

# STRENGTHENING CONNECTIONS

Fostering Relationships Through Digital Transformation

ANNUAL REPORT 2020



# Stay Home with Food Empire



*Toast for a videocall celebration!*



*Best companion to stay healthy!*



*Kids' all-time favourite!*



*Energise you at important meetings!*



*Lifting moods during family gatherings!*



*Perfect crunch for your favourite show!*

# PANDEMICS OF THE PAST CENTURY

## 1918 SPANISH FLU

The avian-borne flu that resulted in 50 million deaths worldwide, the 1918 flu was first observed in Europe, the United States and parts of Asia before swiftly spreading around the world. At the time, there were no effective drugs or vaccines to treat this killer flu strain. Wire service reports of a flu outbreak in Madrid in the spring of 1918 led to the pandemic being called the “Spanish flu.”

By October, hundreds of thousands of Americans died and body storage scarcity hit crisis level. But the flu threat disappeared in the summer of 1919 when most of the infected had either developed immunities or died.

## 1957 ASIAN FLU

Starting in Hong Kong and spreading throughout China and then into the United States, the Asian flu became widespread in England where, over six months, 14,000 people died. A second wave followed in early 1958, causing an estimated total of about 1.1 million deaths globally, with 116,000 deaths in the United States alone. A vaccine was developed, effectively containing the pandemic.

## 1981 HIV AIDS

First identified in 1981, AIDS destroys a person's immune system, resulting in eventual death by diseases that the body would usually fight off. Those infected by the HIV virus encounter fever, headache, and enlarged lymph nodes upon infection. When symptoms subside, carriers become highly infectious through blood and genital fluid, and the disease destroys t-cells.

AIDS was first observed in American gay communities but is believed to have developed from a chimpanzee virus from West Africa in the 1920s. The disease, which spreads through certain body fluids, moved to Haiti in the 1960s, and then New York and San Francisco in the 1970s.

Treatments have been developed to slow the progress of the disease, but 35 million people worldwide have died of AIDS since its discovery, and a cure is yet to be found.

## 2003 SARS

First identified in 2003 after several months of cases, Severe Acute Respiratory Syndrome is believed to have possibly started with bats, spread to cats and then to humans in China, followed by 26 other countries, infecting 8,096 people, with 774 deaths.

SARS is characterized by respiratory problems, dry cough, fever and head and body aches and is spread through respiratory droplets from coughs and sneezes.

Quarantine efforts proved effective and by July, the virus was contained and hasn't reappeared since. China was criticized for trying to suppress information about the virus at the beginning of the outbreak.

SARS was seen by global health professionals as a wake-up call to improve outbreak responses, and lessons from the pandemic were used to keep diseases like H1N1, Ebola and Zika under control.

## 2019 COVID-19

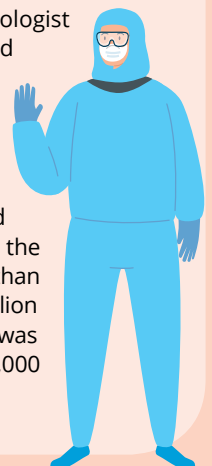
On March 11, 2020, the World Health Organization announced that the COVID-19 virus was officially a pandemic after barreling through 114 countries in three months and infecting over 118,000 people. And the spread wasn't anywhere near finished.

COVID-19 is caused by a novel coronavirus—a new coronavirus strain that has not been previously found in people. Symptoms include respiratory problems, fever and cough, and can lead to pneumonia and death. Like SARS, it's spread through droplets from sneezes.

The first reported case in China appeared November 17, 2019, in the Hubei Province, but went unrecognized. Eight more cases appeared in December with researchers pointing to an unknown virus.

Many learned about COVID-19 when ophthalmologist Dr Li Wenliang defied government orders and released safety information to other doctors. The following day, China informed WHO and charged Li with a crime. Li died from COVID-19 just over a month later.

Without a vaccine available, the virus spread beyond Chinese borders to nearly every country in the world. By December 2020, it had infected more than 75 million people and led to more than 1.6 million deaths worldwide. The number of new cases was growing faster than ever, with more than 500,000 reported each day on average.

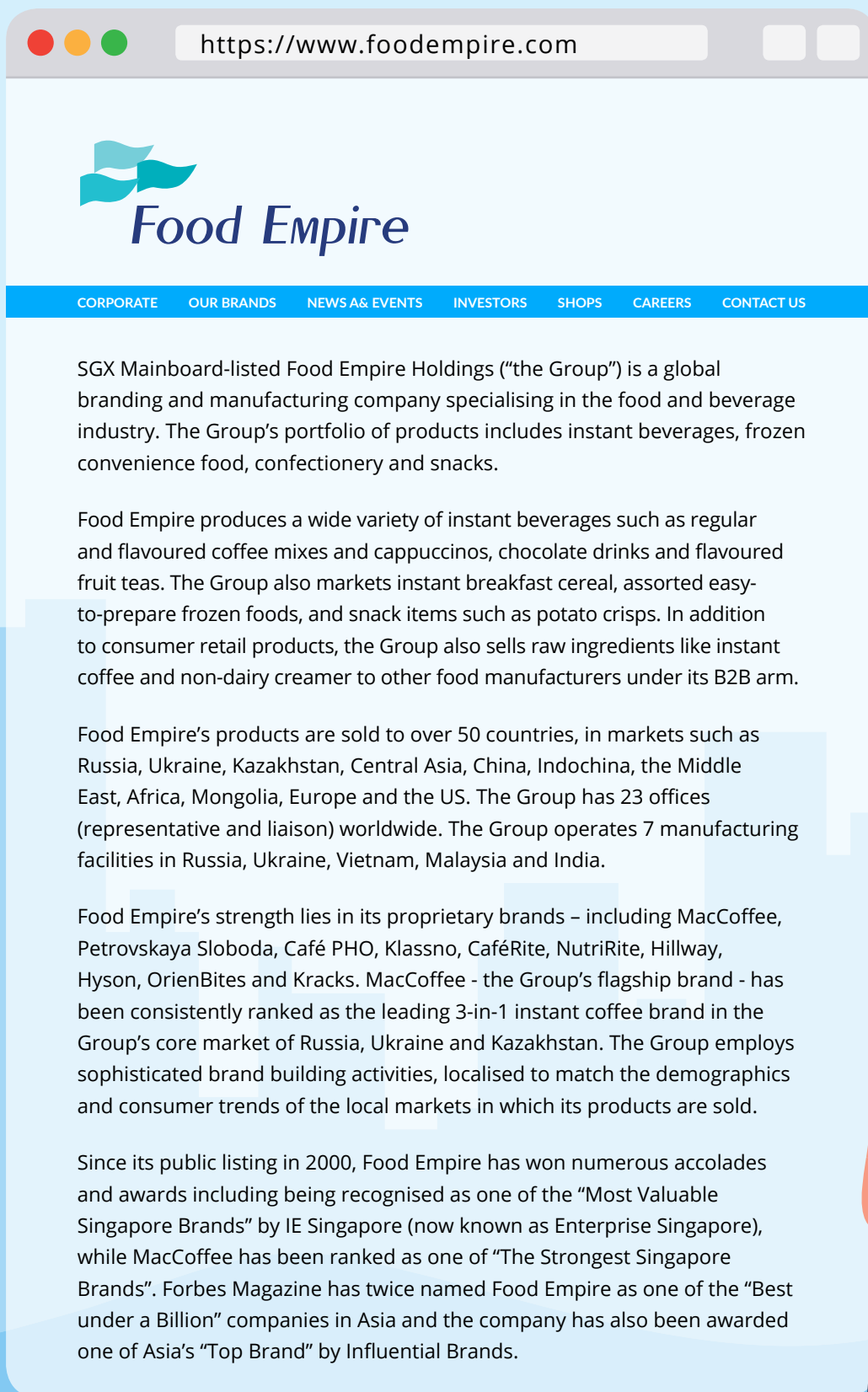


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# Food Empire

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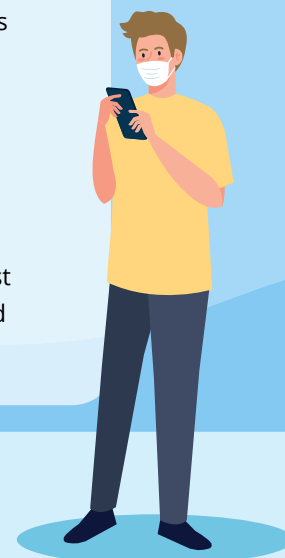
SGX Mainboard-listed Food Empire Holdings (“the Group”) is a global branding and manufacturing company specialising in the food and beverage industry. The Group’s portfolio of products includes instant beverages, frozen convenience food, confectionery and snacks.

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

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


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

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





## Food Empire, Singapore

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

### You Might Like These



CHOOSE YOUR DROP-OFF









# Food Empire New Products

NEW

% OFF



### Klassno Cappuccino Vero Gusto

Cappuccino Vero Gusto offers a more robust coffee flavour and a luscious milky texture. It is a frothy blend of perfectly-roasted coffee, non-dairy creamer and cane sugar. Simple and delicious.



ADD TO CART

NEW

% OFF



### MacCoffee Iced Cappuccino - Original & Cheese Flavour

Nothing is better than starting your morning with a delicious cup of MacCoffee Iced Cappuccino. The Original flavour offers a creamy and robust coffee taste that is irresistibly yummy. While the Cheese flavour provides a smooth blend of creamy soft cheese foam with strong aromatic coffee. Enjoy this unique Iced Cappuccino experience like no other.



ADD TO CART

NEW

% OFF



### Kracks Potato Crisps Salt & Vinegar

Craving for the potato chips? Each bite of Kracks Potato Crisps has a pinch of salt accompanied by vinegar's delicate flavour, leaving anyone's taste buds jumping for more. Its unique flavour makes one chip just not enough to satisfy!



ADD TO CART

NEW

% OFF



### Tazzanera Sparkling Coffee (Ready to Drink)

If you are looking for a cold, refreshing coffee this summer, you're in for a treat! Introducing our all-new Tazzanera Premium Italian Sparkling Coffee in a can! The first fizzy and natural coffee made to quench your thirst and satisfy your coffee cravings on the go!



ADD TO CART

NEW

% OFF



### NutriRite Cereal with Inulin

With a new improved formula, NutriRite Cereal is now available with Inulin. Inulin is a natural soluble dietary fibre that helps maintain good intestinal health. Enjoy your favourite instant 3in1 cereal with this benefit today!



ADD TO CART

NEW

% OFF

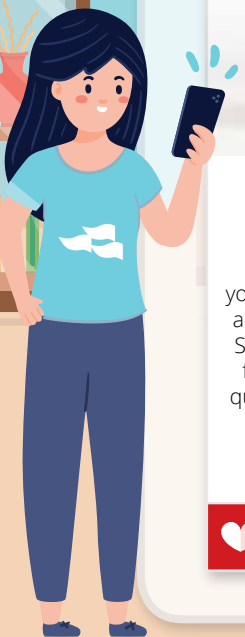


### Hillway Bubble Tea

Enjoy your favourite Bubble Tea anywhere now at your convenience. Just add water, ice and consume right away. The only instant milk tea with fresh bubble pearls in the sachet.



ADD TO CART







# FOOD EMPIRE BRANDS



VISIT US NOW



# EXECUTIVE CHAIRMAN'S MESSAGE

*Dear Valued Shareholders,*

Since its public listing on the Singapore Stock Exchange in the year 2000, Food Empire Holdings Limited ("Food Empire" or together with its subsidiaries, the "Group") has weathered many crises. As a Group, we have always emerged stronger.

2020 was another challenging year for us, to say the least. The global pandemonium arising from the Covid-19 pandemic impacted every aspect of life and presented complex challenges to the business landscape. With many countries implementing lockdowns and imposing movement restrictions, our team faced project delays, supply chain disruption and interrupted operations, among other obstacles. We had to continually navigate a labyrinth of new laws, workplace practices and safety measures as the world unite in the fight against Covid-19.

I am proud to say that the Group has once again risen to the occasion, capping an extraordinary year with record profit. On behalf of the Board, it is my pleasure to present our annual report for the financial year ended 31 December 2020 ("FY2020").

## FINANCIAL OVERVIEW

In addition to the pandemic, the weakening currencies in our markets pose another obstacle for the Group. In FY2020, the Russian Ruble weakened from an average exchange rate of 64.7 Ruble per US dollar in FY2019 to an average exchange rate of 72.0 Ruble per US dollar. Over the same period, the Ukrainian Hryvnia weakened from an average exchange rate of 25.7 Hryvnia per US dollar in FY2019 to 27.0 Hryvnia per US dollar in FY2020.

Amidst the weakening of currencies in most of our core markets and the Covid-19 fallout, the Group's top line decreased by 5.4% in revenue year-on-year ("yoy") to US\$273.0 million in FY2020. The Group's Russian market posted a decrease in revenue of 11.6% yoy to US\$99.6 million due to the surge in Covid-19 cases resulting in lower footfall of consumers in retail outlets, and widespread logistical and supply chain challenges across many regions, coupled with further depreciation of the Russian Ruble. Sales in the Group's Ukraine, Kazakhstan and CIS markets decreased by 2.2% yoy to US\$67.8 million due



to Covid-19 related disruptions and lockdowns as well. In the Group's South Asia market, revenue fell by 16.6% to US\$7.2 million in FY2020 mainly due to lower revenue contribution from the Group's coffee plant in India. Similarly, sales in the Group's Other Markets dropped by 11.9% to US\$17.3 million in FY2020 mainly due to lower revenue contribution from the Group's Europe and China markets. However, the Group's South-East Asia market witnessed a 3.5% revenue growth from US\$78.3 million in FY2019 to US\$81.0 million in FY2020 mainly due to higher revenue contribution from the Group's snacks manufacturing facility and non-dairy creamer plant in Malaysia.

Despite the host of challenges we faced in FY2020, the Group registered net profit after tax of US\$26.5 million, a 2.9% growth compared to the previous financial year, mainly due to higher profitability from the Group's South-East Asia market and lower expenses because of tighter cost controls.

## DIVIDENDS

To thank our shareholders for your unwavering support, the Board is recommending a first and final dividend of 2.2 Singapore cent per ordinary share, subject to approval at the upcoming Annual General Meeting on 26 April 2021. If approved, the first and final dividend will be paid on 21 May 2021.

## BUILDING RESILIENCE THROUGH DIVERSIFICATION

Following years of hard work and strategic refocus, we have established a resilient and future-ready business poised for growth across multiple markets. We spent close to three decades building our 3-in-1 instant coffee mix business in far-flung emerging markets like Russia, Ukraine and Kazakhstan, where we flew our flag high with the MacCoffee brand. At the same time, we also placed relentless focus on diversification to counteract the highly volatile emerging markets we had presence in. The Group successfully entered the Vietnamese market with the introduction of Café PHO in 2013, an iced coffee product that rapidly gained substantial market share and later rose to become the top brand in the iced coffee segment. Riding on the back of its stirring performance, Vietnam has

become the second largest market for the Group, contributing nearly 20 percent of the Group's revenue. It is also among the top five players in Vietnam's instant coffee mix industry, with a 10 per cent market share based on volume.

Since 2013, the Group has also been increasing its presence in the food ingredient space. We started our own Non-Dairy Creamer Plant and Instant Coffee Plant and our capabilities will be expanded with the completion of a new Freeze Dry Instant Coffee plant in FY2021. This vertical integration has been successful in helping us diversify our income sources and create new life for the business.

We believe that our tilt toward Asia and food commodities space will serve as a hedge against volatility in currencies and oil prices that may affect the earnings of our core markets, as well as unexpected changes in food commodities prices most relevant to our businesses. This will, hopefully, put us in good stead to deliver sustainable growth and better profitability over the long run.

### **MAINTAINING OUR BRAND EQUITY**

Strong branding is the cornerstone of Food Empire's success, which enables the Group to remain competitive and relevant. Over time, we have channelled huge resources towards revitalising our brand image across different classes and generations of consumers. We continue to actively invest in advertising and marketing to increase the salience of the Group's brands. In recognition of our efforts, we have been recognised as one of the Top 100 "Most Valuable Singaporean Brands" by Brand Finance, the world's leading valuation and strategy consultancy. The Group ranked 53<sup>rd</sup> place in the brand ranking, which marks our best ranking in 4 years since 2016. Brand value for the Group also improved to US\$81 million in 2020 from US\$76 million in 2019. We will continue to leverage on our core business to grow our global customer base and deliver outstanding value to our shareholders.

In addition, the Group won 3 Gold awards for the first time under the "Food & Consumer Packaged Goods" classification at the prestigious International ARC Awards for our 2019 Annual Report themed "Beyond". This concept was inspired by the Group's unceasing efforts to seek expansion opportunities and further extending the global footprint in an ever-evolving world.

### **SHARE BUYBACKS**

As at 31 December 2020, the Company had, pursuant to the Share Buyback Mandate approved by the Shareholders at the 2020 EGM, purchased an aggregate of 2,312,800 Shares through a series of open market purchases. Share buyback is one avenue for the Group to increase shareholders' value and the decision was based on careful consideration of factors such as our financial circumstances, share price and business outlook for 2020 and beyond. We believe that results of the

past ten years of hard work on diversification are now coming to light and we remain confident of the future.

### **OUTLOOK**

Business outlook remains uncertain in most of our markets as we enter the second year of the pandemic. However, with the successful rollout of national vaccination programmes, we expect markets to gradually normalise in the second half of 2021 as governments around the world become more adept at striking a balance between saving lives and livelihoods.

As such, we remain optimistic as the global food and beverages market is projected to recover and grow at a CAGR of 7% from 2021 and reach \$7,527.5 billion in 2023.<sup>1</sup> The Group will continue to capitalise on this potential to grow our businesses.

Over the years, we have employed a multitude of strategies including changing our business models and restructuring our organisation to ensure the longevity and viability of our businesses. These lessons acquired through past crises have laid the foundation for us to survive 2020. However, it has reinforced the realisation that we are now living in a volatile, uncertain, complex and ambiguous world, and we must always be prepared for more "black swan" events ahead. The pandemic may pose a temporary setback for some of our plans, but our commitment to build better brands, deepen relationships, nurture innovations and maximise value for all stakeholders remains a strategic priority.

The pandemic has also indirectly expedited the digital transformation of our businesses. Besides increasing collaboration with stakeholders virtually across different electronic platforms, we are also shifting more marketing engagements and promotions online through the use of social media advertising and live-streaming, as well as increasing our e-commerce presence. We expect this trend to accelerate and will allocate more resources to build up our online capabilities going forward.

### **APPRECIATION**

On behalf of the Board, I would like to express my heartfelt gratitude to our customers, business partners and distributors for their enduring support. In addition, I would like to take this opportunity to thank Mr Lew Syn Pau who has since retired from the Board as an Independent Director on 23 April 2020, for his many years of contribution to the group. I would also like to extend my appreciation to our management team and staff for their dedication and hard work over this unprecedented year, despite the extremely turbulent business environment. Last but not least, I would like to thank our shareholders for their loyalty and trust in us as we strive towards better times together.

### **MR TAN WANG CHEOW**

*Executive Chairman*

<sup>1</sup> <https://www.businesswire.com/news/home/20200514005421/en/Global-Food-and-Beverages-Market-2020-to-2030--COVID-19-Impact-and-Recovery--ResearchAndMarkets.com>

# GROUP CEO'S MESSAGE

*Dear Shareholders,*

FY2020 will be remembered as one of the most gruelling years for businesses worldwide due to the ravaging effects of the Covid-19 pandemic. Throughout human history, we have seen periods of massive upheavals, but in an age of hyper connectivity, the impact of a pandemic is greatly amplified, and the world faces a global healthcare crisis that was unprecedented in scale and severity. Despite the enormity of this unfolding event, I am gratified to report that Food Empire has weathered the crisis extremely well. In fact, we delivered another record year of earnings despite lower revenue. Our net profit after tax grew from US\$25.7 million in FY2019 to US\$26.5 million in FY2020. Considering the exceptional circumstances, this was truly a remarkable group effort.

Food Empire had started FY2020 well. Revenue and earnings trajectory were on course for a breakout year before Covid-19 was declared a pandemic by the World Health Organisation, which galvanised world leaders into action to contain the rapidly spreading virus. Against an evolving backdrop of grim statistics, businesses faced grievous and unique challenges. Even though Food Empire operates in an industry that was not directly affected by the pandemic, we encountered major hurdles as the global economy grounds to a catastrophic halt with many countries responding to the initial wave of pandemic with national lockdowns. In some of our core markets like Russia, we faced the difficult reality of staff and their families testing positive for Covid-19 and a few were even admitted to hospitals, resulting in constant disruption to business for most of the year, with the situation worsening towards year end when winter set in. In addition, consumer spending was reduced in markets where livelihoods depend on the hospitality trade, operations faced intermittent interruptions due to movement restrictions and supply chains were thrown into complete disarray. On top of these, we also have to deal with the ever present threat of currency devaluation in some markets. There were challenges on numerous fronts.

Despite the global mayhem, I am extremely happy to report that our continuous effort to diversify, develop strong brands, expand distribution networks and groom capable teams to manage our globally diverse interests have paid off. Our tested business resilience has enabled us to weather a tempestuous year and emerge stronger. Drawing on our collective experience in managing past crises, the Covid-19 pandemic has nudged us to renew our strategies and consolidate the strength of our businesses.

I would like to give a snapshot of our performance for FY2020. Revenue in the Group's largest market, Russia, decreased by

11.6% to US\$99.6 million as compared to US\$112.6 million in FY2019 mainly due to the ongoing disruptions caused by the Covid-19 pandemic. Russia experienced a surge in Covid-19 cases which led to various lockdowns, resulting in lower footfall of consumers in retail outlets, as well as widespread logistical and supply chain challenges to our distributors across many regions. The fall in oil prices also caused a devaluation of the Russian Ruble against the US dollar that further affected revenue. Meanwhile, in the Group's Ukraine, Kazakhstan and CIS markets, revenue decreased by 2.2% from US\$69.4 million in FY2019 to US\$67.8 million in FY2020, which was also due to the Covid-19 related disruptions and lockdowns across these regions.

In the Group's South-East Asia market, revenue increased by 3.5% from US\$78.3 million in FY2019 to US\$81.0 million in FY2020 mainly due to higher revenue contribution from the Group's snacks manufacturing facility and non-dairy creamer plant in Malaysia. However, in the Group's South Asia market, revenue decreased by 16.6% from US\$8.7 million in FY2019 to US\$7.2 million in FY2020 mainly due to lower revenue contribution from the Group's coffee plant in India which has been negatively affected by Covid-19 disruptions in production and also faced some cancellation and postponement of orders from customers due to Covid-19 lockdowns in their respective countries.

Although FY2020 had been a very difficult year for the global economy, the Group was able to generate higher profits compared to FY2019. This is a testimony to the strength of our tried and tested management and robustness of our businesses in the markets we operate in. In the midst of the very difficult business and operating environment due to the Covid-19 pandemic, the Group remained focused on optimising sales through branding, product development and expanding distribution networks. It rationalised sales related expenses and took active measures to mitigate the effects of the devaluation of currencies of the Group's core markets. As a result, for FY2020, the Group's net profit after tax increased by 2.9% to US\$26.5 million. This was achieved despite the Group registering foreign exchange loss of US\$2.3 million in FY2020 compared to foreign exchange gain of US\$0.6 million in FY2019.

I would like to emphasise that the Group has seen remarkable results from our diversification efforts. Traditionally Russia, Ukraine and CIS countries markets have been our core markets. When I took over as Group CEO in 2012, one of my first priorities was the geographical diversification of our businesses to reduce economic dependency on a small number of closely correlated



markets. We successfully ventured into Vietnam, which today is our second largest market behind Russia. For FY2020, our Vietnam market generated US\$50.9 million in revenue, one of the few regions that registered revenue growth. Being one of the most dynamic economies in the world and led by a well-tested team with great products, we expect Vietnam and our businesses within the South-East Asia segment to continue to lead growth for the Group in the years to come.

The Group has also expanded into the ingredient manufacturing space, where we introduced our first Non-Dairy Creamer (“NDC”) plant in Malaysia in 2013, which has since achieved full utilisation. Following its success, we have decided to commence the construction of a second NDC plant, which will double our NDC capacity and equip the Group with new capabilities and a platform to develop value-added products to grow our Business-to-Business customer base. However, due to Covid-19 pandemic, the project is delayed and we expect the project to be completed in FY2023.

I am happy to report that the Group’s freeze-dried coffee plant project in India has been completed. This is our second instant coffee plant in India under our subsidiary, Indus Coffee. While we initially faced delays in construction due to national lockdowns imposed by the Central government, the government had since rolled back movement control measures since June 2020 and the plant was successfully commissioned. It will commence commercial production in 2Q 2021.

For FY2021, we will continue to invest in sustainable growth. Within the South-East Asia region, our focus is on Vietnam, where we have built a solid base. In our core markets such as Russia, Ukraine, Kazakhstan and CIS, we will strive to maintain our brand leadership. Over time, we have shown that by building strong brand equity, we are able to create a high barrier to entry and achieve competitive advantage over other players in the market, which put us in a good position to support growth. We are also constantly innovating to introduce new products into the market (for example, our most popular product in Russia at the moment is a premium Cappuccino range of instant beverage which was developed a few years back). In addition, we will critically examine other parts of our businesses to find ways to create value, or if necessary, to rationalise them.

