RECIPE FOR

SUSTAINABLE GROWTH

FOOD EMPIRE HOLDINGS LIMITED

ANNUAL REPORT 2018

MENU

OUR
SPECIAL BLEND

About Food Empire Holdings Limited
(Bloomberg Code: FEH SP)

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

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

Food Empire's products are sold to over 50 countries, in markets such as Russia, Ukraine, Kazakhstan, Central Asia, China, Indochina, the Middle East, Africa, Mongolia, Europe and the US. The Group has 24 offices (representative and liaison) worldwide. The Group operates 8 manufacturing facilities in Russia, Ukraine, Vietnam, Malaysia, Myanmar and India.

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

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

DIFFERENT
GLOBAL DELIGHTS

Our Global Presence

Building great brands and creating quality products for diverse markets — these form the bedrock of Food Empire's fundamental strength.

With sights set on extending our global footprint, we are excited about how our product development and brand-building capability will take us.

SAMPLING *the Fare*

Our Brands

INSTANT BEVERAGES

Bolt	MacCereal
Café PHO	MacChocolate
CaféRite	MacCoffee
FesAroma	MacFito
Hillway	NutriRite
Klassno	Petrovskaya Sloboda
MacTea	

SNACK FOOD

Kracks	Chizzpa

FROZEN FINGER FOOD

OrienBites

COFFEE CAPSULES

Tazzanera

HOT OFF THE GRILL

OUR NEW PRODUCTS

MACCOFFEE AMERICANO CRÈME

The new MacCoffee Americano Crème is made of a unique recipe of well-roasted coffee beans and a delicate cream base. MacCoffee Americano Crème can be prepared both hot or cold. The richness and creaminess of its taste appeal to many coffee lovers. It also can be made into a coffee cocktail topped with ice cream and whipped cream. Yum!

CAFÉ PHO DEN DA

The new Café PHO Den Da comes with an improved formula and a modern look that is equipped with the ENCAP technique from Switzerland to preserve the coffee's original flavours and extracts entirely. It gives you the right taste of black iced coffee with a strong aroma and a smooth richness that you cannot resist!

KRACKS SWEET POTATO CRISPS

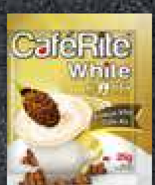
The all-new Kracks Sweet Potato Crisps is made with the yummy goodness of purple sweet potato that is rich in vitamins, minerals and high in fibre. Crispy and flavourful, it is also a good snack on-the-go, and a delectable treat to share with everyone!

BOLT MALTED MILK (TETRA PAK)

Bolt Malted Milk is now available in Tetra Pak packaging and comes in various flavours – Original, Chocolate and Strawberry. Each pack is filled with the daily essential nutrients you can drink and enjoy anytime, anywhere!

ORIENBITES CRISPY VEGETARIAN DELI

OrienBites range of frozen convenience food is a hot favourite for fans of Asian cuisines! The new Crispy Vegetarian Deli is made of vegetable-filled bundles of crispy pastry and is packed with a delicious mixture of traditional Asian vegetables, herbs and spices. Crispy Vegetarian Deli bites are excellent for sharing platters and side dishes. Simply cook it in the oven or deep fryer, and it will be ready to be served in minutes!



CAFÉRITE PREMIUM WHITE GOLD

Introducing the only premium white coffee in Philippines – CaféRite Premium White Gold will tantalise your tastebuds with an extra smooth and creamy taste.

KLASSNO CHOCOLATE MINT

There is no other better way to enjoy a cup of hot chocolate than with the irresistibly luscious and creamy Klassno 3-in-1 Chocolate Mint. The drink is packed with the nutritious properties of cocoa with a hint of mint, making it consumers' favourite hot chocolate drink!

PETROVSKAYA SLOBODA DARK CHOCOLATE AND SPICY

Petrovskaya Sloboda launched two new flavours this year – Dark Chocolate and Spicy. Petrovskaya Sloboda Dark Chocolate contains the perfect blend of both coffee and cocoa, giving it a richness in taste and is ideal for those who love their coffee less sweet. Petrovskaya Sloboda Spicy puts a new spin on our classic 3-in-1 coffee with ginger, cardamom, cinnamon and nutmeg to give a delightfully unique aroma and taste.

MACCOFFEE AROMIO

MacCoffee Aromio is the taste of Italian exclusivity with an exquisite aroma of freshly roasted coffee. It is a combination of freeze-dried coffee and ground coffee that you can enjoy instantly with the addition of hot water. The new MacCoffee Aromio is made from a fine selection of coffee beans and formulated with recipes of Italian coffee masters.

EXECUTIVE CHAIRMAN'S MESSAGE

"During the year, we consolidated and rationalised our business structure so as to create a stronger foundation for our future development."

Dear Valued Shareholders,

2018 continued to be a year of growth and progress for Food Empire Holdings Limited ("Food Empire" or together with its subsidiaries, the "Group"). Our key markets remained consistent in delivering on our commitments, though global uncertainties in the market have had foreign exchange implications on us. For the year in particular, we sought to drive sustainable growth across the company and rationalise under-performing segments in existing markets. We believe that this will better position us for the future and allow us to take on greater challenges for the new fiscal year to come. On behalf of the Group, it is my pleasure to share our performance for the financial year ended 31 December 2018 ("FY2018").

FINANCIAL OVERVIEW

In FY2018, the Russian Ruble weakened to 69.5 Ruble per US dollar on 31 December 2018, compared with 57.6 Ruble per US dollar on 31 December 2017. Over the same period, the Ukrainian Hryvnia strengthened from 28.1 Hryvnia per US dollar on 31 December 2017 to 27.7 Hryvnia per US dollar on 31 December 2018.

The Group's topline continued its growth momentum with 5.5% growth registered on a year-on-year ("yoy") basis to US$284.3 million for FY2018. While further depreciation of the Russian Ruble against the US dollar has resulted in a decline in revenue of 2.9% yoy to US$113.3 million for the Group's Russia market, sales in the Group's Ukraine market increased 17.6% yoy to US$25.7 million due to restructuring in the Group's distributorship and higher sales volume. Sales in the Group's Kazakhstan and CIS markets increased 5.8% mainly due to higher sales volume, while the Group's Indochina market recorded higher sales of 32.9% yoy for FY2018 similarly for the same reason.

For FY2018, the Group's net profit after tax increased by 33.3% to US$17.7 million mainly due to higher sales and margin coupled with the absence of impairment of investment, loan and share of losses incurred by its Korean associate, Caffe Bene Co., Ltd, ("Caffebene") partly offset by higher advertising and promotion expenses, manpower cost, foreign exchange losses and higher allowance for doubtful debts.

REWARDING SHAREHOLDERS

To reward shareholders, the Board of Directors has recommended a first and final one-tier tax-exempt dividend of 0.68 Singapore cents per share. The book closure date is on 3 May 2019 and the dividend will be paid on 17 May 2019, subject to shareholders' approval at the forthcoming AGM.

RATIONALISING OUR MARKETS

During the year, we consolidated and rationalised our business structure so as to create a stronger foundation for our future development. Specifically, we have been conducting an ongoing assessment of our underperforming markets to determine our best course of action, while rationalising others that has little prospects for the Group.

In addition, the Group has embarked on a corporate exercise to review and streamline our organisational structure, which has evolved over the years as the Group continues to expand. We have or are in the process of liquidating inactive or dormant entities that are incurring costs but no longer serve any useful purpose.

2018 also saw our existing investment in our associate, Caffebene, undergoing a voluntary Court rehabilitation process to restructure the excessive debts taken prior to our investment. Pursuant to a Creditors meeting held in May 2018, the restructuring plan was approved with a majority of its Creditors agreeing to the new scheme, which allows Caffebene to service its debt obligations without disruption to ongoing operations. Following the implementation of the plan, the equity stake of our 51% owned subsidiary, Hallyu Ventures Pte Ltd, in Caffebene was reduced from 44.8% to 37.6%. Caffebene was subsequently released from Court supervision in October 2018, where it continues to reorganise its businesses for a turnaround.

Collectively, these strategic exercises conducted to rationalise our markets serve to augment our capability to remain nimble amidst a period of global uncertainty. With a leaner operating structure and stronger focus on core business markets, we believe that the Group is better positioned to deliver sustainable growth as well as better profitability for our shareholders.

CONTINUING OUR BRAND JOURNEY

As a leading food consumer company, our success depends largely upon our ability to uphold the brand image of existing products, proliferate brand perception for new products and related brand extensions, as well as maintaining our corporate reputation. Accordingly, we have continuously invested in advertising and marketing throughout the year to enhance our brand equity and foster stronger relationships with our customers.

Specifically, in January 2018, we kicked off the new year with the European Figure Skating Championships in Moscow. As the official sponsor for this sporting event, we not only have had the privilege to join in the joyous occasion with millions of fans from around the world, we also had the opportunity to present MacCoffee's newest product, Cappuccino di Torino, to them.

Subsequently, in April 2018, we sponsored the EuroHockey Tour. Building on the Tour's increased viewership following the recent Olympic triumph of the Russian team, we sought this as an effective avenue to heighten MacCoffee's brand awareness while continuing our advocacy of promoting sports and lifestyle.

Closer to the region, MacCoffee Café PHO in Vietnam recently celebrated its 5-year journey with the launch of the campaign "Café PHO – Stirring up the love for Vietnam" that brings consumers an array of innovative and engaging activities. We are also delighted to introduce Miss Universe Vietnam, Miss H'Hen Niê, as our Goodwill Ambassador for this campaign.

Our efforts and commitments toward growing brand equity have paid off, with MacCoffee being awarded the "Product of the Year 2018" in Russia and MacCoffee Cappuccino di Torino being named as a product that was the quickest to break into the market and win the trust of consumers. Additionally, we were also recognised as one of the Top 100 "Most Valuable Singaporean Brands" by Brand Finance, improving 6 notches from prior placing attained in 2017 to the 59th place in 2018. Moving forward into 2019, we strive to boost our efforts in brand innovation and development, so as to stay relevant and maintain our competitive edge in the market.

ACHIEVING SUSTAINABLE GROWTH

Increasingly, there has been heightened focus amongst stakeholders for the use of resources in a manner that is sustainable and responsible. Here at Food Empire, we are cognisant of such global movements and have begun adopting the Global Reporting Initiative framework as part of our day-to-day business dealings. Material issues pertaining to environmental, social, and governance objectives are actively considered as part of the Board's strategy formulation and implementation framework. These initiatives have been detailed in our sustainability report recently published and can be read or downloaded at http://foodempire.listedcompany.com/sr.html.

OUTLOOK

The global economy is projected to grow at a slower pace for 2019, amidst weakening financial market sentiment across Europe with Brexit, trade wars uncertainty and concerns about China's economic outlook. While trade talks have been ongoing, the possibility of tensions resurfacing continues to becloud the global economy.

As for crude oil, prices have remained largely volatile, which affect the currency on our prevailing markets. However, with a strong underlying demand for our products together with a leaner organisational structure, our continued efforts will strengthen our foothold in existing markets. As such, we maintain an optimistic outlook for the Group's performance in the coming fiscal year.

APPRECIATION

In closing, I would like to express my utmost gratitude to the Board, the management team as well as our staff for their dedication and hard work towards our business. To our customers, business partners, distributors and shareholders, I would also like to thank you for your continuous commitment and faith in us.

Mr. Tan Wang Cheow
Executive Chairman

GROUP CEO'S MESSAGE

"Today, the Group is in a better position to withstand external shocks and thrive in the face of increasingly complex challenges."

Dear Shareholders,

I am pleased to report a good set of results for FY2018. The Group recorded its third consecutive year of revenue growth, while profitability was the highest in 5 years despite a devaluation of Ruble in Russia, our biggest market. I would like to point out that these were achieved against a backdrop of renewed macroeconomic uncertainty, volatility in oil and currencies affecting the Group's markets towards the end of the year.

For FY2018, the Group recorded higher revenue of 5.5% to US$284.3 million as compared to US$269.5 million in FY2017. Russia posted a decrease in revenue, mainly due to depreciation of the Russian Ruble against the US dollar, even though performance in local currency terms has improved. The improvement reflects our unwavering commitment towards brand building from the ground up, through constant customer engagement and judicious investment in advertisement & promotion. By doing so, we are able to have a good understanding of our customer needs, allowing us to calibrate our response and develop innovative products that continue to excite the market. These help us to maintain our market leadership position in the face of stiff competition.

Our other key markets in the neighbouring region such as Ukraine posted an increase in revenue due to successful restructuring of the Group's distributorship coupled with higher sales volume, while sales in our Kazakhstan and CIS markets also increased mainly due to higher sales volume.

Meanwhile, our Indochina market continued to power ahead. Sales grew by 32.9% from US$37.9 million in FY2017 to US$50.4 million in FY2018, driven by our effort to expand the market and investments in advertising and promotion. For the Group's other markets, sales remained flat at US$57.9 million, with higher sales from the Group's non-dairy creamer plant and snacks offsetting declines in other markets.

In terms of expenses, selling and distribution expenses were higher by 21.2% while general and administrative expenses were higher by 19.5% for FY2018. The former was due to higher expenses incurred for advertising and promotion activities coupled with higher manpower costs. The latter was mainly attributed to higher allowance for doubtful debts, higher manpower and transportation costs. Additionally, the Group recorded a foreign exchange loss of US$3.5 million in FY2018 as compared to a foreign exchange gain of US$1.1 million in FY2017.

Cumulatively, net profit after tax for FY2018 was US$17.7 million as compared to a net profit after tax of US$13.3 million a year ago. This increment of 33.3% was due to higher sales and margin coupled with the absence of impairment of investment, loan and share of losses incurred by its Korean associate, Caffe Bene Co., Ltd, ("Caffebene"),

partly offset by higher advertising and promotion expenses, manpower cost, foreign exchange losses and higher allowance for doubtful debts.

Overall, the Group's FY2018 performance was commendable, taking into consideration the foreign exchange losses incurred in the year on our core market of Russia. It also reflects structural enhancement in our business fundamentals, rooted in the quiet transformation of the Group since I took over as CEO in 2012. Over the past years, we have steadfastly focused our attention on three strategic pillars, namely, market and product diversification, restructuring and consolidating our operations and our search for suitable Mergers & Acquisition ("M&A") opportunities that can complement the Group's organic growth strategy. At this juncture, I would like to give an update on our progress and how they will shape our way forward.

Our quest for diversification has led us to the Indochina market. Since our early breakthrough in 2014, we have continued to invest heavily in the region. Today, Indochina has grown to become the Group's second largest market after Russia. In numeric terms, over the past 6 years, the Indochina revenue has grown at a CAGR of 58.2% from US$5.08 million in FY2013 to US$50.4 million in FY2018, driven by a combination of wider distribution channels, stronger brand innovation, as well as aggressive advertising and promotion activities. With its large aspirational population base and young workforce, we are optimistic that the region will continue to present growth opportunities for quality consumer products. Going forward, we expect to leverage on our strength to roll out new initiatives and refine existing market strategies so that we can capture a bigger slice of the burgeoning consumer market and grow at a more sustainable pace. Besides Indochina, we will also consider other markets on a case-by-case basis to see how they may contribute to the Group's overall growth strategies. We will relook into our strategies for the markets where we have not achieved results as per our expectations.

Our restructuring and consolidation efforts have seen the Group successfully shift part of its 3-in-1 instant beverage packing operations to Malaysia whilst making an initial foray into upstream commodities and snacks manufacturing. These new businesses have grown and most of the existing plants were being utilised at a high level, which prompted us to consider progressive expansion of these facilities as well as to develop new capabilities. In Q2 2018, we commissioned our second production line for snacks in Malaysia. We are also working on the construction of our second instant coffee plant in India which is expected to be operational by 2020 and will start contributing meaningfully to the Group's growth in future years.

Besides organic expansion of the Group's businesses, the Group continues to be on the lookout for suitable M&A opportunities. We view M&A as a complementary strategy that involves careful consideration, given that the M&A landscape is one that is highly dynamic and competitive. Hence, we will remain focused in our search for value propositions that will secure long term strategic benefits to the Group.

Looking ahead, with the slew of negative macroeconomic news, the global economy is expected to move along at a slower pace. However, I am pleased to share that we have managed to implement most of our strategic plans. We have also built our businesses to be more resilient through market diversification, streamlining of our operations and a leaner corporate structure. Our business in our core markets are much stronger today while we have been able to use our experience to diversify geographically. Today, the Group is in a better position to withstand external shocks and thrive in the face of increasingly complex challenges. Even so, we must stay vigilant and explore ways to improve and evolve organically to remain competitive and relevant in all our markets.

In closing, I would like to express my heartfelt appreciation to our Board members for their counsel and advice; to all our Business Heads and our staff for their dedicated service and commitment, as well as to all our shareholders, business partners, customers and other stakeholders for their continued support all this while. As we progress into 2019 and beyond, we look forward to creating long-term sustainable value and enhanced returns for all stakeholders.

Mr. Sudeep Nair
Group Chief Executive Officer

What is the RECIPE *for* SUCCESS?

Food Empire will not be where it is today without a few key ingredients that, when combined, leads to positive development and growth.

We are committed to delivering high quality products and services, and building a brand that is trusted by our customers worldwide.

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 such as Russia, Eastern Europe and Central Asia.

СІЬРНИКИ *(Syrniki)*

These traditional Russian cottage cheese pancakes are a delicious breakfast treat served with coffee or tea.

INGREDIENTS

1 lb ricotta cheese, well-drained

2 large eggs

2 tbsp oil

4 tbsp sugar

80g flour

1/2 tsp baking powder

1 tsp vanilla

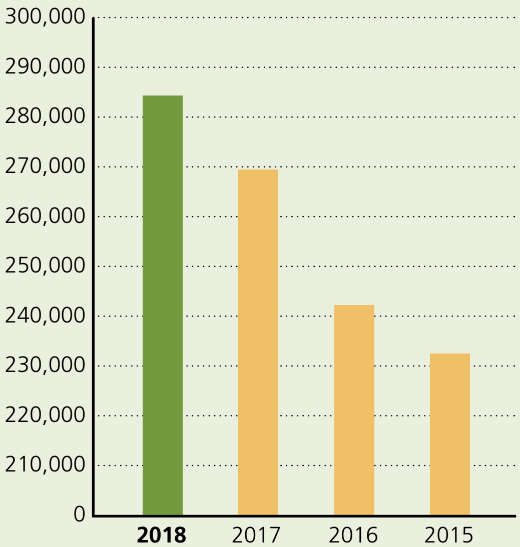
METHOD

1. Combine cheese, eggs, oil, sugar, flour, baking powder and vanilla in a medium size bowl and mix together until smooth. Dough will be thick and sticky.
2. Put the non-stick or cast iron frying pan on the stove on medium heat and add 3 tbsp of oil to it.
3. Dust a clean work surface with some flour. Take a regular soup spoon and divide the dough into 14 portions. Place directly on the floured surface and roll, then flatten it with your palm to make it into discs.
4. Heat about 3 tbsp of oil on a non-stick frying pan. The oil should be very hot before frying the syrniki.
5. Fry the syrniki the same way you would with pancakes. When you turn them over they should puff up a bit. The flour coating will make the outside slightly crispy while the cheese filling will taste light and delicious.
6. Dust syrniki with icing sugar and serve them with your favourite jam or a fruit sauce. If you want a truly Russian experience, enjoy them with a bit of "smetana"-creme fraiche.

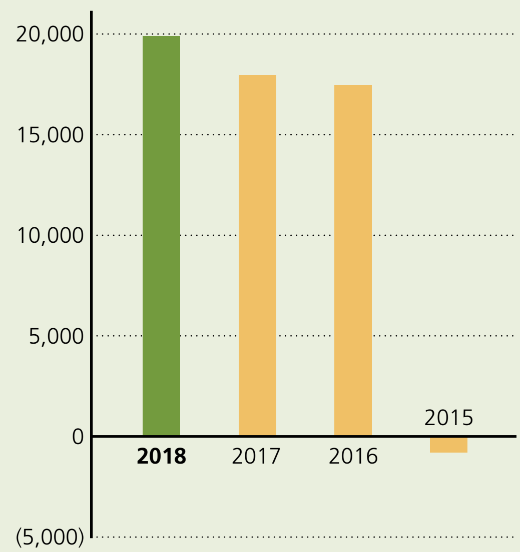
Serves 4.

FINANCIAL HIGHLIGHTS

Revenue (US$'000)



Profit/(loss) before tax (US$'000)



	2018	2017	2016	2015
(US$'000)				
Revenue	284,330	269,450	242,210	232,427
Profit/(loss) before taxation	19,900	17,958	17,457	(791)
Profit/(loss) after taxation	17,731	13,299	13,815	(131)
Financial Indicators				
Debt to Equity Ratio	19.4%	21.7%	25.3%	28.7%
Working Capital Ratio	2.5	2.3	2.1	2.2
Quick Ratio	1.6	1.5	1.4	1.4
EBITDA Margin	9.5%	9.0%	9.8%	1.9%
Diluted earnings per share (USD cents)	3.36	2.62	2.72	0.04
NAV per share (USD cents)	33.00	31.45	28.83	25.78
Revenue by Geographical Regions (US$'000)				
Russia	113,305	116,702	107,938	107,302
Ukraine	25,684	21,844	23,480	24,811
Kazakhstan & CIS Markets	37,104	35,067	27,170	35,808
Indochina	50,384	37,898	40,092	29,445
Others	57,853	57,939	43,530	35,061
	284,330	269,450	242,210	232,427
Revenue by Product Group (US$'000)				
Beverages	246,700	233,269	216,365	211,229
Non-Beverages	18,486	17,176	15,374	15,547
Ingredients	19,144	19,005	10,471	5,651
	284,330	269,450	242,210	232,427

Russia

US$113.3 MILLION

Ukraine

US$25.7 MILLION

Kazakhstan & CIS Markets

US$37.1 MILLION

Indochina

US$50.4 MILLION

Others

US$57.9 MILLION

OPERATIONS AND FINANCIAL REVIEW

FINANCIAL PERFORMANCE

Revenue for the financial year ended 31 December 2018 ("FY2018") was US$284.3 million, a year-on year ("yoy") increase of 5.5% compared with the US$269.5 million revenue recorded in FY2017. In FY2018, sales in the Group's largest market, Russia, increased by volume but revenue decreased by 2.9% to US$113.3 million as compared to US$116.7 million in FY2017 due to further devaluation of the Russian Ruble against the US dollar. In the Group's Ukraine market, sales increased by 17.6% from US$21.8 million in FY2017 to US$25.7 million in FY2018 due to restructuring in the Group's distributorship and higher sales volume. In the Group's Kazakhstan and CIS markets, sales increased by 5.8% from US$35.1 million in FY2017 to US$37.1 million in FY2018 mainly due to higher sales volume. In the Group's Indochina market, sales increased by 32.9% from US$37.9 million in FY2017 to US$50.4 million in FY2018 due to higher sales volume.

