

FOOD EMPIRE HOLDINGS LIMITED

(Co Registration No: 200001282G)

Second Quarter and First Half Financial Statement and Dividend Announcement for the Period ended 30 June 2018

PART I- INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

	Group			Group		
	2Q 18	2Q 17	Increase/ (Decrease)	1H 18	1H 17	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	69,316	62,808	10.4	141,459	125,248	12.9
Cost of sales	(42,458)	(39,347)	7.9	(85,592)	(76,882)	11.3
Gross profit	26,858	23,461	14.5	55,867	48,366	15.5
Selling and distribution expenses	(12,416)	(9,713)	27.8	(24,331)	(19,284)	26.2
General and administrative expenses	(9,457)	(8,977)	5.3	(18,299)	(16,988)	7.7
Results from operating activities	4,985	4,771	4.5	13,237	12,094	9.5
Net other (expenses)/income (Note 1)	(1,268)	(7)	NM	(353)	1,455	NM
Net finance expenses (Note 2)	(152)	(264)	(42.4)	(266)	(505)	(47.3)
Share of (loss)/profit of associates	(36)	(108)	(66.7)	242	(842)	NM
Profit before taxation (Note 3)	3,529	4,392	(19.6)	12,860	12,202	5.4
Taxation (Note 4)	(1,278)	(1,189)	7.5	(3,502)	(2,889)	21.2
Profit for the period	2,251	3,203	(29.7)	9,358	9,313	0.5
Profit attributable to:						
Equity shareholders of the Company	2,336	3,228	(27.6)	9,526	9,536	(0.1)
Non-controlling interest	(85)	(25)	240.0	(168)	(223)	(24.7)
	2,251	3,203	(29.7)	9,358	9,313	0.5

NM denotes not meaningful.

Notes:
1. Net other (expenses)/income comprises:

	Group			Group		
	2Q 18 US\$'000	2Q 17 US\$'000	Increase/ (Decrease) %	1H 18 US\$'000	1H 17 US\$'000	Increase/ (Decrease) %
<u>Other income</u>						
Gain on disposal of property, plant and equipment	-	14	NM	-	12	NM
Gain on disposal of assets classified as held for sale	408	-	NM	408	-	NM
Sales of scrapped items	81	43	88.4	138	78	76.9
Other income	297	436	(31.9)	918	535	71.6
Insurance claim	1	6	(83.3)	2	18	(88.9)
Foreign exchange gain	-	-	NM	-	964	NM
	787	499	57.7	1,466	1,607	(8.8)
<u>Other expenses</u>						
Foreign exchange loss	(1,961)	(354)	454.0	(1,556)	-	NM
Impairment of loan to associates	(14)	(152)	(90.8)	(182)	(152)	19.7
Loss on disposal of property, plant and equipment	(13)	-	NM	(14)	-	NM
Loss on disposal of an associate	(67)	-	NM	(67)	-	NM
	(2,055)	(506)	306.1	(1,819)	(152)	1,096.7
Net other (expenses)/income	(1,268)	(7)	NM	(353)	1,455	NM

2. Net finance expenses comprises:

	Group			Group		
	2Q 18 US\$'000	2Q 17 US\$'000	Increase/ (Decrease) %	1H 18 US\$'000	1H 17 US\$'000	Increase/ (Decrease) %
<u>Finance income</u>						
Interest income	165	53	211.3	374	83	350.6
<u>Finance expenses</u>						
Interest expenses on:						
- Bank loans	(309)	(315)	(1.9)	(632)	(586)	7.8
- Others	(8)	(2)	300.00	(8)	(2)	300.0
	(317)	(317)	0.0	(640)	(588)	8.8
Net finance expenses	(152)	(264)	(42.4)	(266)	(505)	(47.3)

3. Included in profit before taxation are as follows:

	Group			Group		
	2Q 18 US\$'000	2Q 17 US\$'000	Increase/ (Decrease) %	1H 18 US\$'000	1H 17 US\$'000	Increase/ (Decrease) %
Depreciation of property, plant and equipment	(1,429)	(1,316)	8.6	(2,770)	(2,623)	5.6
Depreciation of investment properties	(43)	(40)	7.5	(86)	(80)	7.5
Inventories written down	(150)	(346)	(56.6)	(190)	(322)	(41.0)
Write back/(allowance) for doubtful receivables	128	(140)	NM	286	(120)	NM
Net fair value gain on derivatives	-	380	NM	-	96	NM
Impairment loss on property, plant and equipment	-	(102)	NM	-	(102)	NM

