



food empire  
holdings limited

well-travelled  
brands



**AIR MAIL**  
EXPANDING THE EMPIRE



Global Brands, Worldwide Presence.

Over 170 premium products and counting.

Global distribution network comprising 10 representative and liaison offices in 9 countries.

Market share in 40 countries and regions.

A Food Empire renowned for its international flavour.

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### MISSION STATEMENT

We aim to be a leading global food and beverage company providing quality products and services.

We will achieve this goal as we have the people, the passion and the enterprising spirit to make a difference.



Capital: Moscow  
Total Area: 17,075,200 km

Languages: Russian, many others  
Na

Type of State

Head of

Information last updated Decem



Sources: Statistiques Canada, IMF, OECD

## DIRECTORS' PROFILE

**MR TAN WANG CHEOW**, CHAIRMAN AND MANAGING DIRECTOR, has provided leadership to the Company since its listing in April 2000. He is actively involved in formulating corporate strategies including exploration of new markets and product innovation. Before starting Food Empire, he worked with Arthur Young & Co and Business Computers Pte Ltd. He has a Bachelor of Accountancy Degree from the National University of Singapore.

**MR OON PENG LIM**, EXECUTIVE DIRECTOR, has been a Director of the Company since its listing in April 2000. He is responsible for strategic marketing and new business development overseas. Before co-founding Food Empire, he has worked with Arthur Young & Co. He had graduated with an Economics Degree from Monash University, Australia and a Diploma in Computer Science from La Trobe University, Australia.

**MR OON PENG HENG**, EXECUTIVE DIRECTOR, has been a Director of the Company since its listing in April 2000 and is responsible for formulating and implementing manufacturing operations, logistics support, accounting and general management. He holds a Bachelor of Commerce Degree from Murdoch University, Australia and an MBA from Debuque University, USA.

**MDM TAN GUEK MING** was appointed a NON-EXECUTIVE DIRECTOR of the Company in April 2000. Currently, she is the Executive Director of a listed company and a non-Executive Director of another listed company. Mdm Tan has many years of experience in the field of auditing and accounting, corporate and financial affairs. She is a Certified Public Accountant holding a Bachelor of Accountancy Degree from the University of Singapore.

**MR LEW SYN PAU** was appointed an INDEPENDENT DIRECTOR of the Company in April 2000. He is currently Managing Director of Stanbridge International Pte Ltd and a Director of several companies in Singapore. He was previously Managing Director of NTUC Comfort and General Manager and Senior Country Officer of Credit Agricole Indosuez. He was a Member of the Singapore Parliament from 1988 to 2001 and was Chairman of the Government Parliamentary Committee for National Development. A Singapore Government scholar, he has a Masters Degree in Engineering from the University of Cambridge, UK and a Masters Degree in Business Administration from Stanford University, USA.

**MR ONG KIAN MIN** was appointed an INDEPENDENT DIRECTOR of the Company in April 2000. Mr Ong is currently an Advocate and Solicitor and practices law as a consultant with Drew & Napier LLC, a Singapore law firm. He was called to the Bar of England and Wales in 1988 and to the Singapore Bar the following year. Mr Ong has also been a Member of Parliament since January 1997 and serves as Vice Chairman of the Government Parliamentary Committee (GPC) for Transport and as a member of the GPC for Finance, Trade and Industry. Mr Ong was awarded the President's Scholarship and Police Force Scholarship in 1979. He holds a Bachelor of Laws (Honours) external degree from the University of London and a Bachelor of Science (Honours) degree from the Imperial College of Science and Technology in England.

*Inspiring the Ukrainians:  
Bésame 3-in-1 Instant Coffee*

VIA AIR MAIL



5c



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Tan Wang Cheow,  
Chairman & Managing Director  
Oon Peng Lim  
Oon Peng Heng  
Tan Guek Ming  
Lew Syn Pau  
Ong Kian Min

### COMPANY SECRETARIES

Yvonne Choo  
Loh Shu Chun

### REGISTERED OFFICE

Lim Associates (Pte) Ltd  
10 Collyer Quay #19-08  
Ocean Building  
Singapore 049315  
T 65. 6536.5355  
F 65. 6536.1360

### BUSINESS OFFICE

101 Geylang Lorong 23  
#05-03/04 Prosper House  
Singapore 388399  
T 65. 6744.8911  
F 65. 6744.8977

### SHARE REGISTRARS

Lim Associates (Pte) Ltd  
10 Collyer Quay #19-08  
Ocean Building  
Singapore 049315  
T 65. 6536.5355  
F 65. 6536.1360

### AUDITORS

Ernst & Young  
10 Collyer Quay #21-01  
Ocean Building  
Singapore 049315  
Audit Partner-In-Charge  
Ng Tiak Soon  
(w.e.f. 31.12.2002)

### PRINCIPAL BANKERS

Bank of China  
United Overseas Bank Limited  
Citibank NA

### AUDIT COMMITTEE

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

### NOMINATING COMMITTEE

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

### REMUNERATION COMMITTEE

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

### SHARE OPTION COMMITTEE

Oon Peng Heng (Chairman)  
Tan Wang Cheow  
Oon Peng Lim  
Tan Guek Ming  
Lew Syn Pau  
Ong Kian Min



*Captivating Central Asia:  
MacCoffee Deluxe*

## OUR PROFILE

Since the early 90's, Food Empire Holdings Limited has been delivering brands of exceptional quality in the food and beverage industry. Specialising in the manufacture of regular and flavoured instant beverages, confectionery and frozen convenience food, Food Empire has developed an array of brands that have become a part of everyday life for people the world over. To date, the Group, which was listed on the Singapore Exchange in April 2000, has grown its brand portfolio extensively and ventured into the trading of frozen seafood.

