

FOOD EMPIRE HOLDINGS LIMITED
(Co Registration No: 200001282G)
First Half Financial Statement and Dividend Announcement for the Period ended 30 June 2020
PART I- INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

	Group		Increase/ (Decrease) %
	1H 20 US\$'000	1H 19 US\$'000	
Revenue	132,947	138,490	(4.0)
Cost of sales	(79,941)	(84,432)	(5.3)
Gross profit	53,006	54,058	(1.9)
Selling and marketing expenses	(19,462)	(19,694)	(1.2)
General and administrative expenses	(16,922)	(18,897)	(10.5)
Results from operating activities	16,622	15,467	7.5
Net other income (Note 1)	178	1,691	(89.5)
Net finance costs (Note 2)	(363)	(559)	(35.1)
Share of loss of associates	(403)	(1)	NM
Profit before taxation (Note 3)	16,034	16,598	(3.4)
Income tax expense (Note 4)	(2,819)	(3,528)	(20.1)
Profit for the period	13,215	13,070	1.1
Profit attributable to:			
Equity shareholders of the Company	13,407	13,265	1.1
Non-controlling interest	(192)	(195)	(1.5)
	13,215	13,070	1.1

NM denotes not meaningful.

Notes:

1. Net other income comprises:

	Group		Increase/ (Decrease)
	1H 20 US\$'000	1H 19 US\$'000	%
Other income			
Gain on disposal of property, plant and equipment	20	-	NM
Gain on partial disposal of an associate	58	-	NM
Foreign exchange gain	-	836	NM
Sales of scrapped items	76	94	(19.1)
Insurance claim	52	4	1,200.0
Other income	1,074	810	32.6
	<u>1,280</u>	<u>1,744</u>	<u>(26.6)</u>
Other expenses			
Foreign exchange loss	(1,102)	-	NM
Loss on disposal of property, plant and equipment	-	(53)	NM
	<u>(1,102)</u>	<u>(53)</u>	<u>1,979.2</u>
Net other income	<u>178</u>	<u>1,691</u>	<u>(89.5)</u>

2. Net finance costs comprises:

	Group		Increase/ (Decrease)
	1H 20 US\$'000	1H 19 US\$'000	%
Interest income	179	89	101.1
Interest expenses on:			
- Bank loans	(267)	(529)	(49.5)
- Others	(275)	(119)	131.1
	<u>(542)</u>	<u>(648)</u>	<u>(16.4)</u>
Net finance costs	<u>(363)</u>	<u>(559)</u>	<u>(35.1)</u>

3. Included in profit before taxation are as follows:

	Group		Increase/ (Decrease)
	1H 20 US\$'000	1H 19 US\$'000	%
Depreciation of property, plant and equipment	(2,951)	(2,932)	0.7
Depreciation of investment properties	(82)	(84)	(2.4)
Depreciation of right-of-use assets	(963)	(1,022)	(5.8)
Inventories written down	(82)	(84)	(2.4)
Write back/(impairment) of allowance on trade receivables	(172)	(22)	681.8

4. Included in the taxation is as follows:

	Group		Increase/ (Decrease)
	1H 20 US\$'000	1H 19 US\$'000	%
Current income tax			
- Current income taxation	(2,464)	(3,252)	(24.2)
- Over provision for prior year	8	22	(63.6)
Deferred income tax	(363)	(298)	21.8
Income tax expense	<u>(2,819)</u>	<u>(3,528)</u>	<u>(20.1)</u>

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

	Group		Increase/ (Decrease)
	1H 20 US\$'000	1H 19 US\$'000	%
Profit net of tax	13,215	13,070	1.1
<u>Other comprehensive income:</u>			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation (loss)/gain	(7,130)	3,520	NM
Share of other comprehensive income of associates	(175)	624	NM
Other comprehensive income for the period, net of tax	<u>(7,305)</u>	<u>4,144</u>	<u>NM</u>
Total comprehensive income for the period	<u>5,910</u>	<u>17,214</u>	<u>(65.7)</u>
Total comprehensive income attributable to:			
Equity shareholders of the Company	6,081	17,414	(65.1)
Non-controlling interest	(171)	(200)	(14.5)
	<u>5,910</u>	<u>17,214</u>	<u>(65.7)</u>

