colombo, Sri Lanka, this tea salon offers premium and exquisite Ceylon teas in a cozy ambience.

EXECUTIVE CHAIRMAN'S MESSAGE

"AT FOOD EMPIRE, WE RECOGNISE THE VALUE OF BRAND EQUITY, BOTH AS A COMPETITIVE ADVANTAGE AND A DRIVER OF FUTURE GROWTH."

DEAR VALUED SHAREHOLDER

Year 2014 was a difficult year unlike any other in our history, as we had to contend with the ongoing political uncertainty in two of the Group's key markets, Russia and Ukraine, which led to the substantial depreciation of the Russian Ruble and Ukrainian Hryvnia against our reporting currency, the US dollar. While expectations were high that 2014 would be a good year for Russia with the hosting of the Sochi Winter Olympic Games in February, the year turned out to be an extraordinarily turbulent year for Russia and Ukraine, and Food Empire naturally.

FINANCIAL OVERVIEW

Revenue for the financial year ended 31 December 2014 ("FY2014") was US$249.5 million, a year-on-year ("yoy") decline of 5.1% compared with the US$262.9 million revenue recorded in FY2013. The Group registered a net loss of US$13.6 million for FY2014, compared with a profit after tax of US$11.3 million in FY2013. Excluding the impact of foreign exchange losses, net profit after tax for FY2014 would have been US$15.6 million. Our performance was also impacted by an impairment loss charge of US$3 million on the Group's brand - Petrovskaya Sloboda, costs relating to start-ups, developing new markets and one-off corporate restructuring.

During the year, the Group made a profit warning to SGX in relation to a net loss for 1Q2014, due to the ongoing political standoff between two of the Group's key markets namely Russia and Ukraine, which began in late 2013 and quickly escalated into an international crisis by March 2014. This as well as the weakening oil prices resulted in a sharp devaluation of both the Russian Ruble and the Ukrainian Hryvnia against

EXECUTIVE CHAIRMAN'S MESSAGE

US dollar especially in the last quarter of the year. The adverse movements in the Russian Ruble and the Ukrainian Hryvnia continued to impact the Group negatively for the full year. In FY2014, the Russian Ruble weakened from 32.7 Ruble per US dollar on 31 December 2013 to 56.3 Ruble per US dollar on 31 December 2014. Over the same period, Ukrainian Hryvnia weakened from 8.24 Hryvnia to 15.8 Hryvnia per US dollar.

UPHOLDING OUR BRAND

At Food Empire, we recognise the value of brand equity, both as a competitive advantage and a driver of future growth.

In July 2014, the Group was named as one of Singapore's top SGX-listed brands and ranked 63 amongst the top 100 SGX-listed companies by Brand Finance. The study highlights Singapore companies which have capitalised on their intangible assets and brands to create greater enterprise value. Based on the ranking methodology employed, Food Empire improved its previous rankings of 64, 67 and 94 in 2013, 2012 and 2011 respectively. In addition, Food Empire maintained its brand rating of AA in 2014 which Brand Finance defines as "very strong".

Going forward, we will continue to focus on building brand equity and instill such brand values in our people and corporate culture.

INTEGRATING ACROSS THE VALUE CHAIN

We have embarked on upstream green-field projects in the past few years to give us greater control over the supply and production of raw materials, and to stabilise and upkeep our high standards of quality. The Group's non-dairy creamer plant, snack factory and the beverage manufacturing facility in Malaysia have all commenced commercial production. With all the relevant certifications, including Halal certification, in place, the Group would bring up the utilisation levels of the plants and intensify marketing efforts in FY2015 to achieve greater market acceptance.

We expect to ramp up our production for the non-dairy creamer plant significantly in 2015. As for the snack factory to produce potato crisp, we hope to increase production from a single shift to three shifts by end of 2015.

The Group's instant coffee plant in India is on track for completion and is expected to commence commercial production by the second half of 2015. The instant

Food Empire's Non-Dairy Creamer plant in Johor, Malaysia

Spray Dried Coffee Tower in Andhra Pradesh, India

EXECUTIVE CHAIRMAN'S MESSAGE

Food Empire's snack factory in Johor, Malaysia

Machinery at the Group's snack factory

coffee plant when fully utilised will be able to produce about 4,500 tons of instant coffee.

OUTLOOK

The year in 2015 is set to pose challenges to the Russian and Ukrainian economies and most of the Commonwealth Independent States due to the close economic relationships and the state of the ruble exchange with these countries being part of the Custom Union. The weak oil prices and the political conflict between Russia and Ukraine will continue to weigh negatively on the Group. As the Group is economically exposed to both markets, it is negatively affected by the revaluation of its outstanding trade receivables denominated in currencies other than the US dollar. Our Group have taken necessary actions to monitor credit policy, control cost and rationalise our operations. It will continue to monitor the situation and take relevant actions.

Our Group will continue to diversify geographically. Its effort in South East Asia region, China and Middle East is seeing some results and we shall built on this.

The building at 81 Playfair Road is expected to receive its TOP certification in the first half of 2015. It is integrated with our current HQ building and upon completion, the combined development would be named Food Empire Building and the new block would yield around 26,000 sqft net lettable area. We have secured rental lease for 75% of the new area.

We are confident that we will be able to navigate our way through the current difficult situation, by virtue of our strong brands, loyal customers and prudent management. We have to uphold our mantra which is to be a leading global food and beverage company providing quality products and services. We will achieve this goal as we have the right people with the passion to make the difference.

APPRECIATION

It is especially in such difficult times like this that we need to acknowledge the support and confidence that all our stakeholders have given and continue to have in us.

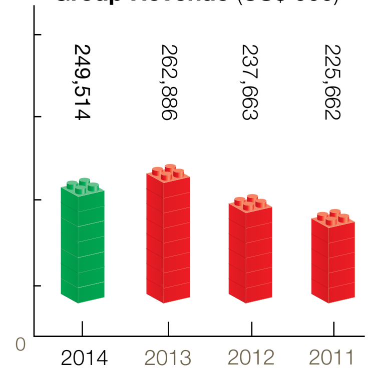
I am thankful to our shareholders for keeping faith with us knowing that their confidence will be repaid in the long run. Our customers, suppliers, partners and associates have been an integral part of our long journey and we know that we will weather the storm together. Lastly, the commitment and hard work of our Board members and staff will allow us to emerge even stronger from the current situation.

MR TAN WANG CHEOW
Executive Chairman

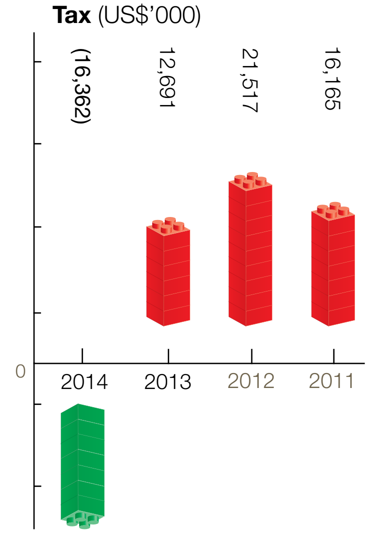
FINANCIAL HIGHLIGHTS

	2014	2013	2012	2011
(US$'000)				
Revenue	**249,514**	262,886	237,663	225,662
Profit/(loss) before taxation and MI	**(16,362)**	12,691	21,517	16,165
Profit/(loss) after taxation and MI	**(13,237)**	11,696	20,486	14,962
Financial Indicators				
Debt to Equity Ratio	**30.0%**	19.4%	8.0%	9.3%
Working Capital Ratio	**2.3**	3.2	3.6	4.3
Quick Ratio	**1.4**	2.2	2.9	3.6
EBITDA Margin	**(4.6%)**	6.2%	10.4%	8.1%
Diluted (loss)/earnings per share (USD cents)	**(2.48)**	2.18	3.85	2.82
NAV per share (USD cents)	**25.94**	31.15	30.34	27.31
Revenue by Geographical Regions (US$'000)				
Russia	**136,655**	152,925	136,875	129,356
Ukraine	**26,719**	35,323	29,323	28,652
Kazakhstan & CIS countries	**48,356**	47,903	45,240	42,733
Others	**37,784**	26,735	26,225	24,921
	249,514	262,886	247,663	225,662
Revenue by Product Group (US$'000)				
Beverages	**229,450**	246,867	224,136	212,365
Non-Beverages	**19,269**	16,019	13,527	13,297
Ingredients	**795**	–	–	–
	249,514	262,886	237,663	225,662

Group Revenue (US$'000)



Group Profit/(Loss) Before Tax (US$'000)



CEO'S MESSAGE

"IN THE MID-TO-LONG TERM, OUR DIVERSIFICATION EFFORTS BEYOND THE CIS REGION WILL PROVIDE US WITH A MORE BALANCED PORTFOLIO THAT ALLOWS US TO BE RESILIENT IN ANY FUTURE CRISIS."

DEAR SHAREHOLDERS,

2014 marks my second year as the CEO of Food Empire and it has been a pleasure working with a team of extremely committed and passionate colleagues on existing and new projects to drive the Company forward.

For FY2014, revenue was US$249.5 million, representing a year-on-year ("yoy") decline of 5.1% compared with the US$262.9 million revenue recorded in FY2013. The Group recorded a net loss of US$13.6 million last year as compared to a profit after tax of US$11.3 million in FY2013 mainly due to the substantial depreciation of the currencies of its two largest markets, Russia and Ukraine against the US dollar which is the Group's reporting currency. Apart from foreign exchange losses, the net loss was also due to increased staff costs; one-off provision for staff compensation due to corporate restructuring; costs associated with investments in new markets; start-up costs associated with the Group's upstream projects; and an impairment loss charge on the Group's brand - Petrovskaya Sloboda. Excluding the impact of foreign exchange losses, net profit after tax for FY2014 would have been US$15.6 million.

CEO'S MESSAGE

MacCoffee sponsors Oddset Ice Hockey Games 2014

MacCoffee promo booth in Kazakhstan

I will like to present our report card on the three key areas that I mentioned previously that I will be putting a strong emphasis on as CEO.

With regards to our plans to grow the Group's geographic presence, Food Empire's diversification in some markets, in particular Asia is showing progress in recent years. Sales to the Group's Other Markets grew by 41.3% from US$26.7 million in FY2013 to US$37.8 million in FY2014. The robust performance was underpinned by a significant increase in beverage sales in South East Asia which accounted for over 50% of the growth. An uptick in sales was also recorded in Europe, China and the Middle East. In the mid-to-long term, our diversification efforts beyond the CIS region will provide us with a more balanced portfolio that allows us to be resilient in any future crisis.

In terms of merger or acquisition (M&A) activities, we continue to be on the lookout for suitable target companies that could complement our existing businesses and help to diversify our operations. In view of the current uncertain geo-political situation, we will exercise caution and M&A will not be a key priority for us till the situation normalises.

With respect to the streamlining and restructuring of our operations, we continue to make significant headway. The Group in year 2011 bought into a property in Port Klang in Malaysia for the purpose of setting up a packing plant and annexed administration processing centre. The Group just recently managed to get the approval for the International Procurement Centre status which will allow the Group to enjoy a 10 year-tax exemption status provided the terms and conditions are met. During the year, production started and the shift from the Singapore Chin Bee plant was also completed by October 2014.

The Group also purchased an adjacent piece of land at No. 81 Playfair Road, next to our current Singapore HQ office towards end of December 2011. During the year 2014, intensive development work took place and today, we are witnessing the completion of the 11th storey building. TOP certification is expected anytime in the first half of 2015 and the process of looking for new tenants has started.

Going forward, we will continue to monitor the geo-political situation closely and take a prudent approach towards our business operations. Nevertheless, we remain optimistic that we will tide through this difficult period with the help of our dedicated team.

I am very grateful for the support of my colleagues, the Board, shareholders and other partners, as we continue to execute on our future plans.

MR SUDEEP NAIR
Chief Executive Officer

OPERATIONS REVIEW

Kracks promotional giveaway in Kazakhstan supermarket

FINANCIAL PERFORMANCE

For FY2014, the Group recorded a net loss of US$13.6 million as compared to a profit after tax of US$11.3 million in FY2013 mainly due to the substantial depreciation of the currencies of its two largest markets, Russia and Ukraine against the US dollar which is the Group's reporting currency.

In FY2014, sales to the Group's largest region, Russia, decreased by 10.6% to US$136.7 million compared to US$152.9 million in FY2013 due to weakening of Russian Ruble against US dollar. In the Group's Ukraine region, sales declined by 24.4% from US$35.3 million in FY2013 to US$26.7 million in FY2014 due to weakening of Ukrainian Hryvnia against the US dollar. In the Group's Kazakhstan region and CIS countries, sales increased by 0.9% from US$47.9 million in FY2013 to US$48.4 million in FY2014. Sales to the Group's Other Markets grew by 41.3% from US$26.7 million in FY2013 to US$37.8 million in FY2014. The robust performance was underpinned by a significant increase in beverage sales in South East Asia which accounted for over 50% of the growth. An uptick in sales was also recorded in Europe, China and the Middle East. Our non-dairy creamer plant and snack factory in Malaysia, which commenced commercial production during FY2014, has yet to contribute meaningfully to Group Sales.

The ongoing political uncertainty in two of the Group's key markets, Russia and Ukraine continued to weigh negatively on the exchange rate of the Russian Ruble and Ukrainian Hryvnia against the US dollar.

Apart from foreign exchange losses, the net loss was also due to the following: -

1. Staff costs increased due to higher salaries and higher headcount arising from restructuring of our Russian operation and newly set up factories.
2. One-off provision for staff compensation due to corporate restructuring.
3. Costs associated with investments in new markets.
4. Start-up costs associated with the Group's upstream projects.
5. Impairment loss charge on the Group's brand - Petrovskaya Sloboda.

"THE ONGOING POLITICAL UNCERTAINTY IN TWO OF THE GROUP'S KEY MARKETS, RUSSIA AND UKRAINE CONTINUED TO WEIGH NEGATIVELY ON THE EXCHANGE RATE OF THE RUSSIAN RUBLE AND UKRAINIAN HRYVNIA AGAINST THE US DOLLAR."

OPERATIONS REVIEW

Christmas lucky draw winner in Nairobi, Kenya

Food Empire's booth at the 2014 Gulfood Exhibition

MacCoffee promo girl poses for the camera

Property, plant and equipment increased from US$61.5 million as at 31 December 2013 to US$66.6 million as at 31 December 2014 mainly attributable to the capitalisation of the building, plant and machineries of the Group's India upstream project.

Inventories increased from US$43.0 million as at 31 December 2013 to US$45.7 million as at 31 December 2014, because of the stock-up of inventories.

Trade payables and accruals increased from US$31.3 million as at 31 December 2013 to US$35.5 million as at 31 December 2014, in line with the increase in inventories.

Investment in associates decreased from US$14.8 million as at 31 December 2013 to US$10.7 million as at 31 December 2014 mainly due to translation loss recorded in Russian associates.

Trade receivables decreased from US$51.5 million as at 31 December 2013 to US$40.4 million as at 31 December 2014 mainly due to translation loss of its outstanding trade receivables denominated in currencies other than the US dollar.

OPERATIONS REVIEW

Food Empire at the SIAL 2014 in Paris, France

The Group's borrowings were US$41.6 million as at 31 December 2014, compared to US$32.3 million as at 31 December 2013. This increase was largely attributed to additional loans taken up for the Group's upstream projects and its investment property at 81 Playfair Road.

The Group's net operating cash flow position improved, with a net operating cash inflow of US$2.8 million in FY2014, compared to a net operating cash outflow of US$4.4 million in FY2013. The Group's cash and cash equivalents was US$19.8 million as at 31 December 2014, compared to US$27.7 million as at 31 December 2013.

The Group's net assets as at 31 December 2014 were US$138.4 million. The net asset value per ordinary share (excluding non-controlling interests) as at 31 December 2014 was 25.94 US cents compared to 31.15 US cents as at 31 December 2013.

Food Empire Building

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 developing new markets, exploring opportunities for acquisitions as well as enhancing in-house production capabilities. A passionate believer in the power of brands, Mr Tan is actively involved in the marketing and branding activities across the Group.

Mr Tan is also actively involved in the local grassroots community since 1990, and was awarded the Public Service Medal in 2014 for his contributions to the society and business. He holds a Bachelor of Accountancy from the National University of Singapore.

MR SUDEEP NAIR

Chief Executive Officer

Mr Nair was appointed as CEO in October 2012 and has been a member of the Board as an Executive Director since July 2005. Mr Nair is responsible for the overall oversight of the Group's day-to-day operations. His responsibilities also include identifying and developing new business opportunities both in and outside of the Group's core markets.

Mr Nair has over 20 years of experience in managing the Group's business in Russia and the CIS countries.