The Group has four manufacturing plants in Asia operating to the strictest quality control processes and exports to over 40 countries and regions, including Russia, Eastern Europe, Central Asia, Southeast Asia, Australia and the USA. Products are marketed and exported through a global network of 10 representative and liaison offices in Russia, Ukraine, Kazakhstan, Poland, Turkey, U.A.E., Vietnam, China and Belgium.

Food Empire's products are aimed at delivering a desirable and superior lifestyle - wherever they are offered. Within a short span of time, the company has built an impressive portfolio of more than 170 products and gained strong brand presence around the world.





Savouring Southeast Asia:  
FesAroma Instant Coffee Mix



## MESSAGE FROM THE CHAIRMAN

### CROSSING THE \$100-MILLION MARK

Marking an important milestone, I am especially pleased to announce that for the first time in our history we have crossed the \$100 million line and achieved a growth rate of over 30%. This was our third consecutive year of double-digit growth in both Group turnover and profit after tax. Such rapid growth despite difficult market conditions is a strong reflection of our success in targeting of international markets, brand positioning and strategy in 2002.

Deeper market penetration, strong branding and our multiple brand distribution strategy in all prime markets, namely Russia, Eastern Europe and Central Asia, resulted in greater sales volume across the board for both beverage and non-beverage products.

Group turnover improved 33.1% to \$112.1 million, from \$84.2 million in 2001, on the back of broad-based growth in all key markets. Net profit attributable to shareholders rose 34.8% to \$14.8 million for the year ended 31 December 2002, compared to \$11.0 million in 2001.

At the operating level, earnings before interest, income tax, depreciation and amortisation (EBITDA) improved 24.5% to \$21.2 million. Earnings per ordinary share increased by 34.8% to 4.30 cents while net asset backing per ordinary share rose 32.8% to 14.63 cents compared with 11.02 cents in 2001.

Sales in the non-beverage category (which includes confectionery, convenience food and seafood) saw a strong growth of 139.0% to \$11.8 million. This category now makes up 10.5% of Group turnover. The beverage category saw turnover rise by 26.5% to \$100.3 million.

Empowered with our extensive knowledge of our consumers, we strive to consolidate our brand appeal and explore opportunities in new territories as part of our growth strategy.

*Marking an important milestone, I am especially pleased to announce that for the first time in our history we have crossed the \$100 million line and achieved a growth rate of over 30%.*

## MESSAGE FROM THE CHAIRMAN (cont'd)

### STRENGTHENING MARKET PRESENCE

Despite the challenging operating conditions, we continued to increase market share by building, managing and expanding our brands across all our markets in 2002.

Our international sales to over 40 countries accounted for over 95% of Group Turnover last year. Russia contributed 54.5%, and Eastern Europe and Central Asia 32.9%. Sales in other markets, including Western Europe, Vietnam, China and the Middle East, increased to 12.6% of Group revenue in 2002 compared to 9.5% in 2001.

Strengthened distribution capabilities in Russia, Eastern Europe and Central Asia, in conjunction with aggressive marketing and promotional campaigns enabled us to achieve higher sales of existing products and successfully introduced new products. Business in Russia consequently saw a 26.7% jump in turnover to \$61.1 million and the Group enjoyed a healthy increase in combined sales in Eastern Europe and Central Asia with a 31.6% rise to \$36.9 million.

### BRANDING - THE STAMP OF CUSTOMER CONFIDENCE

We believe the strength of our brands is the key factor that differentiates us from our competitors. Our branding strategy has provided us with a distinct competitive edge, a firm foundation of strong consumer loyalty and has enabled us to preserve margins and maintain market leadership.

To underscore our firm belief in branding, we had commissioned international branding consultant Interbrand Pte Ltd to study and measure the value of our main house brand MacCoffee towards the end of 2002. Our MacCoffee brand was assigned a value of S\$92.9 million following a study conducted in three of our key overseas markets in Russia, Ukraine and Kazakhstan.

This high assigned value is a testament to the success of Food Empire's positioning in its international markets and to the strong potential of Singapore-owned brands in the international marketplace. It also reinforces our stand to continue building our own brands as they are important economic assets which create significant value for our business, for the company's future growth and for our shareholders.

The strength of our brands underpins our ability to continuously introduce new products to address the changing needs of the market and increase our market share. It also provides resources for advertising and promotions that in turn further strengthens and sustains our brands.

### GROWING OUR BRAND PRESENCE

To grow our business, we will continue to invest in our brands and push forward with new product developments and innovative packaging designs.

## MESSAGE FROM THE CHAIRMAN (cont'd)

Our product development efforts in 2002 resulted in the introduction of a wide array of new products to expand our brand range. New product launches included several new candy flavours such as the MacCandy Fruity Creamy range, MacCandy Fruity Chewy range, and new beverages such as MacCoffee Millennium, MacCoffee Deluxe and Bésame 3-in-1 flavoured coffee.

We will leverage on our established brand names to access opportunities in new geographic markets and simultaneously explore the huge potential in both the confectionery and snack food sectors to strengthen our portfolio.