The Group is still looking for inorganic growth via Mergers & Acquisition (“M&A”), but as the Covid-19 situation is still fluid and many countries have put in place restrictive measures on international travels, the Group has taken a more cautious stance during this period. It will instead focus on sustainable



organic growth, with a balanced approach to manage revenue and margins. Notwithstanding this, Covid-19 may present attractive M&A opportunities for the Group and we will evaluate opportunities selectively.

Looking ahead, the threat of Covid-19 pandemic remains but we believe the world is slowly transitioning to a more normalized environment with the successful development of a number of Covid-19 vaccines and the progressive rollout of vaccination programme in many countries. However, the economic damage unleashed by the pandemic is extensive and will take a long time to heal. We may experience uneven economic recovery, increase in unemployment, currency devaluation and other impediments to growth such as volatile oil prices. Even so, it will be difficult to imagine that the world will revert to the old norm after the crisis is over. Covid-19 has a profound impact on the world and will accelerate digital transformation as well as new patterns of social interaction and consumer behaviour. We have to stay vigilant and nimble in all our markets in order to thrive in a changing world.

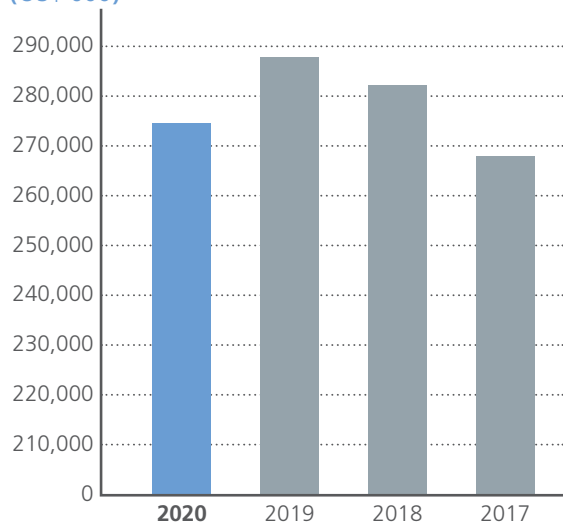
However, we are sure of one thing: We believe that our successful efforts to manage external shocks over the years have equipped us with the necessary experience and skillsets to take on future challenges and our business will remain resilient in the face of adversity.

FY2020 was a difficult year, and I am glad we can end it on a triumphant note. In closing, I would like to express my deepest appreciation to the Board, our management team and our staff for their dedication and commitment towards our business in these trying times. I would also like to thank all our shareholders, investors, consumers and business partners for their loyalty and faith in us. As we progress into an uncertain 2021, we look forward to your support to overcome new challenges and conquer new frontiers.

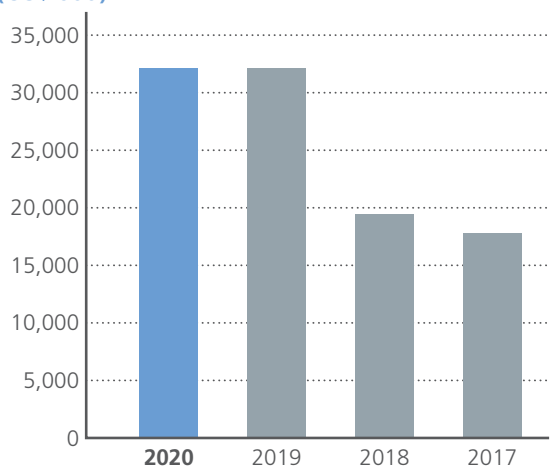
**Mr Sudeep Nair**  
*Group Chief Executive Officer and Executive Director*

# FINANCIAL HIGHLIGHTS

## REVENUE (US\$'000)



## PROFIT BEFORE TAX (US\$'000)



	2020	2019	2018	2017
<b>(US\$'000)</b>				
Revenue	272,971	288,570	284,330	269,450
Profit before taxation	32,235	31,536	19,900	17,958
Profit after taxation	26,454	25,696	17,731	13,299
<b>FINANCIAL INDICATORS</b>				
Debt to Equity Ratio	26.8%	27.6%	19.4%	21.7%
Working Capital Ratio	2.9	2.6	2.5	2.3
Quick Ratio	2.0	1.7	1.6	1.5
EBITDA Margin	15.1%	14.3%	9.5%	9.0%
Diluted EPS (USD cents)	4.98	4.84	3.36	2.62
NAV per share (USD cents)	40.63	38.57	33.00	31.45

## REVENUE BY GEOGRAPHICAL REGIONS (US\$'000)

Russia	99,555	112,570	113,305	116,702
Ukraine, Kazakhstan and CIS markets	67,833	69,374	62,788	56,911
South-East Asia	81,013	78,267	79,704	65,209
South Asia	7,224	8,664	8,117	8,451
Others	17,346	19,695	20,416	22,177
	<b>272,971</b>	<b>288,570</b>	<b>284,330</b>	<b>269,450</b>

## REVENUE BY PRODUCT GROUP (US\$'000)

Beverages	231,509	249,798	246,700	233,269
Non-Beverages	20,094	17,994	18,486	17,176
Ingredients	21,368	20,778	19,144	19,005
	<b>272,971</b>	<b>288,570</b>	<b>284,330</b>	<b>269,450</b>

## REVENUE BY GEOGRAPHICAL REGIONS



Russia

**US\$99.6  
MILLION**



Ukraine, Kazakhstan  
and CIS Markets

**US\$67.8  
MILLION**



South-East  
Asia

**US\$81.0  
MILLION**



South  
Asia

**US\$7.2  
MILLION**



Others

**US\$17.3  
MILLION**



# OPERATIONS AND FINANCIAL REVIEW

## FINANCIAL PERFORMANCE

The Group ended FY2020 on a positive note with higher net profits after tax despite registering lower revenue.

Revenue in the Group's largest market, Russia, decreased by 11.6% to US\$99.6 million as compared to US\$112.6 million in FY2019 mainly due to the disruptions caused by the Covid-19 pandemic, which resulted in waves of national and local lockdown in many of our markets. In Russia, high incidences of Covid-19 cases led to increased movement restrictions of population and resulted in lower footfall of consumers in retail outlets, as well as widespread logistical and supply chain challenges to our distributors across many regions. The fall in oil prices also caused a devaluation of the Russian Ruble against the US dollar that further affected revenue. The average exchange rate was 72.0 Ruble per US dollar in FY2020 as compared to 64.7 Ruble per US dollar in FY2019.

Similarly in the Group's Ukraine, Kazakhstan and CIS markets, revenue decreased by 2.2% from US\$69.4 million in FY2019 to US\$67.8 million in FY2020 due to the Covid-19 related disruptions and lockdowns across these regions.

In the Group's South-East Asia market, revenue increased by 3.5% from US\$78.3 million in FY2019 to US\$81.0 million in FY2020 mainly due to higher revenue contribution from the Group's snacks manufacturing facility and non-dairy creamer plant in Malaysia.

In the Group's South Asia market, revenue decreased by 16.6% from US\$8.7 million in FY2019 to US\$7.2 million in FY2020 mainly due to lower revenue contribution from the Group's coffee plant in India

which has been negatively affected by Covid-19 disruptions in production and also faced cancellation/postponement of orders from customers due to Covid-19 lockdowns in their respective countries, which affected consumer demand.

Revenue in the Group's Other Markets decreased by 11.9% from US\$19.7 million in FY2019 to US\$17.3 million in FY2020 mainly due to lower revenue contribution from the Group's Europe and China markets. All these markets were also negatively affected by disruptions caused by Covid-19 pandemic and lockdowns.

For FY2020, selling and marketing expenses decreased by US\$5.5 million from US\$41.5 million in FY2019 to US\$36.0 million. The decrease was mainly due to lower advertising and promotion expenses, and manpower cost.

For FY2020, general and administrative expenses decreased by US\$5.1 million from US\$39.9 million in FY2019 to US\$34.8 million. The decrease was mainly due to lower manpower cost, travelling and office related expenses.

For FY2020, foreign exchange loss was at US\$2.3 million as compared to foreign exchange gain of US\$0.6 million in FY2019.

Overall, for FY2020, the Group's net profit after tax increased by 2.9% to US\$26.5 million. The increase was mainly due to higher profitability from the Group's South-East Asia segment and lower expenses as a result of tighter cost controls. It is also a testimony to the strength of our tried and tested management and the resilience of our businesses.





## FINANCIAL POSITION

As at 31 December 2020, inventories decreased by US\$5.7 million to US\$50.1 million while trade payables and accruals decreased by US\$6.2 million to US\$28.8 million due to lower stock holding and lower procurements.

Trade receivables decreased by US\$4.7 million to US\$31.2 million as at 31 December 2020 mainly due to lower translated USD receivables in view of the devaluation of the Russian Ruble against the US dollar.

The Group's cash and cash equivalents increased to US\$69.0 million as at 31 December 2020, compared to US\$54.7 million as at 31 December 2019 mainly due to lower capital expenditure and partly offset by higher working capital requirement and lower bank borrowings.

The Group's net assets as at 31 December 2020 were US\$217.0 million. The net asset value per ordinary share (excluding non-controlling interests) as at 31 December 2020 was 40.63 US cents as compared to 38.57 US cents as at 31 December 2019.



**Ekaterina Nikitina**

*Junior Brand Manager, MacCoffee Russia*

I've never experienced home office before the pandemic. I really enjoyed it and is the perfect "tool" for work-life balance. Working at home means working within your comfort zone. The more comfortable and happy I am, the more effective I perform. Let's not forget about the travelling time taken previously in Moscow traffic, which can be now be put to better use on business tasks. I'm glad technologies allow me to work from home efficiently. May everyone enjoy work-life balance and stay happy!

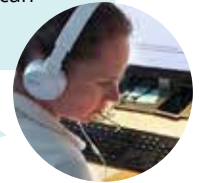


**Oksana Dudnik**

*Certification Manager, Moscow Office, Russia*

A good investment in quality internet connection and a large monitor screen is essential while working from home during the lockdown period in Russia. It allows me to still connect with my colleagues although I miss the live interaction with them.

Do your part to stay safe and I believe we can all see one another very soon!



**Ben Ho**

*Business Head, China & Mongolia Market*

Despite the lockdown in Mongolia, you can still find me working in the office. When the lockdown was more severe, I ensured my office staff safety by getting them to work from home. I will still be in office and find it rather peaceful and quiet.

Safety is my top priority for the staff here and I hope the rest of the Food Empire family around the world is safe as well.



**Amrish Rungta**

*Director, Indus Coffee, India*

I miss my office and the lunches with colleagues previously. Thinking positively, everyone is in a similar situation and a lot of meetings can now be done through video conference which saves time and resources travelling. Life is not going back to pre-pandemic times in the near future and we should all learn to accept this new norm.



**Addisu Shevaye**

*Sales & Marketing Director, Ukraine Market*

We always ensured the safety of our colleagues who are still out working in the field during Covid-19. We supported throughout by sending essentials like masks and gloves to them, and checking on them regularly.

Many thanks to all colleagues, as we will always be a big family supporting each other and defending our company's interest during this hard time.



**Satya Sutar**

*Country Head, Vietnam Market*

I am very proud to be part of the Vietnam team who took all the necessary precautions and adapted to the lifestyle to ensure the work can go on in spite of the pandemic. We did not have a single day in 2020 of no work, thanks to the effort from the team. These kind commitments from the team have made Food Empire Vietnam what it is today.

Let's hope 2021 will be a better year for everyone around the world. Food Empire, keep growing! Good Luck and Cheers.





# BOARD OF DIRECTORS



## 1. Mr Tan Wang Cheow, PBM

*Executive Chairman*

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

Mr Tan has been active in the local grassroots community since 1990. He received the Service to Education Award 2014 by the Ministry of Education, and was awarded the Public Service Medal in 2014 and 2020 for his significant contributions to the society and in the field of business. He holds a Bachelor of Accountancy from the National University of Singapore. In 2018, he received the NUS Business School Eminent Business Alumni Award (Senior Alumni Category) for

excelling in Singapore and beyond, as well as for having made contributions to serve the community. Mr Tan is also the Chairman of the School Advisory Committee of Woodgrove Secondary School since 2010.

## 2. Mr Sudeep Nair

*Chief Executive Officer and Executive Director*

Mr Nair has been serving the Board as an Executive Director since July 2005. Prior to his appointment to the Board, he was primarily responsible for establishing the Group's brands and businesses in Russia and the neighboring CIS countries from 1994 to 2005.

In October 2012, Mr Nair was appointed as the Group CEO and is responsible for the Group's diversification and growth strategy including overall oversight of its day-to-day operations. His role includes geographical expansion of business, as well as identifying new businesses and M&A opportunities for the Group. Mr Nair has over 26 years of experience in building and managing the Group's business.

### 3. 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.

### 4. Mr Koh Yew Hiap

*Non-Executive Director*

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

### 5. Mr Ong Kian Min

*Lead Independent Director*

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

In 1979, Mr Ong was awarded the President's Scholarship and Police Force Scholarship. He holds a Bachelor of Laws (Hons) external degree from the University of London and a Bachelor of Science (Hons) degree from the Imperial College of Science and Technology in England. Mr Ong was a Member of Parliament of Singapore from January 1997 to April 2011.

### 6. Mr Saw Meng Tee

*Independent Director*

Mr Saw was appointed to the Board as Non-Executive Independent Director in April 2019 and became the Chairman of the Audit Committee in April 2020. He is also a member of both the Nominating Committee and Remuneration Committee. Mr Saw brings both Corporate Finance and Accounting experience to the Board, having worked formerly in industries with that domain and having started in 1999 a firm of Chartered Accountants, EisnerAmper PAC, the Singapore member of EisnerAmper Global. He is currently the Managing Partner of EisnerAmper Singapore as well as a Director with EisnerAmper Global. He has been on the Board of Directors for other SGX mainboard listed companies and holds a Bachelor of Accountancy from Nanyang Technological University. His other professional memberships include: Fellow Chartered Accountant Singapore, Chartered Accountant (ICAEW) and Fellow of the Insolvency Practitioners Association of Singapore.

### 7. Mr Sebastian Tan Cher Liang

*Independent Director*

Mr Tan was appointed to the Board as a Non-Executive Independent Director on 24 April 2020. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee. He has more than 40 years of experience in corporate advisory and auditing, and general management.

Mr Tan was the Managing Director and Finance Director of Boardroom Limited which he co-founded in May 2000 and was listed on the Main Board of the SGX-ST in September 2000. Having retired from Boardroom Limited in March 2013, he continues to be an Advisor. Boardroom Limited provides accounting, tax and payroll, corporate secretarial services and acting as Share Registrar of companies listed on the SGX-ST. Prior to May 2000, he was with Ernst & Young Singapore and its affiliates since September 1973.

He is currently serving on the Boards of various public and private companies in Singapore. He also holds directorship in charitable organisations such as the D S Lee Foundation, EtonHouse Community Fund, Children's Charities Association and Kwan Im Thong Hood Cho Temple.

Mr Tan is a qualified financial professional from the Association of Chartered Certified Accountants of the United Kingdom. He was conferred the Public Service Medal (PBM) in 1996.



**Café PHO**

23 hrs ago · 🌐



### Café PHO x Toc Tien Tet Festival Music Video

As we usher in the Lunar New Year and Tet Festival in Vietnam, Café PHO collaborated with Vietnamese pop singer, Toc Tien, in creating a creative and catchy music video. It is one of the most viral YouTube videos in Vietnam, garnering over 56 million views and counting within a few weeks. The song is just as energising and addictive as our refreshing Café PHO drink!



👍👍👍 10.2K

61 Comments 325 Shares



**MacCoffee**

22 hrs ago · 🌐



### Kicking off the Gagarin Cup with MacCoffee

MacCoffee is a proud sponsor of Ak Bars – Russian professional ice hockey team – that has entered the first round of the Gagarin Cup playoffs. Ak Bars emerged as the top team in the regular 2019/20 season within the East group. It has won 44 matches out of 62 and scored 93 points. This is a great achievement for the club. The Gagarin Cup kicks off on 1 March 2020 with its first match between Ak Bars and Neftekhimik.



👍 39.2K

144 Comments 68 Shares



**Food Empire**

20 hrs ago · 🌐



### Food Empire nominated as a Green Champion for United Nations Development Programme's Green Aral Sea Initiative in Uzbekistan

Food Empire has been nominated as a Green Champion in a very important initiative of the United Nations Development Programme on saving the Aral Sea in Uzbekistan. We are one of the first companies supporting this project through the contribution of planting 10,000 saxaul trees on Aral Sea's seabed. Aral Sea is the world's 4<sup>th</sup> largest inland lake which unfortunately has declined to 10% in size and the remaining 90% of the lake has become a desert. This ecological tragedy does not only affect Uzbekistan but also the whole of Central Asia. Food Empire hopes that with our support to this initiative, we can help mitigate the effects of environmental disasters in the region and improve the livelihoods of the local people.



👍 39.2K

373 Comments 27 Shares



**MacCoffee**

23 hrs ago · 🌐



### European Figure Skating Championships 2020

MacCoffee, once again a main sponsor for the European Figure Skating Championships 2020 held in Austria. MacCoffee is a strong supporter of global sporting events, bringing both sportsmen and consumers the delicious taste of MacCoffee all year round.

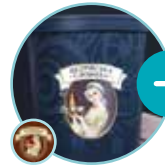


👍👍 12.4K

24 Comments 475 Shares







**MacCoffee**

19 hrs ago · 🌐



### MacCoffee Bollywood Film Festival 2020

For the fourth consecutive year, MacCoffee has been the key highlight and the main sponsor of the Bollywood Film Festival in Russia where award-worthy movies were screened. The festival was held in seven Russian cities including Moscow, St. Petersburg, Kazan, Yekaterinburg, Kaliningrad, Samara and Tyumen.

At the opening ceremony and press conference on 10 March, guests got to enjoy the movie premiere of horror flick "The Dark" and scored a unique opportunity to meet Bollywood stars up-close. The event was also visited by renowned movie director Dattu Sandeep and other famous actors. The press conference was attended by several movie creators as well as the Ambassador of India in Russia.

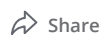
The atmosphere at the MacCoffee Bollywood Film Festival was amazing with the pleasant aroma of MacCoffee Cappuccino di Torino filling the air. The delicious MacCoffee Cappuccino di Torino with chocolate topping or cinnamon was served complimentary to all guests.

MacCoffee Bollywood Film Festival is well-known for its uniqueness and memorable experience. It stays in our hearts with wonderful memories, just as how MacCoffee Cappuccino di Torino would.



👍❤️ 22.3K

55 Comments 234 Shares



**CaféRite**

18 hrs ago · 🌐



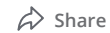
### CaféRite Ready to Serve During Lockdown

Food Empire's Philippines team have donated CaféRite White Coffee at Quezon City, Philippines to ensure the people are getting their basic essentials during the lockdown. Many are struggling to make ends meet during this period and we hope to provide them with a simple joy in life – coffee!



👍 4.5K

14 Comments 234 Shares



**MacCoffee**

18 hrs ago · 🌐



### MacCoffee Thank All Frontliners in Moscow Fighting COVID-19

This is a difficult period for the world and we thank all frontliners for their sacrifice and tireless efforts to save lives and keep things going. As a way of saying a huge thank you, Food Empire's Russia team distributed MacCoffee to four hospitals in Moscow to provide all staff one of the simple pleasures in life amidst their busy work schedule – having a cup of coffee during their break time. As long as we stay united and strong, we can beat all odds!



👍 33K

213 Comments 562 Shares





**MacCoffee**

17 hrs ago · 🌐



### Sharing the Joy of MacCoffee with Frontliners and Households in Eastern Europe

As a gesture of our immense appreciation to the people serving the frontline to combat the COVID-19 pandemic, Food Empire's Eastern Europe team distributed sachets of MacCoffee Cappuccino di Torino to the medical staff in Minsk, Belarus. We will continue to share the joy of MacCoffee with medical and social organisations, as well as reach out to needy households in the region.



👍❤️ 10.2K

61 Comments 325 Shares



**CaféPHO**

16 hrs ago · 🌐



### Café PHO Serving With a Smile

With a high demand for masks in Vietnam amidst the COVID-19 pandemic, Food Empire's Vietnam team has created masks with Café PHO logo and a happy "smile" design for our sales team to wear while visiting provision shops where our products are selling, as well as provide these masks to shop owners to keep them safe. Café PHO is always serving you with a smile! Let us all stay positive as we do our part to fight this pandemic. Together we can overcome!



👍 39.2K

104 Comments 543 Shares



**Food Empire**

16 hrs ago · 🌐



### Food Empire Celebrates Hari Raya in Singapore During Circuit Breaker With Klassno and MacTea

Food Empire shares the joy and convenience of our instant beverages, such as Klassno Cappuccino coffee and MacTea, in bags of essentials that were distributed to needy residents in Singapore as we celebrate Hari Raya during the circuit breaker. We hope to bring a little smile to these families!



👍 9K

53 Comments 91 Shares



**MacCoffee**

17 hrs ago · 🌐



### MacCoffee Uzbekistan Thanks All Frontline Staff

Over the past months, we have witnessed a surge in the COVID-19 pandemic and it has indeed been tough for everyone. We wanted to show our appreciation to all who have been doing all they can in the frontline so that we can stay safe at home. Our Food Empire Uzbekistan team have been distributing MacCoffee to hospitals and emergency centres to help them get through this difficult time.



👍❤️ 12.4K

24 Comments 26 Shares







MacCoffee

15 hrs ago · 🌐



### MacCoffee Kenya Donates Coffee and T-Shirts to Limuru Cheshire Home

We are delighted to share that MacCoffee Kenya team has contributed MacCoffee instant coffee sachets & T-shirts to goodie packs of essentials that were donated to Limuru Cheshire Home in Nairobi, as well as families of the beneficiaries. This housing is for girls living with physical and intellectual disabilities where they learn important life skills required in their daily lives. Limuru Cheshire Home's mission is "Turning Disability Into Possibility" and Food Empire is honoured to be able to play a small part in helping them achieve their mission.



👍❤️ 75.3K

55 Comments 24 Shares



Comment



Share



MacCoffee

14 hrs ago · 🌐



### MacCoffee Kenya team continues to support frontline and healthcare workers amid COVID-19

MacCoffee Kenya team thanks security guards at G4S for providing security solutions amidst the pandemic as we present them a small appreciation of MacCoffee hampers. We appreciate the G4S security workforce and we are humbled by your dedication, commitment and efforts to continue providing security solutions despite the uncertain times the world is going through. MacCoffee Kenya team also contributed MacCoffee products to Aga Khan University Hospital staff in the hope of celebrating and appreciating the healthcare workers who have played a huge role of giving care to COVID-19 patients and assisting them in recovery. MacCoffee will continue to unite with fellow Kenyans in the fight against COVID-19 and its impact on Kenya.



👍❤️ 22.3K

43 Comments 64 Shares



Comment



Share



Kracks

15 hrs ago · 🌐



### Kracks Campaign 2020 in Russia

Singles and potato crisps lovers in Russia can now take part in our exciting Kracks campaign that encompasses a unique dating experience by scanning the QR code or visit [www.kracksplay.ru](http://www.kracksplay.ru). They can also play and win an exclusive sticker pack on Telegram!



👍❤️ 4.5K

14 Comments 47 Shares



Comment



Share



Petrovskaya Sloboda

13 hrs ago · 🌐



### Petrovskaya Sloboda "Walk and Talk with Celebrities" Campaign

The "Walk and Talk with Celebrities" campaign is an eleven-part video series of unique interviews with famous Ukrainians on YouTube, Instagram and Facebook channels.

Our host, Max Nazarov, is inviting celebrity guests for a stroll and Petrovskaya Sloboda coffee as he discusses interesting topics with each of them. The topics revolve around their business and hobbies, as well as their main achievements and how they have been spending their time at home during this pandemic. These invited guests are notable individuals from various walks of life, including a famous singer, race car driver, Mount Everest climber, model, blogger, founder of an IT company, a businessman, etc.



👍❤️ 33K

213 Comments 562 Shares



Comment



Share





**Food Empire**

13 hrs ago · 🌐



### Food Empire Supports Performing Arts Award at Woodgrove Secondary School's Speech Day 2020

Food Empire is pleased to support the Performing Arts Awards once again at Woodgrove Secondary School's Speech Day 2020. We are heartened that with safe distancing measures in place, Woodgrove Secondary students can continue to receive their awards and be recognised for their outstanding performances this year. Congratulations all award winners!



👍 3.4K      14 Comments    259 Shares

👍 Like      💬 Comment      ➦ Share      ⌵



**MacCoffee**

12 hrs ago · 🌐



### MacCoffee Joins Hands with Ma Math Charitable Trust in Kenya

MacCoffee has collaborated with Ma Math Charitable Trust Kenya to give back to the underprivileged in Kenya. The event was held at the Amrita Primary School where the local community received food supplies and a range of MacCoffee and MacTea products to tide them through with their daily essential needs while the country continues to battle against the social and economic effects of COVID-19.



👍 39.2K      104 Comments    543 Shares

👍 Like      💬 Comment      ➦ Share      ⌵



**MacCoffee**

13 hrs ago · 🌐



### MacCoffee sponsors most anticipated Russian football match in summer on Match TV

MacCoffee was a proud sponsor of the exciting match between two strong contenders that was broadcasted on top Russian sports TV channel – Match TV. We were also a sponsor of another two football matches of the Russian National team which was broadcasted on one of the most popular Russian TV channels – Perviy. MacCoffee continues to participate in sporting events that not only allow spectators throughout the country to have a taste of our coffee but also provides us the opportunity to support events that bond family and friends together.



