

RECOGNISED AS ONE OF "THE MOST VALUABLE SINGAPORE BRANDS" IN 2004

foodempire.com/ANNUAL REPORT

YEAR 2004 / vol 1

# FOOD EMPIRE

*These are the*

*moments...*

View from the Top 03

Significant Milestones 12 Directors of the Brand 15

United in Taste: Three Countries, One Uniting Flavour 20 - 29

# Enjoy life's moments

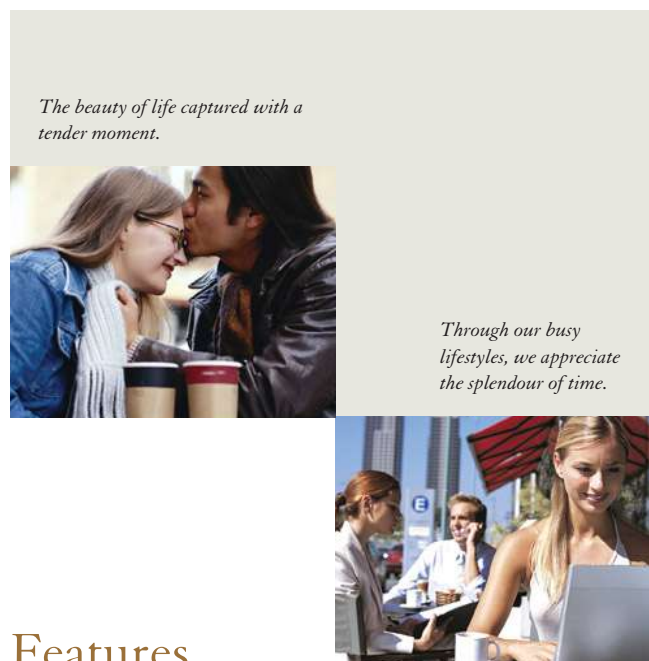
Tantalising taste-buds comes naturally to Food Empire. Relying on our experience and expertise, we are able to decipher the desires and needs of individuals around the world.

Our business essentially revolves around humanity. Believing that every product plays a significant part in their lives, we too share in the world's moments of joy, love, sharing and fulfilment.

In our busy lives, appreciating the unspoken bliss of what's given to us is sometimes overlooked.

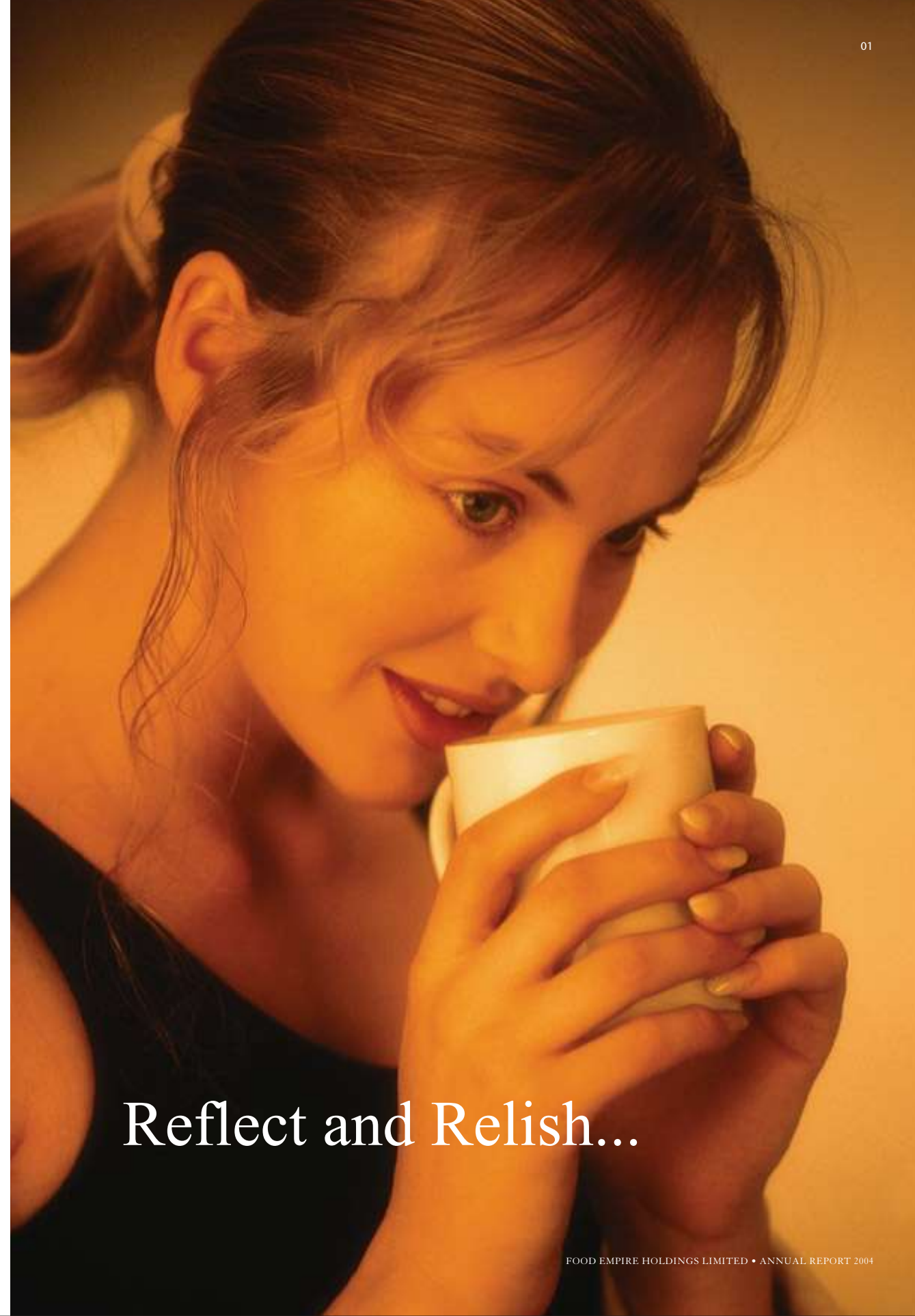
Food Empire wants us to rediscover the true enjoyment of conversing with a friend, the innocence of a child's smile, the changing colours when dusk beckons the stillness of night.

Ultimately, it's about establishing relationships and an overlapping ideal that travels the world over – the world coming closer together with the help of Food Empire.



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# Reflect and Relish...





*In the small garden outside The Blessed Cathedral of St. Basil on Red Square, Russia, stands an impressive bronze statue erected in memory of Minin and Pozharsky, who rallied Russia's volunteer army during the Time of Troubles and drove out the invading Polish forces. They were an interesting duo - Dmitry Pozharsky was a prince, while Kuzma Minin was a butcher.*



## From the Chairman

At any given time, somewhere out in the world, someone is relishing a *moment* with a cup of coffee from Food Empire, a *moment* in time, sharing a common sentiment despite the diversity of geographical and cultural backgrounds.

Once again, 2004 was a testament of Food Empire's ubiquitous resonance in the lives of people all over the world. Last year alone, we sold more than 2 billion cups of coffee and reached out to more than 50 countries in the world.

This is a momentous time for Food Empire. For two years running in 2003 and 2004, Food Empire has received the accolade of being one of "The Most Valuable Singapore Brands" at the Singapore Brand Awards. Again, our in-house design department continued to excel and was awarded the Singapore Packaging Star Award 2004 for our new product, Klassno Ready-to-Drink Canned Ice Tea. To us, the building of brand equity is the core focus and we seek tirelessly to instill such values in our people and corporate culture.

Our turnover for the year ended 31 December 2004 was \$160.4 million, an increase of 14.9% compared to the year before. Net profit grew by 50% to reach \$15.2 million. Our balance sheet remains conservatively positioned with shareholders' equity of \$69.3 million, zero bank borrowings and cash at hand of S\$15.7 million. All these represent a record performance for Food Empire.

We continue to expand our presence in both existing and new markets. In Vietnam, we have embarked on the building of a new factory to cater for local sales. The factory is our commitment to the Vietnam market where our MacCoffee brand has a good presence. In Indonesia, we have partnered PT Anugerahatama Bina Citra, a leading food and beverage company, to jointly market and distribute a new brand of instant coffee drinks. Indonesia is a potential yet challenging market. By pooling resources and coming together, we are well-positioned to face the challenge of marketing this product in a new country.

### 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.

### Singapore Brand Award 2004

Position	Brand	Brand Value S\$Mln
13	Food Empire	73.0

### Singapore International 100 Ranking 2004

Position	Brand
79	Food Empire

Source: IE Singapore





*Antalya, Turkey - the venue of our dealer's conference where team building was the order of the day.*

In 2004, we acquired a 49% stake in Hyson Teas in Sri Lanka. Sri Lanka is the origin of Ceylon Tea, probably the most popular tea in the world. With the acquisition and expertise gained from the Hyson management team, Food Empire is well-poised to laterally expand its product range to include this well-loved beverage. Hyson Liquor Tea was selected and showcased at the world's premier food and beverage show held in Paris, SIAL 2004 Innovations.

Looking forward, we expect market conditions to remain competitive and foreign currencies fluctuations will remain a key factor. Raw material costs are expected to increase further in 2005. The Group will continue to invest in brand building and distribution network expansion to improve its market share.

As we continue on our branding odyssey, so does our commitment to remain highly competitive. To our consumers, Food Empire is more than food and beverage. It's about imparting values in the moments in life.

In appreciation of the support by shareholders, the Directors of Food Empire have recommended a first and final dividend of 0.50 cents (less tax) per ordinary share and a special dividend of 1.0 cent (less tax) per ordinary share.

On behalf of the board, I wish to thank all our shareholders, business partners, associates and colleagues who have contributed to the memorable moments in 2004.

**Tan Wang Cheow**  
Chairman and Managing Director



*Consumers enjoying a Real Express product sampling in the Indonesian market.*



*A beautiful bevy of ladies enticing wet sampling during the Pro-Expo exhibition in Moscow.*



*An Iranian girl enjoying our Kracks Potato Crisps at an exhibition.*



*Promoting Kracks Potato Crisps during an exhibition in Iran.*



*The MacCoffee booth at the Pro-Expo exhibition in Moscow drawing industry players to sample its products.*



Life is often fast paced, hectic, unrelenting. Very often, we are caught up with the pace of meeting deadlines, having to do so much in so little time.

As a result, we may sometimes miss the beauty that passes us by. Wouldn't it be refreshing to take the time, sit back, reflect and enjoy a moment by yourself or with someone close to you? It needn't be a big moment, one that requires loads of fanfare or announcement. In the space of your time - the poignancy of a simple gesture like a smile can mean the communication of a thousand indescribable emotions.

## A Time for Indulgence

As the world continues turning, bask in the beauty that each passing second brings, safe in the knowledge that Food Empire shares in the moment with you always.

# Operations and Financial Review

## Introduction

### A Class Apart

**F**or four consecutive years, the Group registered double-digit sales growth. We achieved an annual turnover of \$160.4 million last year, an increase from \$139.6 million in 2003. The increase was due to an improved performance from our core market, Russia, as a result of our concerted efforts in establishing our brand.

The Group achieved all time high Net Profit after Tax of \$15.2 million, a 50% increase from the previous year. The improved profitability was mainly due to higher sales and lower expenses arising from improved logistics management and moderated advertisement and promotion activities.

#### Continental Appeal

Continued vibrancy was exhibited in the key market segments of Russia, Eastern Europe and Central Asia. Revenue from Russia was tops at 61.3% of the Group's sales. Eastern Europe and Central Asia followed at 30.1% while sales from other markets contributed 8.6%.

Russia remained a strategic component of Food Empire's success, exhibiting a 26.7% rise in sales to \$98.3 million, up from \$77.6 million in 2003. Revenue from Eastern Europe and Central

Asia dropped 6% to \$48.3 million. This was attributed to a corporate reshuffling of the Ukraine representative office as well as the uncertain political environment as a result of the Presidential Election and the subsequent run-off towards the end of last year.

Other markets saw a marked improvement in performance in both sales and bottom line, with sales up 30.1% to \$13.8 million. This was a result of well-targeted marketing and intensified sales activities.

#### A New Breed

All in all, our core products under the MacCoffee brand name led in the increase of beverage sales, jumping 12.5% to \$143.6 million while the non-beverage category rose 41.3% to \$16.8 million. This was due to increased demand for snack food like Kracks Potato Crisps and OrienBites Frozen Convenience Food.

While coffee products remained Food Empire's key performer in generating the sizeable turnover for 2004, our other snack food items were also introduced to expand on our repertoire of products.

Tea and Coffee are often the precursors to conversation and the discovery of enriching new



Launching our new brand, Real Express in Indonesia.