In order to equip us to implement this strategy, we are investing in technology and people with appropriate skills in sales, marketing and logistics.

We will also initiate measures to better manage and co-ordinate our international operations by sharing knowledge and best practices to improve customer service and more efficiently manage resources at our widespread locations.

### LOOKING AHEAD

The year 2003 continues to present challenges for most businesses as the world faces difficult economic conditions and growing uncertainties.

We remain undaunted by the challenges and will focus on our mission of building our brands and increasing sales. Barring unforeseen circumstances, the Board of Directors is hopeful that the Group will maintain a steady performance in 2003. This is because of the generally positive economic outlook for the core markets in which the Group operates.

Since the bulk of the Group's Turnover comes from international sales, foreign currency fluctuations will continue to be an important concern. We will monitor the situation closely and take the necessary measures to contain these risks.

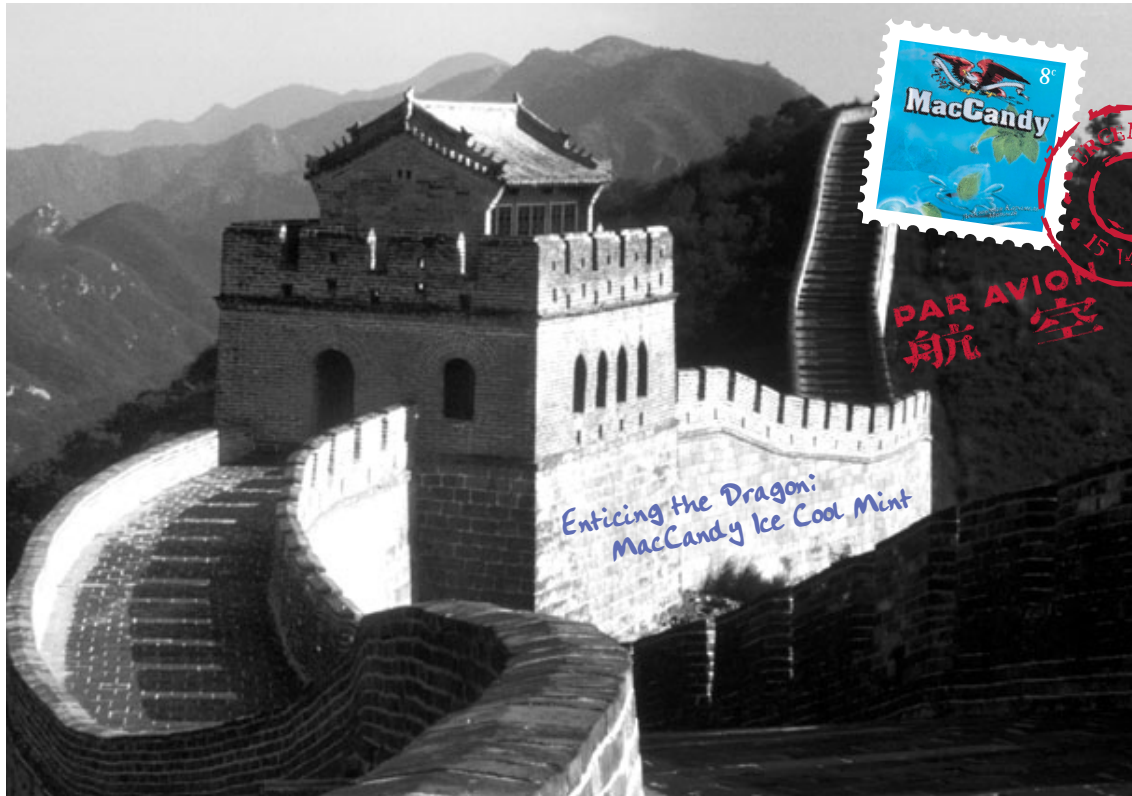
Following the Group's good performance last year, the Board has recommended a special dividend of 0.75 cents per ordinary share as well as a first and final dividend of 0.5 cents per ordinary share for the year ended 31 December 2002 - a total of 1.25 cents per share or 25% of par value of 5 cents.

On behalf of the Board, I would like to extend our heartfelt appreciation to our colleagues, the management team, our customers, business partners, associates and shareholders for their continued support.

### MR TAN WANG CHEOW

Chairman and Managing Director

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**FINANCIAL HIGHLIGHTS**  
(For the year ended 31 December 2002)

	2002	ACTUAL (S\$'000)		PROFORMA (S\$'000)	
		2001	2000	1999	1998
<b>Group Turnover</b>	<b>112,090</b>	84,223	59,160	39,414	48,254
Group Operating Profit before Tax	19,921	16,077	9,035	5,836	5,305
Group Operating Profit after Tax & Minority Interests	14,794	10,976	4,709	3,701	3,993

	2002	ACTUAL (S\$'000)		PROFORMA (S\$'000)	
		2001	2000	1999	1998
<b>Financial Indicators</b>					
Margin of Profit Ratio	18.4%	20.0%	16.5%	16.5%	12.2%
Debt to Equity Ratio	0.1%	1.3%	0.4%	26.2%	32.6%
Coverage Ratio (times)	381.23	738.77	46.63	19.83	11.85
Working Capital Ratio	3.30	3.42	2.63	1.90	2.13
Quick Ratio	1.64	1.76	1.66	1.13	1.44
Ebitda Margin	18.9%	20.2%	16.6%	16.8%	12.7%
EPS(cents)*	4.30	3.19	1.37	1.43	1.55
NAV per share (cents)*	14.63	11.02	8.12	4.97	4.33

\* Note: The proforma years/calculation is based on pre-invitation issued share capital of 258 million whereas for actual years is based on enlarged share capital of 344 million.

