

Letter to Shareholders



Tan Yam Pin (Chairman) and Peter Tay Buan Huat (President and CEO)

Dear Shareholders,

We are pleased to report that we ended the year on an encouraging note despite the many challenges we encountered in the various markets we operate in during the year. In particular, we are happy to note that once again our net profit has increased, a record we have achieved every year since we were listed on the Singapore Exchange in November 1999. Turnover at Group level for the year was \$597.1 million, while net profit came in at \$36.1 million.

Growth in sales was led by our overseas operations, which grew 4.4 per cent. Singapore operations saw a contraction of 3.3 per cent in sales as a result of changes in the local trading environment. In 2005, our overseas operations accounted for 60 per cent of Group turnover, while contributing to 26 per cent of Group pre-tax profits.

Dividend Recommendation

For FY 2005, the Board of Directors declared an interim gross dividend of 2.2 cents per share following the announcement of our 3rd Quarter 2005 results. This was paid on 25 January 2006. The total interim dividend payout amounted to \$9.0 million. The Board of Directors made

this prudent decision in order to enable our company to better manage its cash flow as the quantum of the dividend payout has grown over the years with improved performance each year.

In line with our Company's dividend policy, the Board of Directors is pleased to recommend a final gross dividend of 4.0 cents per share. The proposed final dividend payout will amount to \$16.3 million. Together with the interim dividend paid out in January 2006, the total dividend payout of \$25.3 million will represent 70 per cent of profit after tax and minority interests for the year.

Business Overview

Last year, in our Letter to Shareholders, we explained and provided greater visibility to the company's 5-year strategy and goals for the period 2004-2008. This 5-year strategy is underpinned by our Internationalisation Strategy, which calls for a portfolio of business units in the various markets we operate in, and which are focused on meeting changing food needs driven by changes in lifestyle and demographic patterns. We are glad to note that this Internationalisation Strategy has continued to deliver positive results. Once again, our overseas operations were the major contributors

to revenue growth in 2005. This growth was led by the strong performance of Daniels Chilled Foods in the UK.

Daniels' New Covent Garden soup continued to be the leading brand in the chilled soup category in the UK and registered double-digit sales growth during 2005. We supported the brand with a year-long Masterbrand media campaign, which helped to increase awareness of the New Covent Garden brand amongst our core consumer groups. The \$40 million invested in 2004 to increase manufacturing capacity for Daniels' core businesses enabled us to secure substantial new business with major UK retail customers. Prepared fruits turnover almost doubled, while fresh juice and drinks saw a more modest high single-digit sales growth.

International Cuisine Limited (ICL) had a challenging year following the organisational re-structuring and changes in the buying policies of some of its key customers. In addition, the "Sudan-1" food scare in the UK in February 2005 had a debilitating effect on the sales of chilled ready meals in the UK market for the better part of 2005. As a result, ICL ended the year with lower sales and reduced profitability. In Ireland, it has taken longer than expected for Cresset to grow the chilled ready meals business. However, with the commencement of supply to a second major retail customer in the final quarter of the year, we have since managed to reduce losses in Cresset.