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

	Group		Company	
	30 Jun 2020 US\$'000	31 Dec 2019 US\$'000	30 Jun 2020 US\$'000	31 Dec 2019 US\$'000
Non-Current Assets				
Property, plant and equipment	101,434	99,325	-	-
Right-of-use assets	11,668	10,434	-	-
Investment properties	15,510	16,159	-	-
Investments in subsidiaries	-	-	44,635	44,635
Investments in associates	10,963	11,619	-	-
Intangible assets	10,343	10,343	-	-
Deferred tax assets	2,869	3,208	-	-
	152,787	151,088	44,635	44,635
Current Assets				
Inventories	53,892	55,852	-	-
Trade receivables	33,275	35,872	27	-
Prepaid operating expenses and deposits	5,960	6,526	13	11
Other receivables	2,433	3,307	-	-
Amounts due from subsidiaries (non-trade)	-	-	10,900	21,901
Amount due from an associate (non-trade)	90	100	-	-
Amount due from a related party (trade)	47	113	-	-
Cash and cash equivalents	46,588	54,735	624	322
	142,285	156,505	11,564	22,234
Current Liabilities				
Trade payables and accruals	(29,333)	(34,987)	(558)	(2,200)
Lease liabilities	(1,877)	(2,005)	-	-
Interest-bearing loans and borrowings	(12,497)	(14,690)	-	-
Other payables	(5,233)	(6,051)	-	-
Amount due to a subsidiary (non-trade)	-	-	(20)	(20)
Amounts due to a related party (non-trade)	(607)	(568)	-	-
Amount due to an associate (non-trade)	(279)	(255)	-	-
Amounts due to associates (trade)	(109)	(108)	-	-
Income tax payable	(2,161)	(1,539)	(32)	(29)
	(52,096)	(60,203)	(610)	(2,249)
Net Current Assets	90,189	96,302	10,954	19,985
Non-Current Liabilities				
Lease liabilities	(3,471)	(4,837)	-	-
Interest-bearing loans and borrowings	(33,644)	(35,315)	-	-
Deferred tax liabilities	(1,606)	(1,535)	-	-
	(38,721)	(41,687)	-	-
Net Assets	204,255	205,703	55,589	64,620
Equity				
Share capital	42,264	42,020	42,264	42,020
Treasury shares	(692)	(477)	(692)	(477)
Reserves	164,046	165,352	14,017	23,077
	205,618	206,895	55,589	64,620
Non-controlling interest	(1,363)	(1,192)	-	-
Total Equity	204,255	205,703	55,589	64,620

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

	As at 30 Jun 2020		As at 31 Dec 2019	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Lease liabilities	(1,877)	-	(2,005)	-
Interest-bearing loans and borrowings	(4,219)	(8,278)	(5,190)	(9,500)
Total	(6,096)	(8,278)	(7,195)	(9,500)

Amount repayable after one year

	As at 30 Jun 2020		As at 31 Dec 2019	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Lease liabilities	(3,471)	-	(4,837)	-
Interest-bearing loans and borrowings	(33,644)	-	(34,358)	(957)
Total	(37,115)	-	(39,195)	(957)

Details of any collateral

As at 31 December 2019 and 30 June 2020, the lease liabilities include the leasehold land, factory and office premises and motor vehicles held by subsidiaries of the Group.

As at 31 December 2019 and 30 June 2020, the secured interest-bearing loans and borrowings were secured by mortgages over the related freehold & leasehold properties and fixed charges over plant & machinery owned by subsidiaries of the Group.

As at 31 December 2019 and 30 June 2020, the unsecured interest-bearing loans and borrowings of subsidiaries were covered by corporate guarantees given by the Company.

