JB foods

SUSTAINABLE GROWTH

ANNUAL REPORT
2018

TABLE OF CONTENTS

CORPORATE PROFILE	02
OUR BUSINESS	03
OUR PRODUCTS	04
CHAIRMAN'S STATEMENT	05
CEO'S STATEMENT	06
FINANCIAL HIGHLIGHTS	08
OPERATIONS AND FINANCIAL REVIEW	09
BOARD OF DIRECTORS	11
EXECUTIVE OFFICERS	14
SUSTAINABILITY REPORT	15
CORPORATE INFORMATION	31
FINANCIAL CONTENTS	32

CORPORATE PROFILE

JB Foods Limited ("JB Foods" or the "Group") started as a processor of wet cocoa beans to dry cocoa beans in the 1980s. Today, it has grown to be one of the major cocoa ingredient producers in the region, with a total processing capacity of 145,000 metric tonnes of cocoa beans equivalent per year, with two factories located at the Port of Tanjung Pelepas, a free trade zone in Johor, Malaysia, and in the Maspion Industrial Estates in Gresik, Indonesia, approximately 30 km from the Surabaya port.

The Group's principal activities comprise the production and sale of cocoa ingredient products, namely cocoa butter, cocoa powder, cocoa liquor and cocoa cake.

JB Foods has been listed on the Mainboard of the Singapore Exchange Securities Trading Limited since 2012.

We have incorporated our subsidiaries and set up our offices, in the United States of America, Indonesia and People's Republic of China. In 2018, we incorporated our subsidiaries in Switzerland and The Republic of Estonia.

OUR BUSINESS

PRINCIPAL BUSINESS

JB Foods Limited's core business is in the production and sale of cocoa ingredient products, namely cocoa butter, cocoa powder, cocoa liquor and cocoa cake.

Over the years, through its strong focus on product quality and development, the Group has honed its capability to develop and customise cocoa ingredient products to meet the varying and exacting requirements of globally diversified customers.

Complying with the highest standards of food safety, the Group ensures that its quality products consistently meet or exceed its customers' expectations. With its technical know-how, product expertise and proprietary blending methods, the Group has gained widespread recognition from its global customers.

The Group's products are sold primarily under the "JB COCOA" brand name to a worldwide customer base ranging from international trade houses to end users such as food and beverage and confectionery manufacturers.

PRODUCTION FACILITIES

MALAYSIA

The Group's cocoa processing facility is located in the Port of Tanjung Pelepas, a strategic logistics hub within a free trade zone in Johor, Malaysia. This has enabled the Group to significantly reduce land logistics costs, as well as delivery time, while closely monitoring the shipment of its containers.

INDONESIA

In 2014, the Group exercised its call option to acquire an 80% equity interest in PT Jebe Koko, a cocoa bean processing facility. This facility is located in the Maspion Industrial Estate in Gresik, Indonesia, approximately 30 km from the Surabaya port, and focuses on processing raw cocoa beans sourced domestically in Indonesia. Our Indonesian facility not only provides the Group with a competitive processing cost structure but also allows the Group to save on Indonesian export tax on raw cocoa bean. The acquisition was completed in 2015.

AWARDS AND CERTIFICATIONS AWARDS

- Certification of Excellence, Industry Excellence Award for the consumer product sector 2007/2008
- Malaysian Commodities Industry Award 2011 for Best Processing Plant
- Best Cocoa Grinder Award 2012

CERTIFICATIONS

- Halal Certification
- Kosher and Pareve Certification
- HACCP Certification
- UTZ Chain of Custody Standard – Cocoa Certification
- FSSC 22000 Certification

MALAYSIA
85,000 MT
COCOA BEANS EQUIVALENT PER YEAR

INDONESIA
60,000 MT
COCOA BEANS EQUIVALENT PER YEAR

OUR PRODUCTS

COCOA LIQUOR

Produces cocoa liquor by carefully blending cocoa beans from different origins.

Through precise control of temperature, pressure and humidity, the taste, flavour and appearance of cocoa liquor can be enhanced.

COCOA BUTTER

Produces natural and deodorised cocoa butter which is mainly used in the production of chocolates.

COCOA CAKE

Sells cocoa cake to international trade houses or cocoa powder millers to be refined into cocoa powder, or processed in-house.

COCOA POWDER

Produces a wide range of cocoa powder in varying pH value, application and fat content, used for making cocoa beverages as well as flavourings and coatings in the manufacture of food and beverage and confectionery products.

Customises recipes to specific taste and appearance based on customer specifications.

CHAIRMAN'S STATEMENT

SUSTAINABLE GROWTH

DEAR VALUED SHAREHOLDERS,

FY2018 REVIEW

2018 was a great year for the Group, notwithstanding the challenging economic operating environment. We achieved another year of strong financial performance both in our top and bottom line, we recorded revenue growth of 10.7% to USD327.1 million and an 88.5% increase in net profit to USD26.8 million, from USD295.6 million and USD14.2 million in the previous corresponding year ("FY2017"), respectively.

Our financial performance bears testament to the Group's strong business model, good business relationships and ability to closely engage with customers by leveraging on our skill to provide customised solutions. We continue to strive to deliver value to our shareholders while at the same time upholding our commitment to our customers, and contributing to the sustainability of the cocoa industry through responsible production processes and practices.

BUSINESS SUSTAINABILITY

The Group holds a strong commitment towards sustainable cocoa processes with a goal of ensuring the long-term supply of high-quality cocoa. We have set up cocoa support centres to equip farmers with professional knowledge, and also share good agricultural practices through a lead farmer program in Central Sulawesi, Indonesia. We will continue to expand this initiative in other bean growing countries.

As outlined in our sustainability report, we are committed to serve our customers through the provision of consistently safe and high quality products that meet their requirements. We continue to expand our presence in Asia, North America and Eastern Europe in our commitment to serve our customers better.

The continual success of our business depends on a strong team of skilled professionals and a stable workforce. Our key management team has amassed a collective experience of more than 95 man years in the cocoa industry, spanning areas in manufacturing, trading and hedging, sales and marketing, engineering, quality control, finance, research and development. We will continue to invest in our human capital to meet the demands and challenges ahead.

OUTLOOK & GROWTH STRATEGIES

Globally, growing protectionism has resulted in the ongoing US-China trade disputes and Brexit. Both these events may pose as economic headwinds and impact global economic growth. Nonetheless, cocoa remains a popular consumer product. Despite the ongoing geopolitical tensions, the Group remains confident in its long-term growth prospects as the global demand for cocoa consumption is expected to remain strong.

DIVIDEND

The Board has recommended a final cash dividend of 2 Singapore cents per share for FY2018, to be approved at the upcoming Annual General Meeting.

Coupled with the interim dividend of 1 Singapore cent per share that was paid on 31 August 2018, the final dividend will bring the total dividend for FY2018 to 3 Singapore cents per share, which is 50% higher than the 2 Singapore cents per share paid out in the previous corresponding financial year.

ACKNOWLEDGEMENT

I would like to express my gratitude to our management team and staff who have supported the Group with their dedication and commitment which enabled our achievements today.

On behalf of the Board, I would also like to extend my appreciation to our shareholders, customers and business associates for their continued confidence and support.

We remain focused on maintaining a long-term growth strategy to ensure the sustainability of our businesses while expanding prudently to deliver value to our shareholders. We look forward to your continued support as we forge ahead to the next level.

CHUA CHEOW KHOON, MICHAEL
Independent Director and Non-Executive Chairman
27 March 2019

CEO'S STATEMENT

BUILDING A WORLD-CLASS COCOA INGREDIENT PRODUCER

DEAR VALUED SHAREHOLDERS,

JB Foods delivered a record high financial performance in FY2018, making good progress on our journey towards becoming a world-class cocoa ingredient producer.

The Group has benefitted greatly from the favourable dynamics of the cocoa industry in FY2018, resulting in a record profit after tax for the year of USD26.8 million, which was an 88.5% increase from our previous record of US$14.2 million registered in the year before. The net profit also underscores our record revenue of US$327.1 million achieved during this period, which represented a 10.7% increase from the revenue of US$295.6 million recorded in FY2017.

Over the past twelve months, JB Foods focused on maintaining our operations and has maximised our plant utilisation rate to meet the strong global demand for cocoa ingredient products. In order to cater for the growing demand, the Group invested USD17.3 million in 2018 to upgrade our existing facilities and new facilities to keep up with the competition. As operating efficiency is one of our top priorities, we regularly review our operational processes to improve efficiency and manage operating costs by adopting the automated processes as much as possible.

Production of cocoa ingredient products is heavily reliant on the access to quality cocoa beans, which is in turn affected by natural climate changes and the growing demand for cocoa beans. Anticipating potential supply shortages, the Group has put in place certain mitigating measures that include establishing our presence in major cocoa bean producing countries, maintaining strong working relationships with suppliers and holding an adequate inventory level in our factories. We will to maintain and strengthen our working relationships with a wide range of suppliers, trade houses and exporters to diversify our supply risks.

FINANCIAL REVIEW

The Group's revenue increased by 10.7% to USD327.1 million in FY2018 from USD295.6 million in FY2017 as higher shipment volume offset the impact of the lower average selling price. In line with the higher revenue, gross profit increased significantly by 55.0% to USD49.4 million in FY2018 from USD31.9 million in FY2017 mainly due to the higher shipment volume and improvements in processing margin.

On the back of the higher shipment volume, the Group was able to benefit from economies of scale and recorded a gross profit margin of 15.1% in FY2018, an improvement of 4.3 percentage points from 10.8% in FY2017. Notably, we have been gradually increasing our sales mix towards premium products, which typically command a high margin.

Other gains (net) for FY2018 was USD1.3 million as compared to other losses (net) of USD1.7 million in FY2017, representing a positive change of USD3.0 million, mainly due to higher foreign exchange gains on the Group's GBP denominated borrowings as a result of the weakened GBP against USD.

In line with the Group's revenue volume growth, administrative expenses, selling and distribution and expenses, finance costs, and income tax expenses have increased in tandem with the growth in shipment volume.

As a result of the above, the Group's profit after tax for FY2018 surged 88.5% to USD26.8 million from USD14.2 million in FY2017.

USE OF PROCEEDS OF RIGHTS ISSUE

As at 28 November 2018, the Group has fully utilised the net proceeds from the rights issue. As announced by the Company and according to the use of proceeds disclosed in the Offer Information Statement, the Group utilised S$9.4 million for business expansion purposes to upgrade our existing and new facilities and S$9.4 million for working capital purposes.

FUTURE PROSPECTS

Despite having delivered a strong set of results for FY2018, we will continue to adopt a prudent approach in the year ahead. We are cognisant of and will closely monitor any developments in the challenging operating environment, which continues to be characterised by intense competition, rising business costs and fluctuations in the availability of raw materials.

Meanwhile, the National Oceanic and Atmospheric Administration has issued an El Nino Advisory, indicating that the climate pattern has taken effect and could possibly affect cocoa bean harvests. However, on the brighter side, the El Nino is expected to be weak with little influence on the weather[1].

1 National Oceanic and Atmospheric Administration, 11 March 2019 – NOAA announces the arrival of El Nino

CEO'S STATEMENT

Nonetheless, cocoa ingredient products are expected to remain in demand as it is a vital component in our customers' manufacturing process of a wide range of consumer goods in particular, in the chocolate manufacturer, confectionery, and foods and beverage industries.

Currently, our products are delivered to more than 50 countries worldwide. During the year, JB Foods incorporated subsidiaries in Switzerland and the Republic of Estonia as part of our strategy to expand and strengthen our market position in Eastern Europe. Leveraging on our wide distribution network, we are able to position ourselves closer to existing customers while exploring opportunities to connect with new customers globally. We will continue to deepen our penetration in existing markets and extend our reach into new markets to bring about the next phase of growth.

On the supply side, we will continue to forge strong relationships with our suppliers to ensure a steady supply of cocoa beans while remaining committed to delivering high quality and premium products to our customers. Going forward, we remain confident in delivering double-digit growth in shipment volume for FY2019.

ACKNOWLEDGEMENT

JB Foods is a company that has been built on the hard work and commitment of our staff as well as the guidance of an experienced and dedicated management team.

I would like to express my sincere appreciation to our Board, for their invaluable contribution that has helped the Group to carefully navigate through rough times, while charging ahead during the good times.

Last but not least, I would like to thank all our shareholders, customers, business associates and employees for their unwavering support and confidence to the Group.

In the year ahead, JB Foods will continue to grow and strengthen our position as one of the world top producers of high-quality and premium cocoa ingredient products. I look forward to updating you on our progress in 2020.

TEY HOW KEONG
Chief Executive Officer
27 March 2019

FINANCIAL HIGHLIGHTS

FINANCIAL RESULTS (USD' million)	**FY2018**	FY2017	FY2016	FY2015	FY2014
					(Restated)
REVENUE	327.1	295.6	300.6	226.5	218.7
GROSS PROFIT/(LOSS)	49.4	31.9	13.6	11.7	(2.3)
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AND AMORTISATION	41.6	24.1	11.2	8.7	(6.2)
PROFIT/(LOSS) BEFORE TAX	34.1	16.9	4.4	2.4	(12.7)
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	26.8	14.2	3.8	2.1	(13.1)

FINANCIAL POSITION (USD' million)	**FY2018**	FY2017	FY2016	FY2015	FY2014
					(Restated)
NON-CURRENT ASSETS	75.4	63.2	59.8	60.4	62.5
CURRENT ASSETS	172.9	134.4	143.8	140.5	145.3
CURRENT LIABILITIES	(120.8)	(110.6)	(128.4)	(128.0)	(136.2)
NON-CURRENT LIABILITIES	(5.4)	(2.9)	(1.4)	(2.6)	(4.5)
SHAREHOLDERS' EQUITY	122.1	84.1	73.9	70.2	65.6
CASH AND CASH EQUIVALENTS	13.4	15.6	7.1	7.4	32.3

RATIOS	**FY2018**	FY2017	FY2016	FY2015	FY2014
					(Restated)
NET ASSET VALUE PER SHARE (CENTS)[1]	40.26	27.75	24.38	23.16	22.10
NET GEARING (TIMES)[2]	0.55	0.75	1.28	1.17	1.14

(1) Net asset value per share are computed based on the adjusted share capital of 303,199,966.
(2) (Bank borrowings – cash and cash equivalents)/shareholders' equity.

OPERATIONS AND FINANCIAL REVIEW

INCOME STATEMENT

For FY2018, JB Foods' revenue increased by 10.7% or USD31.5 million to USD327.1 million, from USD295.6 million in the previous corresponding year, mainly due to stronger customer demand, which was partially offset by the lower average selling price to the Group's customers as a result of lower cocoa bean prices.

In line with the higher revenue, the Group recorded a gross profit of USD49.4 million in FY2018 as compared to USD31.9 million in FY2017, representing a significant increase of 55.0% or USD17.6 million, which was driven by the improvements in processing margin, gross profit margin for FY2018 improved by 4.3 percentage points to 15.1%.

The Group registered other gains (net) of USD1.3 million in FY2018 as compared to other losses (net) of USD1.7 million in FY2017, mainly due to higher foreign exchange gains arising from the Group's borrowings denominated in Great Britain Pound (GBP) due to the weakening of GBP against US Dollar (USD).

Selling and distribution expenses increased by USD1.1 million or 24.2% from USD4.5 million in FY2017 to USD5.6 million in FY2018, mainly due to higher sales commissions, export freight and handling costs incurred as a result of higher product shipment volume.

Administrative expenses increased by USD2.2 million or 33.8% from USD6.4 million in FY2017 to USD8.5 million in FY2018, mainly due to an increase in the accruals of performance bonus, an increase in the Group's headcount as well as higher payroll cost.

Finance cost increased by USD0.2 million or 6.5% from USD2.5 million in FY2017 to USD2.7 million in FY2018, mainly due to higher utilisation and higher cost of funds.

Income tax expense was 171.6% or USD4.6 million higher at USD7.3 million in FY2018 from USD2.7 million in FY2017, mainly due to provision of income tax of USD4.8 million and deferred income tax of USD2.5 million in FY2018.

Supporter by the higher sales volume and improved processing margins, the Group registered a profit after tax of USD26.8 million in FY2018, an 88.5% increase from a profit after tax of USD14.2 million in FY2017.

BALANCE SHEET

The Group's non-current assets increased by USD12.1 million or 19.1% from USD63.2 million as at 31 December 2017 to USD75.4 million as at 31 December 2018, mainly due to the investment in plant and equipment of USD17.3 million during the year, partially offset by the depreciation and amortization charge of USD4.9 million on property, plant and equipment.

The Group's current assets increased by USD38.6 million or 28.7%, from USD134.4 million as at 31 December 2017 to USD172.9 million as at 31 December 2018, mainly due to the increase in inventories, trade and other receivables, and derivative financial instruments of USD29.6 million, USD10.3 million and USD0.7 million respectively, partially offset by the decrease in cash and cash equivalent by USD2.2 million.

The Group's current liabilities increased by USD10.1 million or 9.2%, from USD110.6 million as at 31 December 2017 to USD120.8 million as at 31 December 2018, mainly due to the increase in trade and other payables, short-term bank borrowings and income tax payable of USD4.7 million, USD1.8 million and USD3.6 million respectively.

The Group's non-current liabilities increased by USD2.6 million or 89.9% from USD2.9 million as at 31 December 2017 to USD5.4 million as at 31 December 2018 mainly due to increase in deferred tax liabilities.

The Group's equity attributable to owners of the parent increased by USD38.0 million or 45.1% from USD84.1 million as at 31 December 2017 to USD122.1 million as at 31 December 2018. The increase was mainly due to the issuance of 76 million new ordinary shares in April 2018, which amounted to USD14.4 million, and net profit of USD26.8 million generated in FY2018, partially offset by the dividend payment of USD2.2 million, net foreign currency translation of USD0.7 million and effect of the adoption of SFRS(1) 9, which amounted to USD0.3 million.

OPERATIONS AND FINANCIAL REVIEW

CASH FLOWS

STATEMENT OF CASH FLOWS

USD'000	FY2018	FY2017
Net cash from operating activities	7,467	42,808
Net cash used in investing activities	(17,185)	(7,727)
Net cash from/(used in) financing activities	7,940	(26,547)
Net change in cash and cash equivalents	(1,778)	8,534
Cash and cash equivalents at end of the year	13,416	15,641

The Group's cash and cash equivalent decreased by USD2.2 million in FY2018, due to net cash outflows from investing activities and effect of exchange rate changes on cash and cash equivalents of USD17.2 million and USD0.4 million respectively, partially offset by net cash inflows from operating activities and financing activities of USD7.5 million and USD7.9 million respectively.

The net cash generated from operating activities of USD7.5 million in FY2018 was mainly attributable to positive operating cash flows of USD40.6 million, net cash inflows from trade and other payables of USD8.1 million as well as net cash outflows in inventories, trade and other receivables and tax paid of USD29.6 million, USD10.3 million, and USD1.2 million respectively.

The net cash used in investing activities of USD17.2 million was mainly due to the capital expenditure incurred in the purchase of plant and equipment.

The net cash generated in financing activities of USD7.9 million was mainly due net proceeds of USD14.3 million received from issuance of 76 million new ordinary shares and net drawdown of trade bills of USD1.9 million, partially offset by the payment of dividends and finance cost of USD5.6 million and USD2.7 million respectively.

BOARD OF DIRECTORS

CHUA CHEOW KHOON MICHAEL

INDEPENDENT DIRECTOR AND NON-EXECUTIVE CHAIRMAN

Mr Chua was appointed to the Board on 4 May 2012 as Lead Independent Director. With effect from 2 January 2013, he was appointed as Chairman of the Group. Mr Chua is an Executive Director of BMD Consulting Pte Ltd, a management consulting practice in Singapore. He has more than 30 years of experience in financial and management accounting, corporate finance, general management and management consultancy, and was formerly the Chief Investment Officer of Sapphire Corporation Limited. He has also previously served as an independent director on the boards of various other companies listed on the SGX-ST.

Mr Chua has held senior positions in multinational companies including the Singapore Technologies and Sembcorp group of companies. He graduated with a Bachelor of Business from the Charles Sturt University (Mitchell College of Advanced Education), Australia in 1977 and is a Fellow of CPA Australia.

GOI SENG HUI

NON-INDEPENDENT, NON-EXECUTIVE DIRECTOR AND VICE CHAIRMAN

Mr Goi was appointed to the Board on 1 March 2013 as Non-Independent, Non-Executive Director and Vice Chairman. He is the Executive Chairman of Tee Yih Jia Group, a global food and beverage group and GSH Corporation Ltd, a regional developer of premium residential and commercial properties as well as the owner and operator of the 5-Star Sutera Habour Resorts, Marina and Golf Course in Kota Kinabalu, Malaysia. In 2017, GSH expanded into China via an investment in Henan Zhongyuan Group, operating the largest frozen food logistics and warehousing hub in Zhengzhou with an annual turnover of more than RMB60 billion. In addition, Mr Goi serves as Vice Chairman of Envictus International Holdings Limited. He also has investments across a range of listed and private entities in numerous industries, such as food and beverage, leisure real estate, consumer essentials, recycling, distribution and logistics.

In April 2018, Datuk Sam Goi was appointed Singapore's Non-Resident Ambassador to the Federative Republic of Brazil.

In 2014, Mr Goi was named Businessman of the Year by Singapore's Business Times and at the 49th National Day Awards, Mr Goi was conferred the Public Service Star (Bar) – Bintang Bakti Masyarakat (Lintang), BBM (L) – by the President of Singapore for his contributions to the community. In 2015, he received the Long Service Award from Singapore's People's Action Party. He was also conferred the State Award of Panglima Gemilang Darjah Kinabalu (PGDK), which carries the title of Datuk, from the Head of State of Sabah, for his social and business contributions to Kota Kinabalu. In recognition of his numerous philanthropy works, he was awarded the SG50 Outstanding Chinese Business Pioneers Award and Enterprise Asia's Lifetime Achievement Award in 2015, as well as the Asian Strategy & Leadership Institute's Lifetime Achievement Award in 2016. In 2017, he was honoured for his contributions and success as an overseas Chinese by People's Tribune Magazine in Beijing, China. In 2018, he was conferred the Distinguished Business Leader Award at the World Chinese Economic Forum.

He is also Enterprise 50 Club's Honorary Past President and Vice Chairman of IE Singapore's "Network China" Steering Committee, Regional Representative for Fuzhou City and Fujian Province, council member of the Singapore-Tianjin Economic and Trade Council and Singapore-Jiangsu Cooperation Council, as well as Senior Consultant to Su-Tong Science & Technology Park. He is currently the Honorary Council Member of the Singapore Chinese Chamber of Commerce and Industry, the Honorary Chairman for the International Federation of Fuqing Association, a member of the Singapore University of Technology and Design (SUTD) Board of Trustee, as well as the Honorary Chairman of Dunman High School Advisory Committee and Ulu Pandan Citizens Consultative Committee.

BOARD OF DIRECTORS

TEY HOW KEONG
CHIEF EXECUTIVE OFFICER

Mr Tey was appointed to the Board on 3 January 2012 and is responsible for the overall strategic, management and business development of the Group.

Mr Tey has over 25 years of experience in the cocoa business. He started his career in the cocoa business in November 1988 as sales manager of JB Cocoa Group Sdn Bhd. In August 1989, he was appointed as a director of Guan Chong Cocoa Manufacturer Sdn Bhd, a position which he remained in until October 2003 and played an active role in setting up its cocoa processing plant in Pasir Gudang.

In May 2000, Mr Tey established JB Cocoa Sdn Bhd, and under his leadership, the Group expanded over the years to become an active player within the cocoa ingredient production industry in Malaysia and foreign markets.

Mr Tey graduated in 1988 with a Bachelor of Business Administration from the University of Toledo, College of Business Administration, USA.

GOH LEE BENG
EXECUTIVE DIRECTOR

Mdm Goh was appointed to the Board on 4 May 2012 and is responsible for procurement of raw materials and managing the cocoa trading positions of the Group, which includes sourcing of cocoa beans and cocoa ingredient, managing the Group's cocoa hedging book, monitoring world cocoa trends, and marketing of cocoa butter.

Mdm Goh has over 25 years of experience in cocoa business. Upon graduation, Mdm Goh joined Guan Chong Cocoa Manufacturer Sdn Bhd in November 1989 as an executive and was responsible for logistics, operations and inventory management. She joined JB Cocoa Sdn Bhd in January 2003 and was appointed as its Executive Director in August 2003. She was responsible for sourcing of cocoa beans and supply chain management.