BOARD OF DIRECTORS

MDM TAN GUEK MING

Non-Executive Director

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

MR KOH YEW HIAP

Non-Executive Director

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

BOARD OF DIRECTORS

MR HARTONO GUNAWAN

Non-Executive Director

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

He graduated from the University of Indonesia in 1979 with an accounting degree (Sariana Ekonomi-Universitas, Indonesia).

MR LEW SYN PAU

Independent Director

Mr Lew has served as an Independent Director on the Board since April 2000 and is a member of the Audit Committee. He is currently a Director of Capital Connections Pte Ltd, a financial advisory consultancy firm. He is also a Director of several other Singapore listed companies involved in a range of industries including palm oil, logistics, property and precision machining. His previous positions include Managing Director of NTUC Comfort and General Manager and Senior Country Officer of Credit Agricole Indosuez.

Between 2002 and 2006, Mr Lew was the President of the Singapore Manufacturers Federation. He was a Member of the Singapore Parliament from 1988 to 2001, and served as the Chairman of the Government Parliamentary Committees for Education, Finance, Trade & Industry and National Development at different times during the course of his tenure. A Singapore Government scholar, Mr Lew holds a Masters Degree in Engineering from the University of Cambridge, UK and a Masters Degree in Business Administration from Stanford University, USA.

BOARD OF DIRECTORS

MR BOON YOON CHIANG

Independent Director

Mr Boon was appointed to the Board as an Independent Director in December 2005. He is the Country Chairman of the Jardine Matheson Group of Companies in Singapore, and Deputy Chairman of Jardine Cycle & Carriage Limited. He also serves on the Boards of other public companies including MNCs. He is a Board member of the Singapore International Chamber of Commerce. He is a Director of the Employment & Employability Institute Pte Ltd and is a Member of the Competition Appeal Board.

MR ONG KIAN MIN

Independent Director

Mr Ong has served on the Board as an Independent Director since April 2000. He is the Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees. As a lawyer and corporate adviser, Mr Ong brings invaluable legal and business experience to the Board. He was called to the Bar of England and Wales in 1988 and to the Singapore Bar the following year. In his more than 20 years of legal practice, he focused on corporate and commercial law such as mergers and acquisitions, joint ventures, restructuring and corporate finance. In addition to practicing as a consultant with Drew & Napier LLC, a leading Singapore law firm, he is a senior advisor of Alpha Advisory Pte Ltd (a financial and corporate advisory firm) and CEO of Kanesaka Sushi Private Limited which invests in and operates Japanese fine-dining restaurants.

In 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.

NEW PRODUCTS

FRESH, FUN AND FANTASTIC!
Food Empire Builds On Its Portfolio with Hot New Products

NUTRIRITE

Loaded with nutrients to power up your day, NutriRite is the newest instant cereal drink you'll love! Made with superior ingredients and produced under the most stringent standards, NutriRite is available in 3 flavours: Original, Low Fat and Oats & Honey. No other cereal drink compares to NutriRite because it is delicious and healthy—it's nutrition done right!

MACFITO CHICORY

Health buffs have a new cause for celebration! The new MacFito Chicory with Chinese Herbs is packed with Chinese plants and herbs—Snowdon rose, ginger, magnolia vine, ginseng and green tea—that will do wonders to one's wellness. This unique beverage promises not just great nutritional benefits but also a perfectly balanced taste.

MACTEA SPICY GINGER

MacTea Spicy Ginger is finally here to spice things up during tea time. A fuss-free and refreshing instant tea containing natural ginger powder, MacTea Spicy Ginger is perfect for increasing one's tonus and replenishing one's energy. It's rich in antioxidants and offers many other health benefits such as improved digestion, stronger immunity and enhanced mood.

CHIZZPA CHIPS

Any time is the perfect time to munch on the crispy goodness of Chizzpa Chips! Available in 6 mouthwatering flavours—Original, Barbeque, Sour Cream & Onion, Cheese, Paprika and Wasabi—Chizzpa Chips is a terrific snack that you won't get enough of!

MARKETING ACTIVITIES

BUILDING PRESENCE

Food Empire's Brand Strengthening Activities Around the World

MACCOFFEE AND THE RUSSIAN PREMIER LEAGUE

MacCoffee enjoyed widespread exposure at the Zenit-Locomotive match on 4 May 2014 as all eyes were on the action-packed encounter, which was broadcast via the NTV channel. The MacCoffee marquee commercials were permanently on the field during the match.

MACCOFFEE AT THE ODDSET ICE HOCKEY GAMES 2014

Founded in 1991, the Oddset Series is Sweden's annual ice hockey tournament. Thanks to MacCoffee's hot support, Oddset 2014, which was held from 1 to 4 May in Stockholm, will be remembered by ice hockey fans for a long time. The brand's dynamic, bright and memorable commercials add vibrancy and energy at this big sport event!

FOOD EMPIRE IMPRESSES AT SIAL 2014

Food Empire is proud to have participated in SIAL 2014, one of the world's biggest food exhibitions and host to 6,500 exhibitors from over 104 countries. SIAL 2014, which ran from 19 to 23 October in Paris, France, was truly a milestone for the global food community as the exhibition was celebrating its 50th anniversary.

FOOD EMPIRE AT THE CAEXPO 2014

Since 2004, the CAEXPO has been promoting cooperation between China and the ASEAN. Food Empire once again graced

the 2014 exhibition, which was held in Nanning, Guangxi, China from 16 to 19 September.

MACCOFFEE SPONSORS THE G-DRIVE UNITED SUPERCUP 2014

MacCoffee shone at the G-Drive United Supercup 2014 which took place at the HaMoshava stadium in Petah-Tiqwa, Israel. The tournament was a big success, and MacCoffee's scrolling ad along the field border brought the brand to great heights of prominence.

MARKETING ACTIVITIES

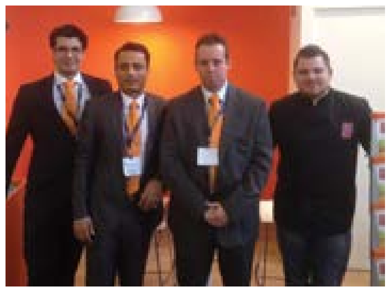
FOOD EMPIRE ON CHANNEL NEWSASIA'S "BUSINESS WARRIORS"

Food Empire and MacCoffee were featured in Channel NewsAsia's "Business Warriors" which was broadcast on 27 February 2014. The show features businesses that have ventured into unpredictable frontier markets and delves into the business journeys of visionary Singaporean entrepreneurs.

MACCHOCO SUPPORTS YOUNG ATHLETES IN AJAX CAMPS

Ajax Camps is a children's sports and recreation camp where young football players spend time in the company of famous Dutch and Russian coaches from the legendary Ajax Academy! At Ajax Camps, MacChoco hot chocolate is the number one choice when athletes need to get a quick energy boost after football practice!

ORIENBITES AT HORECAVA 2014



From 13 to 16 January 2014, Orienbites, together with other foodservice industry players, gathered in Amsterdam to participate in Horecava, one of the year's most anticipated events.

FOOD EMPIRE TAKES PART IN GULFOOD 2014

Food Empire participated in the 2014 Gulfood Exhibition, held from 23 to 27 February 2014 at the Dubai World Trade Center. With almost 5,000 exhibitors participating from over 120 countries, Gulfood is one of the most important food and hospitality shows in the world.

FOOD EMPIRE TAKES PART IN ASIA PACIFIC FOOD EXPO 2014

Organised by the Singapore Food Manufacturers' Association, the Asia Pacific Food Expo brought together over a hundred exhibitors from different parts of the region from 21 to 25 November 2014. Food Empire took part in the expo, showcasing its rich range of quality food products to satisfied visitors.

THE GREAT KLASSNO LUCKY DRAW IN IRAN

From 15 January to 13 June 2014, a lucky draw for Klassno coffee fans was held in Kish Island in Iran. The grand prize, a brand-new Ford Fiesta car, was awarded to Ms Leyla Heydarian. Klassno congratulates all the winners!

MARKETING ACTIVITIES

WINNING BIG IN BUDAPEST

MacCoffee gave its warm support to the Russian team at the European Figure Skating Championship 2014, where the team garnered numerous awards. MacCoffee congratulates our skating rink champions!

MISSION CHRISTMAS TREE WITH MACCOFFEE IN NIZHNY NOVGOROD

The people of Nizhny Novgorod were in for a treat in late December as the First Automobile Radio hosted MacCoffee's Christmas tree lottery for two weeks! The campaign was a great success, with Autoradio and MacCoffee giving out over 100 firs trees and hot prizes to lucky listeners.

FOOD EMPIRE OPENS TEA AVENUE IN SRI LANKA

Food Empire celebrated the Soft Opening of its first retail outlet Tea Avenue at Colombo 7 in Sri Lanka on 8 October 2014. Offering customers a premium tea experience, Tea Avenue showcases Premium Ceylon Teas sourced from various regions in Sri Lanka such as Ruhuna, Dimbulla, Nuwaraeliya, Udupussellewa and Kandy.

ORIENBITES WINS WABEL FROZEN AWARD IN PARIS

At the 2014 Wabel Summit, held from 12 to 13 March 2014 in Paris, France, Orienbites clinched the Wabel Frozen Award in the Appetizer category. Orienbites' Oriental Canape wowed the jury members with its innovative fusion of classic Asian flavors—green curry, mango, sweet & sour and red curry.

ANOTHER WIN FOR MACCOFFEE IN MOSCOW!

On 12 November 2014, MacCoffee won the 'Product of the Year – 14' award at the famous Izvestia Hall of Moscow. Organised by the National Trade Association, Moscow International Business Association, Russian Chamber for Trade and Industry, and the Moscow City Hall, the award is a significant indicator of brand strength, quality, package design and successful promotion strategy.

CSR ACTIVITIES

SINGAPORE PUBLIC SERVICE MEDAL 2014 FOR EXECUTIVE CHAIRMAN MR TAN WANG CHEOW

Mr Tan Wang Cheow, Executive Chairman, was awarded the Public Service Medal in 2014 for his contributions to society and business. Instituted in 1973, the Public Service Medal is awarded to any person who has rendered commendable public service in Singapore or for his achievement in the field of arts and letters, sports, the sciences, business, the professions and the labour movement. Mr Tan is currently Vice-Chairman of the Jalan Senang Neighbourhood Committee, a Patron of the Bedok Reservoir-Punggol Citizens' Consultative Committee (CCC) and a Patron of the Kembangan-Chai Chee Citizens' Consultative Committee (CCC), and has rendered service to the community since 1990. Mr Tan is also currently the Chairman of the Woodgrove Secondary School School Advisory Committee.

IMPARTING VALUABLE INSIGHTS AT FOOD PRODUCTIVITY CONFERENCE 2014

During the 2-day Food Productivity Conference last 24 October 2014, Food Empire was invited by SPRING Singapore to speak about "Achieving Growth Through Unconventional Means". Our Chief Operating Officer, Mr Tan Joon Hong, shared how Food Empire pursues business innovation to create value for customers, achieve growth and manage market changes to stay competitive.

FOOD EMPIRE PERFORMING ARTS AWARD 2014

On 19 July 2014, Food Empire championed the Performing Arts Awards 2014 for graduating students of Woodgrove Secondary School. Its aim is to promote academic excellence and reward students for exemplifying leadership in their CCAs.

RED AND WHITE PICNIC UNDER THE STARS

Food Empire was a proud sponsor of the Red & White Picnic Under the Stars 2014, a community-based picnic and carnival organised by the Bedok-Reservoir-Punggol CDC on 13 July 2014. Present at the event was Guest-of-Honour PM Lee Hsien Loong, who presented a plaque of appreciation to Food Empire COO Mr Tan Joon Hong for the Group's sponsorship and contribution to the event's success. Residents decked in red and white were also serenaded by the Singapore Chinese Orchestra.

FOOD EMPIRE AT THE ISCOS 25TH ANNIVERSARY GALA DINNER

On 28 May 2014, Food Empire had the honour of supporting the 25th Anniversary Gala Dinner of Industrial & Services Co-operative Society (ISCOS), a member of the Community Action for the Rehabilitation of Ex-offenders (CARE) Network. The gala dinner was held at The Sands Expo & Convention Center in Marina Bay Sands.

CORPORATE GOVERNANCE

Food Empire Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") are committed to maintaining good corporate governance to enhance and protect the interest of the Company's shareholders. The Company recognises the importance of practicing good corporate governance and supports the Code of Corporate Governance 2012 (the "**Code**").

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

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

There are three Board Committees:-

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

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

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

CORPORATE GOVERNANCE

A) BOARD MATTERS (cont'd)

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

The attendance of the Directors at meetings of the Board and Board Committees for FY2014 as well as the frequency of these meetings, are disclosed as follows:-

Directors	Board Meeting	Audit Committee Meeting	Nominating Committee Meeting	Remuneration Committee Meeting
Tan Wang Cheow	4	NA	1	NA
Ong Kian Min	4	4	1	2
Lew Syn Pau	4	4	1	2
Tan Guek Ming	4	4	NA	2
Sudeep Nair	4	NA	NA	NA
Boon Yoon Chiang	4	4	1	2
Hartono Gunawan	4	NA	NA	NA
Koh Yew Hiap	4	NA	NA	2
No. of Meetings Held in 2014	**4**	**4**	**1**	**2**

The Directors are appointed based on the strength of their experience and potential to contribute to the Company. The current Board comprises business leaders and professionals. Profiles of the Directors can be found in pages 16 to 19 of this annual report. The management monitors changes to regulations and accounting standards and the Directors are briefed on the new updates in the requirements of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Companies Act, Chapter 50 or other regulations/statutory requirements from time to time by the management. If required, the Directors will receive further training. The Company is responsible for arranging and funding the training of Directors.

The Company has adopted a policy that Directors are welcome to request further explanations, briefings or informal discussions on any aspects of the Group's operations or business issues from management. The Non-executive Directors are briefed and updated on major developments and the progress of the Group at the Board meetings.

B) BOARD COMPOSITION AND GUIDANCE

- Principle 2: Strong and independent element of the Board

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

Mr. Tan Wang Cheow	Executive Chairman
Mr. Sudeep Nair	Chief Executive Officer ("**CEO**")
Mdm. Tan Guek Ming	Non-executive Director
Mr. Hartono Gunawan	Non-executive Director
Mr. Koh Yew Hiap	Non-executive Director
Mr. Lew Syn Pau	Independent Non-executive Director
Mr. Ong Kian Min	Independent Non-executive Director
Mr. Boon Yoon Chiang	Independent Non-executive Director

CORPORATE GOVERNANCE

B) BOARD COMPOSITION AND GUIDANCE (cont'd)

- Principle 2: Strong and independent element of the Board (cont'd)

The Directors of the Board review the size and composition of the Board on an annual basis. The Board continues to have a strong and independent element.

The core competencies of the Board members are as follows:-

	Accounting/ Finance/ Business/ Management Experience	Industry Knowledge	Strategic Planning	Human Resource	Law
Tan Wang Cheow	√	√	√		
Sudeep Nair	√	√	√		
Tan Guek Ming	√	√	√		
Lew Syn Pau	√		√	√	
Ong Kian Min	√		√		√
Boon Yoon Chiang	√	√	√	√	√
Hartono Gunawan	√	√	√		
Koh Yew Hiap	√	√	√		

The Directors are professionals in their own fields with industrial, financial, legal and human resource backgrounds. Together they provide the Group with a wealth of knowledge, expertise and experience to ensure the Group remains competitive and competent. The Non-executive Directors contribute their independent views and objective judgments on issues of strategy, business performance, resources and standards of conduct.

The independence of each Independent Non-executive Director is assessed at least annually by the NC. Particular scrutiny is applied in assessing the continued independence of Directors having served beyond 9 years from the date of his first appointment.

Although Mr. Lew Syn Pau, Mr. Ong Kian Min and Mr. Boon Yoon Chiang have served on the Board for more than nine years, the Board considered that they are independent in character and judgment as there are no circumstances which would likely affect or appear to affect their judgment. Their length of service and in-depth knowledge of the Group's businesses are viewed by the Board as especially valuable. 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.

The NC is of the view that the current Board has the necessary competencies, skills and attributes to meet the Group's targets and to respond to the demands facing the Group.

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

CORPORATE GOVERNANCE

C) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Executive Chairman, Mr. Tan Wang Cheow, is primarily responsible for formulating of the Group's strategies, which includes developing new markets, exploring opportunities for acquisitions as well as enhancing in-house production capabilities.

The 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. Regular meetings are scheduled to enable the Board to perform its duties. Agendas are prepared in consultation with management as well as the Company Secretary.

Although the Chairman is part of the management team, the NC and the Board were of the view that appointing a lead Independent Director was not necessary, as all the Board Committees are chaired by an Independent Director and the majority comprises Independent Directors, are available to receive and deal with any complaints or issues.