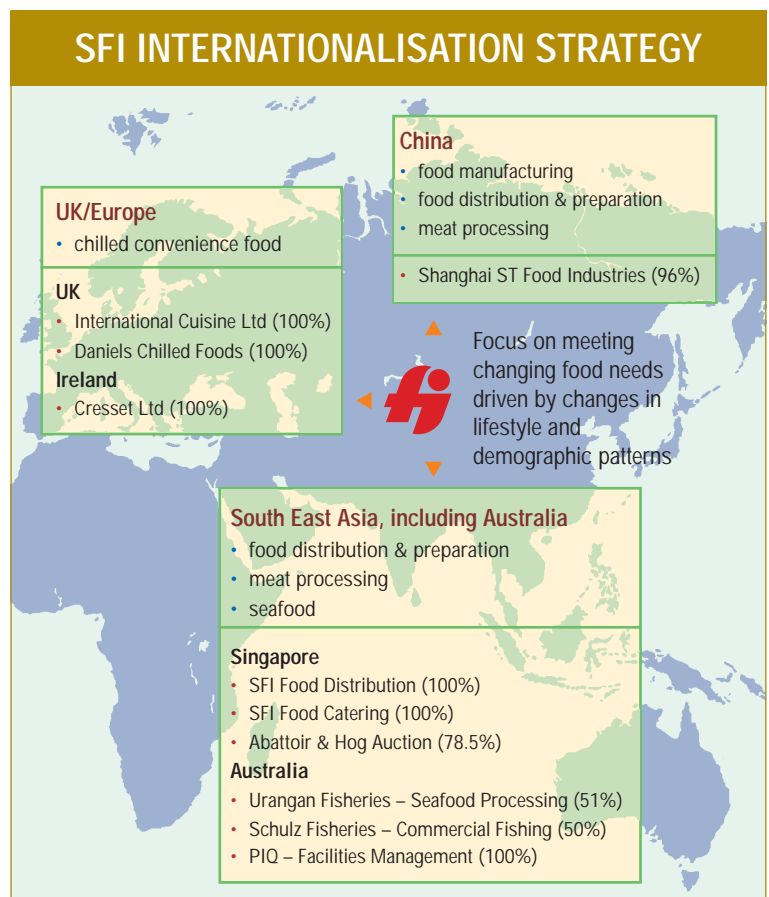
We have also re-organised our UK/Europe operations, and from 1 January 2006, we will have a single senior management team to lead our UK/Europe operations. This will enable us to drive growth through synergistic opportunities amongst our UK/Europe operations, and to make better use of our production assets and strengthen our customer relationships.

The performance of our Australian operations was mixed. We had higher billings for facilities management, and higher revenues in seafood

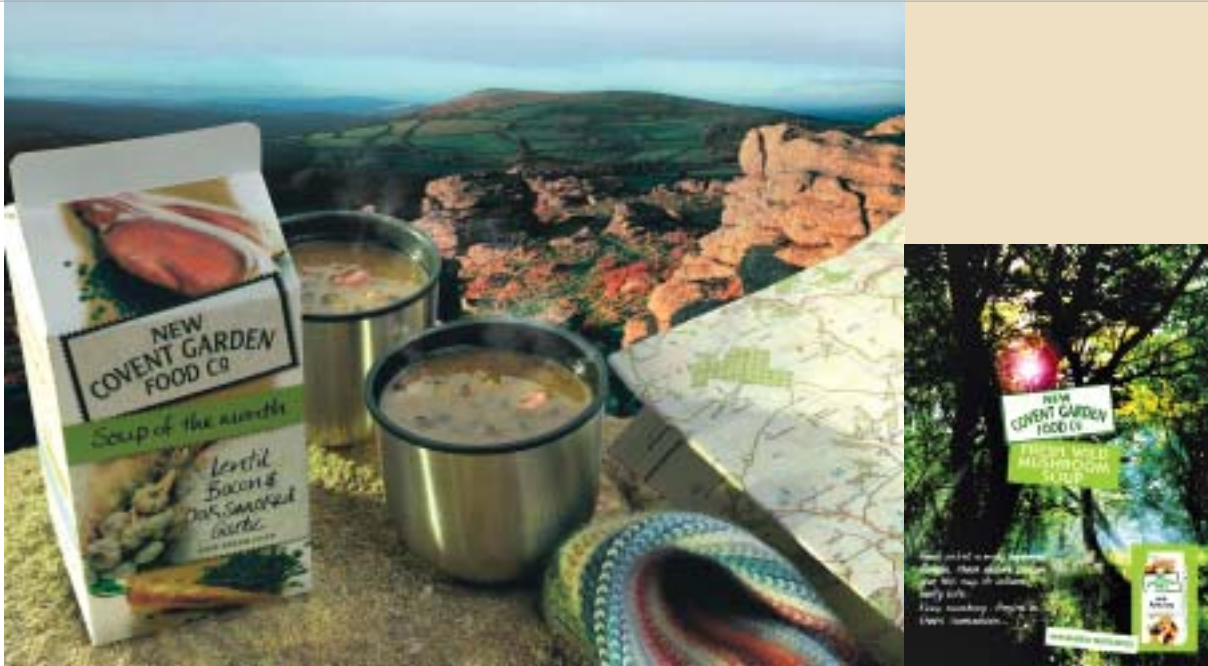
processing, while commercial fishing revenues were lower than the year before. In China, the lingering presence of the Avian Flu continued to dampen demand for chicken products. Meanwhile, Shanghai ST Food Industries has managed to diversify its product range into non-chicken based products as well as extend its sales into the food service sector with the development and production of a range of frozen ready meals.