👍❤️ 15K      293 Comments    802 Shares

👍 Like      💬 Comment      ➦ Share      ⌵



**MacCoffee**

11 hrs ago · 🌐



### MacCoffee in the music video by Mary Gu titled "Asteroid"

MacCoffee is yet again featured in a music video released on 29 October 2020 titled "Asteroid" that is performed by the Russian pop singer, Mary Gu. It is produced by Warner Music Russia and was posted on Mary Gu's YouTube channel. The filming took place at two locations: one romantic scene in a café, the rest of the scenes were recorded in the woods. The music video depicts raw feelings that Mary had when she experienced a breakup, with these feelings represented as the big black sack featured in the video. Her "Ex" is likened as an asteroid that had crashed down on Mary but now it does not bother her anymore.



👍❤️ 12.4K      24 Comments    475 Shares

👍 Like      💬 Comment      ➦ Share      ⌵





**Food Empire**

10 hrs ago · 🌐



### Food Empire celebrates Deepavali and shares the joy of coffee in Singapore

This Deepavali, together with the Indian Activity Executive Committee (IAEC), Food Empire provided Hindu residents, needy families and homes with packs of coffee and other instant beverages. The best things in life are also the simplest form of enjoyment like a good cup of hot drink that warms the body and soul, and Food Empire shared the joy of our drinks during this festive season.



👍❤️ 21K

231 Comments 491 Shares



**Food Empire**

8 hrs ago · 🌐



### "Give a Line, Change a Life" Appreciation Session

Food Empire is honoured to support the "Give A Line, Change a Life" initiative organised by Industrial & Services Co-operative Society Ltd (ISCOS) with an appreciation session held on 25<sup>th</sup> November 2020. During the session, two members came forward and shared how the initiative has facilitated their reintegration journey. We are heartened to know that the smartphones with data plans provided by this project have also helped them in familiarising with everyday activities. We look forward to everyone's continued support and welcome those who would like to join in the good work and #DoGoodTogether!



👍❤️ 22.3K

55 Comments 234 Shares



**Food Empire**

9 hrs ago · 🌐



### Food Empire's Coffee Plant, Indus Coffee, Participates in World Environment Day 2020

Food Empire's coffee plant in India, Indus Coffee, has organised an event in conjunction with World Environment Day on 5 June 2020 to plant 50 tree saplings to increase the greenery within our factory premise. 30 of our staff gathered during the event with safe distancing in place as we provided affirmation to protect existing trees and plant more saplings to ensure the green belts.



👍 4.5K

123 Comments 234 Shares



**Kracks**

7 hrs ago · 🌐



👍 33K

213 Comments 562 Shares





## Food Empire achieves record win at the International Annual Report Competition (ARC) Awards with triple Golds

Food Empire is pleased to announce that its 2019 Annual Report, themed “Beyond”, won 3 Gold awards for the first time under the “Food & Consumer Packaged Goods” classification at the International ARC Awards. Specifically, the Group clinched the Gold awards for Interior Design, Photography and Printing & Production. It was also a remarkable win for Food Empire in the Photography category as the entries for this category was three times more than the previous year and Food Empire emerged as top 8% to clinch the coveted Gold award. These awards serve as a recognition of Food Empire’s relentless efforts towards excellence in annual reporting, which is an important tool in investor communication, as well as the Group’s commitment towards creativity.

The Food Empire 2019 Annual Report themed “Beyond” was built upon the concept of the Group’s unceasing efforts to seek opportunities to expand and diversify, looking far and beyond to extend its global footprint, even as the world is changing and evolving.



70.2K 22 Comments 331 Shares

Like Comment Share



## Food Empire achieves best ranking in 4 years at 53<sup>rd</sup> place for this year’s “Top 100 Most Valuable Singaporean Brands” by Brand Finance

Food Empire is pleased to announce it has been recognised as one of the Top 100 “Most Valuable Singaporean Brands” by Brand Finance, the world’s leading valuation and strategy consultancy. The Group was ranked 53<sup>rd</sup> place in the brand ranking, the Group’s best ranking in 4 years since 2016 (2016: 60<sup>th</sup> spot), marked an improvement of 5 notches from the prior placing attained in 2019.

Commenting on the ranking, the Group’s Executive Chairman, Mr Tan Wang Cheow said, “We are very pleased that our efforts are being acknowledged and are honoured to be included in the Top 100 “Most Valuable Singaporean Brands” by Brand Finance for several consecutive years. The steady improvements in our ranking serve as validation for Food Empire’s efforts towards improving customers’ experience and brand equity. Moving forward, we will continue to further entrench our geographical presence in our existing markets of operations, leverage on our strong branding and enhance product offerings to grow our global customer base and deliver greater value to our shareholders.”



45K 453 Comments 876 Shares

Like Comment Share



# CORPORATE GOVERNANCE REPORT

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

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

## A) BOARD MATTERS

### - *Principle 1: Effective Board to lead and control the Company*

The principal functions of the Board are:

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

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

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

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

There are three Board Committees:

- Audit Committee (“AC”)
- Remuneration Committee (“RC”)
- Nominating Committee (“NC”)

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

# CORPORATE GOVERNANCE REPORT

## A) BOARD MATTERS *(cont'd)*

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

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

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

The attendance of the Directors at meetings of the Board and Board Committees, and general meetings for the financial year ended 31 December 2020 ("FY2020") as well as the frequency of these meetings, are disclosed as follows:

Directors	Board Meeting	Audit Committee Meeting	Nominating Committee Meeting	Remuneration Committee Meeting	Annual General Meeting	Extraordinary General Meeting
Tan Wang Cheow	5	N/A	1	N/A	1	1
Sudeep Nair	5	N/A	N/A	N/A	1	1
Tan Guek Ming	5	4	N/A	1	1	1
Koh Yew Hiap	5	4	N/A	1	1	1
Ong Kian Min	5	4	1	1	1	1
Lew Syn Pau <sup>1</sup>	2	1	1	1	1	1
Saw Meng Tee	5	4	1	1	1	1
Tan Cher Liang <sup>2</sup>	3	3	N/A	N/A	N/A	N/A
<b>No. of Meetings Held in 2020</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

<sup>1</sup> Mr Lew Syn Pau retired as a Director and member of the Audit Committee, Chairman of Nominating Committee and Remuneration Committee on 23 April 2020.

<sup>2</sup> Mr Tan Cher Liang was appointed as a Director and member of the Audit Committee, Nominating Committee and Remuneration Committee on 24 April 2020.

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## A) BOARD MATTERS *(cont'd)*

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

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

### - Provision 1.6: Board members to have complete, adequate and timely information

In order to ensure that the Board is able to fulfill its responsibilities, Management provides the Board members with complete, adequate and timely information. The Management also provides quarterly updates of the latest developments in the Group, financial and management accounts, operational metrics, audit findings and risk dashboard and reports and other financial information.

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

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

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

The Directors are informed and are aware that they may take independent professional advice at the Company's expense, where necessary, in furtherance of their duties.

## B) BOARD COMPOSITION AND GUIDANCE

### - Principle 2: Independent and diversity elements of the Board

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

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

The core competencies of the Board members are as follows:

	Accounting/ Finance/Business/ Management Experience	Industry Knowledge	Strategic Planning	Law
Tan Wang Cheow	√	√	√	
Sudeep Nair	√	√	√	
Tan Guek Ming	√	√	√	
Koh Yew Hiap	√	√	√	
Ong Kian Min	√		√	√
Tan Cher Liang	√	√	√	
Saw Meng Tee	√	√	√	

# CORPORATE GOVERNANCE REPORT

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

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

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

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

- (i) He is not employed by the Company or any of its related corporations for the current or any of the past three financial years;
- (ii) He is not a director who has an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporation and whose remuneration is determined by the RC; and
- (iii) He has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere with his exercise of independent business judgement in the best interest of the Company.

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

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

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

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

As a part of the Board renewal process, Mr Tan Cher Liang was appointed as an INED of the Company on 24 April 2020. The Board, taking into consideration the credentials, skills, experience and qualifications, and at the recommendation of the NC, was satisfied that Mr Tan possesses the requisite competencies and experience to assume the responsibilities as an INED. He was also appointed a member of the AC, NC and RC. In accordance with the Constitution of the Company, Mr Tan will hold office until the conclusion of the forthcoming Annual General Meeting ("AGM") of the Company and he will be eligible for re-election as a director of the Company at the AGM. In accordance with the Constitution of the Company, the Company's Lead ID, Mr Ong Kian Min, Group CEO and Executive Director, Mr Sudeep Nair and NED, Mdm Tan Guek Ming will be subject to retirement by rotation and they will be eligible for re-election as directors of the Company at the AGM.

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

# CORPORATE GOVERNANCE REPORT

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

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

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

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

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

The Group CEO, Mr Sudeep Nair, is responsible for the Group's diversification and growth strategy including overall oversight of the day-to-day operations. His roles include geographical expansion of business as well as identifying new businesses and merger and acquisition opportunities for the Group. Mr Nair has over 26 years of experience in building and managing the Group's business.

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

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

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

In carrying out their duties, the Executive Chairman, Group CEO and Lead ID are also guided by the Company's Terms of Reference of the Executive Chairman, Group CEO and Lead ID.

# CORPORATE GOVERNANCE REPORT

## D) BOARD MEMBERSHIP

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

The NC comprises:

Mr Ong Kian Min (Chairman)  
Mr Tan Wang Cheow  
Mr Tan Cher Liang  
Mr Saw Meng Tee

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

The scope and responsibilities of the NC include:

- 1) identifying candidates and reviewing all nominations for all appointments and re-appointments to the Board of Directors, including making recommendations on the composition of the Board and balance between Executive Directors, NEDs and INEDs;
- 2) reviewing the Board structure, size, diversity and composition;
- 3) reviewing the strength and attributes of the existing Directors including assessing the effectiveness of the Board and Board Committees and the contribution by individual Directors;
- 4) reviewing the independence of Directors annually;
- 5) considering and making recommendations on nominations of Directors retiring by rotation;
- 6) reviewing Board succession plans for Directors, in particular the Executive Chairman, the Group CEO and key management personnel;
- 7) making recommendations to the Board on comprehensive training and professional development programs for the Board; and
- 8) deciding whether or not a Director is able to and has adequately carried out his or her duties as a Director of the Company, particularly when they have multiple Board representations.

### **Dates of last re-election/re-appointment**

<b>Directors</b>	<b>Date of last re-election/re-appointment</b>
Tan Wang Cheow	24 April 2019
Sudeep Nair	24 April 2018
Tan Guek Ming	24 April 2018
Koh Yew Hiap	23 April 2020
Ong Kian Min	24 April 2018
Tan Cher Liang	Not applicable
Saw Meng Tee	23 April 2020



# CORPORATE GOVERNANCE REPORT

## D) **BOARD MEMBERSHIP** *(cont'd)*

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

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

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

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

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

## E) **BOARD PERFORMANCE**

### **- Principle 5: Formal assessment of the effectiveness of the Board, Board Committees and contributions of each Director**

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

- a) attendance at Board and Board Committees' meetings;
- b) participation in meetings and special contributions including Management's access to the Director for guidance or exchange of views outside the formal environment of Board meetings;
- c) introducing contacts of strategic benefit to the Group; and
- d) progress of implementation of the board diversity policy.

The Board's evaluation process is performed annually whereby questionnaires were sent to the Directors and the results of the evaluation were tabled to the NC for deliberation. The results of the performance evaluation showed that the overall performance of the Board, Board Committees and contribution of the individual Directors were in the categories of "consistently good". The NC and the Board were satisfied with the overall performance in FY2020.

# CORPORATE GOVERNANCE REPORT

## F) REMUNERATION MATTERS

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

The RC comprises:

Mr Ong Kian Min (Chairman)  
Mdm Tan Guek Ming  
Mr Koh Yew Hiap  
Mr Tan Cher Liang  
Mr Saw Meng Tee

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

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

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

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

The current share option scheme applies to eligible employees and Directors of the Group, other than the controlling shareholders who are not Directors or employees. The participation of Directors who are controlling shareholders, associates of controlling shareholders or nominated by the controlling shareholders of the Group in the current share option scheme is subject to independent shareholders' approval. Additional information on the previous and current share option schemes can be found on pages 50 to 54 and 119 to 123 of the annual report.

Although the Code recommends the disclosure of amounts and breakdown of remuneration of each individual Director, Group CEO and top five key management personnel on a named basis, the Board has decided not to adopt this practice because it is of the view that such disclosure may be detrimental to the Group's interest as it may lead to poaching of executives within a highly competitive industry and may compromise the personal safety of the individuals concerned as they travel to or work within some emerging markets. It also wishes to maintain confidentiality of remuneration within the Group for more harmonious and effective human resources management and deployment of executives across the many countries the Group operates in.

# CORPORATE GOVERNANCE REPORT

## F) REMUNERATION MATTERS *(cont'd)*

- **Principle 6: Formal and transparent procedure for fixing remuneration packages of Directors and key management personnel** *(cont'd)*

- **Principle 7: Remuneration of Directors and key management personnel should be appropriate but not excessive** *(cont'd)*

- **Principle 8: Remuneration policy, level and mix of remuneration and procedure for setting remuneration** *(cont'd)*

The aggregate total remuneration paid to the top five key management personnel (who are not the Directors or the Group CEO) was S\$3,642,000 in FY2020.

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

In FY2020, the RC did not engage any external consultant to advise the RC on any remuneration matters.

The remuneration for FY2020 is shown below:-

<b>Remuneration Bands</b>	<b>No. of Directors in Remuneration Bands</b>
S\$2,000,000 to S\$2,249,999	2
S\$1,750,000 to S\$1,999,999	0
S\$1,500,000 to S\$1,749,999	0
S\$1,250,000 to S\$1,499,999	0
S\$1,000,000 to S\$1,249,999	0
S\$750,000 to S\$999,999	0
S\$500,000 to S\$749,999	0
S\$250,000 to S\$499,999	0
Below S\$250,000	5

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

To maintain confidentiality of remuneration, the names, amounts and breakdown of remuneration of the Directors and the top five key executives are not stated. There are no employees who are substantial shareholders of the Company or immediate family members of a Director or the Group CEO or a substantial shareholder whose remuneration exceeds S\$100,000 during FY2020.

The Board believes that the remuneration information disclosed is sufficient for shareholders to have an adequate appreciation of the remuneration of the Directors, Group CEO and top five key management personnel.

The Board also believes that there is sufficient transparency on the Company's remuneration policies, level and mix of remuneration, the procedures for setting remuneration and the relationships between remuneration performance and value creation are consistent with the intent of Principle 8.1 of the Code.



# CORPORATE GOVERNANCE REPORT

## G) ACCOUNTABILITY AND AUDIT

### *- Principle 9: Sound systems of risk management and internal controls*

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

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

The Management provides quarterly management reports to the Board members and also presents to the Board the Group's quarterly and full year accounts and the AC reports on the results for review and approval. In compliance with the SGX-ST's requirement for half yearly reporting, the Board approves the half year and full results and authorises the release of the results to SGX-ST and the public via SGXNet.

The Board also reviews legislation and regulatory compliance reports from the Management to ensure that the Group complies with relevant statutory reporting requirements.

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

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

The Board has approved a Group Risk Management Framework for the identification of key risks within the business which is aligned with the ISO 31000:2018 Risk Management framework. To enhance the effectiveness of the enterprise risk management ("ERM") framework, the Group implemented Orion ERM system, a third-party software that automates the risk management, internal control and assurance functions and enables these functions to be managed on an integrated platform.

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

- 1) proposes the risk governance approach and risk policies for the Group to the Board;
- 2) reviews the risk management methodology adopted by the Group;
- 3) reviews the strategic, financial, operational, regulatory, compliance, information technology and other emerging risks relevant to the Group identified by Management; and
- 4) reviews Management's assessment of risks and Management's action plans to mitigate such risks.

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

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

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

- 1) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- 2) the Group maintains effective and adequate risk management and internal control systems.

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

# CORPORATE GOVERNANCE REPORT

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

Based on the risk management framework and internal controls established and maintained by the Group, works performed by the internal, external auditors and external certification firms and annual reviews performed by Management, various Board Committees and the Board, the Board (with the concurrence of the AC) is satisfied that the Group's risk management and internal control systems addressing financial, operational, compliance and information technology risks, were adequate and effective as at 31 December 2020.

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

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

The AC comprises:

Mr Saw Meng Tee (Chairman)  
Mdm Tan Guek Ming  
Mr Tan Cher Liang  
Mr Ong Kian Min  
Mr Koh Yew Hiap

All five members of the AC are NEDs. The AC has a majority of INEDs, including the AC Chairman. The Directors are of the view that all AC members including the AC Chairman have recent and relevant accounting or related financial management expertise or experience.

None of the AC members were previous partners or directors of the Company's external auditors, Ernst & Young LLP ("EY" or "External Auditors"), within a period of two years (2) years or hold any financial interest in EY.

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

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

- a) the audit plan of the External Auditors of the Group, the results of their examination and evaluation of the Group's systems of internal accounting controls, their independence and the non-audit services provided by them;
- b) risk or exposure that exists and the steps Management has taken to minimise these risks to the Group;
- c) the Group's quarterly financial results for submission to the Board;
- d) the assistance given by the Group's officers to the External Auditors;
- e) the remuneration and terms of engagement of the External Auditors;
- f) the re-appointment of the External Auditors and recommend it to the Board for obtaining approval from the shareholders;
- g) the Group's interested person transactions in accordance with the requirements of the SGX-ST Listing Manual;
- h) the assurance from the Executive Chairman, Group CEO and Group CFO on the financial records and financial statements;
- i) the significant financial reporting issues and judgements so as to ensure integrity of the financial statements and financial results announcements relating to the financial performance of the Company;
- j) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board of Directors and the External Auditors' report on those financial statements;

# CORPORATE GOVERNANCE REPORT

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

- k) the adequacy and effectiveness of the Group's material internal controls, including financial, operational, compliance and information technology controls and risk management systems via reviews carried out by the internal auditors;
- l) the audit plans of the internal auditors;
- m) the results of their internal audit; and
- n) the independence, adequacy and effectiveness of the external audit results and internal audit function of the Group.

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

In performing its functions, the AC has:

- a) full access to and co-operation from the Management and has full discretion to invite any Director and executive officer to attend its meetings;
- b) been given reasonable resources to enable it to discharge its duties and responsibilities properly; and
- c) the express authority to conduct investigation into any matters within its terms of reference.

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

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

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

The total fees paid to EY (including overseas EY entities) for FY2020 are as disclosed in the table below:

	<b>US\$'000</b>	<b>% of total audit fees</b>
Audit Fees	348	79.5
Non-Audit Fees	90	20.5
Total Fees Paid	438	100.0

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

Different auditors have been appointed for some of the overseas subsidiaries. The names of these audit firms are disclosed under Note 15 of the financial statements. This matter has been reviewed by the AC and the Board and both are satisfied that these appointments did not compromise the standard and effectiveness of the audit of the Group.

The Group has complied with Rules 712 and 716 of the SGX-ST Listing Manual in relation to its external auditors.

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

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



# CORPORATE GOVERNANCE REPORT

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

### Significant financial statement reporting matters

In the review of the Company's financial statements for FY2020, the AC considered a number of significant matters and has discussed with Management the accounting principles that were applied and their judgement of items that might affect the financial statements.

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

Significant matters	How the AC reviewed these matters
1. Revenue recognition	<p>The AC reviewed Management's approach and assessment of the internal controls over the recognition of revenue. The AC was satisfied that Management's approach and assessment of internal controls over revenue recognition were appropriate.</p> <p>Please refer to page 57 of the External Auditors' report and Note 2.23 (Summary of significant accounting policies) and Note 4 (Notes on Revenue) of the financial statements for further details.</p>
2. Recoverability of trade receivables	<p>The AC considered Management's approach and methodology used in the evaluation of the Group's trade receivables for impairment. The Group determines expected credit losses for trade receivables by making debtor-specific assessment for credit-impaired debtors and using provision matrix method for outstanding trade receivables. The AC was satisfied that the approach and methodology used by Management in the process was appropriate.</p> <p>Please refer to page 57 of the External Auditors' report and Note 2.14 (Summary of significant accounting policies), Note 3.2b (Significant accounting estimates and judgements), and Note 23 (Notes on Trade Receivables) of the financial statements for further details.</p>
3. Impairment assessment of intangible assets	<p>The AC considered Management's approach and methodology applied to the valuation model in impairment assessment of the Group's intangible assets, including the key assumptions for growth rates, cash-flow expectations and the discount rates used. The AC was satisfied that the approach and methodology in the impairment assessment used by Management were appropriate.</p> <p>Please refer to page 58 of the External Auditors' report and Note 2.13 (Summary of significant accounting policies), Note 3.2a (Significant accounting estimates and judgements), and Note 17 (Notes on Intangible Assets) of the financial statements for further details.</p>

### - **Principle 10.4: Internal audit function**

The Group outsources its internal audit function to a professional service firm, Yang Lee & Associates ("YLA" or "Internal Auditor"). YLA is a professional services firm that specialises in the provision of Internal Audit, Enterprise Risk Management and Sustainability Reporting advisory services. The firm was set up in year 2005 and currently maintains an outsourced internal audit portfolio of SGX-ST listed companies in distribution, manufacturing, services, food & beverage and property development industries.

The Engagement Team for this engagement comprises two Directors, a Manager, an Assistant Manager and supported by two Associates. Each of the two Directors has more than 20 years of relevant experience whilst the Manager has approximately 15 years of relevant experience.

The Internal Auditor reports directly to the AC and internal control weaknesses identified during the internal audit reviews and the recommended corrective actions are reported to the AC periodically. The AC approves the hiring, removal, evaluation and compensation to the Internal Auditor. The Internal Auditor has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

# CORPORATE GOVERNANCE REPORT

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

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

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

YLA is a corporate member of the Institute of Internal Auditors Singapore and is staffed with professionals with relevant qualifications such as the Certified Internal Auditor qualification with the Institute of Internal Auditors. The Internal Auditor is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

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

The Internal Auditor completed two reviews during FY2020 in accordance with the internal control testing plan developed and approved by the Board under the Group's Risk Management Framework. The findings and recommendations of the Internal Auditor, Management's responses, and Management's implementation of the recommendations has been reviewed and discussed with the AC.

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

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

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

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

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

Price sensitive information is first publicly released via SGXNet before any meeting with any group of investors or analysts. Results are announced within the mandatory period on a half yearly basis to SGX-ST. The Company also practices releasing quarterly business updates to SGX-ST.

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

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

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

Resolutions to be passed at general meetings are always separate and distinct in terms of issue so that shareholders are able to exercise their right to approve or deny the issue or motion. Shareholders can also exercise their right to vote in absentia by the use of proxies. The Company has been conducting electronic poll voting for all resolutions passed at the general meetings of shareholders for greater transparency in the voting process. Shareholders or their proxies are briefed by the appointed polling agent on the poll voting procedures at the AGM. The appointed scrutineer will ensure that the poll process is properly carried out and the counting of the votes is verified by the scrutineer.

# CORPORATE GOVERNANCE REPORT

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

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

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

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

### **2020 and 2021 AGMs and EGMs**

In view of the COVID-19 situation in Singapore, the 2020 AGM and EGM were held via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holder) Order 2020 ("Alternative Meeting Arrangements"). The 2021 AGM and EGM will also be convened and held via electronic means.

Alternative Meeting Arrangements relating to attendance at the AGM and EGM via electronic means (including arrangements by which the meeting can be electronically assess via live audio-visual webcast and live audio-only stream), submission of questions to the Chairman of the meeting in advance of the AGM and EGM, addressing of substantial and relevant questions prior to or at the AGM and EGM and voting by appointing the Chairman of the meeting as proxy at the AGM and EGM, will put in place for the AGM and EGM.

Under the Alternative Meeting Arrangements, the minutes of the AGM and EGM will be uploaded to the Company's corporate website and SGXNet within one month from the date of the AGM and EGM. The Company may revert to comply with all the applicable provisions of Principle 11 of the Code after Alternative Meeting Arrangements have ceased to be in force.

### **- Principle 12: Engagement with shareholders**

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

## J) **MANAGING STAKEHOLDER RELATIONSHIPS**

### **- Principle 13: Engagement with stakeholders**

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

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

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



# CORPORATE GOVERNANCE REPORT

## SUPPLEMENTARY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (SGX-ST LISTING MANUAL REQUIREMENTS)

### (i) **Dealing in Securities**

The Company has in place an internal policy prohibiting share dealings by Directors and officers of the Group while in possession of unpublished material or price sensitive information during the period commencing one month prior to the announcement of the Company's annual result, and two weeks before the announcement of its half year 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 FY2020, the Company has complied with the best practices on dealing in securities in accordance with Rule 1207(19) of the SGX-ST Listing Manual.

### (ii) **Material Contracts**

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

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

#### **Operating in Emerging Markets**

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

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

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

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

#### **Foreign Exchange Exposure**

The Group has transactional currency exposures arising from sales, purchases or operating costs by operating units in currencies other than the unit's functional currency.