4. Included in the taxation is as follows:

	Group			Group		
	2Q 18 US\$'000	2Q 17 US\$'000	Increase/ (Decrease) %	1H 18 US\$'000	1H 17 US\$'000	Increase/ (Decrease) %
Current income tax						
- Current income taxation	(1,118)	(1,158)	(3.5)	(2,465)	(2,521)	(2.2)
- Over/(under) provision for prior year	-	79	NM	(46)	(5)	820.0
Deferred income tax	(160)	(110)	45.5	(991)	(363)	173.0
	(1,278)	(1,189)	7.5	(3,502)	(2,889)	21.2

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

	Group			Group		
	2Q 18 US\$'000	2Q 17 US\$'000	Increase/ (Decrease) %	1H 18 US\$'000	1H 17 US\$'000	Increase/ (Decrease) %
Profit net of tax	2,251	3,203	(29.7)	9,358	9,313	0.5
Other comprehensive (loss)/income:						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation (loss)/gain	(3,430)	(594)	477.4	(2,510)	1,189	NM
Share of other comprehensive (loss)/gain of associates	(758)	332	NM	(675)	297	NM
Exchange differences realised on disposal of an associate	8	-	NM	8	-	NM
Other comprehensive (loss)/income for the period, net of tax	(4,180)	(262)	1,495.4	(3,177)	1,486	NM
Total comprehensive (loss)/income for the period	(1,929)	2,941	NM	6,181	10,799	(42.8)
Total comprehensive (loss)/income attributable to:						
Equity shareholders of the Company	(1,844)	2,966	NM	6,349	11,022	(42.4)
Non-controlling interest	(85)	(25)	240.0	(168)	(223)	(24.7)
	(1,929)	2,941	NM	6,181	10,799	(42.8)

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

	Group		Company	
	30 Jun 2018 US\$'000	31 Dec 2017 US\$'000	30 Jun 2018 US\$'000	31 Dec 2017 US\$'000
Non-Current Assets				
Property, plant and equipment	65,545	64,617	-	-
Investment properties	16,205	16,615	-	-
Investments in subsidiaries	-	-	44,536	44,536
Investments in associates	12,046	12,594	-	-
Intangible assets	10,343	10,343	-	-
Other receivables	12	-	-	-
Amount due from an associate (non-trade)	-	106	-	-
Deferred tax assets	2,480	3,299	-	-
	106,631	107,574	44,536	44,536
Current Assets				
Cash and cash equivalents	41,785	42,835	175	24
Trade receivables	37,884	39,685	30	-
Deferred expenses	188	173	-	-
Prepaid operating expenses and other debtors	7,317	5,746	5	8
Other receivables	2,157	2,002	-	-
Amounts due from subsidiaries (non-trade)	-	-	8,844	12,434
Amounts due from associates (non-trade)	101	94	-	-
Amount due from a related party (trade)	1,089	987	-	-
Inventories	55,613	47,505	-	-
	146,134	139,027	9,054	12,466
Asset held for sale	-	644	-	-
	146,134	139,671	9,054	12,466
Current Liabilities				
Trade payables and accruals	(38,879)	(35,287)	(393)	(752)
Finance lease creditors	(26)	(31)	-	-
Interest-bearing loans and borrowings	(22,479)	(20,041)	-	-
Other payables	(3,266)	(2,951)	(7)	-
Amounts due to subsidiaries (non-trade)	-	-	(20)	(37)
Amount due to a related party (non-trade)	(519)	(397)	-	-
Amount due to an associate (non-trade)	(203)	(167)	-	-
Amounts due to associates (trade)	(243)	(374)	-	-
Provision for taxation	(2,007)	(1,662)	(3)	(5)
	(67,622)	(60,910)	(423)	(794)
Net Current Assets	78,512	78,761	8,631	11,672
Non-Current Liabilities				
Finance lease creditors	(7)	(17)	-	-
Interest-bearing loans and borrowings	(10,999)	(16,291)	-	-
Other payables	(5)	(5)	-	-
Deferred tax liabilities	(2,770)	(2,592)	-	-
	(13,781)	(18,905)	-	-
Net Assets	171,362	167,430	53,167	56,208
Equity				
Share capital	41,160	41,093	41,160	41,093
Treasury shares	(317)	(317)	(317)	(317)
Reserves	131,150	127,117	12,324	15,432
	171,993	167,893	53,167	56,208
Non-controlling interest	(631)	(463)	-	-
Total Equity	171,362	167,430	53,167	56,208

