Management Response to Food Empire Holdings ("Group") FY2020 Annual General Meeting Questions received via Email and Q&A link from 16 – 23 April 2021

1. Congrats on the completion and start of operation of Food Empire's second coffee plant. Could you share with us-
   a) the business model of the plant
   b) where coffee beans are sourced from, the key processes inside the plant
   c) the target customers
   d) the potential annual revenue based on maximum capacity & recent coffee selling price, assuming 100% of production is sold to 3rd parties
   e) What was the capex of the plant and how much was the debt incurred to finance it?

Following the successful commissioning of the Group's first Spray Dry coffee plant in 2015, our second plant will produce Freeze Dry coffee, which represents a further expansion into the food commodities manufacturing space as part of the Group's vertical integration strategy. The Freeze Dry coffee plant is an enhancement to our existing capability and will produce a higher value-added range of coffee products. These factories not only support our branded beverage business, it also opens up a new B2B market for the Group.

Coffee beans used for the production of coffee powder are mainly sourced from Vietnam, Africa, India and South America. Key processes involve Roasting, Grinding, Extraction, Evaporation, Freezing and Packing. Around 30% to 40% of the finished products will be supplied to entities within the Group and the remaining will be sold to external parties such as Brand Owners and Traders. The Group is looking to market them to customers in Russia, Ukraine, Eastern Europe, Middle Eastern countries and the Asia region.

Our Freeze Dry plant is a long term capital investment that will provide the Group with greater procurement flexibility, better margins and a recurring income stream. Commodity prices tend to move in cycles and coffee prices are currently at a low. Based on prevailing market rates, if the entire capacity of our Freeze Dry coffee plant is sold to 3rd party, revenue uplift to the Group would be between USD25 million to USD30 million, depending on product mix.

Total Capital Expenditure ("CAPEX") for the Freeze Dry plant is around USD50 million. About 70% of the CAPEX is debt funded.

2. Does the Audit Committee deem it appropriate for an Independent Director to participate in the Company Option Scheme?

In proposing the adoption of the Food Empire Share Option scheme ("ESOS"), which was previously circulated and approved by shareholders in Extraordinary General Meeting, the Board of Directors has considered the objectives and appropriateness of the ESOS in incentivizing performance and aligning the interest of the eligible participants (including independent directors) with equity shareholders. The Group takes into account a variety of factors in its decision on the quantum of options to be offered under the ESOS to the eligible participants.

Non-executive Directors including independent directors are eligible to participate in the ESOS. An independent director can hold shares of the Company so long as he does not hold 5% or more shares (direct or deemed interest) in the Company (Practice Guidance 2.1 (c) of Practice Guidance 2018 of Monetary Authority of Singapore).

3. Has the Remuneration Committee recently conducted a third-party benchmarking exercise for the remuneration of the Chairman position, CEO and the KMPs?

The Remuneration Committee recently completed an executive compensation benchmarking exercise with the help of a global HR consultancy company to assess whether the current pay level of the Group's top executives is competitive, appropriate and relevant in terms of the current job market inclusive of other firms of similar business size and industry classification. This exercise reviewed pay competitiveness in terms of annual fixed cash, annual target total cash and annual total compensation and was benchmarked against publicly disclosed data of listed companies and multi-national companies in similar industry and executive pay surveys which provide remuneration information reflective of the size of the organization in which the role operate and the relative size and responsibilities of the role.

4. What are downside risks to the group continuing on its growth track in the year ahead? What could go wrong or is worrisome to management?

The Covid-19 pandemic continues to be a near term challenge to the Group with possible disruption to areas such as factory operations, logistics and activities involving social interaction. The uneven pace of vaccination programmes in various markets, coupled with the emergence of new variants of the Covid-19 virus may prolong the recovery process and could affect the Group's projects if the situation worsens. For example, our plan for a second Non-Dairy-Creamer factory in Malaysia was delayed by about 12 months because of the pandemic, while our Freeze Dry factory was commissioned at a time when India is facing a severe new wave of Covid-19 infections.

In the longer term, on-going trade war between US and China, as well as the unresolved tension between the West and our key Russia market will weigh on business sentiments. We expect prevailing and possibly new US sanctions against Russia over a raft of allegations over cyberattacks and electorate interference to be detrimental to the Russia economy and the Russian Ruble. Nonetheless, the Group has overcome many crises in the past and we expect our business to remain resilient in the face of adversity.

5. Which geographies and product segments will provide the best opportunities for growth in the year ahead?

Vietnam and South East Asia region should continue to provide organic growth traction to the Group, with growth coming from branded beverage business.

6. What are the threats to the company's business in the various countries and how the company intend to mitigate them?

The Group operates in multiple emerging markets and often faces a myriad of business and regulatory challenges, exacerbated by Covid-19 pandemic. However, the greatest threat to businesses in our key markets continues to be volatile currency conditions, often linked to big power geopolitical issues.

The Group mitigates its exposure to currency risk, which negatively impacts its financial performance, by constantly investing in our business to build strong brands, increase customer loyalty and deliver innovative products. This allows us to remain as a leader in our key markets and give us greater flexibility to effect price changes and offset margin erosion.

For the past 10 years, the Group has been actively pursuing a diversification strategy by investing into new markets, new businesses, new product lines and new geographies. This has enabled us to hold up well even in the midst of the Covid-19 pandemic in FY2020, where we managed to achieve record profitability and a healthy balance sheet.

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