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

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

# CORPORATE GOVERNANCE REPORT

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

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

#### **Credit Risk of Customers**

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

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

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

#### **Dependence on Key Personnel**

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

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

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

#### **Investment Risk**

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

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

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

#### **Information Technology Risk**

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

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

# CORPORATE GOVERNANCE REPORT

## SUPPLEMENTARY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (SGX-ST LISTING MANUAL REQUIREMENTS) (cont'd)

### (iv) Interested Person Transactions

Interested person transactions ("IPT") carried out during the financial year which falls under Chapter 9 of the SGX-ST Listing Manual are as follows:-

Name of interested person	Nature of relationship	Aggregate value of all IPT during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholder's mandate pursuant to Rule 920)		Aggregate value of all IPT conducted under shareholder's mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
		2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
<b>a) Simonelo Limited and its subsidiaries</b>	Companies associated to Mr Sudeep Nair (Group CEO and Executive director)				
- Lease payments made		1,780	2,006	-	-
<b>b) UDI Marketing Sdn Bhd</b>	Company associated to Universal Integrated Corporation Consumer Products Pte Ltd (Controlling Shareholder)				
- Sales of goods		1,035	900	-	-

# CORPORATE GOVERNANCE REPORT

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

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

<b>Name</b>	Mr Ong Kian Min (Lead ID)	Mr Sudeep Nair (Group CEO and Executive Director)
<b>Date of appointment</b>	8 April 2000	1 July 2005
<b>Date of last re-appointment</b>	24 April 2018	24 April 2018
<b>Age</b>	60	51
<b>Country of principal residence</b>	Singapore	Singapore
<b>The Board's comments on the re-appointment</b>	Based on the recommendation of the Nominating Committee, the Board (save for Mr Ong Kian Min who abstained from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr Ong as a Director. Mr Ong will remain Chairman of the Nominating Committee, Chairman of the Remuneration Committee and a member of the Audit Committee.	Based on the recommendation of the Nominating Committee, the Board (save for Mr Sudeep Nair who abstained from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr Sudeep as a Director of the Company.
<b>Whether the appointment is executive, and if so, the area of responsibility</b>	Non-executive	Executive
<b>Job title (e.g. Lead ID, AC Chairman, AC Member etc.)</b>	Independent Non-executive Director and Chairman of the Nominating Committee, Chairman of the Remuneration Committee and a member of the Audit Committee.	Group CEO and Executive Director
<b>Professional qualifications</b>	Bachelor of Laws (Hons)(Ext), University of London, UK  Bachelor of Science (Hons), Imperial College of Science & Technology, London, UK	Bachelor of Science, University of Delhi
<b>Working experience and occupation(s) in the past 10 years</b>	From October 2000 to present: Consultant, Drew & Napier LLC  From January 2010 to present: Executive Director, Kanesaka Sushi Private Limited  From January 2010 to present: Senior Adviser, Alpha Advisory Pte. Ltd.	Group CEO and Executive Director of Food Empire Holdings Limited
<b>Shareholding interest in the listed issuer and its subsidiaries</b>	720,000 (deemed interest)	2,700,000 (direct interest) 60,076,399 (deemed interest)
<b>Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries</b>	None.	None.
<b>Conflict of interest (including any competing business)</b>	No	No
<b>Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company</b>	Yes	Yes
<b>Other principal commitments including directorships</b>		
<b>Past (for the last 5 years)</b>	Breadtalk Group Limited CMG Global Ltd Hupsteel Limited Jaya Holdings Limited Katana Asset Management Pte. Ltd. LANKom Electronics Limited OUE Hospitality REIT Management Pte. Ltd.	Caffebene Co Ltd Navas Services Limited Naturan Systems Inc. Sunmark Ventures Limited SWP Investments Pte Ltd



# CORPORATE GOVERNANCE REPORT

## ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-APPOINTMENT (cont'd)

Name	Mr Ong Kian Min (Lead ID)	Mr Sudeep Nair (Group CEO and Executive Director)	
<b>Other principal commitments including directorships</b>			
<b>Present</b>	Alpha Advisory Pte. Ltd. GPTW Institute (Singapore) Pte. Ltd. Drew & Napier LLC JEKKA-MOLLE Pte. Ltd. Kanesaka Sushi Private Limited QEnergy Pte Ltd One Eternity Foundation Company Limited OUE Hospitality Trust Management Pte. Ltd. Penguin International Ltd Silverlake Axis Ltd	FER (HK) Limited Bestgate Investments Limited FES International FZE	
<b>Information required pursuant to Listing Rule 704(7)</b>			
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c)	Whether there is any unsatisfied judgement against him?	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f)	Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No

# CORPORATE GOVERNANCE REPORT

## ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-APPOINTMENT *(cont'd)*

Name	Mr Ong Kian Min (Lead ID)	Mr Sudeep Nair (Group CEO and Executive Director)
<b>Information required pursuant to Listing Rule 704(7)</b>		
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i)	Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: <ul style="list-style-type: none"> <li>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</li> <li>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</li> <li>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</li> <li>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</li> </ul>	No
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No

# CORPORATE GOVERNANCE REPORT

## ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-APPOINTMENT (cont'd)

<b>Name</b>	Mdm Tan Guek Ming (NED)	Mr Tan Cher Liang (INED)
<b>Date of appointment</b>	8 April 2000	24 April 2020
<b>Date of last re-appointment</b>	24 April 2018	Not applicable
<b>Age</b>	61	69
<b>Country of principal residence</b>	Singapore	Singapore
<b>The Board's comments on the re-appointment</b>	Based on the recommendation of the Nominating Committee, the Board (save for Mdm Tan Guek Ming who abstained from deliberating her own re-election) propose to the Company's shareholders to approve the re-election of Mdm Tan as a Director. Mdm Tan will remain members of the Audit Committee and Remuneration Committee.	Based on the recommendation of the Nominating Committee, the Board (save for Mr Tan Cher Liang who abstained from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr Tan Cher Liang as a Director of the Company. Mr Tan will remain members of the Audit Committee, Nominating Committee and Remuneration Committee.
<b>Whether the appointment is executive, and if so, the area of responsibility</b>	Non-executive	Non-executive
<b>Job title (e.g. Lead ID, AC Chairman, AC Member etc.)</b>	Non-executive Director and members of the Audit Committee and Remuneration Committee.	Independent Non-executive Director and members of the Audit Committee, Nominating Committee and Remuneration Committee
<b>Professional qualifications</b>	Bachelor of Accountancy (Second Class Honours), National University of Singapore.	Fellow of Association of Chartered Certified Accountants
<b>Working experience and occupation(s) in the past 10 years</b>	Non-executive Director of Food Empire Holdings Limited	From 2000 to 2013: Managing Director and Group Chief Financial Officer, Boardroom Limited  From 2013 to Present: Independent Director of various public listed companies in Singapore
<b>Shareholding interest in the listed issuer and its subsidiaries</b>	27,547,400 (direct interest) and 40,827,200 (deemed interest), and 52,440,000 (deemed interest) is held by her spouse, Mr Tan Wang Chew via United Overseas Bank Nominees Pte Ltd	Nil.
<b>Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries</b>	Spouse of Executive Chairman, Mr Tan Wang Chew	None.
<b>Conflict of interest (including any competing business)</b>	No	No
<b>Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company</b>	Yes	Yes
<b>Other principal commitments including directorships</b>		
<b>Past (for the last 5 years)</b>	None.	None.
<b>Present</b>	Future Enterprises Pte. Ltd. Nisedaj Investments Pte. Ltd. Future Engineering and Communication Pte. Ltd. Jodasen Ventures Limited	Advisor, Boardroom Limited Independent Chairman, Jumbo Group of restaurants Independent Chairman, Vibrant Group Ltd Independent Director, Ezra Holdings Ltd Independent Director, Kingsmen Creatives Ltd Independent Director, Wilton Resources Corp Ltd Director, D S Lee Foundation Director, DS Lee Singapore General Pte Ltd Director, DS Lee Specialists Group Pte Ltd Director, Deli Sumatra Legacy Co Pte Ltd Director, DSLSG Investment Co Pte Ltd Director, E-Bridge Pre-School Pte Ltd Chairman, Eton Community Fund Ltd Trustee, Kwan Im Thong Hood Cho Temple Director, Nyalas Rubber Estates Limited Director, Children's Charities Association of Singapore

# CORPORATE GOVERNANCE REPORT

## ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-APPOINTMENT *(cont'd)*

Name	Mdm Tan Guek Ming (NED)	Mr Tan Cher Liang (INED)
<b>Information required pursuant to Listing Rule 704(7)</b>		
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c)	Whether there is any unsatisfied judgement against him?	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f)	Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No



# CORPORATE GOVERNANCE REPORT

## ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-APPOINTMENT *(cont'd)*

Name	Mdm Tan Guek Ming (NED)	Mr Tan Cher Liang (INED)
<b>Information required pursuant to Listing Rule 704(7)</b>		
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: <ul style="list-style-type: none"> <li>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</li> <li>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</li> <li>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</li> <li>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</li> </ul>	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No



# FINANCIAL **STATEMENTS**

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# DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Food Empire Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2020.

## OPINION OF THE DIRECTORS

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## DIRECTORS

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

Tan Wang Cheow  
Sudeep Nair  
Tan Guek Ming  
Koh Yew Hiap  
Ong Kian Min  
Tan Cher Liang  
Saw Meng Tee

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except for the Food Empire Holdings Limited Share Option Scheme (the "2002 Option Scheme" and "2012 Option Scheme"), neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

# DIRECTORS' STATEMENT

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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 2021	As at 21 January 2021

### *The Company*

#### Ordinary shares

Tan Wang Cheow	-	-	120,814,600	120,814,600	-	120,814,600
Sudeep Nair	1,300,000	2,700,000	60,076,399	60,076,399	2,700,000	60,076,399
Tan Guek Ming	37,547,400	27,547,400	83,267,200	93,267,200	27,547,400	93,267,200
Ong Kian Min	-	-	720,000	720,000	-	720,000

Name of Director	Share options held in the name of the Directors		Share options held in the name of the Directors	
	At the beginning of the year	At the end of the year	At the beginning of the year	At the end of the year

### *The Company*

#### 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	-	-
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#### 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
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#### 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
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#### Options to subscribe for ordinary shares exercisable between 4 July 2017 to 3 July 2026 at S\$0.308 per share

Sudeep Nair	1,500,000	1,500,000	1,500,000
Ong Kian Min <sup>(1)</sup>	100,000	100,000	100,000



# DIRECTORS' STATEMENT

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES *(cont'd)*

Name of Director	Share options held in the name of the Directors		Share options held in the name of the Directors
	At the beginning of the year	At the end of the year	As at 21 January 2021
<b><i>The Company</i> <i>(cont'd)</i></b>			
<b>Options to subscribe for ordinary shares exercisable between 16 March 2019 to 15 March 2028 at S\$0.679 per share</b>			
Sudeep Nair	1,500,000	1,500,000	1,500,000
Ong Kian Min <sup>(2)</sup>	100,000	100,000	100,000
<b>Options to subscribe for ordinary shares exercisable between 15 March 2020 to 14 March 2029 at S\$0.556 per share</b>			
Sudeep Nair	1,500,000	1,500,000	1,500,000
Ong Kian Min <sup>(3)</sup>	100,000	100,000	100,000
<b>Options to subscribe for ordinary shares exercisable between 6 March 2021 to 5 March 2030 at S\$0.667 per share</b>			
Sudeep Nair	–	1,500,000	1,500,000
Ong Kian Min <sup>(4)</sup>	–	100,000	100,000
Saw Meng Tee <sup>(4)</sup>	–	100,000	100,000

<sup>(1)</sup> Options to subscribe for ordinary shares expire on 3 July 2021.

<sup>(2)</sup> Options to subscribe for ordinary shares expire on 15 March 2023.

<sup>(3)</sup> Options to subscribe for ordinary shares expire on 14 March 2024.

<sup>(4)</sup> Options to subscribe for ordinary shares expire on 5 March 2025.

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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2021.

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

# DIRECTORS' STATEMENT

## SHARE OPTIONS

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

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

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

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

### *Unissued shares under 2002 Option Scheme and 2012 Option Scheme*

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

	Number of holders at year end	Number of options outstanding at 1.1.2020	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 31.12.2020	Exercise price per share S\$	Exercise period
<b>2002 Option Scheme</b>								
2010 Options	-	100,000	-	(100,000)	-	-	0.335	4 January 2011 to 3 January 2020
2011 Options (February)	5	2,930,000	-	(100,000)	(1,840,000)	990,000	0.505	1 February 2012 to 31 January 2021
2011 Options (December)	5	2,710,000	-	-	(350,000)	2,360,000	0.315	19 December 2012 to 18 December 2021
		<u>5,740,000</u>	<u>-</u>	<u>(200,000)</u>	<u>(2,190,000)</u>	<u>3,350,000</u>		
<b>2012 Option Scheme</b>								
2013 Options	15	3,810,000	-	-	-	3,810,000	0.669	8 March 2014 to 7 March 2023
2016 Options	13	4,415,000	-	(150,000)	(930,000)	3,335,000	0.308	4 July 2017 to 3 July 2026
2017 Options	6	550,000	-	-	-	550,000	0.693	23 May 2018 to 22 May 2027
2018 Options	14	4,600,000	-	(150,000)	-	4,450,000	0.679	16 March 2019 to 15 March 2028
2019 Options	20	5,450,000	-	(150,000)	-	5,300,000	0.556	15 March 2020 to 14 March 2029
2020 Options	20	-	5,450,000	(150,000)	-	5,300,000	0.667	6 March 2021 to 5 March 2030
		<u>18,825,000</u>	<u>5,450,000</u>	<u>(600,000)</u>	<u>(930,000)</u>	<u>22,745,000</u>		
		<u>24,565,000</u>	<u>5,450,000</u>	<u>(800,000)</u>	<u>(3,120,000)</u>	<u>26,095,000</u>		

# DIRECTORS' STATEMENT

## SHARE OPTIONS *(cont'd)*

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

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

Name of Director	Aggregate options granted since commencement of 2002 Option Scheme and 2012 Option Scheme to end of financial year	Aggregate options exercised since commencement of 2002 Option Scheme and 2012 Option Scheme to end of financial year	Aggregate options lapsed/cancelled since commencement of 2002 Option Scheme and 2012 Option Scheme to end of financial year	Aggregate options outstanding as at end of financial year
<b>2002 Option Scheme</b>				
Ong Kian Min	900,000	(600,000)	(300,000)	-
Sudeep Nair <sup>(1)</sup>	12,000,000	(10,500,000)	-	1,500,000
<b>2012 Option Scheme</b>				
Saw Meng Tee	100,000	-	-	100,000
Ong Kian Min	500,000	-	(100,000)	400,000
Sudeep Nair	7,500,000	-	-	7,500,000

<sup>(1)</sup> 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
- 26,350,000 options were granted for 2012 Option Scheme
- No options had been granted to the controlling shareholders of the Company or their associates
- No options had been granted to the Directors appointed by the controlling shareholders
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation had been granted
- No participant other than Mr Sudeep Nair has been granted 5% or more of the total options available under the 2002 Option Scheme and 2012 Option Scheme

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options as at the end of the financial year. There are no options granted at a discount during the financial year.

# **DIRECTORS' STATEMENT**

## **AUDIT COMMITTEE**

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

## **AUDITOR**

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

On behalf of the Board of Directors,

Tan Wang Cheow  
Director

Sudeep Nair  
Director

Singapore  
25 March 2021



# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

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

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Food Empire Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2020, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

#### Basis for Opinion

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

#### Key audit matters

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

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

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

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

### Key audit matters *(cont'd)*

#### 1. Revenue recognition

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

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

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

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

#### 2. Recoverability of trade receivables

We refer to Note 3.2b (Significant accounting estimates and judgements), Note 2.14 (Summary of significant accounting policies) and Note 23 (Notes on Trade Receivables).

Trade receivable balances are significant to the Group as they represented 14.4% of the Group's net assets as at 31 December 2020. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. The Group determines expected credit losses for trade receivables by making debtor-specific assessment for credit-impaired debtors and using provision matrix method for the remaining group of debtors. In determining the estimated credit loss allowance for the Group's trade receivables as at year end, management had considered various factors such as the age of the outstanding balances, historical payment and credit loss patterns over an appropriate period, facts and circumstances specific to the countries and economic environments where the Group operates, correlation between economic conditions and historical credit losses, as well as the forecast of future macro-economic conditions over the expected life of the Group's trade receivables, which require significant management judgement. This estimation is further affected by the economic uncertainty brought on by the COVID-19 pandemic. Accordingly, we determined that this is a key audit matter.

As part of our audit procedures, we assessed the Group's processes and key controls relating to the monitoring of trade receivables, including the process in determining whether a debtor is credit-impaired. We also considered ageing of the receivables to identify collection risks. We evaluated management's assumptions and inputs used in the computation of historical credit loss rates and reviewed data and information that management had used to make forward-looking adjustments, including consideration on impact arising from COVID-19. We requested trade receivable confirmations and reviewed for collectability by way of obtaining evidence of subsequent receipts from the trade receivables. We held discussions with management on their assessment of the recoverability of long outstanding receivables in particular receivables that could be affected by COVID-19, analysed trend of collections and assessed management's assumptions used to determine expected credit losses for such trade receivables notably through consideration of their specific profiles and risks.

We assessed the adequacy of the Group's disclosures on the trade receivables and the related credit risk in Note 37a.

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

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

### Key audit matters *(cont'd)*

#### 3. Impairment assessment of intangible assets

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

As at 31 December 2020, intangible assets comprise goodwill of US\$6,684,000 and brand of US\$3,659,000, representing 3.1% and 1.7% of the Group's net assets respectively. The Group annually carries out an impairment assessment using a value-in-use model which is based on discounted cash flows of the cash generating units ("CGU"). Management estimated the recoverable value using assumptions in respect of future market and economic conditions to estimate expected revenue and margin, inflation rate, discount rates and economic growth. As disclosed in Note 17, the Group's goodwill is allocated to each of the Group's CGU or group of CGUs. As intangible assets impairment assessment requires management to apply significant judgement in determining the key assumptions, especially in the current economic uncertainty, we determined this is a key audit matter.

As part of our audit procedures, we assessed the reasonableness of the key assumptions applied by the Group in determining the recoverable amounts of each CGU. In particular, we tested the underlying assumptions by comparing to historical results for reasonableness, with considerations of the impact on growth forecasts due to the COVID-19 pandemic. We involved our internal specialist to assess the reasonableness of discount rates and long-term growth rates used by the Group by checking the discount rate to comparable companies and comparing the long-term growth rate to external economic data. We also considered the risk of potential management bias by using our own set of assumptions in developing a range of possible values to evaluate management's point estimates; and performed sensitivity analysis on reasonably possible reduction in the assumed growth rates.

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

#### Other information

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

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

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

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

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

### Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

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

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

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

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

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

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Ernst & Young LLP  
Public Accountants  
and Chartered Accountants

Singapore  
25 March 2021



# CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
Revenue	4	272,971	288,570
Cost of sales		(168,325)	(176,815)
<b>Gross profit</b>		<b>104,646</b>	<b>111,755</b>
Selling and marketing expenses		(35,996)	(41,500)
General and administrative expenses		(34,786)	(39,858)
<b>Results from operating activities</b>		<b>33,864</b>	<b>30,397</b>
Other income	5	3,840	2,554
Other expenses	6	(4,426)	(170)
Net finance costs	7	(593)	(1,407)
Share of (losses)/profits of associates		(450)	162
<b>Profit before taxation</b>	8	<b>32,235</b>	<b>31,536</b>
Income tax expense	9	(5,781)	(5,840)
<b>Profit for the year</b>		<b>26,454</b>	<b>25,696</b>
<b>Profit/(loss) attributable to:</b>			
Equity shareholders of the Company		26,785	26,112
Non-controlling interest		(331)	(416)
		<b>26,454</b>	<b>25,696</b>
<b>Earnings per share</b>			
Basic earnings per share (in cents)	11	5.01	4.89
Diluted earnings per share (in cents)	11	4.98	4.84

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	2020 US\$'000	2019 US\$'000
Profit for the year	26,454	25,696
<b>Other comprehensive income:</b>		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation (loss)/gain	(8,686)	5,303
Share of other comprehensive income of associates	(141)	597
Exchange differences realised on liquidation of subsidiaries	49	(52)
<b>Other comprehensive income for the year, net of tax</b>	<b>(8,778)</b>	<b>5,848</b>
<b>Total comprehensive income for the year</b>	<b>17,676</b>	<b>31,544</b>
<b>Total comprehensive income attributable to:</b>		
Equity shareholders of the Company	18,001	31,957
Non-controlling interest	(325)	(413)
	<b>17,676</b>	<b>31,544</b>

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

# BALANCE SHEETS

As at 31 December 2020

	Note	Group		Company	
		2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
<b>Non-Current Assets</b>					
Property, plant and equipment	12	104,284	99,325	-	-
Right-of-use assets	13	10,487	10,434	-	-
Investment properties	14	14,529	16,159	-	-
Investments in subsidiaries	15	-	-	44,485	44,635
Investments in associates	16	10,799	11,619	-	-
Intangible assets	17	10,343	10,343	-	-
Deferred tax assets	18	3,443	3,208	-	-
		<u>153,885</u>	<u>151,088</u>	<u>44,485</u>	<u>44,635</u>
<b>Current Assets</b>					
Inventories	19	50,129	55,852	-	-
Prepaid operating expenses		4,751	5,757	15	11
Deposits		803	769	-	-
Amounts due from subsidiaries (non-trade)	20	-	-	19,517	21,901
Amounts due from associates (non-trade)	21	85	100	-	-
Amount due from a related party (trade)	22	311	113	-	-
Trade receivables	23	31,193	35,872	-	-
Other receivables	24	2,450	3,307	-	-
Cash and cash equivalents	25	69,037	54,735	1,134	322
		<u>158,759</u>	<u>156,505</u>	<u>20,666</u>	<u>22,234</u>

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

# BALANCE SHEETS

As at 31 December 2020

	Note	Group		Company	
		2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
<b>Current Liabilities</b>					
Trade payables and accruals	26	28,766	34,987	2,449	2,200
Other payables	29	3,294	6,051	146	-
Lease liabilities	13	1,786	2,005	-	-
Interest-bearing loans and borrowings	28	18,403	14,690	-	-
Amount due to a subsidiary (non-trade)	20	-	-	21	20
Amount due to an associate (non-trade)	21	295	255	-	-
Amount due to an associate (trade)	27	21	108	-	-
Amount due to a related party (non-trade)	22	654	568	-	-
Income tax payable		1,778	1,539	42	29
		<b>54,997</b>	<b>60,203</b>	<b>2,658</b>	<b>2,249</b>
<b>Net Current Assets</b>		<b>103,762</b>	<b>96,302</b>	<b>18,008</b>	<b>19,985</b>
<b>Non-Current Liabilities</b>					
Lease liabilities	13	2,616	4,837	-	-
Interest-bearing loans and borrowings	28	35,330	35,315	-	-
Deferred tax liabilities	18	2,733	1,535	-	-
		<b>40,679</b>	<b>41,687</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>		<b>216,968</b>	<b>205,703</b>	<b>62,493</b>	<b>64,620</b>
<b>Equity</b>					
Share capital	30	43,267	42,020	43,267	42,020
Treasury shares	30	(1,742)	(477)	(1,742)	(477)
Reserves	31	176,499	165,352	20,968	23,077
		<b>218,024</b>	<b>206,895</b>	<b>62,493</b>	<b>64,620</b>
Non-controlling interest		(1,056)	(1,192)	-	-
<b>Total Equity</b>		<b>216,968</b>	<b>205,703</b>	<b>62,493</b>	<b>64,620</b>

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

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

Group	Attributable to equity shareholders of the Company							
	Share capital	Treasury shares	Foreign currency translation reserve	Share-based payment reserve	Accumulated profits	Total	Non-controlling interest	Total equity
2020	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2020	42,020	(477)	(2,166)	3,301	164,217	206,895	(1,192)	205,703
<b>Profit/(loss) for the year</b>	-	-	-	-	<b>26,785</b>	<b>26,785</b>	<b>(331)</b>	<b>26,454</b>
<u>Other comprehensive income</u>								
Foreign currency translation loss	-	-	(8,692)	-	-	(8,692)	6	(8,686)
Share of other comprehensive income of associates	-	-	(141)	-	-	(141)	-	(141)
Exchange differences realised on liquidation of subsidiaries	-	-	49	-	-	49	-	49
<b>Total comprehensive income for the year</b>	-	-	<b>(8,784)</b>	-	<b>26,785</b>	<b>18,001</b>	<b>(325)</b>	<b>17,676</b>
<u>Contributions by and distributions to owners</u>								
Value of employee services received from the issuance of share options	-	-	-	905	-	905	-	905
Dividend paid to shareholders of the Company	-	-	-	-	(7,595)	(7,595)	-	(7,595)
Issuance of new shares	966	-	-	-	-	966	-	966
Exercise of share options (Note 30)	281	-	-	(281)	-	-	-	-
Purchase of treasury shares (Note 30)	-	(1,265)	-	-	-	(1,265)	-	(1,265)
Expiry of share options	-	-	-	(60)	60	-	-	-
<b>Total contributions by and distributions to owners</b>	<b>1,247</b>	<b>(1,265)</b>	-	<b>564</b>	<b>(7,535)</b>	<b>(6,989)</b>	-	<b>(6,989)</b>
<u>Changes in ownership interest in subsidiaries</u>								
Loss of control of a subsidiary (Note 15)	-	-	-	-	-	-	510	510
Dilution of interest in a subsidiary (Note 15)	-	-	-	-	117	117	(49)	68
<b>Total changes in ownership interests in subsidiaries</b>	-	-	-	-	<b>117</b>	<b>117</b>	<b>461</b>	<b>578</b>
<b>Total transactions with owners in their capacity as owners</b>	<b>1,247</b>	<b>(1,265)</b>	-	<b>564</b>	<b>(7,418)</b>	<b>(6,872)</b>	<b>461</b>	<b>(6,411)</b>
<b>Balance as at 31 December 2020</b>	<b>43,267</b>	<b>(1,742)</b>	<b>(10,950)</b>	<b>3,865</b>	<b>183,584</b>	<b>218,024</b>	<b>(1,056)</b>	<b>216,968</b>