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

	As at 30 Jun 2018		As at 31 Dec 2017	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Finance lease creditors	(26)	-	(31)	-
Interest-bearing loans and borrowings	(4,629)	(17,850)	(5,630)	(14,411)
Total	(4,655)	(17,850)	(5,661)	(14,411)

Amount repayable after one year

	As at 30 Jun 2018		As at 31 Dec 2017	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Finance lease creditors	(7)	-	(17)	-
Interest-bearing loans and borrowings	(6,401)	(4,598)	(8,559)	(7,732)
Total	(6,408)	(4,598)	(8,576)	(7,732)

Details of any collateral

As at 31 December 2017 and 30 June 2018, the finance lease liabilities were secured by charge over the related lease vehicles held by subsidiaries of the Group.

As at 31 December 2017 and 30 June 2018, the secured interest-bearing loans and borrowings were secured by mortgages over the related freehold & leasehold properties and fixed charges over plant & machinery owned by subsidiaries of the Group.

As at 31 December 2017 and 30 June 2018, the unsecured interest-bearing loan and borrowings of subsidiaries were covered by corporate guarantees given by the Company.

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

	Group		Group	
	2Q 18 US\$'000	2Q 17 US\$'000	1H 18 US\$'000	1H 17 US\$'000
Cash flows from operating activities				
Profit from operations before taxation	3,529	4,392	12,860	12,202
Adjustment for :				
Depreciation of property, plant and equipment	1,429	1,316	2,770	2,623
Depreciation of investment properties	43	40	86	80
Gain on disposal of assets classified as held for sale	(408)	-	(408)	-
Loss/(gain) on disposal of property, plant and equipment	13	(14)	14	(12)
Interest income	(165)	(53)	(374)	(83)
Interest expenses	317	317	640	588
Exchange realignment	1,100	677	1,092	(1,010)
Share of loss/(profit) of associates	36	108	(242)	842
(Write back)/allowance for doubtful receivables	(128)	140	(286)	120
Impairment of loan to associates	14	152	182	152
Inventories written down	150	346	190	322
Impairment loss on property, plant and equipment	-	102	-	102
Loss on disposal of an associate	67	-	67	-
Value of employee services received for issue of share options	44	66	95	129
Net fair value gain on derivatives	-	(380)	-	(96)
Operating profit before working capital changes	6,041	7,209	16,686	15,959
Decrease/(increase) in trade and other receivables	5,712	3,103	(854)	643
Increase in inventories	(8,350)	(63)	(10,004)	(5,003)
Increase/(decrease) in trade and other payables	633	(2,907)	3,895	2,126
Cash flows generated from operations	4,036	7,342	9,723	13,725
Income taxes paid	(1,395)	(913)	(2,108)	(1,631)
Net cash flows generated from operating activities	2,641	6,429	7,615	12,094
Cash flows from investing activities				
Interest income received	165	53	374	83
Purchase of property, plant and equipment	(1,736)	(1,214)	(4,065)	(2,156)
Subsequent expenditure on investment property	-	(4)	-	(4)
Proceeds from disposal of property, plant and equipment	8	22	94	26
Proceeds from disposal of assets classified as held for sale	1,052	-	1,052	-
Net cash flows used in investing activities	(511)	(1,143)	(2,545)	(2,051)
Cash flows from financing activities				
Interest expenses paid	(317)	(317)	(640)	(588)
Dividends paid to equity shareholders of the Company	(2,397)	(2,312)	(2,396)	(2,312)
Repayment of interest-bearing loans and borrowings	(15,623)	(18,792)	(30,791)	(31,601)
Proceeds from interest-bearing loans and borrowings	13,439	21,462	28,043	33,729
Repayment of obligation under finance leases	(10)	(10)	(19)	(19)
Proceeds from issuance of shares	27	78	52	147
Acquisition of non-controlling interest in a subsidiary	-	(139)	-	(139)
Net cash flows used in financing activities	(4,881)	(30)	(5,751)	(783)
Net (decrease)/increase in cash and cash equivalents	(2,751)	5,256	(681)	9,260
Effect of exchange rate changes on cash and cash equivalents	(685)	147	(369)	397
Cash and cash equivalents at beginning of the period	45,221	32,828	42,835	28,574
Cash and cash equivalents at end of the period	41,785	38,231	41,785	38,231