**FINANCIAL HIGHLIGHTS**  
(For the year ended 31 December 2002)

TURNOVER BY GEOGRAPHICAL REGION

		ACTUAL (S\$'000)		PROFORMA (S\$'000)	
	2002	2001	2000	1999	1998
Russia	61,097	48,212	38,638	25,269	31,430
Eastern Europe & Central Asia	36,864	28,015	14,034	9,329	12,767
Others	14,129	7,996	6,488	4,816	4,057
	112,090	84,223	59,160	39,414	48,254

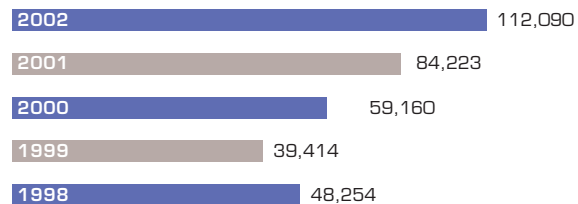
TURNOVER BY PRODUCT GROUP

		ACTUAL (S\$'000)		PROFORMA (S\$'000)	
	2002	2001	2000	1999	1998
Beverages	100,312	79,294	52,561	38,135	47,466
Others	11,778	4,929	6,599	1,279	788
	112,090	84,223	59,160	39,414	48,254

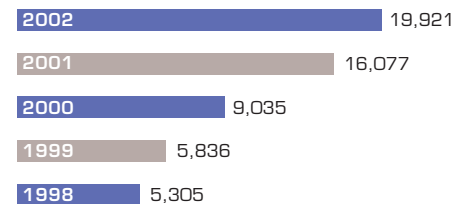
## FINANCIAL HIGHLIGHTS

(For the year ended 31 December 2002)

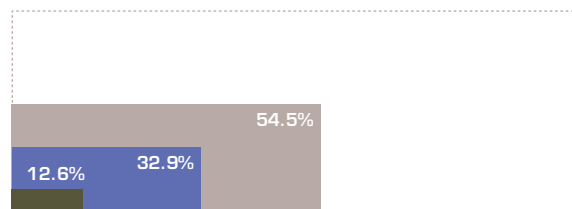
### GROUP TURNOVER



### GROUP PROFIT BEFORE TAX



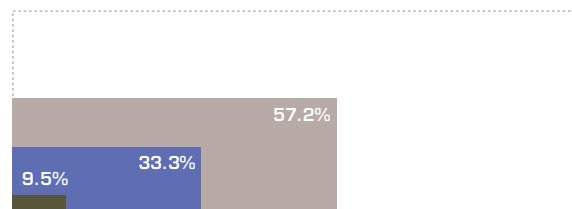
### CONTRIBUTION TO TURNOVER by geographical region (year 2002)