Mdm Goh graduated in 1989 with a Bachelor of Business Administration from the University of Toledo, College of Business Administration, USA.

CHIN KOON YEW
INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Mr Chin was appointed to the Board on 18 February 2014 as an Independent Director. He has more than 10 years of experience in the cocoa and chocolate industry through his previous role as the Chief Financial Officer of Petra Foods Limited from 2001 to September 2013.

Prior to this, Mr Chin has held various senior positions at W R Grace, a US MNC, for over 17 years, culminating in the role of Chief Financial Officer for Asia Pacific in 1998. He has more than 30 years of experience in financial and general management in both MNC and Asian set-up.

Mr Chin completed his Association of Chartered Certified Accountant (ACCA) in 1980. He obtained a Master of Business Administration from Henley-Brunel University in 1996.

BOARD OF DIRECTORS

LOO WEN LIEH

ALTERNATE DIRECTOR TO MR GOI SENG HUI

Mr Loo Wen Lieh was appointed on 23 May 2013 as an Alternate Director to Mr Goi Seng Hui. Mr Loo is the Group Financial Controller of the Tee Yih Jia (TYJ) Group, a leading frozen foods manufacturer in Singapore with distribution to more than 80 countries. In addition to investments in various industries, including property, technology and F&B, the TYJ Group also has stakes in several other Singapore public listed companies. In July 2018, Mr Loo has been appointed as Non-Executive and Non-Independent Director of GYP properties Limited, a company listed on the Mainboard of the SGX-ST.

From December 2002 to May 2007, Mr Loo was previously Chief Financial Officer and Corporate Secretary of AGVA Corporation Limited and Hengxin Technology Limited where he was responsible for their Initial Public Offering, financial, tax and other related matters. He was also a manager with KPMG from July 2002 and left KPMG for one year from March 2000 to February 2001 as co-founder for a technology start-up.

Mr Loo graduated with a Bachelor of Accountancy from Nanyang Technological University in 1996 and is a Fellow Chartered Accountant of Singapore, an ACA of the Institute of Chartered Accountants in England and Wales, and an ASEAN Chartered Professional Accountant.

EXECUTIVE OFFICERS

WONG WING HONG
CHIEF FINANCIAL OFFICER

Mr Wong joined the Group in August 2014 as Corporate Planning Manager and is currently the Chief Financial Officer. He is overall responsible for the corporate, treasury, tax, finance and accounting functions of the Group.

Prior to joining the Group, Mr. Wong was a manager with BDO Singapore from November 2010 to August 2014 and Nexia Singapore from May 2007 to August 2010, where he was involved in the assurance and auditing, Initial Public Offerings, Reverse Take Over and related projects.

Mr Wong completed his Association of Chartered Certified Accountant ("ACCA") in 2010, and is a member of ACCA and Institute of Singapore Chartered Accountants.

ONG KIM TECK
GROUP ENGINEERING MANAGER

Mr Ong joined the Group in April 2002 as project manager, following which he oversaw the construction of the processing facility in Port of Tanjung Pelepas, including monitoring the installation of the equipment and maintenance issues at such the processing facility. In July 2004, he was appointed as the factory manager and subsequently in April 2011, he was promoted to Operations Manager of the Group. In 2016, he was redesignated to Group Engineering Manager overseeing Engineering, Utilities and ad-hoc projects.

Mr Ong graduated with a Bachelor of Engineering with Honours (School of Mechanical Engineering) from the University of Liverpool, United Kingdom in 1997.

SAW POH CHIN
GROUP SALES AND MARKETING MANAGER

Ms Saw has over 15 years of experience in the cocoa business. She manages and markets the Group's products to international markets, and assists in product development activities. Ms Saw joined the Group in June 2002 as its quality and research and development manager. In December 2004, she was reassigned as the technical support manager and subsequently reassigned as technical sales manager in January 2007. In September 2010, she was re-designated as the Sales and Marketing and R & D Manager of the Group. She is overall responsible for the marketing the Group's products, and leading the Group's product development activities.

Ms Saw graduated with a Bachelor of Science in Agricultural Sciences from the University of Nebraska, USA in 1998 and a Master of Science from the same university in 1999.

HONG PECK JOO
ASIA PACIFIC OPERATIONS MANAGER

Mr. Hong joined JB Cocoa in January 2018, and is currently the Head of Asia Pacific Operation of the Group. He is overall responsible for the production planning and maintenance, supply chain and quality assurance.

Prior to joining the Group, Mr. Hong was the Managing Director in Barry Callebaut Malaysia from year 2014 to 2017, Manufacturing Manager in Kraft Malaysia and SME (SAP) for MDLZ APAC Team from year 2008 to 2013 and Plant Manager in Delfi Cocoa Malaysia from year 2002 to 2007.

Mr Hong graduated with a Bachelor of Degree in Mechanical Engineering from the University Pertanian Malaysia in 1991.

SUSTAINABILITY REPORT

1. BOARD STATEMENT

We reaffirm our commitment to sustainability with the publication of our sustainability report ("Report"). For this Report, we provide insights into the way we do business, while highlighting our environmental, social, governance ("ESG") factors and economic performance.

Whilst mindful of our profit oriented objective, we are committed to strike a balance between growth, profit, governance, environment, the development of our people and well-being of our communities to secure a long term future of our Group. This commitment is reflected in our sustainable business strategy and the material ESG factors which are shown in this Report.

A sustainability policy ("SR Policy") covering our sustainability strategies, reporting structure, materiality assessment and processes in identifying and monitoring material ESG factors has been put in place and serves as a point of reference in the conduct of our sustainability reporting. Under this SR Policy, we will continue to monitor, review and update our material ESG factors from time to time, taking into account the feedback that we receive from our engagement with our stakeholders, organizational and external developments.

2. REPORTING FRAMEWORK

This report has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option and published in pursuant to Singapore Exchange Securities Trading Limited ("SGX-ST") listing rules 711(A) and 711(B). We have chosen to report using GRI Standards: Core option as it is an internationally recognised reporting framework.

3. REPORTING PERIOD

This Report is applicable for our Group's financial year ended 31 December 2018 ("FY2018" or "reporting period"). A sustainability report will be published annually thereafter in accordance with our SR Policy.

4. FEEDBACK

We welcome feedback from all stakeholders on this Report. You may send related questions, comments, suggestions or feedback to our investor relations email account: investor@jbcocoa.com

5. STAKEHOLDER ENGAGEMENT

Our efforts on sustainability are focused on creating sustainable value for its key stakeholders, which comprise communities, customers, employees, regulators, shareholders and suppliers. Key stakeholders are determined for each material factor identified, based on the extent of which they can affect or are affected by operations of our Group.

SUSTAINABILITY REPORT

We actively engage our key stakeholders through the following channels:

S/N	Key stakeholder	Engagement channel
1	Community	We focus on continuous community engagement and has undertaken various initiatives to help the communities.
2	Customer	Communications with customers are made through various channels such as meetings, events, email communications, phone calls and teleconferences.
3	Employee	Senior management holds regular communication sessions with employees to obtain feedback and alignment of business goals across all levels of workforce. Such communication channels include emails and half-yearly staff evaluation sessions where employees can pose questions in person.
4	Regulator	We participate in consultations and briefing organised by key regulatory bodies such as Singapore Stock Exchange and relevant government agencies/bodies so as to better understand the regulatory requirements and to furnish feedback on proposed regulatory changes that impact the company's business.
5	Shareholder	We convey timely, full and credible information to shareholders through announcement on SGXNET, Company's website (http://www.jbcocoa.com), annual general meetings, annual reports, and other channels such as business publications and investors' relation events.
6	Suppliers	We work closely with suppliers to ensure smooth delivery of products. In general, new suppliers are screened in accordance with the purchasing policies and existing suppliers are assessed by respective work teams based on specified criteria. Feedback is also provided by the procurement teams to suppliers to ensure standards of products or services delivered by suppliers.

Through the above channels, we seek to understand the views of key stakeholders, communicate effectively with them and respond to their concerns.

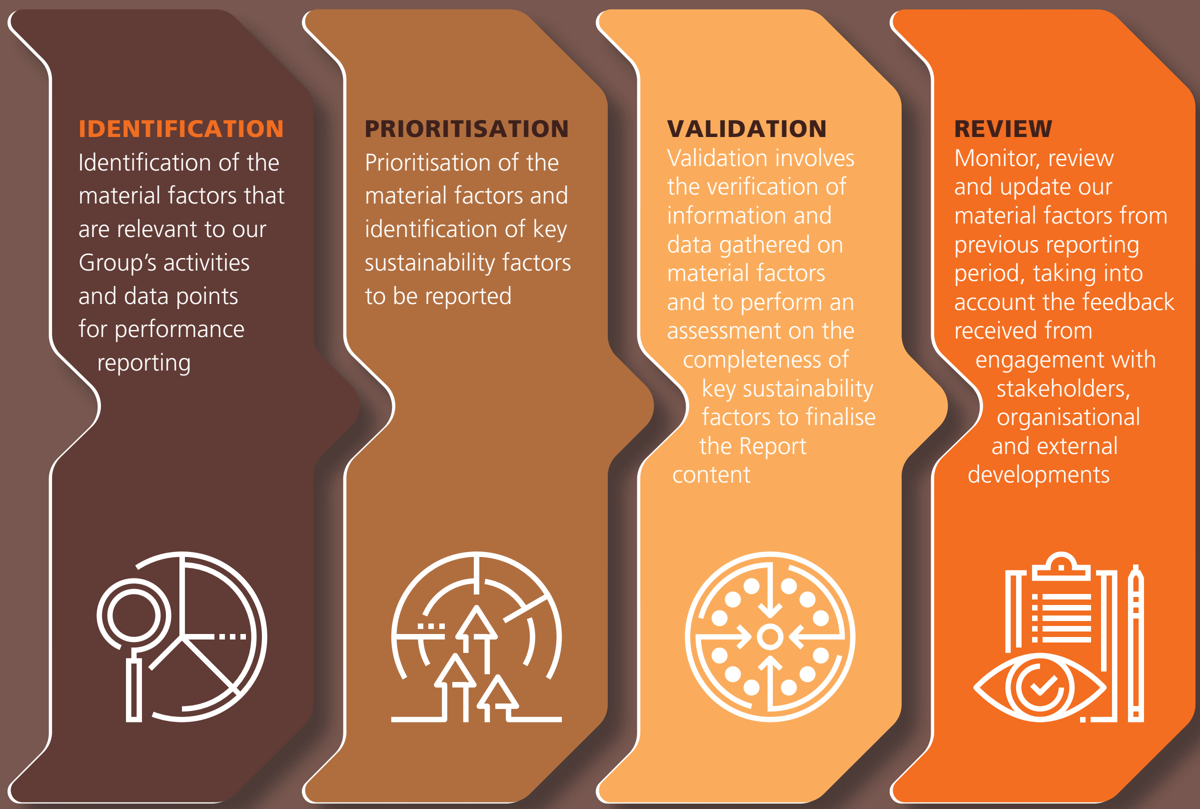
6. POLICY, PRACTICE AND PERFORMANCE REPORTING

6.1 Reporting structure

Our sustainability strategy is developed and directed by the senior management in consultation with the Board of Directors. Our sustainability committee, which includes senior management executives, is led by our CEO and tasked to develop the sustainability strategy, review its material impacts, consider stakeholder priorities and set goals and targets, as well as collect, verify, monitor and report performance data for this Report.

6.2 Sustainability reporting processes

Under our SR policy, our sustainability process begins with the identification of relevant factors. Relevant factors are then prioritised as material factors which are then validated. The end result of this process is a list of material factors disclosed in this Report. Processes involved are as shown in the chart below:



6.3 Materiality assessment

Under our SR Policy, each sustainability factor is assigned a reporting priority that determines the actions required as illustrated in the table below:

Reporting priority	Description	Criteria
I	High	Factors with high reporting priority are reported on in detail.
II	Medium	Factors with medium reporting priority are considered for inclusion in the Report. They may not be included in this Report if not material.
III	Low	Factors with low reporting priority may be reported to fulfil regulatory or other reporting requirements. They are not included in this Report if not material.

The reporting priority is supported by a materiality factor matrix which considers the level of concern to external stakeholders and potential impact on business.

SUSTAINABILITY REPORT

7 MATERIAL FACTORS

Our materiality assessment performed for FY2018 involved our Group's senior management in identifying sustainability factors deemed material to our businesses and stakeholders so as to allow us to channel our resources judiciously to create sustainability value for our stakeholders.

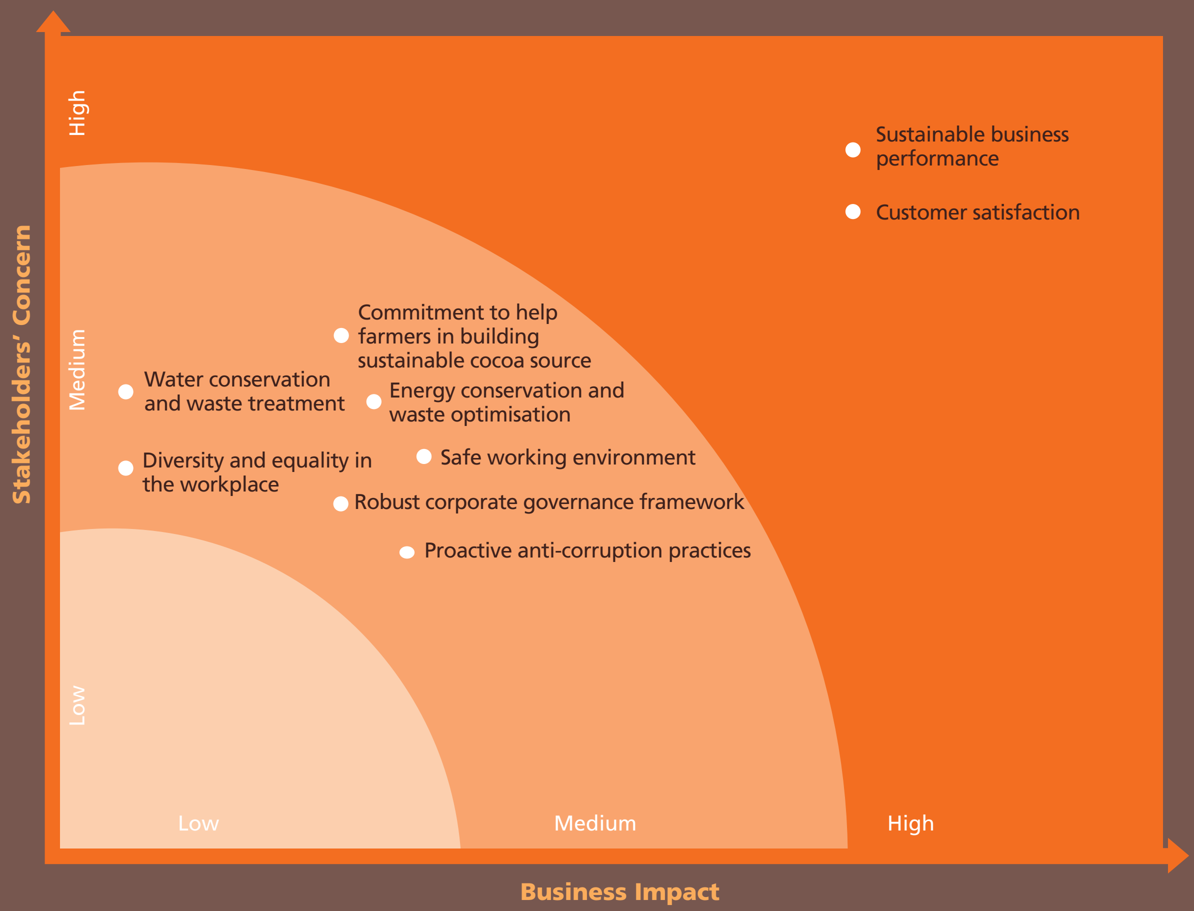
Presented below are a list of material sustainability factors and material factor matrix applicable to our Group:

List of material sustainability factors

S/N	Material factor	Key stakeholder	Reporting priority
General disclosure			
1	Customer satisfaction	Customer	I
Environmental			
2	Energy conservation and waste optimisation	• Community • Shareholder	II
3	Water conservation and wastewater treatment	• Community • Shareholder	II
Social			
4	Commitment to help farmers in building sustainable cocoa source	• Community • Customer • Supplier	II
5	Safe working environment	Employee	II
6	Diversity and equality in the workplace	Employee	II
Economic			
7	Sustainable business performance	Shareholder	I
8	Proactive anti-corruption practices	• Shareholder • Regulator	II
Governance			
9	Robust corporate governance framework	Regulator	II

SUSTAINABILITY REPORT

Material factor matrix



We will update the material factors on an annual basis to reflect changes in business operations, environment, stakeholder's feedback and sustainability trends. The details of each key sustainability factor are presented as follows:

7.1 Customer satisfaction

Building on the strength of our value proposition and customer-focused business model, we have established a strong relationship with our key customers which include Mars, Nestle, Hershey and Mondelez. We are committed to serve our customers through the provision of safe and consistent quality products that meet their requirements through the following measures:

SUSTAINABILITY REPORT

Adoption of market standards on product quality and safety

To maintain product quality and safety, our factories are certified under internationally recognized quality standards with details as follows:

Standard/certification	Focus of relevant standard/certification
ISO 9001:2008	Demonstrate our ability to consistently provide products that meet applicable customer and regulatory requirements
Hazard Analysis and Critical Control Point ("HACCP") certificate	Manage the food hygiene and safety procedures in our operations
Food Safety System Certificate ("FSCC") 22000	
HALAL certificate	Ensure our operations comply with the Islamic dietary requirements
Kosher Certificate	Ensure our operations comply with the kosher requirements
UTZ chain of custody	Ensure our products are physically and administratively related to UTZ certified producers




Maintain a close presence and continuous communication with customers

Through our presence in Malaysia, Indonesia, the United States of America and People's Republic of China, we are able to better serve our customers through:

- Deeper understanding of our customers' requirements, faster turnaround time and more responsive after sales services
- Demonstration of our capability to develop and customise cocoa ingredient products to meet the varying and exacting requirements of globally diversified customers

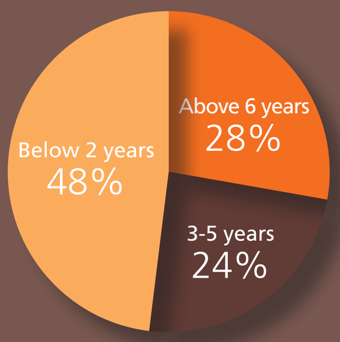
In addition, we collect customer feedback from various touchpoints such as sales teams and customer satisfaction surveys. Results of customer satisfaction surveys are analysed to gather valuable insights into current and future customer requirements. Insights gathered are discussed during regular management meetings to drive product and service improvements, enhance operational level and provide inputs for strategies.

Nurture a team of experienced employees

The continual success of our business relies on a team of professional, skilled and experienced employees. Our Group is led by an experienced and dedicated management team spearheaded by our CEO. Our Executive Directors have collectively over 50 years of experience in the cocoa industry. Further, we believe that our team possesses an appropriate mix of multi-disciplinary skills and experience necessary for us to compete in the cocoa processing industry.

As at 31 December 2018, approximately 52% (FY2017: 55%) of the employees have more than 3 years of service in our Group.

Years of Service



7.2 Energy conservation and waste optimisation

We believe that responsible usage of energy resources and waste optimisation help to preserve the environment and create long-term economic value to shareholders.

We have grown to be one of the major cocoa ingredient producers in the region with two operating factories located in Malaysia and Indonesia. To run our operations, we rely mainly on the following energy sources:

- Diesel for operating machineries and motor vehicles
- Electricity for operating production equipment and office equipment such as lighting, office work and cooling
- Liquefied petroleum gas or natural gas for operating machineries, including machineries for bean drying and roasting

The main waste materials generated in our operations are cocoa shells.

Under our commitment to energy conservation and waste optimisation, various measures and initiatives are adopted as follows:

Implement a preventive maintenance program

A systematic maintenance program for operating equipment is in place to maintain energy efficiency in our processing factories.

Conversion of cocoa shell into biomass energy

In Malaysia, the factory uses discarded cocoa shells as biomass to generate energy for heating processes. During the reporting period, 28% (FY2017: 26%) of energy consumed was generated from this renewable source. The factory also uses discarded cocoa shells to produce steam and generated a cost saving of approximately USD1.24 million (FY2017: USD600k) yearly should diesel fuel be used instead.

Use of cocoa shells for animal feed

In Indonesia, given that cocoa shells are rich in protein, cocoa shells generated in operations are sold to local poultry farmers as animal feed as a form of recycling and generated approximately USD472k (FY2017: USD595k) of income during the reporting period.

SUSTAINABILITY REPORT

7.3 Water conservation and wastewater treatment

We recognise the importance to effectively manage water consumption as valuable water resources may be depleted and pollution may occur if water consumption and wastewater treatment is not managed properly. To achieve effective water management, we aim to minimize consumption and manage wastewater quality.

We rely on water resources in its operations, primarily in the following processes:

Process	Description
Steam generation	Water is heated to generate steam for production purposes.
Cooling	Water is used as coolant to stabilise the fat content in cocoa powder and to enhance the stability, colour and appearance of cocoa powder.

Wastewater is generated from the above processes. We focus on two key areas on water management with details as follows:

Water consumption

During the reporting period, we used 234k m^3 (FY2017: 232k m^3) of water, or 2.20 m^3 (FY2017: 2.32 m^3) per metric tonne of cocoa bean processed. Water conservation measures adopted by our factories include the following:

- A systematic maintenance program is implemented for operating equipment to maintain water efficiency
- Regularly track and analyse water consumption trends and corrective actions are taken when there are unusual consumption patterns

Water quality management

During the reporting period, 100% of wastewater was treated to remove pollutants before it was released into waterways.

7.4 Commitment to help farmers in building sustainable cocoa source

Sustainability in the cocoa industry is centered on the cocoa farmers which comprises mainly smallholder farmers in developing countries in Africa and Asia. Such farmers face challenges such as ageing trees, pests, diseases and depleted soils. A key success factor to sustainable cocoa farming is to adopt good agricultural and business practices as they result in better yields and income for the farmers. Types of sustainable agricultural practices include the following:

Sustainable agricultural practice	Objective
Soil conservation	Prevent soil from becoming chemically altered by acidification or other chemical soil contamination through the use of appropriate chemicals
Fertiliser application	Prevent loss of soil fertility through applying adequate and right-quality fertilisers to supplement the missing nutrients in the soil
Harvesting storage	Ensure harvesting is performed regularly to prevent pods from becoming over-ripe as they are more likely to become infected with disease
Storage	Ensure cocoa beans packaged in clean bags that are sufficiently strong and properly sealed to prevent deterioration

SUSTAINABILITY REPORT

We are committed to sustainable cocoa farming to ensure long-term supply of fine flavour cocoa and higher yields for cocoa farmers which will in turn supports our Group's long term sustainability. A strong commitment to sustainable cocoa farming also allow us to respond to increasing customers' demand for sustainable cocoa products.

In keeping with our strong commitment to sustainable cocoa, we have teamed up with our business partners and promote the following programs in Indonesia:

Set up cocoa support centers to equip farmers with professional knowledge
We supported the setup of 4 cocoa support centers ("CSC") in selected districts of Indonesia to train farmers and equip them with professional knowledge on good agricultural practices. Under this program, the employees of CSC pay regular visits to farmers' fields and provide inputs on improving the farms' productivity.

Share good agricultural practices through lead farmer program
In selected districts of Indonesia, we participated in a lead farmer program that provides local leading farmers with seedlings, fertilizers and nursery facilities to encourage the adoption of sustainable agricultural practices. The main purpose of this program is to develop demonstration farms and provide a mechanism for mutual support and exchange of ideas amongst farmers.

7.5 Safe working environment

A safe work environment allows our employees to work safely without fear of getting injured. This helps to build loyalty amongst our employees and support the sustainability of our Group. Accordingly, we are committed to place priority on maintaining a safety and security conscious culture amongst our employees of all levels.