For FY2018, selling and distribution expenses increased by US$8.3 million from US$39.5 million in FY2017 to US$47.8 million. The increase was attributed to higher advertising and promotion expenses and manpower costs. General and administrative expenses increased by US$6.7 million from US$34.7 million in FY2017 to US$41.4 million in FY2018. The increase was mainly attributed to higher allowance for doubtful debts, higher manpower and transportation costs. Additionally, the Group recorded a foreign exchange loss of US$3.5 million in FY2018 as compared to a foreign exchange gain of US$1.1 million in FY2017.

For FY2018, the Group's net profit after tax increased by 33.3% to US$17.7 million mainly due to higher sales and margin coupled with the absence of impairment of investment, loan and share of losses by its Korean associate, Caffe Bene Co., Ltd, ("Caffebene"), partly offset by higher advertising and promotion expenses, manpower cost, foreign exchange losses and higher allowance for doubtful debts.

FINANCIAL POSITION

Trade receivables decreased US$7.1 million to US$32.6 million as at 31 December 2018 mainly due to lower receivables from the Group's Malaysia Klang, Kazakhstan and Ukraine operations coupled with higher allowance for doubtful debts.

Trade payables and accruals decreased US$5.6 million to US$29.7 million as at 31 December 2018 mainly due to lower procurement.

Property, plant and equipment increased US$4.3 million to US$68.9 million as at 31 December 2018 mainly due to the Group's subsidiary, Indus Coffee's expansion of its manufacturing facility in India.

The Group's net operating cash inflow position decreased, with a net operating cash flow of US$15.1 million in FY2018 compared to US$29.8 million in FY2017 mainly due to higher working capital requirements. The Group's cash and cash equivalents was US$42.2 million as at 31 December 2018, compared to US$42.8 million as at 31 December 2017.

The Group's net assets as at 31 December 2018 were US$175.5 million. The net asset value per ordinary share (excluding non-controlling interests) as at 31 December 2018 was 33.00 US cents as compared to 31.45 US cents as at 31 December 2017.

BOARD OF DIRECTORS

Mr Tan Wang Cheow, PBM
Executive Chairman

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

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

Mr Sudeep Nair
Group Chief Executive Officer

Mr Nair has been serving the Board as an Executive Director since July 2005. In October 2012, Mr Nair was appointed as the Group CEO and is responsible for the Group's growth strategy and overall oversight of its day-to-day operations. His role includes geographical expansion of business, as well as identifying new business and M&A opportunities for the Group.

Mr Nair has over 25 years of experience in developing and managing the Group's business.

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 had 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 (Sarjana 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 the Chairman of the Remuneration and Nominating Committees, as well as a member of the Audit Committee. He is also a Director of several other Singapore listed companies involved in a range of industries including palm oil, properties, energy and resources, marina & yachting, and precision machining. His previous career included being Managing Director of NTUC Comfort, Executive Director of NTUC Fairprice 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. 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 Boon Yoon Chiang
Independent Director

Mr Boon was appointed to the Board as an Independent Director in December 2005 and is a member of the Audit Committee, Remuneration and Nominating Committees. He is the Country Chairman of the Jardine Matheson Group of Companies in Singapore, and Deputy Chairman of Jardine Cycle & Carriage Limited, which is listed on the Singapore Exchange Limited. He also serves on the Boards of several other companies including MNCs. He is a member of the Competition Appeal Board.

Mr Ong Kian Min
Independent Director

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

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

MARKET ACTIVITIES
HIGHLIGHTS

Let's take a look at the delectable treats Food Empire has served during the year.

EUROPEAN FIGURE SKATING CHAMPIONSHIPS 2018

The beginning of 2018 kicked off with the most notable event in Moscow – the European Figure Skating Championships where millions of fans around the world watched young and daring skaters compete for the top prize. Once again, MacCoffee was the supporter of this spectacular event and proud to present its new product Cappuccino di Torino at the game.

MACTEA'S "BIGGEST CUP OF MILK TEA IN CENTRAL ASIA" CAMPAIGN IN KAZAKHSTAN

During the Nauriz holiday, MacTea held a campaign by placing the biggest cup of milk tea in central Almaty, Kazakhstan, and in several nearby regions to create awareness. The cup has a capacity of 2,000 litres, the height of 2.7 metres and 1.5 metres in diameter. This successful campaign attracted more than 30,000 people from Almaty city and in the region.

MACCOFFEE CAPPUCCINO DI TORINO AT BOOGEL WOOGEL AND GRELKAFEST

MacCoffee turned up the heat at Russia's biggest ski carnivals, Boogel Woogel and GrelkaFest 2018. Piping hot drinks were served, keeping everyone warm on the snowy slopes of Rosa Khutor and Sheregesh. MacCoffee was the sponsor of the beauty pageant contest and the MacCoffee coliseum was also set up as an incredible attraction point for photo-taking. The event was an excellent way for MacCoffee to introduce its new product.

EUROHOCKEY TOUR 2018

Once again, MacCoffee was the proud sponsor of the EuroHockey Tour in 2018. The viewership of the Tour grew significantly due to the recent Olympic triumph of the Russian team. MacCoffee has always been an advocate for sports and lifestyle, and a strong supporter of winter sports.

SKYSERVICE 2018

We have been the partner of several airlines catering services such as Aeroflot and Utair starting 2018. The favourites of MacCoffee hot drinks, Hillway premium tea, and Kracks potato crisps, can be found in the inflight SkyShop of the aircraft. The SkyService event is one of the largest events in the field of civil aviation, dedicated to the development of onboard airline services. MacCoffee and Hillway were a part of this great international forum.

BICYCLE DAY 2018

MacCoffee is honoured to be one of the sponsors for the huge annual city event in Ukraine, Bicycle Day 2018. Thousands of cyclists and spectators from all walks of life gathered for the first time to participate in this family sporting event.

RUSSIA SINGAPORE BUSINESS FORUM 2018

Mr Sudeep Nair, Group CEO of Food Empire Holdings Limited, was invited as a panelist at the Russia Singapore Business Forum 2018, one of the high-level international conferences held in Singapore. He shared invaluable knowledge of his 25 years of experience in setting up and managing the Group's business in Russia and CIS countries, as well as how Food Empire has progressed over the years in the region.

FOOD EMPIRE UZBEKISTAN CELEBRATES 10 YEARS OF FRIENDSHIP

In appreciation of the Food Empire and MacCoffee team in Uzbekistan, a celebration was held on 5 October to commemorate its 10 years of success! It was a jubilant and heart-warming event gathered by long-serving partners, distributors and staff who celebrated years of hard work, dedication and friendship.

KICKING OFF THE BIGGEST AND MOST UNIQUE CAMPAIGN EVENT EVER – "CAFÉ PHO – STIRRING UP THE LOVE FOR VIETNAM"

The biggest and most impressive 2-day event themed "Café PHO – Stirring up the love for Vietnam" was held in October 2018. This event aimed to bring youths and families together, presenting to them the most unique and amazing experience ever – an artificial tropical PHO island in the heart of Ho Chi Minh City! It encompassed various exciting activities such as land and water sports during the day, as well as a music concert featuring famous singers in the evening.

SIAL 2018

Food Empire participated in the world's largest international food innovation exhibition, SIAL Paris 2018. Our brands were featured at several booths that reached out to more than 300,000 visitors from 119 countries.

KAZAKHSTAN-SINGAPORE BUSINESS FORUM

Mr Tan Wang Cheow, Executive Chairman of Food Empire Holdings Limited, was invited to be part of the panel discussion at the Kazakhstan-Singapore Business Forum. Kazakhstan is one of Food Empire's key markets, and we are proud to have a branding presence with our core product, MacCoffee, which owns one of the most significant market shares in the instant coffee segment in the country.

BRAND FINANCE TOP 100 "MOST VALUABLE SINGAPOREAN BRANDS"

Food Empire is pleased to announce its recognition as one of the Top 100 "Most Valuable Singaporean Brands" by Brand Finance, the world's leading valuation and strategy consultancy. Specifically, the Group was ranked 59th place in the brand ranking, an improvement of 6 notches from the prior placing attained in 2017, bearing testimony to the quality of the Food Empire brand.

MACCOFFEE WINS PRODUCT OF THE YEAR 2018

MacCoffee has been conferred the "Product of the Year 2018" award in Russia. MacCoffee Cappuccino di Torino was also named as the product that was the quickest to break into the market.

SOCIAL ACTIVITIES
HIGHLIGHTS

Food Empire has been cooking up a storm to actively give back to the community.

"BRINGING NDP TO SENIORS 2018" CELEBRATION

It is Food Empire's mission to provide quality food products to consumers and make a difference in people's lives. This year, Food Empire is honoured to be one of the sponsors for ACE Senior's "Bringing NDP to Seniors 2018" celebration. In addition to our volunteers' efforts, we are also heartened to have brought much cheer to more than 90,000 seniors across 15 nursing homes and community hospitals with our delicious food products as we celebrate Singapore's National Day together.

NATIONAL DAY DINNER 2018

Food Empire is honoured to support the National Day Dinner 2018 organised by Bedok Reservoir–Punggol Division. At this annual event, members of the community gathered to celebrate Singapore's 53rd National Day.

FOOD EMPIRE PRESENTED WITH THE COMMUNITY PARTNERSHIP EXCELLENCE AWARD 2018

We are pleased to announce that Food Empire has been awarded the Community Partnership Excellence Award this year for its outstanding contributions towards the community and grassroots movement at the People's Association Community Spirit Awards 2018 in Singapore.

PROJECT SUNSHINE – CHARITY DINNER FOR CHAI CHEE BREAD RECIPIENTS

Food Empire brings cheer by sponsoring the annual charity dinner and gift vouchers for needy and low-income residents. We strive to create a positive difference not only in the lives of consumers but also to the community around us.

The Recipe for Building a
STRONG BRAND

"As a leading food consumer company, our success depends largely upon our ability to uphold the brand image of existing products, proliferate brand perception for new products and related brand extensions, as well as maintain our corporate reputation."

— Mr Tan Wang Cheow, Executive Chairman

NƯỚC CHẤM
Vietnamese Fish Sauce

The Vietnamese fish sauce is a light and tantalising dipping sauce usually served with spring rolls.

INGREDIENTS

1 cup hot water

1/2 cup white sugar

1/2 cup freshly squeezed lime juice

1/3 cup Vietnamese fish sauce

2 medium cloves garlic, minced

1 small bird's eye chilli, minced (optional)

METHOD

1. In a small bowl, whisk water and sugar until sugar dissolves.
2. Add in lime juice, fish sauce, garlic, and chilli (for a spicy taste). Stir to combine.
3. Use immediately or store in an airtight container. Keep refrigerated.

Makes about 2 cups.

CORPORATE GOVERNANCE REPORT

Food Empire Holdings Limited (the "**Company**") together with its subsidiaries (the "**Group**") are committed to maintaining good corporate governance to enhance and protect the 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**"). The Company has complied in all material respects with the principles and guidelines in the Code. Where there are deviations from the Code, appropriate explanations will be provided.

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

A) BOARD MATTERS

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

The principal functions of the Board are:

1) supervising the Management of the business and affairs of the Group;

2) approving Board policies, overall strategic plans, key operational initiatives, financial and human resources objectives of the Group;

3) reviewing and monitoring the performance and rewarding of key management;

4) overseeing the processes for evaluating the adequacy and effectiveness of internal controls, risk management, financial reporting and compliance;

5) approving the nomination of the Board of Directors and appointment of key personnel;

6) approving annual budgets, major funding, investment and divestment proposals; and

7) assuming responsibility for corporate governance.

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

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

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

There are three Board Committees:

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

The Board approves transactions exceeding certain threshold limits set by the Board, while delegating authority for transactions below those limits to Board Committees and the Management via a structured Delegation of Authority matrix. This matrix is reviewed on a regular basis. The Board Committees and the Management remain accountable to the Board. Matters which specifically require the Board's approval are those involving conflicts of interests of a substantial shareholder or a Director, material acquisitions and disposal of assets, corporate or financial restructuring and share issuances, dividends and other returns to shareholders.

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

CORPORATE GOVERNANCE REPORT

The Non-executive Directors ("**NED**") and Independent NEDs ("**INED**") always constructively challenge and help develop proposals on strategy and review Management's performance in meeting agreed goals and objectives, and monitor the reporting of Management's performance. To facilitate a more effective check on Management, NEDs would meet amongst themselves without the presence of Management prior to the start of each Board meeting, where necessary.

The attendance of the Directors at meetings of the Board and Board Committees for the financial year ended 31 December 2018 ("**FY2018**") as well as the frequency of these meetings, are disclosed as follows:

Directors	Board Meeting	Audit Committee Meeting	Nominating Committee Meeting	Remuneration Committee Meeting
Tan Wang Cheow	5	N/A	3	N/A
Sudeep Nair	5	N/A	N/A	N/A
Tan Guek Ming	5	4	N/A	3
Hartono Gunawan	2	N/A	N/A	N/A
Koh Yew Hiap	5	N/A	N/A	3
Ong Kian Min	5	4	3	3
Lew Syn Pau	5	4	3	3
Boon Yoon Chiang	5	4	3	3
No. of Meetings Held in 2018	**5**	**4**	**3**	**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 under the 'Board of Directors' section of this annual report.

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

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

The Management monitors changes to regulations and accounting standards. The Directors are briefed on the new updates in the requirements of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Companies Act, Chapter 50 or other regulations/statutory requirements from time to time by the Management and if required, all 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 NEDs and INEDs are briefed and updated on major developments and the progress of the Group at the Board meetings.

CORPORATE GOVERNANCE REPORT

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	Group CEO
Mdm. Tan Guek Ming	Non-executive Director
Mr. Hartono Gunawan	Non-executive Director
Mr. Koh Yew Hiap	Non-executive Director
Mr. Ong Kian Min	Lead Independent Non-executive Director
Mr. Lew Syn Pau	Independent Non-executive Director
Mr. Boon Yoon Chiang	Independent Non-executive Director

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	√	√	√		
Hartono Gunawan	√	√	√		
Koh Yew Hiap	√	√	√		
Ong Kian Min	√		√		√
Lew Syn Pau	√		√	√	
Boon Yoon Chiang	√	√	√	√	√

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 INEDs contribute their independent views and objective judgements on issues of strategy, business performance, resources and standards of conduct.

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

Although Mr. Lew Syn Pau, Mr. Ong Kian Min and Mr. Boon Yoon Chiang have served on the Board for more than nine years, in determining the independence of a Director, the NC and the Board, with the affected Directors abstaining from the review, takes into consideration circumstances set out in Section 210(5)(d) of the SGX-ST Listing Manual and Guideline 2.3 of the Code including the following:

(i) He is not employed by the Company or any of its related corporations for the current or any of the past three financial years;
(ii) He is not a director who has an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporation and whose remuneration is determined by the RC; and
(iii) He has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere with his exercise of independent business judgement in the best interest of the Company.

Furthermore, the Board also notes that none of the affected INEDs had any interested person transactions with the Group or the substantial shareholders that might affect their independence.

CORPORATE GOVERNANCE REPORT

B) BOARD COMPOSITION AND GUIDANCE *(cont'd)*
- Principle 2: Strong and independent element of the Board *(cont'd)*

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

Hence, the Board is of the view that Mr. Lew Syn Pau, Mr. Ong Kian Min and Mr. Boon Yoon Chiang should still be considered independent despite having been on the Board for more than nine years as there are no circumstances which might affect their independent judgement. Their combined strength of character, objectivity and wealth of useful and relevant experience which would enable them to be effective independent directors, their long tenure notwithstanding.

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

As a part of the Board renewal process, Mr. Hartono Gunawan and Mr. Boon Yoon Chiang have decided not to seek re-election and retire as directors at the forthcoming Annual General Meeting ("**AGM**") of the Company. Their offices as Directors will cease at the conclusion of the forthcoming AGM. The Company is in the process of appointing new directors in their place and will announce the appointment of the new directors to SGX-ST at the appropriate time.

The Board, with the concurrence of the NC, is also of the view that the composition of the Board and the Board Committees, as a group, provides an appropriate balance and diversity of skills, experience, ethnicity, gender, age and knowledge of the Group. No individual or group dominates the decision-making process of the Board and Board Committees. The NC is of the view that the current Board and Board Committees have the necessary competencies, skills and attributes to meet the Group's targets and to respond to the demands facing the Group.

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 GROUP CHIEF EXECUTIVE OFFICER
- Principle 3: Clear division of responsibilities at the top of the Company

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

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

The Group 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. He promotes high standards of corporate governance and open environment for debate, and ensures that NEDs are able to speak freely and contribute effectively. Regular meetings are scheduled to enable the Board to perform its duties and agendas are prepared in consultation with Management as well as the Company Secretary. At the AGM and other shareholders' meetings, the Executive Chairman plays a pivotal role in fostering constructive dialogue between shareholders, key stakeholder groups, the Board and Management.

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

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

CORPORATE GOVERNANCE REPORT

D) BOARD MEMBERSHIP

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

The NC comprises:

Mr. Lew Syn Pau (Chairman)
Mr. Tan Wang Cheow
Mr. Ong Kian Min
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 Directors, NEDs and INEDs;
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 and Board Committees and the contribution by individual Directors;
4) reviewing the independence of Directors annually;
5) considering and making recommendations on nominations of Directors retiring by rotation;
6) reviewing Board succession plans for Directors, in particular, the Executive Chairman and for the Group CEO;
7) making recommendations to the Board on comprehensive training and professional development programs for the Board; and
8) deciding whether or not a Director is able to and has adequately carried out his duties as a Director of the Company, particularly when they have multiple Board representations.

<u>Dates of last re-election/re-appointment</u>

Directors	Date of last re-election/re-appointment
Tan Wang Cheow	24 April 2017
Sudeep Nair	24 April 2018
Tan Guek Ming	24 April 2018
Hartono Gunawan	22 April 2016
Koh Yew Hiap	24 April 2017
Ong Kian Min	24 April 2018
Lew Syn Pau	24 April 2017
Boon Yoon Chiang	22 April 2016

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 determined that it is not necessary to set the maximum number of listed board representations that any Director may hold as all the Directors are able to devote time to the Company's affairs despite their other commitments.

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

CORPORATE GOVERNANCE REPORT

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

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

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

E) BOARD PERFORMANCE
- Principle 5: Formal assessment of the effectiveness of the Board, Board Committees and contributions of each Director

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

a) attendance at Board and Board Committees' meetings;

b) participation in meetings and special contributions including Management's access to the Director for guidance or exchange of views outside the formal environment of Board meetings; and

c) introducing contacts of strategic benefit to the Group.

The Board's evaluation process is performed annually whereby questionnaires were sent to the Directors and the results of the evaluation were tabled to the NC for deliberation. The results of the performance evaluation showed that the overall performance of the Board, Board Committees and contribution of the individual Directors were in the categories of "consistently good". The NC and the Board were satisfied with the overall performance in FY2018.

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 quarterly updates of the latest developments in the Group, financial and management accounts, operational metrics, audit findings and risk dashboard and reports and other financial information.

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

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

The Company Secretary or his representatives will attend all Board and Board Committees' 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. The appointment and removal of the Company Secretary are subject to the Board's approval.

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

CORPORATE GOVERNANCE REPORT

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)
Mdm. Tan Guek Ming
Mr. Koh Yew Hiap
Mr. Ong Kian Min
Mr. Boon Yoon Chiang

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 ensure 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 months' notice in writing. Under the service agreements, the Executive Directors are entitled to a share of profits on the Group's profit after tax, on top of the monthly salary and bonus.

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

The current share option scheme applies to eligible employees and Directors of the Group, other than the controlling shareholders who are not Directors or employees. The participation of Directors who are controlling shareholders, associates of controlling shareholders or nominated by the controlling shareholders of the Group in the current share option scheme is subject to independent shareholders' approval. Additional information on the previous and current share option schemes can be found on pages 41 to 45 and 115 to 119 of the annual report.

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

The aggregate total remuneration paid to the top five key executives (who are not the Directors or the Group CEO) was S$3,402,000 in FY2018.

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

CORPORATE GOVERNANCE REPORT

G) REMUNERATION MATTERS *(cont'd)*
- Principle 7: Formal and transparent procedure for fixing remuneration packages of Directors *(cont'd)*
- Principle 8: Remuneration of Directors should be adequate but not excessive *(cont'd)*
- Principle 9: Remuneration policy, level and mix of remuneration and procedure for setting remuneration *(cont'd)*

The remuneration for FY2018 is shown below:-

Remuneration Bands	No. of Directors in Remuneration Bands
S$1,500,000 to S$1,749,999	2
S$1,250,000 to S$1,499,999	0
S$1,000,000 to S$1,249,999	0
S$750,000 to S$999,999	0
S$500,000 to S$749,999	0
S$250,000 to S$499,999	0
Below S$250,000	6

Remuneration Bands	Remuneration of top five key executives
S$1,000,000 to S$1,249,999	1
S$750,000 to S$999,999	0
S$500,000 to S$749,999	3
S$250,000 to S$499,999	1
Below S$250,000	0

To maintain confidentiality of remuneration, the names of the Directors and the top five key executives are not stated. There are no employees who are immediate family members of a Director or the Group CEO whose remuneration exceeds S$50,000 during FY2018.