### CONTRIBUTION TO TURNOVER by product group (year 2002)



### CONTRIBUTION TO TURNOVER by geographical region (year 2001)



### CONTRIBUTION TO TURNOVER by product group (year 2001)



Russia
  Eastern Europe & Central Asia
  Others

Beverages
  Others

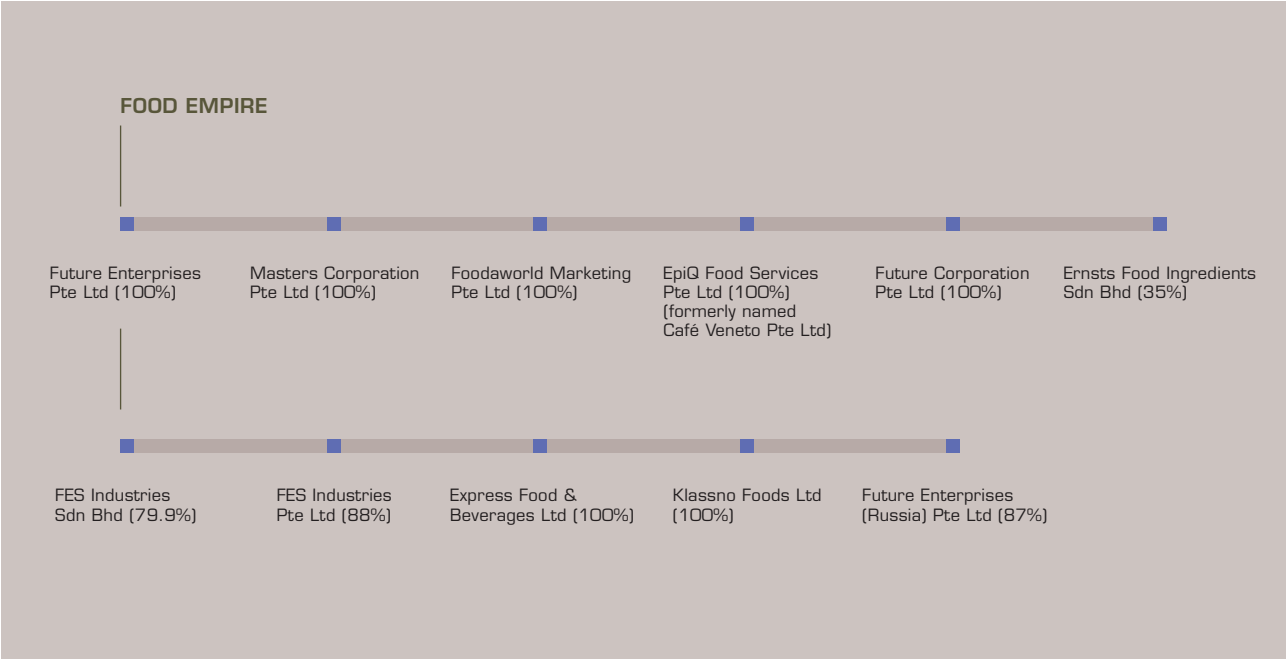


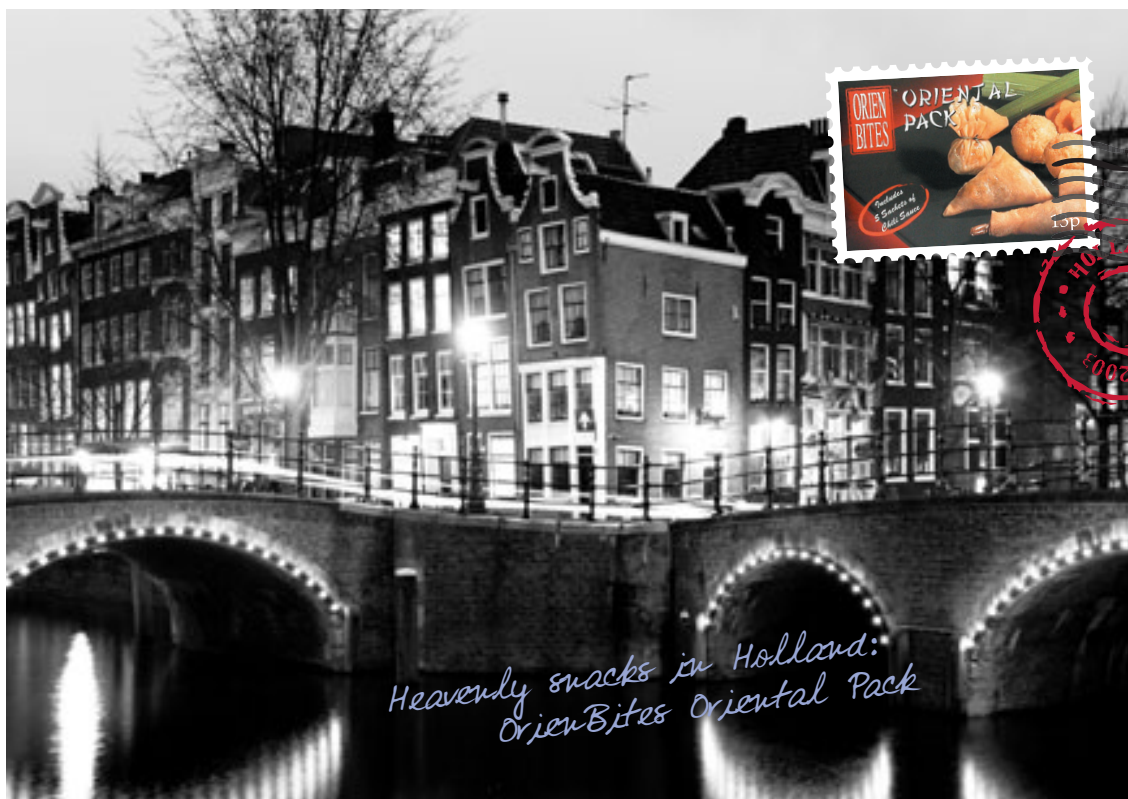
Uplifting Down Under:  
Klassno Cappuccino Gold

Air Mail Par avion



GROUP STRUCTURE





Heavenly snacks in Holland:  
OrienBites Oriental Pack



## OPERATIONS REVIEW



Year 2002 was a good year for Food Empire Holdings. We posted our third consecutive year of double-digit growth and crossed the \$100-million frontier following a 33.1% increase in Group Turnover to \$112.1 million and a 34.8% increase in Net Profit After Tax to \$14.8 million.

The second half of the year continued to show a stronger performance than the first as a result of the winter season in Russia, Eastern Europe and Central Asia. Turnover and Net Profit After Tax were \$44.3 million and \$5.4 million respectively in the first half of 2002 and \$67.8 million and \$10.9 million respectively in the second half of the year.

The Group's Net Profit Margin improved slightly to 13.2% in 2002 from 13% in the previous year. Debt to Equity Ratio was down to 0.1% in 2002 from 1.3% in 2001.

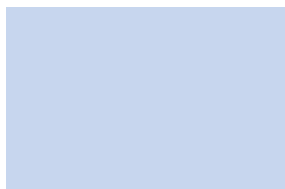
These results were attained despite the continued global economic slowdown and a more competitive market environment. They were made possible by the combined efforts of the Group's international operations, strategic investments in branding and marketing, and stringent financial management.

### STRONG INTERNATIONAL SALES

Our international marketing and branding efforts have resulted in a strong and consistent performance and deeper penetration in both core and new markets. In Russia, our largest market, sales jumped 26.7% to \$61.1 million and accounted for 54.5% of Group Turnover.