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

	Group	
	1H 20	1H 19
	US\$'000	US\$'000
Cash flows from operating activities		
Profit from operations before taxation	16,034	16,598
Adjustment for :		
Depreciation of property, plant and equipment	2,951	2,932
Depreciation of investment properties	82	84
Depreciation of right-of-use assets	963	1,022
(Gain)/loss on disposal of property, plant and equipment	(20)	53
Interest income	(179)	(89)
Interest expenses	542	648
Exchange realignment	1,394	(1,133)
Share of loss of associates	403	1
Impairment loss on trade receivables	172	22
Inventories written down	82	84
Gain on partial disposal of an associate	(58)	-
Value of employee services received for issue of share options	267	412
Operating cash flows before changes in working capital	22,633	20,634
<u>Changes in working capital:</u>		
Decrease/(increase) in trade and other receivables	937	(5,602)
Increase in inventories	(1,766)	(2,394)
(Decrease)/increase in trade and other payables	(6,222)	4,614
Cash flows from operations	15,582	17,252
Income taxes paid	(1,522)	(2,331)
Net cash flows from operating activities	14,060	14,921
Cash flows from investing activities		
Interest received	228	165
Purchase of property, plant and equipment	(5,536)	(31,524)
Proceeds from disposal of property, plant and equipment	45	17
Purchase of right-of-use assets	(2,844)	-
Proceeds from partial disposal of an associate	136	-
Net cash flows used in investing activities	(7,971)	(31,342)
Cash flows from financing activities		
Interest paid	(1,170)	(1,107)
Capital injection from non-controlling interest of a subsidiary	-	42
Dividend paid to ordinary shareholders of the Company	(7,595)	(2,638)
Repayment of interest-bearing loans and borrowings	(21,148)	(26,918)
Proceeds from interest-bearing loans and borrowings	17,398	43,628
Repayment of obligations under lease liabilities	(843)	(930)
Proceeds from issuance of shares	185	48
Purchase of treasury shares	(215)	-
Net cash flows (used in)/from financing activities	(13,388)	12,125
Net decrease in cash and cash equivalents	(7,299)	(4,296)
Effect of exchange rate changes on cash and cash equivalents	(848)	544
Cash and cash equivalents at beginning of the period	54,735	42,218
Cash and cash equivalents at end of the period	46,588	38,466

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

The Group – 1H 20

	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 2020	42,020	(477)	(2,166)	3,301	164,217	206,895	(1,192)	205,703
Profit/(loss) for the period	-	-	-	-	13,407	13,407	(192)	13,215
<u>Other comprehensive income</u>								
Foreign currency translation loss	-	-	(7,151)	-	-	(7,151)	21	(7,130)
Share of other comprehensive income of associates	-	-	(175)	-	-	(175)	-	(175)
Total comprehensive income for the period	-	-	(7,326)	-	13,407	6,081	(171)	5,910
<u>Contributions by and distributions to owners</u>								
Value of employee services received for issue of share options	-	-	-	267	-	267	-	267
Issuance of new shares	185	-	-	-	-	185	-	185
Purchase of treasury shares	-	(215)	-	-	-	(215)	-	(215)
Exercise of share options	59	-	-	(59)	-	-	-	-
Dividend paid to ordinary shareholders of the Company	-	-	-	-	(7,595)	(7,595)	-	(7,595)
Expiry of share options	-	-	-	(6)	6	-	-	-
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	244	(215)	-	202	(7,589)	(7,358)	-	(7,358)
Balance as at 30 June 2020	42,264	(692)	(9,492)	3,503	170,035	205,618	(1,363)	204,255