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

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

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

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

CORPORATE GOVERNANCE REPORT

I) RISK MANAGEMENT AND INTERNAL CONTROLS
- Principle 11: Sound systems of risk management and internal controls

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

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

The Board has approved a Group Risk Management Framework for the identification of key risks within the business which is aligned with the ISO 31000:2009 Risk Management framework. To enhance the effectiveness of the enterprise risk management ("**ERM**") framework, the Group implemented Orion ERM system, a third party software that automates the risk management, internal control and assurance functions and enables these functions to be managed on an integrated platform.

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

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

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

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

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

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

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

Based on the risk management framework and internal controls established and maintained by the Group, works performed by the internal, external auditors and external certification firms and annual reviews performed by Management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's risk management and internal control systems addressing financial, operational, compliance and information technology risks, were adequate and effective as at 31 December 2018.

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

CORPORATE GOVERNANCE REPORT

J) AUDIT COMMITTEE
- Principle 12: Establishment of AC with written terms of reference

The AC comprises:

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

All four members of the AC are NEDs and the majority, including the Chairman, is independent. The Chairman of the AC, Mr. Ong Kian Min, is a lawyer and director of several publicly listed 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 all the members of the AC have recent and relevant accounting knowledge or related financial management expertise and experience to discharge the AC's duties and responsibilities. None of the AC members were previous partners or directors of the Company's external auditors, Ernst & Young LLP ("**EY**" or "**External Auditors**"), within the last twelve (12) months or hold any financial interest in EY.

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

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

a) the audit 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 re-appointment of the External Auditors and recommend it to the Board for obtaining approval from the shareholders;

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

g) 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;

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

i) the audit plans of the internal auditors;

j) the results of their internal audit; and

k) the independence, adequacy and effectiveness of the internal audit function of the Group.

Apart from the duties listed above, the AC has the authority to commission and review the findings of internal investigations into any matter where there is suspected fraud or irregularity, or failure of internal controls or infringement of any 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.

CORPORATE GOVERNANCE REPORT

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

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

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

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

The total fees paid to EY (including overseas EY entities) for FY2018 are as disclosed in the table below:

	US$'000	% of total audit fees
Audit Fees	326	77.1
Non-Audit Fees	97	22.9
Total Fees Paid	423	100.00

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

Different auditors have been appointed for some of the overseas subsidiaries. The names of these audit firms are disclosed under Note 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 in relation to its external auditors.

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

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

CORPORATE GOVERNANCE REPORT

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

Significant financial statement reporting matters

In the review of the Company's financial statements for FY2018, the AC considered a number of significant matters and has discussed with Management the accounting principles that were applied and their judgement of items that might affect the financial statements.

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

Significant matters	How the AC reviewed these matters
1. Revenue recognition	The AC reviewed Management's approach and assessment of the internal controls over the recognition of revenue. The AC was satisfied that Management's approach and assessment of internal controls over revenue recognition were appropriate. Please refer to page 48 of the External Auditors' report and Note 2.23 (Summary of significant accounting policies) and Note 4 (Notes on Revenue) of the financial statements for further details.
2. Recoverability of trade receivables	The AC considered Management's approach and methodology used in the evaluation of the Group's trade receivables for impairment. The Group determines expected credit losses for trade receivables by making debtor-specific assessment for credit-impaired debtors and using provision matrix method for outstanding trade receivables. The AC was satisfied that the approach and methodology used by Management in the process was appropriate. Please refer to pages 48 to 49 of the External Auditors' report and Note 2.14 (Summary of significant accounting policies), Note 3.2b (Significant accounting estimates and judgements), and Note 24 (Notes on Trade Receivables) of the financial statements for further details.
3. Impairment assessment of intangible assets	The AC considered Management's approach and methodology applied to the valuation model in impairment assessment of the Group's intangible assets, including the key assumptions for growth rates, cash-flow expectations and the discount rates used. The AC was satisfied that the approach and methodology in the impairment assessment used by Management were appropriate. Please refer to page 49 of the External Auditors' report and Note 2.11 (Summary of significant accounting policies), Note 3.2a (Significant accounting estimates and judgements), and Note 16 (Notes on Intangible Assets) of the financial statements for further details.

CORPORATE GOVERNANCE REPORT

K) INTERNAL AUDIT
- Principle 13: Setting up independent internal audit function

The Group outsources its internal audit function to Yang Lee & Associates ("**YLA**" or "**Internal Auditor**"). The Internal Auditor reports directly to the AC and internal control weaknesses identified during the internal audit reviews and the recommended corrective actions are reported to the AC periodically. The AC approves the hiring, removal, evaluation and compensation to the Internal Auditor. The Internal Auditor has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

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

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

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

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

The Internal Auditor completed three reviews during FY2018 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 Auditor, Management's responses, and Management's implementation of the recommendations has been reviewed and discussed with the AC.

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

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. A relevant intermediary may appoint more than two proxies to attend and vote at the AGM.

CORPORATE GOVERNANCE REPORT

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 concerns and ask questions regarding the Group's performance that will be addressed by the Directors and Management in attendance.

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

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

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

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

The Company Secretary prepares minutes of general meetings, which incorporates substantial comments or queries questions from shareholders and responses from the Board and the Management, where relevant. The minutes are available to shareholders upon their request.

SUPPLEMENTARY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (SGX-ST LISTING MANUAL REQUIREMENTS)

(i) Dealing in Securities

The Company has in place an internal policy prohibiting share dealings by Directors and officers of the Group while in possession of unpublished material or price sensitive information during the period commencing one month prior to the announcement of the Company's annual result, and two weeks before the announcement of its 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 FY2018, the Company has complied with the best practices on dealing in securities in accordance with Rule 1207(19) of the SGX-ST Listing Manual.

CORPORATE GOVERNANCE REPORT

SUPPLEMENTARY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (SGX-ST LISTING MANUAL REQUIREMENTS)
(cont'd)

(ii) **Material Contracts**

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

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

Operating in Emerging Markets

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

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

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

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

Foreign Exchange Exposure

The Group is subject to foreign exchange risk arising mainly from those sales, purchases and operating costs by operating units which are denominated in currencies other than the operating units' functional currency. Approximately 2.2% 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, albeit only partially. In view of changes in the Group's business processes, the Group has become more exposed to foreign exchange risk. In FY2018, the Group had a natural hedge ratio of 66.4% (2017: 52.7%) which indicates the level of purchases and major operating expenses that are denominated in the functional currency of the operating units.

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

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

CORPORATE GOVERNANCE REPORT

SUPPLEMENTARY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (SGX-ST LISTING MANUAL REQUIREMENTS)
(cont'd)

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

Credit Risk of Customers

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

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

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

Dependence on Key Personnel

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

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

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

Investment Risk

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

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

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

Information Technology Risk

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

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

CORPORATE GOVERNANCE REPORT

SUPPLEMENTARY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (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 $100,000)	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Companies associated to Mr. Sudeep Nair ("Director"):-				
a) Simonelo Limited and its subsidiaries				
- Rental expense paid	1,977	1,895	-	-
b) Triple Ace Ventures Limited and its subsidiaries				
- Interest income received	-	-	-	-
Companies associated to Universal Integrated Corporation Consumer Products Pte Ltd ("Controlling Shareholder"):-				
a) UDI Marketing Sdn Bhd				
- Sales of goods	1,762	1,758	-	-
b) Sweet Blossom Holdings Ltd				
- Investment in Caffe Bene Co., Ltd.	-	1,065	-	-

CORPORATE GOVERNANCE REPORT

ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-APPOINTMENT

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

	Mr. Tan Wang Cheow **Executive Chairman**
Date of appointment	17 February 2000
Date of last re-appointment	25 April 2005
Age	62
Country of principal residence	Singapore
The Board's comments on the re-appointment	Based on the recommendation of the Nominating Committee, the Board (save for Mr. Tan Wang Cheow who abstained from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr. Tan Wang Cheow as Executive Chairman of the Company to continue to lead the Group.
Whether the appointment is executive, and if so, the area of responsibility	Primarily responsible for formulating of the Group's strategies, which includes developing new markets and exploring opportunities for acquisitions.
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman, member of the Nominating Committee
Professional qualifications	Associate of the Institute of Singapore Chartered Accountants
Working experience and occupation(s) in the past 10 years	**February 2000 – current** Executive Chairman Food Empire Holdings Limited
Shareholding interest in the listed issuer and its subsidiaries	Deemed interested in 120,814,600 ordinary shares.
Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr. Tan Wang Cheow is the husband of Mdm Tan Guek Ming, a non-executive director of the Company.
Conflict of interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes
Other principal commitments including directorships	
Past (for the last 5 years)	Easy Victory Group Pte. Ltd. KTD Holdings Limited
Present	Future Enterprises Pte Ltd FER (HK) Limited Pavo Holdings Limited Lovena Limited FES Industries Sdn Bhd Empire Manufacturing Sdn Bhd Nisedaj Investments Pte Ltd SkyVenture VWT Singapore Pte Ltd Ichiban Lifestyle Holdings Pte Ltd Kong Lam Holdings Pte Ltd K L Industries Pte Ltd SWP Investments Pte Ltd Jodasen Ventures Limited W Capital Markets Pte Ltd

CORPORATE GOVERNANCE REPORT

Information required pursuant to Listing Rule 704(7)		
(a)	**Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?**	No
(b)	**Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?**	No
(c)	**Whether there is any unsatisfied judgement against him?**	No
(d)	**Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?**	No
(e)	**Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?**	No
(f)	**Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?**	No
(g)	**Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?**	No
(h)	**Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?**	No
(i)	**Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?**	No
(j)	**Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:** **(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or** **(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or** **(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or** **(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?**	No
(k)	**Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?**	No

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Food Empire Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	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 2019**	**As at 21 January 2019**
The Company						
Ordinary shares						
Tan Wang Cheow	52,440,000	–	67,547,400	120,814,600	–	120,814,600
Sudeep Nair	–	–	54,608,599	58,076,399	–	58,076,399
Tan Guek Ming	67,547,400	37,547,400	52,440,000	83,267,200	37,547,400	83,267,200
Lew Syn Pau	384,000	384,000	96,000	96,000	384,000	96,000
Ong Kian Min	–	–	720,000	720,000	–	720,000
Boon Yoon Chiang	50,000	50,000	–	–	50,000	–

	Share options held in the name of the Directors		Share options held in the name of the Directors
Name of Director	**At the beginning of the year**	**At the end of the year**	**As at 21 January 2019**
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
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
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

DIRECTORS' STATEMENT

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 2019
The Company			
Options to subscribe for ordinary shares exercisable between 8 March 2014 to 7 March 2023 at S$0.669 per share			
Sudeep Nair	1,500,000	1,500,000	1,500,000
Ong Kian Min [(1)]	100,000	–	–
Lew Syn Pau [(1)]	100,000	–	–
Boon Yoon Chiang [(1)]	100,000	–	–
Options to subscribe for ordinary shares exercisable between 4 July 2017 to 3 July 2026 at S$0.308 per share			
Sudeep Nair	1,500,000	1,500,000	1,500,000
Ong Kian Min [(2)]	100,000	100,000	100,000
Lew Syn Pau [(2)]	100,000	100,000	100,000
Boon Yoon Chiang [(2)]	100,000	100,000	100,000
Options to subscribe for ordinary shares exercisable between 16 March 2019 to 15 March 2028 at S$0.679 per share			
Sudeep Nair	–	1,500,000	1,500,000
Ong Kian Min [(3)]	–	100,000	100,000
Lew Syn Pau [(3)]	–	100,000	100,000
Boon Yoon Chiang [(3)]	–	100,000	100,000

(1) Options to subscribe for ordinary shares expire on 7 March 2018.

(2) Options to subscribe for ordinary shares expire on 3 July 2021.

(3) Options to subscribe for ordinary shares expire on 15 March 2023.

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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

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

DIRECTORS' STATEMENT

SHARE OPTIONS

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

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

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

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

Unissued shares under 2002 Option Scheme and 2012 Option Scheme

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

	Number of holders at year end	Number of options outstanding at 1.1.2018	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 31.12.2018	Exercise price per share S$	Exercise period
2002 Option Scheme								
2010 Options	7	2,610,000	–	–	(100,000)	2,510,000	0.335	4 January 2011 to 3 January 2020
2011 Options (February)	11	3,080,000	–	–	–	3,080,000	0.505	1 February 2012 to 31 January 2021
2011 Options (December)	12	2,774,000	–	–	(44,000)	2,730,000	0.315	19 December 2012 to 18 December 2021
		8,464,000	–	–	(144,000)	8,320,000		
2012 Option Scheme								
2013 Options	17	4,280,000	–	(300,000)	–	3,980,000	0.669	8 March 2014 to 7 March 2023
2016 Options	22	4,880,000	–	–	(209,000)	4,671,000	0.308	4 July 2017 to 3 July 2026
2017 Options	6	650,000	–	(100,000)	–	550,000	0.693	23 May 2018 to 22 May 2027
2018 Options	16	–	4,750,000	–	–	4,750,000	0.679	16 March 2019 to 15 March 2028
		9,810,000	4,750,000	(400,000)	(209,000)	13,951,000		
		18,274,000	4,750,000	(400,000)	(353,000)	22,271,000		

DIRECTORS' STATEMENT

SHARE OPTIONS *(cont'd)*

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

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

Name of Director	Aggregate options granted since commencement of 2002 Option Scheme and 2012 Option Scheme to end of financial year	Aggregate options exercised since commencement of 2002 Option Scheme and 2012 Option Scheme to end of financial year	Aggregate options lapsed/cancelled since commencement of 2002 Option Scheme and 2012 Option Scheme to end of financial year	Aggregate options outstanding as at end of financial year
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	300,000	–	(100,000)	200,000
Ong Kian Min	300,000	–	(100,000)	200,000
Sudeep Nair	4,500,000	–	–	4,500,000
Boon Yoon Chiang	300,000	–	(100,000)	200,000

(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
- 15,450,000 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' STATEMENT

AUDIT COMMITTEE

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

AUDITOR

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

On behalf of the Board of Directors,

Tan Wang Cheow	Sudeep Nair
Director	Director

Singapore
22 March 2019

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion arising from Qualification in the Previous Financial Year

We have audited the financial statements of Food Empire Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects on the corresponding figures of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS (I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Qualified Opinion arising from Qualification in the Previous Financial Year

During the last financial year ended 31 December 2017, we were unable to ascertain the appropriateness of the classification between the Group's share of losses and impairment charges for the Group's investment in a foreign associate, Caffe Bene Co., Ltd ("Caffebene"), which had been fully impaired as at 31 December 2017 as set out in Note 15 to the financial statements, and whether any adjustment is necessary between the impairment charge and the share of losses recognised during that year. Our audit opinion on the financial statements for the year ended 31 December 2017 was modified accordingly. Our opinion on the current year's financial statements is also modified because of the effect of this matter on the comparability of the current year's figures and the corresponding figures.

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

Key audit matters

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

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

Key audit matters *(cont'd)*

1. Revenue recognition

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

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

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

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

2. Recoverability of trade receivables

We refer to Note 3.2b (Significant accounting estimates and judgements), Note 2.14 (Summary of significant accounting policies) and Note 24 (Notes on Trade Receivables).

Trade receivable balances were significant to the Group as they represented 18.6% of the Group's net assets as at 31 December 2018. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. The Group determines expected credit losses for trade receivables by making debtor-specific assessment for credit-impaired debtors and using provision matrix method for the remaining group of debtors. In determining the estimated credit loss allowance for the Group's trade receivables as at year end, management has considered various factors such as the age of the outstanding balances, historical payment and credit loss patterns over an appropriate period, facts and circumstances specific to the countries and economic environments where the subsidiaries operate, correlation between economic conditions and historical credit losses, as well as the forecast of future macro-economic conditions over the expected life of the Group's trade receivables, which require significant management judgement. Accordingly, we determined that this is a key audit matter.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

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

Key audit matters *(cont'd)*

2. Recoverability of trade receivables *(cont'd)*

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

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

3. Impairment assessment of intangible assets

We refer to Note 3.2a (Significant accounting estimates and judgements), Note 2.11 (Summary of significant accounting policies) and Note 16 (Notes on Intangible Assets).

As at 31 December 2018, intangible assets comprise goodwill of US$6,684,000 and brand of US$3,659,000, representing 3.8% and 2.1% of the Group's net assets respectively. The Group annually carries out an impairment assessment using a value-in-use model which is based on discounted cash flows of the cash generating units ("CGU"). As disclosed in Note 16, the Group's goodwill is allocated to each of the Group's CGU or group of CGUs. Management uses assumptions in respect of future market and economic conditions to estimate expected revenue and margin, inflation rate, discount rate, royalty rate and economic growth. Intangible assets impairment assessment requires management to apply significant judgement in determining the key assumptions, hence we determined that this is a key audit matter.

As part of our audit procedures, we assessed the reasonableness of the key assumptions applied by the Group in determining the recoverable amounts of each CGU. In particular, we tested the underlying assumptions by comparing to historical results, assessed the appropriateness of discount rates used by the Group, including comparisons with external data sources, where available. We also considered the risk of potential management bias; and performed our own sensitivity analysis, including a reasonably possible reduction in the assumed growth rates.

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

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

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

Other information *(cont'd)*

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Based on the matter described in the Basis for Qualified Opinion section above regarding comparability of the current year's figures and the corresponding figures, we are unable to conclude whether or not the other information is misstated with respect to this matter.

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditor's report is Simon Yeo.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
22 March 2019

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000
Revenue	4	284,330	269,450
Cost of sales		(173,473)	(166,239)
Gross profit		**110,857**	**103,211**
Selling and distribution expenses		(47,847)	(39,482)
General and administrative expenses		(41,430)	(34,659)
Results from operating activities		**21,580**	**29,070**
Other income	5	2,432	2,351
Other expenses	6	(3,826)	(8,074)
Net finance costs	7	(791)	(900)
Share of profit/(loss) of associates		505	(4,489)
Profit before taxation	8	**19,900**	**17,958**
Income tax expense	9	(2,169)	(4,659)
Profit for the year		**17,731**	**13,299**
Profit/(loss) attributable to:			
Equity shareholders of the Company		18,092	14,137
Non-controlling interest		(361)	(838)
		17,731	**13,299**
Earnings per share			
Basic earnings per share (in cents)	11	3.39	2.65
Diluted earnings per share (in cents)	11	3.36	2.62

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	2018 US$'000	2017 US$'000
Profit net of tax	17,731	13,299
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation (loss)/gain	(6,426)	1,582
Share of other comprehensive income of associates	(1,593)	553
Share of other comprehensive income of non-controlling interest	3	–
Exchange differences realised on disposal of an associate	8	–
Exchange differences realised on disposal of a subsidiary	–	92
Other comprehensive income for the year, net of tax	**(8,008)**	**2,227**
Total comprehensive income for the year	**9,723**	**15,526**
Total comprehensive income attributable to:		
Equity shareholders of the Company	10,081	16,364
Non-controlling interest	(358)	(838)
	9,723	**15,526**

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

BALANCE SHEETS

As at 31 December 2018

	Note	Group			Company		
		31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Non-Current Assets							
Property, plant and equipment	12	68,932	64,617	64,389	–	–	–
Investment properties	13	16,117	16,615	15,436	–	–	–
Investments in subsidiaries	14	–	–	–	44,635	44,536	44,545
Investments in associates	15	11,392	12,594	15,298	–	–	–
Amount due from an associate (non-trade)	22	–	106	208	–	–	–
Intangible assets	16	10,343	10,343	10,343	–	–	–
Deferred tax assets	17	2,615	3,299	3,274	–	–	–
		109,399	107,574	108,948	44,635	44,536	44,545
Current Assets							
Inventories	19	50,537	47,505	43,560	–	–	–
Prepaid operating expenses and deposits	20	6,844	5,746	2,480	7	8	7
Deferred expenses		178	173	185	–	–	–
Amounts due from subsidiaries (non-trade)	21	–	–	–	8,837	12,434	9,933
Amounts due from associates (non-trade)	22	77	94	4,801	–	–	–
Amount due from a related party (trade)	23	428	987	396	–	–	–
Trade receivables	24	32,632	39,685	38,107	18	–	–
Other receivables	18	2,403	2,002	1,601	–	–	–
Cash and cash equivalents	25	42,218	42,835	28,574	18	24	131
		135,317	139,027	119,704	8,880	12,466	10,071
Asset held for sale	12	–	644	–	–	–	–
		135,317	139,671	119,704	8,880	12,466	10,071