We recorded zero (FY2017: zero) workplace fatality during the reporting period and 20[1] non-fatal workplace injuries resulting in 100[1] man-day lost during the reporting period. The workplace accidents were mainly associated with hand and foot injuries. Lessons from the non-fatal workplace accidents are shared across business units to prevent recurrence and we will continuously work towards reducing both the occurrence and severity of workplace accidents.

Key measures adopted to manage health and safety in the workplace environment are as follows:

- A set of safety rules and regulations is in place
- Safety committees are in place and safety audits are performed reported regularly
- New employees are briefed on safety procedures during orientation
- Visual signs on safety are displayed at strategic locations within operating premises
- Briefings and talks on occupational safety are organised regularly
- Accidents are tracked and monitored regularly
- Employees are provided with adequate health and safety training

7.6 Diversity and equality in the workplace

We aim to provide a work environment for employees that fosters fairness, equity and respect for social and cultural diversity, regardless of their gender and age. Therefore, we are committed to the goals of diversity and equal opportunity in employment. The total number of full-time employees in our Group as at 31 December 2018 is 565 (FY2017: 526).

On gender diversity, we view diversity in the Board level as an essential element in supporting sustainable development and in relation to the gender diversity with one (FY2017: one) female representation in the Board of Directors. The percentage of female to total full-time employees is 17% (FY2017: 16%) and about 37% (FY2017: 33%) of managers are females as at 31 December 2018.

[1] No comparative data is provided for prior year due to a change in reporting requirements for workspace accidents in FY2018, whereby all accidents regardless of severity are now reported to the senior management.

SUSTAINABILITY REPORT

On age diversity, matured workers are valued for their experience knowledge and skills. As at 31 December 2018, 14% (FY2017: 12%) of the workforce is at least 40 years old.

On diversity in educational background, we seek to create an inclusive environment for employees from different educational background. The distribution of employees by educational level is as follows:

Education qualification	FY2018	FY2017
Tertiary	41%	39%
Non-tertiary	59%	61%
Total	100%	100%

To promote equal opportunity, we have in place various human resource related processes as follows:

- A formal interview assessment process is in place to guide interviewers to assess employees based on merit and competency.
- Staff recruitment advertisements do not state age, race, gender or religion preferences as requirement.
- Staff assessment is performed regularly to evaluate the performance of employees to encourage employees to take self-initiated enrichment actions to improve themselves.

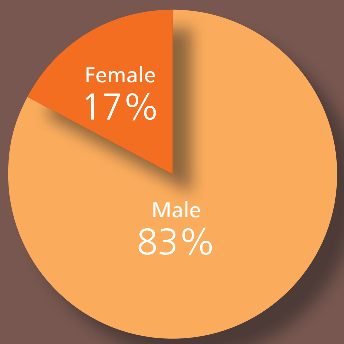
7.7 Sustainable business performance

We believe in creating long-term economic value for shareholders by striking a balance between rewarding shareholders by way of consistent profits, dividend payments and maintaining a robust balance sheet with strong operating cash flows.

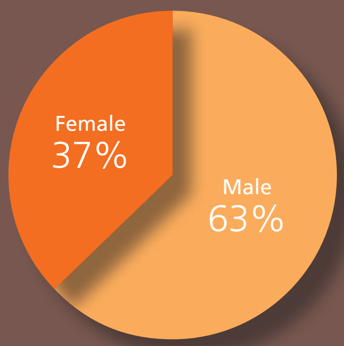
In FY2018, our Group recorded revenue of USD327 million (FY2017: USD296 million). Our Group generated USD27 million (FY2017: USD14 million) of net profit for the period attributable to our equity holders. A tax-exempt dividend of 3.00 Singapore cents per share was declared for the reporting period (FY2017: 2.00 Singapore cents per share).

Details of our Group's economic performance can be found in the financial contents and audited financial statements of this Annual Report.

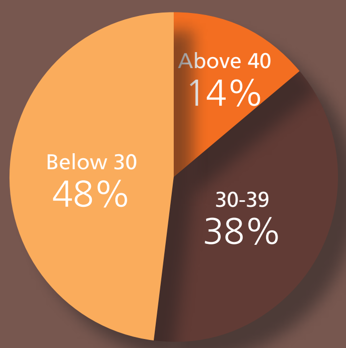
Gender Diversity (All Employees)



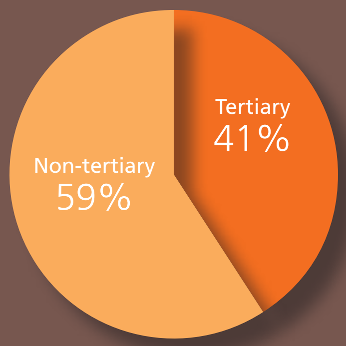
Gender Diversity (Managers)



Age Diversity (All Employees)



Educational Diversity (All Employees)



SUSTAINABILITY REPORT

7.8 Proactive anti-corruption practices

We are committed to carry out business with integrity by avoiding corruption in any form, including bribery, and complying with the Prevention of Corruption Act of Singapore.

We have implemented a whistle blowing policy to provide a mechanism for employees to raise concerns through accessible confidential disclosure channels about possible improprieties in matters of financial reporting and others. In FY2018, no serious offence was reported[2] (FY2017: zero).

7.9 Robust corporate governance framework

A high standard of corporate governance is integral in ensuring sustainability of our businesses as well as safeguarding shareholders' interest and maximizing long term shareholder value.

We have put in place a risk management framework ("ERM framework"). We regularly assess and review our Group's business and operational environment to better identify and manage emerging and strategic sustainability risks.

Our overall Singapore Governance and Transparency Index ("SGTI") score assessed by National University of Singapore Business School was 65 for FY2018 (FY2017: 56) which placed us within the top 35 (FY2017: top 40) percentile of the public listed companies assessed.

You may refer to Corporate Governance Report of this Annual Report for details for our corporate governance practices.

[2] A serious offence is defined as one that involves fraud or dishonesty amounting to not less than SGD 100,000 and punishable by imprisonment for a term of not less than 2 years which is being or has been committed against the company by officers or employees of the company.

SUSTAINABILITY REPORT

8. TARGET SETTING

For our material factors identified, we have set qualitative targets for FY2019 as follows:

S/N	Material factor	Target for FY2019
1	Customer satisfaction	Increase market presence and improve customer loyalty
2	Energy conservation and waste optimisation	Reduce energy consumption rate and improve waste management process
3	Commitment to help farmers building sustainable cocoa source	Increase participation in initiatives to promote sustainable cocoa farming
4	Water conservation and wastewater treatment	Reduce water consumption rate and improve wastewater treatment process
5	Safe working environment	Reduce the number of workplace accidents
6	Diversity and equality in the workplace	Move towards a more balanced gender, age and educational diversity ratio
7	Sustainable business performance	Improve our financial performance whist maintaining our dividend rate where practicable
8	Proactive anti-corruption practices	Maintain zero incident of serious offence
9	Robust corporate governance framework	Improve our SGTI score

SUSTAINABILITY REPORT

9 GRI CONTENT INDEX

General standard disclosure		Section reference	Page
Organisation profile			
102-1	Name of the organization	Corporate Profile	2
102-2	Activities, brands, products, and services	• Corporate Profile • Our Business • Our Products	2 3 4
102-3	Location of headquarters	• Corporate Profile • Financial Contents > Notes to Financial Statements > General	2 66
102-4	Location of operations	• Corporate Profile • Our Business	2 3
102-5	Ownership and legal form	• Corporate Profile • Our Business • Financial Contents > Notes to the Financial Statements > General	2 3 66
102-6	Markets served	• Our Business • Financial Contents > Notes to the Financial Statements > Segment information	3 117
102-7	Scale of the organization	• Our Products • Financial Highlights • Operations and Financial Review • Sustainability Report > Material Factors > Diversity and Equality in the Workplace • Statement of Financial Position • Consolidated Statement of Comprehensive Income	4 8 9 – 10 23 – 24 60 61
102-8	Information on employees and other workers	Sustainability Report > Material Factors > Diversity and Equality in the Workplace	23 – 24
102-9	Supply chain	• Our Business • CEO's Statements	3 6 – 7
102-10	Significant changes to the organization and its supply chain	There was no significant changes to the organization and its supply chain during the reporting period	–
102-11	Precautionary Principle or approach	None	–
102-12	External initiatives	None	–

SUSTAINABILITY REPORT

General standard disclosure		Section reference	Page
102-13	Membership of associations	The Group is committed to global sustainable practices as a member of the World Cocoa Foundation and Cocoa Association of Asia	–
Strategy			
102-14	Statement from senior decision-maker	Sustainability Report > Board Statement	15
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	• Sustainability Report > Material Factors > Robust Corporate Governance Framework • Financial Contents > Corporate Governance Report	25 33 – 50
Governance			
102-18	Governance structure of the organization	Financial Contents > Corporate Governance Report	33 – 50
Stakeholder engagement			
102-40	List of stakeholder groups	Sustainability Report > Stakeholder Engagement	15 – 16
102-41	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements	–
102-42	Identifying and selecting stakeholders	Sustainability Report > Stakeholder Engagement	15 – 16
102-43	Approach to stakeholder engagement	Sustainability Report > Stakeholder Engagement	15 – 16
102-44	Key topics and concerns raised	• Sustainability Report > Stakeholder Engagement • Sustainability Report > Material Factors > Customer Satisfaction	15 – 16 19 – 20
Reporting practice			
102-45	Entities included in the consolidated financial statements	Financial Contents>Notes to the Financial Statements > Investments in Subsidiaries	93 – 95
102-46	Defining report content and topic Boundaries	Sustainability Report > Sustainability Reporting Processes	17
102-47	List of material topics	Sustainability Report > Material Factors	18 – 19

SUSTAINABILITY REPORT

General standard disclosure		Section reference	Page
102-48	Restatements of information	None	–
102-49	Changes in reporting	Sustainability factors added: • Customer Satisfaction • Water Conservation and Wastewater Treatment • Diversity and Equality in the Workplace • Proactive Anti-Corruption Practices	 19 – 20 22 23 – 24 25
102-50	Reporting period	Sustainability Report > Reporting Period	15
102-51	Date of most recent report	2017 Annual Report > Sustainability Report	–
102-52	Reporting cycle	Sustainability Report > Reporting Period	15
102-53	Contact point for questions regarding the report	Sustainability Report > Feedback	15
102-54	Claims of reporting in accordance with the GRI Standards and GRI content index	• Sustainability Report > Reporting Framework • Sustainability Report > GRI Content Index	15 27 – 30
102-55	GRI content index	Sustainability Report > GRI Content Index	27 – 30
102-56	External assurance	We may seek external assurance in the future	–
Management approach			
103-1	Explanation of the material topic and its Boundary	Sustainability Report > Material Factors	18 – 19
103-2	The management approach and its components	• Sustainability Report > Board Statement • Sustainability Report > Policy, Practice and Performance Reporting • Sustainability Report > Material Factors	15 16 – 17 18 – 25
103-3	Evaluation of management approach	Sustainability Report > Material Factors	18 – 25

SUSTAINABILITY REPORT

General standard disclosure		Section reference	Page
Category: Economic			
201-1	Direct economic value generated and distributed	• Financial Highlights • Operations and Financial Review • Sustainability Report > Material Factors > Sustainable Business Performance • Statement of Financial Position • Consolidated Statement of Comprehensive Income	8 9 – 10 24 60 61
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report > Material Factors > Proactive Anti-Corruption Practices	25
Category: Environmental			
302-1	Energy consumption within the organization	Sustainability Report > Material Factors > Energy Conservation and Waste Optimization	21
303-5	Water consumption	Sustainability Report > Material Factors > Water Conservation and Wastewater Treatment	22
306-1	Water discharge by quality and destination	Sustainability Report > Material Factors > Water Conservation and Wastewater Treatment	22
306-2	Waste by type and disposal method	Sustainability Report > Material Factors > Energy Conservation and Waste Optimization	21
Category: Social			
403-9	Work-related injuries	Sustainability Report > Material Factors > Safe Working Environment	23
405-1	Diversity of governance bodies and employees	Sustainability Report > Material Factors > Diversity and Equality in the Workplace	23 – 24
413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability Report > Material Factors > Commitment to Help Farmers in Building Sustainable Cocoa Source	22 – 23

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHUA CHEOW KHOON MICHAEL (Chairman and Lead Independent Director)
GOI SENG HUI (Non-Executive, Non-Independent and Vice Chairman)
TEY HOW KEONG (Chief Executive Officer)
GOH LEE BENG (Executive Director)
CHIN KOON YEW (Independent Director)
LOO WEN LIEH (Alternate director to Goi Seng Hui)

AUDIT COMMITTEE

CHUA CHEOW KHOON MICHAEL (Chairman)
CHIN KOON YEW
GOI SENG HUI

REMUNERATION COMMITTEE

CHIN KOON YEW (Chairman)
CHUA CHEOW KHOON MICHAEL
TEY HOW KEONG

NOMINATING COMMITTEE

CHUA CHEOW KHOON MICHAEL (Chairman)
CHIN KOON YEW
TEY HOW KEONG

RISK COMMITTEE

CHIN KOON YEW (Chairman)
GOI SENG HUI
TEY HOW KEONG
WONG WING HONG

JOINT COMPANY SECRETARIES

ONG BENG HONG
WONG WING HONG

REGISTERED OFFICE

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Tel: (65) 6222 8008
Fax: (65) 6222 8001
Website: www.jbcocoa.com

SHARE REGISTRAR

RHT CORPORATE ADVISORY PTE. LTD.
9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619

INDEPENDENT AUDITORS

BDO LLP
PUBLIC ACCOUNTANTS AND CHARTERED ACCOUNTANTS
600 North Bridge Road #23-01
Parkview Square Singapore 188778
Partner-in-charge: Adrian Lee Yu-Min (Appointed since the financial year ended 31 December 2017)

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT 33

DIRECTORS' STATEMENT 51

INDEPENDENT AUDITOR'S REPORT 55

STATEMENTS OF FINANCIAL POSITION 60

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 61

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 62

CONSOLIDATED STATEMENT OF CASH FLOWS 64

NOTES TO THE FINANCIAL STATEMENTS 66

STATISTICS OF SHAREHOLDINGS 132

NOTICE OF ANNUAL GENERAL MEETING 134

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION 138

PROXY FORM

CORPORATE GOVERNANCE REPORT

The Board of Directors ("**the Board**") of JB Foods Limited (the "**Company**") and its subsidiaries (the "**Group**") is committed to maintaining a high standard of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

As required by the Listing Manual of Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the following report describes the Company's corporate governance processes and structures that were in place throughout the financial year, with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**").

This report describes the corporate governance framework and practices of the Company that were in place for the financial year ended 31 December 2018 ("**FY2018**"), with specific references to the Code. The Company confirms that it has adhered to the principles and guidelines set out in the Code, where applicable, relevant and practicable to the Group. Any deviations from the guidelines of the Code or areas of non-compliance have been explained accordingly.

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("**2018 Code**"), which will take effect for annual reports covering financial years commencing from 1 January 2019. The Group will review and implement measures to comply with the 2018 Code, where appropriate, for the Company's annual report for the financial year ending 31 December 2019.

Principle 1: The Board's Conduct of its Affairs

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group.

The Board's principal functions include:

a) reviewing the financial results of the Group, internal controls, external audit and resource allocation;

b) supervising and approving strategic direction of the Group;

c) reviewing the business practices and risk management of the Group;

d) approving the annual budgets and major funding proposals;

e) approving and monitoring major investments, divestments, mergers and acquisitions;

f) convening of shareholders' meetings;

g) assuming responsibility for corporate governance; and

h) considering sustainability issues as part of its strategic formulation.

A formal document setting out the guidelines and matters (including the matters set out above) which are to be reserved for the Board's decision has been adopted by the Board.

CORPORATE GOVERNANCE REPORT

To facilitate effective management and support the Board in its duties, certain functions of the Board have been delegated to various Board Committees, namely the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") which have been constituted with clearly defined terms of reference. Matters which are delegated to Board Committees for more detailed appraisals are reported to and monitored by the Board. In order to strengthen and facilitate the Company's risk assessment and management systems, the Board had also established a Risk Committee on 1 April 2014 (the "**Risk Committee**", and together with the AC, NC and RC, collectively referred to herein as "**Board Committees**"). The Board accepts that while the Board Committees have the authority to examine particular issues and will report back to the Board with their decision and/or recommendations, the ultimate responsibility on all matters lies with the entire Board.

In addition, in order to strengthen the independence of the Board, the Company has appointed Mr Chua Cheow Khoon Michael as Chairman of the Board and Lead Independent Director.

The Board has scheduled to meet at least four times a year and to coincide these meetings with the Group's results announcements. Besides the scheduled meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. The Company's Constitution provides for directors to conduct meetings by teleconferencing or videoconferencing. The Board and Board Committees may also make decisions through circular resolutions.

Newly appointed Directors will be given appropriate briefings by the Management on the business activities of the Group, its strategic directions and the Company's corporate governance policies and practices, including amongst other matters, their roles, obligations, duties and responsibilities as members of the Board prior to their appointments. Such newly appointed Directors shall also, on request, travel to see the operations of the Group.

The Directors are updated, from time to time, when new laws or regulations affecting the Group are introduced. The Directors are encouraged to attend seminars and training courses that will assist them in executing their obligations and responsibilities as Directors of the Company and the Company has a training budget which can be used by the Directors to attend courses that they are interested in.

The attendance of the Directors at meetings of the Board and Board Committees held during FY2018 are as follows:

	Board of Directors		Audit Committee		Remuneration Committee		Nominating Committee		Risk Committee	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Director										
Chua Cheow Khoon Michael	5	5	4	4	1	1	1	1	2	2
Tey How Keong	5	5	4	4	1	1	1	1	2	2
Goh Lee Beng	5	5	4	4	1	1	1	1	2	2
Goi Seng Hui (Alternate: Loo Wen Lieh)(1)	5	3 5	4	3 4	1	0 1	1	0 1	2	0 2
Chin Koon Yew	5	5	4	4	1	1	1	1	2	2

Note:

(1) Mr Loo Wen Lieh was appointed as Alternate Director to Mr Goi Seng Hui on 23 May 2013. An Alternate Director is not required to attend a board meeting if the director to whom he is appointed as alternate director is present at such board meeting.

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Balance

As at the date of this Annual Report, the Board comprises five Directors, of whom two are Independent Directors and one is a Non-Executive Director. The two Independent Directors of the Company are Mr Chua Cheow Khoon Michael and Mr Chin Koon Yew. As Mr Chua Cheow Khoon Michael, the Chairman of the Board, is an Independent Director, the current number of Independent Directors complies with the Code's requirement that at least one-third of the Board should comprise Independent Directors, which bring a strong and independent element to the Board. The Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The profiles of the Directors are found in the "Board of Directors" section of this Annual Report.

The Board through the NC has examined its size and composition and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process. The NC is also of the view that the Board has a good balance of Directors who have extensive business, financial, accounting and management experience.

The Board members as of the date of this Annual Report are:

Mr Chua Cheow Khoon Michael	:	Chairman and Lead Independent Director
Mr Goi Seng Hui	:	Non-Independent Non-Executive Director and Vice Chairman
Mr Tey How Keong	:	Chief Executive Officer and Executive Director
Mdm Goh Lee Beng	:	Executive Director
Mr Chin Koon Yew	:	Independent Director
Mr Loo Wen Lieh	:	Alternate Director to Mr Goi Seng Hui

The Company has in place an NC which determines the independence of each Director annually based on the definition of independence as set out in the Code.

The Independent Directors will assist to develop strategy and goals for the Group and regularly assess the performance of the Management.

A Director who is not an employee of the Group and who has no relationship with the Group or its officers or its substantial shareholders which could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement in the best interests of the Company, is considered to be independent. The Board has identified each of the Company's Independent Directors to be independent, after determining, taking into account the views of the NC, whether the Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. Each Director is required to disclose to the Board any such relationships or circumstances as and when they arise.

CORPORATE GOVERNANCE REPORT

None of the Independent Directors has served on the Board for an aggregate period of more than nine years (whether before or after listing). In the event that any Independent Director has served on the Board for nine years or more, the NC will subject the independence of such a Director to particularly rigourous review and explain why such a Director should still be considered independent in the Annual Report. In addition, the Company will seek the approval of (i) shareholders excluding the Directors, the CEO and the associates of the Directors and CEO and (ii) all shareholders, in separate resolutions, for the continued appointment of such Independent Directors.

The Independent Directors meet at least once annually without the presence of the other Directors.

Principle 3: Chairman and Chief Executive Officer

As at the date of this Annual Report, the roles of Chairman and Chief Executive Officer ("**CEO**") are separated to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

Mr Chua Cheow Khoon Michael, the Lead Independent Director, is the Chairman of the Board and Mr Tey How Keong assumes the role of CEO of the Company.

As Chairman, Mr Chua Cheow Khoon Michael is responsible for leading the Board and facilitating its effectiveness and his duties include promoting high standards of corporate governance.

The CEO is responsible for the formulation of the Group's strategic directions and expansion plans, and managing the Group's overall business development.

The separation of the roles of the Chairman and CEO ensures an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman is not related to the CEO.

In view of the above, the Board is of the view that power is not unduly concentrated in the hands of one individual nor is there any compromised accountability and independent decision-making as all major decisions and policy changes are conducted through the respective Board Committees, all of which are chaired by the Independent Directors.

Principle 4: Board Membership

As at the date of this Annual Report, the NC comprises the following members, a majority of whom, including the Chairman, are independent:

Mr Chua Cheow Khoon Michael (Chairman)

Mr Chin Koon Yew

Mr Tey How Keong

CORPORATE GOVERNANCE REPORT

The NC has written terms of reference that describe the responsibilities of its members. The principal functions of the NC are as follows:

(a) reviewing and recommending nomination for re-appointment or re-election or renewal of appointment of the directors;

(b) reviewing on an annual basis the independence of the Independent Directors;

(c) reviewing whether a director is adequately carrying out his duties as a director; and

(d) reviewing and recommending candidates for appointment to the Board and Board Committees.

For new appointments to the Board, the NC will consider the Company's current Board size and its composition and decide if the candidate's background, expertise and knowledge will complement the skills and competencies of the existing Directors on the Board. The candidate must be a person of integrity and must be able to commit sufficient time and attention to the affairs of the Company, especially if he is serving on multiple Boards.

If a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director, the NC, in consultation with the Board, will determine the selection criteria and select the appropriate candidate for the position.

Mr Loo Wen Lieh was appointed as Alternate Director to Mr Goi Seng Hui on 23 May 2013. The NC and the Board had approved Mr Loo Wen Lieh's appointment after taking into account his experience, qualifications and ability to contribute to the Board in Mr Goi Seng Hui's absence. Mr Loo Wen Lieh briefs Mr Goi Seng Hui on the matters discussed during Mr Goi Seng Hui's absence so that Mr Goi Seng Hui is kept up-to-date on matters concerning the Company.

The NC is also tasked with deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director, particularly when he has multiple board representations, and to assess the maximum number of listed entity board representations which any one of the directors may hold. As a guide, Directors of the Company should not have more than six listed company board representations and other principal commitments.

After conducting reviews, the NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group.

Further to the above, the NC reviews the independence of each of the Independent Directors annually. As part of their review process, the NC requires the Independent Directors to complete and execute declaration forms in relation to their independence. These declaration forms are drawn up based on the guidelines in the Code. The NC reviewed the declaration forms executed by the Independent Directors as well as any declaration which they may make to determine their respective independence. Pursuant to its review, the NC is of the view that Mr Chua Cheow Khoon Michael and Mr Chin Koon Yew are independent of the Group and the Management.

All Directors submit themselves for re-nomination and re-election at regular intervals at least once every three years. One-third of the Directors will retire from office by rotation at the Company's annual general meeting ("**AGM**") each year. A retiring Director is eligible for re-election by the shareholders at the AGM.