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

The Group – 2Q 18

	Attributable to equity shareholders of the Company							Total equity US\$'000
	Share capital US\$'000	Treasury shares US\$'000	Foreign currency translation reserve US\$'000	Share-based payment reserve US\$'000	Accumulated profits US\$'000	Total US\$'000	Non-controlling interest US\$'000	
Balance as at 1 Apr 2018	41,125	(317)	(10,206)	2,170	143,391	176,163	(546)	175,617
Profit/(loss) for the period	-	-	-	-	2,336	2,336	(85)	2,251
<u>Other comprehensive (loss)/income</u>								
Foreign currency translation loss	-	-	(3,430)	-	-	(3,430)	-	(3,430)
Share of other comprehensive loss of associates	-	-	(758)	-	-	(758)	-	(758)
Exchange differences realised on disposal of an associate	-	-	8	-	-	8	-	8
Total comprehensive (loss)/income for the period	-	-	(4,180)	-	2,336	(1,844)	(85)	(1,929)
<u>Contributions by and distributions to owners</u>								
Value of employee services received for issue of share options	-	-	-	44	-	44	-	44
Issuance of new shares	27	-	-	-	-	27	-	27
Exercise of share options	8	-	-	(8)	-	-	-	-
Dividends paid to equity shareholders of the Company	-	-	-	-	(2,397)	(2,397)	-	(2,397)
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	35	-	-	36	(2,397)	(2,326)	-	(2,326)
Balance as at 30 Jun 2018	41,160	(317)	(14,386)	2,206	143,330	171,993	(631)	171,362

The Group – 2Q 17

	Attributable to equity shareholders of the Company							Total equity US\$'000
	Share capital US\$'000	Treasury shares US\$'000	Foreign currency translation reserve US\$'000	Share-based payment reserve US\$'000	Accumulated profits US\$'000	Total US\$'000	Non-controlling interest US\$'000	
Balance as at 1 Apr 2017	40,915	(317)	(11,688)	2,060	130,955	161,925	(79)	161,846
Profit/(loss) for the period	-	-	-	-	3,228	3,228	(25)	3,203
<u>Other comprehensive (loss)/income</u>								
Foreign currency translation loss	-	-	(594)	-	-	(594)	-	(594)
Share of other comprehensive gain of associates	-	-	332	-	-	332	-	332
Total comprehensive (loss)/income for the period	-	-	(262)	-	3,228	2,966	(25)	2,941
<u>Contributions by and distributions to owners</u>								
Value of employee services received for issue of share options	-	-	-	66	-	66	-	66
Issuance of new shares	78	-	-	-	-	78	-	78
Exercise of share options	41	-	-	(41)	-	-	-	-
Dividends paid to equity shareholders of the Company	-	-	-	-	(2,312)	(2,312)	-	(2,312)
Total contributions by and distributions to owners	119	-	-	25	(2,312)	(2,168)	-	(2,168)
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of non-controlling interests without a change in control	-	-	-	-	(272)	(272)	133	(139)
Total changes in ownership interest in subsidiaries	-	-	-	-	(272)	(272)	133	(139)
Total transactions with owners in their capacity as owners	119	-	-	25	(2,584)	(2,440)	133	(2,307)
Balance as at 30 Jun 2017	41,034	(317)	(11,950)	2,085	131,599	162,451	29	162,480