A MacCoffee sponsored weekly draw in Mongolia.



Children in Iran taking part in a can inflating competition.



A young child sharing his can of Kracks Potato Crisps.



A train station in Russia promoting MacCoffee to commuters.



Gaining considerable mileage during our first ever live concert in Kish Island, Iran.





experiences. Often mentioned in the same breath, it should come as no surprise that our acquisition of Hyson Teas is a strategic move to align ourselves with a lateral expansion of another well-loved beverage that everyone enjoys.

In addition to tea, other products introduced were Zinties Ice Breeze Breath-Strips and MacCoffee Ready-To-Drink Canned Ice Coffees and Ice Teas, perfect for individuals on the go.

#### Brand Reach

As part of our belief in branding, we continuously reinforce our products to our customers through our advertising and promotion activities. Highlights of our marketing initiatives include media advertisements, sponsorship during the Euro Cup 2004 Finals matches in Russia, the endorsement of MacCoffee rally cars in Ukraine and consumer lucky draws and loyalty programmes in other countries.

Our past investments in brand building form the foundation that reinforces our leading positions in markets like Russia, Ukraine and Kazakhstan. We seek to explore and expand into new territories and markets, striving to gain a foothold through the introduction of new and delectable products in the beverage and non-beverage categories.



*A group shot of our dealers that converged in Antalya, Turkey.*



*Showing our support for the Mongolian football team.*



*A happy child winning Krack products at a Wheel of Fortune game.*



*Our range of Hyson Tea products showcased at Sial 2004 Innovations in Paris.*



*Promoting wet samples of MacCoffee in Kazakhstan.*



*Driving our brand home using MacCoffee sponsored rally cars in Ukraine.*





# Financial Highlights

For the year ended 31 December 2004

(\$'000)	2004	2003	2002	2001	2000
<b>Revenue</b>	<b>160,389</b>	139,590	112,090	84,223	59,160
Profit before Taxation and Minority Interests	21,760	13,443	19,921	16,077	9,035
Net Profit	15,247	10,163	14,794	10,976	4,709

	2004	2003	2002	2001	2000
<b>Financial Indicators</b>					
Debt to Equity Ratio	0.0%	0.0%	0.1%	1.3%	0.4%
Working Capital Ratio	3.4	4.4	3.3	3.4	2.6
Quick Ratio	2.1	2.6	1.6	1.8	1.7
Ebitda Margin	14.6%	10.8%	18.9%	20.2%	16.6%
EPS (cents)	4.39	2.95	4.30	3.19	1.37
NAV per share (cents)	19.86	16.57	14.63	11.02	8.12

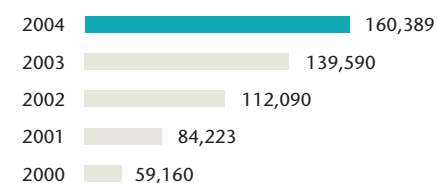
## Revenue By Geographical Region

(\$'000)	2004	2003	2002	2001	2000
Russia	98,277	77,560	61,097	48,212	38,638
Eastern Europe & Central Asia	48,344	51,446	36,864	28,015	14,034
Others	13,768	10,584	14,129	7,996	6,488
	<b>160,389</b>	<b>139,590</b>	<b>112,090</b>	<b>84,223</b>	<b>59,160</b>

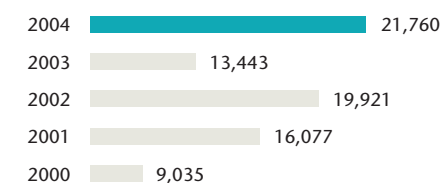
## Revenue By Product Group

(\$'000)	2004	2003	2002	2001	2000
Beverages	143,640	127,735	100,312	79,294	52,561
Non-Beverages	16,749	11,855	11,778	4,929	6,599
	<b>160,389</b>	<b>139,590</b>	<b>112,090</b>	<b>84,223</b>	<b>59,160</b>

## Group Revenue (\$'000)

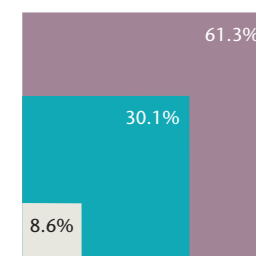


## Group Profit Before Tax (\$'000)

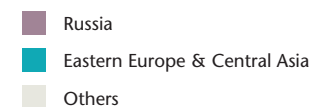
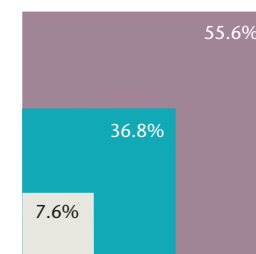


## Contribution To Revenue (by Geographical Region)

Year 2004

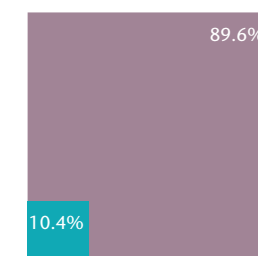


Year 2003

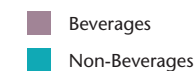
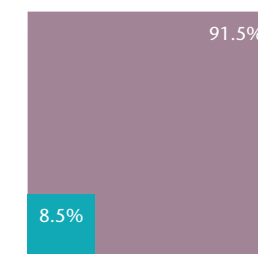


## Contribution To Revenue (by Product Group)

Year 2004



Year 2003







# Corporate 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 50 countries and regions, including Russia, Eastern Europe, Central Asia, the Middle East, Mongolia and the USA. Products are marketed and exported through a global network of 19 representative and liaison offices in 18 countries including Russia, Ukraine, Kazakhstan, Poland, Bahrain, Vietnam 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 a strong brand presence around the world.

The company has won numerous accolades and awards including being ranked one of "The Most Valuable Singapore Brands" in both 2003 and 2004 at the National Brand Awards organised by IE Singapore. In addition, MacCoffee was recognised as one of "The Strongest Singapore Brands" in 2003.

# Directors' Profile

**Mr. Tan Wang Cheow**, Chairman and Managing Director, has been providing 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 innovations. 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 worked with Arthur Young & Co. He graduated with an Economics Degree from Monash University, Australia and a Graduate 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, financial 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 as Non-executive Director of the Company in April 2000. She is currently an Executive Director of a listed company which has interests in properties, hotels and food businesses. She also sits on the Board of another listed company as a Non-executive director. She is a Certified Public Accountant Singapore, holding a Bachelor of Accountancy Degree (Second Class Honours) from the National University of Singapore and has many years of experience in the field of accounting and auditing.

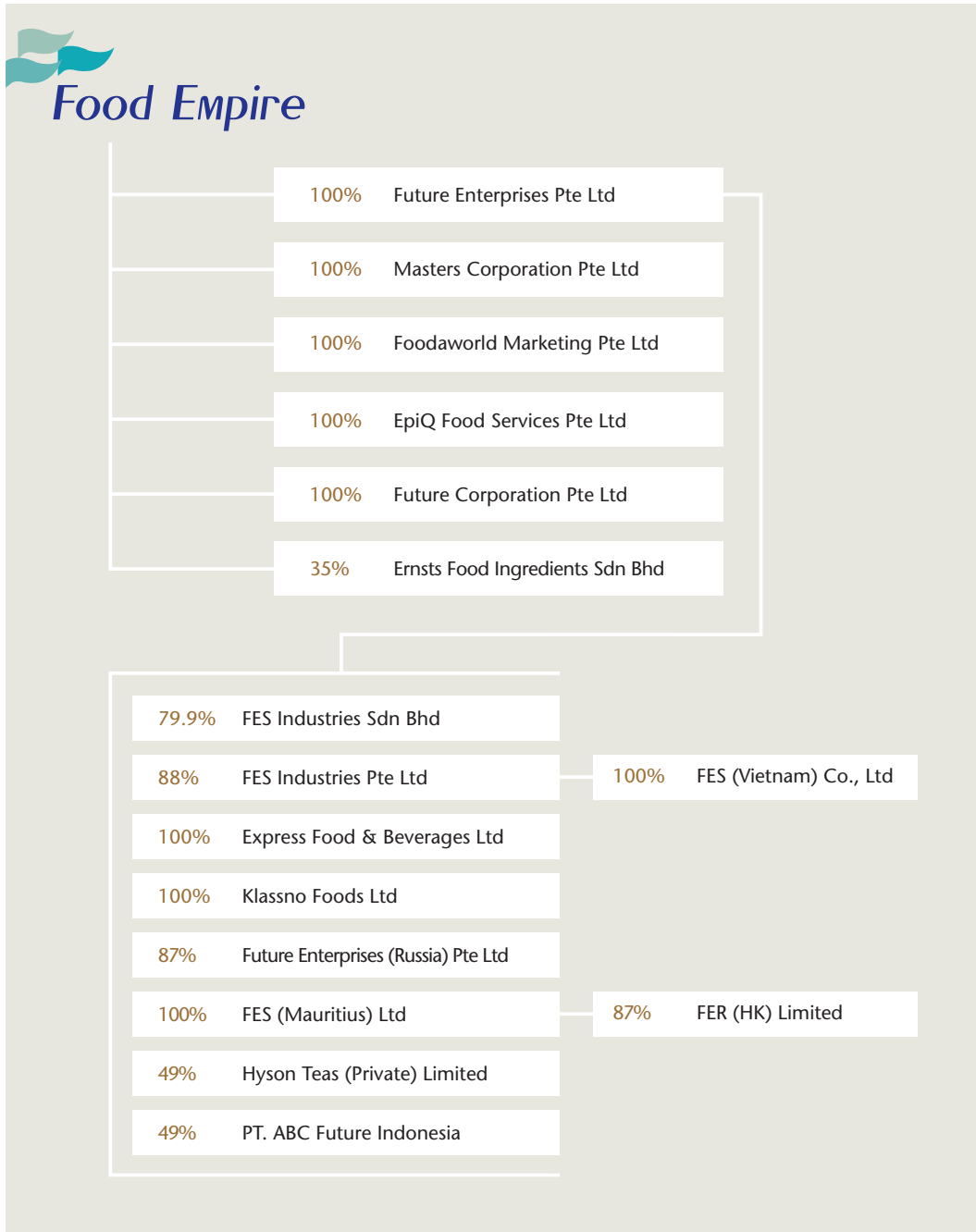
**Mr. Lew Syn Pau** was appointed as Independent Director of the Company in April 2000. He is currently Managing Director of Stanbridge International Pte Ltd and a Director of several companies in Singapore. He is also the President of the Singapore Manufacturers Federation. He was previously Managing 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 as Independent Director of the Company in April 2000. Mr Ong is an Advocate and Solicitor practising 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 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 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.





# Corporate Structure



# Corporate Information

<b>Board Of Directors</b> <b>Executive</b> Tan Wang Cheow, <i>(Chairman and Managing Director)</i> Oon Peng Lim Oon Peng Heng <b>Non-Executive</b> Tan Guek Ming <i>(Non-Independent)</i> Lew Syn Pau <i>(Independent)</i> Ong Kian Min <i>(Independent)</i>	<b>Registered Office</b> Lim Associates (Pte) Ltd 10 Collyer Quay #19-08 Ocean Building Singapore 049315 T 65. 6536.5355 F 65. 6536.1360	<b>Audit Committee</b> Ong Kian Min <i>(Chairman)</i> Lew Syn Pau Tan Guek Ming
<b>Business Office</b> 101 Geylang Lorong 23 #05-03/04 Prosper House Singapore 388399 T 65. 6744.8911 F 65. 6744.8977	<b>Share Registrar</b> Lim Associates (Pte) Ltd 10 Collyer Quay #19-08 Ocean Building Singapore 049315 T 65. 6536.5355 F 65. 6536.1360	<b>Nominating Committee</b> Lew Syn Pau <i>(Chairman)</i> Ong Kian Min Tan Wang Cheow
<b>Company Secretaries</b> Tan Cher Liang <i>(Appointed on 1 July 2004)</i> Tan San-Ju	<b>Auditors</b> Ernst & Young 10 Collyer Quay #21-01 Ocean Building Singapore 049315 <b>Audit Partner-In-Charge</b> Ng Tiak Soon <i>(with effect from the financial year ended 31 December 2002)</i>	<b>Remuneration Committee</b> Lew Syn Pau <i>(Chairman)</i> Ong Kian Min Tan Wang Cheow
	<b>Principal Bankers</b> Bank of China Citibank Singapore Limited United Overseas Bank Limited	<b>Share Option Committee</b> Oon Peng Heng <i>(Chairman)</i> Tan Wang Cheow Oon Peng Lim Tan Guek Ming Lew Syn Pau Ong Kian Min



# Savouring Relationships

From day one, Food Empire had a clear direction in the path it wanted. It was to create a product that resonates strongly and soundly in an individual's emotions and everything they do. A product that strikes a chord and fills a void in their lives.