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



# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

Group 2019	Attributable to equity shareholders of the Company							
	Share capital US\$'000	Treasury shares US\$'000	Foreign currency translation reserve US\$'000	Share-based payment reserve US\$'000	Accumulated profits US\$'000	Total US\$'000	Non-controlling interest US\$'000	Total equity US\$'000
Balance as at 1 January 2019	41,202	(317)	(8,011)	2,713	140,687	176,274	(821)	175,453
<b>Profit/(loss) for the year</b>	-	-	-	-	<b>26,112</b>	<b>26,112</b>	<b>(416)</b>	<b>25,696</b>
<u>Other comprehensive income</u>								
Foreign currency translation gain	-	-	5,300	-	-	5,300	3	5,303
Share of other comprehensive income of associates	-	-	597	-	-	597	-	597
Exchange differences realised on liquidation of subsidiaries	-	-	(52)	-	-	(52)	-	(52)
<b>Total comprehensive income for the year</b>	-	-	<b>5,845</b>	-	<b>26,112</b>	<b>31,957</b>	<b>(413)</b>	<b>31,544</b>
<u>Contributions by and distributions to owners</u>								
Value of employee services received from the issuance of share options	-	-	-	823	-	823	-	823
Dividend paid to shareholders of the Company	-	-	-	-	(2,638)	(2,638)	-	(2,638)
Issuance of new shares	639	-	-	-	-	639	-	639
Exercise of share options (Note 30)	179	-	-	(179)	-	-	-	-
Purchase of treasury shares (Note 30)	-	(160)	-	-	-	(160)	-	(160)
Expiry of share options	-	-	-	(56)	56	-	-	-
<b>Total contributions by and distributions to owners</b>	<b>818</b>	<b>(160)</b>	-	<b>588</b>	<b>(2,582)</b>	<b>(1,336)</b>	-	<b>(1,336)</b>
<u>Changes in ownership interest in subsidiaries</u>								
Capital injection from non-controlling interest of a subsidiary, representing total changes in ownership interests in subsidiaries	-	-	-	-	-	-	42	42
<b>Total transactions with owners in their capacity as owners</b>	<b>818</b>	<b>(160)</b>	-	<b>588</b>	<b>(2,582)</b>	<b>(1,336)</b>	<b>42</b>	<b>(1,294)</b>
<b>Balance as at 31 December 2019</b>	<b>42,020</b>	<b>(477)</b>	<b>(2,166)</b>	<b>3,301</b>	<b>164,217</b>	<b>206,895</b>	<b>(1,192)</b>	<b>205,703</b>

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

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

Company 2020	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 2020	42,020	(477)	49	3,301	19,727	64,620
<b>Profit for the year</b>	-	-	-	-	<b>4,947</b>	<b>4,947</b>
Other comprehensive income						
Foreign currency translation loss	-	-	(85)	-	-	(85)
<b>Total comprehensive income for the year</b>	-	-	<b>(85)</b>	-	<b>4,947</b>	<b>4,862</b>
Contributions by and distributions to owners						
Value of employee services received from the issuance of share options	-	-	-	905	-	905
Dividend paid to shareholders of the Company	-	-	-	-	(7,595)	(7,595)
Issuance of new shares	966	-	-	-	-	966
Exercise of share options	281	-	-	(281)	-	-
Purchase of treasury shares	-	(1,265)	-	-	-	(1,265)
Expiry of share options	-	-	-	(60)	60	-
<b>Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners</b>	<b>1,247</b>	<b>(1,265)</b>	-	<b>564</b>	<b>(7,535)</b>	<b>(6,989)</b>
<b>Balance as at 31 December 2020</b>	<b>43,267</b>	<b>(1,742)</b>	<b>(36)</b>	<b>3,865</b>	<b>17,139</b>	<b>62,493</b>

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

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

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

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

# CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
<b>Cash flows from operating activities</b>			
Profit from operations before taxation		32,235	31,536
<u>Adjustments for:</u>			
Bad debts written off		-	97
Depreciation of property, plant and equipment	12	6,086	5,978
Depreciation of investment properties	14	166	167
Depreciation of right-of-use assets	13	1,930	2,098
Loss on disposal of property, plant and equipment		3	170
Gain on partial disposal of an associate		(58)	-
Gain on dilution of investment in an associate		(178)	-
Gain on loss of control of a subsidiary	16	(1,728)	-
Impairment loss on loan to an associate	21	2,130	-
Interest income	7	(334)	(218)
Interest expenses	7	927	1,625
Impairment loss on trade receivables	23	80	452
Impairment loss on other receivables	24	20	8
Inventories written down	19	972	1,322
Share of losses/(profits) of associates		450	(162)
Value of employee services received from the issuance of share options		905	823
Exchange realignment		1,052	(1,272)
		<b>44,658</b>	<b>42,624</b>
<b>Operating cash flows before changes in working capital</b>			
<u>Changes in working capital</u>			
Decrease/(increase) in trade and other receivables		2,411	(2,893)
Increase in inventories		(485)	(3,509)
(Decrease)/increase in trade and other payables		(8,837)	8,548
		<b>37,747</b>	<b>44,770</b>
<b>Cash flows from operations</b>			
Income taxes paid		(4,397)	(5,488)
<b>Net cash flows from operating activities</b>		<b>33,350</b>	<b>39,282</b>
<b>Cash flows from investing activities</b>			
Interest received		408	355
Purchase of property, plant and equipment		(9,144)	(38,100)
Proceeds from disposal of property, plant and equipment		75	206
Prepayment of right-of-use assets		(2,861)	-
Proceeds from partial disposal of an associate		137	-
Net cash outflow on loss of control of a subsidiary		(24)	-
Dividend received from associates		329	531
		<b>(11,080)</b>	<b>(37,008)</b>
<b>Net cash flows used in investing activities</b>		<b>(11,080)</b>	<b>(37,008)</b>

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

# CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
<b>Cash flows from financing activities</b>			
Interest paid		(2,032)	(2,846)
Proceeds from issuance of shares		966	639
Dividends paid to shareholders of the Company		(7,595)	(2,638)
Repayment of principal portion of lease liabilities		(1,630)	(1,654)
Repayment of principal portion of interest-bearing loans and borrowings		(37,650)	(54,216)
Proceeds from interest-bearing loans and borrowings		41,215	70,685
Purchase of treasury shares		(1,265)	(160)
Proceeds from dilution of interest in a subsidiary		68	-
Capital injection from non-controlling interest of a subsidiary		-	42
		<b>(7,923)</b>	<b>9,852</b>
<b>Net cash flows (used in)/from financing activities</b>			
Net increase in cash and cash equivalents		14,347	12,126
Effect of exchange rate changes on cash and cash equivalents		(45)	391
Cash and cash equivalents at beginning of year		54,735	42,218
		<b>69,037</b>	<b>54,735</b>
<b>Cash and cash equivalents at end of year</b>	25	<b>69,037</b>	<b>54,735</b>

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 2020

## 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 2020 were authorised for issue in accordance with a resolution of the Directors on 25 March 2021.

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

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

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

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

### 2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2020. The adoption of these standards did not have any material effect on the financial performance or position of the Company.

### 2.3 Standards issued but not yet effective

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

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: <i>Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-16: <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to SFRS(I) 3: <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to SFRS(I) 1-1: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.4 Basis of consolidation and business combination

#### (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.4 Basis of consolidation and business combination

#### (b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

Non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, are recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

### 2.5 Transactions with non-controlling interest

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.6 Foreign currency

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

#### (a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

#### (b) Consolidated financial statements

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

### 2.7 Subsidiaries

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

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

### 2.8 Associates

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.8 Associates *(cont'd)*

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

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

### 2.9 Property, plant and equipment

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

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

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

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.10 Investment properties

Investment properties are properties that are owned by the Group that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

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

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

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

### 2.11 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss in the year in which the expenditure is incurred.

The useful lives of the intangible assets are assessed as indefinite.

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

#### *Brand*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.12 Financial instruments

#### (a) Financial assets

##### Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

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

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

##### Subsequent measurement

###### Investments in debt instruments

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

###### *Amortised cost*

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

##### Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

#### (b) Financial liabilities

##### Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus directly attributable to transaction costs.

##### Subsequent measurement

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.12 Financial instruments *(cont'd)*

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

##### **Derecognition**

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

### 2.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

### 2.14 Impairment of financial assets

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.15 Cash and cash equivalents

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

### 2.16 Inventories

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

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

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### 2.17 Provisions

#### *General*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

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

### 2.18 Government grants

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

### 2.19 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.14 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.21 Leases

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

#### (a) As lessee

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

#### Right-of-use assets

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.21 Leases *(cont'd)*

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

##### Lease liabilities

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

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

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

##### Short-term leases and leases of low-value assets

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

#### (b) As lessor

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

### 2.22 Non-current assets held for sale

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.23 Revenue

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

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

#### (a) Sale of goods

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

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

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

#### (b) Rental income

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

#### (c) Other income

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

### 2.24 Employee benefits

#### (a) Defined contribution plans

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

#### (b) Employee leave entitlement

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.24 Employee benefits *(cont'd)*

#### (c) Termination benefits

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

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

#### (d) Employee equity compensation benefits

##### *Employee share option plans*

Employees (including senior executives and Directors) of the Group receive remuneration in the form of share options as consideration for services rendered ('equity-settled share based payment transactions').

The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market condition and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the share-based payment reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense. The employee share option reserve is transferred to accumulated profits upon expiry of the share option.

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

### 2.25 Taxes

#### (a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

#### (b) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

#### (c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their geographical locations which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.27 Share capital and share issuance expenses

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

### 2.28 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at costs and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

### 2.29 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### 3.1 Judgements made in applying accounting policies

Management is of the opinion that there is no significant judgement made in the process of applying the Group's accounting policies.

### 3.2 Key sources of estimation uncertainty

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

#### (a) Impairment of intangible assets

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

The carrying amount of the intangible assets as at 31 December 2020 is US\$10,343,000 (2019: US\$10,343,000).

#### (b) Provision for expected credit losses of trade receivables

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances as well as forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 23.

The carrying amount of trade receivables as at 31 December 2020 is US\$31,193,000 (2019: US\$35,872,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

#### (c) Variable consideration arising from discounts and rebates

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

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

For the financial year ended 31 December 2020, the Group recognised revenue amounting to US\$272,971,000 (2019: US\$288,570,000).

## 4. REVENUE

### Disaggregation of revenue

Segments	Sale of goods		Rental income		Other revenue		Total revenue	
	2020	2019	2020	2019	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Primary geographical markets</b>								
Russia	99,530	112,534	-	-	25	36	99,555	112,570
Ukraine, Kazakhstan and CIS markets	67,829	69,368	4	6	-	-	67,833	69,374
South-East Asia	80,240	77,511	702	738	71	18	81,013	78,267
South Asia	7,205	8,629	-	-	19	35	7,224	8,664
Others	17,190	19,643	-	-	156	52	17,346	19,695
<b>Total</b>	<b>271,994</b>	<b>287,685</b>	<b>706</b>	<b>744</b>	<b>271</b>	<b>141</b>	<b>272,971</b>	<b>288,570</b>

### Timing of transfer of goods or services

At a point in time	271,994	287,685	-	-	271	141
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Rental income from the Group's operating leases are accounted for on a straight-line basis over the lease term of the contract.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 5. OTHER INCOME

	Group	
	2020	2019
	US\$'000	US\$'000
Government grants <sup>(1)</sup>	1,374	1,236
Foreign exchange gain	-	610
Gain on loss of control of a subsidiary	1,728	-
Gain on partial disposal of an associate	58	-
Gain on dilution of investment in an associate	178	-
Miscellaneous income	502	708
	3,840	2,554

<sup>(1)</sup> Comprise mainly of grant income received by the Singapore subsidiaries under the Jobs Support Scheme and Property Tax Rebates that were granted due to the COVID-19 pandemic and grant income received by the India subsidiary under the Merchandise Exports from India Scheme. There are no unfulfilled conditions or contingencies attached to the grants recognised in the consolidated income statement.

## 6. OTHER EXPENSES

	Group	
	2020	2019
	US\$'000	US\$'000
Loss on disposal of property, plant and equipment	3	170
Foreign exchange loss	2,293	-
Impairment loss on loan to an associate (Note 21)	2,130	-
	4,426	170

## 7. NET FINANCE COSTS

	Group	
	2020	2019
	US\$'000	US\$'000
Interest income from:		
- Bank deposits	334	218
Interest expenses on:		
- Bank loans	(427)	(918)
- Lease liabilities	(474)	(684)
- Others	(26)	(23)
	(593)	(1,407)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 8. PROFIT BEFORE TAXATION

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

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	US\$'000	US\$'000
Audit fees paid to:		
- Auditors of the Company	179	183
- Other auditors	249	197
Non-audit fees paid to:		
- Auditors of the Company	51	54
- Other auditors	34	61
Directors' fee:		
- Directors of the Group	260	282
Depreciation of property, plant and equipment	6,086	5,978
Depreciation of investment properties	166	167
Depreciation of right-of-use assets	1,930	2,098
Impairment loss on trade receivables	80	452
Impairment loss on other receivables	20	8
Inventories written down	972	1,322
Advertising and promotion expenses	17,631	21,387
Legal and professional fees	1,241	1,494
Office upkeep and administrative expenses	2,106	2,768
Bad debts written off	-	97
Employee benefits expense (Note 32)	49,586	52,047

## 9. INCOME TAX EXPENSE

### *Major components of income tax expenses*

The major components of income tax expenses for the years ended 31 December 2020 and 2019 are:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	US\$'000	US\$'000
<b>Consolidated income statement</b>		
Current income tax		
- Current income taxation	4,880	6,100
- Under provision in respect of prior years	65	228
	4,945	6,328
Deferred income tax		
- Utilisation of tax losses	1,976	1,945
- Origination and reversal of temporary differences	(1,747)	(2,433)
- Under provision in respect of prior years	607	-
	836	(488)
Income tax expense recognised in profit or loss	5,781	5,840

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 9. INCOME TAX EXPENSE *(cont'd)*

### *Relationship between tax expense and accounting profit*

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2020 and 2019 is as follows:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	US\$'000	US\$'000
Accounting profit before tax	32,235	31,536
Tax at the domestic rates applicable to profits in the countries where the Group operates	5,187	4,869
Adjustments:		
Non-deductible expenses	1,558	2,474
Income not subject to taxation	(1,348)	(1,398)
Effect of partial tax exemption and tax relief	(498)	(418)
Deferred tax assets not recognised	392	1,057
Under provision of current taxation in respect of prior years	65	228
Under provision of deferred taxation in respect of prior years	607	-
Utilisation of previously unrecognised tax losses and capital allowances	(54)	(832)
Others	(128)	(140)
Income tax expense recognised in profit or loss	5,781	5,840

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

## 10. DIVIDENDS

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	US\$'000	US\$'000
<b>Declared and paid during the financial year:</b>		
<i>Dividends on ordinary shares:</i>		
- Final exempt (one-tier) dividend for 2019: S\$0.01 (2018: S\$0.0068) per share	3,797	2,638
- Special exempt (one-tier) dividend for 2019: S\$0.01 (2018: S\$Nil) per share	3,797	-
<b>Proposed but not recognised as a liability as at 31 December:</b>		
<i>Dividends on ordinary shares, subject to shareholder approval at the Annual General Meeting:</i>		
- Final exempt (one-tier) dividend for 2020: S\$0.022 (2019: S\$0.01) per share	8,943	3,887
- Special exempt (one-tier) dividend for 2020: S\$Nil (2019: S\$0.01) per share	-	3,887

## 11. EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit for the year, net of tax, attributable to ordinary equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### (a) Basic earnings per share *(cont'd)*

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

	<b>Group</b>	
	<b>2020</b> US\$'000	<b>2019</b> US\$'000
Net profit for the year used in computing basic earnings per share	26,785	26,112
	<b>No. of shares</b>	
	'000	'000
Weighted average number of ordinary shares used in basic earnings per share computation*	534,826	534,449

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

### (b) Diluted earnings per share

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

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

	<b>Group</b>	
	<b>2020</b> US\$'000	<b>2019</b> US\$'000
Net profit for the year used in computing diluted earnings per share	26,785	26,112
	<b>No. of shares</b>	
	'000	'000
Weighted average number of shares issued, used in basic earnings per share computation*	534,826	534,449
Dilutive effect of share options	3,512	4,574
Weighted average number of ordinary shares used in diluted earnings per share computation*	538,338	539,023

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

13,303,000 (2019: 9,064,000) share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

Since the end of the financial year, senior executives have exercised the options to acquire Nil (2019: 120,000) ordinary shares. Other than disclosed under Note 39 to the financial statements, there have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 12. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings	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
<b>Cost</b>							
At 1 January 2019	37,483	37,791	6,472	2,691	5,394	4,112	93,943
Additions	244	901	305	244	69	38,989	40,752
Disposals	(2)	(307)	(212)	(175)	(27)	(59)	(782)
Reclassifications	-	2,342	415	61	478	(3,296)	-
Transfer from right-of-use assets	-	-	-	95	-	-	95
Exchange realignment	309	710	110	131	93	91	1,444
At 31 December 2019	38,034	41,437	7,090	3,047	6,007	39,837	135,452
Additions	492	228	245	61	58	9,376	10,460
Disposals	-	(210)	(183)	(67)	(97)	(1)	(558)
Reclassifications	112	2,754	297	99	108	(3,370)	-
Transfer from investment properties	1,871	-	-	-	-	-	1,871
Transfer from right-of-use assets	-	-	-	67	-	-	67
Exchange realignment	(286)	(1,195)	(249)	(166)	(161)	(33)	(2,090)
At 31 December 2020	40,223	43,014	7,200	3,041	5,915	45,809	145,202

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

Group	Land and buildings 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
<b>Accumulated depreciation and impairment loss</b>							
At 1 January 2019	3,082	17,787	4,318	1,797	2,762	-	29,746
Charge for the year	811	3,496	704	276	691	-	5,978
Transfer from right-of-use assets	-	-	-	41	-	-	41
Disposals	-	(152)	(104)	(143)	(6)	-	(405)
Exchange realignment	90	482	79	92	24	-	767
At 31 December 2019	3,983	21,613	4,997	2,063	3,471	-	36,127
Charge for the year	724	3,651	652	297	762	-	6,086
Transfer from investment properties	109	-	-	-	-	-	109
Transfer from right-of-use assets	-	-	-	12	-	-	12
Disposals	-	(161)	(168)	(48)	(55)	-	(432)
Exchange realignment	7	(698)	(149)	(104)	(40)	-	(984)
At 31 December 2020	4,823	24,405	5,332	2,220	4,138	-	40,918
<b>Net carrying amount</b>							
At 31 December 2020	35,400	18,609	1,868	821	1,777	45,809	104,284
At 31 December 2019	34,051	19,824	2,093	984	2,536	39,837	99,325



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

<b>Company</b>	<b>Motor vehicle</b> US\$'000
<b>Cost</b>	
At 1 January 2019	218
Exchange realignment	3
At 31 December 2019 and 1 January 2020	221
Exchange realignment	4
At 31 December 2020	225
<b>Accumulated depreciation</b>	
At 1 January 2019	218
Exchange realignment	3
At 31 December 2019 and 1 January 2020	221
Exchange realignment	4
At 31 December 2020	225
<b>Net carrying amount</b>	
At 31 December 2019 and 31 December 2020	-

### Capitalisation of borrowing costs

The Group's plant and equipment include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of an item of plant and equipment. During the financial year, the borrowing costs capitalised and included in capital work-in-progress amounted to US\$1,032,000 (2019: US\$1,083,000).

As at 31 December 2020, land and buildings consist of freehold properties of US\$17,758,000 (2019: US\$15,761,000) and leasehold properties of US\$17,642,000 (2019: US\$18,290,000).

The following are the carrying amount of property, plant and equipment that are pledged as securities to obtain bank loans:

	<b>Group</b>	
	<b>2020</b> US\$'000	<b>2019</b> US\$'000
Land and buildings	27,219	25,392
Plant and machineries	12,427	14,186
Other equipment	651	790
Capital work-in-progress	45,509	38,981
	<u>85,806</u>	<u>79,349</u>

Information on the securities of the Group is disclosed in Note 28.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 13. LEASES

### Group as a lessee

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

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

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

	Group			
	Leasehold land US\$'000	Office and factory premises US\$'000	Motor Vehicles US\$'000	Total US\$'000
At 1 January 2019	4,712	6,342	176	11,230
Additions	-	696	66	762
Depreciation	(55)	(1,997)	(46)	(2,098)
Disposals	-	(5)	-	(5)
Transfer to property, plant and equipment	-	-	(54)	(54)
Exchange realignment	8	579	12	599
At 31 December 2019 and 1 January 2020	4,665	5,615	154	10,434
Additions	2,844	425	9	3,278
Depreciation	(103)	(1,802)	(25)	(1,930)
Disposal	(3)	(6)	(10)	(19)
Transfer to property, plant and equipment	-	-	(55)	(55)
Effects of lease modifications	17	(376)	1	(358)
Exchange realignment	(149)	(712)	(2)	(863)
	<u>7,271</u>	<u>3,144</u>	<u>72</u>	<u>10,487</u>

### (b) Lease liabilities

	Group	
	2020 US\$'000	2019 US\$'000
As at 1 January	6,842	7,039
Additions	417	747
Accretion of interest	474	684
Payments	(2,104)	(2,400)
Effects of lease modifications	(358)	-
Exchange realignment	(869)	772
As at 31 December	<u>4,402</u>	<u>6,842</u>
Current	1,786	2,005
Non-current	<u>2,616</u>	<u>4,837</u>

The maturity analysis of lease liabilities is disclosed in Note 37b.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 13. LEASES (cont'd)

Group as a lessee (cont'd)

### (c) Amounts recognised in profit or loss

	<b>Group</b>	
	<b>2020</b> US\$'000	<b>2019</b> US\$'000
Depreciation expense of right-of-use assets	1,930	2,098
Interest expense on lease liabilities (Note 7)	474	684
Lease expense not capitalised in lease liabilities and included in general and administrative expenses:		
– Expense relating to short-term leases	668	631
– Expense relating to low-value assets	21	27
<b>Total amount recognised in profit or loss</b>	<b>3,093</b>	<b>3,440</b>

### (d) Total cash outflow

The Group had total cash outflows for leases, including short-term leases and low value-assets, amounting to US\$5,695,000 (2019: US\$3,074,000). The Group also had non-cash additions to right-of-use assets and lease liabilities of US\$417,000 (2019: US\$747,000) in 2020.

### (e) Extension options

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

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

	<b>Within</b>	<b>Group</b>	<b>Total</b>
	<b>five years</b>	<b>More than</b>	
	US\$'000	five years	US\$'000
<b>2020</b>			
Extension options expected not to be exercised	–	3,605	3,605
<b>2019</b>			
Extension options expected not to be exercised	–	3,692	3,692

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 14. INVESTMENT PROPERTIES

	Group	
	2020 US\$'000	2019 US\$'000
<b>Cost</b>		
At 1 January	17,106	16,885
Transfer to property, plant and equipment	(1,871)	-
Exchange realignment	322	221
At 31 December	15,557	17,106
<b>Accumulated depreciation</b>		
At 1 January	947	768
Charge for the year	166	167
Transfer to property, plant and equipment	(109)	-
Exchange realignment	24	12
At 31 December	1,028	947
<b>Net carrying amount</b>		
At 31 December	14,529	16,159
<b>Income statement:</b>		
Rental income from investment properties:		
- Minimum lease payments	696	737
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	238	293
- Non-rental generating properties	21	8

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.

During the financial year ended 31 December 2020, there was a change in use of a portion of the Group's freehold property at 81 Playfair Road, from leasing to third parties to being used for its own operations. As such, a carrying amount of US\$1,762,000 was reclassified from investment properties to property, plant and equipment.

### Properties pledged as security

The freehold property at 81 Playfair Road, Singapore 367999, whose net carrying amount was US\$10,252,000 as at 31 December 2020 (2019: US\$11,923,000), was mortgaged to secure bank loans (Note 28).

### Valuation of investment properties

Based on valuations performed by independent appraiser, Allied Appraisal Consultants Pte Ltd, for the years ended 31 December 2020 and 2019, there is no impairment required for the carrying amounts of properties.