CORPORATE GOVERNANCE REPORT

Details of the appointment of Directors including date of initial appointment and date of last re-election and directorships in other listed companies, both current and for the preceding three years, are set out below:

Name of Director	Age	Date of Initial Appointment	Date of Last Re-election	Present and Past Directorship in Listed Companies
Chua Cheow Khoon Michael	68	4 May 2012	30 April 2018	**Present Directorships:** – **Past Directorships:** Cogent Holdings Limited (delisted with effect from 8 March 2018)
Goi Seng Hui	72	1 March 2013	26 April 2016	**Present Directorships:** Envictus International Holdings Limited Tung Lok Restaurants (2000) Ltd GSH Corporation Limited **Past Directorships:** Super Group Ltd (delisted with effect from 6 June 2017)
Tey How Keong	53	3 January 2012	25 April 2017	**Present Directorships:** – **Past Directorships:** –
Goh Lee Beng	53	4 May 2012	30 April 2018	**Present Directorships:** – **Past Directorships:** –
Chin Koon Yew	63	18 February 2014	25 April 2017	**Present Directorships:** – **Past Directorships:** –
Loo Wen Lieh	44	23 May 2013	–	–

The Directors who are retiring by rotation pursuant to Article 98 of the Constitution of the Company at the forthcoming AGM are Mr Goi Seng Hui and Mr Tey How Keong. After assessing their respective contributions and performance, the NC is recommending each of Mr Goi Seng Hui and Mr Tey How Keong for re-election at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

Principle 5: Board Performance

The NC uses objective and appropriate quantitative and qualitative criteria to assess the performance of individual directors, and the Board as a whole. Assessment parameters include the attendance records of the directors at Board or Board Committees meetings, the level of participation at such meetings, the quality of Board processes and the business performance of the Group.

The NC assesses and recommends to the Board whether retiring directors are suitable for re-election. The NC considers that the multiple board representations held presently by some Directors do not impede their respective performance in carrying out their duties to the Company.

The Board evaluation assessment is conducted by the NC by way of a Board evaluation where the NC completes a questionnaire seeking their views on various aspects of the individual Directors' and the Board's performance.

Each member of the NC shall abstain from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolutions in respect of his own performance or re-nomination as a Director. The Chairman will act on the results of the performance evaluation, and in consultation with the NC, propose, where appropriate, that new members be appointed to the Board or seek the resignation of Directors.

To assess the effectiveness of the Board as a whole, the factors evaluated by the NC include but are not limited to:

(i) the size and composition of the Board;

(ii) the discussion and decision-making processes of the Board (including the conduct of meetings by the Board);

(iii) the Board's access to information;

(iv) the accountability of the Board to the shareholders;

(v) the observation of risk management and internal control policies by the Board; and

(vi) the performance of the Board (including the Board's performance in relation to the discharge of its principal responsibilities in terms of the financial indicators set out in the Code).

To assess the contribution of each individual Director, the factors evaluated by the NC include but are not limited to:

(i) his/her participation at the meetings of the Board;

(ii) his/her ability to contribute to the discussion conducted by the Board;

(iii) his/her ability to evaluate the Company's strengths and weaknesses and make informed business decisions;

(iv) his/her ability to interpret the Company's financial reports and contribute to the formulation of strategies, budgets and business plans that are compatible with the Group's vision and existing business strategy;

CORPORATE GOVERNANCE REPORT

(v) his/her compliance with the policies and procedures of the Group;

(vi) his/her performance of specific tasks delegated to him/her;

(vii) his/her disclosure of any related person transactions or conflicts of interest; and

(viii) for Independent Directors, his/her independence from the Group and the Management.

The Board and the NC have endeavoured to ensure that the Directors possess the experience, knowledge and expertise critical to the Group's business.

Principle 6: Access to Information

Directors are furnished regularly with information from Management about the Group as well as the relevant background information relating to the business to be discussed at Board meetings. The Directors also have separate and independent access to the Company's Senior Management and the Joint Company Secretaries to facilitate separate and independent access.

One Joint Company Secretary or his/her representative administers and attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. Together with members of the Company's Management, the Joint Company Secretaries are responsible for ensuring that appropriate procedures are followed and that the requirements of the Companies Act and the SGX-ST and other rules and regulations that are applicable to the Company are met. Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his duties and responsibilities as Director.

The appointment and the removal of the Joint Company Secretaries are subject to the Board's approval.

Principle 7: Procedures for Developing Remuneration Policies

As at the date of this report, the RC comprises the following members, a majority of whom are independent:

Mr Chin Koon Yew (Chairman)

Mr Chua Cheow Khoon Michael

Mr Tey How Keong

The RC does not comprise entirely of Non-Executive Directors as the participation of Mr Tey How Keong, the CEO and Executive Director, in the RC helps provide meaningful feedback in the setting of the Group's overall compensation packages due to his in-depth understanding of the Group's human resource capital as well as industry-specific benchmarks in respect of remuneration. The independence of the RC will not be compromised with the involvement of Mr Tey How Keong as the majority of the RC members, including the chairman of the RC, are Independent and Non-Executive Directors.

CORPORATE GOVERNANCE REPORT

The RC has written terms of reference that describe the responsibilities of its members.

The RC will recommend to the Board a framework of remuneration for the Directors and key executives, and determine specific remuneration packages for each Executive Director. The recommendations of the RC will be referred to the Board for approval. The RC is responsible for considering, reviewing, and approving and/or varying (if necessary) the entire specific remuneration package and service contract terms for each member of key management, including but not limited to directors' fees, salaries, allowances, bonuses and other benefits-in-kind. Each member of the RC shall abstain from voting on any resolution in respect of his remuneration package.

If necessary, the RC may seek expert advice inside and/or outside the Company on the remuneration of the Directors and key management personnel. The RC ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The Company has appointed Korn Ferry Hay Group Pte Ltd as remuneration consultants for FY2018.

Principle 8: Level and Mix of Remuneration

As part of its review, the RC ensures that remuneration packages of the Directors and the Management are comparable with industry rates and with similar companies. In its annual review of the remuneration packages of the Directors and the Management, the RC considers the Group's relative performance and the contributions and responsibilities of the individual Directors as well as the financial and commercial position and needs of the Group.

Executive Directors are paid a basic salary pursuant to their respective service agreements. Each service agreement is valid for an initial period of three years with effect from the date of the Company's admission to the SGX-ST. These service agreements provide for, *inter alia*, termination by either party upon giving not less than six months' notice in writing.

The Company is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of Executive Directors' remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss, as they owe a fiduciary duty to the Company and the Company should be able to avail itself of remedies against the Executive Directors in the event of such breach of fiduciary duties.

Non-Executive Directors are paid a basic fee and an additional fee for serving on any of the Board Committees. The Chairman of each Board Committee is compensated for his additional responsibilities. The RC and Board are of the view that the Non-Executive Directors are not over-compensated to the extent that their independence may be compromised. Such fees are approved by the shareholders of the Company as a quarterly payment in arrears at the AGM of the Company.

At the AGM of the Company held on 30 April 2014, the Company, having obtained Shareholders' approval, implemented an employee share option scheme ("**ESOS**") as a compensation scheme to promote higher performance and goals as well as to give recognition to the contributions and services of the Group's employees. For further details of the ESOS, please refer to the Appendix to the Company's Annual Report dated 15 April 2014, which may also be found on SGXNET (http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/annual_financial).

CORPORATE GOVERNANCE REPORT

Principle 9: Disclosure on Remuneration

The level and mix of remuneration of the Company's Directors (rounded off to the nearest thousand dollars) and key management personnel for FY2018 are as follows:

Name of the Directors		Salary S$'000	Bonus S$'000	Other Benefits S$'000	Fees S$'000	Total S$'000
Tey How Keong	Executive	425	1,156	6	–	1,587
Goh Lee Beng	Executive	249	532	5	–	786
Chua Cheow Khoon Michael		–	–	–	66	66
Chin Koon Yew		–	–	–	54	54
Goi Seng Hui		–	–	–	42	42
Loo Wen Lieh		–	–	–	–	–

Name of Top 3 Key Management Personnel	%	%	%	%	%
S$250,000 and below					
Ong Kim Teck	56	30	14	–	100
Saw Poh Chin	70	26	4	–	100
Wong Wing Hong	72	20	8	–	100

The Company had 3 key management personnel for FY2018 (who are not also Directors or the CEO). The total remuneration for these 3 key management personnel amounted to S$598,000 during FY2018.

During FY2018, Mr Tey Yu Xiang, the Corporate Executive of the Group and son of Mr Tey How Keong and Mdm Goh Lee Beng, received a remuneration of between S$50,000 and S$100,000. Save for this, there were no employees of the Group who were immediate family members of a director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeded S$50,000 during the year.

Principle 10: Accountability

In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide the shareholders with detailed analysis and a balanced and understandable assessment of the Company's performance, position and prospects. In addition, the Company will also release timely announcements and news releases of significant corporate developments and activities so that the shareholders can have a detailed explanation and balanced assessment of the Group's financial position and prospects.

Management provides the Board with periodic updates covering operational performance, financial results, marketing and business development and other important and relevant information by various means, including but not limited to holding meetings with the Board or via email in which documents are circulated to the Board for their review or for their information.

Other ways in which information is disseminated to shareholders are further disclosed under Principles 14 and 15.

CORPORATE GOVERNANCE REPORT

Principle 11: Risk Management and Internal Controls

The Board recognises that no internal control system will preclude all errors and irregularities. The system is designed to manage rather than to eliminate the risk of failure to achieve business objectives. The controls are to provide reasonable, but not absolute, assurance to safeguard shareholders' investments and the Group's assets. The Board regularly reviews the adequacy and effectiveness of all internal controls (including financial, operational, compliance and information technology controls) and risk management systems.

The Company outsources its internal audit function to an external professional firm, who reports directly to the Chairman of the AC. The objective of the internal audit function is to determine whether the Group's risk management, control and governance processes, as designed by the Company, are adequate and functioning in the required manner.

The Board with the assistance of the AC, has undertaken an annual assessment on the adequacy and effectiveness of the Group's risk management and internal control systems. The assessment considered issues dealt with in reports reviewed by the AC and the Board during the year together with any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls for the Group for FY2018.

In order to obtain assurance that the Group's risks are managed adequately and effectively, the Board had reviewed an overview of the risks which the Group is exposed to, as well as an understanding of what countermeasures and internal controls are in place to manage them.

The Board has obtained a written confirmation from the CEO and the Chief Financial Officer:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) regarding the adequacy and effectiveness of the Group's risk management and internal control systems.

Based on the internal controls and risk management systems established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by the Management, various Board Committees and the Board, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems are adequate to address the financial, operational, compliance and information technology risks in its current business environment.

In addition, the Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and Board.

The Board acknowledges that it is responsible for the overall internal control and risk management framework, but recognises that all internal control and risk management systems contain inherent limitations and that no internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Board notes that all internal control systems can provide only reasonable and not absolute assurance against the occurrence of material misstatement or loss, poor judgment in decision making, human error, fraud or other irregularities.

CORPORATE GOVERNANCE REPORT

In order to further strengthen and facilitate the Company's risk assessment and management systems, the Board had also established a Risk Committee on 1 April 2014. As at the date of this Annual Report, the Risk Committee comprises the following members:

Mr Chin Koon Yew (Chairman)

Mr Tey How Keong

Mr Goi Seng Hui

Mr Wong Wing Hong

The Risk Committee has written terms of reference that describe the responsibilities of its members. The principal functions of the Risk Committee are as follows:

(a) to advise the Board on the Company's overall risk tolerance and strategy;

(b) oversee and advise the Board on the current risk exposures and future risk strategy of the Company;

(c) in relation to risk assessment:

  (i) keep under review the Company's overall risk assessment processes that inform the Board's decision making;

  (ii) review regularly and approve the parameters used in these measures and the methodology adopted; and

  (iii) set a process for the accurate and timely monitoring of large exposures and certain risk types of critical importance;

(d) review the Company's capability to identify and manage new risk types;

(e) before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions, focusing in particular on risk aspects and implications for the risk tolerance of the Company, and taking independent external advice where appropriate and available;

(f) review reports on any material breaches of risk limits and the adequacy of proposed action;

(g) keep under review the effectiveness of the Company's internal controls and risk management systems and review and approve the statements to be included in the annual report concerning the effectiveness of the Company's internal control and risk management systems;

(h) review the Company's procedures for detecting fraud, including the whistleblowing policy (if any). The Risk Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and

(i) monitor the independence of risk management functions throughout the organisation.

CORPORATE GOVERNANCE REPORT

Principle 12: Audit Committee

As at the date of this report, the AC comprises the following members, all of whom are Non-Executive Directors:

Mr Chua Cheow Khoon Michael (Chairman)

Mr Goi Seng Hui

Mr Chin Koon Yew

The members of the AC, collectively, have expertise or experience in financial management and are qualified to discharge the AC's responsibilities.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation of the Management, full discretion to invite any persons including a Director or an employee of the Group to attend its meeting, and reasonable resources to enable it to discharge its functions properly.

The AC holds meetings periodically and has been entrusted with the following functions:

(a) review the financial and operating results and accounting policies;

(b) review the audit plans of the Company's external auditors and/or internal auditors, the scope of work and the results of the auditors' review and evaluation of the internal accounting control systems (including reviewing Management letters and Management responses);

(c) evaluating the internal accounting control systems and ensuring coordination between the external auditors, the internal auditors and the Management, and review the assistance given by the Management to the auditors, and discuss problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of the Management, where necessary);

(d) review the external auditors' reports;

(e) review the cooperation given by the Company's officers to the external auditors;

(f) review the half yearly and annual, and quarterly (if applicable) financial statements of the Company and the Group and the results announcements before the submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual of the SGX-ST and any other relevant statutory or regulatory requirements;

(g) review and evaluate the administrative, operating and internal accounting and financial control procedures;

(h) review and make recommendation to the Board on the nomination of external auditors and internal auditors for appointment or re-appointment and matters relating to the resignation or dismissal of the external auditors and internal auditors;

CORPORATE GOVERNANCE REPORT

(i) review interested person transactions falling within Chapter 9 of the Listing Manual of the SGX-ST, if any;

(j) review and discuss with the external auditors and internal auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;

(k) review any potential conflicts of interest;

(l) review the key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review will be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET;

(m) review and recommend hedging policies and instruments, if any, to be implemented by the Company to the Directors;

(n) undertake such reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(o) generally undertake such other functions and duties which may be required by statute or the rules of the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time;

(p) reviewing the suitability of the Chief Financial Officer; and

(q) review, on an annual basis, whether or not to exercise the Kakao GmbH Call Option.

The AC meets with the external auditors without the presence of the Management at least once in every financial year.

The AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with updates being given by the external and internal auditors.

The AC constantly bears in mind the need to maintain a balance between the independence and objectivity of the external auditors and the work carried out by the external auditors based on value for money consideration. The aggregate amount of fees paid to the external auditors of the Group during the financial year under review for the audit and non-audit services are disclosed in Note 24 to the financial statements in this Annual Report.

The AC has also reviewed the scope and quality of the external auditors' work before recommending the external auditors to the Board for re-appointment. After taking into account that the resources and experience of BDO LLP and the audit engagement partner assigned to the audit, BDO LLP's other audit engagements, the size and complexity of the audit for the Group as well as the number and experience of the staff assigned by BDO LLP for the audit, the AC is of the opinion that BDO LLP's independence has not been compromised and BDO LLP is able to meet its audit obligations.

The AC has recommended and the Board approves the nomination for the re-appointment of BDO LLP as external auditors of the Company at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

The auditors of the Company's subsidiaries are disclosed in Note 9 to the financial statements in this Annual Report. BDO LLP, Singapore was appointed in FY2018 to audit the accounts of the Company and JB Foods Global Pte. Ltd.. BDO PLT, Malaysia was appointed in FY2018 to audit the accounts of JB Cocoa Sdn Bhd and Allegis NPD Sdn Bhd. KAP Tanubrata Sutanto Fahmi Bambang & Rekan, Indonesia, a member firm of BDO International Limited, was appointed in FY2018 to audit the accounts of PT Jebe Koko and PT Jebe Trading Indonesia. BDO China Shu Lun Pan CPA LLP was appointed in FY2018 to audit the accounts of JB Cocoa Foods (China) Co., Ltd.

In appointing the audit firms for the Group, the AC is satisfied that the Company has complied with Rules 712 and 715 of the Listing Manual of the SGX-ST.

The Company has put in place a whistle-blowing policy, which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. Details of the whistle-blowing policy and arrangements have been made available to all employees of the Company.

There were no reported incidents pertaining to whistle-blowing which fell under the scope and purview of the whistle-blowing policy for FY2018.

Internal Audit

Principle 13: The Company should establish an Internal Audit Function that is Independent of the Activities it Audits.

The Board acknowledges that it is responsible for maintaining an internal audit function independent of the activities it audits. The Company has appointed Yang Lee & Associates to perform such internal audit functions ("**Internal Auditors**"). Yang Lee & Associates are not the external auditors of the Company and the AC noted that the internal audits conducted by the Internal Auditors meet the standards set out by the Institute of Internal Auditors.

The Internal Auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The Internal Auditors shall remain independent of the Management and will report to the Chairman of the AC on any material weaknesses and risks identified in the course of the audit which will also be communicated to Management. Management will accordingly update the AC on the status of the remedial action plans. To ensure the adequacy of the internal audit function, the AC reviews the Internal Auditors' scope of work on an annual basis. The AC is satisfied with the adequacy and effectiveness of the current internal audit function and is of the view that the internal audit function is independent, effective and adequately resourced. The AC also believes that the system of internal controls and risk management maintained by the Company is adequate to safeguard Shareholders' investment and the Company's assets.

CORPORATE GOVERNANCE REPORT

Shareholders Rights and Responsibilities

Principle 14: Shareholder Rights

The Shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Written policies and procedures are implemented to ensure that there is adequate disclosure of development in the Group in accordance with the Listing Manual of the SGX-ST.

Any notice of a general meeting of Shareholders is issued at least 14 days before the scheduled date of such meeting.

Principle 15: Communication with Shareholders

The Board is mindful of its obligations to provide timely disclosure of material information to shareholders of the Company and does so through:

(a) annual reports issued to all shareholders of the Company. Non-shareholders may access the SGX website for the Company's annual reports;

(b) quarterly results announcements of its financial statements on the SGXNET;

(c) other announcements on the SGXNET; and

(d) press releases on major developments regarding the Group.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to Shareholders via announcements released on SGXNET.

Principle 16: Conduct of Shareholder Meetings

The Company is committed to regular and proactive communication with its shareholders in line with continuous disclosure obligations of the Company under the Rules of SGX-ST. Pertinent information will be disclosed to shareholders in a timely, fair and equitable manner. The Company does not practise selective disclosure. Price sensitive information is first publicly released before the Company meets with any group of investors or analysts.

Pertinent information is communicated to shareholders through:

(a) quarterly results announcements which are published on the SGXNET and in news releases;

(b) the Company's annual reports that are prepared and issued to all shareholders;

CORPORATE GOVERNANCE REPORT

(c) notices of and explanatory memoranda, for AGMs and extraordinary general meetings; and

(d) press releases on major developments of the Group.

Shareholder meetings are the principal forum for communication with shareholders. Annual Reports and notices of the AGMs or any other shareholder meetings (as the case may be) are sent to all shareholders. The members of the AC, NC and RC will be present at AGMs to answer questions relating to the work of these Board Committees. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders. The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis.

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, unless the issues are interdependent and linked so as to form one significant proposal.

The Company's Constitution allows a shareholder of the Company to appoint up to two proxies to attend and vote on behalf of the shareholder at shareholder meetings, save that no limit shall be imposed on the number of proxies for nominee companies.

Votes at the forthcoming AGM and any other shareholder meetings going forward will be taken by poll so that shareholders are accorded rights proportionate to their shareholding and all votes are counted.

Additional Information

Dealing in Securities

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, the Group issues quarterly reminders to its Directors, officers and employees on the restrictions in dealing in the Company's securities during the period commencing (i) two weeks prior to the announcement of financial results of each of the first three quarters of the financial year, and (ii) one month before the announcement of full year results, and ending on the date of such announcements.

Directors, officers and employees are also reminded not to trade in the Company's securities at any time while in possession of unpublished price sensitive information and to refrain from dealing in the Company's securities on short-term considerations.

Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons or related persons are reported in a timely manner to the AC and that the transactions are carried out on normal commercial terms and shall not be prejudicial to the interests of the Company and its minority shareholders. When a potential conflict of interest arises, the Director concerned takes no part in discussions nor exercises any influence over other members of the Board.

CORPORATE GOVERNANCE REPORT

During FY2018, the Group did not enter into any interested person transaction with a value of more than S$100,000. The Group had, however, during FY2018, entered into related person transactions with a related person which is not an "interested person" as defined under Chapter 9 of the Listing Manual of the SGX-ST. The aggregate value of recurrent related person transactions of a revenue or trading nature conducted during FY2018 were as follows:

Related Person	Aggregate value of all related person transactions entered into during the financial year under review (excluding transactions less than S$100,000) FY2018 USD'000
Guan Chong Cocoa Manufacturer Sdn Bhd	
– Purchase of cocoa ingredient	1,255
– Sales of cocoa ingredient	212
GCB Cocoa Singapore Pte Ltd	
– Purchase of cocoa ingredient	1,772

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the SGX-ST.

Material Contracts

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of the CEO, any director or controlling shareholder during the year under review.

Use of Proceeds of Rights Issue

The Company had on 5 April 2018 completed a renounceable non-underwritten rights issue of up to 75,799,991 new ordinary shares in the capital of the company at an issue price of S$0.25 for each rights share, on the basis of one (1) rights share for every three (3) existing ordinary shares in the capital of the Company held by entitled shareholders as at the books closure date, fractional entitlements to be disregarded (the "**Rights Issue**").

Pursuant to Rule 1207(20) of the Listing Manual of the SGX-ST, the Company will disclose the use of proceeds from the Rights Issue in the annual report, and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital.

As announced by the Company on 28 November 2018, the proceeds from the Rights Issue has been fully utilised and the utilisation of the proceeds were consistent with the use of proceeds as disclosed in the offer information statement for the Rights Issue.

DIRECTORS' STATEMENT

The Directors of JB Foods Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) 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.

2. Directors

The Directors of the Company in office at the date of this statement are as follows:

Chua Cheow Khoon Michael
Goi Seng Hui
Tey How Keong
Goh Lee Beng
Chin Koon Yew
Loo Wen Lieh (Alternate director to Goi Seng Hui)

3. Arrangements to enable Directors to acquire shares or debentures

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

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

Name of directors and companies in which interests are held	Shareholdings registered in the name of director		Shareholdings in which director is deemed to have an interest	
	Balance at 1 January 2018	Balance at 31 December 2018	Balance at 1 January 2018	Balance at 31 December 2018
Immediate and ultimate holding company				
(Number of ordinary shares)				
Tey How Keong	270,000	270,000	–	–
Goh Lee Beng	105,000	105,000	–	–
Company				
(Number of ordinary shares)				
Tey How Keong	450,000	1,128,100	118,860,000	138,030,000
Goh Lee Beng	2,564,000	3,418,666	118,860,000	138,030,000
Goi Seng Hui	194,400	259,200	39,036,200	72,498,266
Chin Koon Yew	474,000	632,000	–	–

By virtue of Section 7 of the Act, Tey How Keong and Goh Lee Beng are deemed to have an interest in all related corporations of the Company. Tey How Keong is deemed to be interested in the shares held by his wife, Goh Lee Beng, and vice versa.

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2019 in the shares of the Company have not changed from those disclosed as at 31 December 2018.

5. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

DIRECTORS' STATEMENT

6. Audit committee

The audit committee comprises the following members, who are the directors at the date of the report:

Chua Cheow Khoon Michael (Chairman)
Goi Seng Hui
Chin Koon Yew

The audit committee has carried out its functions in accordance with section 201B (5), including reviewing the following, where relevant, with the executive Directors and external and internal auditors of the Company:

(a) the audit plans of the internal and external auditors and the results of the internal auditors examination and evaluation of the Group's systems of internal accounting controls;

(b) the Group's and the Company's financial and operating results and accounting policies;

(c) the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;

(d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the management to the Company's external and internal auditors;

(f) the re-appointment of the external and internal auditors of the Company; and

(g) the Interested Person Transactions as defined in Chapter 9 of the Listing Manual of the SGX-ST as is required by SGX-ST and ensures that the transactions were on normal commercial terms and not prejudicial to the interests of the members of the Company.

The audit committee confirmed that it has undertaken a review of all non-audit services provided by the external auditor to the Group and is satisfied that the nature and extent of such services would not affect the independence of the external auditor.

The audit committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the audit committee.