D) BOARD MEMBERSHIP

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

The NC comprises:-

Mr. Lew Syn Pau	(Chairman)
Mr. Ong Kian Min	
Mr. Tan Wang Cheow	
Mr. Boon Yoon Chiang	

The scope and responsibilities of the NC include:

1) identifying candidates and reviewing all nominations for all appointments and re-appointments to the Board of Directors, including making recommendations on the composition of the Board and balance between Executive and Non-executive Directors;
2) reviewing the Board structure, size and composition;
3) reviewing the strength and attributes of the existing Directors including assessing the effectiveness of the Board as a whole and the contribution by individual Directors;
4) reviewing the independence of Directors annually;
5) considering and making recommendations on nominations of Directors retiring by rotation;
6) reviewing Board succession plans for Directors, in particular, the Chairman of the Board and for the Chief Executive Officer;
7) making recommendations to the Board on comprehensive training and professional development programs for the Board;

CORPORATE GOVERNANCE

D) BOARD MEMBERSHIP (cont'd)

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

8) making recommendations to the Board for the continuation (or retirement) of any Director who has reached the age of seventy; and
9) 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.

Dates of last re-election/re-appointment

Directors	Date of last re-election/re-appointment
Ong Kian Min	23 April 2013
Hartono Gunawan	23 April 2014
Koh Yew Hiap	23 April 2014
Tan Guek Ming	23 April 2014
Lew Syn Pau	23 April 2013
Sudeep Nair	23 April 2013
Boon Yoon Chiang	23 April 2014
Tan Wang Cheow	27 April 2012

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 does not think that it is necessary to set the maximum number of listed board representations that any Director may hold as all the Directors are able to devote to the Company's affairs in light of their commitments.

The NC is responsible for identifying and recommending new Board members, after considering the necessary and desirable competencies. The NC may engage consultants to undertake research on, or to assess a candidate for new positions on the Board. The NC can engage other independent experts if it considers it necessary to help it carry out its duties and responsibilities. Recommendations for new Board members are put to the Board for its consideration.

E) BOARD PERFORMANCE

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

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

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

CORPORATE GOVERNANCE

E) BOARD PERFORMANCE (cont'd)

- Principle 5: Formal assessment of the effectiveness of the Board and contributions of each Director (cont'd)

The Board's evaluation process is performed annually.

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

F) ACCESS TO INFORMATION

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

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

The Company Secretary or his representatives will attend all Board and Board Committee 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.

G) REMUNERATION MATTERS

- Principle 7: Formal and transparent procedure for fixing remuneration packages of Directors

- Principle 8: Remuneration of Directors should be adequate but not excessive

- Principle 9: Remuneration policy, level and mix of remuneration and procedure for setting remuneration

The RC comprises:-

Mr. Lew Syn Pau (Chairman)
Mr. Ong Kian Min
Mr. Boon Yoon Chiang
Mdm. Tan Guek Ming
Mr. Koh Yew Hiap

The RC's main responsibility is to review and recommend a framework of remuneration for the Board members and key executives of the Group. The objective is to motivate and retain executives and ensures the Group is able to attract the best talent in order to maximise shareholder value.

The remuneration of the Executive Directors is based on service agreements signed upon their appointments. The service agreements will continue unless otherwise terminated by either party giving not less than three month's notice in writing. Under the service agreements, the Executive Directors are entitled to a share of profits on the Group's profit before tax, on top of the monthly salary and bonus.

CORPORATE GOVERNANCE

G) REMUNERATION MATTERS (cont'd)

- Principle 7: Formal and transparent procedure for fixing remuneration packages of Directors (cont'd)

- Principle 8: Remuneration of Directors should be adequate but not excessive (cont'd)

- Principle 9: Remuneration policy, level and mix of remuneration and procedure for setting remuneration (cont'd)

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

There is no change in the existing remuneration package for the Executive and Non-executive Directors compared to the previous year. All Directors, including Non-executive Directors, who are not the controlling shareholders of the Group or are not appointed by the controlling shareholders of the Group, were eligible for share options under the current share option scheme. Additional information on the previous and current share option schemes can be found on pages 41 to 45 and 115 to 119 of the annual report.

Although the Code recommends the disclosure of the name of the individual Directors and at least the top five key executives (who are not the Directors of the Group) within the bands of S$250,000 and a breakdown (in percentage terms) of each Directors remuneration, the Board has decided not to adopt this practice because it is of the view that such disclosure may be detrimental to the Group's interest as it may lead to poaching of executives within a highly competitive industry.

The remuneration for the financial year ended 31 December 2014 is shown below:-

Remuneration Bands	No. of Directors in Remuneration Bands
S$500,000 to S$699,999	1
S$250,000 to S$499,999	1
Below S$250,000	6

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

To maintain confidentiality of remuneration, the names of the Directors and the top executives are not stated. There are no employees who are immediate family members of a Director or the CEO.

H) ACCOUNTABILITY AND AUDIT

- Principle 10: Accountability of the Board and management

The Board is accountable to the shareholders while the management of the Group is accountable to the Board. The management presents to the Board the Group's quarterly and full year accounts and the 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 is committed to providing timely information to the shareholders and the public on a quarterly basis.

CORPORATE GOVERNANCE

I) RISK MANAGEMENT AND INTERNAL CONTROLS

- Principle 11: Sound systems of risk management and internal controls

The Board is 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 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 31000:2009 Risk Management framework.

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.

Management presented an annual 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. Such assurance activities include control self-assessments performed by Management, internal, external audits and external certifications conducted by various external professional service firms.

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

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 an effective risk management systems and internal control systems.

Based on the internal controls established and maintained by the Group, work performed by the internal, external auditors and external certification firms and reviews performed by management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's risk management and internal control systems including financial, operational, compliance and information technology controls, were adequate and effective as at 31 December 2014.

CORPORATE GOVERNANCE

I) RISK MANAGEMENT AND INTERNAL CONTROLS (cont'd)

- Principle 11: Sound systems of risk management and internal controls (cont'd)

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 in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

J) AUDIT COMMITTEE

- Principle 12: Establishment of AC with written terms of reference

The AC comprises:-

Mr. Ong Kian Min (Chairman)
Mr. Lew Syn Pau
Mr. Boon Yoon Chiang
Mdm. Tan Guek Ming

All four members of the AC are Non-executive Directors and the majority, including the Chairman, are independent. The Chairman of the AC, Mr. Ong Kian Min, is a lawyer and Director of several public and private companies. The other three members of the AC have many years of management and financial experience. The Directors are of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's duties and responsibilities.

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

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

a) the audit plans of the external auditors of the Group, the results of their examination and evaluation of the Group's systems of internal accounting controls, their independence and the non-audit services provided by them;

b) risk or exposure that exists and the steps management has taken to minimise these risks to the Group;

c) the Group's quarterly financial results for submission to the Board;

d) the assistance given by the Group's officers to the external auditors;

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

f) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board of Directors and the external auditors' report on those financial statements;

CORPORATE GOVERNANCE

J) AUDIT COMMITTEE (cont'd)

- Principle 12: Establishment of AC with written terms of reference (cont'd)

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

h) the audit plans of the internal auditors; and

i) the results of their internal audit.

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

In performing its functions, the AC has:-

a) full access to and 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 expressed authority to conduct investigation into any matters within its terms of reference.

During the year, the AC held 4 meetings.

The AC has reviewed the internal procedures set up by the Company to identify and report, and where necessary, seek approval for interested person transactions, and with the assistance of the management, reviewed interested person transactions. The AC is of the opinion that the internal procedures have been complied with.

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

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

Different auditors have been appointed for some of the overseas subsidiaries. The names of these audit firms are disclosed under Note 14 of the financial statements. This matter has been reviewed by the AC and the Board and both are satisfied that these appointments did not compromise the standard and effectiveness of the audit of the Group.

The Group has complied with Rules 712 and 716 of the SGX-ST Listing Manual.

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

CORPORATE GOVERNANCE

J) AUDIT COMMITTEE (cont'd)

- Principle 12: Establishment of AC with written terms of reference (cont'd)

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.

K) INTERNAL AUDIT

- Principle 13: Setting up independent internal audit function

The Group outsources its internal audit function to Yang Lee & Associates ("**YLA**" or "**IA**"). The IA 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 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 that Management provides the necessary co-operation to enable the IA to perform its function.

The IA 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 adequacy of the internal audit function to ensure that the internal audits are performed effectively.

The IA completed one review during the financial year ended 31 December 2014 in accordance with the internal control testing plan developed and approved by the Board under the Group Risk Management Framework. The findings and recommendations of the internal auditors, management's responses, and management's implementation of the recommendations has been reviewed and discussed with AC.

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

L) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

- Principle 14: Treatment to all shareholders fairly and equitably

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.

CORPORATE GOVERNANCE

M) COMMUNICATION WITH SHAREHOLDERS

- Principle 15: Regular, effective and fair communication with shareholders

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

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

N) GREATER SHAREHOLDER PARTICIPATION

- Principle 16: Shareholders' participation at AGMs

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 Articles of Association of the Company allow a member of the Company to appoint one or two proxies to attend and vote at all general meetings on his/her behalf.

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

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

SUPPLEMENTARY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (SGX-ST LISTING MANUAL REQUIREMENTS)

(i) Dealing in Securities

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

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

During the financial year ended 31 December 2014, 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 Company and its subsidiary companies did not enter into any material contracts involving interests of the Directors or controlling shareholders and no such material contracts still subsist at the end of the financial year.

CORPORATE GOVERNANCE

SUPPLEMENTARY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (SGX-ST LISTING MANUAL REQUIREMENTS) (cont'd)

(iii) Risk Management Policies and Processes

Dependence on the Russian Market

The Group is dependent on the Russian market, which accounted for 54.8% of its turnover in 2014. Any significant decline in the demand for the Group's products in this market, whether or not brought about by political, social and/or economic changes, would adversely affect its turnover and profitability.

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

Foreign Exchange Exposure

The Group is subject to foreign exchange risk arising mainly from those sales, purchases and operating costs by operating units denominated in currencies other than the operating units' functional currency. Approximately 2.1% 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. In view of changes in the Group's business processes, the Group has become more exposed to exchange risk. In FY2014, the Group has a natural hedge ratio of 41.9% (FY2013: 57.4%), which indicates the level of purchases and major operating expenses that are denominated in the functional currency of the operating units.

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

Political and Regulatory Consideration

The Group's sales are generated mainly from developing markets such as Russia, Ukraine, Kazakhstan and CIS countries, where political, social, economic and regulatory uncertainties may have a direct or indirect impact on sales and profitability.

During the financial year ended 31 December 2014, escalating sociopolitical tensions in two of its key markets, Russia and Ukraine triggered off significant foreign exchange devaluation of their respective currencies, the Russian Ruble and Ukrainian Hryvnia. Consequently, the Group experienced significant foreign exchange losses for the year.

The political conflict is ongoing and has resulted in economic difficulties for both countries. Its largest market, Russia, was affected by certain international sanctions and weak global oil prices, while Ukraine has suffered economic degradation due to conflicts with armed separatists in its Eastern region.

The Group will closely monitor ongoing events and may consider rationalising some operations if the situation deteriorates further.

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

CORPORATE GOVERNANCE

SUPPLEMENTARY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (SGX-ST LISTING MANUAL REQUIREMENTS) (cont'd)

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

Political and Regulatory Consideration (cont'd)

In particular, the taxation system in the Russia market continues to evolve and is characterised by frequent changes in legislation, pronouncements and court decisions, which are subject to different interpretation.

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

Credit Risk of Customers

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

The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Management believes that concentration of credit risk is limited due to the ongoing evaluation of all customers.

Fluctuation in Raw Material Prices

Instant coffee powder, creamer, sugar and packaging materials are the main raw materials used for the Group's products. Due to the competitive nature of the instant beverage industry, the Group may not be able to pass on increases in raw material prices to its customers. Therefore any major increase in raw material prices may adversely affect profitability. There is no regulated commodity market for trading of these raw materials. The Group monitors the movements of raw materials prices closely and keeps in regular contact with its major suppliers. The Group's policy is to source from multiple suppliers where possible, so as to reduce dependency on any single source of supply.

The Group has embarked on a number of upstream projects to mitigate some of the uncertainties in commodities prices in the longer term and also build new capabilities. Two of its plants, a non-dairy creamer and a snack factory were completed during the financial year. A third plant which will produce instant coffee powder is still in the process of construction as at the end of 31 December 2014.

Intellectual Property Risks

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

CORPORATE GOVERNANCE

SUPPLEMENTARY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (SGX-ST LISTING MANUAL REQUIREMENTS) (cont'd)

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

Dependence on Key Personnel

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

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

(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:-

	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 $100,000)	
	2014	2013	2014	2013
Name of interested person	US$'000	US$'000	US$'000	US$'000
Companies associated to Mr. Sudeep Nair ("Director")				
a) Simonelo Limited and its subsidiaries				
- Rental expense paid	2,838	2,576	–	–
- Purchase of construction materials	–	1	–	–
- Purchase of property, plant and equipment	–	6	–	–
b) Triple Ace Ventures Limited and its subsidiaries				
- Interest income received	–	30	–	–
- Rental expenses paid	–	111	–	–
Companies associated to Universal Integrated Corporation Consumer Products Pte. Ltd. ("Controlling Shareholder"):				
a) UDI Marketing Sdn Bhd				
- Sales of goods	1,676	1,188	–	–
b) United Trading (Shanghai) Co., Ltd				
- Sales of goods	1,441	518	–	–

DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Food Empire Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2014.

Directors

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

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

Arrangement to enable Directors to acquire shares and debentures

Except for the Food Empire Holdings Limited Share Option Scheme (the "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' interests in shares and debentures

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

Name of Director	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
	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 2015	As at 21 January 2015
The Company						
Ordinary shares						
Tan Wang Cheow	52,440,000	52,440,000	67,547,400	67,547,400	52,440,000	67,547,400
Sudeep Nair	34,406,399	34,406,399	4,680,000	4,680,000	34,406,399	4,680,000

DIRECTORS' REPORT

Directors' interests in shares and debentures (cont'd)

Name of Director	Shares held in the name of the Directors At the beginning of the year	Shares held in the name of the Directors At the end of the year	Shareholdings in which Directors are deemed to have an interest At the beginning of the year	Shareholdings in which Directors are deemed to have an interest At the end of the year	Shares held in the name of the Directors As at 21 January 2015	Shareholdings in which Directors are deemed to have an interest As at 21 January 2015
Tan Guek Ming	67,547,400	67,547,400	52,440,000	52,440,000	67,547,400	52,440,000
Lew Syn Pau	–	–	480,000	480,000	–	480,000
Ong Kian Min	–	–	720,000	720,000	–	720,000
Boon Yoon Chiang	100,000	100,000	–	–	100,000	–

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 2015
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	1,300,000	1,300,000
Ong Kian Min	100,000	100,000	100,000
Lew Syn Pau	100,000	100,000	100,000

DIRECTORS' REPORT

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 2015
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
Ong Kian Min	100,000	100,000	100,000
Lew Syn Pau	100,000	100,000	100,000
Boon Yoon Chiang	100,000	100,000	100,000
Options to subscribe for ordinary shares exercisable between 19 December 2012 to 18 December 2021 at S$0.315 per share			
Sudeep Nair	1,500,000	1,500,000	1,500,000
Ong Kian Min	100,000	100,000	100,000
Lew Syn Pau	100,000	100,000	100,000
Boon Yoon Chiang	100,000	100,000	100,000
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
Ong Kian Min	100,000	100,000	100,000
Lew Syn Pau	100,000	100,000	100,000
Boon Yoon Chiang	100,000	100,000	100,000

DIRECTORS' REPORT

Directors' interests in shares and debentures (cont'd)

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Mr. Tan Wang Cheow and Mdm. Tan Guek Ming are deemed to have an interest in the Company's subsidiaries at the end of the financial year.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2015.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Share options

The Food Empire Holdings Limited Share Option Scheme (the "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.

DIRECTORS' REPORT

Share options (cont'd)

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 1.1.2014	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 31.12.2014	Exercise price per share S$	Exercise period
2002 Option Scheme								
2004 Options	–	100,000	–	(100,000)	–	–	0.229	25 May 2006 to 24 May 2014
2010 Options	10	3,110,000	–	(250,000)	(20,000)	2,840,000	0.335	4 January 2011 to 3 January 2020
2011 Options (February)	16	3,880,000	–	(250,000)	–	3,630,000	0.505	1 February 2012 to 31 January 2021
2011 Options (December)	17	3,922,000	–	(250,000)	–	3,672,000	0.315	19 December 2012 to 18 December 2021
		11,012,000	–	(850,000)	(20,000)	10,142,000		
2012 Option Scheme								
2013 Options	22	4,880,000	–	(250,000)	–	4,630,000	0.669	8 March 2014 to 7 March 2023
		15,892,000	–	(1,100,000)	(20,000)	14,772,000		

DIRECTORS' REPORT

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	(7,800,000)	–	4,200,000
Boon Yoon Chiang	300,000	(100,000)	–	200,000
2012 Option Scheme				
Lew Syn Pau	100,000	–	–	100,000
Ong Kian Min	100,000	–	–	100,000
Sudeep Nair	1,500,000	–	–	1,500,000
Boon Yoon Chiang	100,000	–	–	100,000

[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
- 4,880,000 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.

