Food Empire

FOOD EMPIRE FORGING AHEAD

Food Empire

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Annual Report 2013

CONTENTS

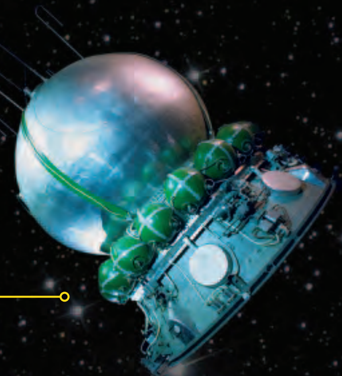
MISSION STATEMENT

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

AT FOOD EMPIRE, THE SPIRIT OF ADVENTURE FUELS EVERY MOVE WE MAKE, BE IT BUILDING EXCELLENT BRANDS, REACHING OUT TO NEW TERRITORIES, DIVERSIFYING OUR CHANNELS OF GROWTH, OR EXCELLING WHEREVER WE GO. OUR EMPIRE IS READY TO TAKE ON NEW WORLDS OF ACHIEVEMENT.

OUT OF THIS WORLD

Milestones in the History of Space Exploration



1957

LET THE SPACE RACE BEGIN!

Sputnik 1, the first artificial satellite was launched into low Earth orbit. Considered as one of the most important technological breakthroughs in history and the starting point of the "Space Age", the launch of this silver sphere of about 22 inches in diameter also sparked – perhaps even inspired – more satellite launches and innovations by US and Russia – two nations determined to outshine the other in the space exploration front.

1961

THE FIRST HUMAN SPACEFLIGHT

At age 27, Russian pilot and cosmonaut Yuri Gagarin became the first human to venture into outer space and also the first to orbit Earth. He was on board the spacecraft Vostok 1, his flight lasting 108 minutes and reaching an altitude of 327 kilometers.

1969

OVER THE MOON

By being the first human to walk on the lunar surface, American astronaut Neil Armstrong achieved a remarkable human feat. Armstrong embarked on this mission with compatriots Buzz Aldrin and Michael Collins via Apollo 11. The mission was the first manned lunar landing in history, and also the first space launch from another celestial body.

1946

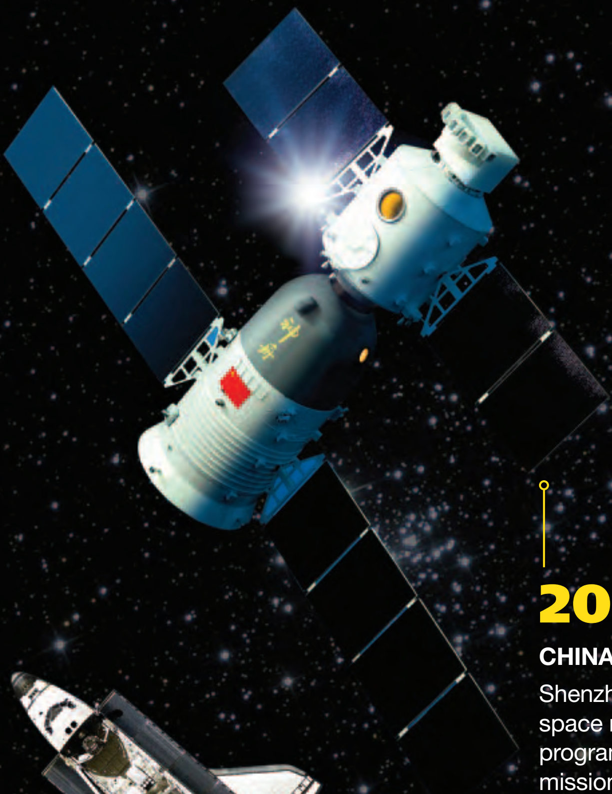
THE EARTH AS SEEN FROM SPACE

After the end of World War II, a group of soldiers and scientists launched a V-2 missile with an attached 35mm motion picture camera from a desert in New Mexico. From 65 miles above the ground, the camera captured the very first images of Earth as seen from space.

1995

437 DAYS IN SPACE

Russian cosmonaut Valeri Polyakov set the record for the longest spaceflight duration for a single journey, his exploration in space lasting 437 days. He volunteered to embark on the mission in order to learn how the human body would respond to the micro-gravity environment on long-duration space missions.



2003

CHINA'S NEXT FRONTIER

Shenzhou 5 was the first manned space mission by the Chinese space program, following 4 unmanned missions since 1999. With taikonaut Yang Liwei onboard the spacecraft, the mission made China the third nation to independently send a human in outer space.

2012

THE RED PLANET UP CLOSE

After a journey of about 8½ months and approximately 350 million miles, the Curiosity rover successfully landed on the surface of planet Mars. Together with the rover Opportunity (which landed on Mars in 2004), this exploratory robotic rover was developed to probe into Mars' possible habitability by way of assessing the planet's geological and atmospheric conditions.

CORPORATE PROFILE

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

Food Empire produces a wide variety of instant beverages such as regular and flavored coffee mixes and cappuccinos, chocolate drinks and flavored fruit teas. The Group also markets instant breakfast cereal, assorted easy-to-prepare frozen foods, and snack items such as potato chips, corn crisps, cookies and wafer rolls.

Food Empire's products are exported to over 60 countries, in markets such as Russia, Ukraine, Kazakhstan, Central Asia, China, Indochina, the Middle East, Africa, Mongolia, Europe and the US. The Group has 23 offices (representative and liaison) worldwide. The Group operates six manufacturing facilities (Singapore, Russia, Ukraine, Malaysia, Myanmar and Vietnam) and three production facilities (Malaysia, Indonesia and India).

Food Empire's strength lies in its proprietary brands – including MacCoffee, Petrovskaya Sloboda, Klassno, 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 markets: Russia, Ukraine and Kazakhstan. The Group employs sophisticated brand building activities, localized to match the demographics and consumer trends of the local markets in which its products are sold.

Since its public listing in 2000, Food Empire has won numerous accolades. The Group has been recognized as one of the "Most Valuable Singapore Brands" by IE Singapore, while MacCoffee has been ranked as one of "The Strongest Singapore Brands". Forbes Magazine also has twice named Food Empire as one of the "Best under a Billion" companies in Asia.


FINEST SELECTION OF TEA
HILLWAY®
macfito
KLASSNO™
ПЕТРОВСКАЯ СЛОБОДА
Food Empire
CaféRite™
MacChocolate™
zinties™
DONNACHOS™
MacCoffee™

EPISODE I

A NEW PARADIGM

RANKED 64 AMONG TOP 100 SGX-LISTED COMPANIES BRAND FINANCE

Capitalizing on a strong brand portfolio, wide global footprint, and consumer preferences, Food Empire is entering the next era of growth.

For this, we are further revitalizing our mindset as a company. Never resting on our laurels, we will create a new paradigm where benchmarks for brand excellence are raised every day, in every part of our business. We will highlight innovation and creativity in making quality products, building trusted brands and reaching out to our customers.

EXECUTIVE CHAIRMAN'S MESSAGE

Dear Valued Shareholders,

The global economy had another difficult year in 2013. The advanced economies grew modestly whilst many emerging markets experienced a slowdown. The general consensus is that economic performance will improve modestly in both advanced and emerging markets for 2014. As an international company in the food and beverage sector, our Group is not immune to both economic and political issues globally. Notwithstanding challenging conditions, we will continue to forge ahead and stay vigilant in these tough times ahead.

Financial overview

We achieved strong revenue growth in our core markets, despite intense competition, because of our commitment to brand building. The loyalty our consumers have for our brands is cultivated over many years and it underpins the success of our business. Going forward, we will continue to work to enhance the value of our brands even as we focus our efforts to develop new markets in Asia, the Middle East and Africa.

The Group had a challenging time in 2013. Although our revenue increased 10.6% year-on-year ("yoy") to US$262.9 million in FY2013, we reported a lower profit after tax of US$11.3 million in FY2013, as compared to US$20.2 million in FY2012. Profitability was down due to various factors, including increase in advertising and promotion activities, increased staff costs, foreign exchange losses, investments in new markets and the start-up costs associated with our green-field projects.

Since the beginning of 2014, the Group has seen sharper currency volatility in the Ruble due to the decision by the Russian Central bank to adopt a more flexible currency stance to boost export competitiveness. Similarly, the Ukrainian Hryvnia and Kazakhstani Tenge have also devalued due to political crisis and market pressure. The standoff between Russia and Ukraine and the West is also not helping the situation. As the Group is economically exposed to these markets, a prolonged and significant devaluation of their currencies would affect the Group. The Group is monitoring the situation closely and confident that logic finally will prevail over emotions and life will go on. The Group has seen the ups and downs of the CIS (The Commonwealth of Independent States) and we will manage the situation as it pans out.

Brand recognition

In view of the Group's dynamic operating environment, the Group has to continuously invest to build its brand equity and new capabilities so as to ensure resiliency in a competitive landscape.

In May 2013, Food Empire has emerged as one of Singapore's top SGX-listed brands in 2013; ranking in at 64, an improvement from 67 and 94 in 2012 and 2011 respectively, among the top 100 SGX-listed companies by Brand Finance, the world's leading independent brand valuation consultancy. Based on Brand Finance's review of our portfolio of brands, our key brands have been assigned a total value of US$174.8 million, while the valuation of our proprietary flagship brand "MacCoffee" has risen to US$139.7 million in 2013, up from US$110.1 million in 2007.

Apart from our strong corporate brand, our product brands are equally recognized and lauded. Our flagship brand, MacCoffee was awarded the Golden award in the 'Coffee Drink' category of the annual 'Top Popular Brand' contest held in Russia on 25 October 2013. This is a strong recognition of the affection the Russian consumers have for the brand and product. It was in 1994 that we first conceptualized the MacCoffee brand and this year we are celebrating its 20th birthday. Yes, MacCoffee is 20 years older and more popular and we will have to work harder to maintain our customers' loyalty.

In August 2013, our 2012 Annual Report was named as the Grand Award winner in the Best of International - Asia Pacific category, and it swept six Awards at the 27th International ARC Awards. The ARC Awards, established by US-based MerComm Inc in 1987, is a globally recognized platform that honors exceptional and high standards in the corporate Annual Reports.

Building for the future

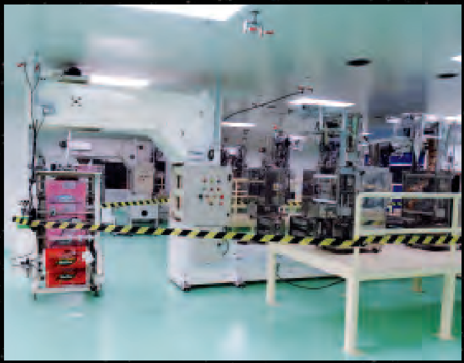
In the past, the Group also witnessed unrelenting commodity pricing despite

"GOING FORWARD, WE WILL CONTINUE TO WORK TO ENHANCE THE VALUE OF OUR BRANDS EVEN AS WE FOCUS OUR EFFORTS TO DEVELOP NEW MARKETS IN ASIA, THE MIDDLE EAST AND AFRICA."

the financial difficulties inherent in the market. We decided to embark on a number of upstream green-field projects in order to exercise greater control over key commodity costs, particularly non-dairy creamer and instant coffee powder. At the same time, the Group also seeks to build up new capabilities in snack food manufacturing and increase operational efficiency through the rationalization of several packaging facilities in Singapore and Malaysia.

The construction of both the Group's non-dairy creamer plant and snack factory in the Iskandar region of Johor, Malaysia were completed on schedule by the end of 2013 and are expected to be fully operational by 2Q2014. With a capacity of 32,000 tonnes, the non-dairy creamer plant is the Group's first step towards producing its own ingredients that go into our instant beverages, while the snack factory will open up new growth opportunities in non-beverage business. Looking ahead, a new instant coffee facility in the state of Andhra Pradesh in India with a production capacity of 4,500 tons is due to come on stream in early 2015.

Our packing plant and annexed administration processing centre in Port Klang, Malaysia are ready and waiting for various certifications to be completed before embarking on full production and operations. The packing plant is expected



New production facility in Port Klang, Malaysia

The Klang factory is set to be the Group's regional packing and distribution hub

EXECUTIVE CHAIRMAN'S MESSAGE

Food Empire's product showcase at the Anuga Fair in Cologne

to have capabilities to blend and pack a range of products such as instant coffee mixes, cappuccinos, ice teas, chocolate drinks and pure coffee in jars and sachets. Proximity to Port Klang was a key factor in the location for out packing plant as most raw materials will be imported from overseas and finished goods will be exported to various countries. The plant has a capacity to produce about 25,000 tons of finished goods a year.

These initiatives entail significant capital expenditure spending and start-up costs, but will put the Group in a position to operate more competitively in the years ahead. Once the new facilities are completed and operational, we will have greater flexibility and control over the supply and prices of our key ingredients, which will in turn mitigate the uncertainties of commodity prices.

Sourced from tea plantations of the Highlands of Sri Lanka, Hillway is the Group's latest premium quality tea offering.

Expanding our reach

We continue to look for suitable M&A opportunities, which will complement our brand and distribution activities within the food and beverage industry. On the organic front, outside of our top three country markets in the CIS, we are looking into Southeast Asia as well as the Middle East and Africa.

2014 is going to be another year of uncertainty due to the tapering program by the Federal Reserve. There could be further volatility in equity, commodity and the currency markets. Whatever happens, we must continue to encourage entrepreneurship and innovation amidst strong teamwork. We have to uphold our mantra which is to be a leading global food and beverage company providing quality products and services.

In Appreciation

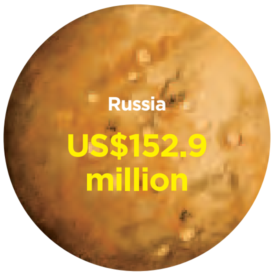
In these uncertain times, I thank our shareholders for their continued support and belief. Our customers, suppliers, partners and associates have been an integral part of our success and I will like to express my gratitude to them.

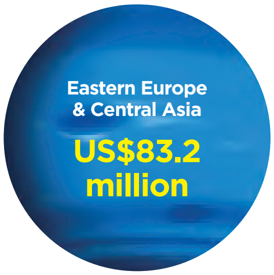
Finally, to my fellow Board members and all the staff at Food Empire, I will take this opportunity to thank you for another great year and journey together.

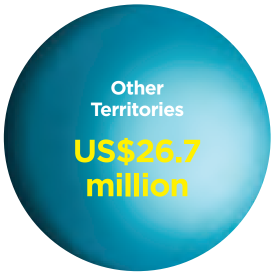
Mr Tan Wang Cheow
Executive Chairman

FINANCIAL HIGHLIGHTS

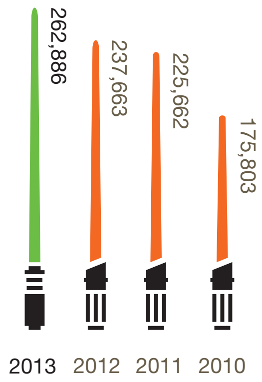
	2013	2012	2011	2010
(US$'000)				
Revenue	262,886	237,663	225,662	175,803
Profit before taxation and MI	12,691	21,517	16,165	13,601
Profit after taxation and MI	11,696	20,486	14,962	13,659
Financial Indicators				
Debt to Equity Ratio	19.4%	8.0%	9.3%	4.6%
Working Capital Ratio	3.2	3.6	4.3	4.2
Quick Ratio	2.2	2.9	3.6	3.3
EBITDA Margin	6.2%	10.4%	8.1%	8.9%
Diluted EPS (USD cents)	2.18	3.85	2.82	2.57
NAV per share (USD cents)	31.15	30.34	27.31	25.36
Revenue by Geographical Regions (US$'000)				
Russia	152,925	136,875	129,356	100,498
Eastern Europe & Central Asia	83,226	74,563	71,385	55,228
Others	26,735	26,225	24,921	20,077
	262,886	237,663	225,662	175,803
Revenue by Product Group (US$'000)				
Beverages	247,180	224,136	212,365	164,886
Non-Beverages	15,706	13,527	13,297	10,917
	262,886	237,663	225,662	175,803



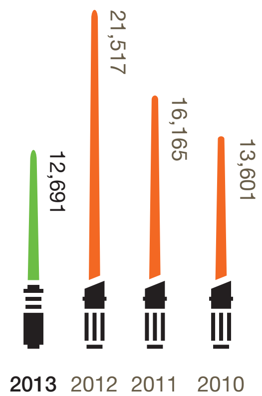


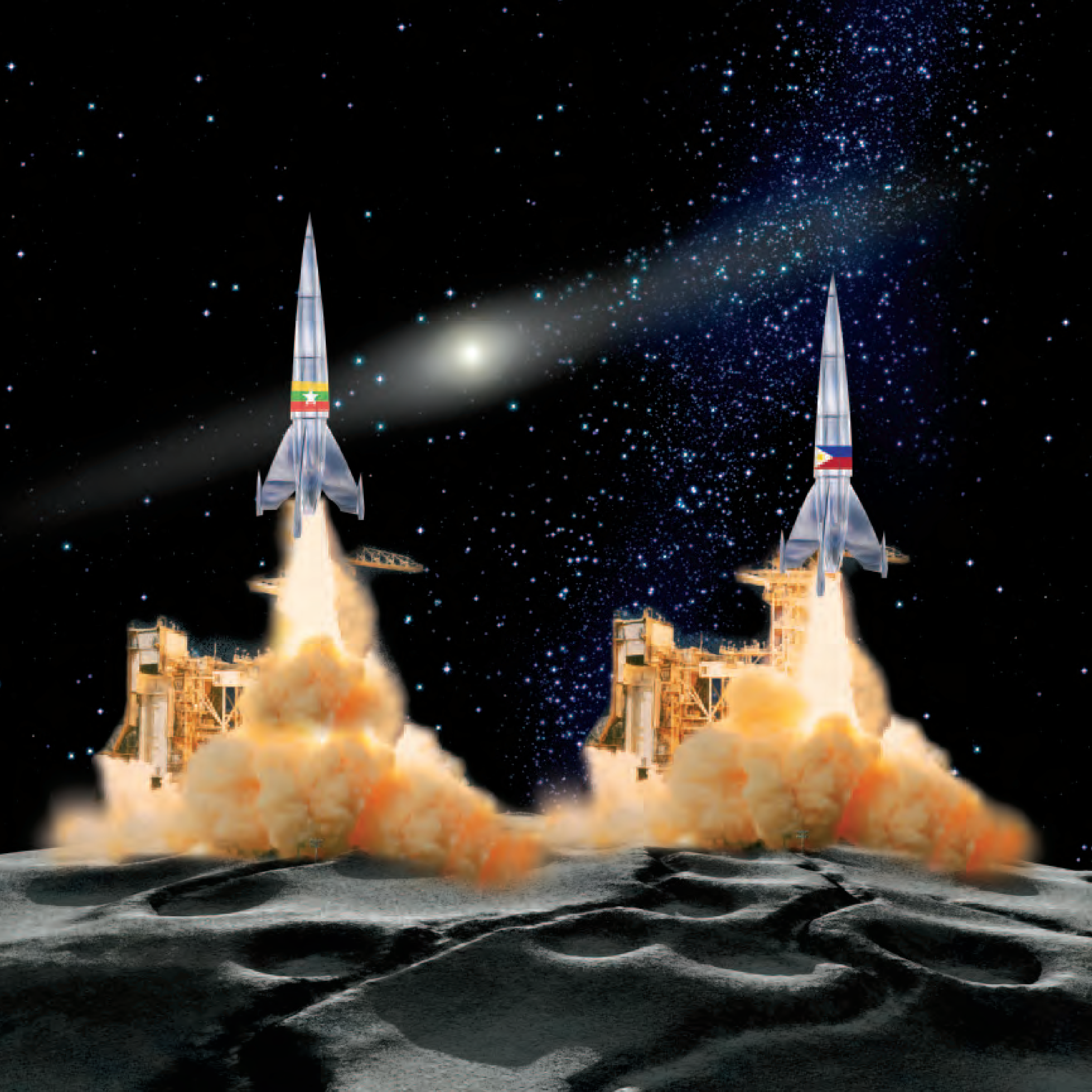


Group Revenue (US$'000)



Group Profit Before Tax (US$'000)





EPISODE II

TWO SUCCESSFUL LAUNCHES

On track in our mission to strengthen our market position and global presence, we successfully forayed into new markets: Philippines and Myanmar.

