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Issuer: Food Empire Holdings Limited

Stock code: F03

Meeting details:

Date: 17 Apr 2025

Time: 3.00 p.m.

Venue: Four Points by Sheraton Singapore, Riverview, Jubilee Ballroom, 4th Storey, 382 Havelock Road, Singapore 169629

Q1. For the financial year ended 31 December 2024, the group reported record revenue of US\$476.3 million, an 11.4% increase year-on-year. Revenue growth was recorded across all major geographic areas except one:

- South-East Asia +27.3%
- South Asia +24.9%
- Ukraine, Kazakhstan and CIS markets +12.6%

Revenue from Russia grew by 7.3% in local currency terms but declined in USD terms due to exchange rate fluctuations. Despite strong top-line growth, gross profit margin fell from 33.2% (2023) to 30.3% (2024). Operating profit declined from US\$70.9 million (2023) to US\$63.3 million (2024). Excluding one-off items, normalised net profit after tax fell by 6.4% to US\$50.0 million, with (normalised) net margin contracting from 13.3% to 10.5%.

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2024

	Note	2024 US\$'000	2023 US\$'000
Revenue	4	476,347	425,715
Cost of sales		(331,955)	(284,264)
Gross profit		144,392	141,451
Selling and marketing expenses		(36,092)	(31,591)
General and administrative expenses		(45,019)	(38,927)
Results from operating activities		63,281	70,933
Other income	5	6,725	1,087
Other expenses	6	(4,052)	(1,658)
Net finance (costs)/income	7	(264)	796
Share of (losses)/profits of associates and joint venture		(500)	1,341
Profit before taxation	8	65,190	72,499
Income tax expense	9	(12,321)	(16,035)
Profit for the year		52,869	56,464

(Source: company annual report; emphasis added)

- How sensitive is the group's profitability to coffee price fluctuations? Can management provide a detailed sensitivity analysis? What hedging strategies or cost-management measures are in place to mitigate this risk?**
- Selling & marketing expenses rose 14.2%, and general & administrative expenses increased 15.6%. **Can management break down the main drivers of these increases?**



The group has also identified Asia as key growth region, with several strategic investments underway. Two new facilities are slated to come online: one in Kazakhstan in 2025 and another in Vietnam in 2028. Meanwhile, the expansion of the non-dairy creamer manufacturing facility in Malaysia was completed in 2024. A notable development is the US\$80 million freeze-dried soluble coffee plant in Binh Dinh, Vietnam, which will establish the group as a major player in Asia's soluble coffee market. Over the past two years, the group has invested over US\$37 million in property, plant, and equipment.

- (iii) **Does management expect elevated capital expenditure to continue? How does the group assess ROI/hurdle rate for these projects? What is the target payback period for the Vietnam and Kazakhstan investments?**

Q2. During the year, the company issued a 5-year, 5.5% redeemable exchangeable note (“REN”) with a nominal value of US\$40 million to Ikhlas Capital Singapore Pte Ltd. This strategic partnership aims to accelerate the group’s growth in Southeast Asia and South Asia, leveraging Ikhlas Capital’s local presence, knowledge and network.

The exchange price is set at S\$1.09 per share, subject to adjustments if the company distributes annual dividends or distributions in excess of 5.5% of the prevailing exchange price. The issuance also incurred US\$1.4 million (3.5%) in fees and expenses.

- (i) **For shareholders’ benefit, how did the board evaluate the costs and benefits of issuing RENs compared to traditional bank borrowings?**
- (ii) **Considering that group’s successful expansion in Russia, Ukraine, Kazakhstan and CIS markets, what specific operational or strategic advantages does Ikhlas Capital offer that justifies the issuance of RENs over other funding sources?**
- (iii) **Does the REN structure impose a “soft” cap on dividends over the next five years? Will the exchange price be adjusted down since the board has proposed a total of 8 cents per share in dividends?**

The group recognised a fair value gain of US\$2.83 million on the RENs, recorded under “Other income” in the consolidated income statement.

- (iv) **For better clarity to shareholders, how was the US\$2.83 million fair value gain on the RENs calculated? Can management clarify how share price fluctuations impact the carrying value of the RENs? Given that the current share price is \$1.35, well above the exchange price of \$1.09, does this mean that existing shareholders will be unduly diluted if Ikhlas Capital converts the RENs into equity?**

Q3. As disclosed in the corporate governance report, the internal audit function of the group is outsourced to Yang Lee & Associates (“IA”).

In FY2024, the IA conducted three reviews (FY2023: two), in accordance with the internal control testing plan approved by the board under the group’s risk management framework.

- (i) **Can the audit committee (AC) provide a detailed overview of the scope of the internal audit in the past two years, along with the key findings and specific recommendations made by the internal auditor?**
- (ii) **How has the AC refined the audit scope to align with evolving business risks, particularly in response to geopolitical, regulatory, and operational changes across markets?**
- (iii) **Can the AC confirm that all foreign operating subsidiaries—including those in Cambodia, China, India, Kazakhstan, Malaysia, Mongolia, Nigeria, Russia, Ukraine, and the UAE—were covered in the internal audit scope? How was the audit process executed for these foreign subsidiaries, and what challenges were encountered?**
- (iv) **What level of oversight does the AC exercise over management’s follow-up actions on the recommendations, especially concerning foreign subsidiaries?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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