The Group – 1H 18

	Attributable to equity shareholders of the Company							
	Share capital US\$'000	Treasury shares US\$'000	Foreign currency translation reserve US\$'000	Share-based payment reserve US\$'000	Accumulated profits US\$'000	Total US\$'000	Non-controlling interest US\$'000	Total equity US\$'000
Balance as at 1 Jan 2018	41,093	(317)	(11,209)	2,126	136,200	167,893	(463)	167,430
Profit/(loss) for the period	-	-	-	-	9,526	9,526	(168)	9,358
<u>Other comprehensive (loss)/income</u>								
Foreign currency translation loss	-	-	(2,510)	-	-	(2,510)	-	(2,510)
Share of other comprehensive loss of associates	-	-	(675)	-	-	(675)	-	(675)
Exchange differences realised on disposal of an associate	-	-	8	-	-	8	-	8
Total comprehensive (loss)/income for the period	-	-	(3,177)	-	9,526	6,349	(168)	6,181
<u>Contributions by and distributions to owners</u>								
Value of employee services received for issue of share options	-	-	-	95	-	95	-	95
Issuance of new shares	52	-	-	-	-	52	-	52
Exercise of share options	15	-	-	(15)	-	-	-	-
Dividends paid to equity shareholders of the Company	-	-	-	-	(2,396)	(2,396)	-	(2,396)
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	67	-	-	80	(2,396)	(2,249)	-	(2,249)
Balance as at 30 Jun 2018	41,160	(317)	(14,386)	2,206	143,330	171,993	(631)	171,362

The Group – 1H 17

	Attributable to equity shareholders of the Company							Total equity US\$'000
	Share capital US\$'000	Treasury shares US\$'000	Foreign currency translation reserve US\$'000	Share-based payment reserve US\$'000	Accumulated profits US\$'000	Total US\$'000	Non-controlling interest US\$'000	
Balance as at 1 Jan 2017	40,846	(317)	(13,436)	1,997	124,647	153,737	119	153,856
Profit/(loss) for the year	-	-	-	-	9,536	9,536	(223)	9,313
<u>Other comprehensive income/(loss)</u>								
Foreign currency translation gain	-	-	1,189	-	-	1,189	-	1,189
Share of other comprehensive gain of associates	-	-	297	-	-	297	-	297
Total comprehensive income/(loss) for the year	-	-	1,486	-	9,536	11,022	(223)	10,799
<u>Contributions by and distributions to owners</u>								
Value of employee services received for issue of share options	-	-	-	129	-	129	-	129
Issuance of new shares	147	-	-	-	-	147	-	147
Exercise of share options	41	-	-	(41)	-	-	-	-
Dividends paid to equity shareholders of the Company	-	-	-	-	(2,312)	(2,312)	-	(2,312)
Total contributions by and distributions to owners	188	-	-	88	(2,312)	(2,036)	-	(2,036)
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of non-controlling interests without a change in control	-	-	-	-	(272)	(272)	133	(139)
Total changes in ownership interest in subsidiaries	-	-	-	-	(272)	(272)	133	(139)
Total transactions with owners in their capacity as owners	188	-	-	88	(2,584)	(2,308)	133	(2,175)
Balance as at 30 Jun 2017	41,034	(317)	(11,950)	2,085	131,599	162,451	29	162,480

The Company – 2Q

	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 Apr 2018	41,125	(317)	3,855	2,170	9,358	56,191
Loss for the period	-	-	-	-	(310)	(310)
<u>Other comprehensive loss</u>						
Foreign currency translation loss	-	-	(388)	-	-	(388)
Total comprehensive loss for the period	-	-	(388)	-	(310)	(698)
<u>Contributions by and distributions to owners</u>						
Value of employee services received for issue of share options	-	-	-	44	-	44
Issuance of new shares	27	-	-	-	-	27
Exercise of share options	8	-	-	(8)	-	-
Dividends paid to equity shareholders of the Company	-	-	-	-	(2,397)	(2,397)
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	35	-	-	36	(2,397)	(2,326)
Balance as at 30 Jun 2018	41,160	(317)	3,467	2,206	6,651	53,167
Balance as at 1 Apr 2017	40,915	(317)	3,122	2,060	7,561	53,341
Profit for the period	-	-	-	-	4,714	4,714
<u>Other comprehensive income</u>						
Foreign currency translation gain	-	-	184	-	-	184
Total comprehensive income for the period	-	-	184	-	4,714	4,898
<u>Contributions by and distributions to owners</u>						
Value of employee services received for issue of share options	-	-	-	66	-	66
Issuance of new shares	78	-	-	-	-	78
Exercise of share options	41	-	-	(41)	-	-
Dividends paid to equity shareholders of the Company	-	-	-	-	(2,312)	(2,312)
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	119	-	-	25	(2,312)	(2,168)
Balance as at 30 Jun 2017	41,034	(317)	3,306	2,085	9,963	56,071