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

BALANCE SHEETS

As at 31 December 2018

	Note	Group			Company		
		31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Current Liabilities							
Trade payables and accruals	26	29,731	35,287	30,103	121	752	1,403
Other payables	27	2,579	2,951	2,217	–	–	–
Finance lease creditors	34	61	31	34	–	–	–
Interest-bearing loans and borrowings	29	20,275	20,041	21,987	–	–	–
Amounts due to subsidiaries (non-trade)	21	–	–	–	20	37	19
Amount due to an associate (non-trade)	22	186	167	49	–	–	–
Amounts due to associates (trade)	28	161	374	233	–	–	–
Amounts due to related parties (non-trade)		573	397	301	–	–	–
Income tax payable		432	1,662	1,043	7	5	4
		53,998	60,910	55,967	148	794	1,426
Net Current Assets		**81,319**	**78,761**	**63,737**	**8,732**	**11,672**	**8,645**
Non-Current Liabilities							
Finance lease creditors	34	569	17	48	–	–	–
Interest-bearing loans and borrowings	29	13,230	16,291	16,833	–	–	–
Other payables	27	–	5	5	–	–	–
Deferred tax liabilities	17	1,466	2,592	1,943	–	–	–
		15,265	18,905	18,829	–	–	–
Net Assets		**175,453**	**167,430**	**153,856**	**53,367**	**56,208**	**53,190**
Equity							
Share capital	30	41,202	41,093	40,846	41,202	41,093	40,846
Treasury shares	30	(317)	(317)	(317)	(317)	(317)	(317)
Reserves	31	135,389	127,117	113,208	12,482	15,432	12,661
		176,274	167,893	153,737	53,367	56,208	53,190
Non-controlling interest		(821)	(463)	119	–	–	–
Total Equity		**175,453**	**167,430**	**153,856**	**53,367**	**56,208**	**53,190**

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Group 2018	Attributable to equity shareholders of the Company: Share capital US$'000	Treasury shares US$'000	Foreign currency translation reserve US$'000	Share-based payment reserve US$'000	Accumulated profits US$'000	Total US$'000	Non-controlling interest US$'000	Total equity US$'000
Balance as at 1 January 2018 (FRS Framework)	41,093	(317)	(11,209)	2,126	136,200	167,893	(463)	167,430
Cumulative effects of adopting SFRS(I)	–	–	11,209	–	(11,209)	–	–	–
Balance as at 1 January 2018 (SFRS(I) Framework)	41,093	(317)	–	2,126	124,991	167,893	(463)	167,430
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**18,092**	**18,092**	**(361)**	**17,731**
Other comprehensive income								
Foreign currency translation loss	–	–	(6,426)	–	–	(6,426)	–	(6,426)
Share of other comprehensive income of associates	–	–	(1,593)	–	–	(1,593)	–	(1,593)
Share of other comprehensive income of non-controlling interest	–	–	–	–	–	–	3	3
Exchange differences realised on disposal of an associate	–	–	8	–	–	8	–	8
Total comprehensive income for the year	**–**	**–**	**(8,011)**	**–**	**18,092**	**10,081**	**(358)**	**9,723**
Contributions by and distributions to owners								
Value of employee services received for issue of share options	–	–	–	613	–	613	–	613
Dividend paid to equity shareholders of the Company	–	–	–	–	(2,396)	(2,396)	–	(2,396)
Issuance of new shares	83	–	–	–	–	83	–	83
Exercise of share options	26	–	–	(26)	–	–	–	–
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	**109**	**–**	**–**	**587**	**(2,396)**	**(1,700)**	**–**	**(1,700)**
Balance as at 31 December 2018	**41,202**	**(317)**	**(8,011)**	**2,713**	**140,687**	**176,274**	**(821)**	**175,453**

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Group 2017	Attributable to equity shareholders of the Company						Non-controlling interest	Total equity
	Share capital	Treasury shares	Foreign currency translation reserve	Share-based payment reserve	Accumulated profits	Total		
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 January 2017 (FRS Framework)	40,846	(317)	(13,436)	1,997	124,647	153,737	119	153,856
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**14,137**	**14,137**	**(838)**	**13,299**
Other comprehensive income								
Foreign currency translation gain	–	–	1,582	–	–	1,582	–	1,582
Share of other comprehensive income of associates	–	–	553	–	–	553	–	553
Exchange differences realised on disposal of subsidiary	–	–	92	–	–	92	–	92
Total comprehensive income for the year	**–**	**–**	**2,227**	**–**	**14,137**	**16,364**	**(838)**	**15,526**
Contributions by and distributions to owners								
Value of employee services received for issue of share options	–	–	–	184	–	184	–	184
Dividend paid to equity shareholders of the Company	–	–	–	–	(2,312)	(2,312)	–	(2,312)
Issuance of new shares	192	–	–	–	–	192	–	192
Exercise of share options	55	–	–	(55)	–	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	123	123
Total contributions by and distributions to owners	**247**	**–**	**–**	**129**	**(2,312)**	**(1,936)**	**123**	**(1,813)**
Changes in ownership interests in subsidiaries								
Acquisitions of non-controlling interest without a change in control, representing total changes in ownership interest in subsidiaries	–	–	–	–	(272)	(272)	133	(139)
Total transactions with owners in their capacity as owners	**247**	**–**	**–**	**129**	**(2,584)**	**(2,208)**	**256**	**(1,952)**
Balance as at 31 December 2017	**41,093**	**(317)**	**(11,209)**	**2,126**	**136,200**	**167,893**	**(463)**	**167,430**

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Company **2018**	**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 2018 (FRS Framework)	41,093	(317)	3,634	2,126	9,672	56,208
Cumulative effects of adopting SFRS(I)	–	–	(3,634)	–	3,634	–
Balance as at 1 January 2018 (SFRS(I) Framework)	41,093	(317)	–	2,126	13,306	56,208
Loss for the year	**–**	**–**	**–**	**–**	**(924)**	**(924)**
Other comprehensive income						
Foreign currency translation loss	–	–	(217)	–	–	(217)
Total comprehensive income for the year	**–**	**–**	**(217)**	**–**	**(924)**	**(1,141)**
Contributions by and distributions to owners						
Value of employee services received for issue of share options	–	–	–	613	–	613
Dividend paid to equity shareholders of the Company	–	–	–	–	(2,396)	(2,396)
Issuance of new shares	83	–	–	–	–	83
Exercise of share options	26	–	–	(26)	–	–
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	**109**	**–**	**–**	**587**	**(2,396)**	**(1,700)**
Balance as at 31 December 2018	**41,202**	**(317)**	**(217)**	**2,713**	**9,986**	**53,367**

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Company **2017**	**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 2017 (FRS Framework)	40,846	(317)	2,820	1,997	7,844	53,190
Profit for the year	**–**	**–**	**–**	**–**	**4,140**	**4,140**
Other comprehensive income						
Foreign currency translation gain	–	–	814	–	–	814
Total comprehensive income for the year	**–**	**–**	**814**	**–**	**4,140**	**4,954**
Contributions by and distributions to owners						
Value of employee services received for issue of share options	–	–	–	184	–	184
Dividend paid to equity shareholders of the Company	–	–	–	–	(2,312)	(2,312)
Issuance of new shares	192	–	–	–	–	192
Exercise of share options	55	–	–	(55)	–	–
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	**247**	**–**	**–**	**129**	**(2,312)**	**(1,936)**
Balance as at 31 December 2017	**41,093**	**(317)**	**3,634**	**2,126**	**9,672**	**56,208**

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2018

	2018 US$'000	2017 US$'000
Cash flows from operating activities		
Profit from operations before taxation	19,900	17,958
Adjustments for:		
Bad debts written off	14	7
Depreciation of property, plant and equipment	5,670	5,299
Depreciation of investment properties	169	163
Loss on disposal of property, plant and equipment	46	69
Loss on disposal of a subsidiary	–	25
Loss on disposal of an associate	67	–
Gain on disposal of asset classified as held for sale	(408)	–
Impairment of loan to associates	172	3,600
Impairment of goodwill	–	99
Impairment of an associate	–	4,281
Interest income	(506)	(329)
Interest expenses	1,297	1,229
Allowance for doubtful receivables	2,956	99
Inventories written down	880	728
Share of (profit)/loss of associates	(505)	4,489
Value of employee services received for issue of share options	613	184
Exchange realignment	1,745	(178)
Operating cash flows before changes in working capital	**32,110**	**37,723**
Changes in working capital:		
Decrease/(increase) in trade and other receivables	1,210	(5,533)
Increase in inventories	(7,723)	(4,650)
(Decrease)/increase in trade and other payables	(5,896)	6,048
Cash flows from operations	**19,701**	**33,588**
Income taxes paid	(4,585)	(3,740)
Net cash flows from operating activities	**15,116**	**29,848**
Cash flows from investing activities		
Interest received	553	329
Purchase of property, plant and equipment	(10,222)	(5,977)
Subsequent expenditure on investment property	–	(79)
Proceeds from disposal of property, plant and equipment	217	53
Proceeds from disposal of asset classified as held for sale	1,052	–
Net cash inflow on disposal of a subsidiary	–	75
Net cash inflow on acquisition of a subsidiary	–	8
Loans to associates	–	(1,107)
Capital injection in an associate	–	(2,966)
Net cash flows used in investing activities	**(8,400)**	**(9,664)**

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2018

	2018 US$'000	2017 US$'000
Cash flows from financing activities		
Interest paid	(1,401)	(1,229)
Proceeds from issuance of shares	83	192
Dividends paid to shareholders of the Company	(2,396)	(2,312)
Repayment of obligations under finance leases	(40)	(36)
Proceeds from obligations under finance leases	66	–
Repayment of interest-bearing loans and borrowings	(57,980)	(61,713)
Proceeds from interest-bearing loans and borrowings	55,271	58,676
Acquisition of non-controlling interest of a subsidiary	–	(139)
Net cash flows used in financing activities	**(6,397)**	**(6,561)**
Net increase in cash and cash equivalents	319	13,623
Effect of exchange rate changes on cash and cash equivalents	(936)	638
Cash and cash equivalents at beginning of year	42,835	28,574
Cash and cash equivalents at end of year (Note 25)	**42,218**	**42,835**

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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 2018 were authorised for issue in accordance with a resolution of the Directors on 22 March 2019.

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

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

The principal activity of the Company is investment holding. The principal activities and other details of the subsidiaries are disclosed in Note 14 to the financial statements.

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 (International) (SFRS(I)).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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

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

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

2.2 *First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))*

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group's and the Company's date of transition to SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.2 *First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))* *(cont'd)*

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2018. As a result, an amount of US$11,209,000 was adjusted against the opening accumulated profits as at 1 January 2018.

- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

<u>Classification and measurement</u>

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.2 *First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))* *(cont'd)*

SFRS(I) 9 *Financial Instruments* *(cont'd)*

Classification and measurement *(cont'd)*

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. The Group's business model for its debt instruments previously measured at amortised cost is to hold to collect contractual cash flows, and are accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, no additional impairment was recognised on the Group's financial assets carried at amortised cost.

SFRS(I) 15 *Revenue from Contracts with Customers*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts that have variable consideration, the Group has used the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year ended 31 December 2017. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been lower.

The Group is in the business of sales, marketing, manufacturing and distribution of instant food and beverages. The key impact of adopting SFRS(I) 15 is detailed as follows:

(a) Sale of goods

(i) Variable consideration

For the sale of goods, some contracts with customers provide incentives, trade discounts or volume rebates. Such provisions give rise to variable consideration under SFRS(I) 15. The Group previously recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of allowance, trade discounts and volume rebates. Under SFRS(I) 15, variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is subsequently resolved.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.2 ***First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))*** *(cont'd)*

SFRS(I) 15 *Revenue from Contracts with Customers* *(cont'd)*

(a) Sale of goods *(cont'd)*

(i) Variable consideration *(cont'd)*

- Volume rebates

  The Group provides retrospective rebates to some of its customers if the customers reach a certain threshold of purchase. Before the adoption of SFRS(I) 15, the Group estimated the probability-weighted average amount of rebates and included a provision for rebates in trade and other payables.

  Under SFRS(I) 15, retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Group applied the "most likely amount method" for contracts with a single volume threshold and the "expected value method" for contracts with more than one volume threshold.

Based on the impact assessment, there is no material impact to the Group upon adoption of SFRS(I) 15.

2.3 ***Standards issued but not yet effective***

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

Description	*Effective for annual periods beginning on or after*
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening accumulated profits at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information and expects that the adoption of SFRS(I) 16 will result in increase in total assets and total liabilities, EBITDA and gearing ratio. The assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

2.4 *Basis of consolidation and business combination*

(a) Basis of consolidation

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

(a) Basis of consolidation (cont'd)

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.

(b) Business combinations and goodwill

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.5 *Transactions with non-controlling interest*

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

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

2.6 *Foreign currency*

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.7 *Subsidiaries*

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

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

2.8 *Associates*

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

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

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

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

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

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

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

2.9 *Property, plant and equipment*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

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

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

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use 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. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.10 *Investment properties* *(cont'd)*

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

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

2.11 *Intangible assets*

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

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

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

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

Brand

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.12 *Financial instruments*

(a) Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

Amortised cost

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

Derecognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

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

Subsequent measurement

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

Derecognition

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

2.13 *Impairment of non-financial assets*

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

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

Impairment losses are recognised in profit or loss.

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

2.14 *Impairment of financial assets*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

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

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

2.15 *Cash and cash equivalents*

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

2.16 *Inventories*

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

- Raw materials: costs of direct materials and goods purchased for resale are stated on a weighted average basis.

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

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

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

2.17 *Provisions*

General

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.18 *Government grants*

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

2.19 *Financial guarantee*

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

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

2.20 *Borrowing costs*

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

2.21 *Leases*

(a) As lessee

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

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

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

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(b). Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.22 *Non-current assets held for sale*

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

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

2.23 *Revenue*

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

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

(a) Sale of goods

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

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

The Group recognises the expected volume discounts payable to customer where consideration have been received from customers.

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

(b) Rental income

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

(c) Packaging service income

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.24 *Employee benefits*

(a) Defined contribution plans

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

(b) Employee leave entitlement

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

(c) Termination benefit

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

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

(d) Employee equity compensation benefits

Employee share option plans

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.25 ***Taxes***

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.25 *Taxes (cont'd)*

(b) Deferred tax (cont'd)

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

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

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

(c) Sales tax

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

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

2.26 *Segment reporting*

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

2.27 *Share capital and share issuance expenses*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.28 *Treasury shares*

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

2.29 *Contingencies*

A contingent liability is:

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Determination of lease classification

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

3.1 *Judgements made in applying accounting policies (cont'd)*

(b) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency.

3.2 *Key sources of estimation uncertainty*

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

(a) Impairment of intangible assets

As disclosed in Note 16 to the financial statements, the recoverable amounts of the cash-generating units which goodwill and brands have been allocated to are determined based on value-in-use calculations. The value-in-use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value-in-use are disclosed and further explained in Note 16 to the financial statements.

The carrying amount of the intangible assets as at 31 December 2018 is US$10,343,000 (31 December 2017 and 1 January 2017: US$10,343,000).

(b) Provision for expected credit losses of trade receivables

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 24.

The carrying amount of trade receivables as at 31 December 2018 is US$32,632,000 (31 December 2017: US$39,685,000, 1 January 2017: US$38,107,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(c) Variable consideration arising from discounts, incentives and rebates

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

The Group provides retrospective volume rebates to some of its customers if the customers reach a certain threshold of purchase. To estimate the variable consideration to which it will be entitled, the Group applied the "most likely amount method" for contracts with a single volume threshold and the "expected value method" for contracts with more than one volume threshold.

For the financial year ended 31 December 2018, the Group recognised revenue amounting to US$284,330,000 (2017: US$269,450,000).

4. REVENUE

(a) Disaggregation of revenue

Segments	Sale of goods		Rental income		Packaging service income		Total revenue	
	2018	2017	2018	2017	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Primary geographical markets								
Russia	113,261	116,644	–	–	44	58	113,305	116,702
Ukraine	25,679	21,836	4	3	1	5	25,684	21,844
Kazakhstan and CIS markets	37,104	35,067	–	–	–	–	37,104	35,067
Indo China	50,384	37,898	–	–	–	–	50,384	37,898
Other markets	57,041	57,225	751	714	61	–	57,853	57,939
Total	**283,469**	**268,670**	**755**	**717**	**106**	**63**	**284,330**	**269,450**
Timing of transfer of goods or services								
At a point in time	283,469	268,670	–	–	106	63		

Rental income arising from the Group's operating leases are accounted for on a straight-line basis over the lease term of the contract.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. REVENUE *(cont'd)*

(b) Judgement and methods used in estimating revenue

Estimating variable consideration for sale of goods

In estimating the variable consideration for the sale of goods, the Group uses the most likely amount method to predict the volume discounts, by the different product types and geographical areas. For existing products, management relies on historical experience analysed by different product types, customers and geographical areas, for the past 2 to 4 years.

Management has exercised judgement in applying the constraint on the estimated variable consideration that can be included in the transaction price. For volume discounts, management has determined that a portion of the estimated variable consideration is subject to the constraint as, based on past experience with the customers, it is highly probable that a significant reversal in the cumulative amount of revenue recognised will occur, and therefore will not be recognised as revenue.

5. OTHER INCOME

	Group	
	2018	**2017**
	US$'000	US$'000
Sale of scrapped items	204	289
Foreign exchange gain	–	1,136
Export incentives	1,522	589
Gain on disposal of asset classified as held for sale	408	–
Miscellaneous income	298	337
	2,432	2,351

6. OTHER EXPENSES

	Group	
	2018	**2017**
	US$'000	US$'000
Loss on disposal of property, plant and equipment	46	69
Loss on disposal of an associate	67	–
Loss on disposal of a subsidiary	–	25
Foreign exchange loss	3,541	–
Impairment of loan to associates (Note 22)	172	3,600
Impairment of an associate (Note 15)	–	4,281
Impairment of goodwill (Note 16)	–	99
	3,826	8,074

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7. NET FINANCE COSTS

	Group	
	2018	**2017**
	US$'000	US$'000
Interest income from:		
– Bank deposits	502	269
– Associates	4	47
– Other receivables	–	13
Interest expenses on:		
– Bank loans	(1,259)	(1,223)
– Others	(38)	(6)
	(791)	(900)

8. PROFIT BEFORE TAXATION

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

	Group	
	2018	**2017**
	US$'000	US$'000
Audit fees paid to:		
– Auditors of the Company	175	193
– Other auditors	184	183
Non-audit fees paid to:		
– Auditors of the Company	62	70
– Other auditors	43	28
Directors' fee:		
– Directors of the Group	325	273
Depreciation of property, plant and equipment	5,670	5,299
Depreciation of investment properties	169	163
Allowance for doubtful receivables	2,956	99
Inventories written down	880	728
Advertising and promotion expenses	29,725	23,603
Legal and professional fees	1,619	1,600
Office upkeep and administrative expenses	3,449	3,151
Bad debts written off	14	7
Employee benefits expense (Note 32)	48,208	41,782

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

9. INCOME TAX EXPENSE

Major components of income tax expenses

The major components of income tax expenses for the years ended 31 December 2018 and 2017 are:

	Group	
	2018	**2017**
	US$'000	US$'000
Consolidated income statement		
Current income tax		
– Current income taxation	4,186	4,302
– Over provision in respect of prior years	(1,536)	(324)
	2,650	3,978
Deferred income tax		
– Utilisation of tax losses	1,434	426
– Origination and reversal of temporary differences	1,072	255
– Benefits from previously unrecognised investment tax allowances	(2,987)	–
	(481)	681
Income tax expense recognised in profit or loss	2,169	4,659

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 2018 and 2017 are as follows:

	Group	
	2018	**2017**
	US$'000	US$'000
Accounting profit before tax	19,900	17,958
Tax at statutory tax rate of 17% (2017: 17%)	3,383	3,053
Adjustments:		
Non-deductible expenses	5,609	4,020
Income not subject to taxation	(1,273)	(1,179)
Effect of partial tax exemption and tax relief	(1,057)	(212)
Deferred tax assets not recognised	896	578
Effect of different tax rates in other countries	(299)	890
Over provision in respect of prior years	(1,536)	(324)
Benefits from previously unrecognised investment tax allowances	(2,987)	(1,414)
Utilisation of previously unrecognised tax losses and capital allowances	(533)	(818)
Others	(34)	65
Income tax expense recognised in profit or loss	2,169	4,659

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. DIVIDENDS

	Group and Company	
	2018	**2017**
	US$'000	US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
– Final exempt (one-tier) dividend for 2017: S$0.006 (2016: S$0.006) per share	2,396	2,312
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholder approval at the Annual General Meeting:		
– Final exempt (one-tier) dividend for 2018: S$0.0068 (2017: S$0.006) per share	2,651	2,376

11. EARNINGS PER SHARE

(a) *Basic earnings per share*

Basic earnings per share are calculated by dividing the profit for the year from continuing operations, net of tax, attributable to ordinary equity shareholders 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	
	2018	**2017**
	US$'000	US$'000
Net profit for the year used in computing basic earnings per share	18,092	14,137
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation	534,019	533,576

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the 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.