Eastern Europe and Central Asia had a substantial increase in turnover of 31.6% to \$36.9 million and contributed 32.9% of Group Turnover. As with Russia, this geographic area continued to grow in importance as there is still huge growth potential given the large demographic population.

## OPERATIONS REVIEW



Our efforts to increase sales in other newer markets, such as Vietnam, Western Europe and Middle East, have met with positive results. This category increased its contribution to Group Turnover from 9.5% in 2001 to 12.6% (\$14.1 million) in 2002. Although the sales volume is still small at this infant stage, we will build on this good start to increase its significance.

### NEW PRODUCT DEVELOPMENT

We successfully introduced several new products in 2002 and expanded our product range to over 170 items.

The new products included aromatic agglomerated coffee in glass jars and tins, 3-in-1 coffee in stylish stick sachets, candy range extension and snack food such as dried calamari and jelly pudding.

Our most popular products remain coffee-based beverages, in particular 3-in-1 instant coffee, which contributed approximately 88.6% of total turnover in 2002.

Detailed market research were conducted on customer expectations of our brands and products to help us create the best products and to enhance the brands' performance.

### BRAND BUILDING AND MARKET DEVELOPMENT

We stepped up our advertising and promotional efforts to reinforce the brand positioning and to ensure the long-term profitability of our brands. Highlights of our marketing initiatives included prominent advertisements at the FIFA World Cup 2002 football matches; the ownership of two MacCoffee race cars, engaging two former champions for rally participations in Ukraine; the Yalta Zoo in Crimea; a pop music group-'ALIBI'; and commercials on popular TV and radio programmes.



## OPERATIONS REVIEW

### IMPROVING OPERATIONAL EFFICIENCIES

During the year, notable improvements were made in our business network and operational efficiencies to better manage and grow the business.

In addition to marketing and product development, we have expanded our distribution network in key markets and maintained high standards in our manufacturing processes, sales service and quality of products.

We also managed the pricing of our brands to maintain margins and were able to hold the cost of raw materials around the same level as in 2001.

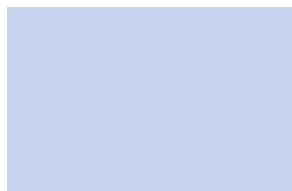
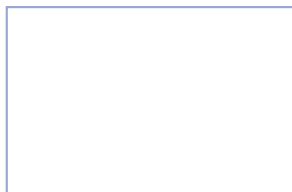
Our factories in Singapore and Malaysia were renovated and have been equipped with new machinery to handle a higher level of production and to meet increased demand during the peak seasons.

### BRAND RECOGNITION

Our brands continued to receive accolades in recognition of their growing international reputation.

MacCoffee continued to score highly for recognition and popularity, as supported by independent polls. Gallup Media Report ranked MacCoffee 3-in-1 instant coffee among the top five in the overall instant coffee industry in Russia. In Kazakhstan, MacCoffee 3-in-1 came in tops in the instant coffee market. Over in Ukraine, MacCoffee won the 'Choice of the Year' Award in the 'Top Coffee Drink' category for the second year in a row and the 'Golden Trade Marks' Award for MacCoffee.

The Group was also recognised for its creative packaging and product designs. In Singapore, it was awarded, for the third consecutive year in 2002, the Singapore Star Packaging Awards for Klassno Cappuccino Gold & MacCandy Fruity Chewy candies.



## CORPORATE GOVERNANCE

The Board is responsible to shareholders for the operations of the Group. They are also committed to ensure that the Company has appropriate governance arrangements in place for the benefit of all shareholders and in conformity with the principles set out in the Code of Corporate Governance (the "Code") issued by the Singapore Exchange Securities Trading Limited ("SGX-ST").

### BOARD OF DIRECTORS

Presently, the Board comprises: -

Mr. Tan Wang Cheow	Managing Director / Chairman
Mr. Oon Peng Lim	Executive Director
Mr. Oon Peng Heng	Executive Director
Mdm. Tan Guek Ming	Non-executive Director
Mr. Lew Syn Pau	Independent Director
Mr. Ong Kian Min	Independent Director

### A) BOARD MATTERS

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

The principal functions of the Board are:

- 1) Supervising the management of the business and affairs of the Company and the Group;
- 2) Approving board policies, overall strategic business plans, key operational initiatives, financial objectives of the Group;
- 3) Reviewing and monitoring the performance and rewards of key management;
- 4) Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- 5) Approving the nomination and appointment of Board of Directors;
- 6) Approving annual budgets, major funding, investment and divestment proposals; and
- 7) Assuming responsibility for corporate governance.

To facilitate effective management, the Board has delegated certain functions to various Board Committees. The Board Committees operate under clearly defined terms of reference. The Chairman of the respective Committees will report to the Board on the outcomes of each Committee meeting. There are four main Board Committees:-

- Audit Committee (AC)
- Remuneration Committee (RC)
- Nominating Committee (NC)
- Share Option Committee (SC)

Other matters which specifically require the full Board's decisions are those involving conflict of interests for a substantial shareholder

## CORPORATE GOVERNANCE

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

or a Director, material acquisitions and disposal of assets, corporate or financial restructuring and shares 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.