When it's least expected, an emotion should register every time a customer comes into contact with the brand. A good brand stays in your memory. In a competitive market, price and packaging are a given in deciding a purchase but ultimately, it is the experience that etches a favourable impression in the consumer's mind.

We feel this is the reason why Food Empire keeps growing and growing. Yet we must not forget the product is able to do this because of an undying commitment to quality and constant reinvention to make great products even better.



As you indulge, Food Empire translates your experiences into a global language everyone speaks and understands.



# Russia

Resoundingly modern aftertaste

*Red Square, once associated with the image of Communism now exhibits the onset of commercialism, manifested in the world famous GUM department store while the vibrant colours of St. Basil's Cathedral located nearby makes it a must-see for any visitor to Moscow.*

Russians have great hopes and dreams. When asked what they want for the future, many Russians speak of cars and computers, of "having an easier life, being able to buy good items". Their dreams of prosperity are fueled by foreign films and television programs and infomercials that seem to run non-stop. Russian dreams are buoyed by an economy, though not stable, that has seen marginal increases year on year.

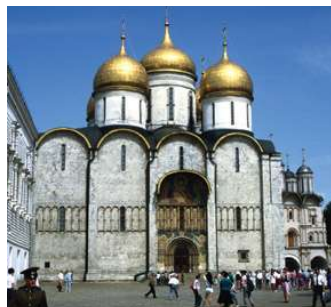
Russia's gross domestic product expanded 6.9% year-on-year in the fourth quarter of 2004, according to initial Economic Development and Trade Ministry figures. Russia has accelerated the integration of its economy with those of the rest of the world. Although the Russian economy slowed down in the second half of 2004, GDP growth is still sustained and looks set to continue into the new fiscal year.

Accessibility has become the new catch-phrase for the Russian tourism sector since Russia has successfully shed its Soviet legacy of regulating foreign visitors. Travel to Russia has certainly improved since the demise of the Soviet Union in 1991 but travelling around from city to city has still



much to improve upon. The impact of the economic recession in the world tourist powers - USA, Germany and Japan, has caused tourist flows to drop. Quite the contrary, Russia showed a continuous rise in tourist arrivals. In the major cities everywhere, a hint of a tourist can be heard and seen.

The East/West contrast will perhaps be the first impression of visitors. The so-called "European Russia" (from the borders with the Baltic republics to the Ural Mountains) is semi-reminiscent of European countries through its people, culture, architecture and general atmosphere. Russia's myriad ethnic groups collectively form a rich cultural stew, one that has added much flavour to the country's spiritual life.



*The Moscow Kremlin has always been perceived as the power and might of the Russian State.*

Nonetheless, one will immediately notice the contrast between the Asiatic excitement of hectic, narrow streets of Moscow and the reassuringly organised stately architecture of more European St. Petersburg.

Through institutions such as the Orthodox Church, to Russian visual arts to the society-focused

aesthetics of the national literature and performing arts, Russia's wonderful potpourri of cultural mixes can be seen along the streets, in the architecture and just about anywhere.

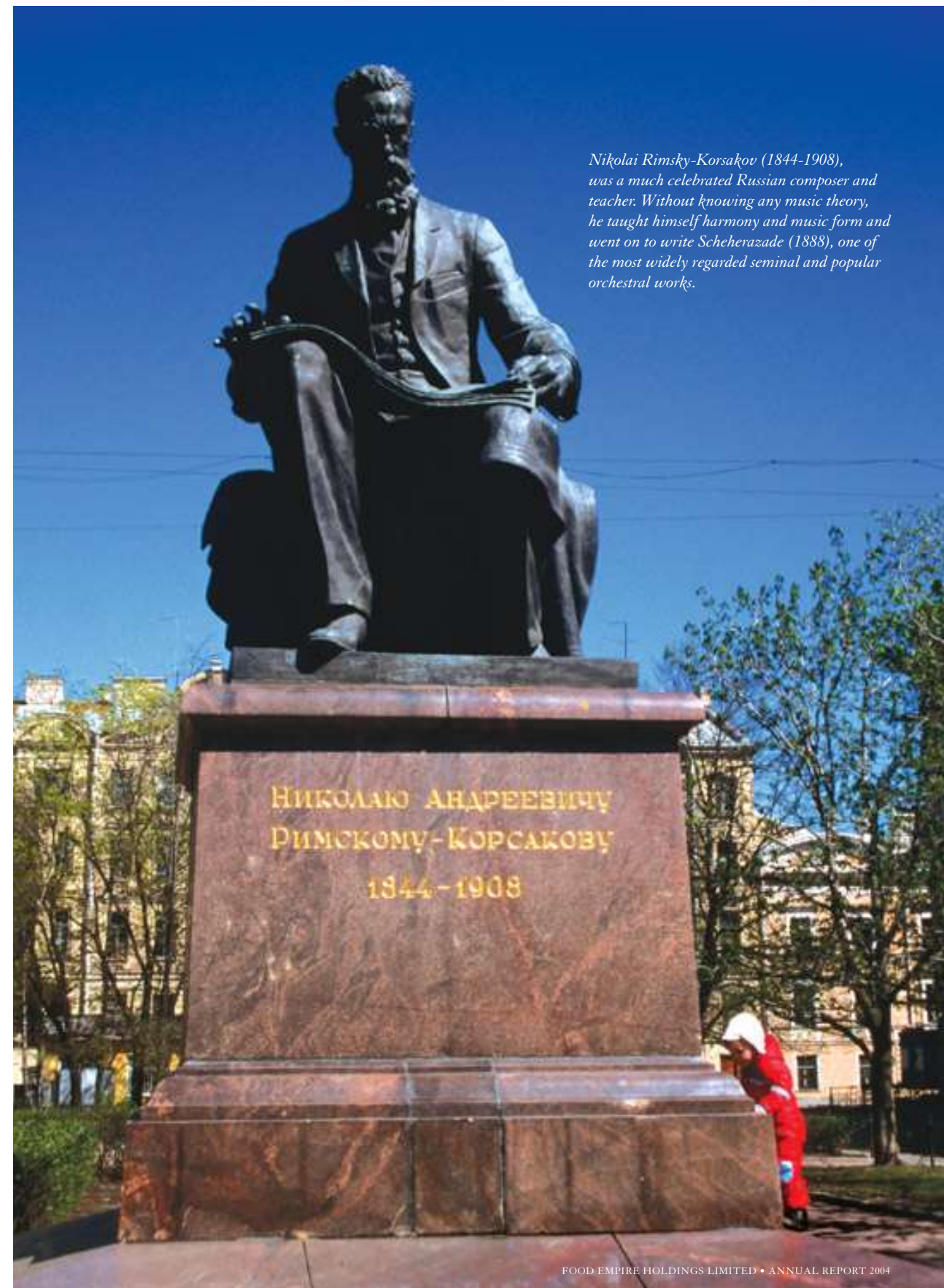
In any case, travellers should be flexible, tolerant and patient, as exemplified through the varying experiences. Russia can be both an enthralling adventure and a tiring ordeal. For those willing to endure the risks and inconveniences, Russia is simply a fascinating place - from the imperial beauty of Moscow and St. Petersburg to the bleakly romantic Siberian countryside.

#### Food Empire in Russia

Food Empire has the largest presence in Russia. Through our representative office in Moscow, MacCoffee, the key product there, has a large 39% market share in the instant coffee mix market (Source: AC Nielsen, Jul 2004).

In 2004, MacCoffee and MacTea ready-to-drink (RTDs) and Kracks Apple Chips were launched and these products further expanded our market coverage in Russia. We also contributed to the community through the sponsorship of key national football games.

*Barynya, a fast Russian folk dance does not consist of any unique choreography, focusing more on the combination of stomping and squatwork.*



*Nikolai Rimsky-Korsakov (1844-1908), was a much celebrated Russian composer and teacher. Without knowing any music theory, he taught himself harmony and music form and went on to write Scheherazade (1888), one of the most widely regarded seminal and popular orchestral works.*



Vietnam National Administration of Tourism

*Vietnam*

**Điểm đến của Thiên Niên Kỷ mới !**

*A Destination For The New Millennium*

<http://www.vietnamtourism.com>

## A Picturesque flavour

*Besides exports, tourism is one of Vietnam's main generators of revenue.*

Once synonymous with tragedy and conflict, Vietnam is experiencing a rebirth. The historical country's economy is booming, Vietnamese GDP has increased two-fold over the past decade and the

infrastructure for tourism is developing rapidly. Now is a good time to visit.

The country's history of conflict - conflict within, conflict with others - could lead you to conclude

that the Vietnamese thrive on a certain degree of contentiousness. That's just not the case these days. While the older Vietnamese may find the pace of change somewhat dizzying, there is overwhelming support for the advances the

country is making. People speak of the attachment they feel for their re-born country and the wave of enthusiasm sweeping the country.

Tourism is helping Vietnam ride the crest of that wave. And it's one

of the best travel bargains in Asia.

Probably the most compelling reason for this tourism boom is that the Vietnamese people are one of the friendliest, most welcoming and most outgoing people around.

A smile is never too far away.

Vietnam provides an assault on the senses that leaves visitors utterly enthralled by its beauty and mystery. Following the well-trodden path from Hanoi to Ho





*Vietnamese women walk across the Mekong Delta bridge on the way to work.*



Chi Minh City, there is a myriad of obvious and less obvious attractions that the country has to offer.



*Making up 3 to 4 million adherents in Vietnam, the Hoa Hao sect draws from Buddhism, Confucian doctrine and other indigenous practices and is most commonly known for its support of patriotism.*

The vast majority of the population is Vietnamese with small percentages of Chinese. They are influenced by Confucianism, in particular the principle of respect for their elders. Still, religious tolerance is very much the call here, a mix of Buddhism, Confucianism, and traditional local beliefs and Roman Catholicism are the most widely practised religions. Vietnam is also a country rich in handicraft products, thanks to the hard-working, dextrous, and creative qualities of the Vietnamese people.

Like a phoenix risen from the ashes, Vietnam now wins tourists with its rich culture, friendly people and striking natural beauty. Entrepreneurs and international businesspeople flock to Ho Chi Minh City, the financial capital, to take advantage of this up-and-coming financial powerhouse.

MacCoffee is one of the top instant coffee brands in the Vietnam market. To further strengthen our position, we have commenced the construction of a new manufacturing facility in Vietnam Singapore

Industrial Park (VSIP) in 2004. This will complement our liaison offices in Ho Chi Minh City and Hanoi in extending our presence in Vietnam and the region.



*Once backward, the Vietnam of today is a destination that tourists appreciate not only for its beauty but for its commercial appeal.*



*The Presidential Place in Vietnam is a sight to behold.*



*Salt-field workers hard at work on the South Central Coast.*



*A Kazak boy on the streets parades in traditional dress.*

# Kazakhstan

## An Enticing Warmth



Much of Kazakhstan still looks the way it did when Genghis Khan and his hordes of warriors swept across the Central Asian steppes: vast, desolate and empty. If you're not a fan of endless semi-arid steppe and decaying industrial cities, Kazakhstan may seem bleak. But for those who enjoy remoteness, wide open spaces, lunar landscapes, long hypnotic train rides and horse sausages, yes horse sausages, Kazakhstan will definitely be their element.

Today's travellers will feel as if they've reached the final outposts of the civilised world: Bleak desert scenery leads to flat, seemingly endless plains, broken occasionally by isolated cities, many of the aforementioned being industrial wastelands dating from the Soviet era.

The plains end abruptly at sharply rising foothills and high mountains along the country's eastern and southeastern fringes, where the best attractions lie. According to Asian legend, somewhere in the Altay Mountains, which straddle Kazakhstan's borders with Russia and China, is Shambhala - the paradise that will someday reveal itself.

The country's biggest promise today lies below the desolate desert scenery - Kazakhstan's vast oil and gas reserves make it potentially the richest of the republics in the region.

Oil, gas, and mineral exports are keys to Kazakhstan's economic

success and have attracted most of the over \$18.4 billion in foreign investment in Kazakhstan since 1993. Kazakhstan has significant deposits of coal, iron, copper, zinc, uranium, and gold.



*A Kazak girl in traditional dress performing on stage.*

Home to more than 130 ethnic groups, Kazakhstan is a wonderful melting pot of people and culture. A multi-ethnic community, many Kazaks maintain a semi-nomadic existence, moving with herds and flocks from their collective farms to summer pastures every year.