DIRECTORS' REPORT

Audit Committee

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

Auditor

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

On behalf of the Board of Directors,

Tan Wang Cheow Director	Sudeep Nair Director

20 March 2015

STATEMENT BY DIRECTORS

We, Tan Wang Cheow and Sudeep Nair, being two of the Directors of Food Empire Holdings Limited, do hereby state that, in the opinion of the Directors:

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Tan Wang Cheow
Director

Sudeep Nair
Director

20 March 2015

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2014

Independent Auditor's Report to the Members of Food Empire Holdings Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Food Empire Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2014

Independent Auditor's Report to the Members of Food Empire Holdings Limited (cont'd)

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statements of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

20 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000
Revenue	4	**249,514**	**262,886**
Other income	5	439	900
Changes in inventories of finished goods		2,674	15,816
Raw materials and consumables used		(136,942)	(154,877)
Staff costs	6	(37,171)	(34,604)
Depreciation of property, plant and equipment		(4,367)	(3,297)
Depreciation of investment properties		(39)	(48)
Foreign exchange loss		(29,176)	(2,062)
Other operating expenses		(60,393)	(72,317)
Finance costs	7	(564)	(235)
Share of (loss)/profit of associates		(337)	529
(Loss)/profit before taxation	8	**(16,362)**	**12,691**
Taxation	9	2,761	(1,350)
(Loss)/profit for the year		**(13,601)**	**11,341**
(Loss)/profit attributable to:			
Equity shareholders of the Company		(13,237)	11,696
Non-controlling interest		(364)	(355)
		(13,601)	**11,341**
(Loss)/earnings per share			
Basic (loss)/earnings per share (in cents)	11	(2.48)	2.20
Diluted (loss)/earnings per share (in cents)	11	(2.48)	2.18

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 US$'000	2013 US$'000
(Loss)/profit net of tax	(13,601)	11,341
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation loss	(8,746)	(1,663)
Share of other comprehensive loss of associates	(3,638)	(889)
Other comprehensive loss for the year, net of tax	**(12,384)**	**(2,552)**
Total comprehensive (loss)/income for the year	**(25,985)**	**8,789**
Total comprehensive (loss)/income attributable to:		
Equity shareholders of the Company	(25,621)	9,144
Non-controlling interest	(364)	(355)
	(25,985)	**8,789**

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

BALANCE SHEETS

As at 31 December 2014

	Note	Group		Company	
		2014	2013	2014	2013
		US$'000	US$'000	US$'000	US$'000
Non-Current Assets					
Property, plant and equipment	12	66,599	61,493	82	133
Investment properties	13	15,705	13,331	–	–
Investment in subsidiaries	14	–	–	44,545	44,545
Investment in associates	15	10,726	14,806	–	–
Intangible assets	16	10,343	13,343	–	–
Deferred tax assets	17	3,069	618	–	–
		106,442	103,591	44,627	44,678
Current Assets					
Inventories	19	45,662	42,988	–	–
Prepaid operating expenses and other debtors	20	4,303	6,894	31	34
Deferred expenses		210	162	–	–
Amounts due from subsidiaries (non-trade)	21	–	–	10,593	7,542
Amounts due from associates (non-trade)	22	–	169	–	–
Amounts due from related parties (trade)	23	2,098	1,024	–	–
Trade receivables	24	40,405	51,524	3	–
Other receivables	18	2,951	3,140	67	–
Cash and cash equivalents	25	19,778	27,664	222	37
		115,407	133,565	10,916	7,613
Assets held for sale	12	543	–	–	–
		115,950	133,565	10,916	7,613

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

BALANCE SHEETS

As at 31 December 2014

	Note	Group 2014 US$'000	Group 2013 US$'000	Company 2014 US$'000	Company 2013 US$'000
Current Liabilities					
Trade payables and accruals	26	(35,509)	(31,263)	(485)	(1,135)
Other payables	27	(4,425)	(5,873)	–	–
Finance lease creditors	34	(19)	(19)	–	–
Interest-bearing loans and borrowings	29	(8,849)	(3,885)	–	–
Amounts due to subsidiaries (non-trade)	21	–	–	(147)	(22)
Amounts due to associates (non-trade)	22	(63)	–	–	–
Amounts due to associates (trade)	28	(340)	(47)	–	–
Provision for taxation		(570)	(797)	(29)	(27)
		(49,775)	(41,884)	(661)	(1,184)
Net Current Assets		**66,175**	**91,681**	**10,255**	**6,429**
Non-Current Liabilities					
Finance lease creditors	34	(27)	(33)	–	–
Interest-bearing loans and borrowings	29	(32,672)	(28,343)	–	–
Other payables	27	(6)	–	–	–
Deferred tax liabilities	17	(1,479)	(660)	–	–
		(34,184)	(29,036)	–	–
Net Assets		**138,433**	**166,236**	**54,882**	**51,107**
Equity					
Share capital	30	40,725	40,719	40,725	40,719
Treasury shares	30	(317)	(317)	(317)	(317)
Reserves	31	97,762	125,550	14,474	10,705
		138,170	165,952	54,882	51,107
Non-controlling interest		263	284	–	–
Total Equity		**138,433**	**166,236**	**54,882**	**51,107**

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2014

Group 2014	Share capital US$'000	Treasury shares US$'000	Foreign currency translation reserve US$'000	Asset revaluation reserve US$'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 2014	40,719	(317)	(1,578)	60	1,591	125,477	165,952	284	166,236
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(13,237)**	**(13,237)**	**(364)**	**(13,601)**
Other comprehensive income									
Foreign currency translation	–	–	(8,746)	–	–	–	(8,746)	–	(8,746)
Share of other comprehensive loss of associates	–	–	(3,638)	–	–	–	(3,638)	–	(3,638)
Total comprehensive loss for the year	**–**	**–**	**(12,384)**	**–**	**–**	**(13,237)**	**(25,621)**	**(364)**	**(25,985)**
Contributions by and distributions to owners									
Dividends paid to equity shareholders of the Company (Note 10)	–	–	–	–	–	(2,384)	(2,384)	–	(2,384)
Value of employee services received for issue of share options	–	–	–	–	218	–	218	–	218
Issuance of new shares	5	–	–	–	–	–	5	–	5
Exercise of share options	1	–	–	–	(1)	–	–	–	–
Total contributions by and distributions to owners	**6**	**–**	**–**	**–**	**217**	**(2,384)**	**(2,161)**	**–**	**(2,161)**
Changes in ownership interests in subsidiaries									
Capital injection from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	396	396
Disposal of interest in a subsidiary	–	–	–	–	–	–	–	(53)	(53)
Total changes in ownership interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**343**	**343**
Total transactions with owners in their capacity as owners	**6**	**–**	**–**	**–**	**217**	**(2,384)**	**(2,161)**	**343**	**(1,818)**
Balance as at 31 December 2014	**40,725**	**(317)**	**(13,962)**	**60**	**1,808**	**109,856**	**138,170**	**263**	**138,433**

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to equity shareholders of the Company								
Group **2013**	**Share capital** US$'000	**Treasury shares** US$'000	**Foreign currency translation reserve** US$'000	**Asset revaluation reserve** US$'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 2013	40,464	(317)	974	60	1,136	119,097	161,414	6	161,420
Profit for the year	**–**	**–**	**–**	**–**	**–**	**11,696**	**11,696**	**(355)**	**11,341**
Other comprehensive income									
Foreign currency translation	–	–	(1,663)	–	–	–	(1,663)	–	(1,663)
Share of other comprehensive loss of associates	–	–	(889)	–	–	–	(889)	–	(889)
Total comprehensive (loss)/ income for the year	**–**	**–**	**(2,552)**	**–**	**–**	**11,696**	**9,144**	**(355)**	**8,789**
Contributions by and distributions to owners									
Dividends paid to equity shareholders of the Company (Note 10)	–	–	–	–	–	(5,316)	(5,316)	–	(5,316)
Value of employee services received for issue of share options	–	–	–	–	509	–	509	–	509
Issuance of new shares	201	–	–	–	–	–	201	–	201
Exercise of share options	54	–	–	–	(54)	–	–	–	–
Total contributions by and distributions to owners	**255**	**–**	**–**	**–**	**455**	**(5,316)**	**(4,606)**	**–**	**(4,606)**
Changes in ownership interests in subsidiaries									
Capital injection from non-controlling interests of subsidiaries, representing total changes in ownership interests in subsidiaries	–	–	–	–	–	–	–	633	633
Total transactions with owners in their capacity as owners	**255**	**–**	**–**	**–**	**455**	**(5,316)**	**(4,606)**	**633**	**(3,973)**
Balance as at 31 December 2013	**40,719**	**(317)**	**(1,578)**	**60**	**1,591**	**125,477**	**165,952**	**284**	**166,236**

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2014

Company 2014	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 2014	40,719	(317)	4,093	1,591	5,021	51,107
Profit for the year	**–**	**–**	**–**	**–**	**6,360**	**6,360**
Other comprehensive income						
Foreign currency translation	–	–	(424)	–	–	(424)
Total comprehensive (loss)/income for the year	**–**	**–**	**(424)**	**–**	**6,360**	**5,936**
Contributions by and distributions to owners						
Issuance of new shares	5	–	–	–	–	5
Exercise of share options	1	–	–	(1)	–	–
Dividends paid to equity shareholders of the Company (Note 10)	–	–	–	–	(2,384)	(2,384)
Value of employee services received for issue of share options	–	–	–	218	–	218
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	**6**	**–**	**–**	**217**	**(2,384)**	**(2,161)**
Balance as at 31 December 2014	**40,725**	**(317)**	**3,669**	**1,808**	**8,997**	**54,882**

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2014

Company 2013	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 2013	40,464	(317)	4,234	1,136	5,682	51,199
Profit for the year	**–**	**–**	**–**	**–**	**4,655**	**4,655**
Other comprehensive income						
Foreign currency translation	–	–	(141)	–	–	(141)
Total comprehensive (loss)/ income for the year	**–**	**–**	**(141)**	**–**	**4,655**	**4,514**
Contributions by and distributions to owners						
Issuance of new shares	201	–	–	–	–	201
Exercise of share options	54	–	–	(54)	–	–
Dividends paid to equity shareholders of the Company (Note 10)	–	–	–	–	(5,316)	(5,316)
Value of employee services received for issue of share options	–	–	–	509	–	509
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	**255**	**–**	**–**	**455**	**(5,316)**	**(4,606)**
Balance as at 31 December 2013	**40,719**	**(317)**	**4,093**	**1,591**	**5,021**	**51,107**

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

	2014 US$'000	2013 US$'000
Cash flows from operating activities		
(Loss)/profit from operations before taxation	(16,362)	12,691
Adjustments for:		
Bad debts written off	146	52
Depreciation of property, plant and equipment	4,367	3,297
Depreciation of investment properties	39	48
Loss/(gain) on disposal of property, plant and equipment	71	(10)
Write back of impairment loss of property, plant and equipment	–	(25)
Write back of impairment loss of investment property	–	(431)
Loss on disposal of investment property	78	–
Impairment of intangible assets	3,000	–
Write down of property, plant and equipment	106	–
Loss on disposal of a subsidiary	28	–
Provision for restructuring costs	554	–
Interest income	(74)	(122)
Interest expenses	564	235
Allowance for doubtful receivables	267	31
Inventories written down	197	315
Share of loss/(profit) of associates	337	(529)
Value of employee services received for issue of share options	218	509
Exchange realignment	(2,682)	(958)
Operating (loss)/profit before working capital changes	**(9,146)**	**15,103**
Decrease/(increase) in trade and other receivables	12,340	(870)
Increase in inventories	(2,871)	(16,131)
Increase/(decrease) in trade and other payables	2,829	(593)
Cash flows generated from/(used in) operations	**3,152**	**(2,491)**
Income taxes paid	(397)	(1,949)
Net cash flows generated from/(used in) operating activities	**2,755**	**(4,440)**
Cash flows from investing activities		
Interest income received	74	122
Purchase of property, plant and equipment	(15,733)	(28,561)
Purchase of investment property	–	(1,715)
Subsequent expenditure on investment property	(4,129)	–
Proceeds from disposal of property, plant and equipment	43	168
Proceeds from disposal of investment property	952	–
Dividend income from an associate	106	325
Capital injection in an associate	–	(1)
Net cash outflow on disposal of a subsidiary	(2)	–
Net cash flows used in investing activities	**(18,689)**	**(29,662)**

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

	2014 US$'000	2013 US$'000
Cash flows from financing activities		
Interest expenses paid	(564)	(293)
Proceeds from issuance of shares	5	201
Dividends paid to shareholders of the Company	(2,384)	(5,316)
Repayment of obligation under financial leases	(21)	(25)
Proceeds from obligation under financial lease	15	30
Repayment of interest-bearing loans and borrowings	(4,084)	(1,103)
Proceeds from interest-bearing loans and borrowings	13,777	20,770
Capital injection from non-controlling interest of a subsidiary	396	633
Net cash flows generated from financing activities	**7,140**	**14,897**
Net decrease in cash and cash equivalents	(8,794)	(19,205)
Effect of exchange rate changes on cash and cash equivalents	908	273
Cash and cash equivalents at beginning of year	27,664	46,596
Cash and cash equivalents at end of year (Note 25)	**19,778**	**27,664**

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 2014

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 2014 were authorised for issue in accordance with a resolution of the Directors on 20 March 2015.

The Company is a limited liability company, which is domiciled and incorporated 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 that of an investment holding company. The principal activities and other details of the subsidiaries are stated in Note 14 to the financial statements. There have been no significant changes in the nature of these activities during the financial year under review.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The Company's functional currency is Singapore Dollars ("S$" or "SGD") while the financial statements are presented in United States Dollars ("US$" or "USD"). The Group adopted USD as the presentation currency as it is more reflective of the business operations of the Group, where transactions are mostly in USD.

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

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective*

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 *Share Based Payment*	1 July 2014
(b) Amendments to FRS 103 *Business Combinations*	1 July 2014
(c) Amendments to FRS 108 *Operating Segments*	1 July 2014
(d) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(e) Amendments to FRS 16 *Property, Plant and Equipment and FRS 38 Intangible Assets*	1 July 2014
(f) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 *Business Combinations*	1 July 2014
(b) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2016
Amendments to FRS 110 *Consolidated Financial Statements*	1 January 2016
Amendments to FRS 111 *Joint Arrangements*	1 January 2016
Amendments to FRS 112 *Disclosure of Interests in Other Entities*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

Except for Amendments to FRS 27, FRS 115 and FRS 109, the Directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of Amendments to FRS 27, FRS 115 and FRS 109 is described below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

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

Amendments to FRS 27 *Equity Method in Separate Financial Statements*

Amendments to FRS 27 are effective for financial periods beginning on or after 1 January 2016. These amendments allow the equity method as an accounting option for investments in subsidiaries and joint ventures in an entity's separate financial statements. Upon adoption of Amendments to FRS 27, the dividend is recognised in profit or loss unless the entity elects to use the equity method, in which case the dividend is recognised as a reduction from the carrying amount of the investment.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 is effective for financial periods beginning on or after 1 January 2017. FRS 115 establishes a five-step model that apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles).

Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates.

FRS 109 *Financial Instruments*

FRS 109 is effective for financial periods beginning on or after 1 January 2018. FRS 109 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in FRS 39. The approach in FRS 109 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets, and enables companies to reflect their risk management activities better in their financial statements, and, in turn, help investors to understand the effect of those activities on future cash flows. FRS 109 is principle-based, and will more closely align hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group is currently evaluating the impact of the changes and assessing whether the adoption of Amendments to FRS 27, FRS 115 and FRS 109 will have an impact on the Group.

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 the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

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

(a) Basis of consolidation (cont'd)

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

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

(b) Business combinations and goodwill (cont'd)

The Group elects for each individual business combination, whether 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, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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 interests*

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 2014

2. Summary of significant accounting policies (cont'd)

2.6 *Foreign currency*

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

(a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss.

(b) Consolidated financial statements

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

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

2.7 *Subsidiaries*

A subsidiary is an 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 separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

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 account 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.9 *Property, plant and equipment*

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

Freehold and leasehold properties are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold and leasehold properties at the balance sheet date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

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

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.10 *Investment properties*

Investment properties are properties that are owned by the Group 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.

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

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

Investment properties are derecognised when either they have been disposed 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

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 either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Brand

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.12 *Financial instruments (cont'd)*

(a) Financial assets (cont'd)

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, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss 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.