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	
	2018	**2017**
	US$'000	US$'000
Net profit for the year used in computing diluted earnings per share	18,092	14,137
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of shares issued, used in basic earnings per share computation*	534,019	533,576
Dilutive effect of share options	4,383	6,047
Weighted average number of ordinary shares used in diluted earnings per share computation*	538,402	539,623

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

8,469,000 (2017: 4,961,000) share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

Since the end of the financial year, senior executives have exercised the options to acquire 353,000 (2017: 638,000) ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

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 2017	16,837	22,870	32,948	5,025	2,406	5,128	411	85,625
Additions	2	104	751	693	133	236	4,058	5,977
Disposals	–	–	(533)	(79)	(82)	(347)	(8)	(1,049)
Reclassifications	–	116	283	227	234	76	(936)	–
Transfer to asset held for sale	–	(838)	–	–	–	–	–	(838)
Exchange realignment	167	43	313	26	4	43	8	604
At 31 December 2017 and 1 January 2018	17,006	22,295	33,762	5,892	2,695	5,136	3,533	90,319
Additions	–	1,952	994	610	107	143	7,028	10,834
Disposals	–	–	(260)	(164)	(130)	(49)	(14)	(617)
Reclassification	–	1,382	4,189	260	274	202	(6,307)	–
Exchange realignment	(121)	(14)	(894)	(126)	(144)	(38)	(128)	(1,465)
At 31 December 2018	16,885	25,615	37,791	6,472	2,802	5,394	4,112	99,071
Accumulated depreciation and impairment loss								
At 1 January 2017	510	1,667	12,375	3,240	1,423	2,021	–	21,236
Charge for the year	145	570	3,121	608	315	540	–	5,299
Disposals	–	–	(455)	(74)	(64)	(324)	–	(917)
Transfer to asset held for sale	–	(194)	–	–	–	–	–	(194)
Exchange realignment	25	6	204	22	(11)	32	–	278
At 31 December 2017 and 1 January 2018	680	2,049	15,245	3,796	1,663	2,269	–	25,702
Charge for the year	147	570	3,329	755	297	572	–	5,670
Disposals	–	–	(116)	(150)	(51)	(35)	–	(352)
Exchange realignment	(8)	–	(671)	(83)	(75)	(44)	–	(881)
At 31 December 2018	819	2,619	17,787	4,318	1,834	2,762	–	30,139
Net carrying amount								
At 1 January 2017	16,327	21,203	20,573	1,785	983	3,107	411	64,389
At 31 December 2017	16,326	20,246	18,517	2,096	1,032	2,867	3,533	64,617
At 31 December 2018	16,066	22,996	20,004	2,154	968	2,632	4,112	68,932

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For the financial year ended 31 December 2018

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

Company	Motor vehicle US$'000
Cost	
At 1 January 2017	205
Exchange realignment	17
At 31 December 2017 and 1 January 2018	222
Exchange realignment	(4)
At 31 December 2018	218
Accumulated depreciation	
At 1 January 2017	205
Charge for the year	–
Exchange realignment	17
At 31 December 2017 and 1 January 2018	222
Charge for the year	–
Exchange realignment	(4)
At 31 December 2018	218
Net carrying amount	
At 1 January 2017, 31 December 2017, 31 December 2018	–

The Group's freehold properties included US$9,828,000 (31 December 2017: US$9,605,000, 1 January 2017: US$8,268,000) which relate to freehold land.

Capitalisation of borrowing costs

The Group's plant and equipment include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of a plant and equipment. During the financial year, the borrowing costs capitalised as cost of plant and equipment amounted to US$56,000 (31 December 2017 and 1 January 2017: US$Nil).

Assets held under finance leases

As at the end of the financial year, the net carrying amount of the motor vehicles and leasehold property held under finance leases were US$133,000 (31 December 2017: US$92,000, 1 January 2017: US$120,000) and US$555,000 (31 December 2017 and 1 January 2017: US$Nil) respectively. The leased assets are pledged as security for the related finance lease liabilities.

Assets pledged as security

The portion of the freehold property at 31 Harrison Road, Singapore 369649, whose net carrying amount was US$5,572,000 as at 31 December 2018 (31 December 2017: US$5,735,000, 1 January 2017: US$5,346,000) was mortgaged to secure bank loans (Note 29).

The freehold property at GM 1780, Lot 1723, Tempat Batu 9¼, Jalan Kapar, Mukim Kapar, Daerah Klang, Selangor whose net carrying amount was US$9,335,000 as at 31 December 2018 (31 December 2017: US$9,433,000, 1 January 2017: US$9,529,000) was mortgaged to secure bank loans (Note 29).

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For the financial year ended 31 December 2018

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

Assets pledged as security *(cont'd)*

The leasehold property at PLO 88 and PLO 89 in the Mukim Sungai Tiram District Johor Bahru, State of Johor Darul Takzim whose net carrying amount was US$12,101,000 as at 31 December 2018 (31 December 2017: US$11,973,000, 1 January 2017: US$12,190,000) was mortgaged to secure bank loans (Note 29).

The leasehold property at S.NO: 56 Part, 60 Part, 61 Part, 62 Part, 64 Part, 67 Part in Dwaraka Puram, MP SEZ Dwarakapuram Naidupeta Mandal Nellore District whose net carrying amount was US$1,242,000 as at 31 December 2018 (31 December 2017 and 1 January 2017: US$Nil) was mortgaged to secure the bank loans (Note 29).

Asset held for sale

On 24 November 2017, the Group had appointed an estate agent for the disposal of its leasehold property at No.7 Jalan Bestari 4, Taman Industri Jaya, 81300 Skudai, Johor (the "Property"). On 7 December 2017, an option to sell the Property was entered into with a buyer at a purchase consideration of RM4,200,000 (approximately US$1,036,000). The Property's carrying amount as at 31 December 2017 was US$644,000 (1 January 2017: US$594,000) and had been classified as an asset held for sale as at 31 December 2017 as the Group had expected to complete the sale within one year from the date of classification.

On 1 February 2018, the Group entered into a sale and purchase agreement with the buyer for the disposal of the Property for RM4,200,000 (approximately US$1,036,000). The sale was completed on 11 May 2018, and a gain on disposal of the Property recognised by the Group for the year ended 31 December 2018 amounted to RM1,589,000 (approximately US$408,000).

13. INVESTMENT PROPERTIES

	Group	
	2018	2017
	US$'000	US$'000
Cost		
At 1 January	17,228	15,847
Additions	–	79
Exchange realignment	(343)	1,302
At 31 December	16,885	17,228
Accumulated depreciation		
At 1 January	613	411
Charge for the year	169	163
Exchange realignment	(14)	39
At 31 December	768	613
Net carrying amount		
At 31 December	16,117	16,615
Income statement:		
Rental income from investment properties:		
– Minimum lease payments	750	714
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating properties	261	248
– Non-rental generating properties	7	7

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. INVESTMENT PROPERTIES *(cont'd)*

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.

Properties pledged as security

The portion of the freehold property at 31 Harrison Road, Singapore 369649, whose net carrying amount was US$4,218,000 as at 31 December 2018 (31 December 2017: US$4,342,000, 1 January 2017: US$4,048,000), was mortgaged to secure bank loans (Note 29).

The freehold property at 81 Playfair Road, Singapore 367999, whose net carrying amount was US$11,899,000 as at 31 December 2018 (31 December 2017: US$12,273,000, 1 January 2017: US$11,387,000), was mortgaged to secure bank loans (Note 29).

Capitalisation of borrowing costs

The Group's investment properties include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of factories and buildings. During the financial year, no borrowing costs were capitalised as cost of investment properties (31 December 2017 and 1 January 2017: US$Nil).

Valuation of investment properties

Based on valuations performed by independent appraiser, Allied Appraisal Consultants Pte Ltd, for the years ended 31 December 2018 and 2017, there is no impairment required for the carrying amounts of properties.

The valuations are estimates of the amounts for which the assets could be exchanged between a knowledgeable willing buyer and knowledgeable willing seller on an arm's length transaction at the valuation date. As at 31 December 2018, the fair value of the investment properties is determined at US$27,529,000 (31 December 2017: US$28,089,000, 1 January 2017: US$25,960,000).

Details of investment properties

The investment properties held by the Group as at 31 December 2018 are as follows:

	Location	Description	Existing use	Tenure of land
1.	#03-01, #04-01, #05-01, #06-01, #07-01, #07-02 and #09-02 of 31 Harrison Road Singapore 369649*	6 units of a 11-Storey Building	Warehouse/Office	Freehold
2.	81 Playfair Road Singapore 367999	11-Storey Building	Warehouse/Office	Freehold

* Relates to the portion of the freehold properties which were leased out to third parties.

14. INVESTMENTS IN SUBSIDIARIES

	Company		
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Unquoted shares, at cost	44,635	44,818	44,894
Impairment losses	–	(282)	(349)
Net carrying amount of investments	44,635	44,536	44,545

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For the financial year ended 31 December 2018

14. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

Composition of the Group

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

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 31.12.2018 %	31.12.2017 %	1.1.2017 %
Held by the Company				
Future Enterprises Pte Ltd[1] (Singapore)	Sales and marketing of instant food and beverages	100	100	100
Future Corporation Pte Ltd[5] (Singapore)	Dormant	–	–*	100
Masters Corporation Pte Ltd[5] (Singapore)	Dormant	–***	100	100
EPIQ Food Services Pte Ltd[1] (Singapore)	Investment holding	100	100	100
Future Investment Holdings Pte Ltd[1] (Singapore)	Investment holding	100	100	100
Held by Future Enterprises Pte Ltd				
FES Industries Pte Ltd[1] (Singapore)	Dormant	100	100	100
FES Industries Sdn Bhd[2] (Malaysia)	Dormant	100	100	100
Foodaworld Marketing Pte Ltd[1] (Singapore)	Dormant	100	100	100
Food Empire Real Estates Pte Ltd[1] (Singapore)	Property investment holding	100	100	100
FER (HK) Limited[3] (Hong Kong)	Investment holding	100	100	100
Empire Distribution (Europe) Spółka Z Ograniczona Odpowiedzialnoscia[5] (Poland)	Dormant	–	–*	100
WELLDis LLP[5] (Kazakhstan)	Distribution, procurement, wholesale and trade of beverage products	100	100	100

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For the financial year ended 31 December 2018

14. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

Composition of the Group *(cont'd)*

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 31.12.2018 %	31.12.2017 %	1.1.2017 %
Held by Future Enterprises Pte Ltd *(cont'd)*				
Empire Manufacturing Sdn Bhd[(2)] (Malaysia)	Manufacturing food and beverages and real estate activities relating to own or lease property	100	100	100
Food Excellence Specialist Sdn Bhd[(2)] (Malaysia)	Manufacturing food and beverages	100	100	100
Mei Ka Fei (Hohhot) Trade Co., Ltd *****[(12)] (People's Republic of China)	Trading (import and export) of Group's products	100	100	100
Empire Food Trading Co Ltd[(9)] (Mongolia)	General trading	100	100	100
Empire International Sdn Bhd[(2)] (Malaysia)	International procurement centre, procuring and selling of raw materials, processed and non-processed food and finished goods	100	100	100
Guangdong Future Enterprises Trade Ltd. Co.[(11)] (People's Republic of China)	Import, export, wholesale and distribution of food and beverages	100	100	100
FES Products LLC[(2)] (Russia)	Manufacturing and distribution of instant food and beverages	100	100	100
FES Impex LLC[(2)] (Russia)	Import/Export and trading activities in Russia	100	100	100
FES (Vietnam) Co., Ltd[(2)] (Vietnam)	Manufacturing and distribution of instant food and beverages	100	100**	–
Food Land Empire Pte Ltd[(1)] (Singapore)	Dormant	100	100**	–
Masters Corporation Pte Ltd[(5)] (Singapore)	Dormant	100***	–	–
FES UKR LLC[(2)] (Ukraine)	Preparation, packaging and distribution of instant beverages	100***	–	–
Ukragroinvest-2005[(5)] (Ukraine)	Ownership and leasing of factory space and equipment to FES UKR	100***	–	–

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For the financial year ended 31 December 2018

14. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

Composition of the Group *(cont'd)*

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 31.12.2018 %	31.12.2017 %	1.1.2017 %
***Held by Future Enterprises Pte Ltd** (cont'd)*				
FE Foods & Beverages Myanmar Company Limited (13) (Myanmar)	Manufacturing, marketing & distribution of packaged foods & beverages	100****	–	–
FE Foods Philippines Inc. (14) (Philippines)	Importing and distribution of food and beverages	100****	–	–
Held by Foodaworld Marketing Pte Ltd				
Lovena Limited (4) (Cyprus)	Investment holding	100	100	100
Pavo Holding Limited (4) (Cyprus)	Investment holding	100	100	100
Held by Pavo Holding Limited				
Delta Future (5) (Ukraine)	Manufacturing of food products	–	–*	100
FE Production Ltd (5) (Ukraine)	Manufacturing of food products	–	–**	100
Held by Lovena Limited				
FES UKR LLC (2) (Ukraine)	Preparation, packaging and distribution of instant beverages	–***	100	100
Held by FES Industries Pte Ltd				
FES (Vietnam) Co., Ltd (2) (Vietnam)	Manufacturing and distribution of instant food and beverages	–	–**	100
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	100
Navas Services Limited (6) (Cyprus)	Investment holding	–	–**	100

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For the financial year ended 31 December 2018

14. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

Composition of the Group *(cont'd)*

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 31.12.2018 %	31.12.2017 %	1.1.2017 %
Held by FER (HK) Limited *(cont'd)*				
Bexar Limited [6] (Cyprus)	Licensing, management and finance support	100	100	100
Held by FES International FZE				
Navas Services Limited [6] (Cyprus)	Investment holding	100	100**	–
Held by Bexar Limited				
Naturant System Inc. [5] (British Virgin Islands)	Investment holding	–	–*	100
Ukragroinvest-2005 [5] (Ukraine)	Ownership and leasing of factory space and equipment to FES UKR LLC	–***	100	100
Held by EPIQ Food Services Pte Ltd				
BVBA Food Expert [7] (Belgium)	Wholesale of food products	100	100	100
Positive Food Ventures Private Limited [10] (India)	Manufacturing and marketing ready-to-drink beverages	80	80	–
Held by Ukragroinvest-2005				
FE Production Ltd [5] (Ukraine)	Manufacturing of food products	100	100**	–
Held by Future Investment Holdings Pte Ltd				
Food Land Empire Pte Ltd [1] (Singapore)	Dormant	–	–**	100
Food Land Investment Holding Pte Ltd [1] (Singapore)	Investment holding company and advertising activities	100	100	100
Coffee One Coffee System Pte Ltd [1] (Singapore)	Other investment holding company and selling rights to use intellectual property against royalty rights	51	51	51
Hallyu Ventures Pte Ltd [1] (Singapore)	Investment holding company	51	51	51

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

Composition of the Group *(cont'd)*

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 31.12.2018 %	31.12.2017 %	1.1.2017 %
Held by Food Land Investment Holding Pte Ltd				
Food Land Manufacturing Co., Ltd[5] (Myanmar)	Manufacturing and processing of instant food and beverages	100	100	70
Jointly held by EPIQ Food Services Pte Ltd and Future Investment Holdings Pte Ltd				
Global Food Excellence Ltd[8] (Nigeria)	Marketing support of Group's products	100	100	100
Indus Coffee Private Limited[2] (India)	Manufacturing and packaging of instant coffee	100	100	100
Jointly held by Future Investment Holdings Pte Ltd and Empire Tea (PVT) Ltd				
Tea Avenue Pte Ltd[1] (Singapore)	Investment holding company and office administrative services	72	72	72
Held by Tea Avenue Pte Ltd				
Tea Avenue (Private) Limited[2] (Sri Lanka)	To open cafes and restaurants to sell premium tea and coffee	72	72	72

(1) Audited by Ernst & Young LLP, Singapore.
(2) Audited by associated firms of Ernst & Young LLP, Singapore.
(3) Audited by S.B. Chow & Co., Certified Public Accountants (Practising), Hong Kong.
(4) Audited by P. Kalopetrides & Co, Cyprus.
(5) Not required to be audited by the law of its country of incorporation.
(6) Audited by AdvancedAudit & Tax Consulting (P.P.) Ltd.
(7) Audited by BDO Belgium.
(8) Audited by UHY Maaji and Co. (Nigeria).
(9) Audited by New Balance Audit LLC.
(10) Audited by M. P. & Associates.
(11) Audited by Foshan Zhong Zheng Cheng Certified Public Accountant Co., Ltd.
(12) Audited by Hohhot Zhi Xin Lian He Accounting Firm.
(13) Audited by Win Thin & Associates.
(14) Audited by Ayson Accounting and Business Center.
(15) Audited by Kyaw Accounting & Auditing Service.
* Entities liquidated or disposed in 2017.
** Entities which ownership was transferred in 2017.
*** Enities which ownership was transferred in 2018.
**** Entities incorporated during the year.
***** Mei Ka Fei (Hohhot) Trade Co., Ltd has changed their auditor from Inner Mongolia Zhixin CPA in 2017 to Hohhot Zhi Xin Lian He Accounting Firm in 2018.
****** Food Land Manufacturing Co., Ltd has changed their auditor from NGWE Inzaly (Audit Firm) in 2017 to Kyaw Accounting & Auditing Service in 2018.

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14. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

Acquisition of a subsidiary

On 31 October 2017, the Group's wholly owned subsidiary, EPIQ Services Pte Ltd ("EPIQ") has subscribed for 800,000 shares in the share capital of Positive Food Ventures Private Limited ("PFV"), representing 80% of the enlarged share capital of PFV for a cash consideration of INR38,000,000 (approximately US$590,000). Upon completion of subscription, EPIQ holds an 80% equity interest and PFV became a subsidiary of the Group.

The fair value of the identifiable assets and liabilities of PFV as at the acquisition date were:

	Fair value recognised on acquisition 2017 US$'000
Inventories	23
Trade and other receivables	4
Cash and cash equivalents	598
Total assets	625
Current liabilities	(11)
Total identifiable net assets at fair value	614
Non-controlling interest measured at the non-controlling interest's proportionate of PFV's net identifiable asset	(123)
Goodwill arising from acquisition (Note 16)	99
Total cash consideration transferred	590
Effect of the acquisition of PFV on cash flows	
Consideration settled in cash	590
Less: Cash and cash equivalents of subsidiary acquired	(598)
Net cash inflow on acquisition	8

Goodwill arising from the acquisition

The goodwill arising from the acquisition of US$99,000 (Note 6) had been fully impaired in the previous financial year ended 31 December 2017.

15. INVESTMENTS IN ASSOCIATES

The Group's material investments in associates are summarised below:

	Group		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Caffe Bene Co., Ltd.	–	–	6,571
Triple Ace Ventures Limited	4,404	4,777	4,364
Empire Tea (PVT) Ltd	2,657	2,850	2,694
101 Caffe S.r.l.	2,777	2,966	–
Other associates	1,554	2,001	1,669
	11,392	12,594	15,298

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15. INVESTMENTS IN ASSOCIATES *(cont'd)*

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group 31.12.2018 %	31.12.2017 %	1.1.2017 %
Held by subsidiaries				
Caffe Bene Co., Ltd.*(1) (South Korea)	Coffee house chain	19.18	22.83	19.60
Triple Ace Ventures Limited**(2) (British Virgin Islands)	Investment holding	50.00	50.00	50.00
Empire Tea (PVT) Ltd***(3) (Sri Lanka)	Exporter of bulk, packet and bagged tea	30.00	30.00	30.00
Simonelo Limited****(2) (Cyprus)	Investment holding	50.00	50.00	50.00
Cap Empire S.r.l. (The Republic of Italy)	Production and marketing of capsules for coffee and other beverages	–	49.00	49.00
101 Caffe S.r.l.(4) (The Republic of Italy)	Distribution of coffee paraphernalia including pods, pads and capsules through its franchise network	24.98	25.00	–

(1) Audited by Dong-A Accounting firm, Korea.

(2) Audited by VGDA Accountants Limited.

(3) Audited by PricewaterhouseCoopers, Sri Lanka.

(4) Audited by Gianluigi Grossi, Italy.

* Caffe Bene Co., Ltd. has changed their auditor from associated firms of Ernst & Young LLP, Singapore in 2017 to Dong-A Accounting firm in 2018.

** Triple Ace Venture Limited, who was not audited in 2017, has appointed VGDA Accountants Limited as the auditor in 2018.

*** Empire Tea (PVT) Ltd has changed their auditor from HLB Edirisinghe & Company in 2017 to PricewaterhouseCoopers in 2018.

**** Simonelo Limited has changed their auditor from KPMG Cyprus in 2017 to VGDA Accountants Limited in 2018.

Aggregate information about the Group's investments in associates (not adjusted for the percentage of ownership held) that are not individually material are as follows:

	Group 2018 US$'000	2017 US$'000
(Loss)/profit after tax	(8)	320
Other comprehensive income	(887)	233
Total comprehensive income	(895)	553

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For the financial year ended 31 December 2018

15. INVESTMENTS IN ASSOCIATES *(cont'd)*

The summarised financial information in respect of Caffe Bene Co., Ltd, Triple Ace Ventures Limited, Empire Tea (PVT) Ltd and 101 Caffe S.r.l. based on its financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Caffe Bene Co., Ltd.			Triple Ace Ventures Limited			Empire Tea (PVT) Ltd			101 Caffe S.r.l.	
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Current assets	9,188	10,525	26,849	9,353	10,680	9,686	35,044	31,010	22,816	8,249	6,760
Non-current assets	20,653	22,410	40,519	–	–	–	4,821	5,025	3,964	2,007	878
Total assets	29,841	32,935	67,368	9,353	10,680	9,686	39,865	36,035	26,780	10,256	7,638
Current liabilities	(19,732)	(33,257)	(58,429)	(545)	(1,125)	(957)	(29,266)	(23,430)	(16,089)	(5,594)	(4,165)
Non-current liabilities	(23,736)	(29,342)	(20,792)	–	–	–	(1,934)	(3,326)	(1,791)	(1,786)	(156)
Total liabilities	(43,468)	(62,599)	(79,221)	(545)	(1,125)	(957)	(31,200)	(26,756)	(17,880)	(7,380)	(4,321)
Net (liabilities)/assets	(13,627)	(29,664)	(11,853)	8,808	9,555	8,729	8,665	9,279	8,900	2,876	3,317
Proportion of the Group's ownership	19.18%	22.83%	19.60%	50.00%	50.00%	50.00%	30.00%	30.00%	30.00%	24.98%	25.00%
Group's share of net (liabilities)/assets	(2,613)	(6,772)	(2,323)	4,404	4,777	4,365	2,599	2,784	2,670	718	829
Goodwill on acquisition	8,440	8,440	6,404	–	–	–	–	–	–	1,696	1,696
Fair value adjustment on acquisition	2,123	2,123	2,145	–	–	–	–	–	–	441	441
Allowance on impairment of investment	(4,281)	(4,281)	–	–	–	–	–	–	–	–	–
Other adjustments	(3,669)	490	345	–	–	–	58	66	24	(78)	–
Carrying amount of the investment	–	–	6,571	4,404	4,777	4,365	2,657	2,850	2,694	2,777	2,966

Summarised statement of comprehensive income

	Caffe Bene Co., Ltd.			Triple Ace Ventures Limited			Empire Tea (PVT) Ltd			101 Caffe S.r.l.	
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	26,146	44,760	65,397	1,196	853	1,065	67,015	71,726	49,433	12,955	10,800
Profit/(loss) after tax	4,591	(20,859)	(26,856)	452	472	409	831	657	229	(324)	(51)
Other comprehensive income	719	1,326	–	(1,197)	353	722	(1,472)	(141)	(393)	(433)	–
Total comprehensive income	5,310	(19,533)	(26,856)	(745)	825	1,131	(641)	516	(164)	(757)	(51)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15. INVESTMENTS IN ASSOCIATES *(cont'd)*

Acquisition of an associate

On 27 December 2017, the Group's wholly owned subsidiary, Future Investment Holdings Pte Ltd ("FIHPL") entered into an investment agreement with Lascola Holdings Ltd ("Lascola") and 101 Caffe S.r.l. ("101 Caffe"), a wholly owned subsidiary of Lascola incorporated in Italy, to subscribe for 138,334 shares in the share capital of 101 Caffe, representing 25% of the enlarged share capital of 101 Caffe for a cash consideration of Euro 2,500,000 (approximately US$3,000,000). Upon completion of subscription, FIHPL holds 25% equity interest and 101 Caffe became an associate of the Group.