Unique multiethnic composition is Kazakhstan's great advantage. On the other hand, it is fraught with specific potential threats. In this view, the strengthening of inter-ethnic harmony, and searching for the consensus takes a special place in the country's domestic affairs.

### Food Empire in Kazakhstan

The largest country in Central Asia and one of the earliest and most aggressive reformers from the previous Soviet Union, Kazakhstan is the country where Food Empire has a majority 70% share in the coffee mix category (Source: Business Analytica Aug 2004). Indeed, strong and focused marketing and promotional activities through our representative office in Almaty have assured MacCoffee a place as the undisputed brand leader in the Kazakhstan market.



*The statue of national heroes Kazybek Bi, Tole Bi and Aйтеке Bi stands proud in Kazakhstan.*



# 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”).

## 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 or a Director, material acquisitions and disposal of assets, corporate or financial restructuring and shares issuances, dividends and other returns to shareholders.

## A Board Matters (cont’d)

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 FY2004, as well as the frequency of such meetings, is disclosed as follows :

	Tan Wang Cheow	Oon Peng Lim	Oon Peng Heng	Tan Guek Ming	Lew Syn Pau	Ong Kian Min
Board	4/4	4/4	4/4	4/4	4/4	4/4
Audit Committee	N/A	N/A	N/A	5/5	5/5	5/5
Nominating Committee	1/1	N/A	N/A	N/A	1/1	1/1
Remuneration Committee	1/1	N/A	N/A	N/A	1/1	1/1
Share Option Committee	1/1	1/1	1/1	0/1	1/1	1/1

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 15 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 make up one third of the Board to ensure appropriate independent views of the Board.



**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 Resources	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 resource backgrounds. 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. 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 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.

**C Chairman and Chief Executive Officer (cont'd)**

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

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 include:-

- 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.

**D Board Membership (cont'd)****Last re-election date**

Directors	Date of last re-election
Oon Peng Lim	30 April 2002
Lew Syn Pau	30 April 2002
Oon Peng Heng	2 May 2003
Ong Kian Min	2 May 2003
Tan Guek Ming	27 April 2004
Tan Wang Cheow - Chairman & Managing Director	Not subject to re-election under existing Articles of Association

**E Board Performance**

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

The NC has formulated an evaluation process where the assessment parameters include 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 Board's evaluation process is done annually.

**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 at the Company's expense, where necessary, in furtherance of their duties.

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 the SGX-ST listing Manual, 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.

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.

The Non-executive Directors are paid a directors' fee based on their efforts and responsibilities. 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 compared to last year.

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

Details of Directors' remuneration are disclosed below as well as in Note 28 of the financial statements in accordance with Rule 1207 (11) to (14) of the Listing Manual.





## G Remuneration Matters (cont'd)

### Directors & Key Executives Remuneration

#### 2004

Directors' Remuneration	Salary/CPF/ leave-in lieu	Bonus	Share of profit	Directors' fee	Total	Options Granted in 2004
<b><u>S\$750,000 &amp; above</u></b>						
Tan Wang Cheow	19%	4%	77%		100%	
Oon Peng Lim	30%	7%	63%		100%	
<b><u>S\$500,000-S\$750,000</u></b>						
Oon Peng Heng	29%	6%	65%		100%	
<b><u>Below S\$250,000</u></b>						
Tan Guek Ming				100%	100%	
Lew Syn Pau				100%	100%	200,000
Ong Kian Min				100%	100%	200,000

#### 2004

Remuneration of top 5 key executives		Options Granted in 2004
Above S\$250,000	1	3,300,000
Below S\$250,000	4	1,150,000

#### 2003

Directors' Remuneration	Salary/CPF/ leave-in lieu	Bonus	Share of profit	Directors' fee	Total	Options Granted in 2003
<b><u>S\$750,000 &amp; above</u></b>						
Tan Wang Cheow	27%	7%	66%		100%	
<b><u>S\$500,000-S\$750,000</u></b>						
Oon Peng Lim	41%	10%	49%		100%	
Oon Peng Heng	39%	10%	51%		100%	
<b><u>Below S\$250,000</u></b>						
Tan Guek Ming				100%	100%	
Lew Syn Pau				100%	100%	
Ong Kian Min				100%	100%	

#### 2003

Remuneration of top 5 key executives		Options Granted in 2003
Above S\$250,000	2	
Below S\$250,000	3	500,000

To maintain confidentiality of staff remuneration, the names of the 5 top executives are not stated. There are no employees who are immediate family members of a Director or the CEO.

## H Accountability and Audit

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

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

The Board is 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 (AC) 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 duties and responsibilities.

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 :

- 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;
- risk or exposure that exists and the steps that management had undertaken to minimise such risk to the Company;
- the Group's quarterly financial results for submission to the Board;
- the assistance given by the Group's officers to the external auditors;
- the Group's interested persons transactions;





## I Audit Committee (cont'd)

- 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 duties and responsibilities properly; and
- c the expressed authority to conduct investigation into any matters within its terms of reference.

During the year the AC held 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 names of all auditing firms are disclosed in Note 10 to the financial statements. The AC and the Board have reviewed and are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Company.

## I Audit Committee (cont'd)

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 controls*

*Principle 13: Setting up independent internal audit function*

The Board affirms its overall responsibility for the Group's systems of internal controls 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.

The scope of the internal audit function is to ensure:

- a internal controls are in place and functioning as intended;
- b operations are conducted in an effective and efficient manner;
- 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 Audit function was performed by independent staff last year, mainly to review the non compliance control areas highlighted in the previous year's internal audit. The AC is satisfied that there are adequate internal controls in the Group. The AC will engage Pricewaterhouse Coopers (PWC) to perform the internal audit and 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 on a quarterly basis to SGX.





## L Greater Shareholders' 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.

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

The Chairpersons of the Audit, Nominating and Remuneration Committees are present and available to address questions at the Annual General Meeting. The external auditors are also present to assist the directors in addressing any relevant queries by shareholders.

### **SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2004 (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.

#### **iii Risk Management Policies and Processes**

##### **Dependence on the Russian Market**

We are dependent on the Russian market which accounted for 61.3% of our turnover in 2004. Any significant decline in demand for our products in this market brought about by political, social and/or economic changes, would adversely affect our turnover and profitability.

It is an on-going effort for us to increase our sales through new market developments and improve sales in other existing markets. This will reduce the dependency on the Russian market.

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

### **Foreign Exchange Exposure**

Majority of our sales are transacted in foreign currencies and any significant adverse movements in the exchange rates will have an impact on the Group's performance. The Group has a natural hedge of more than 60% mainly because some purchases of raw materials and certain operating expenses are in foreign currencies.

### **Political and Regulatory Consideration**

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

We have representative offices in our major markets and are therefore constantly updated with the developments of the government policies and regulations. This allows us to respond promptly to any policy changes that might affect our sales in these markets.

### **Credit Risk of Customers**

In our normal course of business, we extend credit terms to our customers, mainly located in developing countries. In the event of any significant devaluation of the currencies of these markets or if any of our major customers face financial difficulties, we would be exposed to the risk of non-collectibility of some of our trade receivables.

We have a credit policy in place and exposure of credit risk is monitored on an ongoing basis. We believe that concentration of credit risk is limited due to ongoing evaluation of all customers.

### **Fluctuation in Raw Material Prices**

Instant coffee powder, creamer, sugar and packaging materials are the main raw materials used for our products, accounting for an aggregate of approximately 90% of the total costs of manufacturing. Due to the competitive nature of the instant beverage industry, we may not be able to pass on the increase in raw material prices to our customers. Therefore, any major increase in raw material prices may adversely affect our profitability.

There is no regulated commodity market for trading of instant coffee and other raw materials; we monitor closely the movements of raw materials prices and keep close contact with our major suppliers. We also have a policy to source from multiple suppliers where possible, so as to reduce dependency on any single source of supply.





iii Risk Management Policies and Processes (cont'd)

**Intellectual Property Risks**

It may be possible for a third party to unlawfully copy and use our intellectual property. Policing such unauthorised use is difficult and the law on intellectual property rights and protection in some countries may not be as developed as others. Unauthorised use of our trademarks, service marks, copyrights, trade secrets and other intellectual property may damage the brand and name recognition of our Group and our credibility.

We rely on trademark laws to protect our marks in countries that we operate in. We have filed for registration of trademarks in countries where our products are marketed and distributed. We will take a strong stand on infringement and will take legal actions to protect our intellectual property against counterfeit products and those who have unlawfully make use of our registered trademarks.

**Dependence on Key Personnel**

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

The Group has implemented remuneration packages that aim at retaining existing personnel and reward packages for key management personnel that contribute to the success of the Group. The three Directors are substantial shareholders of the Company and they are under service contracts with profit sharing incentives.

# Directors' Report and Audited Financial Statements

Food Empire Holdings Limited and Subsidiary Companies  
31 December 2004

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58	Notes to the Financial Statements



# Report of Directors

The Directors have pleasure in presenting their report to the members together with the audited financial statements of Food Empire Holdings Limited (the “Company”) and its subsidiary companies (the “Group”) for the financial year ended 31 December 2004 and balance sheet of the Company as at 31 December 2004.

## Directors

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

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

## Arrangement to enable Directors to acquire shares and debentures

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objective is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## Directors’ interests in shares and debentures

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

## Directors’ interests in shares and debentures (cont’d)

Name of Director	At the beginning of the year	At the end of the year	As at 21 January 2005
<i>The Company</i>			
<b>Ordinary shares of \$0.05 each</b>			
Tan Wang Cheow	#55,700,000	#55,700,000	#55,700,000
Oon Peng Lim	*38,720,000	*38,720,000	*38,720,000
Oon Peng Heng	*43,500,000	*43,500,000	*43,500,000
Tan Guek Ming	#55,700,000	#55,800,000	#55,800,000
<b>Options to subscribe for ordinary shares of \$0.05 each exercisable between 14 March 2004 to 13 March 2007 at \$0.17 per share</b>			
Lew Syn Pau	400,000	400,000	400,000
Ong Kian Min	400,000	400,000	400,000
<b>Options to subscribe for ordinary shares of \$0.05 each exercisable between 25 May 2006 to 24 May 2009 at \$0.275 per share</b>			
Lew Syn Pau	—	200,000	200,000
Ong Kian Min	—	200,000	200,000

\* held in the names of Director and spouse

# Mr. Tan Wang Cheow and Mdm. Tan Guek Ming are husband and wife

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

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2005.

## Directors’ contractual benefits

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





## Report of Directors (cont'd)

### Share options

The Food Empire Holdings Limited Share Option Scheme (the "Option Scheme") was approved and adopted at an Extraordinary General Meeting of the Company held on 22 January 2002.

The Option Scheme is administered by the Share Option Committee ("SC") which comprises Mr. Oon Peng Heng (Chairman), Mr. Tan Wang Cheow, Mr. Oon Peng Lim, Mdm. Tan Guek Ming, Mr. Lew Syn Pau and Mr. Ong Kian Min.

Under the Option Scheme, the Company can grant up to a maximum of 15% of the issued share capital of the Company.

#### (a) Options Granted

During the year, the following options were granted at 19.1% discount to the market price under the Option Scheme :

Open category	No. of holders	Exercise period	Exercise price (per share)	No. of shares under option
Directors of the Company	2	25 May 2006 to 24 May 2009	\$0.275	400,000
Directors of subsidiary companies	2	25 May 2006 to 24 May 2014	\$0.275	3,550,000
Group Executives	59	25 May 2006 to 24 May 2014	\$0.275	9,075,000
	63			13,025,000

#### (b) Issue of shares under Option

During the financial year, 5,140,000 (2003 : nil) ordinary shares were issued pursuant to the exercise of options, under the Option Scheme, to take up unissued shares of the Company.

### Share options (cont'd)

#### (c) Unissued shares under Option

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

	No. of holders	Number of options outstanding at 1.1.2004	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 31.12.2004	Exercise price per share	Exercise period
							\$	
2002 Options	38	16,065,000	—	(1,485,000)	(5,140,000)	9,440,000	0.17	14 March 2004 to 13 March 2012
2002 Options	2	800,000	—	—	—	800,000	0.17	14 March 2004 to 13 March 2007
2003 Options	1	500,000	—	—	—	500,000	0.27	4 June 2005 to 13 March 2012
2004 Options	2	—	400,000	—	—	400,000	0.275	25 May 2006 to 24 May 2009
2004 Options	60	—	12,625,000	(100,000)	—	12,525,000	0.275	25 May 2006 to 24 May 2014
	103	17,365,000	13,025,000	(1,585,000)	(5,140,000)	23,665,000		

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

Name of participants	Options granted (1)	Aggregate options granted (2)	Aggregate options exercised (3)	Aggregate options lapsed/ cancelled (4)	Aggregate options outstanding (5)
<b>Directors of the Company</b>					
Lew Syn Pau	200,000	600,000	—	—	600,000
Ong Kian Min	200,000	600,000	—	—	600,000
<b>Participant who received more than 5% of total options available</b>					
Sudeep Nair	3,300,000	7,800,000	(1,800,000)	—	6,000,000



## Report of Directors (cont'd)

### Share options (cont'd)

#### (c) *Unissued shares under Option (cont'd)*

- (1) Options granted during the financial year under review.
- (2) Aggregate options granted since commencement of the Option Scheme to the end of the financial year under review.
- (3) Aggregate options exercised since commencement of the Option Scheme to the end of the financial year under review.
- (4) Aggregate options lapsed/cancelled since commencement of the Option Scheme to the end of the financial year under review.
- (5) Aggregate options outstanding as at end of the financial year under review.