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

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 of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.14 *Impairment of financial assets*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

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

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

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

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

(c) Available-for-sale financial assets

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

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

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

2.15 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and cash with banks or financial institutions, including fixed deposits and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

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 each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 *Government grants*

Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses, the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

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 recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.20 *Borrowing costs*

Borrowing costs are 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*

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.21 *Leases (cont'd)*

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(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 and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

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

2.23 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Sale of goods

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

(b) Rental income

Rental income arising from operating leases in investment properties is accounted for on a time apportionment basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) Dividend income

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

(d) Interest income

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.23 ***Revenue (cont'd)***

(e) Royalty income

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

(f) Marketing service income

Marketing service income is recognised when services are rendered.

(g) Packaging service income

Packaging service income is recognised when services are rendered.

2.24 ***Employee benefits***

(a) Defined contribution plans

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

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

(c) Termination benefit

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 benefits 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.24 *Employee benefits (cont'd)*

(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 balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

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 by the balance sheet date, in the countries where the Group operates and generates taxable income.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.25 *Taxes (cont'd)*

(b) Deferred tax

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.25 ***Taxes (cont'd)***

(b) Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

(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.

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 review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (cont'd)

2.27 *Share capital and share issue expenses*

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

2.28 *Treasury shares*

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. Significant accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgments made in applying accounting policies*

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

(a) Determination of lease classification

The Group has entered into commercial property leases on its investment properties. The Group evaluated the terms and conditions of the arrangements and assessed that the lease term does not constitute a substantial portion of the economic life of the commercial property and the minimum lease payment is not substantially all of the fair value of the leased asset. The Group determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

(b) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, 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 determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. 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 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 balance sheet date 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. Significant accounting estimates and judgments (cont'd)

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

(a) Impairment of intangible assets

As disclosed in Note 16 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 models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use are disclosed and further explained in Note 16 to the financial statements.

(b) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future cash inflows based on expected revenues from existing orders and contracts for the next 10 years.

Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised on the unused tax losses. The carrying value of recognised tax losses at 31 December 2014 was US$25,306,000 (2013: US$1,014,000) and the unrecognised tax losses at 31 December 2014 was US$21,801,000 (2013: US$10,693,000).

If the Group was able to recognise all unrecognised deferred tax assets, (loss)/profit would increase by US$4,498,000 (2013: US$2,281,000).

(c) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. Significant accounting estimates and judgments (cont'd)

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

(c) Impairment of loans and receivables (cont'd)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 24 to the financial statements. If the present value of estimated future cash flows decrease by 10% from management's estimates, the Group's allowance for impairment will increase by US$4,088,000 (2013: increase by US$5,190,000).

4. Revenue

Revenue is analysed as follows:

	Group	
	2014	**2013**
	US$'000	US$'000
Sale of goods	249,028	255,806
Rental income	175	184
Royalty income	–	353
Marketing service fee	–	5,370
Packaging service fee	311	1,173
	249,514	262,886

5. Other income

	Group	
	2014	**2013**
	US$'000	US$'000
Write back of impairment loss of property, plant and equipment	–	25
Write back of impairment loss of investment property	–	431
(Loss)/gain on disposal of property, plant and equipment	(149)	10
Interest income from		
- Bank deposits	35	80
- Associates	–	30
- Other receivables	39	12
Grant income	61	2
Sales of scrapped items	23	24
Incentives	112	107
Insurance claim	112	–
Other income	206	179
	439	900

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

6. Staff costs

	Group 2014 US$'000	Group 2013 US$'000
Salaries, wages and other staff benefits	31,750	29,512
Employer's contribution to defined contribution plans, including Central Provident Fund	4,649	4,583
Termination benefits due to restructuring	554	–
Value of employee services received for issue of share options	218	509
	37,171	34,604

Directors' remuneration included in staff costs are as follows:

	Group 2014 US$'000	Group 2013 US$'000
Directors' remuneration		
- Directors of the Company		
- Salaries and other remuneration	801	1,566
- Employer's contribution to defined contribution plans including Central Provident Fund	18	17
- Value of employee services received for issue of share options	70	140
	889	1,723

7. Finance costs

	Group 2014 US$'000	Group 2013 US$'000
Interest expenses on:		
Bank loans	554	216
Others	10	19
	564	235

For the financial year ended 31 December 2013, interest expenses on others included interest charged on advances extended by the seller of the Group's subsidiaries approximating US$3,370,000, bearing an interest of 3%. The advance has been settled as at 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

8. (Loss)/profit before taxation

The following items have been included in arriving at (loss)/profit before taxation:

	Group	
	2014	**2013**
	US$'000	US$'000
Audit fees paid to		
- Auditors of the Company	161	156
- Other auditors	228	213
Non-audit fees paid to		
- Auditors of the Company	10	16
- Other auditors	73	57
Directors' fee		
- Directors of the Group	262	266
Foreign exchange loss	29,176	2,062
Other operating expenses		
- Allowance for doubtful receivables	267	31
- Inventories written down	197	315
- Impairment of intangible assets	3,000	–
- Advertising and promotion expenses	27,544	44,959
- Legal and professional fees	1,297	2,252
- Freight and demurrage charges	7,251	6,199
- Manufacturing overheads	7,019	5,589
- Office upkeep and administrative expenses	3,285	2,958
- Bad debts written off	146	52

9. Taxation

Major components of income tax expenses

The major components of income tax expenses for the years ended 31 December 2014 and 2013 are:

	Group	
	2014	**2013**
	US$'000	US$'000
Consolidated income statement		
Current income tax		
- Current income taxation	139	1,326
- (Over)/under provision in respect of prior years	(626)	256
	(487)	1,582
Deferred income tax		
- Tax losses	(2,192)	–
- Origination and reversal of temporary differences	(82)	(232)
Income tax (credit)/expense recognised in profit or loss	(2,761)	1,350

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

9. Taxation (cont'd)

Relationship between tax expense and accounting profit

The reconciliation between the tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 are as follows:

	Group	
	2014	**2013**
	US$'000	US$'000
Accounting (loss)/profit before tax	(16,362)	12,691
Tax at statutory tax rate of 17%	(2,782)	2,158
Adjustments:		
Non-deductible expenses	2,161	875
Income not subject to taxation	(2,003)	(341)
Effect of partial tax exemption and tax relief	(21)	(12)
Deferred tax assets not recognised	4,498	2,281
Effect of different tax rates in other countries	(3,918)	(3,810)
(Over)/under provision in respect of previous years taxation	(626)	256
Others	(70)	(57)
Income tax (credit)/expense recognised in profit or loss	(2,761)	1,350

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

10. Dividends

	Group and Company	
	2014	**2013**
	US$'000	US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2013: S$0.00563 (2013: S$0.01231 for 2012) per share	2,384	5,316
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- Final exempt (one-tier) dividend for 2014: S$Nil (2013: S$0.00563 for 2013) per share	–	2,372

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

11. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share are calculated by dividing the (loss)/profit for the year from continuing operations, net of tax, attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The following table reflects the (loss)/profit and share data used in the computation of basic (loss)/earnings per share for the years ended 31 December:

	Group	
	2014	**2013**
	US$'000	US$'000
Net (loss)/profit for the year used in computing basic (loss)/earnings per share	(13,237)	11,696
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic (loss)/earnings per share computation	532,736	532,594

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share are calculated by dividing the (loss)/profit for the year (after deducting dividends) from continuing operations, net of tax, attributable to original equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

11. (Loss)/Earnings per share (cont'd)

(b) Diluted (loss)/earnings per share (cont'd)

The following table reflects the (loss)/profit and share data used in the computation of dilutive (loss)/earnings per share for the years ended 31 December:

	Group	
	2014	**2013**
	US$'000	US$'000
Net (loss)/profit for the year used in computing diluted (loss)/earnings per share	(13,237)	11,696
	No. of shares '000	No. of shares '000
Weighted average number of shares issued, used in the calculation of basic (loss)/earnings per share *	532,736	532,594
Effect of dilution:		
Weighted average number of unissued ordinary shares under option	–	11,141
Number of shares that would have been issued at fair value	–	(6,789)
Weighted average number of ordinary shares adjusted for the effect of dilution which is used for diluted (loss)/earnings per share computation*	532,736	536,946

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

There is no dilution of (loss)/earnings per share for the financial year ended 31 December 2014 as the Group is in a net loss position.

In the financial year ended 31 December 2013, there are 4,880,000 share options granted to employees under the existing employee share options plans that have not been included in the calculations of diluted (loss)/earnings per share because they are anti-dilutive.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

12. Property, plant and equipment

Group	Freehold properties	Leasehold properties	Plant and machinery, furniture and other equipment	Factory and office equipment and computers	Forklifts and motor vehicles	Renovation, air conditioners, electrical installation and leasehold improvements	Capital work-in-progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost								
At 1 January 2013	12,365	9,958	14,968	3,375	1,918	3,376	164	46,124
Additions	–	6,235	4,289	744	472	132	20,397	32,269
Disposals	–	–	(177)	(93)	(120)	(25)	–	(415)
Reclassifications	–	–	908	211	40	343	(1,502)	–
Exchange realignment	(249)	(64)	(513)	(38)	(34)	(51)	(12)	(961)
At 31 December 2013 and 1 January 2014	12,116	16,129	19,475	4,199	2,276	3,775	19,047	77,017
Additions	96	81	1,188	742	213	293	13,120	15,733
Disposals	–	–	(252)	(235)	(62)	(44)	–	(593)
Reclassifications	4,747	6,624	8,098	334	150	1,532	(21,485)	–
Transfer to asset held for sale	–	(2,653)	(464)	(251)	–	(148)	–	(3,516)
Exchange realignment	(309)	(2,190)	(4,146)	(427)	(441)	(607)	(73)	(8,193)
At 31 December 2014	16,650	17,991	23,899	4,362	2,136	4,801	10,609	80,448

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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 2013	100	2,346	6,690	1,903	803	720	–	12,562
Charge for the year	59	393	1,682	562	324	277	–	3,297
Disposals	–	–	(59)	(84)	(99)	(15)	–	(257)
Write back impairment loss	–	(25)	–	–	–	–	–	(25)
Exchange realignment	(5)	67	(129)	24	(3)	(7)	–	(53)
At 31 December 2013 and 1 January 2014	154	2,781	8,184	2,405	1,025	975	–	15,524
Charge for the year	124	486	2,307	652	346	452	–	4,367
Disposals	–	–	(202)	(222)	(17)	(30)	–	(471)
Reclassifications	–	–	18	(21)	3	–	–	–
Transfer to asset held for sale	–	(2,110)	(464)	(251)	–	(148)	–	(2,973)
Exchange realignment	(11)	(222)	(1,892)	(196)	(207)	(70)	–	(2,598)
At 31 December 2014	267	935	7,951	2,367	1,150	1,179	–	13,849
Net carrying amount								
At 31 December 2014	16,383	17,056	15,948	1,995	986	3,622	10,609	66,599
At 31 December 2013	11,962	13,348	11,291	1,794	1,251	2,800	19,047	61,493

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

12. Property, plant and equipment (cont'd)

Company

	Motor vehicle US$'000
Cost	
At 31 December 2013 and 1 January 2014	235
Exchange realignment	(11)
At 31 December 2014	224
Accumulated depreciation	
At 31 December 2013 and 1 January 2014	102
Charge for the year	47
Exchange realignment	(7)
At 31 December 2014	142
Net carrying amount	
At 31 December 2014	82
At 31 December 2013	133

The Group's freehold properties included US$8,998,000 (2013: US$9,181,000) which relate to freehold land.

Based on valuations performed by independent appraisers, Allied Appraisal Consultants Pte Ltd for properties in Singapore, BDO LLP for properties in Ukraine, Viet Valuation and Consulting Co., Ltd for properties in Vietnam, and Henry Butcher Malaysia (Johor) Sdn Bhd and PA International Property Consultants Sdn Bhd for properties in Malaysia in 2014 (2013: Allied Appraisal Consultants Pte Ltd for properties in Singapore, BDO LLP for properties in Ukraine, and Henry Butcher Malaysia (Johor) Sdn Bhd and PA International Property Consultants Sdn Bhd for properties in Malaysia), there are no impairment required for the carrying amounts of these properties.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

12. Property, plant and equipment (cont'd)

Capitalisation of borrowing costs

The Group's capital work-in-progress includes borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of factories and buildings. During the financial year, the borrowing costs capitalised as cost of capital work-in-progress amounted to US$231,000 (2013: US$58,000). The rates used to determine the amount of borrowing costs eligible for capitalisation range from 1.62% to 2.46% (2013: 1.78% to 2.50%), which are the effective interest rates of the specific borrowings.

Assets held under finance leases

During the financial year, the Group acquired forklifts and motor vehicles with an aggregate cost of US$17,000 (2013: US$40,000) of which US$2,000 (2013: US$10,000) was settled by cash and remaining US$15,000 (2013: US$30,000) by finance lease. As at the end of the financial year, the net carrying amount of the forklifts and motor vehicles held under finance leases were US$44,000 (2013: US$37,000). The leased assets are pledged as security for the related finance lease liabilities.

Assets pledged as security

The portion of the freehold property at 31 Harrison Road, Singapore 369649, whose carrying amount was US$6,649,000 as at 31 December 2014 (2013: US$7,005,000) was mortgaged to secure bank loans (Note 29).

The freehold property at GM 1780, Lot 1723, Tempat Batu 9¼, Jalan Kapar, Mukim Kapar, Daerah Klang, Selangor whose carrying amount was US$9,694,000 as at 31 December 2014 (2013: US$4,917,000) 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 carrying amount was US$12,620,000 as at 31 December 2014 (2013: US$6,200,000) was mortgaged to secure bank loans (Note 29).

Assets held for sale

During the financial year ended 31 December 2014, the Group's wholly owned subsidiary, FES Industries Pte Ltd ("FESS"), has ceased its production operations at 8 and 10 Chin Bee Drive. The decision is consistent with the Group's strategy to streamline, restructure and consolidate its regional packing, distribution and supply chain management centre in Port Klang putting the Group in a position to operate competitively in the years ahead. As at 31 December 2014, the fixed assets of FESS which are to be sold to external parties with carrying amount of US$543,000 have been presented in the balance sheet as "Assets held for sale".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

13. Investment properties

	Group	
	2014	**2013**
	US$'000	US$'000
Cost		
At 1 January	13,803	12,280
Additions	4,129	1,952
Disposals	(1,396)	–
Exchange realignment	(691)	(429)
At 31 December	15,845	13,803
Accumulated depreciation and impairment loss		
At 1 January	472	880
Charge for the year	39	48
Disposals	(366)	–
Write back impairment loss	–	(431)
Exchange realignment	(5)	(25)
At 31 December	140	472
Net carrying amount		
At 31 December	15,705	13,331
Income statement:		
Rental income from investment properties:		
- Minimum lease payments	167	174
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	83	115
- Non-rental generating properties	270	268

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.

Assets under construction

The Group's investment properties included US$5,817,000 (2013: US$1,933,000) which relate to expenditure for a property in the course of construction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

13. Investment properties (cont'd)

Properties pledged as security

The portion of the freehold property at 31 Harrison Road, Singapore 369649, whose net carrying amount was US$3,812,000 as at 31 December 2014 (2013: US$4,017,000) was mortgaged to secure bank loans (Note 29).

The freehold property at 81 Playfair Road, Singapore 367999, whose net carrying amount was US$11,893,000 as at 31 December 2014 (2013: US$8,282,000) was mortgaged to secure bank loans (Note 29).

Disposal of investment property

On 8 May 2014, the Group has disposed of its investment property, No. 30 Mandai Estate, Singapore 729918, for US$952,000, resulting in a loss on disposal of US$78,000.

Valuation of investment properties

Based on valuations performed by independent appraisers, Allied Appraisal Consultants Pte Ltd, on 31 December 2014 (2013: 31 December 2013), there are no impairment required for the carrying amounts of these properties. For the financial year ended 31 December 2013, an impairment loss of US$431,000 which was previously recognised has been written back during the year based on the valuation performed.

The valuations are estimates of the amounts for which the assets could be exchanged between a knowledgeable willing buyer and knowledgeable willing seller on an arm's length transaction at the valuation date. The fair value of the investment properties is determined at US$28,361,000 (2013: US$21,236,000).