CaféRite Starts Right in the Philippines

CaféRite has arrived in the Philippines and is set to delight coffee lovers with its tasty and fuss-free goodness! Adopting the slogan “Make it Rite” in a lighthearted TVC series and gaining media exposure on daytime television, the brand is poised to gain more ground in this dynamic market.

MacCoffee Takes Flight in Myanmar

MacCoffee’s entry to the Myanmar market was marked by a successful brand launch, a well-designed campaign and presence in key events that resulted into strong market visibility.

In addition to print and outdoor advertising, a TVC for MacCoffee entitled “Metamorphosis” was produced featuring MacCoffee’s brand ambassador, beauty queen Nan Khin Zayar, and the tagline, “Open My World” – a phrase that also perfectly encapsulates Food Empire’s aspiration to expand its horizons.

CEO'S STATEMENT

My fellow shareholders,

It was an honor for me to be appointed as CEO last year. My first year as CEO has been an invigorating experience, working with dedicated colleagues developing various new and existing projects in our new markets.

We saw FY2013 revenue grow to US$262.9 million, representing a 10.6% year-on-year ("yoy") vis-a-vis FY2012. This also represented the fifth consecutive year that we have increased our top line since 2009. For FY2013, the Group recorded a profit after tax of US$11.3 million as compared to US$20.2 million in FY2012, with factors such as higher costs relating to investments in advertising and promotion (A&P) activities, increased staff costs, foreign exchange losses, investments in new markets and the startup cost associated with our green-field projects contributing to the decline in profitability.

Last year, I spoke about the three priority areas that I will be focusing on as CEO. The first priority is our drive to develop our business in Asia, Middle East and the African continents. The second priority is to continue exploring merger and acquisition (M&A) activities which have the potential to strengthen our Group. The third priority is to streamline and restructure our operations, in particular, our manufacturing processes.

At the MacCoffee brand launch in Myanmar

Ms Nan Khin Zayar, MacCoffee's brand ambassador in Myanmar

I am pleased to report on our progress in these key areas.

Firstly, despite devaluation in some of the local currencies, sales to the Group's Other Markets increased by 1.9% mainly resulting from higher sales turnover in Vietnam and Myanmar. Recent trends have been even more encouraging, with sales for the Other Markets increased by 18.8% for the fourth quarter of 2013.

We made several management changes to our team in Vietnam, which helped to increase our top line during the year. In August 2013, MacCoffee made its foray into Myanmar. To celebrate the launch, MacCoffee was proud to partner Yoma Strategic to bring to Myanmar its first International Marathon, the Yoma Yangon International Marathon. Our joint venture factory in Myanmar has already started production and is supporting our drive into the market.

We also saw encouraging progress in both Middle East and Africa over the past year and have taken steps to further expand our businesses there. In Africa, we started operations in Nigeria and Kenya, as two key bases for our expansion into West and East Africa respectively.

Secondly, we continue to explore M&A opportunities that could be complementary to the Group's businesses and would help in diversification and provide new avenues of growth.

"THE FIRST PRIORITY IS OUR DRIVE TO DEVELOP OUR BUSINESS IN ASIA, MIDDLE EAST AND THE AFRICAN CONTINENT. THE SECOND PRIORITY IS TO CONTINUE EXPLORING MERGER AND ACQUISITION (M&A) ACTIVITIES WHICH HAVE THE POTENTIAL TO STRENGTHEN OUR GROUP. THE THIRD PRIORITY IS TO STREAMLINE AND RESTRUCTURE OUR OPERATIONS, IN PARTICULAR, OUR MANUFACTURING PROCESSES."

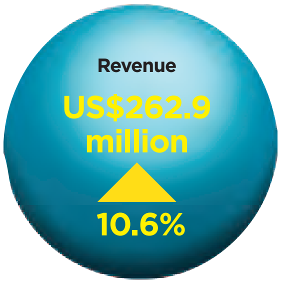
Thirdly, our process of restructuring and consolidation is currently underway. We bought into a property in Port Klang in Malaysia in 2011 for the purpose of setting up a packing plant and annexed administration processing centre. Pending the necessary certifications for the plant and annex office, we plan to embark on full production and operations by 2Q2014. Going forward, Klang will be our regional packing and distribution hub and supply chain management centre.

I would like to thank all my colleagues, board members, shareholders and our partners for their faith and continuing support for me and our company.

Mr Sudeep Nair
Chief Executive Officer

OPERATIONS REVIEW

Klassno booth at the 2013 CAEXPO in Nanning, China



Financial Performance

Revenue for the financial year ended 31 December 2013 ("FY2013") was US$262.9 million, a year-on-year ("yoy") increase of 10.6% over the US$237.7 million revenue recorded in FY2012.

The Group's revenue grew in all its three geographical regions. In FY2013, sales to the Group's largest region, Russia, rose by 11.7% to US$152.9 million compared to US$136.9 million in FY2012. In the Group's Eastern Europe and Central Asia region (comprising Ukraine, Kazakhstan and the CIS Countries), sales increased by 11.6% from US$74.6 million in FY2012 to US$83.2 million in FY2013. Sales to the Group's Other Markets increased by 1.9% from US$26.2 million in FY2012 to US$26.7 million in FY2013 due to higher sales in Vietnam and Myanmar.

For FY2013, the Group recorded a profit after tax of US$11.3 million as compared to US$20.2 million in FY2012

The decline in profitability was mainly due to the following: -

1) Increase in Advertising and Promotion (A&P) activities in key markets to strengthen the Group's market position in the light of intense competition.
2) Staff costs increased due to higher salaries and higher headcount arising from newly acquired and newly set up companies.
3) Foreign exchange losses.
4) Costs associated with investment in new markets.
5) Start-up costs associated with the Group's pursuit of several upstream green-field projects.

On the currency front, the Group saw weaknesses in its key markets during FY2013. The Russian Ruble fell from 30.4 Ruble per US dollar on 31 December 2012 to 32.7 Ruble per US dollar on 31 December 2013. Over the same period, Ukrainian Hryvnia dropped from 8.08 to 8.24 Hryvnia per US dollar; while the Kazakhstani Tenge fell from 150.3 to 153.6 Tenge per US dollar.

Property, plant and equipment increased from US$33.6 million in FY2012 to US$61.5 million, because of the Group's investment in several upstream green-field projects.

At the 17th Annual FHC China exhibition in Shanghai

Klassno street sampling in Hong Kong

Cafe Pho press conference in Vietnam

“OUR SUCCESS AT THE ARC AWARDS HIGHLIGHTED OUR COMMITMENT TO CLARITY IN COMMUNICATING OUR BUSINESS DIRECTION TO OUR STAKEHOLDERS.”

Mr Tan Wang Cheow
Executive Chairman

Investment properties increased from US$11.4 million in FY2012 to US$13.3 million, because of the Group’s construction of an investment property at 81 Playfair Road coupled with a write back of impairment loss of US$0.4 million for the Group’s investment property at 30 Mandai Estate.

The increase in other receivables from US$0.9 million as at 31 December 2012 to US$3.1 million as at 31 December 2013 was mainly due to higher custom duties associated with import of goods and recovery of prepaid tax.

The increase in inventories of US$15.8 million in FY2013 was due to change in business processes of our operations in Russia and also in line with higher revenue.

The Group’s borrowings and debt securities were US$32.3 million as at 31 December 2013, compared to US$12.9 million as at 31 December 2012. This increase is largely attributed to the partial

FOOD EMPIRE WINS AT THE ARC AWARDS IN NEW YORK

Food Empire’s 2012 Annual Report was named as the Grand Award winner in the Best of International - Asia Pacific category at the 27th International ARC Awards, garnering a total of 6 awards. The Group’s 2012 Annual Report also won in 5 other categories, namely:

- Gold: Interior Design of the AR
- Silver: Printing & Production of the AR
- Bronze: Non-Traditional Format of the AR
- Bronze: Executive Chairman’s Letter
- Bronze: Cover Photo/ Design of the AR

The ARC Awards, established by US-based MerComm Inc in 1987, is a globally recognized platform that honors exceptional standards in corporate reportage and annual report design.

OPERATIONS REVIEW

CafeRite Joins AutoShow

debt financing of the Group's investment in several upstream green-field projects and the construction of an investment property at 81 Playfair Road.

There was a net operating cash outflow of US$4.4 million in FY2013, compared to a net operating cash inflow of US$24.4 million in FY2012, largely due to increase in working capital. The Group's cash and cash equivalents was US$27.7 million as at 31 December 2013, compared to US$46.6 million as at 31 December 2012. The decrease in cash and cash equivalents was mainly due to the partial funding of the Group's investment in several upstream green-field projects with cash and the change in the business processes in our key markets.

The Group's net assets as at 31 December 2013 were US$166.2 million. The net asset value per ordinary share (excluding non-controlling interests) as at 31 December 2013 was 31.15 US cents as compared to 30.34 US cents as at 31 December 2012.

"THE RESULTS OF THE BRAND VALUATION STUDY ARE A STRONG ENDORSEMENT OF OUR EFFORTS TO KEEP OUR BRANDS AT THE FOREFRONT OF THE CONSUMER'S MIND."

Mr Tan Wang Cheow
Executive Chairman

"WE WILL CONTINUE TO INVEST IN BRAND DEVELOPMENT TO BETTER CONNECT WITH CONSUMERS AND ADD VALUE TO OUR BUSINESS."

Mr Tan Wang Cheow
Executive Chairman

Brand Valuation Exercise in 2013

In October 2013, Food Empire announced the results of its brand valuation exercise. MacCoffee, the Group's flagship brand, was valued at US$139.7 million. Together with other brands including Kracks and Petrovskaya Sloboda, the Group's key brands have been assigned a total value of US$174.8 million. The study was conducted by an independent international brand valuer in 3 of Food Empire's key markets – Russia, Eastern Europe and Central Asia.

64

Ranked among the top 100 SGX-listed companies in 2013.

A Steady Ascent

In May 2013, Food Empire emerged as one of Singapore's top SGX-listed brands, ranked 64 among the top 100 SGX-listed companies by a leading independent brand valuation consultancy. This reflects an improvement in ranking, from 67 in 2012.

GLOBAL PRESENCE


Food Empire
od Empire

EPISODE III

BREAK THROUGHS

EVER SINCE OUR BRAND BUILDING JOURNEY BEGAN, IT HAS ALWAYS BEEN OUR GOAL TO CONQUER THE HEARTS OF OUR TARGET MARKETS.

MacCoffee Strikes Gold

Winning the Gold Award in Russia's 2013 Top Popular Brand competition is another brand breakthrough for our flagship brand MacCoffee. And it is yet another testimony to our commitment to build brands that are top-of-mind and well-loved amongst our consumers.

BOARD OF DIRECTORS

MR TAN WANG CHEOW
Executive Chairman

MR SUDEEP NAIR
Chief Executive Officer

MDM TAN GUEK MING
Non-Executive Director

MR HARTONO GUNAWAN
Non-Executive Director

Empire

MR KOH YEW HIAP
Non-Executive Director

MR LEW SYN PAU
Independent Director

MR ONG KIAN MIN
Independent Director

MR BOON YOON CHIANG
Independent Director

BOARD OF DIRECTORS

Mr Tan Wang Cheow
Executive Chairman

Mr Tan has been providing leadership to the Board of Directors since April 2000. Mr Tan is founder of the Group and has been instrumental in guiding the Group's business, including taking the company public in 2000. As Executive Chairman, Mr Tan is responsible for the achievement of the Group's long-term goals. His role includes developing new markets, exploring opportunities for acquisitions as well as enhancing in-house production capabilities.

A passionate believer in the power of brands, Mr Tan is actively involved in the marketing and branding activities across the Group. He holds a Bachelor of Accountancy from the National University of Singapore.

Mr Sudeep Nair
Chief Executive Officer

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

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

Mdm Tan Guek Ming
Non-Executive Director

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

Mr Koh Yew Hiap
Non-Executive Director

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

Mr Hartono Gunawan
Non-Executive Director

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

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

Mr Lew Syn Pau
Independent Director

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

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

Mr Ong Kian Min
Independent Director

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

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

Mr Boon Yoon Chiang
Independent Director

Mr Boon was appointed to the Board as an Independent Director in December 2005. He is the Country Chairman of the Jardine Matheson Group of Companies in Singapore, and Deputy Chairman of Jardine Cycle & Carriage Limited. He also serves on the Boards of other public companies including MNCs. He is a Board member of the Singapore International Chamber of Commerce. He is a Council member of ASEAN Chambers of Commerce and Industry (ASEAN-CCI). Mr Boon is a member of the Competition Appeal Board.

NEW PRODUCTS

RISING STARS

The Newest Additions to Food Empire's Constellation of Winning Products

Klassno White Coffee XTRA

If you love your cup of Joe big, bold and bursting with flavor, Klassno White Coffee XTRA will guarantee total satisfaction and make you crave for more. Pair it with a sweet pastry or delectable dessert and you're in for a heavenly treat!

Hillway Tea

Meticulously selected and handpicked from the finest tea plantations of the Highlands of Sri Lanka, Hillway premium quality teas are sure to soothe the senses of the most discerning of tea aficionados with exquisite aroma, floral notes and delicate flavor.

Bésame Butter Cookies

Everyone's beloved classic just got richer, tastier and more buttery! Made in Portugal and under the highest standards of quality set by the European Union, Bésame Butter Cookies contain 26% butter – the highest butter content amongst all butter cookies. Enjoyed with tea or coffee, it's the perfect indulgence any time of the day.

Kracks Corn Sticks

It's crunch time! Every bite is pure delight when you munch on the natural goodness of Kracks Corn Sticks. Available in 3 yummy flavors – Fruity, Cheese and Roasted Corn – this tasty treat will surely make snack time extra fun.

Klassno Colombian Blend White Coffee (2-in-1)

This 2-in-1 Colombian White Coffee surprises the palate with a blend that balances intense flavor with distinct creaminess – surely a taste that will keep one perky all day long.

OrienBites Yakitori Mix

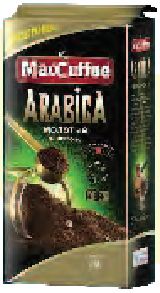
How do you like your meat-on-a-stick? OrienBites Yakitori Mix lets you enjoy your chicken yakitori in 3 oriental ways: marinated in Japanese soy, with a hint of Thai ginger, or bursting with Indian tandoori flavor.

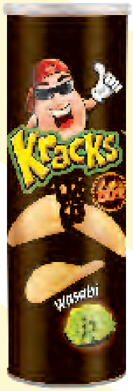
MacFito

The ideal morning fix for the modern and health-conscious urbanite, MacFito is made from ingredients that provide essential nutrients to one's body! Rich in fiber and healthy grains, MacFito Diet Cereal will keep you in good shape. MacFito Green Bean Cereal is the best bet for a beautiful skin while MacFito Canxi Cereal fortifies bones for a more dynamic life.

Café Phô

Good morning, Vietnam! Whether you want to kick things up with a strong and full-bodied brew or a sweet and creamy cuppa, Café Phô's fuss-free goodness will keep you alert, efficient and ready to brave any busy day.





MacCoffee Arabica Roast & Ground Coffee

Coffee connoisseurs of the world, unite! Made from the finest beans and ground to perfection, MacCoffee Arabica Roast & Ground Coffee will stir up the senses with its rich aroma and natural freshness. MacCoffee Arabica Roast & Ground Coffee also comes in 250g packaging so you can enjoy more sips of the perfect brew.

OrienBites Oriental Canape

Savour the flavors of the East in bite-sized perfection! Handmade using succulent chicken bits and exotic spices, OrienBites Oriental Canape makes any occasion extra special. Serve it as hors d'oeuvres in your chic cocktail party or as appetizers before a sumptuous dinner with friends.