The audit committee has recommended to the Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT

7. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Tey How Keong	**Goh Lee Beng**
Director	Director

27 March 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JB FOODS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JB Foods Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 60 to 131, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JB FOODS LIMITED

Report on the Audit of the Financial Statements (Continued)

1 Valuation of inventories

Key Audit Matter

As at 31 December 2018, the inventories of the Group amounted to approximately US$112.8 million, which represents 45% of the total assets of the Group, and is one of the most significant balances on the consolidated statement of financial position.

Inventories of the Group, which comprise mainly raw materials (cocoa beans), work in progress and finished goods (processed cocoa ingredient products), are carried at lower of cost and net realisable value. The cost of cocoa ingredient products is computed using a formula in which cocoa bean purchase prices and selling prices of cocoa ingredient products are the key determinants.

We focused on the valuation of inventories because purchase prices of cocoa beans are subject to price volatility, estimated demand and related pricing. In addition, as the global cocoa market continues to be challenging amidst volatility in prices of cocoa beans and cocoa ingredient products, there is a risk that selling prices may be below cost which may result in an overstatement of inventories.

Related Disclosures

Refer to Notes 2.8, 3.2(ii) and 10 of the accompanying financial statements.

Audit Response

Our procedures included, amongst others, the following:

- Assessed the inventories costing formula and checked the computation of the cost of cocoa ingredient products for a sample of items which included checking the cocoa beans purchase prices to suppliers' invoices, cocoa ingredient products selling price to forward market rates and testing the application of the inventories costing formula;
- Assessed the net realisable values of the inventories by comparing the cost of cocoa beans and cocoa ingredient products, on a sample basis, to actual selling prices or contract prices for sales contracts secured and spot prices of cocoa beans and cocoa ingredient products subsequent to the year end; and
- Tested the inventory aging reports which management used as a basis to identify slow-moving inventories.

The results of our testing were satisfactory.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JB FOODS LIMITED

Report on the Audit of the Financial Statements (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JB FOODS LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JB FOODS LIMITED

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Adrian Lee Yu-Min.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore

27 March 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group			Company		
		31 December		1 January	31 December		1 January
	Note	2018	2017	2017	2018	2017	2017
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Non-current assets							
Intangible assets	4	**321**	451	515	**–**	–	–
Investment property	5	**4,072**	4,003	4,045	**–**	–	–
Land use rights	6	**1,260**	1,361	1,153	**–**	–	–
Property, plant and equipment	7	**68,075**	55,611	52,709	**–**	–	–
Prepaid lease payments	8	**1,468**	1,682	1,307	**–**	–	–
Investments in subsidiaries	9	**–**	–	–	**103,385**	91,877	66,177
Deferred tax assets	19	**160**	137	114	**–**	–	–
Other receivables	11	**–**	–	–	**–**	–	24,000
		75,356	63,245	59,843	**103,385**	91,877	90,177
Current assets							
Inventories	10	**112,837**	83,216	95,795	**–**	–	–
Trade and other receivables	11	**45,099**	34,771	39,413	**7,797**	3,647	3,175
Prepayments		**723**	591	361	**8**	9	7
Derivative financial instruments	14	**855**	146	256	**–**	–	–
Current income tax recoverable		**–**	5	883	**–**	–	–
Cash and cash equivalents	12	**13,416**	15,641	7,119	**62**	29	7
		172,930	134,370	143,827	**7,867**	3,685	3,189
Current liabilities							
Trade and other payables	13	**36,309**	31,597	25,285	**101**	3,512	50
Derivative financial instruments	14	**543**	528	1,200	**–**	–	–
Bank borrowings	15	**80,276**	78,461	101,631	**–**	–	–
Finance lease payable	16	**–**	–	71	**–**	–	–
Current income tax payable		**3,655**	48	172	**16**	16	70
		120,783	110,634	128,359	**117**	3,528	120
Net current assets		**52,147**	23,736	15,468	**7,750**	157	3,069
Non-current liabilities							
Bank borrowings	15	**85**	–	–	**–**	–	–
Deferred capital grant	17	**487**	525	444	**–**	–	–
Provision for post-employment benefits	18	**275**	298	202	**–**	–	–
Deferred tax liabilities	19	**4,579**	2,034	738	**–**	–	–
		5,426	2,857	1,384	**–**	–	–
Net assets		**122,077**	84,124	73,927	**111,135**	92,034	93,246
Capital and reserves							
Share capital	20	**113,963**	99,641	99,641	**113,963**	99,641	99,641
Other reserves	21	**(32,947)**	(32,276)	(32,488)	**(8,458)**	(8,458)	(8,458)
Retained earnings	21	**41,051**	16,749	6,764	**5,630**	851	2,063
Equity attributable to owners of the parent		**122,067**	84,114	73,917	**111,135**	92,034	93,246
Non-controlling interests		**10**	10	10	**–**	–	–
Total equity		**122,077**	84,124	73,927	**111,135**	92,034	93,246

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 US$'000	2017 US$'000
Revenue	22	**327,114**	295,625
Cost of sales		**(277,673)**	(263,735)
Gross profit		**49,441**	31,890
Other items of income			
Interest income		**110**	114
Other gains/(losses), net		**1,332**	(1,725)
Other items of expense			
Selling and distribution expenses		**(5,603)**	(4,510)
Administrative expenses		**(8,540)**	(6,382)
Finance costs	23	**(2,652)**	(2,491)
Profit before income tax	24	**34,088**	16,896
Income tax expense	25	**(7,303)**	(2,689)
Profit for the financial year		**26,785**	14,207
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences, net of tax		**(698)**	212
Item that will not be reclassified subsequently to profit or loss:			
Re-measurement of post-employment benefits, net of tax	18	**59**	(2)
Other comprehensive income for the financial year, net of tax		**(639)**	210
Total comprehensive income for the financial year		**26,146**	14,417
Profit attributable to:			
Owners of the parent		**26,785**	14,207
Non-controlling interests		**–**	–
		26,785	14,207
Total comprehensive income attributable to:			
Owners of the parent		**26,146**	14,417
Non-controlling interests		**–**	–
		26,146	14,417
Earnings per share			
– Basic and diluted (US$ cents)	26	**9.1**	5.4

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital USD'000	Merger reserve USD'000	Statutory reserve USD'000	Foreign currency translation reserve USD'000	Retained earnings USD'000	Equity attributable to the owners of the parent USD'000	Non-controlling interest USD'000	Total equity USD'000
GROUP									
Balance as at 1 January 2018 as previously		99,641	(25,472)	–	(6,804)	16,749	84,114	10	84,124
Effect of transition to SFRS(I) 9	34	–	–	–	–	(290)	(290)	–	(290)
Balance as at 1 January 2018 as restated		99,641	(25,472)	–	(6,804)	16,459	83,824	10	83,834
Profit for the financial period		–	–	–	–	26,785	26,785	–	26,785
Other comprehensive income for the financial period									
Re-measurement of post-employment benefits, net of tax		–	–	–	–	59	59	–	59
Foreign currency translation differences, net of tax		–	–	–	(698)	–	(698)	–	(698)
Total comprehensive income for the financial period		–	–	–	(698)	26,844	26,146	–	26,146
Contribution by and distribution to owners									
Issuance of ordinary shares	20	14,436	–	–	–	–	14,436	–	14,436
Share issuance expenses	20	(114)	–	–	–	–	(114)	–	(114)
Dividends on ordinary shares	27	–	–	–	–	(2,225)	(2,225)	–	(2,225)
Total transactions with owners of the parent		14,322	–	–	–	(2,225)	12,097	–	12,097
Others									
Transfer to statutory reserve	21	–	–	27	–	(27)	–	–	–
Balance as at 31 December 2018		113,963	(25,472)	27	(7,502)	41,051	122,067	10	122,077

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital USD'000	Merger reserve USD'000	Foreign currency translation reserve USD'000	Retained earnings USD'000	Equity attributable to the owners of the parent USD'000	Non-controlling interest USD'000	Total equity USD'000
GROUP								
Balance as at 1 January 2017		99,641	(25,472)	(7,016)	6,764	73,917	10	73,927
Profit for the financial period		–	–	–	14,207	14,207	–	14,207
Other comprehensive income for the financial period								
Re-measurement of post-employment benefits, net of tax		–	–	–	(2)	(2)	–	(2)
Foreign currency translation differences, net of tax		–	–	212	–	212	–	212
Total comprehensive income for the financial period		–	–	212	14,205	14,417	–	14,417
Contributions by and distribution to owners								
Dividends on ordinary shares	27	–	–	–	(4,220)	(4,220)	–	(4,220)
Balance as at 31 December 2017		99,641	(25,472)	(6,804)	16,749	84,114	10	84,124

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 US$'000	2017 US$'000
Operating activities		
Profit before income tax	**34,088**	16,896
Adjustments for:		
Amortisation of intangible assets	**153**	153
Amortisation of land use rights	**28**	26
Amortisation of prepaid lease payments	**214**	162
Amortisation of deferred capital grant	**(10)**	(10)
Depreciation of investment property	**60**	60
Depreciation of property, plant and equipment	**4,448**	4,282
Fair value gain on derivative financial instruments	**(694)**	(562)
Reversal of impairment loss on trade receivables	**(346)**	(145)
Bad debt written off	**10**	–
Interest expense	**2,652**	2,491
Interest income	**(110)**	(114)
(Reversal of write down)/Write down to net realisable value of inventory	**(11)**	251
(Gain)/Loss on disposal of property, plant and equipment	**(4)**	28
Provision for post-employment benefits	**75**	93
Operating cash flows before working capital changes	**40,553**	23,611
Inventories	**(29,610)**	12,328
Trade and other receivables	**(10,282)**	4,787
Prepayments	**(132)**	(230)
Trade and other payables	**8,117**	2,907
Cash from operations	**8,646**	43,403
Income tax paid	**(1,179)**	(595)
Net cash from operating activities	**7,467**	42,808
Investing activities		
Proceeds from deferred capital grant	**–**	58
Proceeds from disposal of property, plant and equipment	**158**	–
Proceeds from disposal of intangible assets	**8**	–
Prepaid lease payment	**–**	(537)
Purchase of intangible assets	**(31)**	(89)
Purchase of property, plant and equipment	**(17,301)**	(7,104)
Purchase of land use rights	**–**	(151)
Additions to investment property	**(129)**	(18)
Interest received	**110**	114
Net cash used in investing activities	**(17,185)**	(7,727)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 US$'000	2017 US$'000
Financing activities		
Proceeds from issuance of ordinary shares	**14,436**	–
Share issuance expenses	**(114)**	–
Drawdown of borrowings	**235,332**	222,860
Repayments of borrowings	**(233,432)**	(246,030)
Repayments of finance lease	**–**	(71)
Dividend paid on ordinary shares	**(5,630)**	(815)
Interest paid	**(2,652)**	(2,491)
Net cash used in/(from) financing activities	**7,940**	(26,547)
Net change in cash and cash equivalents	**(1,778)**	8,534
Cash and cash equivalents at beginning of financial year	**15,641**	7,119
Effect of exchange rate changes on cash and cash equivalents	**(447)**	(12)
Cash and cash equivalents at end of financial year (Note 12)	**13,416**	15,641

Reconciliation of liabilities arising from financing activities:

	2017 US$'000	Cash flows US$'000	2018 US$'000
Bank borrowings	78,461	1,900	**80,361**

	2016 US$'000	Cash flows US$'000	2017 US$'000
Bank borrowings	101,631	(23,170)	78,461
Finance lease payables	71	(71)	–
	101,702	(23,241)	78,461

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

JB Foods Limited (the "Company") (Registration Number 201200268D) is a public company limited by shares, incorporated and domiciled in the Republic of Singapore. The Company's registered office address is at 80 Robinson Road #17-02 Singapore 068898. The principal place of business is at Lot CP1, Jalan Tanjung A/6, Pelabuhan Tanjung Pelepas, 81560 Gelang Patah, Johor, Malaysia. The Company is listed on Singapore Exchange Securities Trading Limited on 23 July 2012.

The Company's immediate and ultimate holding company is JB Cocoa Group Sdn Bhd, a company incorporated in Malaysia.

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are set out in Note 9 to the financial statements.

The statement of financial position of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2018 were authorised for issue in accordance with a Directors' resolution dated 27 March 2019.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements are the Group and the Company's first financial statements prepared in accordance with SFRS(I). The Group and the Company have previously prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). As required by SFRS(I) 1 First-time adoption of Singapore Financial Reporting Standards (International), the Group and the Company have consistently applied the same accounting policies in its opening statement of financial position at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. Comparative information for the financial year ended 31 December 2017 in these financial statements have been restated to give effect to these changes and the financial impact on transition from FRS to SFRS(I) are disclosed in Note 34 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in United States dollar ("US$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("US$'000") as indicated.

The preparation of financial statements in compliance with SFRS(I) requires the management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on the management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 3 to the financial statements.

Due to the transition from FRS to SFRS(I), these financial statements are required to apply all SFRS(I)s effective for annual periods beginning on or after 1 January 2018.

SFRS(I) and SFRS(I) INT issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I) and SFRS(I) INT that are relevant to the Group were issued but not yet effective, and have not been adopted early in these financial statements:

			Effective date (annual periods beginning on or after)
SFRS(I) 16	:	Leases	1 January 2019
SFRS(I) INT 23	:	Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 3 (Amendments)	:	Definition of a Business	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8 (Amendments)	:	Definition of Material	1 January 2020

Consequential amendments were also made to various standards as a result of these new or revised standards.

Management anticipates that the adoption of the above SFRS(I) and SFRS(I) INT in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which that control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting date as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in its subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

When the Group loses control of subsidiaries, it derecognises the assets and liabilities of the subsidiaries and any non-controlling interests. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

Acquisition of entities under common control

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect the fair values, or recognise any new assets or liabilities.
- No goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within equity as merger reserve.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.3 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense for intangible assets with finite useful lives is recognised in profit or loss through the 'amortisation of intangible assets' line item.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Computer software licenses

Acquired computer software licences are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense as incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful life of 5 years.

The useful life and amortisation method are reviewed at each financial year-end to ensure that the period of amortisation and amortisation method are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the computer software.

Software under development

Software under development represent items of system under development, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of development during the period of development. Software under development is reclassified to appropriate category of intangible assets when it is completed and ready for use with amortisation commencing thereafter.

2. Summary of significant accounting policies (Continued)

2.4 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation is initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses.

Depreciation is charged, using the straight-line method, so as to write off the cost over its estimated useful life of 50 years.

The residual value, useful life and depreciation method of investment property are reviewed and adjusted as appropriate, at the end of each financial year. The effects of any revision are included in profit or loss when the changes arise.

Investment property is subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

On disposal or retirement of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

2.5 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment that has already been recognised is added to the carrying amount of the item when it is probable that the future economic benefits associated with the item will flow to the Group, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Property, plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives. The principal annual rates of depreciation used are as follows:

Factory buildings	
– factory buildings	2% – 5%
– renovation and safety	10%
Plant and machinery, tools and equipment	
– plant and equipment	5%
– crane and laboratory	8%
– factory equipment	10%
– pallet	20%
Office equipment, furniture and fittings	
– furniture and fittings, office equipment, telecommunication and data line	10%
– computers and signboard	20%
Motor vehicles	
– forklift	8%
– motor vehicles	12.5% – 20%

Capital work-in-progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Capital work-in-progress is reclassified to the appropriate category of property, plant and equipment when it is completed and ready for use with depreciation commencing thereafter.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, estimated useful lives and depreciation method are reviewed and adjusted as appropriate at the end of each financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.6 Prepaid lease payments

Prepaid operating lease payments represent the lump sum payment for the sub-lease of land. The amount is charged to profit or loss using the straight line basis over their respective lease periods.

2.7 Land use rights

Land use rights represent payments made to acquire land held under an operating lease. Land use rights are stated at costs less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the lease term of 50 years.

2.8 Inventories

Inventories, which comprise cocoa beans, cocoa ingredient products and stores and supplies are stated at the lower of cost and net realisable value.

Cost is calculated using the "weighted average" method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of work-in-progress and finished goods, cost includes direct materials, direct labour and attributable production overheads. Cost allocation to work-in-progress and finished goods was determined using a formula in which cocoa bean purchase prices and selling prices of cocoa ingredient products are the key determinants.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Where necessary, allowance is made for obsolete, slow-moving and defective inventories to adjust the carrying values of those inventories to the lower of cost and net realisable value.

2.9 Impairment of non-financial assets

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.9 Impairment of non-financial assets (Continued)

Intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit and loss.

2.10 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets into one of the categories below, depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost (Continued)

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 January 2018

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the nature and purpose for which the assets were acquired and is determined at the time of initial recognition.

All financial assets are initially recognised at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially recognised at fair value.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as FVTPL if the financial asset is either held for trading or is designated as such upon initial recognition.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the short term; or if it is part of an identified portfolio of financial instruments with a recent actual pattern of short-term profit-taking and which is managed by the Group; or if it is a derivative that is not designated and effective as a hedging instrument. The Group has not designated any financial assets as FVTPL upon initial recognition.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. The Group's loans and receivables in the statements of financial position comprise trade and other receivables (excluding advances to suppliers) and cash and cash equivalents.

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 January 2018 (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the assets have been impacted.

An allowance for impairment of loans and receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed either directly or by adjusting on allowance account. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

Derecognition of financial assets

The Group derecognises financial assets only when the contractual rights to the cash flows from the assets expire or it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an entity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received net of direct issue costs. The Group classifies ordinary shares as equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss ("FVTPL") or other financial liabilities.

Financial liabilities are classified as at FVTPL if the financial liability is either held for trading, including derivatives not designated and effective as a hedging instrument; or it is designated as such upon initial recognition. The Group has not designated any financial liabilities as FVTPL upon initial recognition.

Other financial liabilities

Trade and other payables

Trade and other payables are initially recognised at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

Bank borrowings

Bank borrowings are initially recognised at fair value, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the period of the bank borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Bank borrowings (Continued)

Bank borrowings which are due to be settled within 12 months after the end of the reporting period are presented as current borrowings even though the original terms were for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period and before the financial statements are authorised for issue. Other bank borrowings due to be settled more than 12 months after the end of the reporting period are presented as non-current borrowings in the statement of financial position.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligation is discharged, cancelled or they expired. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and bank balances and short-term deposits.

2.12 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). All of the Group's revenue is derived from fixed price contracts and therefore, the amount of revenue earned for each contract is determined by reference to those fixed prices.

The Group's principal activities are the manufacturing and selling of cocoa ingredient products. Revenue from the sales of these products is recognised at a point in time when the products are delivered to customers. The Group's performance obligations are satisfied when the control of products are transferred to the customers on shipment. There is limited judgement needed to identify when the point of control passes to customers. There is no element of significant financing component in the Group's revenue transactions as customers are required to pay within the credit term given.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.12 Revenue recognition (Continued)

The sale of cocoa ingredient products to customers includes a standard right of return for defective products or products that do not meet customer's specification. The Group's standard right of return which are satisfied by the exchanges by customers of cocoa ingredient products for another of the same type, quality, condition and price are not considered returns for the purpose of applying SFRS(I) 15.

Interest income

Interest income is recognised using the effective interest rate method.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

2.13 Research and development expenditure

Research costs are recognised in profit or loss as incurred. Deferred development costs arising from development expenditure on an individual product/project is recognised as an intangible asset only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and ability to measure reliably the expenditure during the development.

After initial recognition of development expenditure as an intangible asset, it is stated at cost less accumulated amortisation and impairment loss, if any.

2.14 Leases

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised as property, plant and equipment and intangible assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.14 Leases (Continued)

Operating leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Rental income from operating leases (net of any incentives given to lessees) is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished.

2.15 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution plan.

Defined benefit plans

Certain subsidiaries operates defined benefit plans, which are unfunded.

Defined benefit plans surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality government bonds that have maturity dates approximating to the term of the liabilities; plus
- Unrecognised past service costs; less
- The effect of minimum funding requirements agreed with scheme trustees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.15 Employee benefits (Continued)

Defined benefit plans (Continued)

Remeasurements of the net defined obligation are recognised directly within equity. The remeasurements include:

– Actuarial gains and losses

– Return on plan assets (interest exclusive)

– Any asset ceiling effects (interest exclusive).

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Net interest expenses/(income) is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss.

Settlements of defined benefit plans are recognised in the period in which the settlement occurs.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for unutilised annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

2.16 Borrowing costs

Borrowing costs comprise interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.17 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.17 Taxes (Continued)

Deferred tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary difference can be utilised.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.18 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in a currency other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.18 Foreign currency transactions and translation (Continued)

Exchange differences arising on the settlement of monetary items and on retranslation of monetary items are recognised in profit or loss for the period. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign exchange reserve.

On disposal of a foreign operation, the accumulated foreign currency translation reserve relating to that operation is reclassified to profit or loss.

2.19 Financial guarantee contracts

The Company has issued corporate guarantees to banks for facilities provided to the subsidiaries. These guarantees are financial guarantee contracts as they require the Company to make payments to the banks if the subsidiaries fail to fulfill their obligations relating to the facilities utilised in accordance with the terms of their facilities.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Prior to 1 January 2018, financial guarantee contracts are subsequently amortised to profit or loss over the period of the borrowings or other facilities utilised, unless the Company has incurred an obligation to make payments to banks for an amount higher than the unamortised amount, in which case the financial guarantee contracts are carried at the expected amount payable to the banks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.20 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

2.21 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements made in applying the accounting policies

Management is of the opinion that there are no critical judgements (other than those involving estimates) that have a significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(i) Amortisation of intangible assets and depreciation of property, plant and equipment

The Group amortises the intangible assets and depreciates the property, plant and equipment, using the straight-line method, over their estimated useful lives. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's intangible assets and property, plant and equipment.

Changes in the expected level of usage and technological developments could affect the economic useful lives of these assets which could then consequentially impact future amortisation charge and depreciation. The carrying amounts of the Group's intangible assets and property, plant and equipment as at 31 December 2018 are disclosed in Note 4 and Note 7, respectively to the financial statements.

(ii) Inventories valuation

Inventory is valued at the lower of cost and net realisable value. Cost is determined primarily using the "weighted average" method. The cost of cocoa ingredient products is computed using a formula in which cocoa bean purchase prices and selling prices of cocoa ingredient products are the key determinants. Market price is generally the merchandise's selling price quoted from the market of similar items. The management estimates the net realisable value of inventories based on assessment of receipt of committed sales prices and provide for excess and obsolete inventories based on historical usage, estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of its products. However, factors beyond its control, such as demand levels and pricing competition, could change from period to period. In addition, as the global cocoa market continues to be challenging amidst volatility in prices of cocoa beans and cocoa ingredient products, such factors may require the Group to reduce the value of its inventories. The carrying amount of the Group's inventories as at 31 December 2018 is disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(iii) Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there are indications of impairment that the investments in subsidiaries are impaired. The management's assessment of indicator is based on the expected future cash flows for the subsidiaries. The Company's carrying amount of investments in subsidiaries as at 31 December 2018 is disclosed in Note 9 to the financial statements.

(iv) Income taxes

The Group recognises expected income tax issues based on their best estimates of the likely taxes due. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters differs from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions, in the financial year in which such determination is made. The carrying amount of the Group's current income tax recoverable as at 31 December 2018 was approximately US$nil (31 December 2017: US$5,000, 1 January 2017: US$883,000). The carrying amount of the Group's current income tax payable as at 31 December 2018 was approximately US$3,655,000 (31 December 2017: US$48,000, 1 January 2017: US$172,000).

The carrying amount of the Group's deferred tax assets and deferred tax liabilities as at 31 December 2018 are disclosed in Note 19 to the financial statements.

(v) Loss allowance for impairment of trade and other receivables

Trade receivables

Management determines the expected loss arising from default for trade receivables, by categorising them based on its historical loss pattern, historical payment profile, geographical risk as well as credit risk profile of customer. The allowances of trade receivables as at 31 December 2018 are disclosed in Note 11 to the financial statements.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. There is no customer in financial difficulties during the financial year.