Details of investment properties

The investment properties held by the Group as at 31 December 2014 are as follows:

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

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

14. Investment in subsidiaries

	Company	
	2014	2013
	US$'000	US$'000
Unquoted shares, at cost	44,894	44,894
Impairment losses	(349)	(349)
Carrying amount of investments	44,545	44,545

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

14. Investment in subsidiaries (cont'd)

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

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2014 %	2013 %
Held by the Company			
Future Enterprises Pte Ltd [(1)] (Singapore)	Sales and marketing of instant food and beverages	100	100
Future Corporation Pte Ltd [(1)] (Singapore)	Property investment holding	100	100
Masters Corporation 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 [(1)] (Singapore)	Manufacturing and processing of instant food and beverages	100	100
FES Industries Sdn Bhd [(2)] (Malaysia)	Manufacturing and processing of instant food and beverages	100	100
FES (Mauritius) Ltd [(2)] (Mauritius)	Dormant	100	100
Foodaworld Marketing Pte Ltd [(1)] (Singapore)	Dormant	100	100
Food Empire Real Estates Pte Ltd [(1)] (Singapore)	Property investment holding	100	100
FER (HK) Limited [(3)] (Hong Kong)	Sales and marketing of instant food and beverages	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

14. Investment in subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2014 %	2013 %
Held by Future Enterprises Pte Ltd (cont'd)			
PT Empire Prima Indonesia (8) (Indonesia)	Distribution, procurement, wholesale and trade of beverage products	–	60
Empire Distribution (Europe) Spółka Z Ograniczona Odpowiedzialnoscia (5) (Poland)	Distribution, procurement, wholesale and trade of beverage products	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 (10) (Inner Mongolia)	Trading (import and export) of Group's products	100	100
Empire Food Trading Co Ltd (12) (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	–
Held by Foodaworld Marketing Pte Ltd			
Lovena Limited (4) (Cyprus)	Investment holding	100	100
Pavo Holding Limited (4) (Cyprus)	Investment holding	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

14. Investment in subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2014 %	2013 %
Held by Pavo Holding Limited			
Delta Future [5] (Ukraine)	Manufacturing of food products	100	100
FE Production Ltd [5] (Ukraine)	Manufacturing of food products	100	100
Held by Lovena Limited			
FES UKR LLC [2] (Ukraine)	Preparation, packaging and distribution of instant beverages	100	100
Held by FES Industries Pte Ltd			
FES (Vietnam) Co., Ltd [2] (Vietnam)	Manufacturing and distribution of instant food and beverages	100	100
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
Navas Services Limited [6] (Cyprus)	Investment holding	100	100
Bexar Limited [6] (Cyprus)	Licensing, management and finance support	100	100
Held by Navas Services Limited			
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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

14. Investment in subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2014 %	2013 %
Held by Bexar Limited			
Naturant System Inc. [(5)] (British Virgin Islands)	Investment holding	100	100
Ukragroinvest-2005 [(2)] (Ukraine)	Ownership and leasing of factory space and equipment to FES UKR LLC	100	100
Jointly held by FES International FZE and Future Enterprises Pte Ltd			
FES Marketing LLP [(7)] (Russia)	Providing royalty and trade-mark contract service; and trade and marketing services	100	100
Held by EPIQ Food Services Pte Ltd			
BVBA Food Expert [(9)] (Belgium)	Wholesale of food products	100	100
Held by Future Investment Holdings Pte Ltd			
Food Land Empire Pte Ltd [(1)] (Singapore)	General wholesale trade	70	70
Food Land Investment Holdings 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
Held by Food Land Investment Holdings Pte Ltd			
Food Land Manufacturing Co., Ltd [(5)] (Myanmar)	Manufacturing and processing of instant food and beverages	70	70

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

14. Investment in subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2014 %	2013 %
Jointly held by EPIQ Food Services Pte Ltd and Future Investment Holdings Pte Ltd			
Global Food Excellence Ltd [11] (Nigeria)	Marketing support of Group's products	100	100
Indus Coffee Private Limited [13] (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 open cafes and restaurants to sell premium tea and coffee	72	72

(1) Audited by Ernst & Young LLP, Singapore.
(2) Audited by associated firms of Ernst & Young LLP, Singapore.
(3) Audited by S.B. Chow & Co., Certified Public Accountants (Practising), 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 JIB Audit and Accounting Ltd, Cyprus.
(7) Audited by Alinga Consulting LLC.
(8) Audited by HLB Hadori Sugiarto Adi & Rekan (member of HLB International).
(9) Audited by BDO Belgium.
(10) Audited by Hohhot Zhicheng Certified Public Accountants Co., Ltd. (Inner Mongolia).
(11) Audited by UHY Maaji and Co. (Nigeria).
(12) Audited by Evident Audit LLC (Mongolia).
(13) Audited by Jyothirmayi & Associates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

14. Investment in subsidiaries (cont'd)

Disposal of subsidiary

On 1 September 2014, the Group entered into a sale agreement to dispose of 60% of its interest in its subsidiary, PT Empire Prima Indonesia ("EPI") at its carrying value. The disposal consideration was fully settled in cash. The disposal was completed on 30 September 2014, on which the date control of EPI passed to the acquirer.

The value of assets and liabilities of EPI recorded in the consolidated statements as at 31 August 2014, and the effects of the disposal were:

	2014 US$'000
Property, plant and equipment	9
Trade and other receivables	72
Inventories	1
Deferred tax assets	9
Cash and cash equivalents	38
	129
Trade and other payables	(29)
	100
Consideration settled in cash	36
Less: Cash and cash equivalents of the subsidiary	(38)
Net cash outflow on disposal of a subsidiary	(2)
Loss on disposal:	
Cash received	36
Net assets derecognised	(100)
Net assets attributable to NCI	53
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on disposal of a subsidiary	(17)
Loss on disposal	(28)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

15. Investment in associates

The Group's investments in associates are summarised below:

	Group	
	2014	2013
	US$'000	US$'000
Other associates, at cost	12,831	12,831
Share of net post-acquisition reserves	(2,105)	1,975
	10,726	14,806

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

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2014 %	2013 %
Held by subsidiaries			
Simonelo Limited [1] (Cyprus)	Investment holding	50	50
Triple Ace Ventures Limited [2] (British Virgin Islands)	Investment holding	50	50
PT Marindo Makmur Usahjaya [3] (Indonesia)	Manufacturing of frozen seafood products	40	40
Empire Tea (PVT) Ltd [4] (Sri Lanka)	Exporter of bulk, packet and bagged tea	30	30

(1) Audited by KPMG Cyprus.

(2) Not required to be audited by the law of its country of incorporation.

(3) Audited by Drs. Suprihadi dan Rekan, Indonesia.

(4) Audited by HLB Edirisinghe & Company, Sri Lanka.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

15. Investment in associates (cont'd)

The summarised financial information of the associates is as follows:

	Group	
	2014	**2013**
	US$'000	US$'000
Assets and liabilities:		
Total assets	58,240	68,748
Total liabilities	36,012	38,715
Revenue	74,589	76,846
(Loss)/profit for the year	(275)	1,733

16. Intangible assets

		Group	
	Goodwill	**Brand**	**Total**
	US$'000	US$'000	US$'000
Cost			
At the beginning and end of the year for financial year 2014 and 2013	7,390	8,361	15,751
Less: Impairment			
At 1 January 2014	706	1,702	2,408
Impairment loss	–	3,000	3,000
At 31 December 2014	706	4,702	5,408
Net carrying amount			
At 31 December 2014	6,684	3,659	10,343
At 31 December 2013	6,684	6,659	13,343

Impairment testing of goodwill and brand

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

The carrying amounts of goodwill and brands allocated to each CGU are as follows:

	Group	
	2014	**2013**
	US$'000	US$'000
FER (HK) Limited Group	4,797	4,797
FES Industries Pte Ltd and Empire Manufacturing Sdn Bhd	1,887	1,887
Brand	3,659	6,659
	10,343	13,343

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

16. Intangible assets (cont'd)

The recoverable amount of the CGUs have been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period are as follows:

	FER (HK) Limited Group		FES Industries Pte Ltd and Empire Manufacturing Sdn Bhd [1]		Brand	
	2014	2013	2014	2013	2014	2013
Growth rates	1.0%	2.5%	1.0%	1.0%	0.68%	2.5%
Pre-tax discount rates	15.0%	14.0%	5.4%	8.7%	16.5%	14.0%

[1] Resulting from transfer of assets from FES Industries Pte Ltd to Empire Manufaturing Sdn Bhd, the CGU has been expanded to include Empire Manufacturing Sdn Bhd.

Key assumptions used in the value-in-use calculations

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

Forecasted sales values – For the first 5 years of forecasted growth, sales values are based on actual values achieved in the years preceding the start of the budget period. These are adjusted over the budget period of the next 5 years resulting from increased advertising and promotional effects. An average of 5% (2013: 9%) for brand per annum was applied. A range of 5% to 13% (2013: 7% to 17%) for goodwill per annum were applied.

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

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

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use for the 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

16. Intangible assets (cont'd)

Impairment loss recognised

The brand is regarded as having indefinite useful life and is not amortised. The brand value recognised will be tested for impairment annually.

During the financial year, the Group recognised an impairment loss charge of US$3,000,000 (2013: Nil) on its brand - Petrovskaya Sloboda (acquired in 2007), reducing the carrying amount of the brand to US$3,659,000 (2013: US$6,659,000). The impairment loss charge is recorded in the profit and loss under the line item "Other operating expenses".

17. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group	
	2014	**2013**
	US$'000	US$'000
Deferred tax assets		
Sundry provision	419	337
Unutilised tax losses	2,650	281
	3,069	618
Deferred tax liabilities		
Excess of net book value over tax written down value	(1,479)	(660)

At the balance sheet date, the Group has tax losses of approximately US$21,801,000 (2013: US$10,693,000) that are available for offset against future taxable profits of the companies in which the losses arose. Deferred tax asset amounting to US$4,498,000 (2013: US$2,281,000) are not recognised due to uncertainty of its recoverability. The use of these unutilised tax losses are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

18. Other receivables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	US$'000	US$'000	US$'000	US$'000
Staff advances	512	845	–	–
Advance payment	821	1,177	–	–
Sundry receivables	347	302	67	–
Tax recoverable	1,271	816	–	–
	2,951	3,140	67	–

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

19. Inventories

	Group	
	2014	2013
	US$'000	US$'000
Balance sheet:		
Raw materials	20,960	15,057
Packaging materials	8,443	9,052
Finished products/trading goods	16,259	18,879
Total inventories at lower of cost and net realisable value	45,662	42,988
Income statement:		
Inventories recognised as an expense in cost of sales	134,268	139,060
Inclusive of the following charge:		
- Inventories written down	197	315

20. Prepaid operating expenses and other debtors

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Deposits	330	333	–	–
Prepayments	3,973	6,561	31	34
	4,303	6,894	31	34

Prepayments include advance payment for purchase of land in relation to new factory in Chennai, India, amounting to US$1,350,000 (2013: US$1,330,000).

21. Amounts due from/(to) subsidiaries (non-trade)

	Company	
	2014	2013
	US$'000	US$'000
Amounts due from subsidiaries	12,272	10,230
Allowance for doubtful receivables	(1,679)	(2,688)
	10,593	7,542
Amount due to a subsidiary	(147)	(22)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

22. Amounts due from/(to) associates (non-trade)

	Group	
	2014	2013
	US$'000	US$'000
Amounts due from associates	–	169
Amount due to associates	(63)	–

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

23. Amounts due from related parties (trade)

	Group	
	2014	2013
	US$'000	US$'000
Unsecured, interest free and with 60 to 270 days' credit terms	2,098	1,024

24. Trade receivables

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Trade receivables	40,884	51,904	3	–
Allowance for doubtful receivables	(479)	(380)	–	–
	40,405	51,524	3	–

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.

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

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
United States Dollar	318	279	–	–
Singapore Dollar	92	226	–	–
Euro	195	162	–	–
Malaysia Ringgit	144	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

24. Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$13,068,000 (2013: US$15,921,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2014	**2013**
	US$'000	US$'000
Trade receivables past due but not impaired:		
Less than 91 days	9,240	14,793
91 to 120 days	588	558
More than 120 days	3,240	570
	13,068	15,921

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group *Individually impaired*	
	2014	**2013**
	US$'000	US$'000
Trade receivables – nominal amounts	479	380
Allowance for impairment	(479)	(380)
	–	–
Movement in allowance accounts:		
At 1 January	380	363
Charge for the year	267	31
Bad debts written off against provision	(168)	(14)
At 31 December	479	380

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

For the year ended 31 December 2014, net impairment loss on trade receivables of US$267,000 (2013: US$31,000) was recognised in the profit or loss subsequent to a debt recovery assessment performed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

25. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Cash and bank balances	19,778	27,664	222	37

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging from 0.1% to 0.5% (2013: 0.1% to 0.5%) per annum.

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

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
United States Dollar	580	321	–	–
Singapore Dollar	347	587	–	–
Euro	1,801	610	–	–
Russian Ruble	987	61	–	–
Malaysia Ringgit	28	512	–	–
Indian Rupee	1,950	3,363	–	–
Arab Emirates Dirham	140	246	–	–

26. Trade payables and accruals

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Trade payables	26,948	18,197	29	56
Accruals	8,561	13,066	456	1,079
Total trade payables and accruals	35,509	31,263	485	1,135

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

26. Trade payables and accruals (cont'd)

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

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
United States Dollar	131	83	–	–
Singapore Dollar	517	2,234	–	–
Euro	132	69	–	–
Russian Ruble	–	5	–	–
Indian Rupee	312	8	–	–
Malaysia Ringgit	731	743	–	–
Others	–	16	–	–

27. Other payables

	Group	
	2014	2013
	US$'000	US$'000
Current		
Rental and other deposits	87	61
Advance payment received from customers	888	–
Payables for purchase of property, plant and equipment	731	1,009
Sundry payables	2,719	4,803
Other payables	4,425	5,873

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

	Group	
	2014	2013
	US$'000	US$'000
Non-current		
Other payables	6	–

28. Amounts due to associates (trade)

	Group	
	2014	2013
	US$'000	US$'000
Unsecured, repayable on demand and interest free	340	47

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

29. Interest-bearing loans and borrowings

	Maturity	Group 2014 US$'000	Group 2013 US$'000
Current			
- SGD loan at SWAP + 0.85% p.a.	2015	722	753
- USD loan at COF + 1.50% p.a.	2015	343	343
- SGD loan at COF + 1.25% p.a.	2015	563	37
- USD loan at COF + 2.35% p.a.	2015	1,470	1,229
- USD loan at COF + 1.70% p.a.	2015	2,473	1,304
- USD loan at SIBOR + 2.30% p.a.	2015	2,320	219
- USD loan at COF + 2.50% p.a.	2015	958	–
		8,849	3,885
Non-current			
- SGD loan at SWAP + 0.85% p.a.	2020	3,422	4,329
- USD loan at COF + 1.50% p.a.	2021	2,060	2,403
- SGD loan at COF + 1.25% p.a.	2024	5,098	4,379
- USD loan at COF + 2.35% p.a.	2018	3,823	3,686
- USD loan at COF + 1.70% p.a.	2018	6,123	6,018
- USD loan at COF + 1.70% p.a.	2019	3,276	3,578
- USD loan at SIBOR + 2.30% p.a.	2019	8,870	3,950
		32,672	28,343
Total loans and borrowings		41,521	32,228

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

For the financial year ended 31 December 2011, a subsidiary of the Group took up this loan to finance the purchase of the freehold property, 31 Harrison Road, Singapore 369649. The loan is secured by a mortgage of this freehold building. This loan includes a covenant which requires the subsidiary to be wholly owned by its holding company.

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

For the financial year ended 31 December 2011, a subsidiary of the Group has taken up the loan to finance the purchase of the freehold property, GM 1780, Lot 1723, Tempat Batu 9¼, Jalan Kapar, Mukim Kapar, Daerah Klang, Selangor. The loan is secured by a first mortgage over the freehold property. This loan includes a covenant which requires the subsidiary to be wholly owned by its ultimate holding company.

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

For the financial year ended 31 December 2011, a subsidiary of the Group has taken up the loan to finance the purchase of the freehold property, 81 Playfair Road, Singapore 367999. The loan is secured by a first mortgage over the freehold property. This loan includes a covenant which requires the subsidiary to be wholly owned by its ultimate holding company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

29. Interest-bearing loans and borrowings (cont'd)

USD loan at COF + 2.35% p.a.

For the financial year ended 31 December 2013, a subsidiary of the Group has taken up the loan to finance the construction and building of the factory, GM 1780, Lot 1723, Tempat Batu 9¼, Jalan Kapar, Mukim Kapar, Daerah Klang, Selangor. The loan is secured by a first mortgage over the property. This loan includes a covenant which requires the subsidiary to be wholly owned by its ultimate holding company.

USD loan at COF + 1.70% p.a.

For the financial year ended 31 December 2013, a subsidiary of the Group has taken up the loan to finance the land, construction and building of the factory and machineries, PLO 88 and PLO 89 in the Mukim Sungai Tiram District Johor Bahru, State of Johor Darul Takzim. The loan is secured by an Assignment and Power of Attorney over the lease agreement and fixed specific charge over assets. This loan includes a covenant which requires the subsidiary to be wholly owned by its ultimate holding company.

USD loan at SIBOR + 2.30% p.a.

For the financial year ended 31 December 2013, a subsidiary of the Group has taken up the loan to finance the land, construction and machineries costs in relation to new factory in Chennai, India. This facility is extended under Internationalisation Finance Scheme by IE Singapore. The loan is unsecured governed by corporate guarantee by the Company.

USD loan at COF + 2.50% p.a.

For the financial year ended 31 December 2014, two subsidiaries of the Group have taken up seperate trade financial loans to finance the purchase of goods, products, materials related to the subsidiaries. The loans are unsecured governed by corporate guarantee by the Company.