No participant under the Option Scheme has been granted 5% or more of the total options available under the Option Scheme, except as disclosed above.

The controlling shareholders of the Company or their associates are not eligible to participate in the Option Scheme. The options granted by the Company do not entitle the holders of the Options, by virtue of such holdings, to any rights to participate in any share issue of any other company.

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

### Audit Committee

The Audit Committee performed the functions specified in the Companies Act. The functions performed are detailed in the Report on Corporate Governance.

### Auditors

Ernst & Young, Certified Public Accountants, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board,

Tan Wang Cheow  
Director

Oon Peng Lim  
Director

Singapore  
14 March 2005





## Statement by Directors Pursuant to Section 201(15)

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

- (i) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes thereto, set out on pages 52 to 92, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004; and the results of the business, changes in equity and cash flows of the Group 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.

The Board of Directors authorised these financial statements for issue on 14 March 2005.

On behalf of the Board,

Tan Wang Cheow  
Director

Oon Peng Lim  
Director

Singapore  
14 March 2005

## Auditors' Report to the Members of Food Empire Holdings Limited

We have audited the financial statements of Food Empire Holdings Limited (the "Company") and its subsidiary companies (the "Group") set out on pages 52 to 92 for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG  
Certified Public Accountants

Singapore  
14 March 2005



## Consolidated Profit and Loss Account for the year ended 31 December 2004

	Note	2004 \$'000	2003 \$'000
<b>Revenue</b>	3	160,389	139,590
<b>Costs and expenses</b>			
Changes in inventories of finished goods		4,791	(3,310)
Raw materials and consumables used		(85,184)	(63,403)
Staff costs		(14,935)	(12,248)
Impairment loss on fixed assets		(12)	(596)
Depreciation and amortisation expenses		(1,601)	(1,471)
Foreign exchange loss		(1,923)	(1,305)
Other operating expenses		(40,254)	(43,807)
Other income		639	202
<b>Total costs and expenses</b>		<b>(138,479)</b>	<b>(125,938)</b>
<b>Profit from operating activities</b>	4	21,910	13,652
Finance costs	5	(6)	(89)
Share of losses of associated companies		(144)	(120)
<b>Profit from ordinary activities before taxation and minority interests</b>		21,760	13,443
Taxation	6	(3,670)	(1,800)
Minority interests, net of taxation		(2,843)	(1,480)
<b>Net profit for the year</b>		<b>15,247</b>	<b>10,163</b>
<b>Basic earnings per share (in cents)</b>	8	4.39	2.95
<b>Diluted earnings per share (in cents)</b>	8	4.28	2.88

The accounting policies and explanatory notes on pages 58 through 92 form an integral part of the financial statements.

## Balance Sheets as at December 2004

	Note	Group 2004 \$'000		Company 2004 \$'000	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>ASSETS LESS LIABILITIES</b>					
<b>Non-Current Assets</b>					
Fixed assets	9	13,436	13,459	—	—
Investments in subsidiary companies	10	—	—	12,519	12,519
Investments in associated companies	11	1,283	1,142	979	1,082
Intangible asset	12	—	39	—	—
Deferred tax assets	13	1,392	599	—	—
		16,111	15,239	13,498	13,601
<b>Current Assets</b>					
Cash and bank balances	14	15,680	11,825	83	30
Trade receivables	15	27,967	20,591	—	—
Other receivables	16	4,996	2,370	1,147	16
Amounts due from subsidiary companies (non-trade)	17	—	—	16,168	18,118
Amounts due from associated companies (trade)	18	138	—	—	—
Amounts due from associated companies (non-trade)	18	890	188	439	188
Inventories	19	32,064	23,633	—	—
		81,735	58,607	17,837	18,352

The accounting policies and explanatory notes on pages 58 through 92 form an integral part of the financial statements.





## Balance Sheets as at December 2004 (cont'd)

	Note	Group		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Current Liabilities</b>					
Trade payables and accruals		(19,555)	(11,213)	—	(214)
Other payables	20	(414)	(86)	(314)	(20)
Amount due to an associated company (trade)	18	—	(37)	—	—
Amount due to a related party (trade)	18	(1)	—	—	—
Provision for taxation		(3,877)	(2,045)	(9)	—
		(23,847)	(13,381)	(323)	(234)
<b>Net Current Assets</b>		57,888	45,226	17,514	18,118
<b>Non-Current Liabilities</b>					
Deferred tax liabilities	13	(256)	(186)	—	—
		(256)	(186)	—	—
		73,743	60,279	31,012	31,719
<b>EQUITY</b>					
Share capital	21	17,457	17,200	17,457	17,200
Reserves	23	51,872	39,802	13,555	14,519
		69,329	57,002	31,012	31,719
<b>Minority interests</b>		4,414	3,277	—	—
		73,743	60,279	31,012	31,719

The accounting policies and explanatory notes on pages 58 through 92 form an integral part of the financial statements.

## Consolidated Statement of Changes in Equity for the year ended 31 December 2004

	Note	2004 \$'000	2003 \$'000
<b>Issued capital <sup>(1)</sup></b>			
Balance at beginning of the year		17,200	17,200
Issuance of ordinary shares		257	—
Balance at end of the year	21	17,457	17,200
<b>Share premium</b>			
Balance at beginning of the year		6,086	6,086
Premium on issuance of ordinary shares		617	—
Balance at end of the year		6,703	6,086
<b>Foreign currency translation reserve</b>			
Balance at beginning of the year		(202)	(53)
Foreign currency translation adjustment		(327)	(149)
Balance at end of the year		(529)	(202)
<b>Revenue reserve</b>			
Balance at beginning of the year		33,918	27,109
Net profit for the year		15,247	10,163
Dividends on ordinary shares	7	(3,467)	(3,354)
Balance at end of the year		45,698	33,918
<b>Total equity outstanding</b>		69,329	57,002
<b>Net change in equity from non-owner sources excluding net profits</b>			
		(327)	(149)

<sup>(1)</sup> The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

The accounting policies and explanatory notes on pages 58 through 92 form an integral part of the financial statements.



## Consolidated Statement of Cash Flows for the year ended 31 December 2004

	2004 \$'000	2003 \$'000
<b>Cash flows from operating activities :</b>		
Profit from ordinary activities before taxation and minority interests	21,760	13,443
Adjustments for :		
Amortisation of goodwill	39	20
Depreciation of fixed assets	1,562	1,451
(Gain)/loss on disposal on fixed assets	(11)	300
Interest income	(27)	(4)
Interest expenses	6	89
Exchange realignment	(111)	(147)
Impairment loss on fixed assets	12	596
Share of losses of associated companies	144	120
<b>Operating income before reinvestment in working capital</b>	<b>23,374</b>	<b>15,868</b>
Increase in receivables	(10,084)	(3,241)
(Increase)/decrease in inventories	(8,431)	5,588
Increase/(decrease) in payables	8,634	(3,660)
<b>Cash generated from operations</b>	<b>13,493</b>	<b>14,555</b>
Income taxes paid	(2,555)	(2,855)
<b>Net cash generated from operating activities</b>	<b>10,938</b>	<b>11,700</b>
<b>Cash flows from investing activities :</b>		
Interest income received	27	4
Purchase of fixed assets	(1,716)	(3,931)
Proceeds from sale of fixed assets	48	68
Investments in associated companies	(417)	—
Loans to associated companies	(739)	—
<b>Net cash used in investing activities</b>	<b>(2,797)</b>	<b>(3,859)</b>

The accounting policies and explanatory notes on pages 58 through 92 form an integral part of the financial statements.

## Consolidated Statement of Cash Flows for the year ended 31 December 2004 (cont'd)

	2004 \$'000	2003 \$'000
<b>Cash flows from financing activities :</b>		
Interest expenses paid	(6)	(89)
Dividends paid to shareholders of the Company	(3,467)	(3,354)
Dividends paid to minority shareholders of subsidiary companies	(1,687)	(660)
Repayment of interest-bearing borrowings	—	(35)
Proceeds from issuance of shares	874	—
<b>Net cash used in financing activities</b>	<b>(4,286)</b>	<b>(4,138)</b>
Net increase in cash and cash equivalents	3,855	3,703
Cash and cash equivalents at beginning of year (Note 14)	11,825	8,122
<b>Cash and cash equivalents at end of year (Note 14)</b>	<b>15,680</b>	<b>11,825</b>

During the year, the Group disposed of fixed assets with aggregate net book values of \$64,000 (2003 : \$368,000) for a sale consideration of \$75,000 (2003 : \$68,000), of which \$48,000 (2003 : \$68,000) has been received and \$27,000 (2003 : \$nil) is receivable at the end of the year.

The accounting policies and explanatory notes on pages 58 through 92 form an integral part of the financial statements.





# Notes to the Financial Statements - 31 December 2004

## 1 Corporate information

The financial statements of Food Empire Holdings Limited (the "Company") for the year ended 31 December 2004 were authorised for issue in accordance with a resolution of the Directors on 14 March 2005.

The Company is a limited liability company which is domiciled and incorporated in Singapore.

The registered office of the Company is located at 10 Collyer Quay, #19-08 Ocean Building, Singapore 049315.

The principal activity of the Company is that of an investment holding company. The principal activities and other details of the subsidiary companies are stated in Note 10 to the financial statements. There have been no significant changes in the nature of these activities during the financial year under review.

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

The Group operates in 18 (2003 : 13) countries and employed 626 (2003 : 504) employees as of 31 December 2004. The Company has no employees as the operation is managed by a subsidiary company.

## 2 Significant accounting policies

### (a) Basis of preparation of financial statements

The financial statements of the Company and of the Group, which are expressed in Singapore dollars, are prepared under the historical cost convention. The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act.

### (b) Basis of consolidation

The accounting year of the Company and all its subsidiary companies in the Group ends on 31 December.

The Group's financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. All transactions among the Group companies have been eliminated. The results of subsidiary companies acquired or disposed of during the financial year are included in or excluded from the Group's financial statements from their respective dates of acquisition or disposal. Acquisitions of subsidiary companies are accounted for using the purchase method of accounting.

## 2 Significant accounting policies (cont'd)

### (b) Basis of consolidation (cont'd)

Any excess/deficit of the cost of acquisition of a subsidiary company over the fair value of the net assets acquired is treated as goodwill/negative goodwill on consolidation.

Assets, liabilities and results of overseas subsidiary companies are translated into Singapore dollars on the basis outlined in Note 2(q) below.

### (c) Subsidiary companies

A subsidiary company is a company in which the Group or Company has significant control over its management, including participation in the financial and operating policies.

Investments in subsidiary companies are stated in the Company's balance sheet at cost and provision is made for impairment in values.

A list of the Group's subsidiary companies is shown in Note 10 to the financial statements.

### (d) Associated companies

An associated company is defined as an entity, in which the Group has long-term interest of not less than 20% nor more than 50% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's investments in associated companies are stated at cost and adjusted to recognise the Group's share of the net assets of the associated companies at the date of acquisitions.

The Group's share of results of associated companies are included in the consolidated profit and loss account. The Group's share of the post-acquisition reserves of associated companies are included in the investments in the consolidated balance sheet.

Where the audited financial statements are not co-terminous with those of the Group, the share of profits is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period.

Investments in the associated companies are stated in the Company's balance sheet at cost and provision is made for impairment in values.



## Notes to the Financial Statements - 31 December 2004 (cont'd)

### 2 Significant accounting policies (cont'd)

#### (e) *Intangible assets*

##### *Goodwill*

Goodwill on consolidation is amortised using the straight-line method over an average 5 year period in which benefits are expected to be received.

##### *Negative goodwill*

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those assets that are depreciable or amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

#### (f) *Fixed assets*

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repair are charged to profit and loss account.