The valuations are estimates of the amounts for which the assets could be exchanged between a knowledgeable willing buyer and knowledgeable willing seller on an arm's length transaction at the valuation date. As at 31 December 2020, the fair values of the investment properties are determined at US\$27,865,000 (2019: US\$27,889,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 14. INVESTMENT PROPERTIES *(cont'd)*

### Details of investment properties

The investment properties held by the Group as at 31 December 2020 are as follows:

Location	Description	Existing use	Tenure of land
1. 31 Harrison Road Singapore 369649	6 units of a 11-storey building*	Warehouse/Office	Freehold
2. 81 Playfair Road Singapore 367999	12 units of a 11-storey building*	Warehouse/Office	Freehold

\* Relates to the portion of the freehold properties which are available for leasing to third parties

## 15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020	2019
	US\$'000	US\$'000

Unquoted shares, at cost, representing net carrying amount of investments

44,485	44,635
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### Composition of the Group

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

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group	
		2020	2019
		%	%
<b><i>Held by the Company</i></b>			
Future Enterprises Pte Ltd <sup>(1)</sup> (Singapore)	Sales and marketing of instant food and beverages	100	100
EPIQ Food Services Pte Ltd <sup>(1)</sup> (Singapore)	Investment holding	100	100
Future Investment Holdings Pte Ltd <sup>(1)</sup> (Singapore)	Investment holding	100	100

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### Composition of the Group (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group	
		2020 %	2019 %
<b>Held by Future Enterprises Pte Ltd</b>			
FES Industries Sdn Bhd <sup>(5)</sup> (Malaysia)	Dormant	–*	100
Foodaworld Marketing Pte Ltd <sup>(5)</sup> (Singapore)	Dormant	–*	100
Food Empire Real Estates Pte Ltd <sup>(1)</sup> (Singapore)	Property investment holding	100	100
FER (HK) Limited <sup>(3)</sup> (Hong Kong)	Investment holding	100	100
WELLDIs LLP**** <sup>(5)</sup> (Kazakhstan)	Distribution, procurement, wholesale and trade of beverage products	100	100
Empire Manufacturing Sdn Bhd <sup>(2)</sup> (Malaysia)	Manufacturing and distribution of food and beverages	100	100
Food Excellence Specialist Sdn Bhd <sup>(2)</sup> (Malaysia)	Manufacturing food and beverages	100	100
Mei Ka Fei (Hohhot) Trade Co., Ltd <sup>(12)</sup> (People's Republic of China)	Trading (import and export) of Group's products	100	100
Empire Food Trading Co Ltd <sup>(9)</sup> (Mongolia)	General trading	100	100
Empire International Sdn Bhd <sup>(2)</sup> (Malaysia)	International procurement centre, procuring and selling of raw materials, processed and non-processed food and finished goods	100	100
FES Products LLC <sup>(2)</sup> (Russia)	Manufacturing and distribution of instant food and beverages	100	100
FES Impex LLC <sup>(2)</sup> (Russia)	Import/Export and trading activities in Russia	100	100
FES (Vietnam) Co., Ltd <sup>(2)</sup> (Vietnam)	Manufacturing and distribution of instant food and beverages	100	100
Food Land Empire Pte Ltd <sup>(5)</sup> (Singapore)	Dormant	100	100
FES UKR LLC <sup>(2)</sup> (Ukraine)	Production, preparation, packaging and distribution of instant beverages	100	100
Ukragroinvest-2005 LLC <sup>(5)</sup> (Ukraine)	Ownership and leasing of factory space and equipment	100	100
FE Foods & Beverages Myanmar Company Limited <sup>(13)</sup> (Myanmar)	Manufacturing, marketing and distribution of packaged foods and beverages	–*	100
FE Foods Philippines Inc. <sup>(4)</sup> (Philippines)	Importing and distribution of food and beverages	100	100



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### Composition of the Group (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group	
		2020 %	2019 %
<b>Held by FER (HK) Limited</b>			
FES International FZE*** <sup>(5)</sup> (United Arab Emirates – Dafza)	Import, export, trading of food and beverages, management and finance support	100	100
<b>Held by FES International FZE</b>			
Navas Services Limited <sup>(5)</sup> (Cyprus)	Dormant	–*	100
Bexar Limited <sup>(5)</sup> (Cyprus)	Dormant	100	100
Lovena Limited <sup>(5)</sup> (Cyprus)	Investment holding	–*	100
Pavo Holding Limited <sup>(5)</sup> (Cyprus)	Investment holding	–*	100
<b>Held by EPIQ Food Services Pte Ltd</b>			
BVBA Food Expert <sup>(7)</sup> (Belgium)	Wholesale of food products	100	100
Positive Food Ventures Private Limited <sup>(10)</sup> (India)	Manufacturing and marketing ready-to-drink beverages	–**	80
<b>Held by Ukragroinvest-2005 LLC</b>			
FE Production Ltd <sup>(5)</sup> (Ukraine)	Manufacturing of food products	100	100
<b>Held by Future Investment Holdings Pte Ltd</b>			
Food Land Investment Holding Pte Ltd <sup>(1)</sup> (Singapore)	Investment holding company and advertising activities	100	100
Coffee One Coffee System Pte Ltd <sup>(1)</sup> (Singapore)	Wholesale trade of a variety of goods without dominant products and selling rights to use intellectual property against royalty rights	51	51
Hallyu Ventures Pte Ltd <sup>(1)</sup> (Singapore)	Investment holding company	51	51

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### Composition of the Group *(cont'd)*

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group	
		2020 %	2019 %
<b><i>Held by Food Land Investment Holding Pte Ltd</i></b>			
Food Land Manufacturing Co., Ltd <sup>(6)</sup> (Myanmar)	Manufacturing and processing of instant food and beverages	100	100
<b><i>Jointly held by EPIQ Food Services Pte Ltd and Future Investment Holdings Pte Ltd</i></b>			
Global Food Excellence Ltd <sup>(8)</sup> (Nigeria)	Marketing support of Group's products	100	100
Indus Coffee Private Limited <sup>(2)</sup> (India)	Manufacturing and packaging of instant coffee	100	100
<b><i>Jointly held by Future Investment Holdings Pte Ltd and Empire Teas (PVT) Ltd</i></b>			
Tea Avenue Pte Ltd <sup>(1)</sup> (Singapore)	Investment holding company and office administrative services	72	72
<b><i>Held by Tea Avenue Pte Ltd</i></b>			
Tea Avenue (Private) Limited <sup>(2)</sup> (Sri Lanka)	To carry out restaurant and cafe service	72	72

<sup>(1)</sup> Audited by Ernst & Young LLP, Singapore.

<sup>(2)</sup> Audited by associated firms of Ernst & Young LLP, Singapore.

<sup>(3)</sup> Audited by Chow & Ng CPA Limited, Hong Kong.

<sup>(4)</sup> Audited by Ayson Accounting and Business Center.

<sup>(5)</sup> Not required to be audited by the law of its country of incorporation.

<sup>(6)</sup> Audited by Kyaw Accounting & Auditing Service.

<sup>(7)</sup> Audited by BDO Belgium.

<sup>(8)</sup> Audited by UHY Maaji and Co. (Nigeria).

<sup>(9)</sup> Audited by New Balance Audit LLC.

<sup>(10)</sup> Audited by M. P. & Associates.

<sup>(11)</sup> Audited by Foshan Zhong Zheng Cheng Certified Public Accountant Co., Ltd.

<sup>(12)</sup> Audited by Hohhot Zhi Xin Lian He Accounting Firm.

<sup>(13)</sup> Audited by Win Thin & Associates.

\* Entities liquidated in 2019/2020

\*\* Entities where control was lost in 2020

\*\*\* FES International FZE is audited by Ernst & Young LLP, Singapore for the purposes of group reporting.

\*\*\*\* WELLDIS LLP is audited by Grant Thornton LLP, Kazakhstan for the purposes of group reporting.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### Loss of control of a subsidiary

During the financial year, the Group's subsidiary, Positive Food Ventures Private Limited ("PFVPL") issued new shares to a new investor, diluting the Group's shareholdings in PFVPL from 80.00% to 77.24%. During the financial year, the Group sold 42.76% of its enlarged shareholding in PFVPL to a non-controlling shareholder, for a consideration of US\$1. As a result, the Group's shareholdings in PFVPL decreased further from 77.24% to 34.48%, and the Group has recognised its interest in PFVPL as an investment in associate. At the initial date of recognition as an associate, the Group has determined that the fair value of its interest in PFVPL to be US\$Nil.

The value of assets and liabilities of PFVPL at the date of loss of control, the cash flow effect of the loss of control were:

	<b>2020</b>
	US\$'000
<b>Current</b>	
Assets	332
Liabilities	(2,619)
Net current liabilities	<u>(2,287)</u>
<b>Non-current</b>	
Assets	49
Carrying value of net liabilities	<u>(2,238)</u>
Cash consideration	-*
Net liabilities derecognised	(2,238)
Derecognition of non-controlling interest	510
Gain on loss of control of a subsidiary	<u>(1,728)</u>
<b><u>Net cash outflow on loss of control of subsidiary</u></b>	
Cash consideration	-*
Less: Cash and cash equivalent of subsidiary	(24)
Net cash outflow from disposal of subsidiary	<u>(24)</u>

\* The cash consideration for the sale of PFVPL amounted to US\$1.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 16. INVESTMENTS IN ASSOCIATES

The Group's investments in associates are summarised below:

	Group	
	2020 US\$'000	2019 US\$'000
Caffe Bene Co., Ltd.	-	-
Triple Ace Ventures Limited	3,953	4,416
Empire Teas (PVT) Ltd	3,023	2,807
101 Caffe S.r.l.	1,956	2,217
Simonelo Limited	1,867	2,179
Positive Food Ventures Private Limited	-	-*
	10,799	11,619

\* During the financial year ended 31 December 2020, the Group lost control of Positive Food Ventures Private Limited and has recognised it as an associate.

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group	
		2020 %	2019 %
<b><i>Held by subsidiaries</i></b>			
Caffe Bene Co., Ltd. <sup>(1)</sup> (South Korea)	Coffee house chain	19.18	19.18
Triple Ace Ventures Limited <sup>(2)</sup> (British Virgin Islands)	Investment holding	50.00	50.00
Empire Teas (PVT) Ltd <sup>(3)</sup> (Sri Lanka)	Exporter of bulk, packet and bagged tea	30.00	30.00
Simonelo Limited <sup>(4)</sup> (Cyprus)	Investment holding	50.00	50.00
101 Caffe S.r.l. <sup>(5)</sup> (The Republic of Italy)	Distribution of coffee paraphernalia including pods, pads and capsules through its franchise network	22.48	24.98
Positive Food Ventures Private Limited <sup>(6)</sup> (India)	Manufacturing and marketing ready-to-drink beverages	34.48	-

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

<sup>(2)</sup> Audited by N.D.S & Co, Chartered Accountants, India.

<sup>(3)</sup> Audited by PricewaterhouseCoopers, Sri Lanka.

<sup>(4)</sup> Audited by VGDA Accountants Limited, Cyprus.

<sup>(5)</sup> Audited by BDO, Italy.

<sup>(6)</sup> Audited by M. P. & Associates.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

### Summarised balance sheet

	Caffe Bene Co., Ltd.		Triple Ace Ventures Limited		Empire Teas (PVT) Ltd		101 Caffè S.r.l.		Simonelo Limited		Positive Food Ventures Private Limited	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Current assets	4,236	6,038	8,628	9,532	38,342	33,861	9,777	8,978	1,242	320	317	-
Non-current assets	17,636	19,651	-	-	5,323	5,389	4,909	1,987	11,419	14,148	50	-
Total assets	21,872	25,689	8,628	9,532	43,665	39,250	14,686	10,965	12,661	14,468	367	-
Current liabilities	(19,794)	(21,840)	(721)	(700)	(31,093)	(28,454)	(10,681)	(7,133)	(529)	(520)	(581)	-
Non-current liabilities	(18,081)	(19,414)	-	-	(2,778)	(1,703)	(3,875)	(2,343)	(8,398)	(9,590)	(2,050)	-
Total liabilities	(37,875)	(41,254)	(721)	(700)	(33,871)	(30,157)	(14,556)	(9,476)	(8,927)	(10,110)	(2,631)	-
Net (liabilities)/assets	(16,003)	(15,565)	7,907	8,832	9,794	9,093	130	1,489	3,734	4,358	(2,264)	-
Proportion of the Group's ownership	19.18%	19.18%	50.00%	50.00%	30.00%	30.00%	22.48%	24.98%	50.00%	50.00%	34.48%	-
Group's share of net (liabilities)/assets	(3,069)	(2,985)	3,953	4,416	2,938	2,727	29	371	1,867	2,179	(781)	-
Goodwill on acquisition	8,440	8,440	-	-	-	-	1,626	1,696	-	-	-	-
Remeasurement of retained interest	-	-	-	-	-	-	-	-	-	-	773	-
Fair value adjustment on acquisition	2,123	2,123	-	-	-	-	395	441	-	-	-	-
Impairment loss	(4,281)	(4,281)	-	-	-	-	-	-	-	-	-	-
Others	(3,213)	(3,297)	-	-	85	80	(94)	(291)	-	-	8	-
Carrying amount of the investments	-	-	3,953	4,416	3,023	2,807	1,956	2,217	1,867	2,179	-	-

### Summarised statement of comprehensive income

	Caffe Bene Co., Ltd.		Triple Ace Ventures Limited		Empire Teas (PVT) Ltd		101 Caffè S.r.l.		Simonelo Limited		Positive Food Ventures Private Limited	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	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	20,255	23,782	934	1,784	69,165	69,914	18,664	17,233	3,064	3,522	267	-
(Loss)/profit after tax	(359)	(1,261)	(863)	336	1,304	559	(2,486)	(2,023)	432	664	(847)	-
Other comprehensive income	(79)	(678)	538	690	(277)	42	229	(219)	(1,058)	586	-	-
Total comprehensive income	(438)	(1,939)	(325)	1,026	1,027	601	(2,257)	(2,242)	(626)	1,250	(847)	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

During the financial year, the Group received dividend income from Empire Teas (PVT) Ltd and Triple Ace Ventures Limited of US\$29,000 (2019: US\$30,000) and US\$300,000 (2019: US\$501,000) respectively.

### Disposal/dilution of interest in an associate

During the financial year, the Group sold 1% of total share capital in 101 Caffè S.r.l. ("101 Caffè") to a new investor (the "investor") for a cash consideration of US\$137,000. Subsequent to the sale, 101 Caffè issued new shares to the investor, which resulted in the further dilution of the Group's shareholding in 101 Caffè to 22.48% as at 31 December 2020. As a result, the Group recognised a gain on partial disposal and gain on dilution of interest in associate amounting to US\$58,000 and US\$178,000 respectively.

## 17. INTANGIBLE ASSETS

	<b>Goodwill</b>	<b>Group Brand</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000
<b>Cost</b>			
At 1 January 2019, 31 December 2019 and 31 December 2020	7,489	8,361	15,850
<b>Accumulated impairment</b>			
At 1 January 2019, 31 December 2019 and 31 December 2020	805	4,702	5,507
<b>Net carrying amount</b>			
At 31 December 2019 and 31 December 2020	6,684	3,659	10,343

### Impairment testing of goodwill and brand

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

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

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	US\$'000	US\$'000
Goodwill		
- FER (HK) Limited Group	4,797	4,797
- Empire Manufacturing Sdn Bhd and Empire International Sdn Bhd	1,887	1,887
	6,684	6,684
Brand	3,659	3,659
	10,343	10,343



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 17. INTANGIBLE ASSETS (cont'd)

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

	Goodwill				Brand	
	FER (HK) Limited Group		Empire Manufacturing Sdn Bhd and Empire International Sdn Bhd		2020	2019
	2020	2019	2020	2019		
Terminal growth rates	1.00%	1.00%	3.00%	3.00%	1.00%	1.00%
Pre-tax discount rates	12.27%	12.27%	11.53%	10.00%	15.20%	15.20%

### Key assumptions used in the value-in-use calculations

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

*Forecasted sales growth* – For the first five years of forecasted sales growth, sales are based on actual values achieved in the years preceding the start of the budget period. These are adjusted over the budget period of the next five years. An average sales growth of 8% (2019: 5%) and 5% (2019: 8%) per annum were applied for brand and goodwill respectively for the next five years.

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

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

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

### Sensitivity to changes in assumptions

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

### Impairment loss recognised

There was no impairment loss recognised for the financial years ended 31 December 2020 and 31 December 2019.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 18. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group	
	2020	2019
	US\$'000	US\$'000
Deferred tax assets/(liabilities):		
Provisions	836	829
Unutilised tax losses	2,784	3,396
Excess of net book value over tax written down value	(4,665)	(4,405)
Unrealised profits on inventories	1,660	1,800
Others	95	53
	<u>710</u>	<u>1,673</u>
Presented as:		
Deferred tax assets	3,443	3,208
Deferred tax liabilities	<u>(2,733)</u>	<u>(1,535)</u>

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

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

### Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately US\$9,440,000 (2019: US\$8,287,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these unutilised tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses have no expiry date except for amounts of US\$7,373,000 (2019: US\$7,928,000) which have an expiry period ranging from 1 to 10 years from the date that the losses were incurred.

### Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2019: US\$Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to US\$26,685,000 (2019: US\$24,832,000).

### Tax consequences of proposed dividends

There are no income tax consequences (2019: US\$Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 10).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 19. INVENTORIES

	Group	
	2020	2019
	US\$'000	US\$'000
<b>Balance sheet:</b>		
Raw materials	19,670	18,957
Packaging materials	6,546	8,901
Finished products/trading goods	23,913	27,994
Total inventories at lower of cost and net realisable value	<u>50,129</u>	<u>55,852</u>
<b>Income statement:</b>		
Inventories recognised as an expense in cost of sales	132,414	140,781
Inclusive of the following charge:		
– Inventories written down	<u>972</u>	<u>1,322</u>

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

	Company	
	2020	2019
	US\$'000	US\$'000
Amounts due from subsidiaries	<u>19,517</u>	<u>21,901</u>
Amount due to a subsidiary	<u>(21)</u>	<u>(20)</u>

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

At the end of the reporting period, the Company did not recognise any allowance for expected credit losses on its amounts due from subsidiaries (2019: US\$Nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

	<b>Group</b>	
	<b>2020</b> US\$'000	<b>2019</b> US\$'000
Amounts due from associates	85	100
Amount due to an associate	(295)	(255)

The Group has loan advances to associates that are impaired at the end of the reporting period. The movement in allowance accounts used to record the impairment are as follows:

	<b>Group</b>	
	<b>2020</b> US\$'000	<b>2019</b> US\$'000
Loan advances to associates	5,516	3,454
Allowance for impairment	(5,516)	(3,454)
	-	-

	<b>Group</b> <i>Individually impaired</i>	
	<b>2020</b> US\$'000	<b>2019</b> US\$'000
Movement in allowance accounts:		
At 1 January	3,454	3,454
Charge for the year (Note 6)	2,130	-
Written off	(68)	-
At 31 December	5,516	3,454

### Amounts due from/(to) associates

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

### Loan advances to associates

Loan advances to associates are unsecured, of which US\$2,130,000 (2019: US\$Nil) is repayable by 2023 and US\$3,386,000 (2019: US\$3,454,000) is repayable on demand. The loans are repayable either by cash or by issuance of common shares by the associates. The loans bear interest rates ranging from 1% to 3% and LIBOR + 2% per annum. As the loan advances had been fully impaired, no interest income on these credit-impaired loans were recognised for the financial years ended 31 December 2020 and 31 December 2019 as there is uncertainty on the collectability of any interest income.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 22. AMOUNTS DUE FROM/(TO) RELATED PARTIES

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	US\$'000	US\$'000
Amount due from a related party (trade)	311	113
Amounts due to a related party (non-trade)	(654)	(568)

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

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

## 23. TRADE RECEIVABLES

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables	33,005	40,667	-	-
Allowance for expected credit losses	(1,812)	(4,795)	-	-
	<u>31,193</u>	<u>35,872</u>	<u>-</u>	<u>-</u>

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

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

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	US\$'000	US\$'000	US\$'000	US\$'000
United States Dollar	1,085	1,067	-	-
Euro	48	125	-	-
Malaysia Ringgit	396	409	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 23. TRADE RECEIVABLES *(cont'd)*

### Expected credit losses

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

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	US\$'000	US\$'000
Movement in allowance accounts:		
At 1 January	4,795	4,233
Charge for the year	80	452
Written off	(2,786)	(95)
Exchange realignment	(277)	205
At 31 December	1,812	4,795

## 24. OTHER RECEIVABLES

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	US\$'000	US\$'000
Staff advances	181	130
Tax recoverable	1,389	1,754
Sundry receivables	900	1,443
Allowance for doubtful receivables	(20)	(20)
	2,450	3,307

	<b>Group</b>	
	<i>Individually impaired</i>	
	<b>2020</b>	<b>2019</b>
	US\$'000	US\$'000
Movement in allowance accounts:		
At 1 January	20	14
Charge for the year	20	8
Written off	(20)	(2)
At 31 December	20	20

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at banks and on hand	42,379	36,681	1,134	322
Short-term deposits	26,658	18,054	-	-
Cash and short-term deposits	69,037	54,735	1,134	322

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits earn interest at the respective short-term deposits rates.

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

	Group		Company	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
United States Dollar	5,235	775	407	11
Singapore Dollar	2,263	461	-	-
Euro	830	977	-	-
Malaysia Ringgit	3,869	8,984	-	-

## 26. TRADE PAYABLES AND ACCRUALS

	Group		Company	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Trade payables	17,849	22,210	19	13
Accruals	10,917	12,777	2,430	2,187
Total trade payables and accruals	28,766	34,987	2,449	2,200

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 2020

## 26. TRADE PAYABLES AND ACCRUALS *(cont'd)*

Significant trade payables and accruals denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
United States Dollar	1,837	1,601	1,648	1,598
Singapore Dollar	1,187	693	-	-
Euro	675	852	-	-
Malaysia Ringgit	3,709	4,279	-	-

## 27. AMOUNT DUE TO AN ASSOCIATE (TRADE)

	Group	
	2020 US\$'000	2019 US\$'000
Amount due to an associate (trade)	21	108

The amount due to an associate is unsecured, non-interest bearing and repayable on demand.

## 28. INTEREST-BEARING LOANS AND BORROWINGS

	Group	
	2020 US\$'000	2019 US\$'000
<b>Current</b>		
Revolving credit loans	10,451	10,126
Term loans	7,952	4,564
	<u>18,403</u>	<u>14,690</u>
<b>Non-current</b>		
Term loans	35,330	35,315
Total loans and borrowings	<u>53,733</u>	<u>50,005</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 28. INTEREST-BEARING LOANS AND BORROWINGS (cont'd)

	Denomination	Interest (p.a)	Maturity	Group	
				2020 US\$'000	2019 US\$'000
<b>Current Revolving Credit</b>					
Loan 1	USD	COF + 1.50%	2021/2020	4,264	4,858
Loan 2	USD	LIBOR + 2.00%	2021/2020	1,295	3,238
Loan 3	USD	COF +1.50%	2020	-	193
Loan 4	VND	LIBOR +2.60% to 3.00% or 5.30% to 5.40%	2021/2020	4,892	1,837
				<u>10,451</u>	<u>10,126</u>
<b>Current Term Loans</b>					
Loan 5	USD	LIBOR + 2.75%	2021/2020	957	2,612
Loan 6	USD	COF + 2.20%	2021/2020	952	964
Loan 7	SGD	COF + 1.15%	2021/2020	657	645
Loan 8	USD	COF + 1.50%	2021/2020	343	343
Loan 9	USD	LIBOR + 2.45%	2021	4,813	-
Loan 10	SGD	1.75%	2021	210	-
Loan 11	UAH	6.99%	2021	3	-
Loan 12	LKR	LIBOR + 4.00%	2021	17	-
				<u>7,952</u>	<u>4,564</u>
<b>Non-Current Term Loans</b>					
Loan 5	USD	LIBOR + 2.75%	2021	-	957
Loan 6	USD	COF + 2.20%	2022	77	1,028
Loan 7	SGD	COF + 1.15%	2024	1,479	2,098
Loan 8	USD	COF + 1.50%	2021	-	343
Loan 9	USD	LIBOR + 2.45%	2024	30,188	30,889
Loan 10	SGD	1.75%	2024	3,572	-
Loan 12	LKR	LIBOR + 4.00%	2022	14	-
				<u>35,330</u>	<u>35,315</u>
<b>Total loans and borrowings</b>				<u>53,733</u>	<u>50,005</u>

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 28. INTEREST-BEARING LOANS AND BORROWINGS (cont'd)

	Group	
	2020	2019
	US\$'000	US\$'000
Secured*	39,839	39,548
Unsecured**	13,894	10,457
Total loans and borrowings	53,733	50,005

\* The loans are secured by certain property, plant and equipment, inventories and receivables.

\*\* The loans are unsecured and are covered by corporate guarantees issued by the Company.