The attendance of the directors at meetings of the Board and Board committees in FY2002, as well as the frequency of such meetings, are disclosed as follow:

	BOARD		NC		RC		AC		SC	
Tan Wang Cheow	**	5/5	*	2/2	*	2/2			*	1/1
Oon Peng Lim	*	5/5							*	0/1
Oon Peng Heng	*	5/5							**	1/1
Tan Guek Ming	*	5/5					*	5/5	*	0/1
Lew Syn Pau	*	5/5	**	2/2	**	2/2	*	5/5	*	1/1
Ong Kian Min	*	5/5	*	2/2	*	2/2	**	5/5	*	0/1

\*\* Chairman

\* member of the Board / Committee

The Directors are appointed on the strength of their calibre, experience and potential contribution to the Company. Currently, the Board comprises business leaders and professionals. Profiles of the Directors are found in page 5 in this annual report. No formal training was deemed required for them. Changes to regulations and accounting standards are monitored by management. The Directors are briefed on new updates in the requirements of the SGX-ST, Companies Act or other regulations/statutory requirements from time to time. If required, the Directors will receive further training.

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

### B) BOARD COMPOSITION AND BALANCE

#### - Principle 2: Strong and independent element on the Board

The Directors of the Board review the size and composition of the Board on an annual basis.

Presently, the Board of Directors comprises six Directors, two of whom are independent. The Independent Directors made up one third of the Board to ensure appropriate independent views of the Board.

## CORPORATE GOVERNANCE

### B) BOARD COMPOSITION AND BALANCE (cont'd)

The core competencies of the Board members are:

	Accounting/ Finance/Business/ Management experience	Industry Knowledge	Strategic Planning	Human Resource	Law
Tan Wang Cheow	■	■	■		
Oon Peng Lim	■	■	■		
Oon Peng Heng	■	■	■		
Tan Guek Ming	■		■		
Lew Syn Pau	■			■	
Ong Kian Min	■				■

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

The Nominating Committee ("NC") has assumed the function of reviewing annually the independence of each Director. The NC has adopted the Code's definition of what constitutes an independent director. Currently one-third of the board members are Independent Directors. The NC is of the view that the current Board comprises persons, who as a group, provide core competencies necessary to meet the Company's targets and whose diverse skills, experience and attributes match the demands facing the Group.

The NC is also of the view that the current board size of six directors is appropriate, taking into account the nature and scope of the Company's operations.

### C) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

At present, the Chairman and the Managing Director (MD) of the Company is Mr. Tan Wang Cheow. The Board views that it is not necessary and under current circumstances to separate the roles of the Chairman and Managing Director, taking into account the corporate structure and scope of the Company's operations.

The MD bears executive responsibilities (day-to-day operations) for the Group's business.

## CORPORATE GOVERNANCE

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

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

### D) BOARD MEMBERSHIP

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

The Nominating Committee (NC) was established on 22 August 2001 with written terms of reference on its responsibilities. At the date of this report, the NC comprises

Mr. Lew Syn Pau (Chairman)	Independent Director
Mr. Ong Kian Min	Independent Director
Mr. Tan Wang Cheow	Managing Director

The scope and responsibilities of the NC includes-:

- 1) identifying candidates and reviewing all nominations for all appointments and reappointments to the Board of Directors, including making recommendations on the composition of the Board, and the balance between executive and Non-executive Directors ;
- 2) reviewing the Board structure, size and composition;
- 3) reviewing the strengths and attributes of the existing Directors including assessing the effectiveness of the Board as a whole and the contribution by individual Directors;
- 4) determining on an annual basis the independence of Directors;
- 5) considering and making recommendations on nominations of Directors retiring by rotation;
- 6) making recommendations to the Board for the continuation (or retirement) in services of any Director who has reached the age of seventy;
- 7) deciding whether or not a Director is able to and has adequately carried out his duties as a Director of the Company, particularly when he has multiple board representations.

During the year, the NC held 2 meetings to discuss and formulate an evaluation process with regards to each Director's contributions and performance at board meetings, committees and projects. The NC also reviewed the retirement of Directors and recommended nomination for re-election at the Annual General Meeting. The Board had accepted the NC's recommendations.

## CORPORATE GOVERNANCE

### E) BOARD PERFORMANCE

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

As stated above, the NC had formulated an evaluation process where the assessment parameters included attendance record at Board and Committee meetings, 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 bringing contacts strategic to the Group's interests. The evaluation process was implemented in late December 2002/January 2003 and the results were discussed at the NC meeting held in January 2003.

### 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, the management provides Board members with regular updates of the latest developments in the Group including accounts, reports and other financial information. The directors have been provided with the contact particulars of the Company's senior management staff and Company Secretaries to facilitate access. Directors are informed and are aware that they may take independent professional advice, where necessary, in furtherance of their duties at Company's expense.

At least one of the Company Secretaries will attend all board meetings. They are responsible for ensuring that Board procedures are followed and that the Company has complied with the requirements of the Companies Act and all other rules and regulations, which are applicable to the Company.

### 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 Remuneration Committee (RC) was established on 22 August 2001 with written terms of reference on its responsibilities. At the date of this report, the RC comprises

Mr. Lew Syn Pau (Chairman)	Independent Director
Mr. Ong Kian Min	Independent Director
Mr. Tan Wang Cheow	Managing Director

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

## CORPORATE GOVERNANCE

### G) REMUNERATION MATTERS (cont'd)

The remuneration of the Executive Directors are based on service agreements dated 14 April 2000. The service agreements will continue unless otherwise terminated by either party giving not less than three month's notice in writing. Under the service agreements, the Executive Directors are entitled to an aggregate of 8% share of profit on the Group's profit before tax, on top of the monthly salary and three months bonus.