Kracks Wasabi

Kracks has a hot new flavor! Combining the uniquely intense and wonderfully spicy taste of Japanese horseradish with the signature crispiness of Kracks chips, this scorching new flavor will keep your taste buds all fired up!

Zinties Joyrolls

Add more sweetness to your day with Zinties Joyrolls, light wafer rolls baked to a delicate crisp, with lusciously creamy chocolate, strawberry or vanilla filling. Enjoy them as dessert or simply as a sugary treat anywhere you go.

MARKETING ACTIVITIES

ON THE RADAR

EVENTS AND INITIATIVES THAT PROPELLED OUR BRANDS TO NEW HEIGHTS OF MARKET PRESENCE

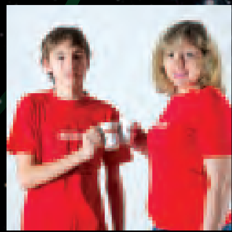
MacCoffee Races Into Myanmar

MacCoffee's latest foray into the Myanmar market started with a big bang as it proudly partnered with Yoma Strategic to organise the country's first international marathon, the Yoma Yangon International Marathon on 27 January at People's Park.

The dazzling Miss Nan Khin Zayar, official Brand Ambassador for MacCoffee in Myanmar and winner of "People's Choice Award" and "Miss Internet" at the 2012 Miss International Pageant, graced the event .

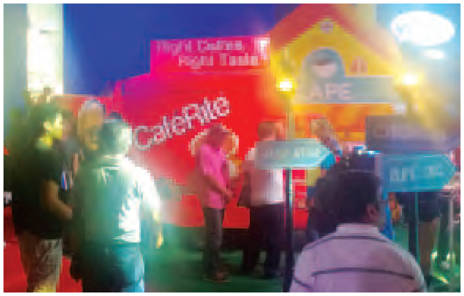
OrienBites at the 2013 Gulfood Exhibition

OrienBites participated in the 2013 Gulfood Exhibition, held from 25 to 28 February at the Dubai World Trade Centre. With over 4,200 exhibitors, the exhibition provided an excellent trade platform for food-related enterprises to tap into opportunities in the Middle East, Africa and South Asia markets.



MacCoffee Love on Ukrainian Radio

MacCoffee dominated the airwaves in April 2013 as fun and bubbly Ukrainians professed their love for their favourite coffee drink on Lux FM. The excited winners in the radio project "MacCoffee, I love you!" were photographed with the MacCoffee goodie bags they received.



CaféRite Gears Up for Manila

At the Manila International Auto Show, CaféRite was one of Autoitalia's featured customized Piaggio APÉ units and was given the opportunity to conduct a Wet Sampling Activity. The 4-day event was held at the World Trade Center in Manila, Philippines.

MacCoffee Scores Big at the Ukrainian Football Championship Finals

MacCoffee sponsored the final match of the Ukrainian Football Championship on 22 May 2013 at the Metallist Stadium in Kharkov City. The match was broadcasted live on TV Channel "ICTV" at 19:45. Throughout the entire match, a 15-sec video was played at regular intervals, totaling 5 minutes of airtime.

Klassno Caspian Sampling

From 18 to 31 March 2013, Klassno roving trucks made several stops around the Caspian provinces in north Iran to give coffee samples to the local residents. Within 13 days, the Klassno trucks toured Hameekala, Shaytanku, Bdr. Anzali and Masouleh in Lahijan, as well as Loka, Gerad and Nur Forest in Mazandaran Province.

MacCoffee Shines at the World Hockey Championship

MacCoffee is an official sponsor of the TV broadcast of the World Hockey Championship in Latvia and Belarus. These countries are historically very fanatic about hockey, so putting MacCoffee right smack at the centre of the most anticipated hockey TV event is a surefire strategy for gaining visibility.

A Slam Dunk for MacCoffee!

MacCoffee is honored to be an official sponsor of the 2013 Euroleague Basketball Championship. Year after year, more than 30 teams participate in the quest to be the best in European Basketball. The apex of this passionate season is the FINAL FOUR, a spectacular event that attracts millions of viewers all over the world.

MacCoffee Sampling Activities in Hothot, Inner Mongolia

Residents of Hothot, Inner Mongolia were in for a heartwarming treat as MacCoffee set up booths and conducted free sampling activities to promote the great-tasting blend of MacCoffee in June 2013.

MARKETING ACTIVITIES

Medical Mission to Manila

For the second consecutive year, Food Empire sponsored a Medical Mission to Manila with the aim to helping the less fortunate by providing medical relief. The visiting contingent served the squatter settlements of North Cemetery and Matutum, the Boys Town Complex, and the Mangyan and Aetas tribes. CaféRite, Food Empire's instant coffeemix brand in the Philippines, was the official beverage sponsor for the Medical Mission.

Spotted in Nairobi, Kenya!

Lucky shoppers at Nakumatt Junction and Nakumatt TRM in Nairobi, Kenya were in for a surprise treat courtesy of MacCoffee. Delighted shoppers who were spotted purchasing MacCoffee Classic 200g were given free hampers containing limited edition mugs.

MacCoffee at the Tarasova Gora 2013

For the third time, MacCoffee sponsored the International Motorcycle Festival "Tarasova Gora" in Ukraine from 30 May to 4 June 2013. Bikers who attended this annual festival enjoyed their favourite MacCoffee 3-in-1 fix as they proudly displayed their motorcycles while admiring the beauty of the MacCoffee promo girls.

Woodgrove Secondary School Speech Day

In light of Food Empire's 5-year sponsorship of Woodgrove Secondary School's Performing Arts Awards since 2009, Food Empire Executive Chairman Mr Tan Wang Cheow graced the 2013 ceremonies and personally congratulated the student beneficiaries.

MacCoffee Café Pho Arrives in Vietnam

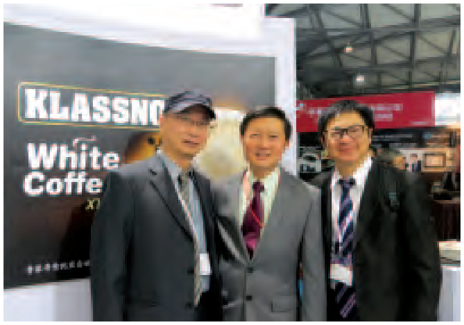
Brimming with excellent taste and sporting a refreshing package design, MacCoffee Café Pho was officially launched on 19 May 2013 at Sofitel in Ho Chi Minh City. In sync with the launch, a photo competition was organized online while other promo activities were rolled out in supermarkets, office buildings, parks and other public areas.

Klassno Blossoms in Hong Kong Flowers Show

Several Klassno sampling booths were set up to reach out to the huge crowds admiring the colourful displays at the Hong Kong Flowers Show 2013.
The 10-day event started on 15 March 2013 and was held at Victoria Park.

OrienBites Co-sponsors Foodinvest Inspiration Day

OrienBites is a proud co-sponsor of Foodinvest's Inspiration Day in September 2013. Foodinvest is engaged in the supplying of food products to the hotel, catering and related industries in Belgium and beyond, and is part of the Colruyt Group.



FHC China 2013 in Shanghai

In November 2013, Food Empire participated in the 17th Annual FHC China, an international exhibition for food, drink, hospitality, foodservice, bakery & retail industries. The trade show attracted over 29,000 buyers from across China.

Great Success at Anuga 2013

Food Empire successfully showcased more than 400 types of instant F&B products at Anuga in Cologne, Germany. Anuga is the world's largest and most important food and beverage fair, attracting roughly 6,777 suppliers and 155,000 trade visitors from 187 countries in 2013.

Klassno in CAEXPO 2013

Held annually at the Nanning International Convention and Exhibition Center in Guangxi, China, CAEXPO promotes business exchange between China and the ASEAN region. Klassno was one of the thousands of participating brands in the exhibition.

Carnival Run @ Bedok Reservoir 2013

The 2013 Carnival Run brought together runners from all around Singapore to enjoy the 5km route and the views of the picturesque Bedok Reservoir Park. MacCoffee was a proud sponsor of the event and provided coffee products for goodie bags that were distributed to the registered runners.

In recognition of MacCoffee's sponsorship of the event, the organisers of Carnival Run 2013 conferred an award on Mr Tan Joon Hong, Chief Operating Officer of Food Empire, who received this honor on behalf of the Group.

STAFF CONTRIBUTION

IN TO NEW FRONTIERS

STORIES ABOUT DELIVERING BREAKTHROUGHS AGAINST THE ODDS

Amrish Rungta Russia

Building A Factory in Moscow in Record Time

In August 2005, the Company took a strategic decision to set up its first factory in Russia and commence local production of 3-in-1 coffee mix within six months. Time was of the essence, and after exploring many possible locations, we decided to set up our manufacturing plant in Yakhorama, about 45kms outside Moscow City.

I was tasked to handle a core team of specialists from both our Singapore and Moscow operations. Knight Lim, our best technical expert in the Singapore factory, was assigned to Moscow along with other experts. The team was also lucky to work with Ms Nina Victorovna, one of the best HR Managers in the region, who used her recruitment know-how in hiring the Chief Engineer, Chief Accountant, Logistics Manager and other key personnel.

One of our targets then was to set up 5 mixing and packing lines with production capacity of 150 million sachets per month. To achieve this, we dismantled two packing lines from our Singapore and Malaysia plants, and transported them to Russia. Other production line orders were placed in Singapore and Thailand.

Simultaneously, senior team members also worked double-time to secure statutory approvals like factory licence, customs clearance for incoming machinery, as well as clearances related to pollution, labour safety, food safety and fire management.

Following the installation of equipment, we started our test run by the end of December 2005. Other production lines also started production within next couple of months.

Completing the project was no mean feat, but we managed to achieve all our targets on time and as planned. The team members worked on all fronts, in sync and with no possibility of error. The success of the project was a testimony to our excellent teamwork.

Pavel Zarifov Russia

Restarting the Brand: The Petrovskaya Sloboda Experience

Brands get old and sometimes die unless they get injected with freshness. Petrovskaya Sloboda (PS) is one example of a brand which enjoyed a bright start and a period of frenetic expansion, then was acquired by Food Empire and entered its maturity. Its loyal consumers were no longer the enthusiastic bunch of young professionals and students, but conservative middle-aged family men.

When I joined the Company, one of my missions was to breathe new life into this local brand.

The first step was fine-tuning the brand's identity as a truly local brand, speaking a language understandable to its 4 markets (Russia, Ukraine, Belarus and Moldova). In the PS 3-in-1 coffee mix product line, alien-sounding flavors were either renamed or replaced with traditional local ones (such as Condensed Milk).

The next step was to reach out to younger consumers, hence a new line of coffee mixes in sticks under the "PS Extra" name. A proper communication to a younger demographic was needed to create an adequate product perception. This was a real challenge since the brand hardly had any youth-oriented brand communication prior to that.

Using Ogilvy's local ad agency in Moldova as the creative lab, I developed a bright idea for two TV commercials positioning PS Extra as a unique element bringing together young people for their joint creative self-expression and fun. The two spots were first broadcast in Moldova in the framework of the national Moldova's Got Talent TV show launch. After that, the same communication was launched in Belarus and in Russia's top distribution regions.

Brands have to venture into new territories in order to survive and generate new consumption. PS and I, being part of the brand, have learnt this tough truth and are now striving to use that knowledge to ensure the brand's longevity.

Andrey Kondrachuk Kazakhstan

Breaking Ground in Kazakhstan

WellDis is the first in the history of FEPL in Kazakhstan to independently distribute soluble coffee, roast and ground coffee, coffee beans, as well as instant chicory and cocoa.

My career in WellDis started in 2012, when it was still making its first steps to penetrating the market. When we took a decisive step to bring our brand to Almaty, the biggest megalopolis in Kazakhstan, we haven't established reliable partnerships yet, our distribution was weak, and our brand portfolio was at a low level of awareness among consumers.

During that period, we faced several obstacles. Aggressive competitors occupied 70-80% of the market. The top management of key supermarkets refused to cooperate with us or provide marketing support to our brands in their supermarket chains. Consumers had no perception of MacCoffee other than "coffee mix". But all these difficulties only gave us the experience and motivation to find effective ways to aggressively push the product to the market and increase sales.

In 2012, WellDis product distribution accounted at 60% of supermarkets of Almaty with a sales share of less than 3% in coffee category. In 2013, our product distribution increased to 80% of supermarkets of Almaty with a share of 5-7%, and in some supermarkets 10% share of the total coffee sales out value.

Our brands became recognised by consumers, and nowadays we receive only positive feedback regarding our products' quality. By the end of 2013, we started cooperation with reliable partners in all cities of Kazakhstan!

These achievements inspire me to boost our distribution to new heights and further strengthen MacCoffee's brand recognition among consumers!

CORPORATE INFORMATION

Board of Directors

Executive

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

Non-Executive

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

Audit Committee

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

Nominating Committee

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

Remuneration Committee

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

Secretaries

Tan Cher Liang

Registered Office

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

Business Office

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

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Telephone number: 65-65365355
Fax number: 65-65351360

Auditors

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

Audit Partner-In-Charge

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

Principal Bankers

Oversea-Chinese Banking Corporation Limited

United Overseas Bank Limited

Standard Chartered Bank

Hongkong and Shanghai Banking Corporation Limited

CORPORATE GOVERNANCE

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

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

A) BOARD MATTERS

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

The principal functions of the Board are:-

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

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

There are three Board Committees:-

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

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

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

CORPORATE GOVERNANCE

A) BOARD MATTERS (cont'd)

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

The attendance of the Directors at meetings of the Board and Board Committees in FY2013 as well as the frequency of these meetings, are disclosed as follows:-

Meeting	Board	Audit Committee	Nominating Committee	Remuneration Committee
Tan Wang Cheow	4/4	N/A	1/1	N/A
Ong Kian Min	4/4	4/4	1/1	3/3
Lew Syn Pau	4/4	4/4	1/1	3/3
Tan Guek Ming	4/4	4/4	N/A	3/3
Sudeep Nair	4/4	N/A	N/A	N/A
Boon Yoon Chiang	4/4	4/4	1/1	3/3
Hartono Gunawan	2/4	N/A	N/A	N/A
Koh Yew Hiap	4/4	N/A	N/A	2/3

The Directors are appointed based on the strength of their experience and potential to contribute to the Company. The current Board comprises business leaders and professionals. Profiles of the Directors can be found in pages 26 to 27 of this annual report. The management monitors changes to regulations and accounting standards and the Directors are briefed on the new updates in the requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Companies Act, Chapter 50 or other regulations/ statutory requirements from time to time by the management. If required, the Directors will receive further training. The Company is responsible for arranging and funding the training of Directors.

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

B) BOARD COMPOSITION AND GUIDANCE

- Principle 2: Strong and independent element of the Board

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

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

CORPORATE GOVERNANCE

B) BOARD COMPOSITION AND GUIDANCE (cont'd)

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

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

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

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

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

The independence of each Independent Non-executive Director is assessed at least annually by the NC. Particular scrutiny is applied in assessing the continued independence of Directors having served beyond 9 years from the date of his first appointment. In respect of the two out of three Independent Non-executive Directors, namely Mr. Lew Syn Pau and Mr. Ong Kian Min having served more than 9 years, the Board had considered them independent after rigorous review. The NC is of the view that the current Board has the necessary competencies, skills and attributes to meet the Group's targets and to respond to the demands facing the Group.

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

C) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

CORPORATE GOVERNANCE

C) CHAIRMAN AND CHIEF EXECUTIVE OFFICER (cont'd)

- Principle 3: Clear division of responsibilities at the top of the Company (cont'd)

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

In addition, the Executive Chairman has responsibility for the workings of the Board and ensuring the integrity and effectiveness of its governance processes. The Executive Chairman is also responsible for representing the Board to shareholders, ensuring that Board meetings are held when necessary, setting the Board meeting agendas and ensuring that the Board members are provided with adequate and timely information. Regular meetings are scheduled to enable the Board to perform its duties. Agendas are prepared in consultation with management as well as the Company Secretary.

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

D) BOARD MEMBERSHIP

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

The NC comprises:

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

The scope and responsibilities of the NC include:

1) identifying candidates and reviewing all nominations for all appointments and re-appointments to the Board of Directors, including making recommendations on the composition of the Board and balance between Executive and Non-executive Directors;
2) reviewing the Board structure, size and composition;
3) reviewing the strength and attributes of the existing Directors including assessing the effectiveness of the Board as a whole and the contribution by individual Directors;
4) reviewing the independence of Directors annually;
5) considering and making recommendations on nominations of Directors retiring by rotation;
6) reviewing Board succession plans for Directors, in particular, the Chairman of the Board and for the CEO;
7) making recommendations to the Board on comprehensive training and professional development programs for the Board;
8) making recommendations to the Board for the continuation (or retirement) of any Director who has reached the age of seventy; and
9) deciding whether or not a Director is able to and has adequately carried out his duties as a Director of the Company, particularly when they have multiple Board representations.

CORPORATE GOVERNANCE

D) BOARD MEMBERSHIP (cont'd)

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

Directors	Date of last re-election
Ong Kian Min	23 April 2013
Hartono Gunawan	28 April 2011
Koh Yew Hiap	27 April 2012
Tan Guek Ming	27 April 2012
Lew Syn Pau	23 April 2013
Sudeep Nair	23 April 2013
Boon Yoon Chiang	23 April 2013
Tan Wang Cheow	27 April 2012

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

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

E) BOARD PERFORMANCE

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

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

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

The Board's evaluation process is performed annually.

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

CORPORATE GOVERNANCE

F) ACCESS TO INFORMATION

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

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

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

G) REMUNERATION MATTERS

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

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

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

The RC comprises:

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

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

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

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

There is no change in the existing remuneration package for the Executive and Non-executive Directors compared to the previous year. All Directors, including Non-executive Directors, who are not the controlling shareholders of the Group or are not appointed by the controlling shareholders of the Group, were eligible for share options under the current share option scheme. Additional information on the previous and current share option schemes can be found on pages 53 to 57 and 131 to 136 of the annual report.