The fair value of the identifiable assets and liabilities of 101 Caffe as at the acquisition date were:

	Fair value recognised on acquisition **2017** US$'000
Property, plant and equipment	878
Intangible assets	1,411
Current assets	7,671
Total assets	9,960
Current liabilities	(714)
Non-current liabilities	(4,165)
Total liabilities	(4,879)
Total identifiable net assets at fair value	5,081
Proportion of the Group's ownership	25.00%
Group's share of net identifiable assets	1,270
Goodwill on acquisition	1,696
Total cash consideration paid	2,966

Intangible assets had been identified arising from this acquisition. The Group had engaged an independent valuer to determine the fair value of the intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16. INTANGIBLE ASSETS

	Group		
	Goodwill	**Brand**	**Total**
	US$'000	US$'000	US$'000
Cost			
At 1 January 2017	7,390	8,361	15,751
Acquisition of subsidiary (Note 14)	99	–	99
At 31 December 2017, 1 January 2018 and 31 December 2018	7,489	8,361	15,850
Accumulated impairment			
At 1 January 2017	706	4,702	5,408
Impairment loss (Note 6)	99	–	99
At 31 December 2017, 1 January 2018 and 31 December 2018	805	4,702	5,507
Net carrying amount			
At 1 January 2017, 31 December 2017 and 31 December 2018	6,684	3,659	10,343

Impairment testing of goodwill and brand

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

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

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Goodwill			
– FER (HK) Limited Group	4,797	4,797	4,797
– FES Industries Pte Ltd and Empire Manufacturing Sdn Bhd	1,887	1,887	1,887
	6,684	6,684	6,684
Brand	3,659	3,659	3,659
	10,343	10,343	10,343

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For the financial year ended 31 December 2018

16. INTANGIBLE ASSETS *(cont'd)*

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

	Goodwill						Brand		
	FER (HK) Limited Group			FES Industries Pte Ltd and Empire Manufacturing Sdn Bhd [(1)]					
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
Terminal growth rates	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	2.2%	2.2%	2.2%
Pre-tax discount rates	18.5%	18.5%	18.5%	9.0%	9.0%	13.0%	18.0%	18.0%	18.5%

(1) Resulting from transfer of assets from FES Industries Pte Ltd to Empire Manufacturing Sdn Bhd, the group of CGUs has been expanded to include Empire Manufacturing Sdn Bhd.

Key assumptions used in the value-in-use calculations

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

Forecasted sales – For the first 5 years of forecasted growth, sales are based on actual values achieved in the years preceding the start of the budget period. These are adjusted over the budget period of the next 5 years resulting from increased advertising and promotional effects. An average sales growth of 5% (2017: 5%) and 5% (2017: 5%) per annum were applied for brand and goodwill respectively.

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

Terminal 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 Group's CGU or group of CGUs are in.

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

Sensitivity to changes in assumptions

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

Impairment loss recognised

During the financial year ended 31 December 2017, an impairment loss was recognised to write-down the carrying amount of goodwill recognised from the acquisition of a subsidiary. The impairment loss of US$99,000 had been recognised in profit or loss under the line item "other expenses" (Note 6). There was no impairment loss recognised for the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Deferred tax assets/(liabilities)			
Sundry provision	1,280	1,635	1,249
Unutilised tax losses	3,231	1,664	2,025
Excess of net book value over tax written down value	(3,272)	(2,473)	(1,943)
Others	(90)	(119)	–
	1,149	707	1,331
Deferred tax assets	2,615	3,299	3,274
Deferred tax liabilities	(1,466)	(2,592)	(1,943)

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

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

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately US$13,423,000 (31 December 2017: US$12,748,000, 1 January 2017: US$14,363,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these unutilised tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses have no expiry date except for an amount of US$3,072,000 (31 December 2017: US$2,543,000, 1 January 2017: US$2,061,000) for companies in China, Cyprus, India, Kazakhstan, Myanmar, Mongolia, Philippines and Poland which have an expiry period ranging from 2 to 10 years from the date that the losses were incurred.

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2017: US$Nil, 2016: US$Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to US$176,056,000 (31 December 2017: US$163,462,000, 1 January 2017: US$168,796,000).

Tax consequences of proposed dividends

There are no income tax consequences (2017: US$Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 10).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18. OTHER RECEIVABLES

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Staff advances	138	163	199
Advance payment	170	505	425
Sundry receivables	450	751	796
Tax recoverable	1,659	928	518
Allowance for doubtful receivables	(14)	(345)	(337)
	2,403	2,002	1,601

	Group *Individually impaired*		
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Movement in allowance accounts:			
At 1 January	345	337	331
Written off	(331)	–	–
Charge for the year	–	8	6
At 31 December	14	345	337

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

19. INVENTORIES

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Balance sheet:			
Raw materials	18,511	18,038	17,085
Packaging materials	8,089	7,956	7,568
Finished products/trading goods	23,937	21,511	18,907
Total inventories at lower of cost and net realisable value	50,537	47,505	43,560
Income statement:			
Inventories recognised as an expense in cost of sales	140,347	138,602	
Inclusive of the following charge:			
- Inventories written down	880	728	

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For the financial year ended 31 December 2018

20. PREPAID OPERATING EXPENSES AND OTHER DEPOSITS

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Deposits	703	2,789	652	–	–	–
Prepayments	6,141	2,957	1,828	7	8	7
	6,844	5,746	2,480	7	8	7

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

	Company		
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Amounts due from subsidiaries	8,837	12,717	10,195
Less: Allowance for doubtful receivables	–	(283)	(262)
	8,837	12,434	9,933
Amount due to a subsidiary	(20)	(37)	(19)

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

	Company *Individually impaired*		
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Movement in allowance accounts:			
At 1 January	283	262	268
Written off	(278)	–	–
Exchange realignment	(5)	21	(6)
At 31 December	–	283	262

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

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Loan advance to an associate (non-current)	–	106	208
Amount due from associates (current)	77	94	101
Loan advance to an associate (current)	–	–	4,700
	77	94	4,801
Amount due to an associate (current)	(186)	(167)	(49)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22. AMOUNTS DUE FROM/(TO) ASSOCIATES (NON-TRADE) *(cont'd)*

The Group's loan advance to an associate that is impaired at the end of the reporting period and the movement in allowance accounts used to record the impairment are as follows:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Loan advance to an associate (non-current)	–	257	208
Loan advance to an associate (current)	3,454	3,449	4,700
Allowance for impairment	(3,454)	(3,600)	–
	–	106	4,908

	Group *Individually impaired*		
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Movement in allowance accounts:			
At 1 January	3,600	–	–
Charge for the year (Note 6)	172	3,600	–
Written off	(318)	–	–
At 31 December	3,454	3,600	–

Amounts due from/(to) associates (current)

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

Loan advance to an associate (current)

The loan advance to an associate (current) is unsecured, bears interest of 2% per annum and is repayable by 31 July 2019. During the year, the loan has been fully repaid. During the previous financial year, the loan amount had been reduced by the excess share of losses from cost of investment of the associate of US$55,000.

Loan advance to an associate (current) amounting to US$Nil (2017: US$2,429,000) is unsecured and bears interest of 1% per annum. The loan is repayable either by cash or by issuance of common shares by the associate.

Loan advance to an associate (current) amounting to US$Nil (2017: US$1,020,000) is unsecured, bears interest of 3% per annum and is repayable by cash.

Loan advance to an associate (current) was fully impaired as at 31 December 2017.

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For the financial year ended 31 December 2018

23. AMOUNT DUE FROM A RELATED PARTY (TRADE)

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

24. TRADE RECEIVABLES

	Group			Company		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Trade receivables	36,865	41,187	39,447	18	–	–
Allowance for doubtful receivables	(4,233)	(1,502)	(1,340)	–	–	–
	32,632	39,685	38,107	18	–	–

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

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

	Group			Company		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
United States Dollar	923	507	280	–	–	–
Singapore Dollar	29	56	–	–	–	–
Euro	231	291	287	–	–	–
Malaysia Ringgit	801	1,947	1,226	–	–	–
Sterling Pound	–	9	11	–	–	–
Indian Rupees	318	1,058	1,211	–	–	–

Receivables that are past due but not impaired

As at 31 December 2017, the Group has trade receivables amounting to US$11,117,000 (1 January 2017: US$9,112,000) that are past due but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period are as follows:

	Group	
	31.12.2017 US$'000	1.1.2017 US$'000
Trade receivables past due but not impaired:		
Less than 91 days	8,113	7,711
91 to 120 days	229	305
More than 120 days	2,775	1,096
	11,117	9,112

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24. TRADE RECEIVABLES *(cont'd)*

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired	
	31.12.2017	**1.1.2017**
	US$'000	US$'000
Trade receivables – nominal amounts	1,502	1,340
Less: Allowance for impairment	(1,502)	(1,340)
	–	–
Movement in allowance accounts:		
At 1 January	1,340	422
Charge for the year	91	803
Exchange realignment	71	115
At 31 December	1,502	1,340

Trade receivables that are individually determined to be impaired at the end of the reporting period 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.

Expected credit losses

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

	Group 2018
	US$'000
Movement in allowance accounts:	
At 1 January under FRS 109	1,502
Charge for the year	2,957
Exchange realignment	(226)
At 31 December	4,233

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25. CASH AND CASH EQUIVALENTS

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cash at banks and on hand	36,634	37,286	28,574	18	24	131
Short term deposits	5,584	5,549	–	–	–	–
Cash and short-term deposits	42,218	42,835	28,574	18	24	131

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.1% to 0.9% (31 December 2017: 0.1% to 0.9%, 1 January 2017: 0.1% to 0.9%) per annum.

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

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States Dollar	854	1,774	1,809	–	–	–
Singapore Dollar	457	712	458	–	–	–
Euro	9,548	227	1,362	–	–	–
Russian Ruble	1,217	824	45	–	–	–
Malaysia Ringgit	1,893	4,691	1,200	–	–	–
Indian Rupees	6,223	2,151	1,682	–	–	–
Arab Emirates Dirham	134	157	94	–	–	–

26. TRADE PAYABLES AND ACCRUALS

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Trade payables	14,920	20,156	17,361	7	73	22
Accruals	14,811	15,131	12,742	114	679	1,381
Total trade payables and accruals	29,731	35,287	30,103	121	752	1,403

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States Dollar	1,411	428	209	1,097	–	–
Singapore Dollar	2,707	962	318	–	–	–
Euro	353	307	109	–	–	–
Indian Rupees	724	863	1,163	–	–	–
Korean Won	12	18	–	–	–	–
Arab Emirates Dirham	89	85	49	–	–	–
Malaysia Ringgit	3,766	6,369	2,313	–	–	–

27. OTHER PAYABLES

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Current			
Rental and other deposits	411	414	384
Advance payment received from customers	458	1,044	256
Payables for purchase of property, plant and equipment	478	259	–
Sundry payables	1,232	1,234	1,577
	2,579	2,951	2,217
Non-current			
Other payables	–	5	5
Total other payables	2,579	2,956	2,222

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. AMOUNTS DUE TO ASSOCIATES (TRADE)

Amounts due to associates are unsecured, interest-free and repayable on demand.

29. INTEREST-BEARING LOANS AND BORROWINGS

		Group		
	Maturity	**31.12.2018**	**31.12.2017**	**1.1.2017**
		US$'000	US$'000	US$'000
Current				
– SGD loan at SWAP + 0.85% p.a.	2019/2018/2017	698	712	658
– USD loan at COF + 1.50% p.a.	2019/2018/2017	343	343	343
– SGD loan at COF + 1.15% p.a.	2019/2018/2017	637	650	601
– USD loan at COF + 2.35% p.a.	2019/2018/2017	–	659	1,471
– USD loan at COF + 2.35% p.a.	2019/2018/2017	1,306	3,266	3,571
– USD loan at SIBOR + 2.30% p.a.[1]	2019/2018/2017	2,240	2,320	2,320
– USD loan at higher of COF + 2.50% or LIBOR + 2.50% p.a.[1]	2017	–	–	4,000
– USD loan at COF + 1.50% p.a.[1]	2019/2018/2017	6,315	4,978	3,603
– USD loan at COF + 2.20% p.a.	2019	770	–	–
– USD loan at COF + 1.50% p.a.[1]	2019/2018/2017	722	584	718
– USD loan at LIBOR + 2.75% p.a.	2019/2017	564	–	1,594
– USD loan at LIBOR + 2.00% p.a.	2019/2018/2017	3,433	4,877	3,108
– USD loan at COF + 2.75% p.a.[1]	2019/2018	1,923	1,652	–
– VND loan at COF + 1.50% p.a.[1]	2019	1,324	–	–
		20,275	20,041	21,987
Non-current				
– SGD loan at SWAP + 0.85% p.a.	2020	523	1,296	1,810
– USD loan at COF + 1.50% p.a.	2021	687	1,030	1,373
– SGD loan at COF + 1.15% p.a.	2024	2,707	3,412	3,754
– USD loan at COF + 2.35% p.a.	2018	–	–	764
– USD loan at COF + 2.35% p.a.	2019	–	891	3,116
– USD loan at COF + 2.35% p.a.	2019	–	415	1,456
– USD loan at SIBOR + 2.30% p.a.[1]	2019	–	2,240	4,560
– USD loan at COF + 2.20% p.a.	2022	744	1,515	–
– USD loan at COF + 2.75% p.a.[1]	2021	3,569	5,492	–
– USD loan at COF + 2.45% p.a.	2024	5,000	–	–
		13,230	16,291	16,833
Total loans and borrowings		33,505	36,332	38,820

[1] The loan is unsecured and is covered by corporate guarantee issued by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

29. INTEREST-BEARING LOANS AND BORROWINGS *(cont'd)*

SWAP – Swap rate and is the rate of the fixed leg of a swap as determined by its particular market.
COF – Cost of Funds and is the difference between the average yield of interest obtained from loans and the average rate of interest paid for deposits and other such funds.
SIBOR – Singapore Interbank Offered Rate and is a daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks in the Singapore wholesale money market (or interbank market).
LIBOR – Intercontinental Exchange London Interbank Offered Rate and is a benchmark rate that some of the world's leading banks charge each other for short term loans.

SGD loan at SWAP + 0.85% p.a.

The loan is secured by a mortgage of the freehold building at 31 Harrison Road, Singapore 369649 (Notes 12 and 13). This loan includes a covenant which requires the subsidiary to be wholly owned by its ultimate holding company.

USD loan at COF + 1.50% p.a.

The loan is secured by a first mortgage over the freehold property at GM 1780, Lot 1723, Tempat Batu 9¼, Jalan Kapar, Mukim Kapar, Daerah Klang, Selangor (Note 12). This loan includes a covenant which requires the subsidiary to be wholly owned by its ultimate holding company.

SGD loan at COF + 1.15% p.a.

The loan is secured by a first mortgage over the freehold property at 81 Playfair Road, Singapore 367999 (Note 13). This loan includes a covenant which requires the subsidiary to be wholly owned by its ultimate holding company.

USD loan at COF + 2.35% p.a.

The loan is secured by a first mortgage over the property at GM 1780, Lot 1723, Tempat Batu 9¼, Jalan Kapar, Mukim Kapar, Daerah Klang, Selangor (Note 12). This loan includes a covenant which requires the subsidiary to be wholly owned by its ultimate holding company.

USD loan at COF + 2.35% p.a.

The loan is secured by an Assignment and Power of Attorney over the lease agreement and fixed specific charge over property at PLO 88 and PLO 89 in the Mukim Sungai Tiram District Johor Bahru, State of Johor Darul Takzim (Note 12). This loan includes a covenant which requires the subsidiary to be wholly owned by its ultimate holding company.

USD loan at LIBOR + 2.75% p.a.

The loan is secured by an exclusive charge over subsidiary's stock, receivables, plant and machinery, land and building and is covered by corporate guarantee issued by the ultimate holding company.

USD loan at COF + 2.20% p.a.

The loan is secured by an exclusive charge over subsidiary's plant and machinery and is covered by corporate guarantee issued by the ultimate holding company.

USD loan at LIBOR + 2.45% p.a.

The loan is secured by a mortgage of the subsidiary's leasehold building at S.NO: 56 Part, 60 Part, 61 Part, 62 Part, 64 Part, 67 Part in Dwaraka Puram, MP SEZ Dwarakapuram Naidupeta Mandal Nellore District and is covered by corporate guarantee issued by the ultimate holding company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

29. INTEREST-BEARING LOANS AND BORROWINGS *(cont'd)*

A reconciliation of liabilities arising from financing activities is as follows:

			Non-cash changes			
	2017	Cash flows	Foreign exchange movement	Acquisition	Others	2018
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Loans and borrowings						
– Current	20,041	(518)	(18)	–	770	20,275
– Non-current	16,291	(2,191)	(100)	–	(770)	13,230
Finance lease (Note 34)						
– Current	31	7	1	22	–	61
– Non-current	17	19	–	533	–	569
Total	36,380	(2,683)	117	555	–	34,135

			Non-cash changes		
	1 January 2017	Cash flows	Foreign exchange movement	Others	31 December 2017
	US$'000	US$'000	US$'000	US$'000	US$'000
Loans and borrowings					
– Current	21,987	(1,671)	102	(377)	20,041
– Non-current	16,833	(1,366)	447	377	16,291
Finance lease (Note 34)					
– Current	34	(4)	1	–	31
– Non-current	48	(32)	1	–	17
Total	38,902	(3,073)	551	–	36,380

The "Others" column relates to reclassification of non-current and current portion of loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company	
	2018	**2017**
	US$'000	US$'000
Issued and fully paid:		
At beginning of the year		
533,808,999 (2017: 533,170,999) ordinary shares	41,093	40,846
Issued for cash under employee share option		
100,000 (2017: Nil) ordinary shares issued at exercised price of S$0.335	26	–
Issued for cash under employee share option 44,000 (2017: 198,000) ordinary shares issued at exercised price of S$0.315	10	45
Issued for cash under employee share option Nil (2017: 250,000) ordinary shares issued at exercised price of S$0.505	–	91
Issued for cash under employee share option 209,000 (2017: 140,000) ordinary shares issued at exercised price of S$0.308	47	32
Issued for cash under employee share option Nil (2017: 50,000) ordinary shares issued at exercised price of S$0.669	–	24
Transfer from share-based payment reserve	26	55
At end of the year	41,202	41,093

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

As at the end of the financial year, the total number of unissued ordinary shares of the Company under options granted to eligible employees and Directors under the 2002 Option Scheme and 2012 Option Scheme amounted to 8,320,000 (2017: 8,464,000) and 13,951,000 (2017: 9,810,000) shares respectively. Details of outstanding options are set out in Note 32.

(b) Treasury shares

	Group and Company			
	2018		**2017**	
	No. of shares		**No. of shares**	
	'000	US$'000	'000	US$'000
At 1 January and 31 December	1,001	317	1,001	317

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. RESERVES

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Foreign currency translation reserve	(8,011)	(11,209)	(13,436)	(217)	3,634	2,820
Share-based payment reserve	2,713	2,126	1,997	2,713	2,126	1,997
Accumulated profits	140,687	136,200	124,647	9,986	9,672	7,844
	135,389	127,117	113,208	12,482	15,432	12,661

(a) *Foreign currency translation reserve*

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(b) *Share-based payment reserve*

The share-based payment reserve represents the equity-settled share options granted to employees (Note 32). The reserve is made up of the cumulative value of services rendered from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

32. EMPLOYEE BENEFITS

	Group	
	2018	2017
	US$'000	US$'000
Salaries, wages and other staff benefits	43,183	37,554
Employer's contribution to defined contribution plans, including Central Provident Fund	4,412	4,044
Value of employee services received for issue of share options	613	184
	48,208	41,782

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

The Food Empire Holdings Limited Share Option Scheme (the "2012 Option Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 27 April 2012. The 2012 Option Scheme applies to eligible employees and Directors of the Group, other than the controlling shareholders who are not Directors or employees. The participation of Directors who are controlling shareholders, associates of controlling shareholders or nominated by the controlling shareholders of the Group is subject to independent shareholders' approval.