Details of Directors' remuneration are disclosed in note 31 of the financial statements in accordance with Rule 1207 (11) to (14) of the Listing Manual.

The Non-executive Directors are paid a directors' fee based on their efforts and responsibilities in the Board. The directors' fees are subject to final approval by the shareholders at the Annual General Meeting.

There is no change in the existing remuneration package to the Executive and Non-executive Directors since year 2000.

All Directors, including Non-executive Directors, who are not the controlling shareholders of the Company are eligible for share option under the current Share Option Scheme.

### H) ACCOUNTABILITY AND AUDIT

#### - Principle 10: Accountability of the Board and Management

Currently the management updates the Executive Directors with appropriately detailed report on Group's performance on a monthly basis. On a quarterly basis, a performance review is submitted to the AC committee for review.

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

### I) AUDIT COMMITTEE

#### - Principle 11: Establishment of Audit Committee with written terms of reference

The Audit Committee comprises:

Mr. Ong Kian Min (Chairman)	Independent Director
Mr. Lew Syn Pau	Independent Director
Mdm. Tan Guek Ming	Non-executive Director

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

## CORPORATE GOVERNANCE

### I) AUDIT COMMITTEE (cont'd)

The AC carried out its function in accordance to written terms of reference.

The AC met the 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 system of internal accounting controls, their independence and the non-audit services provided by them;
- (b) risk or exposure that exists and the steps that management had undertaken to minimise such risk to the Company;
- (c) the Group's quarterly financial results for submission to the Board;
- (d) the assistance given by the Group's officers to the external auditors;
- (e) the Group's interested persons transactions;
- (f) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board of Directors and the external auditors' report on those financial statements;
- (g) the audit plans of the internal auditors; and
- (h) the results of their internal audit.

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 cooperation 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 functions properly; and



## CORPORATE GOVERNANCE

### I) AUDIT COMMITTEE (cont'd)

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

During the year the AC held five meetings including one meeting with the external auditors without the presence of the management.

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

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

It is noted that different auditors have been appointed for some of the Singapore-incorporated subsidiary companies. The name of the auditing firms is disclosed in note 10 to the financial statement. The AC and the Board have reviewed and are satisfied that the appointment would not compromised on the standard and effectiveness of the audit of the Company.

The Committee has recommended to the Board of Directors that the Auditors, Ernst & Young, Certified Public Accountants be nominated for re-appointment as Auditors at the forthcoming Annual General Meeting of the Company.

### J) INTERNAL CONTROLS AND INTERNAL AUDIT

- *Principle 12: Sound systems of internal control*

- *Principle 13: Setting up of independent internal audit function*

The Board affirms its overall responsibility for the Group's systems of internal control and risk management and for reviewing the adequacy and integrity of these systems. It should be noted, however that such systems are designed to manage rather than eliminate the risk of failure to business objectives. In addition, it should be noted that any system can provide only reasonable and not absolute assurance against material misstatement or loss.

To assess the adequacy of the internal controls, the Board has outsourced its internal audit function to PricewaterhouseCoopers.

The scope of the Internal Auditors is to ensure:

- a) internal controls are in place and functioning as intended;
- b) operations are conducted in an effective and efficient manner;

## CORPORATE GOVERNANCE

### J) INTERNAL CONTROLS AND INTERNAL AUDIT (cont'd)

- c) reliability of management and financial reporting, and
- d) compliance with internal regulations and policies to support an acceptable standard of corporate governance. The Internal Auditors report primarily to the AC Chairman. The AC reviews Internal Auditors' plans and the results of the internal audit work.

The AC has reviewed the Group's risk assessment based on the Internal Auditors' reports and management controls which are in place. It is satisfied that there are adequate internal controls in the Group. No major control issues were identified during last year's internal audit. The AC will review the internal audit plans for the ensuing year to ensure an improved control environment.

### K) COMMUNICATION WITH SHAREHOLDERS

- *Principle 14: Regular, effective and fair communication with shareholders*

The Company does not practise selective disclosure. Price sensitive information is first publicly released via MASNET before the Company meets with any group of investors or analysts. Results are announced within the mandatory period.

The Company will release quarterly results for the financial year commencing 1 January 2003.

### L) GREATER SHAREHOLDER PARTICIPATION

- *Principle 15: Shareholders' participation at AGMs*

All shareholders of the Company will receive the Annual Report of the Company and Notice of AGM within the mandatory period. The Articles allow a member of the Company to appoint one or two proxies to attend and vote instead of the member.

At General Meetings, shareholders are given the opportunity to express their views and ask questions regarding the Group and its business.

## SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2002 (SGX-ST LISTING MANUAL REQUIREMENTS)

### (i) Dealings in Securities

The Company has adopted a Code of Best Practices on Securities Transactions that is in line with the Best Practices Guide issued by the SGX-ST. This code sets out the implication of insider dealings of the shares and guidance to officers on dealings in the Company's shares. All Directors and officers of the Company who have access to "price sensitive" information are required to observe this code and are required to confirm their compliance annually.

### (ii) Material Contracts

Since the end of the previous financial year, the Company and its subsidiary companies did not enter into any material contracts involving interests of the Chief Executive Officer, Directors or controlling shareholders and no such material contracts still subsist at the end of the financial year

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