30. Share capital and treasury shares

(a) Share capital

	Group and Company	
	2014	**2013**
	US$'000	US$'000
Issued and fully paid:		
At beginning of the year		
533,721,999 (2013: 532,993,999) ordinary shares	40,719	40,464
Issued for cash under employee share option		
20,000 (2013 : 450,000) ordinary shares issued at exercised price of S$0.335	5	120
Nil (2013 : 208,000) ordinary shares issued at exercised price of S$0.315	–	52
Nil (2013 : 70,000) ordinary shares issued at exercised price of S$0.505	–	29
Transfer from share-based payment reserve	1	54
At end of the year	40,725	40,719

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. Share capital and treasury shares (cont'd)

(a) *Share capital (cont'd)*

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 a total of 10,142,000 (2013: 11,012,000) and 4,630,000 (2013: 4,880,000) ordinary shares respectively. Details of outstanding options are set out in Note 32.

(b) *Treasury shares*

	Group and Company			
	2014		2013	
	No. of shares '000	US$'000	No. of shares '000	US$'000
At 1 January and 31 December	1,001	(317)	1,001	(317)

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

31. Reserves

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Foreign currency translation reserve	(13,962)	(1,578)	3,669	4,093
Asset revaluation reserve	60	60	–	–
Share-based payment reserve	1,808	1,591	1,808	1,591
Accumulated profits	109,856	125,477	8,997	5,021
	97,762	125,550	14,474	10,705

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

31. Reserves (cont'd)

(b) Asset revaluation reserve

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

(c) Share-based payment reserve

The share-based payment reserve represents the equity-settled share options granted to employees (Note 32). 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.

32. Employee benefits

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:

(i) the controlling shareholders of the Company and their associates

(ii) Directors appointed by the controlling shareholders

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 is administered by the Remuneration Committee ("RC").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

32. 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 2014 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 1.1.2014	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 31.12.2014	Exercise price per share S$	Exercise period	Remaining contractual life (years)
2002 Option Scheme									
2004 Options	–	100,000	–	(100,000)	–	–	0.229	25 May 2006 to 24 May 2014	0.0
2010 Options	10	3,110,000	–	(250,000)	(20,000)	2,840,000	0.335	4 January 2011 to 3 January 2020	5.0
2011 Options (February)	16	3,880,000	–	(250,000)	–	3,630,000	0.505	1 February 2012 to 31 January 2021	6.1
2011 Options (December)	17	3,922,000	–	(250,000)	–	3,672,000	0.315	19 December 2012 to 18 December 2021	7.0
		11,012,000	–	(850,000)	(20,000)	10,142,000			
2012 Option Scheme									
2013 Options	22	4,880,000	–	(250,000)	–	4,630,000	0.669	8 March 2014 to 7 March 2023	8.0
		15,892,000	–	(1,100,000)	(20,000)	14,772,000			
Weighted average share price (S$)		0.473	–	0.435	0.335	0.476			

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

32. 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 2013 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 1.1.2013	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 31.12.2013	Exercise price per share S$	Exercise period	Remaining contractual life (years)
2002 Option Scheme									
2004 Options	1	100,000	–	–	–	100,000	0.229	25 May 2006 to 24 May 2014	0.4
2010 Options	11	3,560,000	–	–	(450,000)	3,110,000	0.335	4 January 2011 to 3 January 2020	6.0
2011 Options (February)	17	3,950,000	–	–	(70,000)	3,880,000	0.505	1 February 2012 to 31 January 2021	7.1
2011 Options (December)	19	4,130,000	–	–	(208,000)	3,922,000	0.315	19 December 2012 to 18 December 2021	8.0
		11,740,000	–	–	(728,000)	11,012,000			
2012 Option Scheme									
2013 Options	24	–	4,880,000	–	–	4,880,000	0.669	8 March 2014 to 7 March 2023	9.0
		11,740,000	4,880,000	–	(728,000)	15,892,000			
Weighted average share price (S$)		0.384	0.669	–	0.346	0.473			

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

32. Employee benefits (cont'd)

Out of the 14,772,000 (2013: 15,892,000) outstanding options on 31 December 2014, 11,994,000 (2013: 8,546,000) shares are exercisable as at 31 December 2014.

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

(a) *2004 Options*

	Group	
	Grant – 10 years	Grant – 5 years
Dividend yield (%)	3.05	3.05
Expected volatility (%)	38.81	38.81
Historical volatility (%)	38.81	38.81
Risk-free interest rate[1] (%)	2.039 - 2.687	1.413 - 2.175
Expected life of option[2] (years)	4.000 - 5.500	2.750 - 4.250
Weighted average share price (S$)	0.35	0.35

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

(b) *2010 Options*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

32. Employee benefits (cont'd)

(c) 2011 Options (February)

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

(d) 2011 Options (December)

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

(e) 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

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

No other features of the option grant were incorporated into the measurement of fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

33. Segment information

For management purposes, the Group is organised into 4 different business segments. Each business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from each other. The 4 main segments are:

(i) Russia
(ii) Ukraine
(iii) Kazakhstan and CIS countries (Uzbekistan, Turkmenistan, Azerbaijan and etc)
(iv) Others

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

In presenting information on the basis of geographical segments, the segment revenue and results are based on the geographical location of the customers.

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

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

In prior years, the operating segments were segregated into "Beverages" and "Others" segment. The comparative segment results have been restated accordingly.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

33. Segment information (cont'd)

	Russia		Ukraine		Kazakhstan and CIS countries		Others		Adjustments and eliminations		Per consolidated financial statements	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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	136,655	152,925	26,719	35,323	48,356	47,903	37,784	26,735	–	–	249,514	262,886
Inter-segment sales [(a)]	149	–	–	–	–	–	122,387	101,598	(122,536)	(101,598)	–	–
Total revenue	136,804	152,925	26,719	35,323	48,356	47,903	160,171	128,333	(122,536)	(101,598)	249,514	262,886
Results												
Segment results	(1,762)	12,510	(5,030)	3,818	8,756	5,644	20,232	46,792	(28,810)	(52,691)	(6,614)	16,073
Interest income	11	77	11	14	5	9	47	22	–	–	74	122
Interest expenses	(59)	(69)	(12)	(34)	(21)	(22)	(472)	(110)	–	–	(564)	(235)
Share of (loss)/profit of associates	(560)	377	–	–	–	–	223	152	–	–	(337)	529
Income tax credit/(expenses)	2,446	(1,279)	74	(25)	142	(19)	99	(27)	–	–	2,761	(1,350)
Non-controlling interest	64	11	–	–	–	–	300	344	–	–	364	355
Depreciation for property, plant and equipment	(1,431)	(1,670)	(719)	(943)	(227)	(265)	(1,990)	(419)	–	–	(4,367)	(3,297)
Depreciation for investment properties	(18)	(19)	(4)	(5)	(7)	(6)	(10)	(18)	–	–	(39)	(48)
Impairment of intangible assets	(1,924)	–	(1,076)	–	–	–	–	–	–	–	(3,000)	–
Other non-cash expenses [(b)]	(955)	(451)	(99)	(88)	(200)	(134)	(261)	220	–	–	(1,515)	(453)
(Loss)/profit attributable to equity shareholders of the Company	(4,188)	9,487	(6,855)	2,737	8,448	5,207	18,168	46,956	(28,810)	(52,691)	(13,237)	11,696

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

33. Segment information (cont'd)

	Russia		Ukraine		Kazakhstan and CIS countries		Others		Adjustments and eliminations		Per consolidated financial statements	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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	67,706	90,805	16,279	20,838	754	883	137,653	124,630	–	–	222,392	237,156
Liabilities												
Segment liabilities	(11,306)	(12,416)	(1,875)	(3,766)	(102)	(31)	(70,676)	(54,707)	–	–	(83,959)	(70,920)
Other Information												
Investment in associates	7,245	11,453	–	–	–	–	3,481	3,353	–	–	10,726	14,806
Additions to non-current assets	484	2,226	282	2,546	8	3	19,088	29,447	–	–	19,862	34,222

(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, provision for restructuring costs, loss on disposal of a subsidiary, write back of impairment loss of property, plant and equipment, write back of impairment loss of investment property 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 2014

33. Segment information (cont'd)

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

	Group	
	2014	**2013**
	US$'000	US$'000
Beverages	229,450	246,867
Others	19,269	16,019
Ingredients	795	–
	249,514	262,886

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

	Group	
	2014	**2013**
	US$'000	US$'000
Singapore	25,917	26,081
Malaysia	37,029	34,995
India	12,425	1,113
Russia	11,919	17,015
Ukraine	4,151	7,955
Others	1,206	1,008
	92,647	88,167

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

Information about major customers

Revenue from six major customers amounted to US$81,740,000 (2013: US$168,010,000), arising from sales and services in the Russia, Ukraine and Kazakhstan and CIS countries segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

34. 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	
	2014	**2013**
	US$'000	US$'000
Capital commitments in respect of property, plant and equipment	1,726	10,123
Capital commitments in respect of investment properties	1,243	3,504

Operating lease commitments as lessee

The Group leases certain properties under lease agreements which expire at various dates till 2020. Rental expenses were US$3,758,000 and US$3,368,000 for the years ended 31 December 2014 and 2013 respectively.

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

	Group	
	2014	**2013**
	US$'000	US$'000
Not later than one year	3,167	3,415
Later than one year but not later than five years	345	819
Later than five years	185	154
	3,697	4,388

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 three years as at 31 December 2014.

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

	Group	
	2014	**2013**
	US$'000	US$'000
Not later than one year	191	91
Later than one year but not later than five years	192	87
	383	178

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

34. Commitments and contingencies (cont'd)

Finance lease commitments

The Group has finance leases for motor vehicles. The leases contain purchase options but no terms of renewal or escalation clauses.

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

	Group			
	2014		2013	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	US$'000	US$'000	US$'000	US$'000
Not later than one year	19	19	20	19
Later than one year but not later than five years	28	27	35	33
Total minimum lease payments	47	46	55	52
Less: Amounts representing finance charges	(1)	–	(3)	–
Present value of minimum leases	46	46	52	52

Contingent liabilities

The Group has given corporate guarantees to banks amounting to US$151,066,000 (2013: US$162,169,000) to secure banking facilities granted to its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

35. 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:

	2014 US$'000	2013 US$'000
Group		
Triple Ace Ventures Limited and its subsidiaries [(a)]		
- Interest income received	–	30
- Rental expense paid	111	111
Simonelo Limited and its subsidiaries [(a)]		
- Rental expense paid	2,838	2,576
- Purchase of property, plant and equipment	–	6
- Purchase of construction materials	–	1
Companies associated to a controlling shareholder [(b)]		
- Sale of goods	3,117	1,706
Company		
Subsidiaries		
- Management fees received	647	1,114
- Dividend income received	6,161	6,011

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

(b) Companies associated to one of the controlling shareholder, Universal Integrated Corporation Consumer Products Pte. Ltd.

(b) Compensation of key management personnel

	Group 2014 US$'000	Group 2013 US$'000
Salaries, wages and other staff benefits	1,912	3,409
Central Provident Fund contributions	45	42
Value of employee services received for issue of share options	138	270
Total compensation paid to key management personnel	2,095	3,721

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

35. Related party transactions (cont'd)

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

	Group 2014 US$'000	Group 2013 US$'000
Comprise amounts paid to:		
Directors of the Group	889	1,723
Other key management personnel	1,206	1,998
Total compensation paid to key management personnel	2,095	3,721

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 32.

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

	Outstanding share options 2014 '000	Outstanding share options 2013 '000
Directors	6,800	6,800
Key management personnel	4,760	4,980
	11,560	11,780

36. Fair value of financial instruments

(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;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

36. Fair value of financial instruments (cont'd)

(a) *Fair value of hierarchy (cont'd)*

(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 2014 and 2013.

The following table shows an analysis of financial instruments carried at fair value at the end of the reporting period:

Movements in Level 3 financial instruments measured at fair value

2014	**Quoted prices in active markets for identical instruments** (Level 1) US$'000	**Significant other observable inputs** (Level 2) US$'000	**Significant unobservable inputs** (Level 3) US$'000	**Total** US$'000
Opening balance and closing balance	–	–	–	–

2013	**Quoted prices in active markets for identical instruments** (Level 1) US$'000	**Significant other observable inputs** (Level 2) US$'000	**Significant unobservable inputs** (Level 3) US$'000	**Total** US$'000
Opening balance	–	–	178	178
Transfer to other receivables	–	–	(178)	(178)
Closing balance	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

36. Fair value of financial instruments (cont'd)

(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, amount due from subsidiaries (non-trade), amount due from associates (non-trade), amount due from related parties (trade), trade and other payables, current finance lease creditors, and current interest-bearing loans and borrowing, amounts due to subsidiaries (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 and non-current interest-bearing loans and borrowings are reasonable approximation of fair values as their interest rate approximate the market lending rate.

(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 13.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

36. Fair value of financial instruments (cont'd)

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

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

Recurring fair value measurement

Description	**Fair value as at 31 December 2014** US$'000	**Valuation techniques**	**Key unobservable inputs**
Investment properties - Commercial			
- Singapore	28,361	Market comparison method	Transacted price of comparable properties [1]

Description	**Fair value as at 31 December 2013** US$'000	**Valuation techniques**	**Key unobservable inputs**
Investment properties - Commercial			
- Singapore	21,236	Market comparison method	Transacted price of comparable properties [1]
		Cost method	Total estimated construction cost to completion

[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.

<u>Change in valuation technique</u>

The valuation technique used to value the property at 81 Playfair Road, Singapore 367999 ("property"), was changed from cost method for the financial year ended 31 December 2013 to market comparison method for the financial year ended 31 December 2014. The property was under construction in 2013, therefore cost approach was used due to the absence of direct comparative data. As the property was in the final stages of construction in 2014, the market comparison method was a more accurate approach to value the property.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

36. Fair value of financial instruments (cont'd)

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

(i) 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 FRS 113 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 2014

36. Fair value of financial instruments (cont'd)

(c) Classification of financial instruments

	Fair value through profit or loss US$'000	Loans and receivables US$'000	Liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Group					
2014					
Assets					
Property, plant and equipment	–	–	–	66,599	66,599
Investment properties	–	–	–	15,705	15,705
Investment in associates	–	–	–	10,726	10,726
Intangible assets	–	–	–	10,343	10,343
Deferred tax assets	–	–	–	3,069	3,069
Inventories	–	–	–	45,662	45,662
Prepaid operating expenses and deposits	–	–	–	4,303	4,303
Assets held for sale	–	–	–	543	543
Deferred expenses	–	–	–	210	210
Amounts due from related parties (trade)	–	2,098	–	–	2,098
Trade receivables	–	40,405	–	–	40,405
Other receivables	–	2,951	–	–	2,951
Cash and cash equivalents	–	19,778	–	–	19,778
	–	65,232	–	157,160	222,392
Liabilities					
Trade payables and accruals	–	–	35,509	–	35,509
Other payables	–	–	4,344	87	4,431
Interest-bearing loans and borrowings	–	–	41,521	–	41,521
Finance lease creditors	–	–	46	–	46
Amounts due to associates (trade)	–	–	340	–	340
Amounts due to associates (non-trade)	–	–	63	–	63
Provision for taxation	–	–	–	570	570
Deferred tax liabilities	–	–	–	1,479	1,479
	–	–	81,823	2,136	83,959

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

36. Fair value of financial instruments (cont'd)

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

	Fair value through profit or loss US$'000	Loans and receivables US$'000	Liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Group					
2013					
Assets					
Property, plant and equipment	–	–	–	61,493	61,493
Investment properties	–	–	–	13,331	13,331
Investment in associates	–	–	–	14,806	14,806
Intangible assets	–	–	–	13,343	13,343
Deferred tax assets	–	–	–	618	618
Inventories	–	–	–	42,988	42,988
Prepaid operating expenses and deposits	–	–	–	6,894	6,894
Deferred expenses	–	–	–	162	162
Amounts due from associates (non-trade)	–	169	–	–	169
Amounts due from related parties (trade)	–	1,024	–	–	1,024
Trade receivables	–	51,524	–	–	51,524
Other receivables	–	3,140	–	–	3,140
Cash and cash equivalents	–	27,664	–	–	27,664
	–	83,521	–	153,635	237,156
Liabilities					
Trade payables and accruals	–	–	31,263	–	31,263
Other payables	–	–	5,812	61	5,873
Interest-bearing loans and borrowings	–	–	32,228	–	32,228
Finance lease creditors	–	–	52	–	52
Amounts due to associates (trade)	–	–	47	–	47
Provision for taxation	–	–	–	797	797
Deferred tax liabilities	–	–	–	660	660
	–	–	69,402	1,518	70,920

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

36. Fair value of financial instruments (cont'd)

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

	Loans and receivables US$'000	Liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Company				
2014				
Assets				
Property, plant and equipment	–	–	82	82
Investment in subsidiaries	–	–	44,545	44,545
Prepaid operating expenses	–	–	31	31
Amounts due from subsidiaries (non-trade)	10,593	–	–	10,593
Trade receivables	3	–	–	3
Other receivables	67	–	–	67
Cash and cash equivalents	222	–	–	222
	10,885	–	44,658	55,543
Liabilities				
Trade payables and accruals	–	485	–	485
Amounts due to subsidiaries (non-trade)	–	147	–	147
Provision for taxation	–	–	29	29
	–	632	29	661

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

36. Fair value of financial instruments (cont'd)

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

	Loans and receivables	Liabilities at amortised cost	Non-financial assets/ liabilities	Total
	US$'000	US$'000	US$'000	US$'000
Company				
2013				
Assets				
Property, plant and equipment	–	–	133	133
Investment in subsidiaries	–	–	44,545	44,545
Prepaid operating expenses	–	–	34	34
Amounts due from subsidiaries (non-trade)	7,542	–	–	7,542
Cash and cash equivalents	37	–	–	37
	7,579	–	44,712	52,291
Liabilities				
Trade payables and accruals	–	1,135	–	1,135
Amounts due to subsidiaries (non-trade)	–	22	–	22
Provision for taxation	–	–	27	27
	–	1,157	27	1,184

37. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

37. Financial risk management objectives and policies (cont'd)

(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, Ukraine, Kazakhstan and CIS countries. Hence, risk is concentrated on the trade receivables in these countries.