The Group – 1H 19

	Attributable to equity shareholders of the Company							
	Share capital US\$'000	Treasury shares US\$'000	Foreign currency translation reserve US\$'000	Share-based payment reserve US\$'000	Accumulated profits US\$'000	Total US\$'000	Non-controlling interest US\$'000	Total equity US\$'000
Balance as at 1 January 2019	41,202	(317)	(8,011)	2,713	140,687	176,274	(821)	175,453
Profit/(loss) for the period	-	-	-	-	13,265	13,265	(195)	13,070
<u>Other comprehensive income</u>								
Foreign currency translation gain	-	-	3,525	-	-	3,525	(5)	3,520
Share of other comprehensive income of associates	-	-	624	-	-	624	-	624
Total comprehensive income for the period	-	-	4,149	-	13,265	17,414	(200)	17,214
<u>Contributions by and distributions to owners</u>								
Value of employee services received for issue of share options	-	-	-	412	-	412	-	412
Issuance of new shares	48	-	-	-	-	48	-	48
Exercise of share options	15	-	-	(15)	-	-	-	-
Dividend paid to ordinary shareholders of the Company	-	-	-	-	(2,638)	(2,638)	-	(2,638)
Total contributions by and distributions to owners	63	-	-	397	(2,638)	(2,178)	-	(2,178)
<u>Changes in ownership interest in subsidiaries</u>								
Capital injection from non-controlling interest of a subsidiary, representing total changes in ownership interests in subsidiaries	-	-	-	-	-	-	42	42
Total transactions with owners in their capacity as owners	63	-	-	397	(2,638)	(2,178)	42	(2,136)
Balance as at 30 June 2019	41,265	(317)	(3,862)	3,110	151,314	191,510	(979)	190,531

The Company – 1H

	Share capital US\$'000	Treasury shares US\$'000	Foreign currency translation reserve US\$'000	Share-based payment reserve US\$'000	Accumulated profits US\$'000	Total Equity US\$'000
Balance as at 1 January 2020	42,020	(477)	49	3,301	19,727	64,620
Loss for the period	-	-	-	-	(887)	(887)
<u>Other comprehensive income</u>						
Foreign currency translation loss	-	-	(786)	-	-	(786)
Total comprehensive income for the period	-	-	(786)	-	(887)	(1,673)
<u>Contributions by and distributions to owners</u>						
Value of employee services received for issue of share options	-	-	-	267	-	267
Issuance of new shares	185	-	-	-	-	185
Exercise of share options	59	-	-	(59)	-	-
Dividend paid to ordinary shareholders of the Company	-	-	-	-	(7,595)	(7,595)
Purchase of treasury shares	-	(215)	-	-	-	(215)
Expiry of share options	-	-	-	(6)	6	-
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	244	(215)	-	202	(7,589)	(7,358)
Balance as at 30 June 2020	42,264	(692)	(737)	3,503	11,251	55,589
Balance as at 1 January 2019	41,202	(317)	(217)	2,713	9,986	53,367
Loss for the period	-	-	-	-	(1,194)	(1,194)
<u>Other comprehensive income</u>						
Foreign currency translation gain	-	-	21	-	-	21
Total comprehensive income for the period	-	-	21	-	(1,194)	(1,173)
<u>Contributions by and distributions to owners</u>						
Value of employee services received for issue of share options	-	-	-	412	-	412
Issuance of new shares	48	-	-	-	-	48
Exercise of share options	15	-	-	(15)	-	-
Dividend paid to ordinary shareholders of the Company	-	-	-	-	(2,638)	(2,638)
Total contributions by and distributions to owners, representing total transactions with owners in their capacity as owners	63	-	-	397	(2,638)	(2,178)
Balance as at 30 June 2019	41,265	(317)	(196)	3,110	6,154	50,016