Amounts due from subsidiaries and related parties

Management determines whether there is significant increase in credit risk of these subsidiaries and related parties since initial recognition. Management considers various operating performance ratios as well as liquidity ratios of these subsidiaries and related parties. There is no significant increase in credit risk as at 31 December 2018. The carrying amounts of the Group's amount due from subsidiaries and related parties are disclosed in Note 11 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Intangible assets

	Computer software US$'000	Software under development US$'000	Others US$'000	Total US$'000
Group				
Cost				
Balance at 1 January 2018	**794**	**18**	**8**	**820**
Additions	**9**	**3**	**19**	**31**
Disposal	**–**	**(8)**	**–**	**(8)**
Written off	**(3)**	**–**	**–**	**(3)**
Balance at 31 December 2018	**800**	**13**	**27**	**840**
Accumulated amortisation				
Balance at 1 January 2018	**368**	**–**	**1**	**369**
Amortisation during the financial year	**149**	**–**	**4**	**153**
Written off	**(3)**	**–**	**–**	**(3)**
Balance at 31 December 2018	**514**	**–**	**5**	**519**
Carrying amount				
Balance at 31 December 2018	**286**	**13**	**22**	**321**
Cost				
Balance at 1 January 2017	731	–	–	731
Additions	63	18	8	89
Balance at 31 December 2017	794	18	8	820
Accumulated amortisation				
Balance at 1 January 2017	216	–	–	216
Amortisation during the financial year	152	–	1	153
Balance at 31 December 2017	368	–	1	369
Carrying amount				
Balance at 1 January 2017	515	–	–	515
Balance at 31 December 2017	426	18	7	451

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. Investment property

	Freehold land US$'000	Building US$'000	Capital work in progress US$'000	Total US$'000
Group				
Cost				
Balance at 1 January 2018	**1,205**	**2,973**	**18**	**4,196**
Additions	**–**	**–**	**129**	**129**
Balance at 31 December 2018	**1,205**	**2,973**	**147**	**4,325**
Accumulated depreciation				
Balance at 1 January 2018	**–**	**193**	**–**	**193**
Depreciation during the financial year	**–**	**60**	**–**	**60**
Balance at 31 December 2018	**–**	**253**	**–**	**253**
Carrying amount				
Balance at 31 December 2018	**1,205**	**2,720**	**147**	**4,072**
Cost				
Balance at 1 January 2017	1,205	2,973	–	4,178
Additions	–	–	18	18
Balance at 31 December 2017	1,205	2,973	18	4,196
Accumulated depreciation				
Balance at 1 January 2017	–	133	–	133
Depreciation during the financial year	–	60	–	60
Balance at 31 December 2017	–	193	–	193
Carrying amount				
Balance at 1 January 2017	1,205	2,840	–	4,045
Balance at 31 December 2017	1,205	2,780	18	4,003

The rental income from the investment property of the Group which are leased out under operating leases, amounted to US$408,000 (31 December 2017: US$397,000, 1 January 2017: US$321,000). Direct operating expenses (including repair and maintenance) arising from the rental generating investment property amounted US$170,000 (31 December 2017: US$154,000, 1 January 2017: US$180,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. Investment property (Continued)

As at 31 December 2018, the fair value of the investment property was approximately US$6,800,000 (31 December 2017: US$6,800,000, 1 January 2017: US$5,318,000). The fair value was determined based on management's estimation by using the direct sales comparison approach by making reference to market evidence of transacted prices per square feet for comparable properties, adjusted for key attributes such as size, tenure, location, condition and prevailing market conditions. In estimating the fair value of the investment property, the highest and best use of the property is their current use. Management considers that the fair value of the investment property is sensitive to these unobservable adjustments to the price per square feet.

Any changes to the unobservable inputs, to the extent that they increase or decrease the price for square feet, will result in a corresponding increase or decrease in the fair value of the property. There is no significant inter-relationship between the unobservable inputs. The fair value of investment property is considered as fair value hierarchy level 3.

6. Land use rights

	31 December		1 January
	2018	**2017**	**2017**
	US$'000	**US$'000**	**US$'000**
Group			
Cost			
Balance at 1 January	**1,396**	1,161	–
Additions	**–**	151	1,221
Currency realignment	**(75)**	84	(60)
Balance at end of the financial year	**1,321**	1,396	1,161
Accumulated amortisation			
Balance at 1 January	**35**	8	–
Amortisation during the financial year	**28**	26	8
Currency realignment	**(2)**	1	–
Balance at 31 December	**61**	35	8
Carrying amount			
Balance at the end of the financial year	**1,260**	1,361	1,153

The land use rights relate to the Group's interest in a leasehold land in the People's Republic of China which has a lease period of 50 years from 2016 to 2066.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. Property, plant and equipment

	Freehold land US$'000	Factory buildings US$'000	Plant and machinery, tools and equipment US$'000	Office equipment, furniture and fittings US$'000	Motor vehicles US$'000	Capital work-in-progress US$'000	Total US$'000
Group							
Cost							
Balance at 1 January 2018	**1,851**	**21,468**	**56,949**	**1,147**	**1,146**	**4,677**	**87,238**
Additions	**–**	**556**	**5,631**	**168**	**36**	**10,910**	**17,301**
Disposals	**–**	**–**	**(147)**	**(14)**	**(19)**	**–**	**(180)**
Reclassification	**–**	**4,882**	**1,366**	**2**	**–**	**(6,250)**	**–**
Currency realignment	**–**	**(186)**	**(5)**	**–**	**–**	**(44)**	**(235)**
Balance at 31 December 2018	**1,851**	**26,720**	**63,794**	**1,303**	**1,163**	**9,293**	**104,124**
Accumulated depreciation							
Balance at 1 January 2018	**–**	**7,434**	**22,820**	**789**	**584**	**–**	**31,627**
Depreciation for the financial year	**–**	**910**	**3,295**	**132**	**111**	**–**	**4,448**
Disposals	**–**	**–**	**–**	**(8)**	**(18)**	**–**	**(26)**
Balance at 31 December 2018	**–**	**8,344**	**26,115**	**913**	**677**	**–**	**36,049**
Carrying amount							
Balance at 31 December 2018	**1,851**	**18,376**	**37,679**	**390**	**486**	**9,293**	**68,075**
Cost							
Balance at 1 January 2017	1,851	21,376	54,669	1,033	1,099	109	80,137
Additions	–	35	2,308	115	54	4,592	7,104
Disposals	–	–	(103)	(1)	(7)	–	(111)
Reclassification	–	57	75	–	–	(132)	–
Currency realignment	–	–	–	–	–	108	108
Balance at 31 December 2017	1,851	21,468	56,949	1,147	1,146	4,677	87,238
Accumulated depreciation							
Balance at 1 January 2017	–	6,484	19,836	631	477	–	27,428
Depreciation for the financial year	–	950	3,064	159	109	–	4,282
Disposals	–	–	(80)	(1)	(2)	–	(83)
Balance at 31 December 2017	–	7,434	22,820	789	584	–	31,627
Carrying amount							
Balance at 1 January 2017	1,851	14,892	34,833	402	622	109	52,709
Balance at 31 December 2017	1,851	14,034	34,129	358	562	4,677	55,611

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. Prepaid lease payments

	Group		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
Balance at beginning of financial year	**1,682**	1,307	1,469
Additions	**–**	537	–
Amortisation during the financial year	**(214)**	(162)	(162)
Balance at end of financial year	**1,468**	1,682	1,307
Lease of land:			
– Malaysia	**984**	1,145	1,307
– Indonesia	**484**	537	–
	1,468	1,682	1,307

The above payments represent the prepayment for the three sub-leases of land from Port of Tanjung Pelepas, Malaysia, which are charged to profit or loss over their respective lease periods of 12 to 24 years.

In December 2017, the Group leased a land at Gresik, Surabaya with lease period of 10 years.

9. Investments in subsidiaries

	Company		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
Unquoted equity shares, at cost	**66,385**	66,177	66,177
Loan deemed as investment in a subsidiary	**37,000**	25,700	–
	103,385	91,877	66,177

Loan deemed as investment in a subsidiary

As at 31 December 2018 and 2017, loan deemed as investment in a subsidiary comprised of non-trade receivables due from a subsidiary and accounted for as part of the net investment in subsidiary. The amount due from a subsidiary is not expected to be repaid within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows:

Name of company (Country of incorporation and principal place of business)	Principal activities	Effective equity interest 31 December 2018 %	31 December 2017 %	1 January 2017 %
Held by the Company				
JB Cocoa Sdn Bhd(1) (Malaysia)	Production and sale of cocoa ingredient products	**100**	100	100
JB Foods Global Pte. Ltd.(2) (Singapore)	Procurement, sales and marketing of cocoa beans, cocoa ingredient and related products	**100**	100	100
JB Cocoa SA(3) (Switzerland)	Trading of cocoa ingredient products	**80**	–	–
JBC Europe OU(3) (The Republic of Estonia)	Manufacturing of cocoa, chocolate and sugar	**100**	–	–
Held by JB Cocoa Sdn Bhd				
Allegis NPD Sdn Bhd(1) (Malaysia)	Trading of waste products	**100**	100	100
Held by JB Foods Global Pte. Ltd				
JB Cocoa, Inc.(3) (United States of America)	Trading of cocoa ingredient products	**–**	–	100
JB Cocoa Holding Inc(3) (United States of America)	Investment holding company	**100**	100	–
JB Cocoa Foods (China) Co., Ltd(5) (People's Republic of China)	Production and sale of cocoa ingredient products	**100**	100	100
PT Jebe Trading Indonesia(4) (Indonesia)	Trading of cocoa ingredient products	**99.94**	99.94	99.94
Held by PT Jebe Trading Indonesia				
PT Jebe Koko(4) (Indonesia)	Production and sale of cocoa ingredient products	**99.92**	99.92	99.92
Held by JB Cocoa Holding Inc				
JB Cocoa, Inc.(3) (United States of America)	Trading of cocoa ingredient products	**100**	100	–
JB Cocoa EBNJ LLC(3) (United States of America)	Property leasing	**100**	100	–

(1) Audited by BDO PLT, Malaysia
(2) Audited by BDO LLP, Singapore
(3) Exempted from statutory audit
(4) Audited by KAP Tanubrata Sutanto Fahmi Bambang & Rekan, Indonesia, a member firm of BDO International Limited
(5) Audited by BDO China Shu Lun Pan CPA LLP

9. Investments in subsidiaries (Continued)

Incorporation of new subsidiaries

In August 2018, JB Cocoa SA, of which 80% of the equity interest is held by JB Foods Limited was incorporated with a registered share capital of CHF100,000 (equivalent to US$93,000).

In November 2018, JBC Europe OU, a wholly-owned subsidiary of JB Foods Limited was incorporated with a registered share capital of Euro100,000 (equivalent to US$115,000).

In July 2017, JB Cocoa Holding Inc ("JBCHI"), a wholly-owned subsidiary of JB Foods Global Pte. Ltd. ("JBFG") was incorporated in Delaware, United States of America with a registered capital of US$100,000.

In July 2017, JB Cocoa Inc ("JBCI-NY"), a wholly-owned subsidiary of JBCHI was incorporated in New York, United States of America with a paid up capital of US$100,000.

In December 2017, JB Cocoa EBNJ LLC, a wholly-owned subsidiary of JBCHI was incorporated in New Jersey, United States of America.

In December 2017, as part of a reorganisation exercise of the Group's subsidiaries in the United States of America, JB Cocoa Inc, a wholly-owned subsidiary of JBFG which incorporated in Delaware, United States of America ("JBCI-D") has been merged with JBCI-NY. Pursuant to such merger, the surviving corporation is JBCI-NY. Subsequent to the merger exercise, JBFG transferred its shareholding in JBCI-NY to JBCHI in exchange for the share capital of US$100,000.

Significant restrictions

Cash and bank balances of US$1,060,000 (31 December 2017: US$1,853,000, 1 January 2017: US$273,000) held in the People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

10. Inventories

	Group		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
Raw materials	**83,335**	54,224	54,736
Work-in-progress	**4,559**	3,652	4,044
Finished goods	**22,053**	22,890	34,979
Stores and supplies	**2,890**	2,450	2,036
	112,837	83,216	95,795

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. Inventories (Continued)

The cost of inventories recognised as expenses and included in "cost of sales" line item amounted to US$256,115,000 (31 December 2017: US$245,665,000, 1 January 2017: US$273,018,000). The cost of sales includes inventories written back of US$11,000 (31 December 2017: inventories written down of US$251,000, 1 January 2017: US$56,000) pursuant to a review of the net realisable value of the inventories during the financial year.

11. Trade and other receivables

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Non-current						
Other receivable						
– A subsidiary	**–**	–	–	**–**	–	24,000
	–	–	–	**–**	–	24,000
Current						
Trade receivables						
– Third parties	**32,605**	28,991	34,726	**–**	–	–
– Allowance for doubtful trade receivables	**(177)**	(233)	(633)	**–**	–	–
	32,428	28,758	34,093	**–**	–	–
– Related parties	**99**	519	2,412	**–**	–	–
	32,527	29,277	36,505	**–**	–	–
Other receivables						
– Third parties	**1,958**	656	1,211	**117**	117	–
– Subsidiaries	**–**	–	–	**7,680**	3,530	3,175
	1,958	656	1,211	**7,797**	3,647	3,175
Advances to third party suppliers	**7,480**	3,913	639	**–**	–	–
Deposits	**3,134**	925	1,058	**–**	–	–
Total trade and other receivables	**45,099**	34,771	39,413	**7,797**	3,647	27,175
Add:						
– Cash and cash equivalents (Note 12)	**13,416**	15,641	7,119	**62**	29	7
Less: Advances to third party suppliers	**(7,480)**	(3,913)	(639)	**–**	–	–
Financial assets at amortised costs/Loan and receivables (2017)	**51,035**	46,499	45,893	**7,859**	3,676	27,182

Trade receivables are non-interest bearing, unsecured and the normal trade term ranges from cash against documents to 120 (31 December 2017 and 1 January 2017: cash against documents to 120) days from the date of the invoices. Other credit terms are assessed and approved on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. Trade and other receivables (Continued)

The non-trade amounts due from subsidiaries (current) were unsecured, interest free and repayable on demand.

In 1 January 2017, non-current other receivables due from a subsidiary of the company was non-trade in nature, unsecured, bear interest 2% per annum with no fixed repayment terms and are not expected to be repaid within 12 months from the end of the financial year. The carrying amount of the non-current other receivables from a subsidiary was approximate its fair value.

Movement in allowance for doubtful trade receivables from third parties are as follows:

	Group	
	2018	**2017**
	US$'000	**US$'000**
At 1 January under FRS 39	**233**	633
Application of SFRS(I) 9	**290**	–
At 1 January under SFRS(I) 9	**523**	–
Written off against provision	**–**	(255)
Written back against provision	**(346)**	(145)
At 31 December	**177**	233

Trade and other receivables are denominated in the following currencies:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	**2017**	**2017**	**2018**	**2017**	**2017**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
United States dollar	**20,047**	19,070	19,711	**7,680**	3,530	27,175
Pound sterling	**6,542**	4,941	15,042	**–**	–	–
Malaysian ringgit	**9,587**	3,938	1,589	**–**	–	–
Others	**8,923**	6,822	3,071	**117**	117	–
	45,099	34,771	39,413	**7,797**	3,647	27,175

12. Cash and cash equivalents

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	**2017**	**2017**	**2018**	**2017**	**2017**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Cash and bank balances	**12,642**	14,876	6,532	**62**	29	7
Short-term deposits	**774**	765	587	**–**	–	–
	13,416	15,641	7,119	**62**	29	7

The interest rate and tenure of the short-term deposits placed with licensed banks at the end of the reporting period range from 0.25% to 5.25% (31 December 2017: 0.25% to 5.25%, 1 January 2017: 0.15% to 6.25%) per annum and with maturity of 1 to 30 (31 December 2017 and 1 January 2017: 1 to 30) days.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States dollar	**7,183**	11,109	3,239	**5**	2	7
Pound sterling	**3,024**	1,569	2,586	**–**	–	–
Others	**3,209**	2,963	1,294	**57**	27	–
	13,416	15,641	7,119	**62**	29	7

13. Trade and other payables

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Trade payables						
– Third parties	**27,413**	18,905	18,775	**–**	–	–
– Related parties	**143**	600	2,375	**–**	–	–
	27,556	19,505	21,150	**–**	–	–
Other payables						
– Third parties	**1,144**	2,720	1,538	**–**	–	–
– Dividend payable (Note 27)	**–**	3,405	–	**5**	3,405	–
	1,144	6,125	1,538	**5**	3,405	–
Accrued expenses	**5,674**	3,429	1,156	**96**	107	50
Advances from customers	**338**	235	804	**–**	–	–
Provision	**1,597**	2,303	637	**–**	–	–
Total trade and other payables	**36,309**	31,597	25,285	**101**	3,512	50
Add: Bank borrowings (Note 15)	**80,361**	78,461	101,631	**–**	–	–
Add: Finance lease payable	**–**	–	71	**–**	–	–
Less: Advances from customers	**(338)**	(235)	(804)	**–**	–	–
Total financial liabilities carried at amortised costs	**116,332**	109,823	126,183	**101**	3,512	50

Trade payables are non-interest bearing and the normal trade terms granted ranges from cash against documents to 90 (31 December 2017 and 1 January 2017: cash against documents to 90) days from the date of the invoices.

Accrued expenses consist mainly of employee benefits and related expenses. Provisions consist mainly of customers claims in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. Trade and other payables (Continued)

Trade and other payables are denominated in the following currencies:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States dollar	**15,631**	14,575	15,306	**–**	49	38
Pound sterling	**13,006**	9,762	6,192	**–**	–	–
Singapore dollar	**529**	3,864	127	**101**	3,463	–
Malaysian ringgit	**2,275**	1,903	1,732	**–**	–	–
Others	**4,868**	1,493	1,928	**–**	–	12
	36,309	31,597	25,285	**101**	3,512	50

14. Derivative financial instruments

	Group		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
Derivative assets			
Foreign currency forward contracts	**276**	126	256
Derivative cocoa bean contracts	**579**	20	–
	855	146	256
Derivative liabilities			
Foreign currency forward contracts	**299**	438	170
Derivative cocoa bean contracts	**244**	90	1,030
	543	528	1,200

Foreign currency forward contracts

The Group uses foreign currency forward contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure.

Foreign currency forward contracts are used to hedge the Group's sales and purchases denominated in United States dollar, Chinese renmimbi and Pound sterling for which firm commitments existed at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. Derivative financial instruments (Continued)

Foreign currency forward contracts (Continued)

The following details the foreign currency forward contracts outstanding as at the end of the reporting period:

	Group		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
Foreign currency forward contracts			
Contract amount			
– Buy United States dollar/Sell Pound sterling	**9,634**	11,170	6,166
– Buy Pound sterling/Sell United States dollar	**24,624**	4,844	13,308
– Buy United States dollar/Sell Chinese Renminbi	**9,602**	7,700	1,073
– Others	**4,333**	3,432	4,434

As at the end of the reporting period, the settlement dates for foreign currency forward contracts range from 1 to 7 months (31 December 2017: 1 to 6 months, 1 January 2017: 1 to 10 months).

Derivative cocoa bean contracts

The Group uses derivative cocoa bean contracts to manage open sales and purchase commitments and movements in cocoa bean prices in the respective commodity markets. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with fair value changes exposure.

As at the end of reporting period, existing commitments in respect of derivative cocoa beans contracts outstanding are as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
Derivative cocoa bean contracts			
Contract amount			
– Sales	**553**	627	522
– Purchases	**2,177**	312	3,273

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. Derivative financial instruments (Continued)

Derivative cocoa bean contracts (Continued)

The contracted amount of the derivative cocoa bean contracts are denominated in the following currencies:

	Group		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
United States dollar	**596**	679	2,365
Pound sterling	**2,134**	260	1,430
	2,730	939	3,795

As at the end of the reporting period, the settlement dates for derivative cocoa bean contracts range from 1 to 5 months (31 December 2017: 1 to 3 months, 1 January 2017: 1 to 4 months).

15. Bank borrowings

	Group		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
Current			
Trade bills	**80,276**	78,461	99,557
Term loan	**–**	–	2,074
	80,276	78,461	101,631
Non-current			
Term loan	**85**	–	–
Total	**80,361**	78,461	101,631

As at the end of each reporting period, the Group's trade bills facilities are secured by corporate guarantees issued by the Company.

The term loan is secured by subsidiary's land, building and corporate guarantee issued by the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Bank borrowings (Continued)

As at the end of the reporting period, the Group has banking facilities as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
Banking facilities granted	**199,823**	150,616	120,901
Banking facilities utilised	**80,276**	78,461	99,557

As at the end of the reporting period, the effective interest rates per annum are as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	%	%	%
Trade bills	**1.81 – 4.74**	1.28 – 3.70	1.12 – 3.96
Term loan	**5.46**	–	6.00

The trade bills have maturity periods ranging from 2 to 182 (31 December 2017: 59 to 182, 1 January 2017: 28 to 180) days from the contractual date. The interest rates are fixed with the financial institutions during the contractual period.

Bank borrowings are denominated in the following currencies:

	Group		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
United States dollar	**59,420**	43,476	63,804
Pound sterling	**20,856**	34,985	37,827
Others	**85**	–	–
	80,361	78,461	101,631

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. Finance lease payables

	Minimum Lease US$'000	Future finance charge US$'000	Present value of minimum lease payments US$'000
Group			
1 January 2017			
Within one year	77	(6)	71

The finance lease was fully repaid in the previous financial year.

In 2017, the effective interest rates charged during the financial year range from 6.32% to 8.07% per annum. Interest rates are fixed at the contract dates and the fair values of the Group's finance lease obligations approximate their carrying amounts.

The Group's obligations under finance leases are secured by the leased assets, which will revert to the lessor in the event of default by the Group.

The finance lease payables are denominated in Singapore dollar.

17. Deferred capital grant

	Group		
	31 December		1 January
	2018 US$'000	2017 US$'000	2017 US$'000
Cost			
Balance at the beginning of financial year	**538**	447	–
Received during the financial year	**–**	58	447
Currency realignment	**(28)**	33	–
Balance at the end of the financial year	**510**	538	447
Balance at the beginning of the financial year	**(13)**	(3)	–
Grant taken to profit or loss to match amortisation	**(10)**	(10)	(3)
Balance at the end of the financial year	**(23)**	(13)	(3)
Carrying amount			
Balance at the end of the financial year	**487**	525	444

The above receipts represent governmental support for the purchase of land use rights in the People's Republic of China. The amount is taken to deferred capital grant, and will be recognised as income over the period and in the proportion in which amortisation on the asset are charged.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. Provision for post-employment benefits

The Group provides for post-employment benefits for its employees for certain subsidiaries in Indonesia in the form of severance pay and long service awards in accordance with the local labour law in Indonesia. The provision is based on the calculation performed by an independent actuary using the "Projected Unit Credit" method. The number of employees who are entitled to post-employment benefits is 158 (31 December 2017: 151, 1 January 2017: 145) employees.

Movements in provision for post-employment benefits are as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
Balance at beginning of financial year	**298**	202	106
Provision in the current period	**75**	93	72
Re-measurement of post-employment benefits recognised in other comprehensive income	**(79)**	6	24
Currency realignment	**(19)**	(3)	–
Balance at end of financial year	**275**	298	202

The amounts recognised in profit or loss in respect of post-employment benefits are as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
Current service costs	**57**	76	65
Interest costs	**18**	17	10
Past service cost	**–**	–	(3)
	75	93	72

The principal actuarial assumptions used are as follows:

	Group		
	31 December		1 January
	2018	2017	2017
Discount rate	**8.30% per annum**	6.96% per annum	8.27% per annum
Annual salary growth rate	**7% per annum**	7% per annum	7% per annum
Mortality table	**TMI – 2011**	TMI – 2011	TMI – 2011
Disability rate	**10% x TMI-2011**	10% x TMI-2011	10% x TMI-2011
Retirement age	**55 years of age**	55 years of age	55 years of age

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. Provision for post-employment benefits (Continued)

Sensitivity analysis

The impact to the value of the defined benefit obligation of a reasonably possible change to the following actuarial assumptions, holding all other assumptions constant, is presented below:

Actuarial assumption	Reasonably possible change	Defined benefit obligation Increase US$'000	Defined benefit obligation Decrease US$'000
31 December 2018			
Discount rate	+/-1%	**235**	**323**
Growth in future salaries	+/-1%	**326**	**232**
31 December 2017			
Discount rate	+/-1%	252	354
Growth in future salaries	+/-1%	326	250
1 January 2017			
Discount rate	+/-1%	174	236
Growth in future salaries	+/-1%	237	172

The average duration of the post-employment benefits at the end of the financial year is 13 years (31 December 2017 and 1 January 2017: 14 years).