CORPORATE GOVERNANCE

G) REMUNERATION MATTERS (cont'd)

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

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

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

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

The remuneration for the financial year ended 31 December 2013 is shown below:-

Remuneration Bands	No. of Directors in Remuneration Bands
S$1,000,000 to S$1,250,000	2
Below S$250,000	6

Remuneration Bands	Remuneration of top 5 executives
S$750,000 to S$999,999	1
S$250,000 to S$499,999	4

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

H) ACCOUNTABILITY AND AUDIT

- Principle 10: Accountability of the Board and management

The Board is accountable to the shareholders while the management of the Group is accountable to the Board. The management presents to the Board the Group's quarterly and full year accounts and the AC reports on the results for review and approval. The Board approves the results and authorises the release of the results to SGX-ST and the public via SGXNET.

The Board is committed to providing timely information to the shareholders and the public on a quarterly basis.

I) RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

CORPORATE GOVERNANCE

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

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

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

The Board has approved a Group Risk Management Framework for the identification of key risks within the business which is aligned with the ISO 31000:2009 Risk Management framework.

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

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

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

The Board has obtained a written confirmation from the Executive Chairman, CEO and Chief Financial Officer 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 an effective risk management systems and internal control systems.

Based on the internal controls established and maintained by the Group, work performed by the internal, external auditors and external certification firms and reviews performed by management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls, were adequate as at 31 December 2013.

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

CORPORATE GOVERNANCE

J) AUDIT COMMITTEE

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

The AC comprises:

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

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

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

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

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

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

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

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

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

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

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

h) the audit plans of the internal auditors; and

i) the results of their internal audit.

CORPORATE GOVERNANCE

J) AUDIT COMMITTEE (cont'd)

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

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

In performing its functions, the AC has:

a) full access to and co-operation from the management and has full discretion to invite any Director and executive officer to attend its meetings;

b) been given reasonable resources to enable it to discharge its duties and responsibilities properly; and

c) the expressed authority to conduct investigation into any matters within its terms of reference.

During the year, the AC held 4 meetings.

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

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

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

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

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

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

K) INTERNAL AUDIT

- Principle 13: Setting up independent internal audit function

The Group outsources its internal audit function to Yang Lee & Associates (“YLA” or “IA”). The IA reports directly to the AC and internal control weaknesses identified during the internal audit reviews and the recommended corrective actions are reported to the AC periodically.

The AC reviews and approves the internal audit scope and plan to ensure that there is sufficient coverage of the Group’s activities. It also oversees the implementation of the internal audit plan and ensures that management provides the necessary co-operation to enable the IA to perform its function.

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

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

The IA completed two reviews during the financial year ended 31 December 2013 in accordance with the internal control testing plan developed and approved by the Board under the Group Risk Management Framework. The findings and recommendations of the internal auditors, management’s responses, and management’s implementation of the recommendations has been reviewed and discussed with AC.

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

L) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

- Principle 14: Treatment to all shareholders fairly and equitably

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

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

Shareholders are given the opportunity to participate effectively and vote at general meetings of the Company where relevant rules and procedures governing the meetings are clearly communicated.

CORPORATE GOVERNANCE

M) COMMUNICATION WITH SHAREHOLDERS

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

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

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

N) GREATER SHAREHOLDER PARTICIPATION

- Principle 16: Shareholders' participation at AGMs

All shareholders (except those who own the shares through Nominees) of the Company will receive Annual Report, circulars and notices of General Meeting of the Company. The notices are also advertised in newspapers and available at SGX-ST's website. The Articles of Association of the Company allow a member of the Company to appoint one or two proxies to attend and vote at all general meetings on his/her behalf.

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

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

SUPPLEMENTARY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (SGX-ST LISTING MANUAL REQUIREMENTS)

(i) Dealing in Securities

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

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

During the financial year ended 31 December 2013, the Company has complied with the best practices on dealing in securities in accordance with Rule 1207(19) of the SGX-ST Listing Manual.

(ii) Material Contracts

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

CORPORATE GOVERNANCE

SUPPLEMENTARY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (SGX-ST LISTING MANUAL REQUIREMENTS) (cont'd)

(iii) Risk Management Policies and Processes

Dependence on the Russian Market

The Group is dependent on the Russian market, which accounted for 58.2% of its turnover in 2013. Any significant decline in the demand for the Group's products in this market, whether or not brought about by political, social and/or economic changes, would adversely affect its turnover and profitability.

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

Foreign Exchange Exposure

The Group is subject to foreign exchange risk arising mainly from those sales, purchases and operating costs by operating units denominated in currencies other than the operating units' functional currency. Approximately 1.5% of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sales. Traditionally, the Group has relied upon natural hedging to protect itself against volatile foreign exchange rate movements. In view of changes in the Group's business processes, the Group has become more exposed to exchange risk. For FY2013, the Group has a natural hedge of 57.4% (FY2012: 86.2%) as 57.4% (FY2012: 86.2%) of the purchases and major operating expenses are denominated in the functional currency of the operating units. The Group closely monitors its macro operating environment and will consider adopting appropriate hedging policies to mitigate the exchange risk, if necessary.

Political and Regulatory Consideration

The Group's sales are generated mainly from developing markets such as Russia, Eastern Europe and Central Asia, where political, social, economic and regulatory uncertainties may have a direct impact on sales. For example, changes in policies by the respective government authorities of these regions may have an impact through (i) changes in laws and regulations; (ii) change in custom and import tariff; (iii) restrictions on currency conversions and remittances; and (iv) stability of the banking system.

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

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

SUPPLEMENTARY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (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 has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Management believes that concentration of credit risk is limited due to the on-going evaluation of all customers.

Fluctuation in Raw Material Prices

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

The Group has embarked on a number of upstream green-field projects to mitigate some of the uncertainties in commodities prices in the longer term and also build new capabilities.

Intellectual Property Risks

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

Dependence on Key Personnel

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

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

CORPORATE GOVERNANCE

SUPPLEMENTARY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (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	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 $100,000)	
	2013	**2012**	**2013**	**2012**
	US$'000	US$'000	US$'000	US$'000
Triple Ace Ventures Limited and its subsidiaries				
- Interest income received	30	182	–	–
- Rental expense paid	111	274	–	–
Simonelo Limited and its subsidiaries				
- Rental expense paid	2,576	2,207	–	–
- Purchase of property, plant and equipment	6	1	–	–
- Purchase of construction materials	1	–	–	–
Companies associated to a substantial shareholder				
- Consumption of services	–	11	–	–
- Sales of goods	1,188	1,362	–	–

DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Food Empire Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2013.

Directors

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

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

Arrangement to enable Directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

	Shares held in the name of the Directors		Shareholdings in which Directors are deemed to have an interest		Shares held in the name of the Directors	Shareholdings in which Directors are deemed to have an interest
Name of Director	**At the beginning of the year**	**At the end of the year**	**At the beginning of the year**	**At the end of the year**	**As at 21 January 2014**	**As at 21 January 2014**
The Company						
Ordinary shares						
Tan Wang Cheow	52,440,000	52,440,000	67,367,400	67,547,400	52,440,000	67,547,400
Sudeep Nair	34,406,399	34,406,399	4,680,000	4,680,000	34,406,399	4,680,000

DIRECTORS' REPORT

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

Name of Director	Shares held in the name of the Directors: At the beginning of the year	Shares held in the name of the Directors: At the end of the year	Shareholdings in which Directors are deemed to have an interest: At the beginning of the year	Shareholdings in which Directors are deemed to have an interest: At the end of the year	Shares held in the name of the Directors: As at 21 January 2014	Shareholdings in which Directors are deemed to have an interest: As at 21 January 2014
Tan Guek Ming	67,367,400	67,547,400	52,440,000	52,440,000	67,547,400	52,440,000
Lew Syn Pau	–	–	480,000	480,000	–	480,000
Ong Kian Min	–	–	720,000	720,000	–	720,000
Boon Yoon Chiang	40,000	100,000	–	–	100,000	–

Name of Director	Share options held in the name of the Directors: At the beginning of the year	Share options held in the name of the Directors: At the end of the year	Share options held in the name of the Directors: As at 21 January 2014
The Company			
Options to subscribe for ordinary shares exercisable between 4 January 2011 to 3 January 2020 at S$0.335 per share			
Sudeep Nair	1,300,000	1,300,000	1,300,000
Ong Kian Min	100,000	100,000	100,000
Lew Syn Pau	100,000	100,000	100,000
Boon Yoon Chiang	60,000	–	–

DIRECTORS' REPORT

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

Name of Director	Share options held in the name of the Directors At the beginning of the year	Share options held in the name of the Directors At the end of the year	Share options held in the name of the Directors As at 21 January 2014
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	1,400,000	1,400,000
Ong Kian Min	100,000	100,000	100,000
Lew Syn Pau	100,000	100,000	100,000
Boon Yoon Chiang	100,000	100,000	100,000
Options to subscribe for ordinary shares exercisable between 19 December 2012 to 18 December 2021 at S$0.315 per share			
Sudeep Nair	1,500,000	1,500,000	1,500,000
Ong Kian Min	100,000	100,000	100,000
Lew Syn Pau	100,000	100,000	100,000
Boon Yoon Chiang	100,000	100,000	100,000
Options to subscribe for ordinary shares exercisable between 8 March 2014 to 7 March 2023 at S$0.669 per share			
Sudeep Nair	–	1,500,000	1,500,000
Ong Kian Min	–	100,000	100,000
Lew Syn Pau	–	100,000	100,000
Boon Yoon Chiang	–	100,000	100,000

DIRECTORS' REPORT

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

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

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2014.

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

Directors' contractual benefits

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

Share options

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

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

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

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

DIRECTORS' REPORT

Share options (cont'd)

Unissued shares under 2002 Option Scheme and 2012 Option Scheme

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

	Number of holders at year end	Number of options outstanding at 1.1.2013	Number of options granted during the financial year	Number of options lapsed during the financial year	Number of options exercised during the financial year	Number of options outstanding at 31.12.2013	Exercise price per share S$	Exercise period
2002 Option Scheme								
2004 Options	1	100,000	–	–	–	100,000	0.229	25 May 2006 to 24 May 2014
2010 Options	11	3,560,000	–	–	(450,000)	3,110,000	0.335	4 January 2011 to 3 January 2020
2011 Options (February)	17	3,950,000	–	–	(70,000)	3,880,000	0.505	1 February 2012 to 31 January 2021
2011 Options (December)	19	4,130,000	–	–	(208,000)	3,922,000	0.315	19 December 2012 to 18 December 2021
		11,740,000	–	–	(728,000)	11,012,000		
2012 Option Scheme								
2013 Options	24	–	4,880,000	–	–	4,880,000	0.669	8 March 2014 to 7 March 2023
		11,740,000	4,880,000	–	(728,000)	15,892,000		

During the financial year:

- The Company granted 4,580,000 options which are exercisable between 8 March 2014 to 7 March 2023, to subscribe for ordinary shares at an exercise price of S$0.669 per share, to Executive Directors and selected group of employees eligible under the 2012 Option Scheme.
- The Company also granted 300,000 options which are exercisable between 8 March 2014 to 7 March 2018, to subscribe for ordinary shares at an exercise price of S$0.669 per share, to Non-Executive Directors eligible under the 2012 Option Scheme.

DIRECTORS' REPORT

Share options (cont'd)

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

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

Name of Director	Aggregate options granted since commencement of 2002 Option Scheme and 2012 Option Scheme to end of financial year	Aggregate options exercised since commencement of 2002 Option Scheme and 2012 Option Scheme to end of financial year	Aggregate options lapsed/cancelled since commencement of 2002 Option Scheme and 2012 Option Scheme to end of financial year	Aggregate options outstanding as at end of financial year
2002 Option Scheme				
Lew Syn Pau	900,000	(600,000)	–	300,000
Ong Kian Min	900,000	(600,000)	–	300,000
Sudeep Nair[1]	12,000,000	(7,800,000)	–	4,200,000
Boon Yoon Chiang	300,000	(100,000)	–	200,000
2012 Option Scheme				
Lew Syn Pau	100,000	–	–	100,000
Ong Kian Min	100,000	–	–	100,000
Sudeep Nair	1,500,000	–	–	1,500,000
Boon Yoon Chiang	100,000	–	–	100,000

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

Since the commencement of the 2002 Option Scheme and 2012 Option Scheme till the end of the financial year:
- 45,215,000 options were granted for 2002 Option Scheme
- 4,880,000 options were granted for 2012 Option Scheme
- No options had been granted to the controlling shareholders of the Company or their associates
- No options had been granted to the Directors appointed by the controlling shareholders
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation had been granted
- No participant other than Mr. Sudeep Nair has been granted 5% or more of the total options available under the 2002 Option Scheme and 2012 Option Scheme

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options as at the end of the financial year.

DIRECTORS' REPORT

Audit Committee

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

Auditor

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

On behalf of the Board of Directors,

Tan Wang Cheow Director	Sudeep Nair Director

20 March 2014

STATEMENT BY DIRECTORS

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

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

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

On behalf of the Board of Directors,

Tan Wang Cheow Director	Sudeep Nair Director

20 March 2014

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2013

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Food Empire Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2013, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2013

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statements of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

20 March 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Revenue	4	**262,886**	**237,663**
Other income	5	900	1,111
Changes in inventories of finished goods		15,816	4,915
Raw materials and consumables used		(154,877)	(131,420)
Staff costs	6	(34,604)	(29,115)
Depreciation of property, plant and equipment		(3,297)	(2,805)
Depreciation of investment properties		(48)	(41)
Foreign exchange (loss)/gain		(2,062)	585
Other operating expenses		(72,317)	(60,325)
Finance costs	7	(235)	(341)
Share of profit of associates		529	1,290
Profit before taxation	8	**12,691**	**21,517**
Taxation	9	(1,350)	(1,276)
Profit for the year		**11,341**	**20,241**
Profit attributable to:			
Equity shareholders of the Company		11,696	20,486
Non-controlling interest		(355)	(245)
		11,341	**20,241**
Earnings per share			
Basic earnings per share (in cents)	11	2.20	3.87
Diluted earnings per share (in cents)	11	2.18	3.85

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 US$'000	2012 US$'000
Profit net of tax	11,341	20,241
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation (loss)/gain	(1,663)	481
Share of other comprehensive loss of associates	(889)	(357)
Other comprehensive (loss)/income for the year, net of tax	**(2,552)**	**124**
Total comprehensive income for the year	**8,789**	**20,365**
Total comprehensive income attributable to:		
Equity shareholders of the Company	9,144	20,610
Non-controlling interest	(355)	(245)
	8,789	**20,365**

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

BALANCE SHEETS

As at 31 December 2013

	Note	Group		Company	
		2013	2012	2013	2012
		US$'000	US$'000	US$'000	US$'000
Non-Current Assets					
Property, plant and equipment	12	61,493	33,562	133	186
Investment properties	13	13,331	11,400	–	–
Investment in subsidiaries	14	–	–	44,545	44,545
Investment in associates	15	14,806	12,890	–	–
Amount due from an associate	16	–	2,600	–	–
Intangible assets	17	13,343	13,343	–	–
Deferred tax assets	18	618	207	–	–
Other receivables	19	–	378	–	–
		103,591	74,380	44,678	44,731
Current Assets					
Inventories	20	42,988	27,172	–	–
Prepaid operating expenses and other debtors	21	6,894	6,746	34	46
Deferred expenses		162	165	–	–
Amounts due from subsidiaries (non-trade)	22	–	–	7,542	7,353
Amounts due from associates (non-trade)	23	169	539	–	–
Trade receivables	24	52,548	54,501	–	–
Other receivables	19	3,140	938	–	–
Derivatives	25	–	178	–	–
Cash and cash equivalents	26	27,664	46,596	37	418
		133,565	136,835	7,613	7,817

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

BALANCE SHEETS

As at 31 December 2013

	Note	Group		Company	
		2013	**2012**	**2013**	**2012**
		US$'000	US$'000	US$'000	US$'000
Current Liabilities					
Trade payables and accruals	27	(31,263)	(27,593)	(1,135)	(1,327)
Other payables	28	(5,873)	(8,398)	–	–
Finance lease creditors	35	(19)	(10)	–	–
Interest-bearing loans and borrowings	30	(3,885)	(1,122)	–	–
Amounts due to subsidiaries (non-trade)	22	–	–	(22)	(22)
Amounts due to associates (trade)	29	(47)	–	–	–
Provision for taxation		(797)	(394)	(27)	–
		(41,884)	(37,517)	(1,184)	(1,349)
Net Current Assets		**91,681**	**99,318**	**6,429**	**6,468**
Non-Current Liabilities					
Finance lease creditors	35	(33)	(37)	–	–
Interest-bearing loans and borrowings	30	(28,343)	(11,768)	–	–
Deferred tax liabilities	18	(660)	(473)	–	–
		(29,036)	(12,278)	–	–
Net Assets		**166,236**	**161,420**	**51,107**	**51,199**
Equity					
Share capital	31	40,719	40,464	40,719	40,464
Treasury shares	31	(317)	(317)	(317)	(317)
Reserves	32	125,550	121,267	10,705	11,052
		165,952	161,414	51,107	51,199
Non-controlling interest		284	6	–	–
Total Equity		**166,236**	**161,420**	**51,107**	**51,199**

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2013

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

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to equity shareholders of the Company								
Group **2012**	**Share capital** US$'000	**Treasury shares** US$'000	**Foreign currency translation reserve** US$'000	**Asset revaluation reserve** US$'000	**Share-based payment reserve** US$'000	**Accumulated profits** US$'000	**Total** US$'000	**Non-controlling interest** US$'000	**Total equity** US$'000
Balance as at 1 January 2012	39,751	–	850	60	825	103,115	144,601	251	144,852
Profit for the year	**–**	**–**	**–**	**–**	**–**	**20,486**	**20,486**	**(245)**	**20,241**
Other comprehensive income									
Foreign currency translation	–	–	481	–	–	–	481	–	481
Share of other comprehensive loss of associates	–	–	(357)	–	–	–	(357)	–	(357)
Total comprehensive income/(loss) for the year	**–**	**–**	**124**	**–**	**–**	**20,486**	**20,610**	**(245)**	**20,365**
Contributions by and distributions to owners									
Dividends paid to equity shareholders of the Company (Note 10)	–	–	–	–	–	(4,504)	(4,504)	–	(4,504)
Value of employee services received for issue of share options	–	–	–	–	331	–	331	–	331
Purchase of treasury shares	–	(317)	–	–	–	–	(317)	–	(317)
Issuance of new shares	693	–	–	–	–	–	693	–	693
Exercise of share options	20	–	–	–	(20)	–	–	–	–
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	**713**	**(317)**	**–**	**–**	**311**	**(4,504)**	**(3,797)**	**–**	**(3,797)**
Balance as at 31 December 2012	**40,464**	**(317)**	**974**	**60**	**1,136**	**119,097**	**161,414**	**6**	**161,420**