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

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

	FY 2020	FY 2019
<u>Share Capital</u>		
Number of issued ordinary shares as at 1 Jan (including treasury shares)	537,797,999	535,162,999
Ordinary shares held as treasury shares	(2,025,500)	(1,001,000)
Issued for cash under employee share option scheme:		
- at the exercise price of S\$0.308 each	560,000	85,000
- at the exercise price of S\$0.315 each	250,000	20,000
- at the exercise price of S\$0.335 each	-	100,000
- at the exercise price of S\$0.505 each	20,000	-
Balance of issued ordinary shares as at 30 Jun (excluding treasury shares)	<u>536,602,499</u>	<u>534,366,999</u>
<u>Share Option - exercise price of S\$0.335</u>		
Balance as at 1 Jan	100,000	2,510,000
Options lapsed during the period	(100,000)	-
Options exercised during the period	-	(100,000)
Balance as at 30 Jun	<u>-</u>	<u>2,410,000</u>
<u>Share Option - exercise price of S\$0.505</u>		
Balance as at 1 Jan	2,930,000	3,080,000
Options exercised during the period	(20,000)	-
Balance as at 30 Jun	<u>2,910,000</u>	<u>3,080,000</u>
<u>Share Option - exercise price of S\$0.315</u>		
Balance as at 1 Jan	2,710,000	2,730,000
Options exercised during the period	(250,000)	(20,000)
Balance as at 30 Jun	<u>2,460,000</u>	<u>2,710,000</u>
<u>Share Option - exercise price of S\$0.669</u>		
Balance as at 1 Jan and 30 Jun	<u>3,810,000</u>	<u>3,980,000</u>
<u>Share Option - exercise price of S\$0.308</u>		
Balance as at 1 Jan	4,415,000	4,671,000
Options exercised during the period	(560,000)	(85,000)
Balance as at 30 Jun	<u>3,855,000</u>	<u>4,586,000</u>
<u>Share Option - exercise price of S\$0.693</u>		
Balance as at 1 Jan and 30 Jun	<u>550,000</u>	<u>550,000</u>
<u>Share Option - exercise price of S\$0.679</u>		
Balance as at 1 Jan and 30 Jun	<u>4,600,000</u>	<u>4,750,000</u>

	FY 2020	FY 2019
<u>Share Option - exercise price of S\$0.556</u>		
Balance as at 1 Jan	5,450,000	-
Granted to eligible participants on 15 Mar 2019	-	5,450,000
Balance as at 30 Jun	<u>5,450,000</u>	<u>5,450,000</u>
<u>Share Option - exercise price of S\$0.667</u>		
Balance as at 1 Jan	-	-
Granted to eligible participants on 6 Mar 2020	5,450,000	-
Balance as at 30 Jun	<u>5,450,000</u>	<u>-</u>

Out of the 29,085,000 outstanding share options on 30 June 2020 (30 June 2019: 27,516,000), 18,985,000 (30 June 2019: 17,545,000) share options are exercisable.

Treasury Shares

As at 30 June 2020, the total number of treasury shares held was 2,025,500 (30 June 2019: 1,001,000).

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

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

	Group	
	<u>As at 30 June 2020</u>	<u>As at 31 Dec 2019</u>
Issued ordinary shares	536,602,499	536,372,499

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

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

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

Not applicable.

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and method of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2019, as well as applicable new and revised Singapore Financial Reporting Standards (International) (“SFRS(I)”) which became effective for financial years beginning on or after 1 January 2020. The adoption of these new and revised SFRS(I)s has no material effect on the financial statements for the current period.

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

Please refer to item 4 above.

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

	Group	
	1H 20	1H 19
Profit per share		
Based on existing issued share capital (US cents)	2.50	2.48
On a fully diluted basis (US cents)	2.49	2.46

	Group	
	1H 20	1H 19
Weighted average number of shares table		
Weighted average number of shares for calculation of basic EPS	536,107,664	534,246,612
Weighted average number of shares for calculation of diluted EPS	538,683,914	538,345,363

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

	Group		Company	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
Net asset value per ordinary share (US cents)	38.32	38.57	10.36	12.05

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

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

Revenue for the first half ended 30 June 2020 ("1H2020") was US\$132.9 million, a year-on-year ("yoy") decrease of 4.0% compared with the US\$138.5 million revenue recorded in 1H2019. The Group's net profit after tax increased 1.1% to US\$13.2 million for 1H2020.