19. Deferred tax assets/(liabilities)

	Group 31 December 2018 US$'000	Group 31 December 2017 US$'000	1 January 2017 US$'000
Deferred tax assets			
Balance at beginning of financial year	**137**	114	–
Credit to profit or loss	**31**	23	114
Currency realignment	**(8)**	–	–
Balance at end of financial year	**160**	137	114
Deferred tax liabilities			
Balance at beginning of financial year	**2,034**	738	361
Charge to profit or loss	**2,525**	1,295	383
Charge to other comprehensive income	**20**	1	(6)
Balance at end of financial year	**4,579**	2,034	738

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. Deferred tax assets/(liabilities) (Continued)

The following are the major deferred tax assets recognised by the Group and the movements during the financial year.

Deferred tax assets	Deferred capital grant US$'000
Group	
At 1 January 2018	**137**
Credit to profit or loss	**31**
Currency realignment	**(8)**
At 31 December 2018	**160**
At 1 January 2017	114
Credit to profit or loss	23
At 31 December 2017	137

The following are the major deferred tax liabilities recognised by the Group and the movements during the financial year.

Deferred tax liabilities	Tax losses US$'000	Accelerated tax depreciation US$'000	Prepaid lease payments US$'000	Capital allowances US$'000	Others US$'000	Total US$'000
Group						
At 1 January 2018	**(1,376)**	**3,483**	**276**	**(317)**	**(32)**	**2,034**
Charge/(Credit) to profit or loss	**1,376**	**845**	**–**	**317**	**(13)**	**2,525**
Charge to other comprehensive income	**–**	**–**	**–**	**–**	**20**	**20**
At 31 December 2018	**–**	**4,328**	**276**	**–**	**(25)**	**4,579**
At 1 January 2017	(2,964)	3,717	314	(317)	(12)	738
Charge/(Credit) to profit or loss	1,588	(234)	(38)	–	(21)	1,295
Charge to other comprehensive income	–	–	–	–	1	1
At 31 December 2017	(1,376)	3,483	276	(317)	(32)	2,034

At the end of the reporting period, no liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries because the Group is in a position to control the timing of the reversal of the these differences.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. Share capital

	Group and Company					
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	Number of ordinary shares			US$'000	US$'000	US$'000
Issued and fully paid-up						
At beginning of the financial year	**227,399,975**	227,399,975	227,399,975	**99,641**	99,641	99,641
Issuance of ordinary shares	**75,799,991**	–	–	**14,436**	–	–
Share issue expenses	**–**	–	–	**(114)**	–	–
At end of the financial year	**303,199,966**	227,399,975	227,399,975	**113,963**	99,641	99,641

On 6 April 2018, the Company completed a Rights issue and issued 75,799,991 new ordinary shares in the capital of the Company at ("Rights Shares") at an issue price of S$0.25 for each Rights Share, on the basis of one Rights Share for every three ordinary shares of the Company. The newly issued shares ranked pari passu in all respects with the existing ordinary shares of the Company. Gross proceeds of S$18,950,000 (equivalent to US$14,436,000) were received.

The ordinary shares have no par value, carry one vote per share without restrictions and their holders are entitled to receive dividends when declared by the Company.

21. Other reserves and retained earnings

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Merger reserve	**25,472**	25,472	25,472	**–**	–	–
Statutory reserve	**(27)**	–	–	**–**	–	–
Exchange reserve	**6,956**	6,956	6,956	**8,458**	8,458	8,458
Foreign currency translation reserve	**546**	(152)	60	**–**	–	–
	32,947	32,276	32,488	**8,458**	8,458	8,458

21.1 Merger reserve

Merger reserve represents:

(a) the difference of US$22.7 million between the consideration paid and the share capital of a subsidiary acquired as a result of a restructuring exercise of the Group in 2012, and

(b) the difference of US$2.8 million between the consideration paid for the cost of investment of US$6.8 million and the interest in share capital of the acquired subsidiary, PT Jebe Koko, of US$4 million in 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. Other reserves and retained earnings (Continued)

21.2 Statutory reserve

In accordance with the Foreign Enterprise Law applicable to the subsidiary in the People's Republic of China (PRC), the subsidiary is required to make appropriation to a Statutory Reserve Fund (SRF). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

21.3 Exchange reserve

The exchange reserve represents the change in presentation currency of the Group and of the Company from RM to US$ in 2015.

21.4 Foreign currency translation reserve

The foreign currency translation reserve represents the exchange differences relating to the translation of the results and the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency and is not distributable.

Movement in foreign currency translation reserve:

	Group		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
Beginning of the financial year	**(152)**	60	–
Credited to other comprehensive income	**698**	(212)	60
Balance at end of financial year	**546**	(152)	60

21.5 Retained earnings

Movement in the retained earnings of the Company is as follows:

	Company	
	2018	2017
	US$'000	US$'000
At 1 January	**851**	2,063
Total comprehensive income for the financial year	**7,004**	3,008
Dividends	**(2,225)**	(4,220)
At 31 December	**5,630**	851

22. Revenue from contracts with customers

The Group derives revenue from sale of cocoa ingredient product to customers which are recognised at a point in time.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23. Finance costs

	Group	
	2018	**2017**
	US$'000	**US$'000**
Interest expenses		
– Trade bills	**2,652**	2,419
– Term loan	**–**	66
– Finance lease	**–**	6
	2,652	2,491

24. Profit before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges/(credits):

	Group	
	2018	**2017**
	US$'000	**US$'000**
Cost of sales		
Amortisation of prepaid lease payment	**214**	162
Depreciation of property, plant and equipment	**4,293**	4,098
(Reversal of write down)/Write down to net realisable value of inventory	**(11)**	251
Fair value gain on derivative financial instruments, net	**(405)**	(959)
Realised (gain)/loss on cocoa beans derivative contracts	**(1,011)**	978
Selling and distribution expenses		
Outward freight	**1,437**	1,318
Haulage trucking	**648**	618
Handling and documentation	**1,117**	1,063
Warehousing expenses	**678**	685
Administrative expenses		
Audit fees		
– Auditors of the Company	**67**	63
– Other auditors	**39**	40
Amortisation of intangible assets	**153**	153
Amortisation of land use rights	**28**	26
Depreciation of property, plant and equipment	**155**	184
Depreciation of investment property	**60**	60
Operating leases:		
– Rental of crane	**9**	5
– Rental of forklift	**70**	20
– Rental of hostel	**40**	38
– Rental of equipment	**1**	7
Professional fee	**768**	411
Upkeep of office	**486**	364
Research expenditure	**62**	55
Bad debt written off	**10**	–
Other gains/(losses)		
Gain/(Loss) on disposal of property, plant and equipment	**4**	(28)
Rental income	**408**	397
Fair value gain/(loss) on derivative financial instruments, net	**289**	(397)
Foreign exchange (loss), net	**(74)**	(1,897)
Reversal of impairment losses	**346**	145

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. Profit before income tax (Continued)

Profit before income tax also includes:

	Group	
	2018 US$'000	2017 US$'000
Employee benefit expenses		
Salaries and other emoluments	**9,942**	7,141
Pension costs – defined contribution plan	**622**	472
Social security costs	**85**	73
Other staff related expenses	**247**	152
Defined employment benefit expense	**–**	93
	10,896	7,931

The employee benefit expenses are recognised in the following line items in profit or loss:

	Group	
	2018 US$'000	2017 US$'000
Cost of sales	**6,315**	4,472
Administrative expenses	**4,581**	3,459
	10,896	7,931

Included in employee benefit expenses were Directors' remuneration as shown in Note 28 to the financial statements.

25. Income tax expense

	Group	
	2018 US$'000	2017 US$'000
Current income tax		
– Current financial year	**4,648**	317
– Under provision in prior financial years	**144**	1,044
Withholding tax	**17**	35
	4,809	1,396
Deferred income tax		
– Current financial year	**2,226**	1,295
– Under/(Over) provision in prior financial years	**268**	(2)
	2,494	1,293
	7,303	2,689

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. Income tax expense (Continued)

Reconciliation of effective income tax rate:

	Group	
	2018 US$'000	2017 US$'000
Profit before income tax	**34,088**	16,896
Tax at the domestic rates applicable to profit in the countries where the Group operates	**8,022**	4,491
Effects of:		
– Income not subject to tax	**(201)**	(6)
– Singapore statutory stepped income exemption	**142**	–
– Expenses not deductible for income tax purposes	**320**	237
– Enhance tax allowances	**(287)**	(160)
Utilisation of reinvestment allowance	**(734)**	–
Unrecognised deferred tax benefits	**–**	(157)
Utilisation of deferred tax benefits not previously recognised	**(414)**	(2,833)
Under provision of tax expense in prior financial years	**144**	1,044
Under/(Over) provision of deferred tax expense in prior financial years	**268**	(2)
Withholding tax	**17**	35
Others	**26**	40
	7,303	2,689

The Group operates mainly in Singapore, Malaysia, Indonesia, and United States of America, for which the corporate income tax rate applicable is 17% (2017: 17%), 24% (2017: 24%), 25% (2017: 25%), and 21% (2017: 35%) respectively.

The amount of temporary differences for which no deferred tax asset has been recognised are as follows:

	Group	
	2018 US$'000	2017 US$'000
Unutilised tax losses	**1,391**	2,739

No deferred tax asset has been recognised on the temporary differences due to the unpredictability of profit streams. The total unutilised tax losses of the subsidiaries in the jurisdiction of the Indonesia amounting to approximately US$1,391,000 (2017: US$2,720,000) can only be utilised for set-off against its future taxable profits within five years from the date the tax losses was incurred.

In 2017, the Group had enhanced allowances under the productivity and innovation credit ("PIC") scheme amounting to approximately US$664,000 available for offset against future taxable profits subject to the agreement by the tax authority and provisions of the tax legislation. The above deferred tax assets have not been recognised as it is uncertain that there will be sufficient future taxable profits to realise these future benefits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Group	
	2018	**2017**
		(Restated)
Profit for the financial year attributable to owners of the parent (US$'000)	**26,785**	14,207
Aggregate weighted number of ordinary shares applicable to basic and diluted profit per share ('000)	**293,390**	265,110
Basic and diluted earnings per share (US$ cents)	**9.1**	5.4

The calculation of the basic and diluted earnings per share for the relevant periods is based on the profit attributable to owners of the parent for the financial years ended 31 December 2018 and 2017 divided by the aggregate weighted number of shares in the relevant periods.

The earnings per share for financial year 2017 has been restated in respect of the Rights issue which was completed on 6 April 2018 (Note 20).

The diluted earnings per share for the relevant periods are the same as the basic profit per share as the Group did not have any dilutive potential ordinary shares in the relevant periods.

27. Dividends

	Group	
	2018	**2017**
	US$'000	**US$'000**
Interim one-tier tax exempt dividend of S$0.01(2017: S$0.02) per ordinary share in respect of financial year ended 31 December 2018 (2017: 31 December 2017)	**2,225**	3,405
Final tax exempt dividend of S$0.005 per ordinary share in respect of financial year ended 31 December 2016	**–**	815
	2,225	4,220

On 7 August 2018, the Company declared an interim one-tier tax exempt dividend of S$0.01 per ordinary share amounting to S$3,032,000 (equivalent to US$2,225,000) be paid in respect of the current financial year. The dividend was paid out in current financial year.

In previous financial year, the Company declared an interim one-tier tax exempt dividend of S$0.02 per ordinary share amounting to S$4,548,000 (equivalent to US$3,405,000) be paid in respect of the previous financial year. The dividend was paid out in current financial year.

In previous financial year, the Company's declared and paid a final tax-exempt (one-tier) dividend S$0.005 per ordinary share amounting to S$1,137,000 (equivalent to US$815,000) in respect of the financial year ended 31 December 2016.

On 26 February 2019, the Board of Directors recommended a final tax-exempt (one-tier) dividend of 2.00 Singapore cents (2017: Nil) per ordinary share amounting to S$6,063,999 be paid in respect of the current financial year. The final tax-exempt (one-tier) dividend has not been recognised as a liability as at the end of the reporting period as it is subject to approval by shareholders at the forthcoming Annual General Meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. Significant related party transactions

During the year, in addition to those information disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Subsidiaries				
Advances to	**–**	–	**15,892**	1,505
Interest income	**–**	–	**–**	–
Dividend income	**–**	–	**7,545**	3,500
Related party*				
Sale of goods	**212**	1,416	**–**	–
Purchase of goods	**3,027**	1,890	**–**	–

* An entity controlled by members who have family relationships with two directors of the Company.

Compensation of key management personnel

The remuneration of directors and other members of the key management personnel of the Group and the Company during the financial year were as follows:

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Directors				
Short-term employee benefits – current year	**1,757**	633	**11**	207
Directors' fee	**120**	104	**120**	104
Pension costs – defined contribution plan	**6**	5	**–**	–
	1,883	742	**131**	311
Other key management personnel				
Short-term employee benefits	**414**	282	**–**	–
Pension costs – defined contribution plan	**30**	19	**–**	–
	444	301	**–**	–
	2,327	1,043	**131**	311

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Commitments

29.1 Capital commitments

(a) As at the end of the reporting period, the Group has the following capital expenditure contracted for but not recognised in the financial statements:

	Group	
	2018 US$'000	2017 US$'000
Purchase of property, plant and equipment and intangible assets	**5,307**	6,602

29.2 Operating lease commitments

Group as a lessee

At the end of the financial year, commitments in respect of non-cancellable operating leases of motor vehicles, equipments and other operating facilities are as follows:

	Group	
	2018 US$'000	2017 US$'000
Not later than one year	**74**	90
Between one and five years	**21**	19
	95	109

The disclosed commitments were based on existing rental rates with no renewal option or contingent rent provision included in the contract.

Group as a lessor

The Group has entered into certain leases on one of its building. These non-cancellable leases have remaining lease terms of 36 months (2017: 48 months). As at the end of the financial year, future minimum rentals receivable under non-cancellable lease are as follows:

	Group	
	2018 US$'000	2017 US$'000
Not later than one financial year	**419**	408
Later than one year but not later than five years	**871**	1,290
	1,290	1,698

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. Segment information

Management has determined the operating segments based on the reports reviewed by the chief executive officer. A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resources to be allocated and assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

Income taxes are managed on a Group basis.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

The Group operates in only one business segment which is production and sale of cocoa ingredients products.

Analysis by geographical segments

	Malaysia US$'000	Singapore US$'000	United States of America US$'000	Indonesia US$'000	Others US$'000	Elimination US$'000	Consolidated US$'000
2018							
Revenue							
External revenue	219,821	29,639	45,622	11,121	20,911	–	327,114
Inter-segment revenue	103,465	340,592	–	120,418	–	(564,475)	–
	323,286	370,231	45,622	131,539	20,911	(564,475)	327,114
Results							
Segment results	27,411	10,212	714	4,606	594	(2,004)	41,533
Interest income							110
Finance costs							(2,652)
Depreciation and amortisation							(4,903)
Profit before income tax							34,088
Income tax expense							(7,303)
Profit after income tax							26,785
Capital expenditure							
Property, plant and equipment	11,685	41	2	3,643	1,930	–	17,301
Investment property	–	–	129	–	–	–	129
Intangible assets	–	12	–	–	19	–	31
Segment assets	173,067	227,484	14,373	83,545	13,329	(263,512)	248,286
Segment liabilities	113,320	63,459	13,187	51,337	3,399	(118,493)	126,209

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. Segment information (Continued)

Analysis by geographical segments (Continued)

	Malaysia US$'000	Singapore US$'000	United States of America US$'000	Indonesia US$'000	Others US$'000	Elimination US$'000	Consolidated US$'000
2017							
Revenue							
External revenue	208,054	33,712	40,075	5,572	8,212	–	295,625
Inter-segment revenue	86,303	286,170	–	119,453	–	(491,926)	–
	294,357	319,882	40,075	125,025	8,212	(491,926)	295,625
Results							
Segment results	19,296	1,462	723	3,798	227	(1,550)	23,956
Interest income							114
Finance costs							(2,491)
Depreciation and amortisation							(4,683)
Profit before income tax							16,896
Income tax expense							(2,689)
Profit after income tax							14,207
Capital expenditure							
Property, plant and equipment	3,162	12	2	1,196	2,732	–	7,104
Land use rights	–	–	–	–	151	–	151
Intangible assets	2	81	–	–	6	–	89
Investment property	–	–	18	–	–	–	18
Segment assets	131,988	179,785	10,971	73,598	8,791	(207,518)	197,615
Segment liabilities	84,941	52,222	10,270	43,759	3,599	(81,300)	113,491
1 January 2017							
Segment assets	160,990	201,827	10,021	77,800	1,758	(248,726)	203,670
Segment liabilities	123,936	99,592	9,627	49,500	561	(153,473)	129,743

The analysis by geographical segments is based on entities in the Group in the respective countries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. Segment information (Continued)

Analysis by geographical activities

Revenue is based on the country and location of the customer in which goods are delivered and services are provided.

	Group	
	2018	**2017**
	US$'000	**US$'000**
North and South America		
– United States of America	**83,017**	67,749
– Others	**9,257**	6,916
Asia		
– China	**41,454**	34,535
– Others	**101,873**	97,214
Europe	**64,111**	60,671
Others	**27,402**	28,540
Total revenue	**327,114**	295,625

Major customers

Revenue from two (2017: two) customers of the Group's represents 27% (2017: 32%) of the total revenue.

Location of non-current assets

	Malaysia US$'000	**Singapore US$'000**	**United States of America US$'000**	**Indonesia US$'000**	**Others US$'000**	**Consolidated US$'000**
Group						
2018						
Non-current assets	**37,141**	**371**	**4,077**	**27,778**	**5,829**	**75,196**
2017						
Non-current assets	28,462	506	4,008	25,911	4,221	63,108
1 January 2017						
Non-current assets	28,013	592	4,049	25,905	1,170	59,729

Non-current assets consist of intangible assets, property, plant and equipment, investment property, land use rights and prepaid lease payments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. Financial instruments and financial risks

The Group's activities expose them to credit risk, market risk (including foreign currency risk, interest rate risk and commodity price risk) and liquidity risk. The Group's overall financial risk management strategy focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Group uses financial instruments such as foreign currency forward contracts and derivative commodity contracts to hedge certain financial risk exposures.

The Board of directors of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Group's management then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There have been no changes to the Group's exposure to these financial risks or the manner in which they manage and measure the risk. Market risk exposures are measured using sensitivity analysis as indicated below.

31.1 Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arise mainly from trade and other receivables. The Group manages the exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and cash equivalents and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents the expected credit loss in respect of the trade and other receivables as appropriate. The main components of this allowance are based on actual credit loss experience over the past two years and derived from historical data which management is at the view that customer conditions are representatives of the prevailing at the reporting date.

The Group has no significant concentration of credit risk except for three (31 December 2017: two, 1 January 2017: two) third party trade receivables which accounts for approximately 23% (31 December 2017: 27%, 1 January 2017: 35%) of the total trade receivables as at 31 December 2018 and 2017 and 1 January 2017. The Company has no significant concentration of credit risk except for amounts due from subsidiaries as at 31 December 2018 and 2017 and 1 January 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. Financial instruments and financial risks (Continued)

31.1 Credit risk (Continued)

The exposure of credit risk for trade receivables by geographical region is as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
Asia			
– China	**7,104**	6,049	8,727
– Malaysia	**4,427**	3,699	3,871
– Others	**5,487**	5,871	9,218
Europe	**7,498**	8,031	7,082
North and South America	**4,948**	4,377	6,583
Others	**3,063**	1,250	1,024
	32,527	29,277	36,505

<u>Comparative information under FRS 39</u>

The age analysis of trade receivables that are past due is as follows:

	Gross receivable 31 December 2017 US$'000	Impairment 31 December 2017 US$'000	Gross receivable 1 January 2017 US$'000	Impairment 1 January 2017 US$'000
Group				
Past due 1 to 30 days	5,174	–	11,678	–
Past due 31 to 60 days	263	–	2,189	–
Past due over 60 days	863	(233)	2,080	(633)

The Group impaired trade and other receivables at 31 December 2017 amounted to US$233,000 (1 January 2017: US$633,000). At 31 December 2017, the impairment losses at the Group related to several customers who had indicated that they were not able to repay their outstanding balances due to economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. Financial instruments and financial risks (Continued)

31.1 Credit risk (Continued)

Expected credit loss assessment for customer as at 31 December 2018

The Group uses an allowance matrix to measure the expected credit loss of trade receivables, which comprise a very large number of small balances.

The allowance matrix is based on actual credit loss experience over the past two years. The expected credit loss computed is derived from historical data and credit assessment includes forward-looking information which management is at the view that customer conditions are representatives of the prevailing at the reporting date.

The table below provides information about the exposure to conduct risk and expected credit loss from trade receivables of the Group as at 31 December 2018.

	31 December 2018		
	Weighted average loss rate	Gross receivable US$'000	Impairment US$'000
Group			
Past due 1 to 30 days	**0%**	**5,800**	**–**
Past due 31 to 60 days	**0%**	**790**	**–**
Past due over 60 days	**100%**	**177**	**(177)**

At 31 December 2018, the impairment losses at the Group related to several customers who had indicated that they were not able to repay their outstanding balances due to economic conditions.

Non-trade amounts due from subsidiaries

Management has taken into account information that it has available internally about these subsidiaries' past, current and expected operating performance and cash flow position. Management monitors and assess at each reporting date on any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by considering their performance ratio and any default in external debts. The risk of default is considered to be minimal as these subsidiaries have sufficient liquid assets and cash to repay their debts. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposure. The allowance on these balances is insignificant.

Cash and cash equivalents

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Aa1 to Baa2, based on Moody's ratings. The Board of Directors monitors the credit ratings of counterparties regularly. Impairment on cash and cash equivalents has been measured on the 12-month expected loss model. At the reporting date, the Group and the Company did not expect any credit losses from non-performance by the counterparties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. Financial instruments and financial risks (Continued)

31.1 Credit risk (Continued)

Cash and cash equivalents (Continued)

At the Group and the Company does not hold any collateral, the carrying amount of financial assets represents the maximum exposure to credit risk, except as follows:

	Company		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
Corporate guarantees provided to banking facilities of subsidiaries	**80,361**	78,461	99,557

For the corporate guarantee issued, the Company has assessed that these subsidiaries have sufficient financial capabilities to meet its contractual cash flows obligation in the near future hence, does not expect any material loss allowance under 12-month expected credit loss model.

31.2 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk and commodity price risk, including foreign currency forward contracts and derivative cocoa bean contracts to mitigate the risk.

(i) Foreign exchange risk management

Currency risk arises from transactions denominated in currency other than the functional currency of the entities within the Group and the Company. The currencies that give rise to this risk are primarily Pound Sterling ("GBP") (2017: GBP). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group may enter into forward foreign currency contracts to hedge against its foreign currency risk.

The Group has foreign operations, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Exposure to foreign currency risk is monitored on an ongoing basis in accordance with the Group's and the Company's risk management policies to ensure that the net exposure is at an acceptable level.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. Financial instruments and financial risks (Continued)

31.2 Market risk (Continued)

(i) Foreign exchange risk management (Continued)

Foreign currency sensitivity analysis

The following table details the sensitivity to a 5% (2017: 5%) increase and decrease in the relevant foreign currencies against the functional currency of the entities within the Group. The 5% (2017: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the possible change in foreign exchange rates.

The sensitivity analysis includes only significant outstanding foreign currency denominated net financial assets or liabilities and adjusted for the translation at the end of the reporting period for a 5% (2017: 5%) change in foreign currency rates.

	Increase/ (Decrease) Profit or loss Group US$'000
2018	
GBP/US$	
Strengthened	**(1,215)**
Weakened	**1,215**
2017	
GBP/US$	
Strengthened	(1,912)
Weakened	1,912

31. Financial instruments and financial risks (Continued)

31.2 Market risk (Continued)

(ii) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to bank borrowings as shown in Note 15 to the financial statements.

The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and short term borrowings. It is the Group's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group.