Exposure to credit risk

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

Credit risk concentration profile

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

	Group	
	2014	**2013**
	US$'000	US$'000
By country:		
Russia	19,626	26,453
Ukraine	5,706	7,296
Kazakhstan and CIS countries	8,285	10,088
Others	6,788	7,687
	40,405	51,524

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

37. Financial risk management objectives and policies (cont'd)

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 24.

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

At balance sheet date, approximately 21% (2013: 12%) 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.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

Group	Within 1 year US$'000	Within 1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
2014				
Financial assets:				
Trade and other receivables	43,356	–	–	43,356
Amount due to related parties (trade)	2,098	–	–	2,098
Cash and cash equivalents	19,778	–	–	19,778
Total undiscounted financial assets	65,232	–	–	65,232
Financial liabilities:				
Amounts due to associates (trade)	(340)	–	–	(340)
Amounts due to associates (non-trade)	(63)	–	–	(63)
Interest-bearing loans and borrowings	(9,619)	(29,919)	(4,216)	(43,754)
Finance lease creditors	(19)	(28)	–	(47)
Trade and other payables	(39,934)	–	–	(39,934)
Total undiscounted financial liabilities	(49,975)	(29,947)	(4,216)	(84,138)
Total net undiscounted financial assets/(liabilities)	15,257	(29,947)	(4,216)	(18,906)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

37. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Group	Within 1 year US$'000	Within 1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
2013				
Financial assets:				
Amounts due from associates (non-trade)	169	–	–	169
Amounts due from related parties (trade)	1,024	–	–	1,024
Trade and other receivables	54,664	–	–	54,664
Cash and cash equivalents	27,664	–	–	27,664
Total undiscounted financial assets	83,521	–	–	83,521
Financial liabilities:				
Amounts due to associates (trade)	(47)	–	–	(47)
Interest-bearing loans and borrowings	(7,993)	(24,002)	(5,120)	(37,115)
Finance lease creditors	(20)	(35)	–	(55)
Trade and other payables	(37,136)	–	–	(37,136)
Total undiscounted financial liabilities	(45,196)	(24,037)	(5,120)	(74,353)
Total net undiscounted financial assets/(liabilities)	38,325	(24,037)	(5,120)	9,168

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

37. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

Company	Within 1 year US$'000	Within 1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
2014				
Financial assets:				
Amounts due from subsidiaries (non-trade)	10,593	–	–	10,593
Trade and other receivables	70	–	–	70
Cash and cash equivalents	222	–	–	222
Total undiscounted financial assets	10,885	–	–	10,885
Financial liabilities:				
Trade payables and accruals	(485)	–	–	(485)
Amounts due to subsidiaries (non-trade)	(147)	–	–	(147)
Total undiscounted financial liabilities	(632)	–	–	(632)
Total net undiscounted financial assets	10,253	–	–	10,253
2013				
Financial assets:				
Amounts due from subsidiaries (non-trade)	7,542	–	–	7,542
Cash and cash equivalents	37	–	–	37
Total undiscounted financial assets	7,579	–	–	7,579
Financial liabilities:				
Trade payables and accruals	(1,135)	–	–	(1,135)
Amounts due to subsidiaries (non-trade)	(22)	–	–	(22)
Total undiscounted financial liabilities	(1,157)	–	–	(1,157)
Total net undiscounted financial assets	6,422	–	–	6,422

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

37. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

The table below shows the contractual expiry by maturity of the Group's and 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 or the amount that is expected to be paid.

	2014			2013		
	1 year or less	Over 1 years	Total	1 year or less	Over 1 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Company						
Financial guarantees	151,066	–	151,066	162,169	–	162,169

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from interest-bearing loans and borrowings. The Group monitors the interest rate on loans and borrowings closely to ensure that the loans and borrowings are maintained at favorable rate. At the balance sheet date, all of the Group's borrowings are at floating rates of interest.

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

	Increase/decrease in basis points	Effect on profit, net of tax US$'000
2014		
Cash and cash equivalents	+10	22
Interest-bearing loans and borrowings	+100	(415)
2013		
Cash and cash equivalents	+10	32
Amounts due from associates (non-trade)	+100	130
Other receivables	+100	56
Interest-bearing loans and borrowings	+100	(322)
Other payables	+100	(82)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

37. 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:

	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
2014							
Group							
Floating rate							
Cash and bank balances	19,778	–	–	–	–	–	19,778
Finance lease creditors	19	27	–	–	–	–	46
Interest-bearing loans and borrowings	8,848	8,613	8,648	7,629	3,709	4,074	41,521
Company							
Floating rate							
Cash and bank balances	222	–	–	–	–	–	222
2013							
Group							
Fixed rate							
Other receivables	556	–	–	–	–	–	556
Floating rate							
Cash and bank balances	27,664	–	–	–	–	–	27,664
Finance lease creditors	19	33	–	–	–	–	52
Interest-bearing loans and borrowings	3,885	6,704	6,704	6,704	3,270	4,961	32,228
Company							
Floating rate							
Cash and bank balances	37	–	–	–	–	–	37

(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 2.1% (2013: 1.5%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst 41.9% (2013: 57.4%) 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 USD, SGD, EURO, Malaysia Ringgit (RM), Ukrainian Hryvnia (UAH), Russian Ruble (RUR) and Indian Rupee (INR) against the respective functional currencies of the Group entities, with all variables held constant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

37. Financial risk management objectives and policies (cont'd)

		Group Profit before tax 2014 US$'000	Group Profit before tax 2013 US$'000
SGD/USD	- strengthened 5% (2013: 5%)	–	(74)
	- weakened 5% (2013: 5%)	–	74
EURO/USD	- strengthened 5% (2013: 5%)	93	35
	- weakened 5% (2013: 5%)	(93)	(35)
RM/USD	- strengthened 5% (2013: 5%)	204	184
	- weakened 5% (2013: 5%)	(204)	(184)
UAH/USD	- strengthened 5% (2013: 5%)	1,169	1,064
	- weakened 5% (2013: 5%)	(1,169)	(1,064)
RUR/USD	- strengthened 5% (2013: 5%)	1,620	1,167
	- weakened 5% (2013: 5%)	(1,620)	(1,167)
INR/USD	- strengthened 5% (2013: 5%)	85	–
	- weakened 5% (2013: 5%)	(85)	–

38. 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 2014 and 31 December 2013.

The Group monitors its capital structure as follows:	2014 US$'000	2013 US$'000
Interest-bearing loans and borrowings (Note 29)	41,521	32,228
Finance lease creditors (Note 34)	46	52
Trade payables and accruals (Note 26)	35,509	31,263
Other payables (Note 27)	4,431	5,873
Less: Cash and cash equivalents (Note 25)	(19,778)	(27,664)
Net debt	61,729	41,752
Equity attributable to the equity holders of the Company	138,170	165,952
Capital and net debt	**199,899**	**207,704**
Gearing Ratio	**31%**	**20%**

39. Events occurring after the balance sheet date

On 27 August 2014, the Group's wholly owned subsidiary, FES Industries Pte Ltd ("FESS"), had entered into an option to purchase ("OTP") contract with the seller to sell its 10 Chin Bee Drive, Singapore 619861 ("property"), for a value of US$1,575,000. The carrying amount of the property was US$543,000 as at 31 December 2014. On 27 February 2015, FESS has successfully transferred its title deed to the seller and also received the full payment.

40. Authorisation of financial statements

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on 20 March 2015.

SHAREHOLDER'S INFORMATION

As at 13 March 2015

Class of equity securities	:	Ordinary share
No. of equity securities	:	532,740,999
Voting rights	:	One vote per share

As at 13 March 2015, the total number of treasury shares held is 1,001,000. The treasury shares as a percentage of the total number of issued shares excluding treasury shares is 0.19%.

DIRECTORS' SHAREHOLDINGS AS AT 13 MARCH 2015

(As recorded in the Register of Directors' Shareholdings)

	Direct Interest	%	Deemed Interest	%
Tan Wang Cheow	52,440,000	9.84	67,547,400	12.68
Tan Guek Ming	67,547,400	12.68	52,440,000	9.84
Lew Syn Pau	–	–	480,000	0.09
Sudeep Nair	34,406,399	6.46	4,680,000	0.88
Ong Kian Min	–	–	720,000	0.14
Boon Yoon Chiang	100,000	0.02	–	–

SUBSTANTIAL SHAREHOLDERS AS AT 13 MARCH 2015

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Tan Wang Cheow (1)	52,440,000	9.84	67,547,400	12.68
Tan Guek Ming (1)	67,547,400	12.68	52,440,000	9.84
Sudeep Nair (2)	34,406,399	6.46	4,680,000	0.88
Anthoni Salim (3)	–	–	132,079,200	24.79
Universal Integrated Corporation Consumer Products Pte. Ltd.	132,079,200	24.79	–	–
FMR LLC on behalf of the managed accounts of its direct and indirect subsidiaries & FIL Ltd. on behalf of the managed accounts of its direct and indirect subsidiaries	–	–	52,900,000	9.93

SHAREHOLDER'S INFORMATION

As at 13 March 2015

Notes:

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

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

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

PUBLIC FLOAT

As at 13 March 2015, 35.09% 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 13 March 2015

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	7	0.43	238	0.00
100 - 1,000	80	4.92	47,882	0.01
1,001 - 10,000	825	50.70	3,970,777	0.75
10,001 - 1,000,000	689	42.35	45,348,903	8.51
1,000,001 AND ABOVE	26	1.60	483,373,199	90.73
TOTAL	**1,627**	**100.00**	**532,740,999**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	DBS NOMINEES (PRIVATE) LIMITED	137,091,900	25.73
2	TAN GUEK MING	67,547,400	12.68
3	RAFFLES NOMINEES (PTE) LIMITED	53,513,400	10.04
4	TAN WANG CHEOW	52,440,000	9.84
5	CITIBANK NOMINEES SINGAPORE PTE LTD	37,112,300	6.97
6	SUDEEP NAIR	34,406,399	6.46
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	20,288,000	3.81
8	OON PENG HENG	13,005,500	2.44
9	KOH PUAY LING	11,000,000	2.06
10	CHAN MENG HUAT	8,339,000	1.57
11	OON PENG LIM	7,688,300	1.44
12	TAN BIAN CHYE	7,580,800	1.42
13	OON PENG LAM	6,010,500	1.13
14	LIM SIEW KHENG	3,560,000	0.67
15	UOB KAY HIAN PRIVATE LIMITED	3,273,000	0.61
16	OON PENG WAH	3,040,500	0.57
17	TAN SIOK CHER	2,860,000	0.54
18	TAN SEOK WAH	2,730,000	0.51
19	OON POH CHOO	2,152,800	0.40
20	TAN WANG SENG	2,090,000	0.39
	TOTAL	**475,729,799**	**89.28**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Food Empire Holdings Limited ("the Company") will be held at River View Hotel, Lily Ballroom, Level 4, 382 Havelock Road, Singapore 169629 on Friday, 24 April 2015 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2014 together with the Auditor's Report thereon.

   (Resolution 1)

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

   Mr. Tan Wang Cheow **(Resolution 2)**
   Mr. Lew Syn Pau **(Resolution 3)**
   Mr. Ong Kian Min **(Resolution 4)**

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

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

   Mr. Ong Kian Min will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees and will be considered independent.

3. To re-appoint Mr. Boon Yoon Chiang, a Director of the Company retiring under Section 153(6) of the Companies Act, Chapter 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. [See Explanatory Note (i)]

   Mr. Boon Yoon Chiang will, upon re-appointment as a Director of the Company, remain as a member of the Audit, Nominating and Remuneration Committees and will be considered independent.

   (Resolution 5)

4. To approve the payment of Directors' fees of S$333,000 for the year ended 31 December 2014 (2013: S$333,000).

   (Resolution 6)

5. 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 7)

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

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:

7. **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) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

NOTICE OF ANNUAL GENERAL MEETING

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

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

(Resolution 8)

8. **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) 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)

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

(Resolution 10)

By Order of the Board

Tan Cher Liang
Secretary

Singapore,
7 April 2015

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The effect of the Ordinary Resolution 5 proposed in item 3 above, is to re-appoint a director of the Company who is over 70 years of age and if passed, he will hold office until the next Annual General Meeting. Such re-appointment of a director will no longer be subject to shareholders' approval under Section 153(6) of the Companies Act, Cap. 50 as repealed when the Companies (Amendment) Act 2014 comes into force. The director will then be subject to retirement by rotation under the Company's Articles of Association.

(ii) The Ordinary Resolution 8 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) Although the 2002 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 9 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares 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) in the capital of the Company from time to time.

(iv) The Ordinary Resolution 10 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the 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) in the capital of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The Instrument appointing a proxy must be deposited at the registered office of the Company at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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.

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

IMPORTANT:

1. For investors who have used their CPF monies to buy Food Empire Holdings Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY.**
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

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 2015.

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			

as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at River View Hotel, Lily Ballroom, Level 4, 382 Havelock Road, Singapore 169629 on Friday, 24 April 2015 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Adoption of Directors' Report and Audited Financial Statements for the year ended 31 December 2014		
2	Re-election of Mr. Tan Wang Cheow as a Director		
3	Re-election of Mr. Lew Syn Pau as a Director		
4	Re-election of Mr. Ong Kian Min as a Director		
5	Re-appointment of Mr. Boon Yoon Chiang as a Director		
6	Approval of Directors' fees amounting to S$333,000		
7	Re-appointment of Ernst & Young LLP as Auditors		
8	Authority to issue shares		
9	Authority to issue shares under the Food Empire Holdings Limited Employees' Share Option Scheme ("2002 Option Scheme")		
10	Authority to grant options and to issue shares under the Food Empire Holdings Limited Employees' Share Option Scheme ("2012 Option Scheme")		

Dated this ____________ day of ____________ 2015

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

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

Notes :

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

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

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

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

5. The Instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for the Meeting.

6. The Instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the Instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the Instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the Instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the Instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any Instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive

Tan Wang Cheow *(Executive Chairman)*
Sudeep Nair *(CEO)*

Non-Executive

Tan Guek Ming *(Non-Independent)*
Hartono Gunawan *(Non-Independent)*
Koh Yew Hiap *(Non-Independent)*
Lew Syn Pau *(Independent)*
Ong Kian Min *(Independent)*
Boon Yoon Chiang *(Independent)*

AUDIT COMMITTEE

Ong Kian Min *(Chairman)*
Lew Syn Pau
Boon Yoon Chiang
Tan Guek Ming

NOMINATING COMMITTEE

Lew Syn Pau *(Chairman)*
Ong Kian Min
Boon Yoon Chiang
Tan Wang Cheow

REMUNERATION COMMITTEE

Lew Syn Pau *(Chairman)*
Koh Yew Hiap
Ong Kian Min
Boon Yoon Chiang
Tan Guek Ming

COMPANY SECRETARY

Tan Cher Liang

REGISTERED OFFICE

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

BUSINESS OFFICE

31 Harrison Road, #08-01
Food Empire Building
Singapore 369649
Telephone number : 65-66226900
Fax number : 65-67442116

SHARE REGISTRAR

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

AUDITORS

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

AUDIT PARTNER-IN-CHARGE

Ang Chuen Beng (w.e.f. the financial year ended 31 December 2010)

PRINCIPAL BANKERS

Overseas-Chinese Banking Corporation Limited

United Overseas Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Food Empire Holdings Limited
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T (65) 6622 6900 **F** (65) 6744 8977 **www.foodempire.com**