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

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

32. EMPLOYEE BENEFITS *(cont'd)*

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

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

Movements in the number of share options outstanding under the 2002 Option Scheme and 2012 Option Scheme as at 31 December 2018 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 1.1.2018	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 31.12.2018	Exercise price per share S$	Exercise period	Remaining contractual life (years)
2002 Option Scheme									
2010 Options	7	2,610,000	–	–	(100,000)	2,510,000	0.335	4 January 2011 to 3 January 2020	1.0
2011 Options (February)	11	3,080,000	–	–	–	3,080,000	0.505	1 February 2012 to 31 January 2021	2.1
2011 Options (December)	12	2,774,000	–	–	(44,000)	2,730,000	0.315	19 December 2012 to 18 December 2021	3.0
		8,464,000	–	–	(144,000)	8,320,000			
2012 Option Scheme									
2013 Options	17	4,280,000	–	(300,000)	–	3,980,000[1]	0.669	8 March 2014 to 7 March 2023	4.0
2016 Options	22	4,880,000	–	–	(209,000)	4,671,000[2]	0.308	4 July 2017 to 3 July 2026	7.5
2017 Options	6	650,000	–	(100,000)	–	550,000	0.693	23 May 2018 to 22 May 2027	8.4
2018 Options	16	–	4,750,000	–	–	4,750,000[3]	0.679	16 March 2019 to 15 March 2028	9.3
		18,274,000	4,750,000	(400,000)	(353,000)	22,271,000			
Weighted average share price (S$)		0.444	0.679	–	–	0.492			

(1) Includes 300,000 outstanding options held by Independent Non-Executive Directors which are exercisable between 8 March 2014 to 7 March 2018.

(2) Includes 300,000 outstanding options held by Independent Non-Executive Directors which are exercisable between 4 July 2017 to 3 July 2021.

(3) Includes 300,000 outstanding options held by Independent Non-Executive Directors which are exercisable between 16 March 2019 to 15 March 2023.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. EMPLOYEE BENEFITS *(cont'd)*

Movements in the number of share options outstanding under the 2002 Option Scheme and 2012 Option Scheme as at 31 December 2017 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 1.1.2017	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 31.12.2017	Exercise price per share S$	Exercise period	Remaining contractual life (years)
2002 Option Scheme									
2010 Options	7	2,610,000	–	–	–	2,610,000	0.335	4 January 2011 to 3 January 2020	2.0
2011 Options (February)	11	3,330,000	–	–	(250,000)	3,080,000	0.505	1 February 2012 to 31 January 2021	3.1
2011 Options (December)	12	2,972,000	–	–	(198,000)	2,774,000	0.315	19 December 2012 to 18 December 2021	4.0
		8,912,000	–	–	(448,000)	8,464,000			
2012 Option Scheme									
2013 Options	20	4,630,000	–	(300,000)	(50,000)	4,280,000[(1)]	0.669	8 March 2014 to 7 March 2023	5.0
2016 Options	22	5,170,000	–	(150,000)	(140,000)	4,880,000[(2)]	0.308	4 July 2017 to 3 July 2026	8.5
2017 Options	7	–	650,000	–	–	650,000	0.693	23 May 2018 to 22 May 2027	9.4
		18,712,000	650,000	(450,000)	(638,000)	18,274,000			
Weighted average share price (S$)		0.437	0.693	–	–	0.444			

[(1)] Includes 300,000 outstanding options held by Independent Non-Executive Directors which are exercisable between 8 March 2014 to 7 March 2018.

[(2)] Includes 300,000 outstanding options held by Independent Non-Executive Directors which are exercisable between 4 July 2017 to 3 July 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. EMPLOYEE BENEFITS *(cont'd)*

Out of the 22,271,000 (2017: 18,274,000) outstanding options on 31 December 2018, 15,685,000 (2017: 14,522,000) share options are exercisable as at 31 December 2018.

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

(a) *2010 Options*

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

(b) *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

(c) *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

(d) *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 financial year ended 31 December 2018

32. EMPLOYEE BENEFITS *(cont'd)*

(e) 2016 Options

	Group
	Grant – 10 years
Average dividend per share (S$)	0.00975
Expected volatility (%)	45.921
Risk-free rate (%)	1.474
Expected life of option (years)	5.6
Weighted average share price (S$)	0.308

(f) 2017 Options

	Group
	Grant – 10 years
Average dividend per share (S$)	0.0065
Expected volatility (%)	49.123
Risk-free rate (%)	1.654
Expected life of option (years)	5.78
Weighted average share price (S$)	0.693

(g) 2018 Options

	Group
	Grant – 10 years
Average dividend per share (S$)	0.00643
Expected volatility (%)	46.206
Risk-free rate (%)	2.163
Expected life of option (years)	5.89
Weighted average share price (S$)	0.679

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.

33. SEGMENT INFORMATION

For management purposes, the Group is organised into 5 reportable segments based on geographical locations. Each 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 5 main segments are:

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

In presenting information on the basis of geographical segments, the segment revenue and results for sale of ingredients are based on the physical location of the factories.

33. SEGMENT INFORMATION *(cont'd)*

For all other sales, the segment revenue and results are based on the geographical locations of the customers. This is consistent with the manner which the Group's chief operating decision makers review the segment results of the Group.

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

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

	Russia		Ukraine		Kazakhstan and CIS markets		Indochina		Others		Adjustments and eliminations		Per consolidated financial statements	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue														
Segment to external customers	113,305	116,702	25,684	21,844	37,104	35,067	50,384	37,898	57,853	57,939	–	–	284,330	269,450
Inter-segment sales[(a)]	777	791	–	–	–	–	–	–	85,526	84,087	(86,303)	(84,878)	–	–
Total revenue	114,082	117,493	25,684	21,844	37,104	35,067	50,384	37,898	143,379	142,026	(86,303)	(84,878)	284,330	269,450
Results														
Segment results	17,501	21,428	4,113	1,593	5,347	3,653	(1,167)	741	21,777	23,738	(16,915)	(13,195)	30,656	37,958
Interest income	9	26	42	27	19	27	300	116	136	133	–	–	506	329
Interest expenses	(1)	(8)	(10)	(16)	(7)	(2)	(23)	(4)	(1,256)	(1,199)	–	–	(1,297)	(1,229)
Share of profit/(loss) of associates	256	396	–	–	–	–	–	–	249	(4,885)	–	–	505	(4,489)
Income tax (expenses)/credit	(2,189)	(2,455)	(976)	194	(203)	(29)	(877)	(790)	2,076	(1,579)	–	–	(2,169)	(4,659)
Non-controlling interest	49	73	–	–	–	–	–	–	312	765	–	–	361	838
Depreciation for property, plant and equipment	(717)	(689)	(260)	(337)	(68)	(74)	(316)	(245)	(4,309)	(3,954)	–	–	(5,670)	(5,299)
Depreciation for investment properties	–	–	–	–	–	–	–	–	(169)	(163)	–	–	(169)	(163)
Impairment of an associate	–	–	–	–	–	–	–	–	–	(4,281)	–	–	–	(4,281)
Impairment of loan to associates	(166)	(151)	–	–	–	–	–	–	(6)	(3,449)	–	–	(172)	(3,600)
Impairment of goodwill	–	–	–	–	–	–	–	–	–	(99)	–	–	–	(99)
Other non-cash (expenses)/income[(b)]	(662)	45	(451)	(40)	(96)	(140)	(165)	(158)	(3,085)	(876)	–	–	(4,459)	(1,169)
Profit/(loss) attributable to equity shareholders of the Company	14,080	18,665	2,458	1,421	4,992	3,435	(2,248)	(340)	15,725	4,151	(16,915)	(13,195)	18,092	14,137

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. SEGMENT INFORMATION *(cont'd)*

	Russia		Ukraine		Kazakhstan and CIS markets		Indochina		Others		Adjustments and eliminations		Per consolidated financial statements	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Assets														
Segment assets	52,319	54,891	12,920	13,473	6,160	7,152	12,953	14,076	160,364	157,653	–	–	244,716	247,245
Liabilities														
Segment liabilities	(9,612)	(12,700)	(1,798)	(1,218)	(384)	(824)	(6,119)	(4,634)	(51,350)	(60,439)	–	–	(69,263)	(79,815)
Other Information														
Investment in associates	8,735	9,744	–	–	–	–	–	–	2,657	2,850	–	–	11,392	12,594
Additions to non-current assets	1,735	499	212	130	39	48	1,059	314	7,789	5,065	–	–	10,834	6,056

At 1 January 2017

	Russia	Ukraine	Kazakhstan and CIS markets	Indochina	Others	Adjustments and eliminations	Per consolidated financial statements
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Assets							
Segment assets	54,515	13,027	4,336	9,260	147,514	–	228,652
Liabilities							
Segment liabilities	(12,383)	(1,353)	(515)	(4,054)	(56,491)	–	(74,796)
Other Information							
Investment in associates	6,033	–	–	–	9,265	–	15,298
Additions to non-current assets	465	132	26	939	2,276	–	3,838

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

(b) Other non-cash expenses consists of allowance for doubtful receivables, bad debts written off, inventories written down, write down of property, plant and equipment, loss on disposal of a subsidiary and value of employee services received for issue of share options as presented in the respective notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. SEGMENT INFORMATION *(cont'd)*

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

	Group	
	31.12.2018	**31.12.2017**
	US$'000	US$'000
Beverages	246,700	233,269
Others	18,486	17,176
Ingredients	19,144	19,005
	284,330	269,450

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

		Group	
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Singapore	24,131	25,008	23,458
Malaysia	33,320	34,230	33,297
India	20,687	16,276	17,353
Russia	11,952	11,443	11,436
Ukraine	2,240	2,245	2,464
Others	3,062	2,373	2,160
	95,392	91,575	90,168

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

Information about major customers

Revenue from six major customers amounted to US$49,929,000 (2017: US$54,331,000), arising from sales and services in the Russia, Vietnam, Ukraine, Africa and Kazakhstan and CIS markets segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. COMMITMENTS AND CONTINGENCIES

Capital commitments

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

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Capital commitments in respect of property, plant and equipment	33,956	29,074	70
Capital commitments in respect of investment properties	–	521	521

Operating lease commitments as lessee

The Group leases certain properties under lease agreements which expire at various dates till 2020. Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to US$2,959,000 (2017: US$2,563,000).

Future minimum lease payments payable under non-cancellable operating leases as at the end of the reporting period are as follows:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Not later than one year	1,969	2,343	1,805
Later than one year but not later than five years	662	2,171	182
Later than five years	–	37	148
	2,631	4,551	2,135

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 five years as at 31 December 2018.

Future minimum rental receivables under non-cancellable operating leases at the end of the reporting period are as follows:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Not later than one year	896	1,084	948
Later than one year but not later than five years	187	1,049	1,734
	1,083	2,133	2,682

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. COMMITMENTS AND CONTINGENCIES *(cont'd)*

Finance lease commitments

The Group has finance leases for motor vehicles and leasehold property. The motor vehicles held under finance leases contain purchase options but no terms of renewal or escalation clauses. The leasehold property held under finance lease contains terms of renewal.

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

	Group					
	31.12.2018		31.12.2017		1.1.2017	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Not later than one year	61	61	31	31	34	34
Later than one year but not later than five years	570	569	18	17	49	48
Total minimum lease payments	631	630	49	48	83	82
Less: Amounts representing finance charges	(1)	–	(1)	–	(1)	–
Present value of minimum leases	630	630	48	48	82	82

Contingent liabilities

The Group has given corporate guarantees to banks amounting to US$179,284,000 (31 December 2017: US$145,477,000, 1 January 2017: US$134,079,000) to secure banking facilities granted to its subsidiaries.

Financial Support

The Company has agreed to provide financial support to certain subsidiaries to meet their liabilities as and when they fall due and to subordinate the amount owing from them for the prior payment of other liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

35. RELATED PARTY TRANSACTIONS

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

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

	2018 US$'000	2017 US$'000
Group		
Simonelo Limited and its subsidiaries[(a)]		
– Rental expense paid	1,977	1,895
Companies associated to a controlling shareholder[(b)]		
– Sale of goods	1,762	1,758
Company		
Subsidiaries		
– Management fees received	1,387	1,220

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

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

(b) *Transaction with an associated company*

During the financial year ended 31 December 2017, a company associated to one of the controlling shareholder, Universal Integrated Corporation Consumer Products Pte Ltd, had granted loan and accrued interest for the year to an associated company of the Group, Caffe Bene Co., Ltd amounting to US$1,065,000. The amount was fully impaired during the previous financial year.

(c) *Compensation of key management personnel*

	Group	
	2018 US$'000	2017 US$'000
Salaries, wages and other staff benefits	4,383	4,079
Central Provident Fund contributions	53	52
Value of employee services received for issue of share options	370	101
Total compensation paid to key management personnel	4,806	4,232

	Group	
	2018 US$'000	2017 US$'000
Comprise amounts paid to:		
Directors of the Group	2,323	2,008
Other key management personnel	2,483	2,224
Total compensation paid to key management personnel	4,806	4,232

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

35. RELATED PARTY TRANSACTIONS *(cont'd)*

(c) Compensation of key management personnel *(cont'd)*

The remuneration of key management personnel are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

In addition to their salaries, certain Directors also participate in the 2002 Option Scheme and 2012 Option Scheme granted under the Food Empire Holdings Limited Share Option Scheme. For the exercise period, the terms and conditions of the share options granted to the Directors were the same as those granted to other employees of the Company as described in Note 32.

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

	Outstanding share options	
	2018	**2017**
	'000	'000
Directors	9,300	7,800
Key management personnel	7,960	6,360
	17,260	14,160

36. FAIR VALUE OF ASSETS AND LIABILITIES

(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 2018 and 2017.

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

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

The carrying amount of non-current 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 financial year ended 31 December 2018

36. FAIR VALUE OF ASSETS AND LIABILITIES *(cont'd)*

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

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

The significant non-financial asset of the Group categorised within Level 3 of the fair value hierarchy is investment properties. Generally, the fair values of investment properties are determined annually by independent professional valuers. The carrying amount of the investment properties is disclosed in Note 13.

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

Recurring fair value measurement

Description	Fair value as at 31 December 2018 US$'000	Valuation techniques	Key unobservable inputs
Investment properties			
– Singapore	27,529	Market comparison method	Transacted price of comparable properties[1]

Description	Fair value as at 31 December 2017 US$'000	Valuation techniques	Key unobservable inputs
Investment properties			
– Singapore	28,089	Market comparison method	Transacted price of comparable properties[1]

Description	Fair value as at 1 January 2017 US$'000	Valuation techniques	Key unobservable inputs
Investment properties			
– Singapore	25,960	Market comparison method	Transacted price of comparable properties[1]

[1] Adjustments are made for any difference in the location, tenure, size, shape, design and layout, age and condition of the specific property, dates of transactions and other factors.

(ii) Valuation policies and procedures

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs used in the valuations.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. FAIR VALUE OF ASSETS AND LIABILITIES *(cont'd)*

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

(ii) Valuation policies and procedures (cont'd)

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use a minimum of two valuation approaches to allow for cross-checks.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

(d) Classification of assets and liabilities

Group 2018	Financial assets at amortised cost US$'000	Financial liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Assets				
Property, plant and equipment	–	–	68,932	68,932
Investment properties	–	–	16,117	16,117
Investment in associates	–	–	11,392	11,392
Intangible assets	–	–	10,343	10,343
Deferred tax assets	–	–	2,615	2,615
Inventories	–	–	50,537	50,537
Prepaid operating expenses and deposits	703	–	6,141	6,844
Deferred expenses	–	–	178	178
Amounts due from associates (non-trade)	77	–	–	77
Amounts due from related parties (trade)	428	–	–	428
Trade receivables	32,632	–	–	32,632
Other receivables	2,403	–	–	2,403
Cash and cash equivalents	42,218	–	–	42,218
	78,461	–	166,255	244,716
Liabilities				
Trade payables and accruals	–	(29,731)	–	(29,731)
Other payables	–	(2,168)	(411)	(2,579)
Interest-bearing loans and borrowings	–	(33,505)	–	(33,505)
Finance lease creditors	–	(630)	–	(630)
Amounts due to associates (trade)	–	(161)	–	(161)
Amount due to an associate (non-trade)	–	(186)	–	(186)
Amount due to a related party (non-trade)	–	(573)	–	(573)
Income tax payable	–	–	(432)	(432)
Deferred tax liabilities	–	–	(1,466)	(1,466)
	–	(66,954)	(2,309)	(69,263)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. FAIR VALUE OF ASSETS AND LIABILITIES *(cont'd)*

(d) Classification of assets and liabilities *(cont'd)*

Group 31 December 2017	Financial assets at amortised cost US$'000	Financial liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Assets				
Property, plant and equipment	–	–	64,617	64,617
Investment properties	–	–	16,615	16,615
Investment in associates	–	–	12,594	12,594
Intangible assets	–	–	10,343	10,343
Deferred tax assets	–	–	3,299	3,299
Amount due from an associate (non-trade)	106	–	–	106
Inventories	–	–	47,505	47,505
Prepaid operating expenses and deposits	2,789	–	2,957	5,746
Deferred expenses	–	–	173	173
Amounts due from associates (non-trade)	94	–	–	94
Amounts due from related parties (trade)	987	–	–	987
Trade receivables	39,685	–	–	39,685
Other receivables	2,002	–	–	2,002
Asset held for sale	–	–	644	644
Cash and cash equivalents	42,835	–	–	42,835
	88,498	–	158,747	247,245
Liabilities				
Trade payables and accruals	–	(35,287)	–	(35,287)
Other payables	–	(2,542)	(414)	(2,956)
Interest-bearing loans and borrowings	–	(36,332)	–	(36,332)
Finance lease creditors	–	(48)	–	(48)
Amounts due to associates (trade)	–	(374)	–	(374)
Amount due to an associate (non-trade)	–	(167)	–	(167)
Amount due to a related party (non-trade)	–	(397)	–	(397)
Income tax payable	–	–	(1,662)	(1,662)
Deferred tax liabilities	–	–	(2,592)	(2,592)
	–	(75,147)	(4,668)	(79,815)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. FAIR VALUE OF ASSETS AND LIABILITIES *(cont'd)*

(d) Classification of assets and liabilities *(cont'd)*

Group **1 January 2017**	**Financial assets at amortised cost** US$'000	**Financial liabilities at amortised cost** US$'000	**Non-financial assets/ liabilities** US$'000	**Total** US$'000
Assets				
Property, plant and equipment	–	–	64,389	64,389
Investment properties	–	–	15,436	15,436
Investment in associates	–	–	15,298	15,298
Intangible assets	–	–	10,343	10,343
Deferred tax assets	–	–	3,274	3,274
Amount due from an associate (non-trade)	208	–	–	208
Inventories	–	–	43,560	43,560
Prepaid operating expenses and deposits	652	–	1,828	2,480
Deferred expenses	–	–	185	185
Amounts due from associates (non-trade)	4,801	–	–	4,801
Amounts due from related parties (trade)	396	–	–	396
Trade receivables	38,107	–	–	38,107
Other receivables	1,601	–	–	1,601
Cash and cash equivalents	28,574	–	–	28,574
	74,339	–	154,313	228,652
Liabilities				
Trade payables and accruals	–	(30,103)	–	(30,103)
Other payables	–	(1,838)	(384)	(2,222)
Interest-bearing loans and borrowings	–	(38,820)	–	(38,820)
Finance lease creditors	–	(82)	–	(82)
Amounts due to associates (trade)	–	(233)	–	(233)
Amount due to an associate (non-trade)	–	(49)	–	(49)
Amount due to a related party (non-trade)	–	(301)	–	(301)
Income tax payable	–	–	(1,043)	(1,043)
Deferred tax liabilities	–	–	(1,943)	(1,943)
	–	(71,426)	(3,370)	(74,796)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. FAIR VALUE OF ASSETS AND LIABILITIES *(cont'd)*

(d) Classification of assets and liabilities *(cont'd)*

Company 2018	Financial assets at amortised cost US$'000	Financial liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Assets				
Investment in subsidiaries	–	–	44,635	44,635
Prepaid operating expenses	–	–	7	7
Trade receivables	18	–	–	18
Amounts due from subsidiaries (non-trade)	8,837	–	–	8,837
Cash and cash equivalents	18	–	–	18
	8,873	–	44,642	53,515
Liabilities				
Trade payables and accruals	–	(121)	–	(121)
Amounts due to subsidiaries (non-trade)	–	(20)	–	(20)
Income tax payable	–	–	(7)	(7)
	–	(141)	(7)	(148)

Company 31 December 2017	Financial assets at amortised cost US$'000	Financial liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Assets				
Investment in subsidiaries	–	–	44,536	44,536
Prepaid operating expenses	–	–	8	8
Amounts due from subsidiaries (non-trade)	12,434	–	–	12,434
Cash and cash equivalents	24	–	–	24
	12,458	–	44,544	57,002
Liabilities				
Trade payables and accruals	–	(752)	–	(752)
Amounts due to subsidiaries (non-trade)	–	(37)	–	(37)
Income tax payable	–	–	(5)	(5)
	–	(789)	(5)	(794)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. FAIR VALUE OF ASSETS AND LIABILITIES *(cont'd)*

(d) Classification of assets and liabilities (cont'd)

Company 1 January 2017	Financial assets at amortised cost US$'000	Financial liabilities at amortised cost US$'000	Non-financial assets/ liabilities US$'000	Total US$'000
Assets				
Investment in subsidiaries	–	–	44,545	44,545
Prepaid operating expenses	–	–	7	7
Amounts due from subsidiaries (non-trade)	9,933	–	–	9,933
Cash and cash equivalents	131	–	–	131
	10,064	–	44,552	54,616
Liabilities				
Trade payables and accruals	–	(1,403)	–	(1,403)
Amounts due to subsidiaries (non-trade)	–	(19)	–	(19)
Income tax payable	–	–	(4)	(4)
	–	(1,422)	(4)	(1,426)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks.