When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

### 2 Significant accounting policies (cont'd)

#### (g) *Depreciation*

Depreciation is calculated on the straight-line method to write off the cost over their estimated useful lives. The rates used to calculate depreciation are as follows :

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

No depreciation is provided on capital work-in-progress.

Fully depreciated fixed assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

#### (h) *Cash and cash equivalents*

Cash at bank and in hand are carried at cost.

For purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash at bank and in hand.

#### (i) *Trade and other receivables*

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful receivables is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Amounts due from subsidiary and associated companies are recognised and carried at cost less an allowance for any uncollectible amounts.





## Notes to the Financial Statements - 31 December 2004 (cont'd)

### 2 Significant accounting policies (cont'd)

#### (j) *Inventories*

Inventories are stated at the lower of cost and net realisable value.

Cost in respect of direct materials and goods purchased for resale are stated based on first-in-first-out basis. Cost in respect of manufactured products, include direct labour and attributable production overheads based on normal levels of operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale, and after making allowance for damaged, obsolete and slow-moving items.

#### (k) *Impairment of assets*

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

#### (l) *Trade and other payables*

Liabilities for trade and other amounts payable which are normally settled on 30-90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Amounts due to an associated company and a related party are carried at cost.

#### (m) *Provisions*

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 a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

### 2 Significant accounting policies (cont'd)

#### (n) *Leases*

##### *Finance leases*

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased property, plant and equipment. 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 directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

##### *Operating leases*

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

#### (o) *Employee benefits*

##### *i) Pensions*

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 and Employee's Provident Fund schemes, which are defined contribution pension schemes in Singapore and Malaysia respectively. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

##### *ii) Employee leave entitlement*

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

##### *iii) Employee share incentive plan*

The Share Option Scheme allows employees of the Group to acquire shares of the Company. No compensation cost is recognised upon granting or exercise of the Options. When the Options are exercised, the proceeds of any transaction costs are credited to share capital and share premium accordingly.



## Notes to the Financial Statements - 31 December 2004 (cont'd)

### 2 Significant accounting policies (cont'd)

#### (p) *Income taxes*

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises deferred tax assets to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

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

#### (q) *Foreign currencies*

Transactions arising in foreign currencies during the year are converted at rates closely approximating those ruling on the transaction dates. Foreign currency monetary assets and liabilities are translated into Singapore dollars at exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences arising from conversion are included in the profit and loss account.

For inclusion in the consolidated financial statements, all assets and liabilities of foreign subsidiary companies are translated into Singapore dollars at the exchange rates ruling at the balance sheet date and the results of foreign subsidiary companies are translated into Singapore dollars at the weighted average exchange rates. Exchange differences due to such currency translations are taken to foreign currency translation reserve.

### 2 Significant accounting policies (cont'd)

#### (r) *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised :

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Rental income is recognised on the time apportionment basis.

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

Interest income is recognised on accrual basis.

#### (s) *Finance costs*

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

#### (t) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing products or services, or in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, by business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing, if any, is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.





## Notes to the Financial Statements - 31 December 2004 (cont'd)

### 2 Significant accounting policies (cont'd)

#### (t) Segment reporting (cont'd)

##### (i) Business Segments

The main business segments of the Group comprise :

Beverages : The manufacture and sale of beverages.

Others : The manufacture and sale of other products, such as confectionery, snack and frozen convenience food, and coffee machines and rental income.

##### (ii) Geographical Segments

The beverage products segment operates in two principal geographical areas. Russia, and Eastern Europe and Central Asia are major markets for these sales.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

### 3 Revenue

The Group's revenue represents invoiced value of goods supplied to customers net of sales discounts and returns, which excludes intra-group transactions.

Revenue is analysed as follows :

	Group	
	2004	2003
	\$'000	\$'000
Sale of goods	160,364	139,550
Rental income	25	40
	160,389	139,590

### 4 Profit from operating activities

	2004	Group	2003
	\$'000		\$'000
Profit from operating activities is stated after charging/(crediting) :			
Amortisation of goodwill	39		20
Auditors' remuneration			
- auditors of the Company			
- current year	103		85
- overprovision in prior year	(11)		(2)
- other auditors of subsidiary companies			
- current year	14		24
Non-audit fees paid to			
- auditors of the Company	12		19
- other auditors of subsidiary companies	37		—
Bad debts written off - trade	200		32
Bad debts recovered	—		(104)
Depreciation of fixed assets	1,562		1,451
Directors' remuneration included in staff costs			
- Directors of the Company			
- Salaries and other remuneration	2,718		1,879
- Central Provident Fund	42		58
- other Directors of subsidiary companies			
- Salaries and other remuneration	969		375
- Central Provident Fund	26		39
Directors' fee			
- Directors of the Company	121		121
- Director of a subsidiary company	—		10
Foreign exchange loss	1,923		1,305
(Gain)/loss on disposal of fixed assets	(11)		300
Impairment loss on fixed assets	12		596
Interest income on			
- bank deposits	(7)		(4)
- others	(20)		—
Provision for doubtful receivables			
- trade	310		1,188
- non-trade	173		186
Provision for doubtful receivables written back, trade	(8)		—
Staff costs			
- Central Provident Fund	425		544
- Employee's Provident Fund	61		61
- Salaries, wages and other staff benefits	14,449		11,643



## Notes to the Financial Statements - 31 December 2004 (cont'd)

### 5 Finance costs

	Group	
	2004	2003
	\$'000	\$'000
Interest expenses on :		
Bank overdraft and bank trust receipts	6	87
Finance lease	—	2
	6	89

### 6 Taxation

	Group	
	2004	2003
	\$'000	\$'000
Provision for taxation in respect of result for the year :		
Current taxation		
- Singapore	3,598	1,695
- Foreign	845	521
	4,443	2,216
Deferred taxation		
- Movements in temporary differences	(887)	(497)
	3,556	1,719
(Over)/underprovision in respect of prior year		
- current taxation	(57)	81
- deferred taxation	171	—
	3,670	1,800

### 6 Taxation (cont'd)

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December is as follows :

	Group	
	2004	2003
	\$'000	\$'000
Accounting profit	21,760	13,443
Tax at statutory tax rate of 20% (2003 : 22%)	4,352	2,957
Adjustments :		
Tax effect of double taxation relief	(610)	(237)
Tax effect of investment allowance	—	(48)
Permanent differences/expenses not deductible for tax purposes	174	226
Tax effect of income not subject to tax	(416)	(272)
Overseas reinvestment allowances	—	(277)
Overseas allowance for increased export	(412)	—
Tax effect of partial tax exemption	(72)	(61)
Tax effect of reduction in tax rate	(22)	—
Recognition of deferred tax assets previously not recognised	—	(702)
Deferred tax assets not recognised	14	10
Utilisation of previous unrecognised tax losses	(1)	—
Effect of different tax rates in other countries	353	196
Underprovision in respect of prior year	114	81
Others	196	(73)
Tax expense	3,670	1,800





## Notes to the Financial Statements - 31 December 2004 (cont'd)

### 7 Dividends

	Company	
	2004	2003
	\$'000	\$'000
First and final dividend paid in respect of the previous financial year of \$0.005 (2003 : \$0.005) per ordinary share less tax at 20% (2003 : 22%)	1,387	1,342
Special dividend paid in respect of the previous financial year of \$0.0075 (2003 : \$0.0075) per ordinary share less tax at 20% (2003 : 22%)	2,080	2,012
	3,467	3,354

After the balance sheet date, the Directors proposed the following dividends. These dividends have not been provided for as at year end, as they are subject to approval at the Annual General Meeting of the Company.

	Company	
	2004	2003
	\$'000	\$'000
Proposed first and final dividend of \$0.005 (2003 : \$0.005) per ordinary share less tax at 20% (2003 : 20%)	1,397	1,376
Proposed special dividend of \$0.01 (2003 : \$0.0075) per ordinary share less tax at 20% (2003 : 20%)	2,793	2,064
	4,190	3,440

### 8 Earnings per share - Group

#### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computation for the year ended 31 December :

	2004	2003
	'000	'000
Net profit attributable to ordinary shareholders on issue applicable to basic and diluted earnings per share	\$15,247	\$10,163
Weighted average number of ordinary shares on issue applicable to basic earnings per share	347,523	344,000

#### (b) Diluted earnings per share

In calculating diluted earnings per share, the weighted average number of shares is adjusted for the effect of all dilutive potential ordinary shares, as follows :

	No. of shares	
	2004	2003
	'000	'000
Weighted average number of shares issued, used in the calculation of basic earnings per share	347,523	344,000
Weighted average number of unissued ordinary shares under option	21,470	18,352
Number of shares that would have been issued at fair value	(12,591)	(8,339)
	356,402	354,013



## Notes to the Financial Statements - 31 December 2004 (cont'd)

### 9 Fixed assets

Group	Freehold properties \$'000	Leasehold factory buildings \$'000	Plant and machinery, furniture and other equipment \$'000	Factory and office equipment and computers \$'000	Forklifts and motor vehicles \$'000	Renovation, airconditioners, electrical installation and leasehold improvements \$'000	Capital work-in progress \$'000	Total \$'000
<b>Cost</b>								
At 1 January 2004	3,273	6,820	6,752	1,196	824	1,006	—	19,871
Additions	—	12	918	336	141	122	187	1,716
Disposals	—	(25)	(38)	—	(117)	—	—	(180)
Exchange realignment	—	(55)	(73)	—	(2)	—	—	(130)
Reclassification	—	—	38	—	—	(38)	—	—
Other adjustments	—	—	—	4	—	—	—	4
At 31 December 2004	3,273	6,752	7,597	1,536	846	1,090	187	21,281
<b>Accumulated depreciation and impairment losses</b>								
At 1 January 2004	1,249	2,045	1,669	608	383	458	—	6,412
Charge for the year	47	247	740	253	122	153	—	1,562
Disposals	—	(25)	(14)	—	(77)	—	—	(116)
Impairment losses	—	12	—	—	—	—	—	12
Exchange realignment	—	(2)	(24)	—	(3)	—	—	(29)
Reclassification	—	—	4	—	—	(4)	—	—
Other adjustments	—	—	—	4	—	—	—	4
At 31 December 2004	1,296	2,277	2,375	865	425	607	—	7,845
Charge for 2003	49	267	576	277	127	155	—	1,451
<b>Carrying amount</b>								
At 31 December 2004	1,977	4,475	5,222	671	421	483	187	13,436
At 31 December 2003	2,024	4,775	5,083	588	441	548	—	13,459

### 9 Fixed assets (cont'd)

Included in freehold and leasehold factory buildings are properties held for investment. The details of the major properties held for investment are as follows :

#### Major properties held for investment

	Location	Description	Existing use	Tenure of land	Lease term
1.	No. 30 Mandai Estate Mandai Industrial Building #05-09 Singapore 729918	6-Storey Building	Warehouse/ Office	Freehold	—
2.	No. 9 Kaki Bukit Road 2, Gordon Warehouse Building #03-22 Singapore 417842	4-Storey Building	Warehouse/ Office	Leasehold	66 years, with effect from 25 July 1981
3.	No. 3 Upper Aljunied Link Block B, Joo Seng Warehouse, #07-04 Singapore 367902	8-Storey Building	Warehouse/ Office	Freehold	—
4.	No. 3 Upper Aljunied Link Block B, Joo Seng Warehouse, #07-05 Singapore 367902	8-Storey Building	Warehouse/ Office	Freehold	—

Based on a valuation performed by an independent appraiser, Allied Appraisal Consultants Pte Ltd on 1 December 2004, the carrying amounts of these properties were written down by \$12,000 (2003 : \$596,000) to their recoverable amounts. The amount written down is charged to the profit and loss account as an impairment loss (Note 4). 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.