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2013

Company **2013**	**Share capital** US$'000	**Treasury shares** US$'000	**Foreign currency translation reserve** US$'000	**Share-based payment reserve** US$'000	**Accumulated profits** US$'000	**Total equity** US$'000
Balance as at 1 January 2013	40,464	(317)	4,234	1,136	5,682	51,199
Profit for the year	**–**	**–**	**–**	**–**	**4,655**	**4,655**
Other comprehensive income						
Foreign currency translation	–	–	(141)	–	–	(141)
Total comprehensive (loss)/income for the year	**–**	**–**	**(141)**	**–**	**4,655**	**4,514**
Contributions by and distributions to owners						
Issuance of new shares	201	–	–	–	–	201
Exercise of share options	54	–	–	(54)	–	–
Dividends paid to equity shareholders of the Company (Note 10)	–	–	–	–	(5,316)	(5,316)
Value of employee services received for issue of share options	–	–	–	509	–	509
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	**255**	**–**	**–**	**455**	**(5,316)**	**(4,606)**
Balance as at 31 December 2013	**40,719**	**(317)**	**4,093**	**1,591**	**5,021**	**51,107**

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2013

Company **2012**	**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 2012	39,751	–	3,869	825	5,291	49,736
Profit for the year	**–**	**–**	**–**	**–**	**4,895**	**4,895**
Other comprehensive income						
Foreign currency translation	–	–	365	–	–	365
Total comprehensive income for the year	**–**	**–**	**365**	**–**	**4,895**	**5,260**
Contributions by and distributions to owners						
Issuance of new shares	693	–	–	–	–	693
Exercise of share options	20	–	–	(20)	–	–
Dividends paid to equity shareholders of the Company (Note 10)	–	–	–	–	(4,504)	(4,504)
Purchase of treasury shares	–	(317)	–	–	–	(317)
Value of employee services received for issue of share options	–	–	–	331	–	331
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	**713**	**(317)**	**–**	**311**	**(4,504)**	**(3,797)**
Balance as at 31 December 2012	**40,464**	**(317)**	**4,234**	**1,136**	**5,682**	**51,199**

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

	2013 US$'000	2012 US$'000
Cash flows from operating activities		
Profit from operations before taxation	12,691	21,517
Adjustments for:		
Bad debts written off	52	–
Depreciation of property, plant and equipment	3,297	2,805
Depreciation of investment properties	48	41
Negative goodwill arising from acquisitions of subsidiaries	–	(414)
Gain on disposal of property, plant and equipment	(10)	(19)
Write back of impairment loss of property, plant and equipment	(25)	(134)
Write back of impairment loss of investment property	(431)	–
Interest income	(122)	(355)
Interest expenses	235	341
Allowance for doubtful receivables	31	349
Inventories written down	315	38
Share of profit of associates	(529)	(1,290)
Value of employee services received for issue of share options	509	331
Exchange realignment	(958)	(261)
Operating profit before working capital changes	**15,103**	**22,949**
(Increase)/decrease in trade and other receivables	(870)	6,413
Increase in inventories	(16,131)	(2,203)
Decrease in trade and other payables	(593)	(242)
Cash flows (used in)/generated from operations	**(2,491)**	**26,917**
Income taxes paid	(1,949)	(2,473)
Net cash flows (used in)/generated from operating activities	**(4,440)**	**24,444**
Cash flows from investing activities		
Interest income received	122	355
Purchase of property, plant and equipment	(28,561)	(5,839)
Purchase of investment property	(1,715)	–
Proceeds from disposal of property, plant and equipment	168	197
Dividend income from an associate	325	31
Capital injection in an associate	(1)	(2,000)
Net cash inflow of acquisition of subsidiaries	–	29
Net cash flows used in investing activities	**(29,662)**	**(7,227)**

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

	2013 US$'000	2012 US$'000
Cash flows from financing activities		
Interest expenses paid	(293)	(341)
Proceeds from issuance of shares	201	693
Dividends paid to shareholders of the Company	(5,316)	(4,504)
Repayment of obligation under financial leases	(25)	(14)
Proceeds from obligation under financial lease	30	–
Repayment of interest-bearing loans and borrowings	(1,103)	(1,109)
Proceeds from interest-bearing loans and borrowings	20,770	–
Capital injection from non-controlling interest of a subsidiary	633	–
Purchase of treasury shares	–	(317)
Net cash flows generated from/(used in) financing activities	**14,897**	**(5,592)**
Net (decrease)/increase in cash and cash equivalents	(19,205)	11,625
Effect of exchange rate changes on cash and cash equivalents	273	(177)
Cash and cash equivalents at beginning of year	46,596	35,148
Cash and cash equivalents at end of year (Note 26)	**27,664**	**46,596**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 2013 were authorised for issue in accordance with a resolution of the Directors on 20 March 2014.

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

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

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

Related parties refer to companies in which certain Directors or minority shareholders have substantial beneficial interests, and/or in a position to exercise significant influence over the Group's financial and operating policy decisions.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

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

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

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") which are effective for annual financial periods beginning on or after 1 January 2013 and early adopted the Amendments to FRS 36 *Recoverable Amount Disclosures for Non-financial Assets* which are effective for annual periods beginning on or after 1 January 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company, except as discussed below.

According to the transition provisions of FRS 113 *Fair Value Measurement*, FRS 113 has been applied prospectively by the Group on 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

2.3 *Standards issued but not yet effective*

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

Description	*Effective for annual periods beginning on or after*
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the FRS 111, Revised FRS 28 and FRS 112 are described below.

<u>FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures*</u>

FRS 111 *Joint Arrangements* and the Revised FRS 28 *Investments in Associates and Joint Ventures* are effective for financial periods beginning on or after 1 January 2014.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have rights to the assets and obligations for the liabilities whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

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

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

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 *Disclosure of Interests in Other Entities* is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

2.4 *Basis of consolidation and business combination*

(a) Basis of consolidation

Basis of consolidation from 1 January 2010

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

(a) Basis of consolidation (cont'd)

Basis of consolidation from 1 January 2010 (cont'd)

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

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

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

NOTES TO THE FINANCIAL STATEMENTS

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

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

(b) Business combinations

Business combinations from 1 January 2010

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.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.11(a). 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

(b) Business combinations (cont'd)

Business combinations prior to 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.5 *Transactions with non-controlling interests*

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

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

2.6 *Foreign currency*

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

2.6 *Foreign currency (cont'd)*

(a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which 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 balance sheet date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

2.7 *Subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

2.8 *Associates*

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. 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 the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is the profit attributable to equity holders of the associate and, therefore is the profit or loss after tax and non-controlling interests in the subsidiaries of 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 its associates. The Group determines at each balance sheet date 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 the profit or loss.

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

2.9 ***Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.21. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

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

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

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

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

2.10 *Investment properties*

Investment properties are properties that are owned by the Group that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

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

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

Investment properties are derecognised when either they have been disposed of 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.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.9 up to the date of change in use.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

2.11 *Intangible assets*

(a) Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has 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. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in USD at the rates prevailing at the date of acquisition.

(b) Other intangible assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

2.11 *Intangible assets (cont'd)*

(b) Other intangible assets (cont'd)

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

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

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

Brand

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

2.12 *Financial assets*

Initial recognition and measurement

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

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

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

2.12 *Financial assets (cont'd)*

Subsequent measurement

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

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(b) Loans and receivables

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

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

2.12 *Financial assets (cont'd)*

Subsequent measurement (cont'd)

(d) Available-for-sale financial assets

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

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

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

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.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

NOTES TO THE FINANCIAL STATEMENTS

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

2.13 *Impairment of non-financial assets*

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

For assets excluding goodwill, an assessment is made at each balance sheet date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.14 *Impairment of financial assets*

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

(a) Financial assets carried at amortised cost

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

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

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

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

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

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

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

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

(b) Financial assets carried at cost

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

(c) Available-for-sale financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

(c) Available-for-sale financial assets (cont'd)

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

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

2.15 *Cash and cash equivalents*

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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

2.17 ***Provisions***

General

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

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

2.18 ***Government grants***

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

2.19 ***Financial liabilities***

Initial recognition and measurement

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

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

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS

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

2.19 *Financial liabilities (cont'd)*

Subsequent measurement (cont'd)

(a) Financial liabilities at fair value through profit or loss (cont'd)

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(b) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

2.20 *Financial guarantee*

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.21 *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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

2.22 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(a) As lessee

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

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

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(b). Contingent rents are recognised as revenue in the period in which they are earned.

2.23 *Non-current assets held for sale*

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.24 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

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

(b) Rental income

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

(c) Dividend income

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

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Royalty income

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

(f) Marketing service income

Marketing service income is recognised when services are rendered.

(g) Packaging service income

Packaging service income is recognised when services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

2.25 *Finance costs*

Interest expenses and similar charges are recognised as expenses in the period in which they are incurred.

2.26 *Employee benefits*

(a) Defined contribution plans

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

(b) Employee leave entitlement

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

(c) Employee equity compensation benefits

Employee share option plans

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

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

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The share-based payment reserve is transferred to retained earnings upon expiry of the share options.

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

2.27 *Taxes*

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

2.27 ***Taxes (cont'd)***

(b) Deferred tax (cont'd)

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(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.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

2.28 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.29 *Share capital and share issue expenses*

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

2.30 *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.

2.31 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

2.32 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.33 *Transfers between levels of the fair value hierarchy*

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. Significant accounting estimates and judgments

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

3.1 *Judgments made in applying accounting policies*

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

(a) Determination of lease classification

The Group has entered into commercial property leases on its investment properties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

(b) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

3.2 *Key sources of estimation uncertainty*

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

(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 have been determined based on value in use calculations. The value in use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use are disclosed and further explained in Note 17 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

(b) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group has tax losses carried forward of approximately US$10,693,000 (2012: US$2,265,000). These losses relate to subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. The subsidiary has neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets. If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by US$2,281,000 (2012: US$464,000).

The carrying amount of the Group's tax payables and deferred tax liabilities as at 31 December 2013 were US$797,000 (2012: US$394,000) and US$660,000 (2012: US$473,000) respectively.

(c) Fair value of financial instruments

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Note 37.

4. Revenue

Revenue is analysed as follows:

	Group	
	2013	**2012**
	US$'000	US$'000
Sale of goods	255,806	182,363
Rental income	184	1,343
Royalty income	353	3,347
Marketing service fee	5,370	41,335
Packaging service fee	1,173	9,275
	262,886	237,663

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

5. Other income

	Group	
	2013	**2012**
	US$'000	US$'000
Negative goodwill arising from acquisitions of subsidiaries	–	414
Write back of impairment loss of property, plant and equipment	25	134
Write back of impairment loss of investment property	431	–
Gain on disposal of property, plant and equipment	10	19
Interest income from		
- Bank deposits	80	173
- Associates	30	182
- Other receivables	12	–
Grant income	2	–
Sales of cartons/scrapped items	24	29
Enhanced Special Employment credit	20	–
Productivity and Innovation credit	87	–
Other income	179	160
	900	1,111

6. Staff costs

	Group	
	2013	**2012**
	US$'000	US$'000
Salaries, wages and other staff benefits	29,512	25,679
Employer's contribution to defined contribution plans including Central Provident Fund	4,583	3,105
Value of employee services received for issue of share options	509	331
	34,604	29,115

Directors' remuneration included in staff costs are as follows:

Directors' remuneration		
- Directors of the Company		
- Salaries and other remuneration	1,566	1,962
- Employer's contribution to defined contribution plans including Central Provident Fund	17	17
- Value of employee services received for issue of share options	140	110
	1,723	2,089

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

7. Finance costs

	Group 2013 US$'000	Group 2012 US$'000
Interest expenses on:		
Bank loans	216	215
Others	19	126
	235	341

Included in interest expenses on others for the year ended 31 December 2013 is interest charged on advance extended by the seller of the Group's subsidiaries approximating US$2,461,000 (2012: US$6,411,000), bearing an interest of 3% (2012: 3%).

8. Profit before taxation

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

	Group 2013 US$'000	Group 2012 US$'000
Audit fees paid to		
- Auditors of the Company	156	149
- Other auditors	213	163
Non-audit fees paid to		
- Auditors of the Company	16	29
- Other auditors	57	5
Directors' fee		
- Directors of the Group	266	268
Foreign exchange loss/(gain)	2,062	(585)
Other operating expenses/(income)		
- Allowance for doubtful receivables	31	349
- Inventories written down	315	38
- Advertising and promotion expenses	44,959	35,799
- Legal and professional fees	2,252	2,142
- Bad debts written off	52	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

9. Taxation

Major components of income tax expenses

The major components of income tax expenses for the years ended 31 December 2013 and 2012 are:

	Group 2013 US$'000	Group 2012 US$'000
Consolidated income statement		
Current income tax		
- Current income taxation	1,326	1,591
- Under/(over) provision in respect of prior years	256	(393)
	1,582	1,198
Deferred income tax		
- Origination and reversal of temporary differences	(232)	78
Income tax expenses recognised in profit or loss	1,350	1,276

Relationship between tax expense and accounting profit

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2013 and 2012 are as follows:

	Group 2013 US$'000	Group 2012 US$'000
Accounting profit before tax	12,691	21,517
Tax at statutory tax rate of 17%	2,158	3,658
Adjustments:		
Non-deductible expenses	875	1,519
Income not subject to taxation	(341)	(248)
Effect of partial tax exemption and tax relief	(12)	(45)
Deferred tax assets not recognised	2,281	464
Effect of different tax rates in other countries	(3,810)	(3,603)
Under/(over) provision in respect of previous years	256	(393)
Others	(57)	(76)
Income tax expense recognised in profit or loss	1,350	1,276

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

10. Dividends

	Group and Company	
	2013	**2012**
	US$'000	US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2012: S$0.01231 (2011: S$0.01052) per share	5,316	4,504
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- Final exempt (one-tier) dividend for 2013: S$0.00563 (2012: S$0.01231) per share	2,372	5,261

11. Earnings per share

(a) Basic earnings per share

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

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

	Group	
	2013	**2012**
	US$'000	US$'000
Net profit for the year used in computing basic earnings per share	11,696	20,486
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	532,594	529,286

(b) Diluted earnings per share

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

11. Earnings per share (cont'd)

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

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

	Group	
	2013	**2012**
	US$'000	US$'000
Net profit for the year used in computing diluted earnings per share	11,696	20,486
	No. of shares '000	No. of shares '000
Weighted average number of shares issued, used in the calculation of basic earnings per share *	532,594	529,286
Effect of dilution:		
Weighted average number of unissued ordinary shares under option	11,141	11,116
Number of shares that would have been issued at fair value	(6,789)	(8,230)
Weighted average number of ordinary shares adjusted for the effect of dilution which is used for diluted earnings per share computation *	536,946	532,172

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

There are 4,880,000 (2012: 3,950,000) share options granted to employees under the existing employee share options plans that have not been included in the calculations of diluted earnings per share because they are anti-dilutive.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

12. Property, plant and equipment

Group	Freehold properties US$'000	Leasehold properties US$'000	Plant and machinery, furniture and other equipment US$'000	Factory and office equipment and computers US$'000	Forklifts and motor vehicles US$'000	Renovation, air conditioners, electrical installation and leasehold improvements US$'000	Capital work-in-progress US$'000	Total US$'000
Cost								
At 1 January 2012	11,924	4,217	11,514	2,550	1,389	2,449	303	34,346
Transfer in from acquisition of subsidiaries	–	3,491	1,293	198	93	310	360	5,745
Additions	–	2,193	1,360	839	454	626	367	5,839
Disposals	–	–	(371)	(344)	(201)	(30)	–	(946)
Reclassifications	–	–	625	93	161	–	(879)	–
Exchange realignment	441	57	547	39	22	21	13	1,140
At 31 December 2012 and 1 January 2013	12,365	9,958	14,968	3,375	1,918	3,376	164	46,124
Additions	–	6,235	4,289	744	472	132	20,397	32,269
Disposals	–	–	(177)	(93)	(120)	(25)	–	(415)
Reclassifications	–	–	908	211	40	343	(1,502)	–
Exchange realignment	(249)	(64)	(513)	(38)	(34)	(51)	(12)	(961)
At 31 December 2013	12,116	16,129	19,475	4,199	2,276	3,775	19,047	77,017

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

Group	Freehold properties US$'000	Leasehold properties US$'000	Plant and machinery, furniture and other equipment US$'000	Factory and office equipment and computers US$'000	Forklifts and motor vehicles US$'000	Renovation, air conditioners, electrical installation and leasehold improvements US$'000	Capital work-in-progress US$'000	Total US$'000
Accumulated depreciation and impairment loss								
At 1 January 2012	75	2,157	5,504	1,601	707	445	–	10,489
Charge for the year	59	309	1,364	539	239	295	–	2,805
Disposals	–	–	(356)	(247)	(137)	(28)	–	(768)
Write back impairment loss	–	(134)	–	–	–	–	–	(134)
Exchange realignment	(34)	14	178	10	(6)	8	–	170
At 31 December 2012 and 1 January 2013	100	2,346	6,690	1,903	803	720	–	12,562
Charge for the year	59	393	1,682	562	324	277	–	3,297
Disposals	–	–	(59)	(84)	(99)	(15)	–	(257)
Write back impairment loss	–	(25)	–	–	–	–	–	(25)
Exchange realignment	(5)	67	(129)	24	(3)	(7)	–	(53)
At 31 December 2013	154	2,781	8,184	2,405	1,025	975	–	15,524
Net carrying amount								
At 31 December 2013	11,962	13,348	11,291	1,794	1,251	2,800	19,047	61,493
At 31 December 2012	12,265	7,612	8,278	1,472	1,115	2,656	164	33,562

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

Company	**Motor vehicle** US$'000
Cost	
At 31 December 2012 and 1 January 2013	243
Exchange realignment	(8)
At 31 December 2013	235
Accumulated depreciation	
At 31 December 2012 and 1 January 2013	57
Charge for the year	47
Exchange realignment	(2)
At 31 December 2013	102
Net carrying amount	
At 31 December 2013	133
At 31 December 2012	186

The Group's freehold properties included US$9,181,000 (2012: US$9,328,000) which relate to freehold land.