Revenue by Markets (US\$'000)

	Group		Increase/ (Decrease) %
	1H 20 US\$'000	1H 19 US\$'000	
Russia	48,307	54,391	(11.2)
Ukraine, Kazakhstan and CIS markets	33,764	32,676	3.3
South-East Asia	39,564	38,268	3.4
South Asia	3,070	4,340	(29.3)
Other Markets	8,242	8,815	(6.5)
Total	132,947	138,490	(4.0)

In 1H2020, revenue in the Group's largest market, Russia, decreased by 11.2% to US\$48.3 million as compared to US\$54.4 million in 1H2019 mainly due to approximately 12 weeks of severe disruption caused by Covid-19 pandemic, which resulted in a national lockdown for most of 2Q2020. The disruption in the form of movement restrictions of population led to lower footfall of consumers in retail outlets, as well as widespread logistical and supply chain challenges to our distributors across many regions. The sudden fall in oil prices also caused a depreciation of the Russian Ruble against the US dollar that further affected revenue during the 2nd quarter. The average exchange rate was 68.7 Ruble per US dollar in 1H2020 as compared to 65.1 Ruble per US dollar in 1H2019.

In the Group's Ukraine, Kazakhstan and CIS markets, revenue increased by 3.3% from US\$32.7 million in 1H2019 to US\$33.8 million in 1H2020 in spite of moderate Covid-19 related disruptions and lockdowns across these regions. Revenue in the Group's Kazakhstan market increased mainly due to higher sales volume and selling price partly offset by the depreciation of the Kazakhstan Tenge against the US dollar. The average exchange rate was 379.3 Tenge per US dollar in 1H2019 as compared to 400.5 Tenge per US dollar in 1H2020.

In the Group's South-East Asia market, revenue increased by 3.4% from US\$38.3 million in 1H2019 to US\$39.6 million in 1H2020 in spite of moderate Covid-19 related disruptions and lockdowns. This was largely due to higher revenue contribution from the Group's non-dairy creamer plant and snacks manufacturing facility in Malaysia and the Group's Vietnam market, which was partly offset by the closure of its Myanmar market at the end of 2019.

In the Group's South Asia market, revenue decreased by 29.3% from US\$4.4 million in 1H2019 to US\$3.1 million in 1H2020 mainly due to lower revenue contribution from the Group's coffee plant in India which has been negatively affected by Covid-19 disruption in production and also faced cancellation/ postponement of orders from customers due to Covid-19 lockdowns in their respective countries.

Revenue in the Group's Other Markets decreased by 6.5% from US\$8.8 million in 1H2019 to US\$8.2 million in 1H2020 mainly due to lower revenue contribution from the Group's Africa and Europe markets partly offset by the Group's Middle East market. All these markets were also affected negatively by disruption caused by Covid-19 pandemic and national lockdowns during the 2nd quarter.

Profitability

At the beginning of 2nd quarter of FY2020 with national lockdowns being imposed by respective Governments across our core markets, the main focus of the Group was to optimise sales and rationalise sales related expenses as promotions during the Covid-19 lockdown period may not be effective due to lower traffic at retail outlets and other restrictions. To mitigate the devaluation of currencies of core markets added steps were taken by Management to adjust selling prices in stages in the markets that were affected.

For 1H2020, this has resulted in Group's net profit after tax to increase 1.1% to US\$13.2 million mainly due to lower expenses as a result of tighter cost controls.

For 1H2020, selling and marketing expenses decreased by US\$0.2 million from US\$19.7 million in 1H2019 to US\$19.5 million. The decrease was mainly due to lower manpower cost.

For 1H2020, general and administrative expenses decreased by US\$2.0 million from US\$18.9 million in 1H2019 to US\$16.9 million. The decrease was mainly attributed to lower transportation, travelling and manpower cost.

For 1H2020, the profitability was achieved in spite of weakening of currencies in most of the core markets of Russia, Ukraine and Kazakhstan markets. Russian Ruble weakened from 61.9 Ruble per US dollar on 31 December 2019 to 69.9 Ruble per US dollar on 30 June 2020. Over the same period Ukrainian Hryvnia weakened from 23.7 Hryvnia per US dollar on 31 December 2019 to 26.7 Hryvnia per US dollar on 30 June 2020 and Kazakhstan Tenge weakened from 381.7 Tenge per US dollar on 31 December 2019 to 403.2 Tenge per US dollar on 30 June 2020.