### Loan 2

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

### Loan 6

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

### Loan 7

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

### Loan 8

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

### Loan 9

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

	1 January 2020 US\$'000	Cash flows US\$'000	Non-cash changes		31 December 2020 US\$'000
			Foreign exchange movement US\$'000	Accretion of interest US\$'000	
Loans and borrowings	50,005	3,138	163	427	53,733

	1 January 2019 US\$'000	Cash flows US\$'000	Non-cash changes		31 December 2019 US\$'000
			Foreign exchange movement US\$'000	Accretion of interest US\$'000	
Loans and borrowings	33,505	15,551	31	918	50,005

## 29. OTHER PAYABLES

	Group		Company	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Rental and other deposits	427	420	-	-
Advance payment received from customers	1,048	1,169	-	-
Payables for purchase of property, plant and equipment	659	3,011	-	-
Sundry payables	1,160	1,451	146	-
Total other payables	3,294	6,051	146	-

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 30. SHARE CAPITAL AND TREASURY SHARES

### (a) Share capital

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	US\$'000	US\$'000
<b>Issued and fully paid:</b>		
At beginning of the year		
537,797,999 (2019: 535,162,999) ordinary shares including treasury shares	42,020	41,202
Issued under employee share option		
Nil (2019: 2,410,000) ordinary shares issued at exercise price of S\$0.335	-	753
350,000 (2019: 20,000) ordinary shares issued at exercise price of S\$0.315	102	6
930,000 (2019: 205,000) ordinary shares issued at exercise price of S\$0.308	267	59
1,840,000 (2019: Nil) ordinary shares issued at exercise price of S\$0.505	878	-
At end of the year		
540,917,999 (2019: 537,797,999) ordinary shares including treasury shares	<u>43,267</u>	<u>42,020</u>

The holders of ordinary shares are entitled to receive dividends 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 3,350,000 (2019: 5,740,000) and 22,745,000 (2019: 18,825,000) shares respectively. Details of outstanding options are set out in Note 32.

### (b) Treasury shares

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	US\$'000	US\$'000
At beginning of the year		
1,425,500 (2019: 1,001,000) treasury shares	477	317
Purchase of 2,912,800 (2019: 424,500) treasury shares	<u>1,265</u>	<u>160</u>
At end of the year		
4,338,300 (2019: 1,425,500) treasury shares	<u>1,742</u>	<u>477</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 31. RESERVES

	Group		Company	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Foreign currency translation reserve	(10,950)	(2,166)	(36)	49
Share-based payment reserve	3,865	3,301	3,865	3,301
Accumulated profits	183,584	164,217	17,139	19,727
	176,499	165,352	20,968	23,077

### (a) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

### (b) Share-based payment reserve

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 32. EMPLOYEE BENEFITS

	Group	
	2020	2019
	US\$'000	US\$'000
Salaries, wages and other staff benefits	44,189	46,240
Employer's contribution to defined contribution plans, including Central Provident Fund	4,492	4,984
Value of employee services received from the issuance of share options	905	823
	<u>49,586</u>	<u>52,047</u>

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

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

The total number of shares in respect of which options may be offered shall not exceed 15% of the Company's total issued share capital on the day immediately preceding the offer date.

The offer price of the options may be set at market price or at a price which is greater than the market price at the time of grant, at the discretion of the Remuneration Committee ("RC").

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 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 2020 and the details of the 2002 Option Scheme and 2012 Option Scheme are as follows:

	Number of holders of options at end of year	Number of options outstanding at 1.1.2020	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 31.12.2020	Exercise price per share S\$	Exercise period	Remaining contractual life (years)
<b>2002 Option Scheme</b>									
2010 Options	-	100,000	-	(100,000)	-	-	0.335	4 January 2011 to 3 January 2020	-
2011 Options (February)	5	2,930,000	-	(100,000)	(1,840,000)	990,000	0.505	1 February 2012 to 31 January 2021	0.1
2011 Options (December)	5	2,710,000	-	-	(350,000)	2,360,000	0.315	19 December 2012 to 18 December 2021	1.0
		5,740,000	-	(200,000)	(2,190,000)	3,350,000			
<b>2012 Option Scheme</b>									
2013 Options	15	3,810,000	-	-	-	3,810,000	0.669	8 March 2014 to 7 March 2023	2.0
2016 Options	13	4,415,000	-	(150,000)	(930,000)	3,335,000 <sup>(1)</sup>	0.308	4 July 2017 to 3 July 2026	5.5
2017 Options	6	550,000	-	-	-	550,000	0.693	23 May 2018 to 22 May 2027	6.4
2018 Options	14	4,600,000	-	(150,000)	-	4,450,000 <sup>(2)</sup>	0.679	16 March 2019 to 15 March 2028	7.3
2019 Options	20	5,450,000	-	(150,000)	-	5,300,000 <sup>(3)</sup>	0.556	15 March 2020 to 14 March 2029	8.3
2020 Options	20	-	5,450,000 <sup>(4)</sup>	(150,000)	-	5,300,000	0.667	6 March 2021 to 5 March 2030	9.3
		24,565,000	5,450,000	(800,000)	(3,120,000)	26,095,000			
Weighted average exercise price per share (S\$)		0.521	0.667	0.519	0.425	0.563			

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

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

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

<sup>(4)</sup> Includes 300,000 outstanding options held by Independent Non-Executive Directors which are exercisable between 6 March 2021 to 5 March 2025.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 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 2019 and the details of the 2002 Option Scheme and 2012 Option Scheme are as follows:

	Number of holders of options at end of year	Number of options outstanding at 1.1.2019	Number of options granted during the financial year	Number of options lapsed during the financial year	Number of options exercised during the financial year	Number of options outstanding at 31.12.2019	Exercise price per share \$	Exercise period	Remaining contractual life (years)
<b>2002 Option Scheme</b>									
2010 Options	2	2,510,000	-	-	(2,410,000)	100,000	0.335	4 January 2011 to 3 January 2020	-
2011 Options (February)	10	3,080,000	-	(150,000)	-	2,930,000	0.505	1 February 2012 to 31 January 2021	1.1
2011 Options (December)	11	2,730,000	-	-	(20,000)	2,710,000	0.315	19 December 2012 to 18 December 2021	2.0
		8,320,000	-	(150,000)	(2,430,000)	5,740,000			
<b>2012 Option Scheme</b>									
2013 Options	16	3,980,000	-	(170,000)	-	3,810,000	0.669	8 March 2014 to 7 March 2023	3.0
2016 Options	17	4,671,000	-	(51,000)	(205,000)	4,415,000 <sup>(1)</sup>	0.308	4 July 2017 to 3 July 2026	6.5
2017 Options	6	550,000	-	-	-	550,000	0.693	23 May 2018 to 22 May 2027	7.4
2018 Options	15	4,750,000	-	(150,000)	-	4,600,000 <sup>(2)</sup>	0.679	16 March 2019 to 15 March 2028	8.3
2019 Options	21	-	5,450,000	-	-	5,450,000 <sup>(3)</sup>	0.556	15 March 2020 to 14 March 2029	9.3
Weighted average exercise price per share (\$)		0.492	0.556	0.589	0.333	0.521			
		22,271,000	5,450,000	(521,000)	(2,635,000)	24,565,000			

<sup>(1)</sup> Includes 300,000 outstanding options held by Independent Non-Executive Directors which are exercisable between 4 July 2017 to 3 July 2021.

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

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

Out of the 26,095,000 (2019: 24,565,000) outstanding options on 31 December 2020, 16,280,000 (2019: 16,190,000) share options are exercisable as at 31 December 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 32. EMPLOYEE BENEFITS *(cont'd)*

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

### (a) 2011 Options (February)

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

### (b) 2011 Options (December)

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

### (c) 2013 Options

	<b>Group</b>
	<u>Grant - 10 years</u>
Average dividend per share (\$)	0.01044
Expected volatility (%)	38.255
Risk-free rate (%)	0.312
Expected life of option (years)	4.5
Weighted average share price (\$)	<u>0.669</u>

### (d) 2016 Options

	<b>Group</b>
	<u>Grant - 10 years</u>
Average dividend per share (\$)	0.00975
Expected volatility (%)	45.921
Risk-free rate (%)	1.474
Expected life of option (years)	5.6
Weighted average share price (\$)	<u>0.308</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 32. EMPLOYEE BENEFITS *(cont'd)*

### (e) 2017 Options

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

### (f) 2018 Options

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

### (g) 2019 Options

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

### (h) 2020 Options

	<b>Group</b>
	<u>Grant – 10 years</u>
Average dividend per share (S\$)	0.00642
Expected volatility (%)	43.268
Risk-free rate (%)	1.120
Expected life of option (years)	6.25
Weighted average share price (S\$)	<u>0.667</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 33. SEGMENT INFORMATION

For management purposes, the Group is organised into five reportable segments based on geographical locations. The five main segments are:

- (i) Russia
- (ii) Ukraine, Kazakhstan and CIS markets
- (iii) South-East Asia
- (iv) South Asia
- (v) Others

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 33. SEGMENT INFORMATION (cont'd)

	Ukraine, Kazakhstan and CIS markets						South-East Asia				South Asia				Others				Adjustments and eliminations				Per consolidated financial statements							
	Russia		2020		2019		2020		2019		2020		2019		2020		2019		2020		2019		2020		2019		2020		2019	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
<b>Revenue</b>																														
Segment to external customers	99,555	112,570	67,833	69,374	81,013	78,267	7,224	8,664	17,346	19,695	-	-	272,971	288,570	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Inter-segment sales <sup>(a)</sup>	1,824	1,158	-	-	115,978	120,985	12,155	14,914	-	-	(129,957)	(137,057)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total revenue	101,379	113,728	67,833	69,374	196,991	199,252	19,379	23,578	17,346	19,695	(129,957)	(137,057)	272,971	288,570	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Results</b>																														
Segment results	13,301	16,657	12,811	13,223	41,510	35,785	3,520	3,767	(1,335)	(1,628)	(25,965)	(24,180)	43,842	43,624	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest income	105	21	66	75	118	79	27	24	18	19	-	-	334	218	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest expenses	(393)	(601)	(50)	(55)	(287)	(512)	(101)	(211)	(96)	(246)	-	-	(927)	(1,625)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share of (losses)/profits of associates	(200)	(6)	-	-	-	-	-	-	(250)	168	-	-	(450)	162	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Income tax (expense)/credit	655	(475)	(933)	(707)	(4,758)	(3,644)	(726)	(1,002)	(19)	(12)	-	-	(5,781)	(5,840)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Non-controlling interest	31	54	-	-	-	-	231	286	69	76	-	-	331	416	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation for property, plant and equipment	(952)	(885)	(468)	(374)	(2,946)	(3,053)	(1,632)	(1,580)	(88)	(86)	-	-	(6,086)	(5,978)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation for investment properties	-	-	-	-	(166)	(167)	-	-	-	-	-	-	(166)	(167)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation for right-of-use assets	(1,486)	(1,629)	(170)	(132)	(142)	(157)	(70)	(97)	(62)	(83)	-	-	(1,930)	(2,098)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gain on loss of control of a subsidiary	-	-	-	-	-	-	1,728	-	-	-	-	-	1,728	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss on loan to associates	-	-	-	-	-	-	(2,130)	-	-	-	-	-	(2,130)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non-cash expenses <sup>(b)</sup>	(888)	(765)	(203)	(226)	(310)	(1,348)	(202)	(118)	(377)	(143)	-	-	(1,980)	(2,600)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Profit/(loss) attributable to equity shareholders of the Company	10,173	12,371	11,053	11,804	33,019	26,983	645	1,069	(2,140)	(1,935)	(25,965)	(24,180)	26,785	26,112	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

<sup>(a)</sup> Inter-segment revenues are eliminated on consolidation.

<sup>(b)</sup> Other non-cash expenses consist of allowance for doubtful debt, bad debts written off, inventories written down and value of employee services received from the issuance 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 2020

## 33. SEGMENT INFORMATION (cont'd)

	Russia		Ukraine, Kazakhstan and CIS markets		South-East Asia		South Asia		Others		Adjustments and eliminations		Per consolidated financial statements	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Assets</b>														
Segment assets	68,457	70,390	16,622	18,499	147,938	143,875	71,863	68,870	7,764	5,959	-	-	312,644	307,593
<b>Liabilities</b>														
Segment liabilities	(12,246)	(18,421)	(1,501)	(2,103)	(39,710)	(38,904)	(41,205)	(41,430)	(1,014)	(1,032)	-	-	(95,676)	(101,890)
<b>Other Information</b>														
Investment in associates	5,820	8,812	-	-	-	-	-	-	4,979	2,807	-	-	10,799	11,619
Additions to non-current assets	888	1,193	849	494	4,470	1,426	7,526	38,176	9	225	-	-	13,742	41,514

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 33. SEGMENT INFORMATION *(cont'd)*

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

	Group	
	2020 US\$'000	2019 US\$'000
Beverages	231,509	249,798
Ingredients	21,368	20,778
Others	20,094	17,994
	<u>272,971</u>	<u>288,570</u>

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

	Group	
	2020 US\$'000	2019 US\$'000
Russia	14,608	17,811
Ukraine, Kazakhstan and CIS markets	2,433	2,737
South-East Asia	59,582	58,157
South Asia	62,826	57,276
Others	194	280
	<u>139,643</u>	<u>136,261</u>

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

### ***Information about major customers***

Revenue from six major customers amounted to US\$58,627,000 (2019: US\$61,077,000), arising from sale of goods and services in the Russia, Ukraine, Kazakhstan and CIS markets segments.

## 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	
	2020 US\$'000	2019 US\$'000
Capital commitments in respect of property, plant and equipment	<u>2,116</u>	<u>4,671</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 34. COMMITMENTS AND CONTINGENCIES *(cont'd)*

### *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 ten years as at 31 December 2020.

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

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	US\$'000	US\$'000
Not later than one year	458	580
Later than one year but not later than five years	402	450
Later than five years	87	–
	947	1,030

### *Guarantees*

The Company has given corporate guarantees to banks amounting to US\$178,752,000 (2019: US\$154,946,000) to secure banking facilities granted to its subsidiaries.

### *Financial support*

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

## 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:

	<b>2020</b>	<b>2019</b>
	US\$'000	US\$'000
<b>Group</b>		
<u>Simonelo Limited and its subsidiaries</u> <sup>(a)</sup>		
– Lease payments made	1,780	2,006
<u>UDI Marketing Sdn Bhd</u> <sup>(b)</sup>		
– Sale of goods	1,035	900
<b>Company</b>		
<u>Subsidiaries</u>		
– Management fees received	1,502	1,565

<sup>(a)</sup> Companies associated to one of the directors and substantial shareholder, Mr Sudeep Nair.

<sup>(b)</sup> Company associated to Universal Integrated Corporation Consumer Products Pte Ltd., one of the Group's substantial shareholder.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 35. RELATED PARTY TRANSACTIONS *(cont'd)*

### (b) Compensation of key management personnel

	<b>Group</b>	
	<b>2020</b> US\$'000	<b>2019</b> US\$'000
Salaries, wages and other staff benefits	5,244	5,568
Central Provident Fund contributions	49	49
Value of employee services received from the issuance of share options	541	503
Total compensation paid to key management personnel	5,834	6,120

	<b>Group</b>	
	<b>2020</b> US\$'000	<b>2019</b> US\$'000
<i>Comprise amounts paid to:</i>		
Directors of the Group	3,112	3,169
Other key management personnel	2,722	2,951
Total compensation paid to key management personnel	5,834	6,120

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:

	<b>Outstanding share options</b>	
	<b>2020</b> '000	<b>2019</b> '000
Directors	9,500	9,700
Key management personnel	10,000	8,850
	19,500	18,550

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 36. FAIR VALUE OF ASSETS AND LIABILITIES

### (a) *Fair value hierarchy*

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

- (i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- (ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 – Unobservable inputs for the asset or liability.

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

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 2020 and 2019.

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

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

The carrying amount of non-current lease liabilities and 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 14.

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 2020

## 36. FAIR VALUE OF ASSETS AND LIABILITIES *(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 2020 US\$'000	Valuation techniques	Key unobservable inputs
<b>Investment properties</b>			
- Singapore	27,865	Market comparison method	Transacted price of comparable properties <sup>(1)</sup>

Description	Fair value as at 31 December 2019 US\$'000	Valuation techniques	Key unobservable inputs
<b>Investment properties</b>			
- Singapore	27,889	Market comparison method	Transacted price of comparable properties <sup>(1)</sup>

<sup>(1)</sup> Adjustments are made for any difference in the location, tenure, size, shape, design and layout, age and condition of the specific property, dates of transactions and other factors.

#### (ii) *Valuation policies and procedures*

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

### *(d) Classification of assets and liabilities*

<b>Group 2020</b>	<b>Financial assets at amortised cost</b> US\$'000	<b>Financial liabilities at amortised cost</b> US\$'000	<b>Non- financial assets/ liabilities</b> US\$'000	<b>Total</b> US\$'000
<b>Assets</b>				
Property, plant and equipment	-	-	104,284	104,284
Investment properties	-	-	14,529	14,529
Investment in associates	-	-	10,799	10,799
Intangible assets	-	-	10,343	10,343
Right-of-use assets	-	-	10,487	10,487
Deferred tax assets	-	-	3,443	3,443
Inventories	-	-	50,129	50,129
Prepaid operating expenses	-	-	4,751	4,751
Deposits	803	-	-	803
Amounts due from an associate (non-trade)	85	-	-	85
Amount due from a related party (trade)	311	-	-	311
Trade receivables	31,193	-	-	31,193
Other receivables	880	-	1,570	2,450
Cash and cash equivalents	69,037	-	-	69,037
	<b>102,309</b>	<b>-</b>	<b>210,335</b>	<b>312,644</b>
<b>Liabilities</b>				
Trade payables and accruals	-	(28,766)	-	(28,766)
Other payables	-	(2,246)	(1,048)	(3,294)
Interest-bearing loans and borrowings	-	(53,733)	-	(53,733)
Lease liabilities	-	(4,402)	-	(4,402)
Amount due to an associate (trade)	-	(21)	-	(21)
Amount due to an associate (non-trade)	-	(295)	-	(295)
Amount due to a related party (non-trade)	-	(654)	-	(654)
Income tax payable	-	-	(1,778)	(1,778)
Deferred tax liabilities	-	-	(2,733)	(2,733)
	<b>-</b>	<b>(90,117)</b>	<b>(5,559)</b>	<b>(95,676)</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

Group 2019	Financial assets at amortised cost US\$'000	Financial liabilities at amortised cost US\$'000	Non- financial assets/ liabilities US\$'000	Total US\$'000
<b>Assets</b>				
Property, plant and equipment	-	-	99,325	99,325
Investment properties	-	-	16,159	16,159
Investment in associates	-	-	11,619	11,619
Intangible assets	-	-	10,343	10,343
Right-of-use assets	-	-	10,434	10,434
Deferred tax assets	-	-	3,208	3,208
Inventories	-	-	55,852	55,852
Prepaid operating expenses	-	-	5,757	5,757
Deposits	769	-	-	769
Amounts due from associates (non-trade)	100	-	-	100
Amount due from a related party (trade)	113	-	-	113
Trade receivables	35,872	-	-	35,872
Other receivables	1,423	-	1,884	3,307
Cash and cash equivalents	54,735	-	-	54,735
	<u>93,012</u>	<u>-</u>	<u>214,581</u>	<u>307,593</u>
<b>Liabilities</b>				
Trade payables and accruals	-	(34,987)	-	(34,987)
Other payables	-	(4,880)	(1,171)	(6,051)
Interest-bearing loans and borrowings	-	(50,005)	-	(50,005)
Lease liabilities	-	(6,842)	-	(6,842)
Amount due to an associate (trade)	-	(108)	-	(108)
Amount due to an associate (non-trade)	-	(255)	-	(255)
Amount due to a related party (non-trade)	-	(568)	-	(568)
Income tax payable	-	-	(1,539)	(1,539)
Deferred tax liabilities	-	-	(1,535)	(1,535)
	<u>-</u>	<u>(97,645)</u>	<u>(4,245)</u>	<u>(101,890)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 36. FAIR VALUE OF ASSETS AND LIABILITIES (cont'd)

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

<b>Company</b>	<b>Financial</b>	<b>Financial</b>	<b>Non-</b>	<b>Total</b>
<b>2020</b>	<b>assets at</b>	<b>liabilities at</b>	<b>financial</b>	<b></b>
	<b>amortised</b>	<b>amortised</b>	<b>assets/</b>	<b></b>
	<b>cost</b>	<b>cost</b>	<b>liabilities</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Assets</b>				
Investment in subsidiaries	-	-	44,485	44,485
Prepaid operating expenses	-	-	15	15
Amounts due from subsidiaries (non-trade)	19,517	-	-	19,517
Cash and cash equivalents	1,134	-	-	1,134
	20,651	-	44,500	65,151
<b>Liabilities</b>				
Trade payables and accruals	-	(2,449)	-	(2,449)
Other payables	-	(146)	-	(146)
Amount due to a subsidiary (non-trade)	-	(21)	-	(21)
Income tax payable	-	-	(42)	(42)
	-	(2,616)	(42)	(2,658)
<b>Company</b>				
<b>2019</b>				
<b>Assets</b>				
Investment in subsidiaries	-	-	44,635	44,635
Prepaid operating expenses	-	-	11	11
Amounts due from subsidiaries (non-trade)	21,901	-	-	21,901
Cash and cash equivalents	322	-	-	322
	22,223	-	44,646	66,869
<b>Liabilities</b>				
Trade payables and accruals	-	(2,200)	-	(2,200)
Amount due to a subsidiary (non-trade)	-	(20)	-	(20)
Income tax payable	-	-	(29)	(29)
	-	(2,220)	(29)	(2,249)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 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.

### (a) Credit risk

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

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

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

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

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

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

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

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

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty.

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 150 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

#### Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables, and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 December 2020 and 31 December 2019 incorporates forward looking information such as forecast of economic conditions where the gross domestic product may change significantly over the next year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

#### Trade receivables *(cont'd)*

Summarised below is the information about the credit risk exposure on the Group's trade receivables using the provision matrix:

2020	Current	1-30 days past due	31-60 days past due	61-90 days past due	91-120 days past due	121-150 days past due	More than 150 days	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Gross carrying amount	20,694	6,725	2,383	778	80	175	2,170	33,005
Loss allowance provision	(16)	(21)	(29)	(21)	(9)	(68)	(1,648)	(1,812)
	20,678	6,704	2,354	757	71	107	522	31,193

2019	Current	1-30 days past due	31-60 days past due	61-90 days past due	91-120 days past due	121-150 days past due	More than 150 days	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Gross carrying amount	25,530	7,468	1,728	589	488	196	4,668	40,667
Loss allowance provision	(146)	(80)	(33)	(22)	(11)	(32)	(4,471)	(4,795)
	25,384	7,388	1,695	567	477	164	197	35,872

Information regarding loss allowance movement of trade receivables are disclosed in Note 23.

#### **Exposure to credit risk**

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

Trade receivables *(cont'd)*

#### ***Credit risk concentration profile***

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

	Group	
	2020 US\$'000	2019 US\$'000
Russia	13,292	15,865
Ukraine, Kazakhstan and CIS markets	8,637	9,013
South-East Asia	7,144	8,577
South Asia	648	783
Others	1,472	1,634
	<u>31,193</u>	<u>35,872</u>

#### ***Financial assets that are neither past due nor impaired***

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

#### ***Financial assets that are either past due or impaired***

Information regarding financial assets that are either past due or impaired is disclosed in Notes 20, 21, 23 and 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 the end of reporting period, approximately 34% (2019: 29%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by Management to finance the Group's operation and to mitigate the effects of fluctuations in cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

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

Analysis of financial instruments by remaining contractual maturities

The tables below summarise the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

<b>Group</b>	<b>Within</b>	<b>Within</b>	<b>More than</b>	<b>Total</b>
<b>2020</b>	<b>1 year</b>	<b>1 to 5 years</b>	<b>5 years</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial assets:</b>				
Trade and other receivables	32,073	-	-	32,073
Deposits	803	-	-	803
Amount due from a related party (trade)	311	-	-	311
Amounts due from associates (non-trade)	85	-	-	85
Cash and cash equivalents	69,037	-	-	69,037
Total undiscounted financial assets	102,309	-	-	102,309

<b>Financial liabilities:</b>				
Amount due to an associate (trade)	(21)	-	-	(21)
Amount due to an associate (non-trade)	(295)	-	-	(295)
Amount due to a related party (non-trade)	(654)	-	-	(654)
Interest-bearing loans and borrowings	(19,395)	(36,638)	-	(56,033)
Lease liabilities	(2,118)	(2,413)	(1,784)	(6,315)
Trade and other payables	(31,012)	-	-	(31,012)
Total undiscounted financial liabilities	(53,495)	(39,051)	(1,784)	(94,330)
Total net undiscounted financial assets/(liabilities)	48,814	(39,051)	(1,784)	7,979

<b>Group</b>	<b>Within</b>	<b>Within</b>	<b>More than</b>	<b>Total</b>
<b>2019</b>	<b>1 year</b>	<b>1 to 5 years</b>	<b>5 years</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial assets:</b>				
Trade and other receivables	37,295	-	-	37,295
Deposits	769	-	-	769
Amount due from a related party (trade)	113	-	-	113
Amounts due from associates (non-trade)	100	-	-	100
Cash and cash equivalents	54,735	-	-	54,735
Total undiscounted financial assets	93,012	-	-	93,012

<b>Financial liabilities:</b>				
Amount due to an associate (trade)	(108)	-	-	(108)
Amount due to an associate (non-trade)	(255)	-	-	(255)
Amount due to a related party (non-trade)	(568)	-	-	(568)
Interest-bearing loans and borrowings	(16,602)	(38,914)	-	(55,516)
Lease liabilities	(2,571)	(4,988)	(1,874)	(9,433)
Trade and other payables	(39,867)	-	-	(39,867)
Total undiscounted financial liabilities	(59,971)	(43,902)	(1,874)	(105,747)
Total net undiscounted financial assets/(liabilities)	33,041	(43,902)	(1,874)	(12,735)



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

Analysis of financial instruments by remaining contractual maturities *(cont'd)*

<b>Company</b>	<b>Within 1 year</b>	<b>Within 1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>2020</b>	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial assets:</b>				
Amounts due from subsidiaries (non-trade)	19,517	-	-	19,517
Cash and cash equivalents	1,134	-	-	1,134
Total undiscounted financial assets	20,651	-	-	20,651
<b>Financial liabilities:</b>				
Trade payables and accruals	(2,595)	-	-	(2,595)
Amount due to a subsidiary (non-trade)	(21)	-	-	(21)
Total undiscounted financial liabilities	(2,616)	-	-	(2,616)
Total net undiscounted financial assets	18,035	-	-	18,035
<b>Company</b>	<b>Within 1 year</b>	<b>Within 1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>2019</b>	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial assets:</b>				
Amounts due from subsidiaries (non-trade)	21,901	-	-	21,901
Cash and cash equivalents	322	-	-	322
Total undiscounted financial assets	22,223	-	-	22,223
<b>Financial liabilities:</b>				
Trade payables and accruals	(2,200)	-	-	(2,200)
Amount due to a subsidiary (non-trade)	(20)	-	-	(20)
Total undiscounted financial liabilities	(2,220)	-	-	(2,220)
Total net undiscounted financial assets	20,003	-	-	20,003

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. Financial guarantee contracts are recorded in the contractual maturity analysis based on the maximum amount guaranteed. They are allocated to the earliest date they can be drawn.