In Singapore, we saw an overall decline in sales for 2005. The food distribution business continued to be resilient in the face of a very competitive trading environment, and managed to achieve sales comparable to the year before. The continuing Avian Flu outbreak in the Asian region had an adverse impact on our sales of frozen chicken meat and processed chicken products.

Our catering operations suffered a decline in revenues for the year as a result of the implementation of the 5-day



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work week by our key customer, and the reduction in the full-time National Service period. However, we expect that the number of National Service enlistees will increase in 2006. At the same time, we have continued to pursue improvements in labour efficiency and operating costs through our Economic Value Added (EVA) and Six Sigma process improvement methodologies. Separately, the abattoir and hog auction operations saw a modest growth in revenues in line with the increased supply of live pigs during the year.

Looking Ahead

SFI has gone through a radical transformation over the last 17 years, and has grown from being a Singapore-centric food distribution company, with over 90 per cent of its turnover derived from sales to the Singapore Government, into a multi-faceted international company with over 60 per cent of its sales coming from overseas operations. We have put in place the building blocks to drive our growth in the years ahead. The investments we have made in these last few years in people and in production capabilities will provide us the required platforms for this growth. Our overseas operations will continue to play a leading role in this growth, while our Singapore operations will also continue to contribute to this growth.

2005 has also been a watershed year for SFI on the corporate front. Temasek Holdings became the major shareholder in place of Singapore Technologies Holdings at the beginning of 2005. During the year, four new Directors joined the Board, while three existing Directors stepped down as part of Board renewal. Going forward, there will be some changes to the operation of the Board and the make-up of the Board Committees with a view to the Board providing greater strategic oversight on the future development of the SFI Group, as well as facilitating an on-going engagement with Management in the implementation of these strategies.

A Note of Appreciation

On behalf of the Board and Management of the company, we would like to thank Mr. George Huang Chang Yi, who stepped down as Chairman of the Board on 9 January 2006, for his leadership and guidance over the last three years. In addition, we would like to express our appreciation to Mr. Roger Yeo Kok Tong who stepped down as a Board member on 31 July 2005 and Mr. Patrick Yeoh Khwai Hoh who stepped down as a Board member on 31 October 2005.

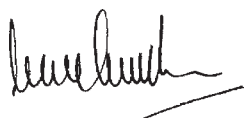
We would also like to take this opportunity to welcome Mr. Jackson Tang Yew Kay who joined the Board on 1

August 2005, Ms. Mary Yeo Chor Gek who joined the Board on 1 September 2005, and Mrs. Margaret Lui-Chan Ann Soo who joined the Board on 1 December 2005. We are confident that we will benefit from their wealth of experience and participation in the deliberations of the SFI Board, which is under the leadership of Mr. Tan Yam Pin who assumed the Chairmanship on 9 January 2006.

In Conclusion

We are mid-way through our current 5-year Strategic Plan, and while we have achieved some of our intermediate goals, there is a lot more to be done to reach our 2008 goals. We will continue to fine-tune our business strategies and action plans in line with market and lifestyle trends, and look for new growth opportunities in the three key market areas we operate in, namely UK/Europe, South East Asia, and China.

Last, but not least, we would like to extend our heartfelt thanks to all our shareholders, customers, suppliers, business partners, and staff for your unstinting support and encouragement in 2005, and we look forward to your continued support to help us achieve a better 2006 and beyond.



Tan Yam Pin
Chairman



Peter Tay Buan Huat
President and CEO

Singapore
24 February 2006