The Company – 1H

	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 Jan 2018	41,093	(317)	3,634	2,126	9,672	56,208
Loss for the period	-	-	-	-	(625)	(625)
<u>Other comprehensive loss</u>						
Foreign currency translation loss	-	-	(167)	-	-	(167)
Total comprehensive loss for the period	-	-	(167)	-	(625)	(792)
<u>Contributions by and distributions to owners</u>						
Value of employee services received for issue of share options	-	-	-	95	-	95
Issuance of new shares	52	-	-	-	-	52
Exercise of share options	15	-	-	(15)	-	-
Dividends paid to equity shareholders of the Company	-	-	-	-	(2,396)	(2,396)
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	67	-	-	80	(2,396)	(2,249)
Balance as at 30 Jun 2018	41,160	(317)	3,467	2,206	6,651	53,167
Balance as at 1 Jan 2017	40,846	(317)	2,820	1,997	7,844	53,190
Profit for the period	-	-	-	-	4,431	4,431
<u>Other comprehensive income</u>						
Foreign currency translation gain	-	-	486	-	-	486
Total comprehensive income for the period	-	-	486	-	4,431	4,917
<u>Contributions by and distributions to owners</u>						
Value of employee services received for issue of share options	-	-	-	129	-	129
Issuance of new shares	147	-	-	-	-	147
Exercise of share options	41	-	-	(41)	-	-
Dividends paid to equity shareholders of the Company	-	-	-	-	(2,312)	(2,312)
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	188	-	-	88	(2,312)	(2,036)
Balance as at 30 Jun 2017	41,034	(317)	3,306	2,085	9,963	56,071

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

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

	FY 2018	FY 2017
<u>Share Capital</u>		
Number of issued ordinary shares as at 1 Jan (including treasury shares)	534,809,999	534,171,999
Ordinary shares held as treasury shares	(1,001,000)	(1,001,000)
Issued for cash under employee share option scheme:		
- at the exercise price of S\$0.335 each	100,000	-
- at the exercise price of S\$0.315 each	-	100,000
- at the exercise price of S\$0.505 each	-	130,000
Balance of issued ordinary shares as at 31 Mar (excluding treasury shares)	533,908,999	533,400,999
- at the exercise price of S\$0.308 each	68,000	-
- at the exercise price of S\$0.315 each	44,000	78,000
- at the exercise price of S\$0.505 each	-	100,000
- at the exercise price of S\$0.669 each	-	50,000
Balance of issued ordinary shares as at 30 Jun (excluding treasury shares)	534,020,999	533,628,999
<u>Share Option - exercise price of S\$0.335</u>		
Balance as at 1 Jan	2,610,000	2,810,000
Options exercised during the period	(100,000)	-
Balance as at 30 Jun	2,510,000	2,810,000
<u>Share Option - exercise price of S\$0.505</u>		
Balance as at 1 Jan	3,080,000	3,630,000
Options exercised during the period	-	(130,000)
Balance as at 31 Mar	3,080,000	3,500,000
Options exercised during the period	-	(100,000)
Balance as at 30 Jun	3,080,000	3,400,000
<u>Share Option - exercise price of S\$0.315</u>		
Balance as at 1 Jan	2,774,000	3,272,000
Options exercised during the period	-	(100,000)
Balance as at 31 Mar	2,774,000	3,172,000
Options exercised during the period	(44,000)	(78,000)
Balance as at 30 Jun	2,730,000	3,094,000
<u>Share Option - exercise price of S\$0.669</u>		
Balance as at 1 Jan	4,280,000	4,630,000
Options lapsed during the period	(300,000)	-
Balance as at 31 Mar	3,980,000	4,630,000
Options exercised during the period	-	(50,000)
Balance as at 30 Jun	3,980,000	4,580,000

Share Option - exercise price of S\$0.308

Balance as at 1 Jan and 31 Mar
Options exercised during the period
Balance as at 30 Jun

	FY 2018	FY 2017
	4,880,000	5,170,000
	(68,000)	-
	<u>4,812,000</u>	<u>5,170,000</u>

Share Option - exercise price of S\$0.693

Balance as at 1 Jan and 31 Mar
Granted to eligible participants on 23 May 2017
Balance as at 30 Jun

	650,000	-
	-	650,000
	<u>650,000</u>	<u>650,000</u>

Share Option - exercise price of S\$0.679

Balance as at 1 Jan
Granted to eligible participants on 16 Mar 2018
Balance as at 31 Mar and 30 Jun

	-	-
	4,750,000	-
	<u>4,750,000</u>	<u>-</u>

Out of the 22,512,000 outstanding share options on 30 June 2018 (30 June 2017: 19,704,000), 14,360,000 (30 June 2017: 13,884,000) share options are exercisable.