<b>Company</b>	<b>2020</b>			<b>2019</b>		
	<b>1 year or less</b>	<b>Over 1 year</b>	<b>Total</b>	<b>1 year or less</b>	<b>Over 1 year</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Financial guarantees	178,752	-	178,752	154,946	-	154,946

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (c) Interest rate risk

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

#### Sensitivity analysis for interest rate risk

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

	Group Increase/ decrease in basis points	Effect on profit, net of tax US\$'000
<b>2020</b>		
Cash and cash equivalents	+10	69
Interest-bearing loans and borrowings	+100	(395)
<b>2019</b>		
Cash and cash equivalents	+10	55
Interest-bearing loans and borrowings	+100	(371)

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
<b>Group</b>							
<b>2020</b>							
<i>Floating rate</i>							
Cash and cash equivalents	69,037	-	-	-	-	-	69,037
Interest-bearing loans and borrowings	18,403	9,992	10,151	15,187	-	-	53,733
<b>2019</b>							
<i>Floating rate</i>							
Cash and cash equivalents	54,735	-	-	-	-	-	54,735
Interest-bearing loans and borrowings	14,690	7,144	7,768	7,911	12,492	-	50,005

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (c) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk (cont'd)

	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
<b>Company</b>							
<b>2020</b>							
<i>Floating rate</i>							
Cash and cash equivalents	1,134	-	-	-	-	-	1,134
<b>2019</b>							
<i>Floating rate</i>							
Cash and cash equivalents	322	-	-	-	-	-	322

### (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.

The Management ensures that the net exposure is maintained at an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short-term fluctuations.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the EURO, Malaysia Ringgit (RM), Ukrainian Hryvnia (UAH) and Russian Ruble (RUR) against the respective functional currencies of the Group entities, with all variables held constant.

	<b>Group Profit before tax</b>	
	<b>2020</b>	<b>2019</b>
	US\$'000	US\$'000
EURO/USD - strengthened 5% (2019: 5%)	66	53
- weakened 5% (2019: 5%)	(66)	(53)
RM/USD - strengthened 5% (2019: 5%)	5	265
- weakened 5% (2019: 5%)	(5)	(265)
UAH/USD - strengthened 5% (2019: 5%)	107	52
- weakened 5% (2019: 5%)	(107)	(52)
RUR/USD - strengthened 5% (2019: 5%)	759	198
- weakened 5% (2019: 5%)	(759)	(198)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 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 2020 and 31 December 2019.

A gearing ratio with a specific measurement basis has been disclosed as this is the measure used to monitor capital. The Group considers both capital and net debt as relevant components of funding, hence part of its capital management.

The Group monitors its capital structure as follows:

	2020 US\$'000	2019 US\$'000
Interest-bearing loans and borrowings (Note 28)	53,733	50,005
Lease liabilities (Note 13)	4,402	6,842
Trade payables and accruals (Note 26)	28,766	34,987
Other payables (Note 29)	3,294	6,051
Less: Cash and cash equivalents (Note 25)	(69,037)	(54,735)
Net debt	21,158	43,150
Equity attributable to the equity shareholders of the Company	218,024	206,895
<b>Capital and net debt</b>	<b>239,182</b>	<b>250,045</b>
<b>Gearing Ratio</b>	<b>9%</b>	<b>17%</b>

## 39. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the end of the financial year, the Company had acquired 1,170,800 treasury shares at a consideration of US\$641,000.

## 40. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 25 March 2021.

# SHAREHOLDERS' INFORMATION

As at 18 March 2021

Class of equity securities	: Ordinary share
No. of equity securities (excluding treasury shares)	: 537,238,899
Voting rights	: One vote per share

As at 18 March 2021, the total number of treasury shares held is 5,509,100. The treasury shares as a percentage of the total number of issued shares excluding treasury shares is 1.03%.

## DIRECTORS' SHAREHOLDINGS AS AT 18 MARCH 2021

(As recorded in the Register of Directors' Shareholdings)

	Direct Interest	%	Deemed Interest	%
Tan Wang Cheow	-	-	120,814,600	22.49
Tan Guek Ming	27,547,400	5.13	93,267,200	17.36
Sudeep Nair	2,700,000	0.50	60,076,399	11.18
Ong Kian Min <sup>(5)</sup>	-	-	720,000	0.13

## SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2021

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Tan Wang Cheow <sup>(1)</sup>	-	-	120,814,600	22.49
Tan Guek Ming <sup>(2)</sup>	27,547,400	5.13	93,267,200	17.36
Sudeep Nair <sup>(3)</sup>	2,700,000	0.50	60,076,399	11.18
Anthoni Salim <sup>(4)</sup>	-	-	132,079,200	24.58
Universal Integrated Corporation Consumer Products Pte Ltd	132,079,200	24.58	-	-
FMR LLC on behalf of the managed accounts of its direct and indirect subsidiaries & FIL Ltd. on behalf of the managed accounts of its direct and indirect subsidiaries	-	-	47,387,800	8.82

### Notes:

- <sup>(1)</sup> Mr Tan Wang Cheow is deemed to have an interest in the 52,440,000 shares held by United Overseas Bank Nominees (Private) Limited. Mr Tan Wang Cheow is the husband of Mdm Tan Guek Ming and he is deemed to have an interest in the 68,374,600 shares held by Mdm Tan Guek Ming.
- <sup>(2)</sup> Mdm Tan Guek Ming has a direct interest of 27,547,400 shares and she is deemed to have an interest in the 40,827,200 shares held by DB Nominees (Singapore) Pte Ltd. Mdm Tan Guek Ming is the wife of Mr Tan Wang Cheow, she is deemed to have an interest in the 52,440,000 shares held by Mr Tan Wang Cheow.
- <sup>(3)</sup> Mr Sudeep Nair has a direct interest of 2,700,000 shares and he is deemed to have an interest in the 60,076,399 shares held by Raffles Nominees (Pte.) Ltd, DBSN Services Pte Ltd and DBS Nominees (Private) Limited.
- <sup>(4)</sup> Mr Anthoni Salim is the controlling shareholder of Trevoze 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.
- <sup>(5)</sup> Mr Ong Kian Min is deemed to have an interest in 720,000 shares held by Hong Leong Finance Nominees Pte. Ltd.

## PUBLIC FLOAT

As at 18 March 2021, 32.06% 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 18 March 2021

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	7	0.44	240	0.00
100 - 1,000	144	8.28	79,682	0.01
1,001 - 10,000	931	53.54	4,693,500	0.87
10,001 - 1,000,000	630	36.23	41,397,868	7.71
1,000,001 and above	27	1.55	491,067,609	91.41
<b>Total</b>	<b>1,739</b>	<b>100.00</b>	<b>537,238,899</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	DBS NOMINEES (PRIVATE) LIMITED	149,414,744	27.81
2	RAFFLES NOMINEES (PTE.) LIMITED	70,223,156	13.07
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	55,981,400	10.42
4	DBSN SERVICES PTE. LTD.	46,132,799	8.59
5	DB NOMINEES (SINGAPORE) PTE LTD	40,827,200	7.60
6	TAN GUEK MING	27,547,400	5.13
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	19,008,200	3.54
8	CITIBANK NOMINEES SINGAPORE PTE LTD	11,882,500	2.21
9	OON PENG HENG	10,033,600	1.87
10	ESTATE OF TAN BIAN CHYE, DECEASED	7,580,800	1.41
11	KOH PUAY LING	7,564,400	1.41
12	OON PENG LIM	6,454,300	1.20
13	PHILLIP SECURITIES PTE LTD	6,191,000	1.15
14	OON PENG LAM	6,010,500	1.12
15	LIM SIEW KHENG	4,060,000	0.76
16	TAN SIOK CHER	2,810,000	0.52
17	SUDEEP NAIR	2,700,000	0.50
18	TAN SEOK WAH	2,580,000	0.48
19	HSBC (SINGAPORE) NOMINEES PTE LTD	2,395,200	0.45
20	OON PENG WAH	2,333,500	0.43
	<b>Total</b>	<b>481,730,699</b>	<b>89.67</b>

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Food Empire Holdings Limited (the "Company") will be held by way of electronic means on Monday, 26 April 2021 at 3.00 p.m. for the following purposes:

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2020 together with the Auditor's Report thereon.

**(Resolution 1)**
2. To declare a first and final dividend of S\$0.022 per ordinary share (one-tier tax exempt) for the financial year ended 31 December 2020.

**(Resolution 2)**
3. To re-elect the following Director of the Company retiring pursuant to Article 115 of the Constitution of the Company<sup>(1)</sup>:  
  
Mdm Tan Guek Ming **(Resolution 3)**  
Mr Sudeep Nair **(Resolution 4)**  
Mr Ong Kian Min **(Resolution 5)**  
  
*Mdm Tan Guek Ming will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and Remuneration Committee and will be considered non-independent.*  
  
*Mr Ong Kian Min will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and Remuneration Committee and member of the Audit Committee. He will be considered independent.*
4. To re-elect the following Director of the Company retiring pursuant to Article 119 of the Constitution of the Company<sup>(1)</sup>:  
  
Mr Tan Cher Liang **(Resolution 6)**  
  
*Mr Tan Cher Liang will, upon re-election as a Director of the Company, remain as member of the Audit Committee, Remuneration Committee and Nominating Committee and will be considered independent*
5. To approve the payment of Directors' fees of S\$359,500.00 for the year ended 31 December 2020 (2019: S\$372,462.00).

**(Resolution 7)**
6. To re-appoint Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

**(Resolution 8)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

<sup>(1)</sup> Detailed information on the Director who is proposed to be re-appointed can be found under the sections entitled "Board of Directors" and "Additional Information on Directors seeking re-appointment" in the Annual Report of the Company.



# NOTICE OF ANNUAL GENERAL MEETING

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

### 8. Authority to issue shares

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other Instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new shares arising from the conversion or exercise of any convertible securities;
  - (b) new shares arising from the exercise of share options or vesting of share awards; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares;

provided that adjustments in accordance with (2)(a) or (2)(b) above is only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time this Resolution is passed.

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (i)]

**(Resolution 9)**

# NOTICE OF ANNUAL GENERAL MEETING

9. **Authority to issue shares under the Food Empire Holdings Limited Employees' Share Option Scheme ("2002 Option Scheme")**

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the 2002 Option Scheme approved by shareholders on 22 January 2002, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the 2002 Option Scheme and all other share-based incentive schemes of the Company shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (ii)]

**(Resolution 10)**

10. **Authority to grant options and to issue shares under the Food Empire Holdings Limited Employees' Share Option Scheme ("2012 Option Scheme")**

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant options under the 2012 Option Scheme and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted or to be granted by the Company under the 2012 Option Scheme approved by shareholders on 27 April 2012, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the 2012 Option Scheme and all other share-based incentive schemes of the Company shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (iii)]

**(Resolution 11)**

By Order of the Board

Kevin Cho  
Company Secretary

Singapore,  
7 April 2021

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- (i) The Ordinary Resolution 9 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to shareholders.

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

- (ii) Although the 2002 Option Scheme had expired on 31 December 2011, outstanding options granted prior to that date subsist and remain exercisable in accordance with the rules of the 2002 Option Scheme.

The Ordinary Resolution 10 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted under the 2002 Option Scheme and all other share-based incentive schemes of the Company up to a number not exceeding in aggregate (for the entire duration of the 2002 Option Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time.

- (iii) The Ordinary Resolution 11 in item 10 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the 2012 Option Scheme and all other share-based incentive schemes of the Company up to a number not exceeding in aggregate (for the entire duration of the 2012 Option Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time.

## Notes:

### General

1. In line with the provisions under the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, members of the Company will **NOT** be allowed to attend the AGM in person. The AGM will be held by way of electronic means.
2. Alternative arrangements relating to, among others, attendance, submission of questions in advance, addressing of substantial and relevant questions at or before the AGM and/or voting by proxy at the AGM are set out in the Company's announcement dated 7 April 2021 titled "General Meetings to be held on 26 April 2021" which has been uploaded together with this Notice of AGM, the Annual Report and the Proxy Form (as defined below) on the SGX website at the URL: <https://www.sgx.com/securities/company-announcements> ("SGXNet") on the same day. The same may also be accessed at the home page of the Company's corporate website ([www.foodempire.com](http://www.foodempire.com)). Members of the Company can participate in the AGM by:
  - (a) watching or listening to the AGM proceedings via a Live Webcast (as defined below). Members who wish to participate as such will have to pre-register in the manner outlined in Notes 3 to 6 below;
  - (b) submitting questions ahead of the AGM. Please refer to Notes 7 to 9 below for further details; and
  - (c) voting by proxy at the AGM. Please refer to Notes 10 to 16 below for further details.

# NOTICE OF ANNUAL GENERAL MEETING

## Participation in AGM proceedings via “live webcast”

3. A member will be able to watch the proceedings of the AGM through a “live” webcast via his/her/its mobile phones, tablets or computers or listen to these proceedings through a “live” audio feed (“Live Webcast”). In order to do so, a member who wishes to watch the “live” webcast or listen to the “live” audio feed must pre-register by 3.00 p.m. on 23 April 2021 (“Registration Deadline”), at this URL: [https://live.motionmediaworks.com/foodempire\\_reg](https://live.motionmediaworks.com/foodempire_reg), to create an account.
4. Following authentication of his/her/its status as member, such member will receive email instructions on how to access the Live Webcast using the account created or “live” audio feed.
5. Members who have pre-registered by Registration Deadline but do not receive the aforementioned email by 12.00 p.m. on 25 April 2021 should contact the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at [foodempire-agmegm2021@boardroomlimited.com](mailto:foodempire-agmegm2021@boardroomlimited.com) or alternatively at +65 6536 5355 during Monday to Friday, from 8.30 a.m. to 5.30 p.m..
6. Investors who have deposited their shares into a nominee account should approach their depository agent and relevant intermediaries as soon as possible but not less than 7 working days before the AGM (by 14 April 2021) to attend the webcast.

## Submission of questions prior to the AGM

7. A member of the Company may also submit questions relating to the resolutions to be tabled for approval at the AGM or the Company’s businesses and operations. The Company will endeavour to address questions which are substantial and relevant.
8. To do so, all questions must be submitted no later than the Registration Deadline (3.00 p.m. of 23 April 2021) by post at 31 Harrison Road, #08-01, Food Empire Building, Singapore 369649 or email: [agm@foodempire.com](mailto:agm@foodempire.com) or the URL: [https://live.motionmediaworks.com/foodempire\\_reg](https://live.motionmediaworks.com/foodempire_reg). For post or email, please indicate the following details in your letter or email:
  - a. Your full name,
  - b. Number of shares held; and
  - c. The manner in which you hold shares (via CDP, Scrip, CPF or SRS)
9. Investors who have deposited their shares into a nominee account should also approach their depository agent and relevant intermediaries as soon as possible but not less than 7 working days before the AGM (by 14 April 2021) if they wish to submit questions related to the resolutions to be tabled for approval at the AGM.

## Voting by proxy

10. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the instrument appointing the Chairman of the AGM as proxy (“Proxy Form”), failing which the appointment of the Chairman of the AGM as proxy for the resolutions will be treated as invalid.
11. The Chairman of the AGM, as proxy, need not be a member of the Company.
12. The Proxy Form, together with the power of attorney or other authority under which it is signed (if applicable) or a duly certified copy thereof, must be submitted through any one of the following means not less than 48 hours before the time appointed for the AGM:
  - (a) by sending a scanned PDF copy by email to [foodempire-agmegm2021@boardroomlimited.com](mailto:foodempire-agmegm2021@boardroomlimited.com); or
  - (b) by depositing/sending (whether by post or otherwise) a physical copy at/to the Company’s registered office at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

## NOTICE OF ANNUAL GENERAL MEETING

13. The Proxy Form must be signed by the appointor or his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
14. The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form (such as in the case where the appointor submits more than one Proxy Form).
15. In the case of a member whose Shares are entered against his/her/its name in the Depository Register, the Company may reject any Proxy Form lodged if such member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.
16. A member of the Company who holds his/her/its shares through a Relevant Intermediary\* (other than CPF and SRS investors) and who wish to exercise his/her/its votes by appointing the Chairman of the AGM as proxy should approach his/her/its Relevant Intermediary through which they hold such Shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM.

CPF and SRS investors who hold Shares through Relevant Intermediaries like the CPF Agent Banks or SRS Operators and who wish to request their CPF Agent Banks or SRS Operators to appoint the Chairman of the AGM as their proxy in respect of the Shares held by such CPF Agent Banks or SRS Operators on their behalf should approach their respective CPF Agent Banks or SRS Operators to submit their voting instructions at least seven (7) working days (by 14 April 2021) prior to the date of the AGM.

\* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

### Personal data privacy:

By pre-registering for the Live Webcast, submitting the Proxy Form appointing the Chairman of the AGM as proxy 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 or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy (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 or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

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**IMPORTANT:**

1. Alternative arrangements relating to, among others, attendance, submission of questions in advance, addressing of substantial and relevant questions at or before the Annual General Meeting ("AGM") and/or voting by proxy at the AGM are set out in the Company's announcement dated 7 April 2021 titled "General Meetings to be held on 26 April 2021" which has been uploaded together with the Notice of AGM dated 7 April 2021 on the SGX website at the URL: <https://www.sgx.com/securities/company-announcements> ("SGXNet") on the same day. The same may also be accessed at home page of the Company's corporate website ([www.foodempire.com](http://www.foodempire.com)).
2. Due to the current COVID-19 situation, a member will not be allowed to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
3. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

## PROXY FORM

(Please see notes overleaf before completing this Form)

I/We\*, \_\_\_\_\_

NRIC/Passport/Registration No. \_\_\_\_\_

of \_\_\_\_\_

being a member/members\* of Food Empire Holdings Limited (the "Company"), hereby appoint the Chairman of the AGM as my/our proxy\* to attend, speak and vote for me/us\* on my/our\* behalf at the AGM of the Company to be convened and held by way of electronic means on Monday, 26 April 2021 at 3.00 p.m. and at any adjournment thereof.

I/We\* direct the Chairman of the AGM to vote for or against, or to abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder.

No.	Resolutions relating to:	Number of Votes For <sup>(1)</sup>	Number of Votes Against <sup>(1)</sup>	Number of Votes Abstain <sup>(1)</sup>
1	Adoption of Directors' Statement and Audited Financial Statements for the year ended 31 December 2020			
2	Proposed first and final dividend			
3	Re-election of Mdm Tan Guek Ming as a Director			
4	Re-election of Mr Sudeep Nair as a Director			
5	Re-election of Mr Ong Kian Min as a Director			
6	Re-election of Mr Tan Cher Liang as a Director			
7	Approval of Directors' fees amounting to S\$359,500.00			
8	Re-appointment of Ernst & Young LLP as Auditors			
9	Authority to issue shares			
10	Authority to issue shares under the Food Empire Holdings Limited Employees' Share Option Scheme ("2002 Option Scheme")			
11	Authority to grant options and to issue shares under the Food Empire Holdings Limited Employees' Share Option Scheme ("2012 Option Scheme")			

(1) Voting will be conducted by poll. If you wish the Chairman of the AGM as your proxy to cast all your votes for or against the resolution to be proposed at the AGM, please indicate with a "✓" in the space provided under "For" or "Against". If you wish the Chairman of the AGM as your proxy to abstain from voting on the resolution to be proposed at the AGM, please indicate with a "✓" in the space provided under "Abstain". Alternatively, please indicate the number of shares that the Chairman of the AGM as your proxy is directed to vote "For" or "Against" or "Abstain". In the absence of specific directions, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.



Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2021

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

\* Delete where inapplicable

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

**Notes :**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 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 the Chairman of the AGM as proxy shall be deemed to relate to all the Shares held by you.
2. In line with the provisions under the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "Alternative Arrangements Order"), the AGM will be convened and held by way of electronic means and members of the Company will **NOT** be allowed to attend the AGM in person.
3. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for the resolution will be treated as invalid. This Proxy Form may be downloaded from SGXNet. The same may also be accessed at the home page of the Company's corporate website ([www.foodempire.com](http://www.foodempire.com)).
4. The Chairman of the AGM, as proxy, need not be a member of the Company.
5. This Proxy Form must be submitted through any one of the following means not less than 48 hours before the time appointed for the AGM:
  - (a) by sending a scanned PDF copy by email to [foodempire-agmegm2021@boardroomlimited.com](mailto:foodempire-agmegm2021@boardroomlimited.com); or
  - (b) by depositing/sending (whether by post or otherwise) the physical copy at/to the Company's registered office at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.
6. This Proxy Form must be signed by the appointor or his attorney duly authorised in writing. Where this Proxy Form is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney. Where this Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this Proxy Form, failing which this Proxy Form may be treated as invalid.
7. A member of the Company who holds his/her/its shares through a Relevant Intermediary\* (other than CPF and SRS investors) and who wish to exercise his/her/its votes by appointing the Chairman of the AGM as proxy should approach his/her/its Relevant Intermediary through which they hold such Shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM.

CPF and SRS investors who hold Shares through Relevant Intermediaries like the CPF Agent Banks or SRS Operators and who wish to request their CPF Agent Banks or SRS Operators to appoint the Chairman of the AGM as their proxy in respect of the Shares held by such CPF Agent Banks or SRS Operators on their behalf should approach their respective CPF Agent Banks or SRS Operators to submit their voting instructions at least seven (7) working days (by 14 April 2021) prior to the date of the AGM.

\* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
  - (b) a person holding a capital markets services licence to provide custodial services under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**Personal data privacy:**

By submitting this Proxy Form appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 7 April 2021.

**General:**

The Company shall be entitled to reject this Proxy Form 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 this Proxy Form. In addition, in the case of Shares entered in the Depository Register, the Company may reject any Proxy Form lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive

Tan Wang Cheow (*Executive Chairman*)  
Sudeep Nair (*Group CEO and Executive Director*)

### Non-Executive

Tan Guek Ming (*Non-Independent*)  
Koh Yew Hiap (*Non-Independent*)  
Ong Kian Min (*Lead Independent*)  
Tan Cher Liang (*Independent*)  
Saw Meng Tee (*Independent*)

## AUDIT COMMITTEE

Saw Meng Tee (*Chairman*)  
Tan Cher Liang  
Ong Kian Min  
Tan Guek Ming  
Koh Yew Hiap

## NOMINATING COMMITTEE

Ong Kian Min (*Chairman*)  
Saw Meng Tee  
Tan Wang Cheow  
Tan Cher Liang

## REMUNERATION COMMITTEE

Ong Kian Min (*Chairman*)  
Koh Yew Hiap  
Tan Cher Liang  
Saw Meng Tee  
Tan Guek Ming

## COMPANY SECRETARY

Kevin Cho

## REGISTERED OFFICE

50 Raffles Place #32-01  
Singapore Land Tower  
Singapore 048623  
Telephone number : (65) 6536 5355  
Fax number : (65) 6536 1360

## BUSINESS OFFICE

31 Harrison Road, #08-01  
Food Empire Building  
Singapore 369649  
Telephone number : (65) 6622 6900  
Fax number : (65) 6744 8977

## SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.  
50 Raffles Place #32-01  
Singapore Land Tower  
Singapore 048623  
Telephone number : (65) 6536 5355  
Fax number : (65) 6438 8710

## AUDITORS

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

## AUDIT PARTNER-IN-CHARGE

Tan Boon Leong  
(w.e.f. the financial year ended 31 December 2019)

## PRINCIPAL BANKERS

DBS Bank Limited  
Overseas-Chinese Banking Corporation Limited  
United Overseas Bank Limited



*Food Empire*

**FOOD EMPIRE HOLDINGS LIMITED**

31 Harrison Road, #08-01, Food Empire Building, Singapore 369649  
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[www.foodempire.com](http://www.foodempire.com)