Balance Sheet & Cashflow

Trade payables and accruals decreased US\$5.7 million to US\$29.3 million as at 30 June 2020 mainly due to lower procurements and VAT payables.

Interest-bearing loans and borrowings decreased from US\$50.0 million as at 31 December 2019 to US\$46.1 million as at 30 June 2020 mainly due to lower utilisation of the revolving credit by the Group's India and Vietnam operations.

Trade receivables decreased US\$2.6 million to US\$33.3 million as at 30 June 2020 mainly due to lower translated USD receivables in view of the depreciation of the Russian Ruble against the US dollar coupled with lower receivables from the Group's non-dairy creamer plant manufacturing facility in Malaysia.

Inventories decreased US\$2.0 million to US\$53.9 million as at 30 June 2020 due to lower stock holding from the Group's Vietnam market.

The Group's net operating cash inflow decreased from US\$14.9 million in 1H2019 to US\$14.1 million in 1H2020 mainly due to higher working capital requirement. The Group's cash and cash equivalents was US\$46.6 million as at 30 June 2020, compared to US\$54.7 million as at 31 December 2019.

The Group's net assets as at 30 June 2020 were US\$204.3 million. The net asset value per ordinary share (excluding non-controlling interests) as at 30 June 2020 was 38.32 US cents as compared to 38.57 US cents as at 31 December 2019.

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

Not applicable.

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

The Group has demonstrated business resilience against early challenges posed by the first wave of the Covid-19 pandemic. National lockdown imposed by some governments, like Russia was very severe and lasted for most of the 2nd quarter of FY2020. The national lockdown has since been lifted but local restrictions continue to exist in certain regions. In Kazakhstan, the country is currently facing a second wave of Covid-19 infections and its government has reintroduced lockdown restrictions.

As the Group enters into the second half of 2020, it expects business activities to pick up with the gradual easing in most markets, although general operating environment will remain uncertain with the spectre of a second or third wave of infections raising the possibility of further, albeit more modest and intermittent lockdowns. Such lockdowns, together with rising unemployment brought about by the recessionary impact of Covid-19, may have a negative but limited impact to the Group. However, it is confident that its businesses will remain sustainable, backed by strong brands, experienced management team and a strong balance sheet.

The Group's reporting currency is USD but Group's subsidiaries in some of its largest markets such as Russia, Ukraine and Kazakhstan report in their local currencies and are exposed to foreign exchange risk. Russian Ruble may be affected by oil prices or other political conflicts. Similarly, the Ukrainian Hryvnia and Kazakhstan Tenge are susceptible to regional politics, oil prices and fluctuations of the Russian Ruble. Nonetheless, the Group has proven over the past years that in spite of devaluations of local currencies, it possesses strong brands and experienced management teams to overcome such potential short term risks.

The second Instant Coffee plant project, which is initially scheduled to commence production in middle of FY2020, will be delayed until international travel restrictions are lifted for overseas OEM suppliers to test and commission the plant. India is currently facing severe disruptions in various states and cities due to Covid-19 pandemic and strict overseas travel restrictions are in place. The Group will work with all parties involved closely to ensure that the plant can be completed and be operationally ready as quickly as possible.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date payable

Not applicable.

(d) Record date

Not applicable.

12. If no dividend have been declared/recommended, a statement to that effect and reason for the decision.

No dividend has been declared for the current financial period as the Board deems it appropriate to retain cash for the Group's capital expenditure and future growth.

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

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

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

We, Tan Wang Cheow and Sudeep Nair, being two Directors of Food Empire Holdings Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the financial period ended 30 June 2020 to be false or misleading in any material aspect.

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

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

On behalf of the Board of Directors

Tan Wang Cheow
Director

Sudeep Nair
Director

BY ORDER OF THE BOARD

Kevin Cho
Company Secretary
11 Aug 2020