Based on valuations performed by independent appraisers, Allied Appraisal Consultants Pte Ltd for properties in Singapore, BDO LLP for properties in Ukraine, and Henry Butcher Malaysia (Johor) Sdn Bhd and PA International Property Consultants Sdn Bhd for properties in Malaysia in December 2013 (2012: Allied Appraisal Consultants Pte Ltd for properties in Singapore, and Henry Butcher Malaysia (Johor) Sdn Bhd, JS Valuers Property Consultants Sdn Bhd and PA International Property Consultants Sdn Bhd for properties in Malaysia), there are no impairment required for the carrying amounts of these properties.

The fair value of the Vietnam property as at 31 December 2013 was assessed by the management by making reference to market evidence of recent transacted prices for similar properties. There is no impairment required for the carrying amount of the property.

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

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

Capitalisation of borrowing costs

The Group's capital work-in-progress includes borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of factories and buildings. During the financial year, the borrowing costs capitalised as cost of capital work-in-progress amounted to US$58,000 (2012: Nil). The rates used to determine the amount of borrowing costs eligible for capitalisation range from 1.78% to 2.50% (2012: Nil), which are the effective interest rates of the specific borrowings.

Assets held under finance leases

During the financial year, the Group acquired forklifts and motor vehicles with an aggregate cost of US$40,000 (2012: Nil) of which US$10,000 (2012: Nil) was settled by cash and remaining US$30,000 (2012: Nil) by finance lease. As at the end of the financial year, the net carrying amount of the forklifts and motor vehicles held under finance leases were US$37,000 (2012: US$59,000). The leased assets are pledged as security for the related finance lease liabilities.

Additions of leasehold properties

As at 31 December 2013, a subsidiary of the Group acquired leasehold property, PLO 88 and PLO 89 in the Mukim Sungai Tiram District Johor Bahru, State of Johor Darul Takzim for a total consideration of approximately US$3,098,000. As at 31 December 2013, the Group had paid the full amount of which US$2,090,000 was financed through bank loans. See Note 30 for more details.

Assets pledged as security

The portion of the freehold property at 31 Harrison Road, Singapore 369649 whose carrying amount was US$7,005,000 as at 31 December 2013 (2012: US$7,307,000) was mortgaged to secure bank loans.

The freehold property at GM 1780, Lot 1723, Tempat Batu 9 1/4, Jalan Kapar, Mukim Kapar, Daerah Klang, Selangor whose carrying amount was US$4,917,000 as at 31 December 2013 (2012: US$4,917,000) was mortgaged to secure bank loans.

13. Investment properties

	Group	
	2013	**2012**
	US$'000	US$'000
Cost		
At 1 January	12,280	11,553
Additions	1,952	–
Exchange realignment	(429)	727
At 31 December	13,803	12,280

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For the year ended 31 December 2013

13. Investment properties (cont'd)

	Group	
	2013	**2012**
	US$'000	US$'000
Accumulated depreciation and impairment loss		
At 1 January	880	788
Charge for the year	48	41
Write back impairment loss	(431)	–
Exchange realignment	(25)	51
At 31 December	472	880
Net carrying amount		
At 31 December	13,331	11,400

	Group	
	2013	**2012**
	US$'000	US$'000
Income statement:		
Rental income from investment properties:		
- Minimum lease payments	174	221
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	140	116
- Non-rental generating properties	268	169

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Assets under construction

The Group's investment properties included US$1,952,000 (2012: Nil) which relate to expenditure for a property in the course of construction.

Properties pledged as security

The portion of the freehold property at 31 Harrison Road, Singapore 369649 whose net carrying amount was US$4,017,000 as at 31 December 2013 (2012: US$4,191,000) was mortgaged to secure bank loans.

The freehold property at 81 Playfair Road, Singapore 367999 whose net carrying amount was US$8,282,000 as at 31 December 2013 (2012: US$6,568,000) was mortgaged to secure bank loans.

13. Investment properties (cont'd)

Valuation of investment properties

Based on valuations performed by independent appraisers, Allied Appraisal Consultants Pte Ltd, on 31 December 2013 (2012: 31 December 2012), there are no impairment required for the carrying amounts of these properties. An impairment loss of US$431,000 (2012: Nil) which were previously recognised have been written back during the year based on the valuation performed.

The valuations are estimates of the amounts for which the assets could be exchanged between a knowledgeable willing buyer and knowledgeable willing seller on an arm's length transaction at the valuation date. The fair value of the investment properties is determined at US$21,236,000 (2012: US$18,329,000).

Details of investment properties

The investment properties held by the Group as at 31 December 2013 are as follows:

	Location	Description	Existing use	Tenure of land
1.	No. 30 Mandai Estate Mandai Industrial Building #05-09 Singapore 729918	1 unit of a 6-Storey Building	Warehouse/ Office	Freehold
2.	#03-01, #04-01, #05-01, #06-01, #07-01 and #07-02 of 31 Harrison Road Singapore 369649*	6 units of a 11-Storey Building	Warehouse/ Office	Freehold
3.	81 Playfair Road Singapore 367999	Construction in progress	Construction in progress	Freehold

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

14. Investment in subsidiaries

	Company 2013 US$'000	Company 2012 US$'000
Unquoted shares, at cost	44,894	44,894
Impairment losses	(349)	(349)
Carrying amount of investments	44,545	44,545

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For the year ended 31 December 2013

14. Investment in subsidiaries (cont'd)

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

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2013 %	2012 %
Held by the Company			
Future Enterprises Pte Ltd [(1)] (Singapore)	Sales and marketing of instant food and beverages	100	100
Future Corporation Pte Ltd [(1)] (Singapore)	Property investment holding	100	100
Masters Corporation Pte Ltd [(1)] (Singapore)	Sales and marketing of instant food and beverages	100	100
EPIQ Food Services Pte Ltd [(1)] (Singapore)	Investment holding	100	100
Future Investment Holdings Pte Ltd [(1)] (Singapore)	Investment holding	100	100
Held by Future Enterprises Pte Ltd			
FES Industries Pte Ltd [(1)] (Singapore)	Manufacturing and processing of instant food and beverages	100	100
FES Industries Sdn Bhd [(3)] (Malaysia)	Manufacturing and processing of instant food and beverages	100	100
FES (Mauritius) Ltd [(3)] (Mauritius)	Dormant	100	100
Foodaworld Marketing Pte Ltd [(1)] (Singapore)	Dormant	100	100
Food Empire Real Estate Pte Ltd [(1)] (Singapore)	Property investment holding	100	100

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For the year ended 31 December 2013

14. Investment in subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2013 %	2012 %
Held by Future Enterprises Pte Ltd (cont'd)			
FER (HK) Limited [2] (Hong Kong)	Sales and marketing of instant food and beverages	100	100
PT Empire Prima Indonesia [8] (Indonesia)	Distribution, procurement, wholesale and trade of beverage products	60	60
Empire Distribution (Europe) Spółka Z Ograniczona Odpowiedzialnoscia [5] (Poland)	Distribution, procurement, wholesale and trade of beverage products	100	100
WELLDis LLP [5] (Kazakhstan)	Distribution, procurement, wholesale and trade of beverage products	100	100
Empire Manufacturing Sdn Bhd [3] (Malaysia)	Manufacturing food and beverages and real estate activities relating to own or lease property	100	100
Food Excellence Specialist Sdn Bhd [3] (Malaysia)	Manufacturing food and beverages	100	100
Mei Ka Fei (Hohhot) Trade Co., Ltd [10] (Inner Mongolia)	Trading (import and export) of Group's products	100	100
Empire Food Trading Co Ltd [12] (Mongolia)	General trading	100	–
Held by Foodaworld Marketing Pte Ltd			
Lovena Limited [4] (Cyprus)	Investment holding	100	100
Pavo Holding Limited [4] (Cyprus)	Investment holding	100	100

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14. Investment in subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2013 %	2012 %
Held by Pavo Holding Limited			
Delta Future [(5)] (Ukraine)	Manufacturing of food products	100	100
FE Production Ltd [(5)] (Ukraine)	Manufacturing of food products	100	100
Held by Lovena Limited			
FES UKR LLC [(3)] (Ukraine)	Preparation, packaging and distribution of instant beverages	100	100
Held by FES Industries Pte Ltd			
FES (Vietnam) Co., Ltd [(3)] (Vietnam)	Manufacturing and distribution of instant food and beverages	100	100
Held by FER (HK) Limited			
FES International FZE [(5)] (United Arab Emirates - Dafza)	Import, export, trading of food and beverages, management and finance support	100	100
Navas Services Limited [(6)] (Cyprus)	Investment holding	100	100
Bexar Limited [(6)] (Cyprus)	Licensing, management and finance support	100	100
Held by Navas Services Limited			
FES Products LLC [(7)] (Russia)	Manufacturing of instant beverages	100	100
FES Impex LLC [(7)] (Russia)	Import/Export and trading activities in Russia	100	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

14. Investment in subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2013 %	2012 %
Held by Bexar Limited			
Naturant System Inc. (5) (British Virgin Islands)	Investment holding	100	100
Ukragroinvest-2005 (3) (Ukraine)	Ownership and leasing of factory space and equipment to FES UKR LLC	100	100
Jointly held by FES International FZE and Future Enterprises Pte Ltd			
FES Marketing LLP (7) (Russia)	Providing royalty and trade-mark contract service; and trade and marketing services	100	100
Held by EPIQ Food Services Pte Ltd			
BVBA Food Expert (9) (Belgium)	Wholesale of food products	100	100
Held by Future Investment Holdings Pte Ltd			
Food Land Empire Pte Ltd (1) (Singapore)	General wholesale trade	70	70
Food Land Investment Holdings Pte Ltd (1) (Singapore)	Investment holding	100	100
Coffee One Coffee System Pte. Ltd. (14) (Singapore)	Other investment holding company and selling rights to use intellectual property against royalty rights	51	–
Held by Food Land Investment Holdings Pte Ltd			
Food Land Manufacturing Co., Ltd (5) (Myanmar)	Manufacturing and processing of instant food and beverages	70	70

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For the year ended 31 December 2013

14. Investment in subsidiaries (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2013 %	2012 %
Jointly held by EPIQ Food Services Pte Ltd and Future Investment Holdings Pte Ltd			
Global Food Excellence Ltd [11] (Nigeria)	Marketing support of Group's products	100	100
Indus Coffee Private Limited [13] (India)	Manufacturing and packaging of instant coffee	100	100
Jointly held by Future Investment Holdings Pte Ltd and Empire Tea (PVT) Ltd			
Tea Avenue Pte. Ltd. [1] (Singapore)	Other investment holding companies	72	–
Held by Tea Avenue Pte. Ltd.			
Tea Avenue (Private) Limited [14] (Sri Lanka)	To open cafes and restaurants to sell premium tea and coffee	72	–

(1) Audited by Ernst & Young LLP, Singapore.
(2) Audited by S.B. Chow & Co., Certified Public Accountants (Practising), Hong Kong.
(3) Audited by associated firms of Ernst & Young LLP, Singapore.
(4) Audited by P. Kalopetrides & Co, Cyprus.
(5) Not required to be audited by the law of its country of incorporation.
(6) Audited by KPMG Cyprus.
(7) Audited by KPMG (Moscow, Russia).
(8) Audited by HLB Hadori Sugiarto Adi & Rekan (member of HLB International).
(9) Audited by BDO Belgium.
(10) Audited by Hohhot Zhicheng Certified Public Accountants Co., Ltd. (Inner Mongolia).
(11) Audited by UHY Maaji and Co. (Nigeria).
(12) Audited by Evident Audit LLC (Mongolia).
(13) Audited by Lodha & Co (India).
(14) No audited financial statements had been prepared as company had remained dormant since incorporation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

14. Investment in subsidiaries (cont'd)

Acquisitions of subsidiaries

On 15 June 2012, 29 June 2012 and 28 September 2012 (the "acquisition dates"), the Group's subsidiary companies EPIQ Food Services Pte Ltd ("EPIQ"), Lovena Limited ("Lovena") and Bexar Limited ("Bexar") acquired 100% equity interest in BVBA Food Expert ("BVBA FE"), FES UKR LLC ("FES UKR") and Ukragroinvest-2005 ("UAI2005") respectively. Upon acquisitions, BVBA FE, FES UKR and UAI2005 became subsidiaries of the Group.

The fair value of the identifiable assets and liabilities of BVBA FE, FES UKR and UAI2005 as at the acquisition dates were:

	Fair value recognised on acquisition US$'000
Property, plant and equipment	5,745
Trade and other receivables	1,958
Inventories	2,749
Deferred tax assets	34
Cash and cash equivalents	183
	10,669
Trade and other payables	(10,054)
Provision for taxation	(6)
Deferred tax liabilities	(41)
	(10,101)
Total identifiable net assets at fair value	568
Negative goodwill arising from acquisitions (Note 5)	(414)
	154

<u>Effect of the acquisitions of subsidiaries on cash flows</u>

Consideration settled in cash	154
Less: Cash and cash equivalents of subsidiaries acquired	(183)
Net cash inflow on acquisitions	(29)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

14. Investment in subsidiaries (cont'd)

Acquisitions of subsidiaries (cont'd)

Transaction Cost

Transaction cost related to the acquisitions of US$16,000 have been recognised in the "Other operating expenses" line item in the Group's profit or loss for the year ended 31 December 2012.

Property, plant and equipment acquired

An external valuer, Knight Frank LLC, was engaged to assess the fair value of the property as at date of acquisition. Based on the valuation, the fair value was used to compute the goodwill at the date of acquisition.

Impact of the acquisitions on profit or loss

For the financial year ended 31 December 2012, the acquired subsidiaries have contributed US$24,298,000 of revenue to the Group revenue and US$2,265,000 of net profit to the Group profit. If the business combination had taken place at the beginning of year 2012, the revenue from continuing operations would have been US$238,540,000 and the Group's profit from continuing operations, net of tax would have been US$20,083,000.

15. Investment in associates

	Group	
	2013	**2012**
	US$'000	US$'000
Unquoted shares, at cost	12,831	10,230
Share of net post-acquisition reserves	1,975	2,660
	14,806	12,890

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For the year ended 31 December 2013

15. Investment in associates (cont'd)

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

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 2013 %	2012 %
Held by subsidiaries			
Simonelo Limited [1] (Cyprus)	Investment holding	50	50
Triple Ace Ventures Limited [2] (British Virgin Islands)	Investment holding	50	50
PT Marindo Makmur Usahjaya [3] (Indonesia)	Manufacturing of frozen seafood products	40	40
Empire Tea (PVT) Ltd [4] (Sri Lanka)	Exporter of bulk, packet and bagged tea	30	30

[1] Audited by KPMG Cyprus.
[2] Not required to be audited by the law of its country of incorporation.
[3] Audited by Drs. Suprihadi dan Rekan, Indonesia.
[4] Audited by HLB Edirisinghe & Company, Sri Lanka.

The summarised financial information of the associates is as follows:

	Group 2013 US$'000	Group 2012 US$'000
Assets and liabilities:		
Total assets	68,748	75,172
Total liabilities	38,715	49,207
Revenue	76,846	78,350
Profit for the year	1,733	3,306

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For the year ended 31 December 2013

16. Amount due from an associate (non-current)

	Group	
	2013	2012
	US$'000	US$'000
3 years, unsecured long term loan	–	2,600

The 3 years loan of US$2,600,000 is unsecured and bears a floating interest rate of 7% per annum during the financial year. The amount due from an associate was capitalised as share capital of the associate as at 5 April 2013.

17. Intangible assets

	Goodwill	Brand	Total
	US$'000	US$'000	US$'000
Cost			
At the beginning and end of the year for financial year 2013 and 2012	7,390	8,361	15,751
Less: Impairment			
At the beginning and end of the year for financial year 2013 and 2012	706	1,702	2,408
Net carrying amount			
At 31 December 2013	6,684	6,659	13,343
At 31 December 2012	6,684	6,659	13,343

Impairment testing of goodwill and brand

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

	Group	
	2013	2012
	US$'000	US$'000
FER (HK) Limited Group	4,797	4,797
FES Industries Pte Ltd and Empire Manufacturing Sdn Bhd	1,887	1,887
Brand	6,659	6,659
	13,343	13,343

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For the year ended 31 December 2013

17. Intangible assets (cont'd)

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

	FER (HK) Limited Group		FES Industries Pte Ltd and Empire Manufacturing Sdn Bhd [1]		Brand	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Growth rates	2.5%	1.0%	1.0%	1.0%	2.5%	1.0%
Pre-tax discount rates	8.7%	12.0%	8.7%	7.7%	14.0%	12.0%

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

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

Forecasted sales values – For the first 5 years of forecasted growth, sales values are based on actual values achieved in the years preceding the start of the budget period. These are adjusted over the budget period of the next 5 years resulting from increased advertising and promotional effects. An average of 9.0% (2012: 10.0%) for brand and 6.0% (2012: 6.0%) for goodwill per annum were applied.