The Group and the Company does not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group sells mainly to Russia, Ukraine, Kazakhstan and CIS markets. Hence, risk is concentrated on the trade receivables in these countries.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

(a) Credit risk (cont'd)

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

– Internal credit rating

– External credit rating

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– Actual or expected significant changes in the operating results of the borrower

– Significant increases in credit risk on other financial instruments of the same borrower

– Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

– Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

– There is significant difficulty of the issuer or the borrower

– A breach of contract, such as a default or past due event

– It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

– There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 150 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

(a) Credit risk (cont'd)

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables, and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 December 2018 incorporates forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using the provision matrix:

	Current	1-30 days past due	31-60 days past due	61-90 days past due	91-120 days past due	121-150 days past due	More than 150 days	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Gross carrying amount	22,932	6,284	1,530	741	536	561	4,281	36,865
Loss allowance provision	–	(4)	(1)	(3)	–	(363)	(3,862)	(4,233)
	22,932	6,280	1,529	738	536	198	419	32,632

Information regarding loss allowance movement of trade receivables are disclosed in Note 24.

Exposure to credit risk

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

Credit risk concentration profile

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

	Group		
	31.12.2018	31.12.2017	1.1.2017
	US$'000	US$'000	US$'000
By country:			
Russia	13,461	12,718	15,543
Ukraine	3,998	5,366	5,872
Kazakhstan and CIS markets	3,841	5,668	3,744
Others	11,332	15,933	12,948
	32,632	39,685	38,107

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

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

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Notes 18, 21, 22 and 24.

(b) *Liquidity risk*

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

At the end of reporting period, approximately 59% (31 December 2017: 55%, 1 January 2017: 57%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by Management to finance the Group's operation and to mitigate the effects of fluctuations in cash flows.

Analysis of financial instruments by remaining contractual maturities

The tables below summarise the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	**Within 1 year**	**Within 1 to 5 years**	**More than 5 years**	**Total**
2018	US$'000	US$'000	US$'000	US$'000
Financial assets:				
Trade and other receivables	35,035	–	–	35,035
Amounts due from related parties (trade)	428	–	–	428
Amounts due from associates (non-trade)	77	–	–	77
Cash and cash equivalents	42,218	–	–	42,218
Total undiscounted financial assets	77,758	–	–	77,758
Financial liabilities:				
Amounts due to associates (trade)	(161)	–	–	(161)
Amount due to an associate (non-trade)	(186)	–	–	(186)
Amount due to a related party (non-trade)	(573)	–	–	(573)
Interest-bearing loans and borrowings	(21,148)	(12,287)	(2,165)	(35,600)
Finance lease creditors	(61)	(569)	–	(630)
Trade and other payables	(32,310)	–	–	(32,310)
Total undiscounted financial liabilities	(54,439)	(12,856)	(2,165)	(69,460)
Total net undiscounted financial assets/(liabilities)	23,319	(12,856)	(2,165)	8,298

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities *(cont'd)*

Group **31 December 2017**	**Within 1 year** US$'000	**Within 1 to 5 years** US$'000	**More than 5 years** US$'000	**Total** US$'000
Financial assets:				
Trade and other receivables	41,687	–	–	41,687
Amounts due from related parties (trade)	987	–	–	987
Amounts due from associates (non-trade)	94	106	–	200
Cash and cash equivalents	42,835	–	–	42,835
Total undiscounted financial assets	85,603	106	–	85,709
Financial liabilities:				
Amounts due to associates (trade)	(374)	–	–	(374)
Amount due to an associate (non-trade)	(167)	–	–	(167)
Amount due to a related party (non-trade)	(397)	–	–	(397)
Interest-bearing loans and borrowings	(20,833)	(16,239)	(825)	(37,897)
Finance lease creditors	(31)	(17)	–	(48)
Trade and other payables	(38,238)	–	–	(38,238)
Total undiscounted financial liabilities	(60,040)	(16,256)	(825)	(77,121)
Total net undiscounted financial assets/(liabilities)	25,563	(16,150)	(825)	8,588

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities *(cont'd)*

Group **1 January 2017**	**Within 1 year** US$'000	**Within 1 to 5 years** US$'000	**More than 5 years** US$'000	**Total** US$'000
Financial assets:				
Trade and other receivables	39,708	–	–	39,708
Amounts due from related parties (trade)	396	–	–	396
Amounts due from associates (non-trade)	4,801	208	–	5,009
Cash and cash equivalents	28,574	–	–	28,574
Total undiscounted financial assets	73,479	208	–	73,687
Financial liabilities:				
Amounts due to associates (trade)	(233)	–	–	(233)
Amount due to an associate (non-trade)	(49)	–	–	(49)
Amount due to a related party (non-trade)	(301)	–	–	(301)
Interest-bearing loans and borrowings	(22,783)	(16,044)	(1,381)	(40,208)
Finance lease creditors	(34)	(48)	–	(82)
Trade and other payables	(32,320)	–	–	(32,320)
Total undiscounted financial liabilities	(55,720)	(16,092)	(1,381)	(73,193)
Total net undiscounted financial assets/(liabilities)	17,759	(15,884)	(1,381)	494

Company **2018**	**Within 1 year** US$'000	**Within 1 to 5 years** US$'000	**More than 5 years** US$'000	**Total** US$'000
Financial assets:				
Amounts due from subsidiaries (non-trade)	8,837	–	–	8,837
Cash and cash equivalents	18	–	–	18
Total undiscounted financial assets	8,855	–	–	8,855
Financial liabilities:				
Trade payables and accruals	(121)	–	–	(121)
Amounts due to subsidiaries (non-trade)	(20)	–	–	(20)
Total undiscounted financial liabilities	(141)	–	–	(141)
Total net undiscounted financial assets	8,714	–	–	8,714

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

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

Analysis of financial instruments by remaining contractual maturities *(cont'd)*

Company **31 December 2017**	**Within 1 year** US$'000	**Within 1 to 5 years** US$'000	**More than 5 years** US$'000	**Total** US$'000
Financial assets:				
Amounts due from subsidiaries (non-trade)	12,434	–	–	12,434
Cash and cash equivalents	24	–	–	24
Total undiscounted financial assets	12,458	–	–	12,458
Financial liabilities:				
Trade payables and accruals	(752)	–	–	(752)
Amounts due to subsidiaries (non-trade)	(37)	–	–	(37)
Total undiscounted financial liabilities	(789)	–	–	(789)
Total net undiscounted financial assets	11,669	–	–	11,669

Company **1 January 2017**	**Within 1 year** US$'000	**Within 1 to 5 years** US$'000	**More than 5 years** US$'000	**Total** US$'000
Financial assets:				
Amounts due from subsidiaries (non-trade)	9,933	–	–	9,933
Cash and cash equivalents	131	–	–	131
Total undiscounted financial assets	10,064	–	–	10,064
Financial liabilities:				
Trade payables and accruals	(1,403)	–	–	(1,403)
Amounts due to subsidiaries (non-trade)	(19)	–	–	(19)
Total undiscounted financial liabilities	(1,422)	–	–	(1,422)
Total net undiscounted financial assets	8,642	–	–	8,642

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. Financial guarantee contracts are recorded in the contractual maturity analysis based on the maximum amount guaranteed. They are allocated to the earliest date they can be drawn.

	2018			**31 December 2017**		
Company	**1 year or less** US$'000	**Over 1 year** US$'000	**Total** US$'000	**1 year or less** US$'000	**Over 1 year** US$'000	**Total** US$'000
Financial guarantees	179,284	–	179,284	145,477	–	145,477

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

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

Analysis of financial instruments by remaining contractual maturities *(cont'd)*

	1 January 2017		
	1 year or less	**Over 1 year**	**Total**
Company	US$'000	US$'000	US$'000
Financial guarantees	134,079	–	134,079

(c) Interest rate risk

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

Sensitivity analysis for interest rate risk

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

	Group	
	Increase/ decrease in basis points	**Effect on profit, net of tax** US$'000
2018		
Cash and cash equivalents	+10	42
Interest-bearing loans and borrowings	+100	(346)
2017		
Cash and cash equivalents	+10	38
Interest-bearing loans and borrowings	+100	(384)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

(c) *Interest rate risk (cont'd)*

The following tables set out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	2018						
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
Floating rate							
Cash and cash equivalents	42,218	–	–	–	–	–	42,218
Finance lease creditors	61	569	–	–	–	–	630
Interest-bearing loans and borrowings	20,275	4,860	2,624	1,778	1,813	2,155	33,505
Company							
Floating rate							
Cash and cash equivalents	18	–	–	–	–	–	18

	31 December 2017						
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
Floating rate							
Cash and cash equivalents	42,835	–	–	–	–	–	42,835
Finance lease creditors	31	17	–	–	–	–	48
Interest-bearing loans and borrowings	20,041	7,561	4,577	2,337	1,005	811	36,332
Company							
Floating rate							
Cash and cash equivalents	24	–	–	–	–	–	24

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

(c) *Interest rate risk (cont'd)*

	1 January 2017						
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
Floating rate							
Cash and cash equivalents	28,574	–	–	–	–	–	28,574
Finance lease creditors	34	48	–	–	–	–	82
Interest-bearing loans and borrowings	21,987	8,843	4,257	1,438	944	1,351	38,820
Company							
Floating rate							
Cash and cash equivalents	131	–	–	–	–	–	131

(d) *Foreign currency risk*

The Group has transactional currency exposures arising from sales, purchases or operating costs by operating units in currencies other than the unit's functional currency. Approximately 2.2% (2017: 2.5%) of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst 66.4% (2017: 52.7%) of purchases and operating costs are denominated in the unit's functional currency.

The management ensures that the net exposure is maintained at an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short-term fluctuations.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the EURO, Malaysia Ringgit (RM), Ukrainian Hryvnia (UAH), Russian Ruble (RUR) and Indian Rupee (INR) against the respective functional currencies of the Group entities, with all variables held constant.

		Group Profit before tax	
		2018 US$'000	**2017** US$'000
EURO/USD	– strengthened 5% (2017: 5%)	471	11
	– weakened 5% (2017: 5%)	(471)	(11)
RM/USD	– strengthened 5% (2017: 5%)	54	394
	– weakened 5% (2017: 5%)	(54)	(394)
UAH/USD	– strengthened 5% (2017: 5%)	225	421
	– weakened 5% (2017: 5%)	(225)	(421)
RUR/USD	– strengthened 5% (2017: 5%)	348	372
	– weakened 5% (2017: 5%)	(348)	(372)
INR/USD	– strengthened 5% (2017: 5%)	291	117
	– weakened 5% (2017: 5%)	(291)	(117)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

38. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

A gearing ratio with a specific measurement basis has been disclosed as this is the measure used to monitor capital. The Group considers both capital and net debt as relevant components of funding, hence part of its capital management.

The Group monitors its capital structure as follows:

	2018 US$'000	2017 US$'000
Interest-bearing loans and borrowings (Note 29)	33,505	36,332
Finance lease creditors (Note 34)	630	48
Trade payables and accruals (Note 26)	29,731	35,287
Other payables (Note 27)	2,579	2,956
Less: Cash and cash equivalents (Note 25)	(42,218)	(42,835)
Net debt	24,227	31,788
Equity attributable to the equity shareholders of the Company	176,274	167,893
Capital and net debt	**200,501**	**199,681**
Gearing Ratio	**12%**	**16%**

39. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 15 March 2019, the Company granted 5,450,000 options to subscribe for ordinary shares exercisable between 15 March 2020 to 14 March 2029 at market price of S$0.556 per share to selected group of Directors and employees eligible under the 2012 Option Scheme.

Details of the 15 March 2019 options granted are as follows:

	Exercisable period	Number of options granted which is exercisable
Executive Directors and other employees		
Tranche 1	15 March 2020 to 14 March 2029	2,060,000
Tranche 2	15 March 2021 to 14 March 2029	1,545,000
Tranche 3	15 March 2022 to 14 March 2029	1,545,000
		5,150,000
Non-executive Directors		
Tranche 1	15 March 2020 to 14 March 2024	120,000
Tranche 2	15 March 2021 to 14 March 2024	90,000
Tranche 3	15 March 2022 to 14 March 2024	90,000
		300,000

40. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 22 March 2019.

SHAREHOLDERS' INFORMATION

As at 15 March 2019

Class of equity securities	:	Ordinary share
No. of equity securities (excluding treasury shares)	:	534,196,999
Voting rights	:	One vote per share

As at 15 March 2019, 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 15 MARCH 2019
(As recorded in the Register of Directors' Shareholdings)

	Direct Interest	%	Deemed Interest	%
Tan Wang Cheow	-	-	120,814,600	22.62
Tan Guek Ming	37,547,400	7.03	83,267,200	15.59
Lew Syn Pau	384,000	0.07	96,000	0.02
Sudeep Nair	-	-	58,076,399	10.87
Ong Kian Min	-	-	720,000	0.13
Boon Yoon Chiang	50,000	0.01	-	-

SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2019
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Tan Wang Cheow (1)	-	-	120,814,600	22.62
Tan Guek Ming (2)	37,547,400	7.03	83,267,200	15.59
Sudeep Nair (3)	-	-	58,076,399	10.87
Anthoni Salim (4)	-	-	132,079,200	24.72
Universal Integrated Corporation Consumer Products Pte Ltd	132,079,200	24.72	-	-
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	9.90

Notes:

(1) Mr Tan Wang Cheow is deemed to have an interest in the 52,440,000 shares held by United Overseas Bank Nominees (Private) Limited. Mr Tan Wang Cheow is the husband of Mdm Tan Guek Ming and he is deemed to have an interest in the 68,374,600 shares held by Mdm Tan Guek Ming.

(2) Mdm Tan Guek Ming has a direct interest of 37,547,400 shares and she is deemed to have an interest in the 30,827,200 shares held by DB Nominees (Singapore) Pte Ltd. Mdm Tan Guek Ming is the wife of Mr Tan Wang Cheow, she is deemed to have an interest in the 52,440,000 shares held by Mr Tan Wang Cheow.

(3) Mr Sudeep Nair is deemed to have an interest in the 58,076,399 shares held by UOB Kay Hian Private Limited, Maybank Kim Eng Securities Pte Ltd, RHB Securities Singapore Pte Ltd, Raffles Nominees (Pte.) Ltd and JPMorgan Chase Bank, N.A..

(4) Mr Anthoni Salim is the controlling shareholder 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 15 March 2019, 31.43% 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 15 March 2019

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	7	0.43	240	0.00
100 - 1,000	113	6.94	61,682	0.01
1,001 - 10,000	838	51.44	4,100,901	0.77
10,001 - 1,000,000	644	39.53	40,715,877	7.62
1,000,001 and above	27	1.66	489,318,299	91.60
Total	**1,629**	**100.00**	**534,196,999**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	DBS NOMINEES (PRIVATE) LIMITED	151,235,100	28.31
2	RAFFLES NOMINEES (PTE.) LIMITED	70,181,600	13.14
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	55,836,300	10.45
4	DBSN SERVICES PTE. LTD.	40,524,599	7.59
5	TAN GUEK MING	37,547,400	7.03
6	DB NOMINEES (SINGAPORE) PTE LTD	30,827,200	5.77
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	19,869,600	3.72
8	OON PENG HENG	11,705,500	2.19
9	CITIBANK NOMINEES SINGPORE PTE LTD	11,263,300	2.11
10	KOH PUAY LING	9,050,000	1.69
11	ESTATE OF TAN BIAN CHYE, DECEASED	7,580,800	1.42
12	OON PENG LIM	7,105,300	1.33
13	OON PENG LAM	6,010,500	1.13
14	OCBC SECURITIES PRIVATE LIMITED	5,221,500	0.98
15	LIM SIEW KHENG	3,860,000	0.72
16	TAN SIOK CHER	2,910,000	0.54
17	TAN SEOK WAH	2,580,000	0.48
18	OON PENG WAH	2,333,500	0.44
19	OON POH CHOO	2,152,800	0.40
20	UOB KAY HIAN PRIVATE LIMITED	2,103,600	0.39
	Total	479,898,599	89.83

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

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 Four Points by Sheraton Singapore, Riverview Jubilee Ballroom, 4th Storey, 382 Havelock Road, Singapore 169629 on Wednesday, 24 April 2019 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2018 together with the Auditor's Report thereon.
(Resolution 1)

2. To declare a first and final dividend of S$0.0068 per ordinary share (one-tier tax exempt) for the financial year ended 31 December 2018.
(Resolution 2)

3. To re-elect the following Director of the Company retiring pursuant to Article 115 of the Constitution of the Company[1]:

   Mr. Tan Wang Cheow **(Resolution 3)**

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

4. To note the retirement of the following Directors of the Company at the conclusion of this Annual General Meeting:

   Mr. Hartono Gunawan
   Mr. Boon Yoon Chiang

   Mr. Boon Yoon Chiang will, upon his retirement as a Director of the Company, cease to be members of the Audit Committee, Nominating Committee and Remuneration Committee.

5. To approve the payment of Directors' fees of S$415,200.00 for the year ended 31 December 2018 (2017: S$403,575.00).
(Resolution 4)

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 5)

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

[1] Detailed information on the Director who is proposed to be re-appointed can be found under the sections entitled "Board of Directors" and "Additional Information on Directors seeking re-appointment" in the Annual Report of the Company.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other Instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

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

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

(b) new shares arising from the exercise of share options or vesting of share awards 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;

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

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

(Resolution 6)

NOTICE OF ANNUAL GENERAL MEETING

9. **Authority to issue shares under the Food Empire Holdings Limited Employees' Share Option Scheme ("2002 Option Scheme")**

   That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the 2002 Option Scheme approved by shareholders on 22 January 2002, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the 2002 Option Scheme and all other share-based incentive schemes of the Company shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (ii)]

   (Resolution 7)

10. **Authority to grant options and to issue shares under the Food Empire Holdings Limited Employees' Share Option Scheme ("2012 Option Scheme")**

   That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant options under the 2012 Option Scheme and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted or to be granted by the Company under the 2012 Option Scheme approved by shareholders on 27 April 2012, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the 2012 Option Scheme and all other share-based incentive schemes of the Company shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (iii)]

   (Resolution 8)

By Order of the Board

Cho Form Po
Company Secretary

Singapore,
5 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The Ordinary Resolution 6 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to shareholders.

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

(ii) Although the 2002 Option Scheme had expired on 31 December 2011, outstanding options granted prior to that date subsist and remain exercisable in accordance with the rules of the 2002 Option Scheme.

The Ordinary Resolution 7 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted under the 2002 Option Scheme and all other share-based incentive schemes of the Company up to a number not exceeding in aggregate (for the entire duration of the 2002 Option Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time.

(iii) The Ordinary Resolution 8 in item 10 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the 2012 Option Scheme and all other share-based incentive schemes of the Company up to a number not exceeding in aggregate (for the entire duration of the 2012 Option Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time.

Notes:

1. (a) A Member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").

   (b) A Member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a Member of the Company.

3. 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.

NOTICE OF ANNUAL GENERAL MEETING

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. A Relevant Intermediary may appoint more than two proxies to attend, speak and vote at the Annual General meeting (please see note 4 for the definition of "Relevant Intermediary").
2. 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**.
3. 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.

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 Four Points by Sheraton Singapore, Riverview Jubilee Ballroom, 4th Storey, 382 Havelock Road, Singapore 169629 on Wednesday, 24 April 2019 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.

No.	**Resolutions relating to:**	**Number of Votes For(1)**	**Number of Votes Against(1)**
1	Adoption of Directors' Statement and Audited Financial Statements for the year ended 31 December 2018		
2	Proposed first and final dividend		
3	Re-election of Mr. Tan Wang Cheow as a Director		
4	Approval of Directors' fees amounting to S$415,200.00		
5	Re-appointment of Ernst & Young LLP as Auditors		
6	Authority to issue shares		
7	Authority to issue shares under the Food Empire Holdings Limited Employees' Share Option Scheme ("2002 Option Scheme")		
8	Authority to grant options and to issue shares under the Food Empire Holdings Limited Employees' Share Option Scheme ("2012 Option Scheme")		

(1) *If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this ________ day of ________ 2019

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 81SF of the Securities and Futures Act, Chapter 289), 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. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant Intermediary" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. 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.

6. 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.

7. 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.

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

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 5 April 2019.

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 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive

Tan Wang Cheow
(Executive Chairman)

Sudeep Nair
(Group CEO)

Non-Executive

Tan Guek Ming
(Non-Independent)

Hartono Gunawan
(Non-Independent)

Koh Yew Hiap
(Non-Independent)

Lew Syn Pau
(Independent)

Ong Kian Min
(Independent)

Boon Yoon Chiang
(Independent)

AUDIT COMMITTEE

Ong Kian Min
(Chairman)

Lew Syn Pau
Boon Yoon Chiang
Tan Guek Ming

NOMINATING COMMITTEE

Lew Syn Pau
(Chairman)

Ong Kian Min
Boon Yoon Chiang
Tan Wang Cheow

REMUNERATION COMMITTEE

Lew Syn Pau
(Chairman)

Koh Yew Hiap
Ong Kian Min
Boon Yoon Chiang
Tan Guek Ming

COMPANY SECRETARY

Cho Form Po
(Appointed on 15 March 2019)

Tan Cher Liang
(Resigned on 15 March 2019)

REGISTERED OFFICE

50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Telephone number : (65) 6536 5355
Fax number : (65) 6536 1360

BUSINESS OFFICE

31 Harrison Road, #08-01
Food Empire Building
Singapore 369649
Telephone number : (65) 6622 6900
Fax number : (65) 6744 8977

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Telephone number : (65) 6536 5355
Fax number : (65) 6535 1360

AUDITORS

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

AUDIT PARTNER-IN-CHARGE

Simon Yeo (w.e.f. the financial year ended 31 December 2015)

PRINCIPAL BANKERS

DBS Bank Limited
Overseas-Chinese Banking Corporation Limited
United Overseas Bank Limited

Food Empire

FOOD EMPIRE HOLDINGS LIMITED
31 Harrison Road, #08-01, Food Empire Building, Singapore 369649
T (65) 6622 6900   F (65) 6744 8977
www.foodempire.com