## Notes to the Financial Statements - 31 December 2004 (cont'd)

### 10 Investments in subsidiary companies

	Company	
	2004	2003
	\$'000	\$'000
Unquoted shares, at cost	13,100	13,100
Provision for impairment in value of investments	(581)	(581)
	12,519	12,519

Details of the subsidiary companies as at 31 December 2004 are as follows :

Name of company (Country of incorporation)	Principal activities	Cost		Percentage of equity held by the Group	
		2004	2003	2004	2003
		\$'000	\$'000	%	%
<i>Held by the Company</i>					
* Future Enterprises Pte Ltd (Singapore)	Sales and marketing of instant food and beverages	12,367	12,367	100	100
^ Future Corporation Pte Ltd (Singapore)	Property investment holding	+	+	100	100
^ Masters Corporation Pte Ltd (Singapore)	Dealers in food products	380	380	100	100
^ Foodaworld Marketing Pte Ltd (Singapore)	Dealers in food products	153	153	100	100
^ Epiq Food Services Pte Ltd (Singapore)	Dealers in beverages to be used in coffee machines	200	200	100	100
		13,100	13,100		

### 10 Investments in subsidiary companies (cont'd)

Name of company (Country of incorporation)	Principal activities	Percentage of equity held by the Group		
		2004	2003	
		%	%	
<b>Held by Future Enterprises Pte Ltd</b>				
* Future Enterprises (Russia) Pte Ltd (Singapore)	Sales and marketing of instant food and beverages	87	87	
* FES Industries Pte Ltd (Singapore)	Manufacturing and processing of instant food and beverages	88	88	
** FES Industries Sdn Bhd (Malaysia)	Manufacturing and processing of instant food and beverages	79.9	79.9	
@ Express Food & Beverages Limited (Hong Kong)	Dormant	100	100	
@ Klassno Foods Limited (Hong Kong)	Dormant	100	100	
** FES (Mauritius) Ltd (Mauritius)	Investment holding	100	100	
<b>Held by FES (Mauritius) Ltd</b>				
* FER (HK) Limited (Hong Kong)	Sales and marketing of instant food and beverages	87	87	
<b>Held by FES Industries Pte Ltd</b>				
# FES (Vietnam) Co., Ltd (Vietnam)	Manufacturing and distribution of instant pre-mix coffee	88	88	

\* Audited by Ernst & Young, Singapore.

\*\* Audited by associated firms of Ernst & Young, Singapore.

^ Audited by C.C. Yang & Co. Certified Public Accountants.

@ No audited financial statements are prepared as those companies have remained dormant since incorporation.

# Not required to be audited as the company was just incorporated during the year.

+ Cost of investment is less than \$1,000.



## Notes to the Financial Statements - 31 December 2004 (cont'd)

### 11 Investments in associated companies

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Unquoted shares, at cost	2,064	1,647	1,647	1,647
Provision for impairment in value of investment	—	—	(668)	(565)
	2,064	1,647	979	1,082
Share of net post-acquisition reserves	(776)	(505)	—	—
Goodwill on acquisition of an associated company written off	(5)	—	—	—
	1,283	1,142	979	1,082

Investments in associated companies include the following amount of goodwill :

	Group	
	2004	2003
	\$'000	\$'000
Movement in goodwill during the year :		
Amortisation recognised for the year and balance at end of the year	(5)	—

The amortisation of goodwill arising on the acquisition of an associated company is included in the share of losses of associated companies.

### 11 Investments in associated companies (cont'd)

Details of the associated companies as at 31 December are as follows :

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
		2004	2003	2004	2003
		\$'000	\$'000	%	%
* Ernsts Food Ingredients Sdn Bhd (Malaysia)	Manufacturing and processing of spray dried non-dairy creamer (Malaysia)	1,647	1,647	35	35
* Hyson Teas (Private) Limited (Sri Lanka)	Manufacturing and exporting of tea (Sri Lanka)	254	—	49	—
@ PT. ABC Future Indonesia (Indonesia)	Marketing and distribution of instant beverages (Indonesia)	163	—	49	—
		2,064	1,647		

\* Audited by associated firms of Ernst & Young, Singapore.

@ Not required to be audited as the company was just incorporated during the year.

### 12 Intangible asset

Goodwill on acquisition of additional interest in a subsidiary company :

	Group	
	2004	2003
	\$'000	\$'000
At cost	99	99
Amortisation	(99)	(60)
Net book value	—	39





## Notes to the Financial Statements - 31 December 2004 (cont'd)

### 12 Intangible asset (cont'd)

The movements in accumulated amortisation during the year are as follows :

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of the year	60	40
Amortisation recognised during the year	39	20
Balance at end of the year	99	60

### 13 Deferred tax assets/(liabilities)

Recognised deferred tax assets and liabilities are attributable to the following :

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><i>Deferred tax assets</i></b>		
Sundry provisions	598	731
Unutilised tax losses	1,380	247
Gross deferred tax assets	1,978	978
<b><i>Deferred tax liabilities</i></b>		
Excess of net book value over tax written down value	(772)	(565)
Others	(70)	–
Gross deferred tax liabilities	(842)	(565)
	1,136	413
Deferred tax assets	1,392	599
Deferred tax liabilities	(256)	(186)
Net deferred tax assets	1,136	413

### 13 Deferred tax assets/(liabilities) (cont'd)

Movements in deferred tax assets and liabilities of the Group are analysed as follows :

	<b>Deferred tax assets</b>		<b>Deferred tax liabilities</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of the year	599	(15)	(186)	(73)
Recognised/provided during the year	950	838	(77)	(117)
Written-down during the year	(157)	(224)	–	–
Translation difference	–	–	7	4
Balance at end of the year	1,392	599	(256)	(186)

Deferred tax assets have not been recognised in respect of the following item :

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Tax losses	296	416

The use of the unutilised tax losses are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

### 14 Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amount :

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and bank balances	15,680	11,825



## Notes to the Financial Statements - 31 December 2004 (cont'd)

### 15 Trade receivables

	Group	
	2004 \$'000	2003 \$'000
Trade receivables	29,375	22,887
Provision for doubtful receivables	(1,408)	(2,296)
	27,967	20,591

### 16 Other receivables

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Prepayments	3,033	1,823	121	16
Deposits	380	386	—	—
Staff advances	378	137	—	—
Sundry receivables	1,205	24	1,026	—
	4,996	2,370	1,147	16
Sundry receivables and staff advances are stated after deducting provision for doubtful receivables of	274	186	—	—

### 17 Amounts due from subsidiary companies (non-trade)

	Company	
	2004 \$'000	2003 \$'000
Amounts due from subsidiary companies	18,209	20,157
Provision for doubtful receivables	(2,041)	(2,039)
	16,168	18,118

The amounts due from subsidiary companies are unsecured, bear interest at 3% (2003 : 3%) per annum and are expected to be repayable on demand.

### 18 Amounts due from associated companies (trade and non-trade) Amount due to an associated company (trade) Amount due to a related party (trade)

The amounts due from/(to) associated companies and amount due to a related party are unsecured, interest-free and expected to be repayable on demand, except for a non-trade amount due from an associated company of \$450,725 (2003 : \$nil) which bears interest at 5.5% (2003 : nil) per annum.

### 19 Inventories

	Group	
	2004 \$'000	2003 \$'000
At cost :		
Raw materials	6,701	4,662
Packaging materials	3,799	667
Finished products/trading goods	21,564	16,414
	32,064	21,743
At realisable value :		
Finished goods	349	—
Raw materials	142	—
Packaging materials	91	1,903
	582	1,903
Provision for inventory obsolescence	(582)	(13)
	—	1,890
	32,064	23,633





## Notes to the Financial Statements - 31 December 2004 (cont'd)

### 20 Other payables

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Rental deposits	7	11	—	—
Other deposits	22	52	—	—
Sundry payables	385	23	314	20
	414	86	314	20

### 21 Share capital

	Group and Company	
	2004	2003
	\$'000	\$'000
<b>Authorised :</b>		
1,000,000,000 ordinary shares of \$0.05 each	50,000	50,000
<b>Issued and fully paid :</b>		
At beginning of the year		
344,000,000 (2003 : 344,000,000) ordinary shares of \$0.05 each	17,200	17,200
Issued during the year		
5,140,000 (2003 : nil) ordinary shares of \$0.05 each for cash at a premium of \$0.12 each	257	—
At end of the year		
349,140,000 (2003 : 344,000,000) ordinary shares of \$0.05 each	17,457	17,200

At the end of the financial year, unissued ordinary shares of \$0.05 each of the Company under options granted to eligible employees and Directors under the Food Empire Holdings Limited Share Option Scheme amounted to a total of 23,665,000 (2003 : 17,365,000) ordinary shares of \$0.05 each. Details of outstanding options are set out in Note 22.

### 22 Employee benefits

The Food Empire Holdings Limited Share Option Scheme (the "Option Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 22 January 2002. The Option Scheme applies to eligible employees and Directors of the Group, other than the controlling shareholders of the Company and their associates.

The Option Scheme is administered by the Share Option Committee ("SC") which comprises Mr. Oon Peng Heng (Chairman), Mr. Tan Wang Cheow, Mr. Oon Peng Lim, Mdm. Tan Guek Ming, Mr. Lew Syn Pau and Mr. Ong Kian Min.

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 discount not exceeding 20% to the market price at the time of grant, at the discretion of the SC.

The option period shall commence after 1 year from the offer date if the offer price is the prevailing market price; and 2 years from the offer date if the price is set at a discount. The options granted expire after 5 years from the date of grant for non-executives and 10 years from the date of grant for executives.



## Notes to the Financial Statements - 31 December 2004 (cont'd)

### 22 Employee benefits (cont'd)

As at 31 December 2004, details of the options granted under the Scheme to subscribe for unissued ordinary shares of the Company were as follows :

	No. of holders	Number of options outstanding at 1.1.2004	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 31.12.2004	Exercise price per share	Exercise period
							\$	
2002 Options	38	16,065,000	—	(1,485,000)	(5,140,000)	9,440,000	0.17	14 March 2004 to 13 March 2012
2002 Options	2	800,000	—	—	—	800,000	0.17	14 March 2004 to 13 March 2007
2003 Options	1	500,000	—	—	—	500,000	0.27	4 June 2005 to 13 March 2012
2004 Options	2	—	400,000	—	—	400,000	0.275	25 May 2006 to 24 May 2009
2004 Options	60	—	12,625,000	(100,000)	—	12,525,000	0.275	25 May 2006 to 24 May 2014
	103	17,365,000	13,025,000	(1,585,000)	(5,140,000)	23,665,000		

### 23 Reserves

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Revenue reserve	45,698	33,918	6,852	8,433
Foreign currency translation reserve	(529)	(202)	—	—
Share premium	6,703	6,086	6,703	6,086
Total reserves	51,872	39,802	13,555	14,519

### 23 Reserves (cont'd)

#### Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operation of the Company.

#### Share premium

The application of the share premium account is governed by Sections 69 to 69F of the Companies Act, Chapter 50.

Movements in the Company's reserves are analysed as follows :

	Company	
	2004	2003
	\$'000	\$'000
Share premium		
Balance at beginning of the year	6,086	6,086
Premium on issuance of shares	617	—
Balance at end of the year	6,703	6,086
Revenue reserve		
Balance at beginning of the year	8,433	12,057
Net profit / (loss) for the year	1,886	(270)
Dividends on ordinary shares	(3,467)	(3,354)
Balance at end of the year	6,852	8,433

## Notes to the Financial Statements - 31 December 2004 (cont'd)

### 24 Group segment reporting

#### Business segments

	Beverages		Others		Elimination		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue from external customers	143,640	127,735	16,749	11,855	—	—	160,389	139,590
Inter-segment revenue	117,115	114,760	48,777	40,259	(165,892)	(155,019)	—	—
Total revenue	260,755	242,495	65,526	52,114	(165,892)	(155,019)	160,389	139,590
Segment results	20,990	14,821	3,643	1,270	(2,723)	(2,439)	21,910	13,652
Finance costs							(6)	(89)
Share of losses of associated companies							(144)	(120)
Profit from ordinary activities before taxation and minority interests							21,760	13,443
Taxation							(3,670)	(1,800)
Minority interests, net of taxation							(2,843)	(1,480)
Net profit for the year							15,247	10,163

### 24 Group segment reporting (cont'd)

#### Business segments (cont'd)

	Beverages		Others		Elimination		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets and liabilities</b>								
Segment assets	123,228	93,053	35,273	29,848	(65,240)	(50,796)	93,261	72,105
Unallocated assets							4,585	1,741
							97,846	73,846
Segment liabilities	66,718	51,685	17,301	11,112	(64,049)	(51,461)	19,970	11,336
Unallocated liabilities							4,133	2,231
							24,103	13,567
<b>Other segment information</b>								
Capital expenditure	1,607	3,829	109	102	—	—	1,716	3,931
Impairment loss on fixed assets	12	412	—	184	—	—	12	596
Depreciation and amortisation	1,508	1,364	93	107	—	—	1,601	1,471
Non-cash expenses other than depreciation and amortisation	1,131	438	197	1,268	—	—	1,328	1,706



## Notes to the Financial Statements - 31 December 2004 (cont'd)

### 24 Group segment reporting (cont'd)

#### Geographical segments

	Russia		Eastern Europe and Central Asia		Other countries		Elimination		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue from external customers	98,277	77,560	48,344	51,446	13,768	10,584	—	—	160,389	139,590
Inter-segment revenue	—	—	—	—	165,892	155,019	(165,892)	(155,019)	—	—
Total revenue	98,277	77,560	48,344	51,446	179,660	165,603	(165,892)	(155,019)	160,389	139,590

	Singapore		Malaysia		Other countries		Elimination		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	146,265	113,283	11,412	9,547	823	71	(65,239)	(50,796)	93,261	72,105
Capital expenditure	1,054	3,112	157	748	505	71	—	—	1,716	3,931

### 25 Commitments and contingencies

#### Operating lease commitments

The Group leases certain properties under lease agreements which expire at various dates till 2020. Rental expenses were \$404,116 and \$458,574 for the years ended 31 December 2004 and 2003 respectively. Future minimum rentals under non-cancellable leases as of 31 December are as follows :

	Group	
	2004	2003
	\$'000	\$'000
Within one year	304	412
After one year but not more than five years	838	650
More than five years	1,200	1,435
	2,342	2,497

#### Capital expenditure commitments

	Group	
	2004	2003
	\$'000	\$'000
Amount committed for capital expenditure but not provided for in the financial statements	766	—

#### Contingent liabilities

- The Company has given corporate guarantees amounting to \$19,980,000 (2003 : \$14,461,000) to bankers to secure banking facilities granted to its subsidiary companies.
- On 18 January 2005, Mr. Pranab Singha, a former country manager of the representative office in Ukraine, instituted an action in Ukraine against a wholly-owned subsidiary company, Future Enterprises Pte Ltd ("FEPL"), for alleged compensation and damages, following his termination by FEPL for breach of his employment service agreement. FEPL has sought legal advice on the matter and is of the opinion that the claim is totally without merit. Accordingly, FEPL has instructed its lawyers to file a defence to the action in Ukraine.