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

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

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

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For the year ended 31 December 2013

18. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group	
	2013	**2012**
	US$'000	US$'000
Deferred tax assets		
Sundry provisions	618	207
Deferred tax liabilities		
Excess of net book value over tax written down value	(660)	(473)

At the balance sheet date, the Group has tax losses of approximately US$10,693,000 (2012: US$2,265,000) that are available for offset against future taxable profits of the companies in which the losses arose. The resulting deferred tax asset of US$2,281,000 (2012: US$464,000) are not recognised due to uncertainty of its recoverability. The use of these unutilised tax losses are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

19. Other receivables

	Group	
	2013	**2012**
	US$'000	US$'000
Current		
Staff advances	845	234
Advance payment	1,177	–
Sundry receivables	302	573
Tax recoverable	816	131
	3,140	938

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

	Group	
	2013	**2012**
	US$'000	US$'000
Non-current		
Loan to an external party	–	378

The loan is unsecured, bears an interest rate of 2.5% per annum and is repayable in 5 years. On 14 October 2013, the Group terminated the loan agreement and reclassified the loan to current other receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

20. Inventories

	Group	
	2013	2012
	US$'000	US$'000
Balance sheet:		
Raw materials	15,057	11,410
Packaging materials	9,052	6,135
Finished products/trading goods	18,879	9,627
Total inventories at lower of cost and net realisable value	42,988	27,172
Income statement:		
Inventories recognised as an expense in cost of sales	139,060	126,505
Inclusive of the following charge:		
- Inventories written down	315	38

21. Prepaid operating expenses and other debtors

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Deposits	333	957	–	–
Prepayments	6,561	5,789	34	46
	6,894	6,746	34	46

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

	Company	
	2013	2012
	US$'000	US$'000
Amounts due from subsidiaries	10,230	10,134
Allowance for doubtful receivables	(2,688)	(2,781)
	7,542	7,353
Amount due to a subsidiary	(22)	(22)

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

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For the year ended 31 December 2013

23. Amounts due from associates (non-trade)

	Group	
	2013	**2012**
	US$'000	US$'000
Unsecured, repayable on demand and interest free	169	539

24. Trade receivables

	Group	
	2013	**2012**
	US$'000	US$'000
Trade receivables	52,928	54,864
Allowance for doubtful receivables	(380)	(363)
	52,548	54,501

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

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

	Group	
	2013	**2012**
	US$'000	US$'000
Singapore Dollar	355	376
Euro	692	732
Russia Rubles	23,082	588
Ukrainian Hryvnia	7,019	5,866
Others	1,088	776

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For the year ended 31 December 2013

24. Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$16,552,000 (2012: US$5,447,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2013	**2012**
	US$'000	US$'000
Trade receivables past due but not impaired:		
Less than 91 days	15,328	4,600
91 to 120 days	653	728
More than 120 days	571	119
	16,552	5,447

Receivables that are impaired

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

	Group	
	Individually impaired	
	2013	**2012**
	US$'000	US$'000
Trade receivables – nominal amounts	380	363
Less: Allowance for impairment	(380)	(363)
	–	–
Movement in allowance accounts:		
At 1 January	363	480
Charge for the year	31	349
Bad debts written off against provision	(14)	(466)
At 31 December	380	363

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

For the year ended 31 December 2013, net impairment loss on trade receivables of US$31,000 (2012: US$349,000) was recognised in the profit or loss subsequent to a debt recovery assessment performed.

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For the year ended 31 December 2013

25. Derivatives

	Group	
	2013	2012
	US$'000	US$'000
Convertible option	–	178

For the financial year ended 31 December 2012, the Group entered into a 5 years loan agreement through one of its subsidiaries for an amount of US$556,000 with an external party. There are convertible options embedded in the convertible loan entered with the external party. The loan bear interest of 2.5% per annum and can be convertible at the option of that subsidiary (lender) into 60% equity shares at any time during the tenure of the loan.

On 14 October 2013, the Group terminated the convertible loan agreement with the external party and the loan amount of US$556,000 has been reclassified to other receivables (Note 19).

26. Cash and cash equivalents

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Cash and bank balances	27,664	46,596	37	418

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging from 0.1% to 0.5% (2012: 0.1% to 0.5%) per annum.

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

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Singapore Dollar	778	913	37	418
Euro	993	546	–	–
Russia Rubles	1,285	2,066	–	–
Malaysia Ringgit	616	1,257	–	–
Ukrainian Hryvnia	188	1,188	–	–
Indian Rupees	3,363	–	–	–
Arab Emirates Dirham	246	59	–	–

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For the year ended 31 December 2013

27. Trade payables and accruals

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Trade payables	18,197	15,632	56	4
Accruals	13,066	11,961	1,079	1,323
Total trade payables and accruals	31,263	27,593	1,135	1,327

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

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

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Singapore Dollar	3,909	3,769	1,135	1,327
Euro	161	140	–	–
Russia Rubles	1,922	1,059	–	–
Vietnam Dong	1,036	522	–	–
Ukrainian Hryvnia	1,027	294	–	–
Malaysia Ringgit	925	481	–	–

28. Other payables

	Group	
	2013	2012
	US$'000	US$'000
Rental and other deposits	61	68
Sundry payables	5,812	8,330
Other payables	5,873	8,398

Included in the sundry payables for the year ended 31 December 2013 is an advance extended by the seller of the Group's newly acquired Ukraine subsidiaries approximating US$2,461,000 (2012: US$6,411,000), bearing an interest of 3%.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

29. Amounts due to associates (trade)

	Group 2013 US$'000	Group 2012 US$'000
Unsecured, repayable on demand and interest free	47	–

30. Interest-bearing loans and borrowings

	Maturity	Group 2013 US$'000	Group 2012 US$'000
Current			
- SGD loan at SIBOR + 0.85% p.a.	2014	753	779
- USD loan at COF + 1.50% p.a.	2014	343	343
- SGD loan at COF + 1.25% p.a.	2014	37	–
- USD loan at COF + 1.70% p.a.	2014	1,229	–
- USD loan at COF + 1.70% p.a.	2014	1,304	–
- USD loan at SIBOR + 2.30% p.a.	2014	219	–
		3,885	1,122
Non-current			
- SGD loan at SIBOR + 0.85% p.a.	2020	4,329	5,258
- USD loan at COF + 1.50% p.a.	2021	2,403	2,747
- SGD loan at COF + 1.25% p.a.	2024	4,379	3,763
- USD loan at COF + 1.70% p.a.	2018	3,686	–
- USD loan at COF + 1.70% p.a.	2019	9,596	–
- USD loan at SIBOR + 2.30% p.a.	2019	3,950	–
		28,343	11,768
Total loans and borrowings		32,228	12,890

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

For the financial year ended 31 December 2011, a subsidiary of the Group took up this loan to finance the purchase of the freehold property, 31 Harrison Road, Singapore 369649. The loan is secured by a mortgage of this freehold building. This loan includes a covenant which requires the subsidiary to be wholly owned by its holding company. See Note 13 for more details.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

USD loan at COF + 1.50% p.a.

For the financial year ended 31 December 2011, a subsidiary of the Group has taken up the loan to finance the purchase of the freehold property, GM 1780, Lot 1723, Tempat Batu 9 1/4, Jalan Kapar, Mukim Kapar, Daerah Klang, Selangor. The loan is secured by a first mortgage over the freehold property. This loan includes a covenant which requires the subsidiary to be wholly owned by its ultimate holding company. See Note 12 for more details.

SGD loan at COF + 1.25% p.a.

For the financial year ended 31 December 2011, a subsidiary of the Group has taken up the loan to finance the purchase of the freehold property, 81 Playfair Road, Singapore 367999. The loan is secured by a first mortgage over the freehold property. This loan includes a covenant which requires the subsidiary to be wholly owned by its ultimate holding company. See Note 13 for more details.

USD loan at COF + 1.70% p.a.

For the financial year ended 31 December 2013, a subsidiary of the Group has taken up the loan to finance the construction and building of the factory, GM 1780, Lot 1723, Tempat Batu 9 1/4, Jalan Kapar, Mukim Kapar, Daerah Klang, Selangor. The loan is secured by a first mortgage over the property. This loan includes a covenant which requires the subsidiary to be wholly owned by its ultimate holding company. See Note 12 for more details.

USD loan at COF + 1.70% p.a.

For the financial year ended 31 December 2013, a subsidiary of the Group has taken up the loan to finance the land, construction and building of the factory and machineries, PLO 88 and PLO 89 in the Mukim Sungai Tiram District Johor Bahru, State of Johor Darul Takzim. The loan is secured by an Assignment and Power of Attorney over the lease agreement and fixed specific charge over assets. This loan includes a covenant which requires the subsidiary to be wholly owned by its ultimate holding company. See Note 12 for more details.

USD loan at SIBOR + 2.30% p.a.

For the financial year ended 31 December 2013, a subsidiary of the Group has taken up the loan to provide financing to Indus Coffee Private Limited for purchase of land, construction and machineries costs in relation to new factory in Chennai, India. This facility is extended under Internationalisation Finance Scheme by IE Singapore. The loan is unsecured governed by Corporate Guarantee by the Company and one of its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

31. Share capital and treasury shares

(a) *Share capital*

	Group and Company	
	2013	**2012**
	US$'000	US$'000
Issued and fully paid:		
At beginning of the year		
532,993,999 (2012: 529,413,999) ordinary shares	40,464	39,751
Issued for cash under employee share option		
3,300,000 ordinary shares issued at exercised price of S$0.229	–	619
450,000 ordinary shares issued at exercised price of S$0.335	120	38
208,000 ordinary shares issued at exercised price of S$0.315	52	36
70,000 ordinary shares issued at exercised price of S$0.505	29	–
Transfer from share-based payment reserve	54	20
At end of the year	40,719	40,464

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

As at the end of the financial year, unissued ordinary shares of the Company under options granted to eligible employees and Directors under the 2002 Option Scheme and 2012 Option Scheme amounted to a total of 11,012,000 (2012: 11,740,000) and 4,880,000 (2012: Nil) ordinary shares respectively. Details of outstanding options are set out in Note 33.

(b) *Treasury shares*

	Group and Company	
	2013	**2012**
	US$'000	US$'000
At 1 January	(317)	–
Acquired during the financial year	–	(317)
At 31 December	(317)	(317)

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

The Company acquired Nil (2012: 1,001,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was Nil (2012: US$317,000) and this was presented as a component within the shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

32. Reserves

	Group		Company	
	2013	**2012**	**2013**	**2012**
	US$'000	US$'000	US$'000	US$'000
Foreign currency translation reserve	(1,578)	974	4,093	4,234
Asset revaluation reserve	60	60	–	–
Share-based payment reserve	1,591	1,136	1,591	1,136
Accumulated profits	125,477	119,097	5,021	5,682
	125,550	121,267	10,705	11,052

(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) Asset revaluation reserve

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

(c) Share-based payment reserve

Share-based payment reserve represents the equity-settled share options granted to employees (Note 33). The reserve is made up of the cumulative value of services rendered from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

(d) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of debentures until they are disposed or impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

33. Employee benefits

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

The Food Empire Holdings Limited Share Option Scheme (the "2012 Option Scheme") was approved and adopted at an Extraordinary General Meeting of the Company held on 27 April 2012. The 2012 Option Scheme applies to eligible employees and Directors of the Group, other than:

(i) the controlling shareholders of the Company and their associates
(ii) Directors appointed by the controlling shareholders

The total number of shares in respect of which options may be offered shall not exceed 15% of the Company's total issued share capital on the day immediately preceding the offer date.

The offer price of the options may be set at market price or at a price which is greater than the market price at the time of grant, at the discretion of the Remuneration Committee ("RC").

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

33. Employee benefits (cont'd)

Movements in the number of share options outstanding under the 2002 Option Scheme and 2012 Option Scheme as at 31 December 2013 and the details of the 2002 Option Scheme and 2012 Option Scheme are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

33. Employee benefits (cont'd)

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

	Number of holders at end of year	Number of options outstanding at 1.1.2012	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 31.12.2012	Exercise price per share S$	Exercise period	Remaining contractual life (years)
2002 Options [1]	–	240,000	–	(240,000)	–	–	0.142	14 March 2004 to 13 March 2012	–
2004 Options	1	3,400,000	–	–	(3,300,000)	100,000	0.229	25 May 2006 to 24 May 2014	1.4
2010 Options	16	3,730,000	–	(30,000)	(140,000)	3,560,000	0.335	4 January 2011 to 3 January 2020	7.0
2011 Options (February)	17	4,050,000	–	(100,000)	–	3,950,000	0.505	1 February 2012 to 31 January 2021	8.1
2011 Options (December)	19	4,470,000	–	(200,000)	(140,000)	4,130,000	0.315	19 December 2012 to 18 December 2021	9.0
		15,890,000	–	(570,000)	(3,580,000)	11,740,000			
Weighted average share price (S$)		0.347	–	0.277	0.237	0.384			

[1] Included within these balances are equity-settled options that have not been recognised in accordance with FRS 102 as these equity-settled options were granted on or before 22 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 102.

NOTES TO THE FINANCIAL STATEMENTS

33. Employee benefits (cont'd)

Out of the 15,892,000 (2012: 11,740,000) outstanding options on 31 December 2013, 11,012,000 (2012: 11,740,000) shares are exercisable as at 31 December 2013.

The fair value of the share options as at the date of grant was estimated by an external valuer using Black-Scholes Option Pricing 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) <u>2004 Options</u>

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

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

(b) <u>2010 Options</u>

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

33. Employee benefits (cont'd)

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

(c) 2011 Options (February)

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

(d) 2011 Options (December)

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

(e) 2013 Options

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

33. Employee benefits (cont'd)

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

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

34. Segment information

For management purposes, the Group is organised into 2 different business segments. Each business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from each other. The 2 main segments are:

(i) The beverages segment is involved in the manufacture, sales and promotion of beverage products

(ii) The other products segment is involved in:
- the manufacture, sales and promotion of other non-beverage products, such as confectionery, snack and frozen convenience food
- collection of rental income

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

34. Segment information (cont'd)

	Beverages		Others		Adjustments and eliminations		Per consolidated financial statements	
	2013	2012	2013	2012	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue								
Segment revenue from external customers	247,180	224,136	15,706	13,527	–	–	262,886	237,663
Inter-segment [a]	–	–	1,409	1,713	(1,409)	(1,713)	–	–
	247,180	224,136	17,115	15,240	(1,409)	(1,713)	262,886	237,663
Results								
Interest income	103	336	19	19	–	–	122	355
Depreciation of property, plant and equipment	(2,792)	(2,746)	(505)	(59)	–	–	(3,297)	(2,805)
Depreciation of investment properties	–	–	(48)	(41)	–	–	(48)	(41)
Share of profit of associates	152	295	377	995	–	–	529	1,290
Interest expenses	(199)	(334)	(36)	(7)	–	–	(235)	(341)
Other non-cash expenses [b]	(825)	(173)	374	3	–	–	(451)	(170)
Segment profit before tax [c]	10,453	20,097	2,287	1,484	(49)	(64)	12,691	21,517

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

(b) Other non-cash expenses consist of allowance for doubtful receivables, bad debts written off, inventories written down, write back of impairment loss of property, plant and equipment, write back of impairment loss of investment property, negative goodwill arising from acquisitions of subsidiaries and value of employee services received for issue of share options as presented in the respective notes to the financial statements.

(c) Profit from inter-segment sales are deducted from segment profit before tax to arrive at "profit before taxation" presented in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

34. Segment information (cont'd)

	Beverages		Others		Adjustments and eliminations		Per consolidated financial statements	
	2013	2012	2013	2012	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Assets								
Segment assets	194,722	167,867	42,434	43,348	–	–	237,156	211,215
Liabilities								
Segment liabilities	55,218	29,267	15,702	20,528	–	–	70,920	49,795
Other Information								
Investment in associates	2,723	2,493	12,083	10,397	–	–	14,806	12,890
Additions to non-current assets	32,269	5,839	1,952	–	–	–	34,221	5,839

Geographical information

Segment revenue information based on the geographical location of customers are as follows:

	Group	
	2013	2012
	US$'000	US$'000
Russia	152,925	136,875
Eastern Europe and Central Asia	83,226	74,563
Other countries	26,735	26,225
	262,886	237,663

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

	Group	
	2013	2012
	US$'000	US$'000
Singapore	26,020	25,415
Malaysia	34,995	9,536
Russia	12,675	11,687
Eastern Europe and Central Asia	12,312	10,644
Other countries	2,165	1,023
	88,167	58,305

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

34. Segment information (cont'd)

Geographical information (cont'd)

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

Information about major customers

Revenue from six major customers (2012: one major customer) amounted to US$168,010,000 (2012: US$130,778,000), arising from sales and services in the beverages segment.

35. Commitments and contingencies

Capital commitments

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

	Group	
	2013	**2012**
	US$'000	US$'000
Capital commitments in respect of property, plant and equipment	10,123	22,397
Capital commitments in respect of investment properties	3,504	–

Operating lease commitments as lessee

The Group leases certain properties under lease agreements which expire at various dates till 2020. Rental expenses were US$3,368,000 and US$3,315,000 for the years ended 31 December 2013 and 2012 respectively.

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

	Group	
	2013	**2012**
	US$'000	US$'000
Not later than one year	3,415	2,342
Later than one year but not later than five years	819	800
Later than five years	154	223
	4,388	3,365

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

35. 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 three years as at 31 December 2013.