Treasury Shares

As at 30 June 2018, the total number of treasury shares held was 1,001,000 (30 June 2017: 1,001,000).

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

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

	Group	
	As at 30 Jun 2018	As at 31 Dec 2017
Issued ordinary shares	534,020,999	533,808,999

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

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

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

Not applicable.

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and method of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2017, except for the adoption of new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") and Interpretations of SFRS(I) ("INT SFRS(I)") which came into effect on 1 January 2018.

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

The adoption of new and revised SFRS (I) and INT SFRS(I) as highlighted in paragraph 4 does not have a material impact on the financial statements for the period under review.

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

	Group		Group	
	2Q 18	2Q 17	1H 18	1H 17
Profit per share				
Based on existing issued share capital (US cents)	0.44	0.61	1.78	1.79
On a fully diluted basis (US cents)	0.43	0.60	1.76	1.77

	Group		Group	
	2Q 18	2Q 17	1H 18	1H 17
Weighted average number of shares table				
Weighted average number of shares for calculation of basic EPS	534,011,153	533,481,416	533,916,712	533,382,700
Weighted average number of shares for calculation of diluted EPS	539,941,812	539,722,913	539,895,567	539,657,968

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

	Group		Company	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Net asset value per ordinary share (US cents)	32.21	31.45	9.96	10.53

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

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

Revenue for the first half ended 30 June 2018 ("1H2018") was US\$141.5 million, a year-on-year ("yoy") increase of 12.9% compared with the US\$125.2 million revenue recorded in 1H2017. The Group's net profit after tax remained flat at US\$9.4 million for 1H2018.

On a quarterly basis, revenue for the second quarter ended 30 June 2018 ("2Q2018") increased 10.4% from US\$62.8 million to US\$69.3 million. Profit after tax for the quarter decreased by 29.7% to US\$2.3 million.

Revenue by Markets (US\$'000)

	Group			Group		
	2Q 18 US\$'000	2Q 17 US\$'000	Increase/ (Decrease) %	1H 18 US\$'000	1H 17 US\$'000	Increase/ (Decrease) %
Russia	26,877	26,635	0.9	57,472	56,581	1.6
Ukraine	6,063	5,363	13.1	11,776	9,778	20.4
Kazakhstan and CIS markets	8,706	7,658	13.7	18,420	16,878	9.1
Indochina	13,942	9,462	47.3	26,487	16,505	60.5
Other Markets	13,728	13,690	0.3	27,304	25,506	7.0
Total	69,316	62,808	10.4	141,459	125,248	12.9

In 1H2018, sales in the Group's largest market, Russia, increased by 1.6% to US\$57.5 million compared to US\$56.6 million mainly due to higher sales volume partly offset by lower translated revenue due to the depreciation of the Russian Ruble against the US dollar.

In the Group's Ukraine market, sales increased by 20.4% from US\$9.8 million in 1H2017 to US\$11.8 million in 1H2018 due to restructuring in the Group's distributorship and higher sales volume.

In the Group's Kazakhstan and CIS markets, sales increased by 9.1% from US\$16.9 million in 1H2017 to US\$18.4 million in 1H2018 mainly due to higher sales volume.

In the Group's Indochina market, sales increased by 60.5% from US\$16.5 million in 1H2017 to US\$26.5 million in 1H2018 due to higher sales volume.

Sales in the Group's Other Markets increased by 7.0% from US\$25.5 million in 1H2017 to US\$27.3 million in 1H2018, mainly due to higher sales contribution from the Group's non-dairy creamer plant and snacks manufacturing facility in Malaysia.

On a quarterly basis, the Group's revenue in 2Q2018 was US\$69.3 million, an increase of 10.4% compared to 2Q2017. Sales in the Group's Indochina market increased by 47.3% mainly due to higher sales volume.