## Notes to the Financial Statements - 31 December 2004 (cont'd)

### 25 Commitments and contingencies (cont'd)

#### *Contingent liabilities (cont'd)*

On 28 January 2005, FEPL's lawyers have commenced legal action in Singapore against Mr. Pranab Singha for breaches of his employment service agreement and of his fiduciary duties owed to FEPL.

Although there can be no assurances, the company believes, based on information currently available, that the ultimate resolution of these legal proceedings would not have a material, adverse effect on the results of its operations, financial position or liquidity.

### 26 Significant related party transactions

During the year, the Group entered into transactions with related parties, who are Director-related companies and not members of the Group, on terms agreed between the parties as follows :

	2004 \$'000	2003 \$'000
Sales of goods	(115)	(117)
Purchases of goods	3	—
Services rendered	—	(4)

In addition to their salaries, the Directors also participate in the Food Empire Holdings Limited Share Option Scheme. 400,000 (2003 : 800,000) share options were granted to the Directors of the Company in 2004. Except 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 22. 1,200,000 (2003 : 800,000) share options were granted to the Directors of the Company at the end of the year.

Details of Directors' remuneration are disclosed in Note 4. Remuneration of executive officers totalled \$445,276 (2003 : \$412,957)

### 27 Financial instruments

#### *Financial risk management objectives and policies*

The Group is primarily exposed to credit and foreign currency risks in the normal course of business.

#### *Credit risk*

The management has a credit policy in place and exposure of credit risk is monitored on an ongoing basis. The management believes that concentration of credit risk is limited due to ongoing credit evaluations on all customers and maintaining an allowance for doubtful receivables, which the management believes will adequately provide for potential credit risks.

The Group sells mainly to Russia and Eastern European countries. Hence, risk is concentrated on the trade receivables in these countries. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

#### *Foreign currency risk*

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than Singapore dollars. The currencies giving rise to this risk are primarily United States dollars and Malaysian ringgit.

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 imbalances.

#### *Fair values*

The carrying amounts of trade and other receivables, cash and bank balances, amounts due from subsidiary companies, amounts due from/(to) associated companies, amount due to a related party and trade and other payables approximate their fair values due to their short-term nature.

### 28 Directors' remuneration

The number of Directors of the Company with remuneration received from the Company and all of its subsidiary companies are in the following bands :

	Group	
	2004	2003
\$500,000 and above	3	3
\$250,000 to \$499,999	—	—
Below \$250,000	3	3
Total	6	6

## Notes to the Financial Statements - 31 December 2004 (cont'd)

### 29 Subsequent event

On 7 February 2005, an associated company, Ernsts Food Ingredients Sdn Bhd ("Ernsts") had completed the transfer of its non-dairy creamer business and assets to Kerry Ingredients (M) Sdn Bhd ("Kerry"). Under the conditional Sale and Purchase Agreement and Sale of Business Agreement (the "Agreements") for the sale of its land and business assets, Ernsts is expected to complete the construction of a new spray dry facility for Kerry by the middle of the financial year ending 2005.

The total consideration amount for this transaction is RM38.0 million (\$16.4 million) subject to the construction cost of the new spray dry facility, which is estimated at RM5.0 million (\$2.2 million). Ernsts' gain from the sale is expected to be approximately RM22.3 million (\$9.6 million) after deducting the construction cost for the new spray dry facility. The actual amount of the gain can only be quantified after Ernst has accounted for the final construction costs.

The Directors expect the above transaction to have a positive impact to the Group for the financial year ending 31 December 2005.

### 30 Comparative figures

The following comparative figures in the consolidated profit and loss account and balance sheet have been reclassified to better reflect the nature of expenses and to conform with current year's presentation.

	<b>Group</b>	
	<b>Restated 2003 \$'000</b>	<b>Previous 2003 \$'000</b>
<b>Profit and Loss Account</b>		
Staff costs	12,248	9,897
Other operating income	43,807	46,158
<b>Balance Sheet</b>		
Deferred tax assets	599	922
Deferred tax liabilities	(186)	(509)

## Shareholders' Information as at 7 March 2005

Authorised share capital	:	S\$50,000,000
Issued and fully paid-up capital	:	S\$17,459,500
Class of shares	:	Ordinary share of S\$0.05 each
Voting rights	:	One vote per share

### Substantial Shareholders

	<b>Direct Interest</b>	<b>%</b>	<b>Deemed Interest</b>	<b>%</b>
Tan Wang Cheow	55,700,000	15.95	55,800,000	15.98
Tan Guek Ming	55,800,000	15.98	55,700,000	15.95
Oon Peng Lim	28,720,000	8.22	10,000,000	2.86
Seah Chor Nah	10,000,000	2.86	28,720,000	8.22
Oon Peng Heng	33,500,000	9.59	10,000,000	2.86
Koh Puay Ling	10,000,000	2.86	33,500,000	9.59

### Notes:

1. Mr Tan Wang Cheow and Mdm Tan Guek Ming are husband and wife. Mr Tan Wang Cheow is deemed to have an interest in the shares held by Mdm Tan Guek Ming and vice versa.
2. Mr Oon Peng Lim and Mdm Seah Chor Nah are husband and wife. Mr Oon Peng Lim is deemed to have an interest in the shares held by Mdm Seah Chor Nah and vice versa.
3. Mr Oon Peng Heng and Mdm Koh Puay Ling are husband and wife. Mr Oon Peng Heng is deemed to have an interest in the shares held by Mdm Koh Puay Ling and vice versa.

As at 7 March 2005, 32.31% 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 which requires that at least 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.





## Shareholders' Information as at 7 March 2005 (cont'd)

### Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	1,372	62.25	6,826,000	1.95
10,001 - 1,000,000	800	36.30	48,869,000	14.00
1,000,001 and above	32	1.45	293,495,000	84.05
Total	2,204	100.00	349,190,000	100.00

### Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Tan Guek Ming	55,800,000	15.98
2.	Tan Wang Cheow	55,700,000	15.95
3.	Oon Peng Heng	33,500,000	9.59
4.	Oon Peng Lim	28,720,000	8.22
5.	Koh Puay Ling	10,000,000	2.86
6.	Seah Chor Nah	10,000,000	2.86
7.	Raffles Nominees Pte Ltd	9,690,000	2.77
8.	DBS Nominees Pte Ltd	9,356,000	2.68
9.	Oon Peng Lam	8,000,000	2.29
10.	Citibank Consumer Nominees Pte Ltd	7,920,000	2.27
11.	Oon Peng Wah	7,800,000	2.23
12.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	7,310,000	2.09
13.	Sudeep Nair	6,257,000	1.79
14.	Tan Bian Chye	5,700,000	1.63
15.	HSBC (Singapore) Nominees Pte Ltd	4,916,000	1.41
16.	United Overseas Bank Nominees Pte Ltd	4,752,000	1.36
17.	Oon Poh Choo	3,586,000	1.03
18.	Lau Bak Soon	2,403,000	0.69
19.	Lim Siew Kheng	2,100,000	0.60
20.	Lau Chee Peng	2,017,000	0.58
	Total	275,527,000	78.88

## 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 101 Geylang Lorong 23 #07-02, Prosper House, Singapore 388399 on Wednesday, 20 April 2005 at 11.00 a.m. for the following purposes:

### As Ordinary Business

- To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2004 together with the Auditors' Report thereon. **(Resolution 1)**
- To declare a first & final dividend of 0.5 Singapore cents per ordinary share less income tax and a special dividend of 1.0 Singapore cent per ordinary share less income tax for the year ended 31 December 2004 (2003: A first & final dividend of 0.5 Singapore cents per ordinary share less income tax and a special dividend of 0.75 Singapore cents per ordinary share less income tax). **(Resolution 2)**
- To re-elect the following Directors retiring pursuant to Article 104 of the Company's Articles of Association:
 

Mr Oon Peng Lim (Retiring under Article 104) **(Resolution 3)**  
 Mr Lew Syn Pau (Retiring under Article 104) **(Resolution 4)**

Mr Lew Syn Pau will, upon re-election as Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.
- To approve the payment of Directors' fees of S\$121,500 for the year ended 31 December 2004 (2003: S\$121,500). **(Resolution 5)**
- To re-appoint Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
- To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## Notice of Annual General Meeting (cont'd)

### As Special Business

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

#### 7. Authority to allot and issue shares up to 50 per centum (50%) of issued share capital

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next Annual General Meeting 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 7)**

#### 8. Authority to allot and issue shares under the Food Empire Holdings Limited Share Option Scheme

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Food Empire Holdings Limited Share Option Scheme ("the Scheme") upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the issued share capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next Annual General Meeting 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 8)**

By Order of the Board

Tan Cher Liang  
Tan San-Ju  
Secretaries

Singapore, 4 April 2005

### Explanatory Notes:

- (i) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares in the Company. The number of shares that the Directors may allot and issue under this resolution would not exceed fifty per centum (50%) of the issued capital of the Company at the time of the passing of this resolution. For issue of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed twenty per centum (20%) of the issued capital of the Company.

For the purpose of this resolution, the percentage of issued capital is based on the Company's issued capital at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

- (ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme.

### Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10 Collyer Quay #19-08, Ocean Building, Singapore 049315 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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Food Empire Holdings Limited

Co. Registration No: 200001282G  
(Incorporated in the Republic of Singapore)

Proxy Form

(Please see notes overleaf before completing this Form)

I/We, \_\_\_\_\_

of \_\_\_\_\_

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			

or failing him/her, the Chairman of the Meeting 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 on Wednesday, 20 April 2005 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote “For” or “Against” with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors’ Report and Audited Accounts for the year ended 31 December 2004		
2	Payment of a first & final dividend and a special dividend		
3	Re-election of Mr Oon Peng Lim as a Director		
4	Re-election of Mr Lew Syn Pau as a Director		
5	Approval of Directors’ fees amounting to S\$121,500		
6	Re-appointment of Ernst & Young as Auditors		
7	Authority to allot and issue new shares		
8	Authority to allot and issue shares under the Food Empire Holdings Limited Share Option Scheme		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

- IMPORTANT :**
- 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.
  - 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.



**Notes :**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Collyer Quay #19-08, Ocean Building, Singapore 049315 not less than forty-eight (48) hours before the time appointed for the Meeting.
5. 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.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General :**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



SINGAPORE  
**BRAND AWARD 04**

Singapore's Most Valuable Brands  
An initiative by IE Singapore

**SGX mainboard-listed Food Empire is proud to be a winner of the Singapore Brand Award for the second year running!**

Famed for its portfolio of food and beverage brands such as MacCoffee, Klassno, Kracks and OrienBites, Food Empire products are enjoyed in more than 50 countries globally.

Some of our other accolade highlights:

- Singapore Packaging Star Awards for the past 5 years (2000 - 2004)
- Fastest Growing 50 Singapore Companies (2004)
- Ukraine's Choice of the Year "Top Instant Coffee Drink" for the past 3 years (2001 - 2003)
- Russia's Top 10 Instant Coffee Brands (2004)



**FOOD EMPIRE HOLDINGS LIMITED**

E-mail: [info@food-empire.com](mailto:info@food-empire.com) Website: [www.foodempire.com](http://www.foodempire.com)