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

	Group	
	2013	**2012**
	US$'000	US$'000
Not later than one year	91	206
Later than one year but not later than five years	87	44
	178	250

Finance lease commitments

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

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

	Group			
	2013		**2012**	
	Minimum lease payments	**Present value of payments**	**Minimum lease payments**	**Present value of payments**
	US$'000	US$'000	US$'000	US$'000
Not later than one year	20	19	10	10
Later than one year but not later than five years	35	33	38	37
Total minimum lease payments	55	52	48	47
Less: Amounts representing finance charges	(3)	–	(1)	–
Present value of minimum leases	52	52	47	47

Contingent liabilities

The Company has given corporate guarantees to banks amounting to US$158,736,000 (2012: US$66,370,000) to secure banking facilities granted to its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

36. Related party transactions

(a) *Sales and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	2013 US$'000	2012 US$'000
Group		
Triple Ace Ventures Limited and its subsidiaries		
- Interest income received	30	182
- Rental expense paid	111	274
Simonelo Limited and its subsidiaries		
- Rental expense paid	2,576	2,207
- Purchase of property, plant and equipment	6	1
- Purchase of construction materials	1	–
Companies associated to a substantial shareholder		
- Consumption of services	–	11
- Sale of goods	1,188	1,362
Company		
Subsidiaries		
- Management fees received	1,114	1,338
- Dividend income received	6,011	5,884

(b) *Compensation of key management personnel*

	Group	
	2013 US$'000	2012 US$'000
Salaries, wages and other staff benefits	3,409	3,844
Central Provident Fund contributions	42	41
Value of employee services received for issue of share options	270	200
Total compensation paid to key management personnel	3,721	4,085

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

36. Related party transactions (cont'd)

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

	Group	
	2013	**2012**
	US$'000	US$'000
Comprise amounts paid to:		
• Directors of the Group	1,723	2,089
• Other key management personnel	1,998	1,996
Total compensation paid to key management personnel	3,721	4,085

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 Food Empire Holdings Limited Share Option Scheme (the "2002 Option Scheme" and "2012 Option Scheme"). For the exercise period, the terms and conditions of the share options granted to the Directors were the same as those granted to other employees of the Company as described in Note 33.

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

	Outstanding share options	
	2013	**2012**
	'000	'000
Directors	6,800	5,060
Key management personnel	4,980	3,680
	11,780	8,740

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

37. Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

(a) Fair value of hierarchy

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

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
(ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
(iii) Level 3 – Unobservable inputs for the asset or liability.

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

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 2013 and 2012.

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

<u>Movements in Level 3 financial instruments measured at fair value</u>

2013	**Quoted prices in active markets for identical instruments** (Level 1) US$'000	**Significant other observable inputs** (Level 2) US$'000	**Significant unobservable inputs** (Level 3) US$'000	**Total** US$'000
Opening balance	–	–	178	178
Transfer to other receivables	–	–	(178)	(178)
Closing balance (Note 25)	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

Movements in Level 3 financial instruments measured at fair value (cont'd)

2012	Quoted prices in active markets for identical instruments (Level 1) US$'000	Significant other observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Financial assets:				
Derivatives (Note 25)	–	–	178	178

There have been no transfers from Level 1 and Level 2 to Level 3 during the years ended 31 December 2013 and 2012.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

(c) Classification of financial instruments

	Fair value through profit or loss US$'000	Loans and receivables US$'000	Liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Group					
2013					
Assets					
Property, plant and equipment	–	–	–	61,493	61,493
Investment properties	–	–	–	13,331	13,331
Investment in associates	–	–	–	14,806	14,806
Intangible assets	–	–	–	13,343	13,343
Deferred tax assets	–	–	–	618	618
Inventories	–	–	–	42,988	42,988
Prepaid operating expenses and deposits	–	–	–	6,894	6,894
Deferred expenses	–	–	–	162	162
Amounts due from associates (non-trade)	–	169	–	–	169
Trade receivables	–	52,548	–	–	52,548
Other receivables	–	3,140	–	–	3,140
Cash and cash equivalents	–	27,664	–	–	27,664
	–	83,521	–	153,635	237,156
Liabilities					
Trade payables and accruals	–	–	31,263	–	31,263
Other payables	–	–	5,812	61	5,873
Interest-bearing loans and borrowings	–	–	32,228	–	32,228
Finance lease creditors	–	–	52	–	52
Amounts due to associates (trade)	–	–	47	–	47
Provision for taxation	–	–	–	797	797
Deferred tax liabilities	–	–	–	660	660
	–	–	69,402	1,518	70,920

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

	Fair value through profit or loss US$'000	Loans and receivables US$'000	Liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Group					
2012					
Assets					
Property, plant and equipment	–	–	–	33,562	33,562
Investment properties	–	–	–	11,400	11,400
Investment in associates	–	–	–	12,890	12,890
Amount due from an associate	–	2,600	–	–	2,600
Intangible assets	–	–	–	13,343	13,343
Deferred tax assets	–	–	–	207	207
Inventories	–	–	–	27,172	27,172
Prepaid operating expenses and deposits	–	–	–	6,746	6,746
Deferred expenses	–	–	–	165	165
Amounts due from associates (non-trade)	–	539	–	–	539
Trade receivables	–	54,501	–	–	54,501
Other receivables	–	1,316	–	–	1,316
Cash and cash equivalents	–	46,596	–	–	46,596
Derivatives	178	–	–	–	178
	178	105,552	–	105,485	211,215
Liabilities					
Trade payables and accruals	–	–	27,593	–	27,593
Other payables	–	–	8,330	68	8,398
Interest-bearing loans and borrowings	–	–	12,890	–	12,890
Finance lease creditors	–	–	47	–	47
Provision for taxation	–	–	–	394	394
Deferred tax liabilities	–	–	–	473	473
	–	–	48,860	935	49,795

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

	Loans and receivables US$'000	Liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Company				
2013				
Assets				
Property, plant and equipment	–	–	133	133
Investment in subsidiaries	–	–	44,545	44,545
Prepaid operating expenses	–	–	34	34
Amounts due from subsidiaries (non-trade)	7,542	–	–	7,542
Cash and cash equivalents	37	–	–	37
	7,579	–	44,712	52,291
Liabilities				
Trade payables and accruals	–	1,135	–	1,135
Amounts due to subsidiaries (non-trade)	–	22	–	22
Provision for taxation	–	–	27	27
	–	1,157	27	1,184
Company				
2012				
Assets				
Property, plant and equipment	–	–	186	186
Investment in subsidiaries	–	–	44,545	44,545
Prepaid operating expenses	–	–	46	46
Amounts due from subsidiaries (non-trade)	7,353	–	–	7,353
Cash and cash equivalents	418	–	–	418
	7,771	–	44,777	52,548
Liabilities				
Trade payables and accruals	–	1,327	–	1,327
Amounts due to subsidiaries (non-trade)	–	22	–	22
	–	1,349	–	1,349

NOTES TO THE FINANCIAL STATEMENTS

38. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks.

The Group and the Company does not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks. There has been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the 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 management has a credit policy in place and exposure of credit risk is monitored on an on-going basis. The management believes that concentration of credit risk is limited due to on-going credit evaluations on all customers and maintaining an allowance for doubtful receivables, which the management believes will adequately provide for potential credit risks.

The Group sells mainly to Russia and Eastern European countries. Hence, risk is concentrated on the trade receivables in these countries.

Exposure to credit risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

(a) Credit risk (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 on-going basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	Group	
	2013	**2012**
	US$'000	US$'000
By country:		
Russia	26,453	33,099
Eastern Europe and Central Asia	17,384	15,085
Other countries	8,711	6,317
	52,548	54,501

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 Note 24.

(b) Liquidity risk

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

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

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

(b) Liquidity risk (cont'd)

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

	Within 1 year US$'000	Within 1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
Group				
2013				
Financial assets:				
Amounts due from associates (non-trade)	169	–	–	169
Trade and other receivables	55,688	–	–	55,688
Cash and cash equivalents	27,664	–	–	27,664
Total undiscounted financial assets	83,521	–	–	83,521
Financial liabilities:				
Amounts due to associates (trade)	(47)	–	–	(47)
Interest-bearing loans and borrowings	(7,993)	(24,002)	(5,120)	(37,115)
Finance lease creditors	(20)	(35)	–	(55)
Trade and other payables	(37,136)	–	–	(37,136)
Total undiscounted financial liabilities	(45,196)	(24,037)	(5,120)	(74,353)
Total net undiscounted financial assets/(liabilities)	38,325	(24,037)	(5,120)	9,168
2012				
Financial assets:				
Amount due from associates	3,139	–	–	3,139
Trade and other receivables	55,817	–	–	55,817
Cash and cash equivalents	46,596	–	–	46,596
Total undiscounted financial assets	105,552	–	–	105,552
Financial liabilities:				
Interest-bearing loans and borrowings	(1,238)	(6,337)	(6,107)	(13,682)
Finance lease creditors	(10)	(38)	–	(48)
Trade and other payables	(35,923)	–	–	(35,923)
Total undiscounted financial liabilities	(37,171)	(6,375)	(6,107)	(49,653)
Total net undiscounted financial assets/(liabilities)	68,381	(6,375)	(6,107)	55,899

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

(b) Liquidity risk (cont'd)

	Within 1 year US$'000	Within 1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
Company				
2013				
Financial assets:				
Amounts due from subsidiaries (non-trade)	7,542	–	–	7,542
Cash and cash equivalents	37	–	–	37
Total undiscounted financial assets	7,579	–	–	7,579
Financial liabilities:				
Trade payables and accruals	(1,135)	–	–	(1,135)
Amounts due to subsidiaries (non-trade)	(22)	–	–	(22)
Total undiscounted financial liabilities	(1,157)	–	–	(1,157)
Total net undiscounted financial assets	6,422	–	–	6,422
2012				
Financial assets:				
Amounts due from subsidiaries (non-trade)	7,353	–	–	7,353
Cash and cash equivalents	418	–	–	418
Total undiscounted financial assets	7,771	–	–	7,771
Financial liabilities:				
Trade payables and accruals	(1,327)	–	–	(1,327)
Amounts due to subsidiaries (non-trade)	(22)	–	–	(22)
Total undiscounted financial liabilities	(1,349)	–	–	(1,349)
Total net undiscounted financial assets	6,422	–	–	6,422

38. 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 financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from interest-bearing loans and borrowings. The Group monitors the interest rate on loans and borrowings closely to ensure that the loans and borrowings are maintained at favorable rate.

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

	Increase/ decrease in basis points	**Effect on profit, net of tax** US$'000
2013		
Cash and cash equivalents	+10	32
Amounts due from associates (non-trade)	+100	130
Other receivables	+100	56
Interest-bearing loans and borrowings	+100	(322)
Other payables	+100	(82)
2012		
Cash and cash equivalents	+10	41
Amounts due from associates (non-trade)	+100	260
Interest-bearing loans and borrowings	+100	(129)
Other payables	+100	(139)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

(c) Interest rate risk (cont'd)

The following tables set out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk:

2013 **Group**	**Within 1 year** US$'000	**1 – 2 years** US$'000	**2 – 3 years** US$'000	**3 – 4 years** US$'000	**4 – 5 years** US$'000	**More than 5 years** US$'000	**Total** US$'000
Fixed rate							
Other receivables	556	–	–	–	–	–	556
Floating rate							
Cash and bank balances	27,664	–	–	–	–	–	27,664
Finance lease creditors	19	33	–	–	–	–	52
Interest-bearing loans and borrowings	3,885	6,704	6,704	6,704	3,270	4,961	32,228
Company							
Floating rate							
Cash and bank balances	37	–	–	–	–	–	37
2012							
Group							
Fixed rate							
Other receivables	378	–	–	–	–	–	378
Derivatives	178	–	–	–	–	–	178
Floating rate							
Cash and bank balances	46,596	–	–	–	–	–	46,596
Amount due from an associate	–	2,600	–	–	–	–	2,600
Finance lease creditor	10	37	–	–	–	–	47
Interest-bearing loans and borrowings	1,122	1,122	1,122	1,122	1,122	7,280	12,890
Company							
Floating rate							
Cash and bank balances	418	–	–	–	–	–	418

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

(d) Foreign currency risk

The Group has transactional currency exposures arising from sales, purchases or operating costs by operating units in currencies other than the unit's functional currency. Approximately 1.5% (2012: 1.7%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst 57.4% (2012: 86.2%) of purchases and operating costs are denominated in the unit's functional currency.

The management ensures that the net exposure is maintained at an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short-term fluctuations.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD, SGD, 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, of the Group's profit before tax.

		Group	
		Profit before tax	
		2013	**2012**
		US$'000	US$'000
SGD/USD	- strengthened 5% (2012: 5%)	74	82
	- weakened 5% (2012: 5%)	(74)	(82)
EURO/USD	- strengthened 5% (2012: 5%)	35	33
	- weakened 5% (2012: 5%)	(35)	(33)
RM/USD	- strengthened 5% (2012: 5%)	184	238
	- weakened 5% (2012: 5%)	(184)	(238)
UAH/USD	- strengthened 5% (2012: 5%)	1,064	559
	- weakened 5% (2012: 5%)	(1,064)	(559)
RUR/USD	- strengthened 5% (2012: 5%)	1,167	–
	- weakened 5% (2012: 5%)	(1,167)	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

39. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize 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 2013 and 31 December 2012.

The Group monitors its capital structure as follows:

	2013	**2012**
	US$'000	US$'000
Interest-bearing loans and borrowings (Note 30)	32,228	12,890
Finance lease creditors (Note 35)	52	47
Trade payables and accruals (Note 27)	31,263	27,593
Other payables (Note 28)	5,873	8,398
Less: Cash and cash equivalents (Note 26)	(27,664)	(46,596)
Net debt	41,752	2,332
Equity attributable to the equity holders of the Company	165,952	161,414
Capital and net debt	207,704	163,746
Gearing Ratio	20%	1%

40. Authorisation of financial statements

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Directors on 20 March 2014.

SHAREHOLDER'S INFORMATION

As at 13 March 2014

Class of equity securities	:	Ordinary share
No. of equity securities	:	532,720,999
Voting rights	:	One vote per share

As at 13 March 2014, the total number of treasury shares held is 1,001,000. The treasury shares as a percentage of the total number of issued shares excluding treasury shares is 0.19%.

DIRECTORS' SHAREHOLDINGS AS AT 13 MARCH 2014

(As recorded in the Register of Directors' Shareholdings)

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

SUBSTANTIAL SHAREHOLDERS AS AT 13 MARCH 2014

(As recorded in the Register of Substantial Shareholders)

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

SHAREHOLDER'S INFORMATION

As at 13 March 2014

Notes:

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

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

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

PUBLIC FLOAT

As at 13 March 2014, 35.17% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

STATISTICS OF SHAREHOLDINGS

As at 13 March 2014

DISTRIBUTION OF SHAREHOLDINGS

Size Of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	58	3.78	20,835	0.00
1,000 - 10,000	806	52.47	3,660,558	0.69
10,001 - 1,000,000	646	42.06	44,827,607	8.42
1,000,001 AND ABOVE	26	1.69	484,211,999	90.89
TOTAL	**1,536**	**100.00**	**532,720,999**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	DBS NOMINEES (PRIVATE) LIMITED	134,896,700	25.32
2	TAN GUEK MING	67,547,400	12.68
3	RAFFLES NOMINEES (PTE) LIMITED	52,979,000	9.94
4	TAN WANG CHEOW	52,440,000	9.84
5	CITIBANK NOMINEES SINGAPORE PTE LTD	37,932,300	7.12
6	SUDEEP NAIR	34,406,399	6.46
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	21,516,400	4.04
8	OON PENG HENG	13,005,500	2.44
9	KOH PUAY LING	11,000,000	2.06
10	CHAN MENG HUAT	9,074,000	1.70
11	OON PENG LIM	8,619,300	1.62
12	TAN BIAN CHYE	7,580,800	1.42
13	OON PENG LAM	6,010,500	1.13
14	LIM SIEW KHENG	3,560,000	0.67
15	OON PENG WAH	3,022,500	0.57
16	TAN SIOK CHER	2,860,000	0.54
17	TAN SEOK WAH	2,730,000	0.51
18	UOB KAY HIAN PRIVATE LIMITED	2,278,000	0.43
19	OON POH CHOO	2,152,800	0.40
20	TAN WANG SENG	2,090,000	0.39
	TOTAL	**475,701,599**	**89.28**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Food Empire Holdings Limited ("the Company") will be held at River View Hotel, Lily Ballroom, Level 4, 382 Havelock Road, Singapore 169629 on Wednesday, 23 April 2014 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2013 together with the Auditors' Report thereon.

   (Resolution 1)

2. To declare a first and final dividend of 0.563 Singapore cents per ordinary share (one-tier tax exempt) for the year ended 31 December 2013 (2012: First and final dividend of 1.231 Singapore cents per ordinary share (one-tier tax exempt)).

   (Resolution 2)

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

   Mr. Hartono Gunawan **(Resolution 3)**
   Mdm. Tan Guek Ming **(Resolution 4)**
   Mr. Koh Yew Hiap **(Resolution 5)**

   Mdm. Tan Guek Ming will, upon re-election as a Director of the Company, remain as a member of the Audit and Remuneration Committees and will be considered non-independent.

   Mr. Koh Yew Hiap will, upon re-election as a Director of the Company, remain as a member of the Remuneration Committee and will be considered non-independent.

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

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

   (Resolution 6)

5. To approve the payment of Directors' fees of S$333,000 for the year ended 31 December 2013 (2012: S$333,000).

   (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.

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) (not withstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

(Resolution 9)

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

(Resolution 11)

By Order of the Board

Tan Cher Liang
Secretary

Singapore,
7 April 2014

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The effect of the Ordinary Resolution 6 in item 4 above, is to re-appoint a Director of the Company who is over 70 years of age.

(ii) 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, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders.

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

(iii) Although the 2002 Option Scheme had expired on 31 December 2011, outstanding options granted prior to that date subsist and remain exercisable in accordance with the rules of the 2002 Option Scheme.

The Ordinary Resolution 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) in the capital of the Company from time to time.

(iv) 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) in the capital of the Company from time to time.

Notes:

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

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

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

IMPORTANT:

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

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________________ (Name)

of ______________________________ (Address)

being a member/members of Food Empire Holdings Limited (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at River View Hotel, Lily Ballroom, Level 4, 382 Havelock Road, Singapore 169629 on Wednesday, 23 April 2014 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	**Resolutions relating to:**	**For**	**Against**
1	Adoption of Directors' Report and Audited Financial Statements for the year ended 31 December 2013		
2	Payment of proposed first and final dividend		
3	Re-election of Mr. Hartono Gunawan as a Director		
4	Re-election of Mdm. Tan Guek Ming as a Director		
5	Re-election of Mr. Koh Yew Hiap as a Director		
6	Re-appointment of Mr. Boon Yoon Chiang as a Director		
7	Approval of Directors' fees amounting to S$333,000		
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")		

Dated this ____________ day of ____________ 2014

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

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

Notes :

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

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

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

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

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

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

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

General:

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

Food Empire Holdings Limited
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