Profitability

For 1H2018, the Group's net profit after tax remained flat at US\$9.4 million despite recording higher sales and margin. This was mainly due to foreign exchange losses recorded in 1H2018 coupled with higher expenses incurred for advertising and promotion activities and higher manpower cost. For 2Q2018, the Group's net profit after tax was US\$2.3 million compared with net profit after tax of US\$3.2 million in 2Q2017 mainly due to foreign exchange losses coupled with higher expenses incurred for advertising and promotion activities.

For 1H2018, selling and distribution expenses increased by US\$5.0 million from US\$19.3 million in 1H2017 to US\$24.3 million. For 2Q2018, selling and distribution expenses increased by US\$2.7 million from US\$9.7 million in 2Q2017 to US\$12.4 million. The increase was mainly attributed to higher advertising and promotion expenses coupled with higher manpower cost.

For 1H2018, general and administrative expenses increased by US\$1.3 million from US\$17.0 million in 1H2017 to US\$18.3 million. For 2Q2018, general and administrative expenses increased by US\$0.5 million from US\$9.0 million in 2Q2017 to US\$9.5 million. The increase was mainly attributed to higher manpower cost.

The Group recorded a foreign exchange loss of US\$1.6 million in 1H2018 as compared to a foreign exchange gain of US\$1.0 million in 1H2017. For 1H2018, the Ukrainian Hryvnia strengthened from 28.1 Hryvnia per US dollar on 31 December 2017 to 26.2 Hryvnia per US dollar on 30 June 2018. Over the same period, the Russian Ruble weakened to 62.8 Ruble per US dollar on 30 June 2018, compared with 57.6 Ruble per US dollar on 31 December 2017. As the Group is economically exposed to both markets, it was affected by the revaluation of its outstanding trade receivables denominated in currencies other than the US dollar.

Balance Sheet & Cashflow

Trade receivables decreased from US\$39.7 million as at 31 December 2017 to US\$37.9 million as at 30 June 2018 mainly due to lower receivables from the Group's Kazakhstan and Ukraine markets.

Prepaid operating expenses and other debtors increased from US\$5.7 million as at 31 December 2017 to US\$7.3 million as at 30 June 2018 mainly due to prepayment for machineries, material, advertising and promotion expenses coupled with a prepayment made for the leasehold land partially offset by lower deposit for machineries by the Group's India operation in relation to the Freeze Dried Project.

Inventories increased from US\$47.5 million as at 31 December 2017 to US\$55.6 million as at 30 June 2018 due to stock-up of inventories in anticipation of higher sales.

Trade payables and accruals increased US\$3.6 million to US\$38.9 million as at 30 June 2018 mainly due to higher procurement in anticipation of higher sales and higher accruals for staff costs and advertising and promotion expenses.

The Group's net operating cash inflow declined from US\$12.1 million in 1H2017 to US\$7.6 million in 1H2018. The Group's cash and cash equivalents was US\$41.8 million as at 30 June 2018, compared to US\$42.8 million as at 31 December 2017.

The Group's net assets as at 30 June 2018 were US\$171.4 million. The net asset value per ordinary share (excluding non-controlling interest) as at 30 June 2018 was 32.21 US cents as compared to 31.45 US cents as at 31 December 2017.

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

Not applicable.

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

The fluctuation of currencies in the Group's key markets of Russia, Ukraine, Kazakhstan, CIS countries and Malaysia will continue to impact the results of the Group.

For the coming fiscal year, the expansion into new geographical markets outside that of its core markets remains a key focal area for the Group. By building on its successful market diversification efforts in Indochina, the Group seeks to increase long-term shareholder value by replicating its successful business model to other growth regions of Asia.

- 11. Dividend**

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

- 12. If no dividend have been declared/recommended, a statement to that effect.**

No dividend has been declared for the current financial period.

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

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

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

We, Tan Wang Cheow and Sudeep Nair, being two Directors of Food Empire Holdings Limited (the “Company”), do hereby confirm on behalf of the Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the financial period ended 30 June 2018 to be false or misleading in any material aspect.

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

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

On behalf of the Board of Directors

Tan Wang Cheow
Director

Sudeep Nair
Director

BY ORDER OF THE BOARD

Tan Cher Liang
Company Secretary
10 August 2018