Interest rate sensitivity analysis

The Group's results are not affected by changes in interest rates as the interest-bearing financial instruments are carried at fixed interest rates and measured at amortised cost.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(iii) Commodity price risk

The manufacturing of the Group's products requires raw materials such as cocoa beans. The value of the Group's open sales and purchase commitments and inventory of raw materials changes continuously in line with cocoa bean price movements in the respective commodity markets. The Group's business nature, to a certain extent, results in a natural hedge between the prices of cocoa beans (as raw materials) and manufactured cocoa products. The Group may enter into derivative cocoa beans contracts to manage the risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. Financial instruments and financial risks (Continued)

31.3 Liquidity risk

Liquidity risk refers to the risk in which the Group encounters difficulties in meeting short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group actively manages operating cash flows so as to ensure that all repayment needs are met. As part of the overall prudent liquidity management, the Group maintains sufficient levels of cash to meet working capital requirements.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earlier of the contractual date or when the Group is expected to pay. The table includes both expected interest and principal cash flows.

	Less than 1 year US$'000	More than 1 year US$'000	Total US$'000
Group			
As at 31 December 2018			
Trade and other payables	**35,971**	**–**	**35,971**
Bank borrowings	**80,562**	**108**	**80,670**
	116,533	**108**	**116,641**
As at 31 December 2017			
Trade and other payables	31,359	–	31,359
Bank borrowings	78,746	–	78,746
	110,105	–	110,105
As at 1 January 2017			
Trade and other payables	24,481	–	24,481
Bank borrowings	102,594	–	102,594
Finance lease payables	77	–	77
	127,152	–	127,152
Company			
As at 31 December 2018			
Trade and other payables	**101**	**–**	**101**
Financial guarantee contracts	**80,361**	**–**	**80,361**
As at 31 December 2017			
Trade and other payables	3,512	–	3,512
Financial guarantee contracts	78,461	–	78,461
As at 1 January 2017			
Trade and other payables	50	–	50
Financial guarantee contracts	99,557	–	99,557

31. Financial instruments and financial risks (Continued)

31.3 Liquidity risk (Continued)

In respect of derivative financial instruments as shown in Note 14 to the financial statements, the derivative liabilities are due within one financial year. Foreign currency forward contracts are settled on a gross basis while derivative cocoa bean contracts are settled on a net basis.

The Group's operations are financed mainly through equity, retained earnings and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

32. Capital management policies and objectives

The Group manages capital to ensure that the Group is able to continue as going concern and maintain an optimal capital structure so as to maximise shareholder value.

The Group is in compliance with externally imposed capital requirements which are the bank covenants in relation to the bank borrowings included in Note 15 to the financial statements, for the financial years ended 31 December 2018 and 2017 and 1 January 2017.

The Group monitors capital based on a gearing ratio, which is total debt divided by total equity. Total debt of the Group consist of borrowings and finance lease payables. Total capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, retained earnings and reserves.

The Group's management constantly reviews the capital structure, and will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from the previous financial year.

	Group		
	31 December		1 January
	2018	2017	2017
	US$'000	US$'000	US$'000
Bank borrowings	**80,361**	78,461	101,631
Finance lease payables	**–**	–	71
Total debt	**80,361**	78,461	101,702
Total equity	**122,067**	84,114	73,917
Gearing ratio	**0.66**	0.93	1.38

As the Company does not have borrowings, the Company's gearing ratio has not been presented.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. Fair values of financial assets and financial liabilities

The carrying amounts of the current financial assets and current financial liabilities approximate their fair values as at the end of the reporting period due to the relatively short period of maturity of these financial instruments.

The Group's derivative financial instruments (financial assets and financial liabilities) are carried at fair value and considered as Level 2 hierarchy fair value measurement for financial years ended 31 December 2018 and 2017 and 1 January 2017.

Fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The table below analyses financial instruments carried at fair value and classified by level of the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels during the financial year.

The derivative financial instruments are not traded in active market. The management determines the fair value of derivative financial instruments through the valuation based on brokers' quotations. The key inputs to the calculations are the cocoa bean and foreign exchange spot and forward rates.

There have been no changes in the valuation techniques of the various classes of financial instruments during the financial year.

34. Convergence to SFRS(I)

The Group and the Company have transited to SFRS(I) on 1 January 2018. In transiting to SFRS(I), the Group is required to apply all of the specific transition requirements under SFRS(I) 1 *First-time Adoption of SFRS(I)*.

The accounting policies set out in Note 2 to the financial statements comply with SFRS(I) effective on 1 January 2018. These accounting policies have been applied in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2018, as well as comparative information presented in these financial statements for the financial year ended 31 December 2017 and in the preparation of the opening statements of financial position at 1 January 2017 ("date of transition").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Convergence to SFRS(I) (Continued)

(a) Optional exemptions applied

The Group and the Company have applied the following exemptions in preparing their first set of financial statements in accordance with SFRS(I):

Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group and the Company have elected to apply the short-term exemptions upon adoption of SFRS(I) 9 on 1 January 2018. As a result, the financial instruments included in the comparatives have been accounted for in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*. The Group and the Company is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* on the disclosure requirements in relation to SFRS(I) 9.

Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

There is no significant impact on revenue recognition to the Group and the Company upon application of the new standard.

(b) Reconciliation of the Group's equity reported in accordance with FRS to SFRS(I)

	1 January 2017	
	Reported under FRS US$'000	**Reported under SFRS(I) US$'000**
Non-current assets		
Intangible assets	515	515
Investment property	4,045	4,045
Land use rights	1,153	1,153
Property, plant and equipment	52,709	52,709
Prepaid lease payments	1,307	1,307
Deferred tax assets	114	114
	59,843	59,843
Current assets		
Inventories	95,795	95,795
Trade and other receivables	39,413	39,413
Prepayments	361	361
Derivative financial instruments	256	256
Current income tax recoverable	883	883
Cash and cash equivalents	7,119	7,119
	143,827	143,827

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Convergence to SFRS(I) (Continued)

(b) Reconciliation of the Group's equity reported in accordance with FRS to SFRS(I) (Continued)

	1 January 2017	
	Reported under FRS US$'000	Reported under SFRS(I) US$'000
Current liabilities		
Trade and other payables	25,285	25,285
Derivative financial instruments	1,200	1,200
Bank borrowings	101,631	101,631
Finance lease payables	71	71
Current income tax payable	172	172
	128,359	128,359
Net current assets	15,468	15,468
Non-current liabilities		
Deferred capital grant	444	444
Provision for post-employment benefits	202	202
Deferred tax liabilities	738	738
	1,384	1,384
Net assets	73,927	73,927
Capital and reserves		
Share capital	99,641	99,641
Other reserves	(32,488)	(32,488)
Retained earnings	6,764	6,764
Equity attributable to owners of the parent	73,917	73,917
Non-controlling interests	10	10
Total equity	73,927	73,927

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Convergence to SFRS(I) (Continued)

(b) Reconciliation of the Group's equity reported in accordance with FRS to SFRS(I) (Continued)

	Note	At 31 December 2017		At 1 January 2018	
		Reported under FRS US$'000	Reported under SFRS(I) US$'000	Effects of applying SFRS(I) 9 US$'000	Reported under SFRS(I) US$'000
Non-current assets					
Intangible assets		451	451	–	**451**
Investment property		4,003	4,003	–	**4,003**
Land use rights		1,361	1,361	–	**1,361**
Property, plant and equipment		55,611	55,611	–	**55,611**
Prepaid lease payments		1,682	1,682	–	**1,682**
Deferred tax assets		137	137	–	**137**
		63,245	63,245	–	**63,245**
Current assets					
Inventories		83,216	83,216	–	**83,216**
Trade and other receivables		34,771	34,771	**(290)**	**34,481**
Prepayments		591	591	–	**591**
Derivative financial instruments		146	146	–	**146**
Current income tax recoverable		5	5	–	**5**
Cash and cash equivalents		15,641	15,641	–	**15,641**
		134,370	134,370	–	**134,080**
Current liabilities					
Trade and other payables		31,597	31,597	–	**31,597**
Derivative financial instruments		528	528	–	**528**
Bank borrowings		78,461	78,461	–	**78,461**
Current income tax payable		48	48	–	**48**
		110,634	110,634	–	**110,634**
Net current assets		23,736	23,736	–	**23,446**
Non-current liabilities					
Deferred capital grant		525	525	–	**525**
Provision for post-employment benefits		298	298	–	**298**
Deferred tax liabilities	*	2,034	2,034	–	**2,034**
		2,857	2,857	–	**2,857**
Net assets		84,124	84,124	–	**83,834**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Convergence to SFRS(I) (Continued)

(b) Reconciliation of the Group's equity reported in accordance with FRS to SFRS(I) (Continued)

	Note	At 31 December 2017 Reported under FRS US$'000	At 31 December 2017 Reported under SFRS(I) US$'000	At 1 January 2018 Effects of applying SFRS(I) 9 US$'000	At 1 January 2018 Reported under SFRS(I) US$'000
Capital and reserves					
Share capital		99,641	99,641	–	**99,641**
Other reserves		(32,276)	(32,276)	–	**(32,276)**
Retained earnings		16,749	16,749	**(290)**	**16,459**
Equity attributable to owners of the parent		84,114	84,114	**(290)**	**83,824**
Non-controlling interests		10	10	–	**10**
Total equity		84,124	84,124	**(290)**	**83,834**

* *The net effect of tax adjustments on transition is immaterial.*

(c) Reconciliation of the Group's total comprehensive income reported in accordance with FRS to SFRS(I)

There were no material adjustments to the Group's statement of comprehensive income arising from the transition from FRS to SFRS(I).

(d) Reconciliation to Group's statement of cash flows under FRS to SFRS(I)

There were no material adjustments to the Group's statement of cash flows arising from the transition from FRS to SFRS(I).

Explanatory notes to reconciliation

The effects of transition to SFRS(I) mainly arises from the adoption of SFRS(I) 15 and SFRS(I) 9.

Adoption of SFRS(I) 15

In accordance with requirements of SFRS(I) 1, the Group and the Company have adopted SFRS(I) 15 retrospectively. As disclosed in (a), the Group and the Company have elected to apply the transition provisions in accordance with SFRS(I) 15:C5. There were no material impact to the Group and the Company's financial position on the adoption of SFRS(I) 15.

34. Convergence to SFRS(I) (Continued)

Explanatory notes to reconciliation (Continued)

Adoption of SFRS(I) 9

As disclosed above in (a), the Group and the Company have elected to apply the short-term exemption by not restating the comparatives on adoption of SFRS(I) 9. The relevant accounting policy for financial instruments is disclosed in Note 2.10 to the financial statements.

(i) Classification and measurement of financial assets

Based on the requirements of SFRS(I) 9, the Group has assessed the business model of financial assets held as at 1 January 2018 and classified them into the relevant categories under SFRS(I) 9. The following reclassifications and adjustments have been made resulting from the adoption of SFRS(I) 9:

	Note	**Retained earnings US$'000**
Carrying amount under FRS39 as at 31 December 2017		16,749
Expected credit loss allowance	A	
– Trade receivables		(290)
Carrying amount as at 1 January 2018		16,459

Note A

As at 1 January 2018, the financial assets measured at amortised cost is subject to expected credit loss impairment assessment under SFRS(I) 9. The impairment requirements under SFRS(I) 9 are different for different classes of financial assets. The relevant accounting policies on expected credit loss impairment allowance are disclosed in Note 2.10 to the financial statements.

Upon transiting to SFRS(I) 9, the Group recognised additional impairment loss allowance of US$290,000 on 1 January 2018. The tax effects are considered to be immaterial and has not been adjusted.

(e) Reconciliation to Company's equity reported in accordance with FRS to SFRS(I)

Company transitioned to SFRS(I) on 1 January 2017 hence, an opening statement of financial position was prepared on that date. There was no material impact to the Company's financial position on the transition to SFRS(I). The relevant accounting policies on the financial instruments has been disclosed in Note 2.10 to the financial statements.

Impairment assessment under SFRS(I) 9 is disclosed in Note 31.1 to the financial statements.

STATISTICS OF SHAREHOLDINGS

AS AT 27 MARCH 2019

SHARE CAPITAL

Number of Issued shares	:	303,199,966
Class of shares	:	Ordinary shares
Voting Rights	:	On a poll – one vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	17	1.51	465	0.00
100 – 1,000	119	10.61	69,020	0.02
1,001 – 10,000	477	42.51	2,440,484	0.81
10,001 – 1,000,000	494	44.03	30,523,973	10.07
1,000,001 AND ABOVE	15	1.34	270,166,024	89.10
TOTAL	1,122	100.00	303,199,966	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	JB COCOA GROUP SDN BHD	138,030,000	45.52
2	TEE YIH JIA FOOD MANUFACTURING PTE LTD	72,498,266	23.91
3	KGI SECURITIES (SINGAPORE) PTE. LTD.	33,295,266	10.98
4	TENG NAM SENG	6,000,000	1.98
5	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,983,132	1.31
6	GOH LEE BENG	3,418,666	1.13
7	UOB KAY HIAN PRIVATE LIMITED	2,021,283	0.67
8	CITIBANK NOMINEES SINGAPORE PTE LTD	1,822,700	0.60
9	OCBC SECURITIES PRIVATE LIMITED	1,656,233	0.55
10	TEY HOW KEONG	1,435,400	0.47
11	DBS NOMINEES (PRIVATE) LIMITED	1,350,741	0.45
12	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,281,600	0.42
13	RAFFLES NOMINEES (PTE.) LIMITED	1,194,995	0.39
14	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,094,359	0.36
15	PHILLIP SECURITIES PTE LTD	1,083,383	0.36
16	PEH TEIK SENG	840,000	0.28
17	RHB SECURITIES SINGAPORE PTE. LTD.	667,816	0.22
18	CHIN KOON YEW	632,000	0.21
19	TAN POH TIN	625,500	0.21
20	TOH ONG TIAM	625,200	0.21
	TOTAL	273,556,540	90.23

PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at 27 March 2019, based on the information provided and to the best of the knowledge of the Directors, the percentage of shareholding in the Company held in the hands of the public is approximately 17.96%. At least 10% of the Company's equity securities are held by public at all times and the Company is in compliance with Rule 723 of the SGX-ST Listing Manual.

STATISTICS OF SHAREHOLDINGS

AS AT 27 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	Number of Shares	%[1]	Number of Shares	%[1]
JB Cocoa Group Sdn Bhd	138,030,000	45.52	–	–
Tey Kan Sam @ Tey Hin Ken[2]	–	–	138,030,000	45.52
Lim Ah Bet @ Chabo[3]	–	–	138,030,000	45.52
Tey How Keong[4]	1,435,400	0.47	138,030,000	45.52
Goh Lee Beng[5]	3,418,666	1.13	138,030,000	45.52
ECOM Agroindustrial Corp. Limited	33,120,000	10.92	–	–
Unichocola Pte. Ltd.[6]	–	–	33,120,000	10.92
IECOM Pte. Ltd.[7]	–	–	33,120,000	10.92
Jorge Esteve Campdera and grandchildren[6]	–	–	33,120,000	10.92
Isabel Recolons Esteve and lineal descendents[7]	–	–	33,120,000	10.92
Tee Yih Jia Food Manufacturing Pte Ltd	72,498,266	23.91	–	–
Goi Seng Hui[8]	259,200	0.09	72,498,266	23.91

Notes:

(1) The percentage is calculated based on the total issued and paid-up share capital of 303,199,966 shares.

(2) Tey Kan Sam @ Tey Hin Ken holds 30.0% of the issued and paid-up share capital of JB Cocoa Group Sdn Bhd ("**JBC Group**"), and is also deemed interested in the 20.0% of the issued and paid-up share capital of JBC Group held by his spouse, Lim Ah Bet @ Chabo, and is therefore deemed interested in the 138,030,000 shares held by JBC Group.

(3) Lim Ah Bet @ Chabo holds 20.00% of the issued and paid-up share capital of JBC Group, and is also deemed interested in the 30.00% of the issued and paid-up share capital of JBC Group held by her spouse, Tey Kan Sam @ Tey Hin Ken, and is therefore deemed interested in the 138,030,000 Shares held by JBC Group.

(4) Tey How Keong holds 36.00% of the issued and paid-up share capital of JBC Group, and is also deemed interested in the 14.00% of the issued and paid-up share capital of JBC Group held by his spouse, Goh Lee Beng, and is therefore deemed interested in the 138,030,000 Shares held by JBC Group.

(5) Goh Lee Beng holds 14.00% of the issued and paid-up share capital of JBC Group, and is also deemed interested in the 36.00% of the issued and paid-up share capital of JBC Group held by her spouse, Tey How Keong, and is therefore deemed interested in the 138,030,000 Shares held by JBC Group.

(6) Unichocola Pte. Ltd. holds approximately 36.00% of the issued and paid-up share capital of ECOM Agroindustrial Corp. Limited ("**ECOM**"), and is therefore deemed interested in the 33,120,000 Shares held by ECOM. All the shares in the issued and paid-up share capital of Unichocola Pte. Ltd. is held by Glico PTC, L.L.C., as managing trustee to the Creston Union Trust. The Creston Union Trust is a discretionary trust and the beneficiaries of the Creston Union Trust are Jorge C. Esteve and his grandchildren. Jorge C. Esteve is the settlor of the Creston Union Trust.

(7) IECOM Pte. Ltd. holds approximately 26.30% of the issued and paid-up share capital of ECOM, and is therefore deemed interested in the 33,120,000 Shares held by ECOM. All the shares in the issued and paid-up share capital of IECOM Pte. Ltd. is held by Ecire PTC, L.L.C., as trustee to the Robles Trust. The Robles Trust is a discretionary trust and the beneficiaries of the Robles Trust are Isabel R. Esteve and her lineal descendants. Isabel R. Esteve is the settlor of the Robles Trust.

(8) Goi Seng Hui holds 99.98% of the issued and paid up capital of Tee Yih Jia Food Manufacturing Pte Ltd ("**TYJ Food Manufacturing**") and is therefore deemed interested in the 72,498,266 Shares held by TYJ Food Manufacturing.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at **Raffles Marina, Chartroom at 10 Tuas West Drive, Singapore 638404 on Tuesday, 30 April 2019 at 10:00 a.m.** to transact the following business:

ORDINARY BUSINESSES

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2018 together with the Director's Statement and the Auditors' Report thereon. **Resolution 1**

2. To re-elect Mr Tey How Keong who retires by rotation pursuant to Article 98 of the Company's Constitution.

   Mr Tey How Keong will, upon re-election as a Director of the Company, remain as an Executive Director and the Chief Executive Officer of the Company, as well as a member of each of the Remuneration Committee, Nominating Committee and Risk Committee. **Resolution 2**

3. To re-elect Mr Goi Seng Hui who retires by rotation pursuant to Article 98 of the Company's Constitution.

   Mr Goi Seng Hui will, upon re-election as a Director of the Company, remain as a Non-Independent, Non-Executive Director, Vice Chairman of the Board as well as a member of each of the Audit Committee and Risk Committee. **Resolution 3**

4. To approve the payment of directors' fees of S$162,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears. **Resolution 4**

5. To re-appoint Messrs BDO LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

6. To transact any other business that may be transacted at an Annual General Meeting.

SPECIAL BUSINESSES

7. To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:

   AUTHORITY TO ALLOT AND ISSUE SHARES

   (A) "That, pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

      (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

NOTICE OF ANNUAL GENERAL MEETING

(ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

(B) (Notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided always that

(a) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares) of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company (as calculated in accordance with sub-paragraph (b) below);

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with the provisions of the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Company's Constitution; and

NOTICE OF ANNUAL GENERAL MEETING

(d) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (i)] **Resolution 6**

8. **AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE JB FOODS EMPLOYEE SHARE OPTION SCHEME 2014**

That the Directors of the Company be and are hereby authorised to offer and grant Options in accordance with the rules of the JB Foods Employee Share Option Scheme 2014 (the "**Option Scheme**") pursuant to Section 161 of the Companies Act, Chapter 50, and to deliver existing Shares (including treasury shares, if any) and to allot and issue and/or transfer from time to time such number of fully paid-up Shares in the capital of the Company as may be required to be allotted and issued and/or transferred pursuant to the exercise of the Options under the Option Scheme, provided always that:

(i) the aggregate number of Shares over which the Company may grant Options on any date (including the number of Shares which have been and to be issued upon the exercise of the Options in respect of all Options granted under the Option Scheme) shall not exceed fifteen per cent. (15%) of the total number of Shares of the Company (excluding treasury shares) on the day preceding that date; and

(ii) the aggregate number of Shares to be offered to certain participants collectively and individually during the duration of the Option Scheme (subject to adjustments, if any, made under the Option Scheme) shall not exceed such limits or, as the case may be, sub-limits as may be prescribed in the Option Scheme. **Resolution 7**

By Order of the Board
Ong Beng Hong
Joint Company Secretary
15 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Notes:

(1) A member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(2) A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

(3) If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

(4) The instrument appointing a proxy must be deposited at the registered office of the Company at 80 Robinson Road, #17-02 Singapore 068898 not later than 48 hours before the time appointed for the Annual General Meeting.

*A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Explanatory Note:

(i) The Ordinary Resolution 6, if passed, will empower the Directors from the date of this Meeting until the conclusion of the next Annual General Meeting, or the date by which the next Annual General Meeting of the Company is required by law to be held, or when revoked or varied by the Company in general meeting, whichever is earlier, to allot and issue further shares in the Company. The maximum number of shares which the Directors may issue under this resolution shall not exceed the quantum as set out in the resolution.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, or by attending the Annual General Meeting, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof), the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and the publication of the names and comments of the members at the AGM and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. In addition, by attending the Annual General Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for any of the Purposes.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Tey How Keong and Mr Goi Seng Hui are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 30 April 2019 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

	MR TEY HOW KEONG	MR GOI SENG HUI
Date of Appointment	3 January 2012	1 March 2013
Dates of last re-appointment	30 April 2014 25 April 2017	26 April 2013 26 April 2016
Age	53	72
Country of principal residence	Malaysia	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experience and suitability of Mr Tey How Keong for re-appointment as Executive Director of the Company and as a member of each of the Remuneration Committee, Nominating Committee and Risk Committee. The Board has reviewed and concluded that Mr Tey How Keong possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board and the relevant Board Committees.	The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the qualification, work experience and suitability of Mr Goi Seng Hui for re-appointment as Non-Independent, Non-Executive Director and Vice Chairman of the Company, and as a member of each of the Audit Committee and the Risk Committee. The Board has reviewed and concluded that Mr Goi Seng Hui possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board and the relevant Board Committees.
Whether appointment is executive, and if so, the area of responsibility	Executive; responsible for the overall strategic, management and business development of the Group	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chief Executive Officer and Executive Director	Non-Independent, Non-Executive Director and Vice Chairman
Professional qualifications	Bachelor of Business Administration from University of Toleda, College of Business Administration, USA (1998)	Secondary

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TEY HOW KEONG	MR GOI SENG HUI
Working experience and occupation(s) during the past 10 years	Chief Executive Officer of the Company	Executive Chairman of Tee Yih Jia Group Executive Chairman of GSH Corporation Ltd
Shareholding interest in the listed issuer and its subsidiaries	139,465,400 shares as at 27 March 2019 (1,435,400 direct; 138,030,000 deemed)	72,757,466 shares as at 27 March 2019 (259,200 direct; 72,498,266 deemed)
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Spouse of Mdm Goh Lee Beng, an Executive Director of the Company; Shareholder of JB Cocoa Group Sdn Bhd, a substantial shareholder of the Company; Son of Mr Tey Kan Sam @ Tey Hin Ken, a substantial shareholder of the Company; Son of Mdm Lim Ah Bet @ Chabo, a substantial shareholder of the Company	Shareholder of Tee Yih Jia Food Manufacturing Pte Ltd, a substantial shareholder of the Company
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships (for the last 5 years) * "Principal Commitments" has the same meaning as defined in the Code.	Past (for the past 5 years): N/A Present: Directorships in the Group's subsidiaries	Past (for the past 5 years): Super Group Ltd (delisted with effect from 6 June 2017) Present: Envictus International Holdings Limited Tung Lok Restaurants (2000) Ltd GSH Corporation Limited

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TEY HOW KEONG	MR GOI SENG HUI
Other Information		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TEY HOW KEONG	MR GOI SENG HUI
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TEY HOW KEONG	MR GOI SENG HUI
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TEY HOW KEONG	MR GOI SENG HUI
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Prior Experience		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N/A	N/A

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JB FOODS LIMITED
(Company Registration No. 201200268D)
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investors") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

*I/We ____________________ NRIC No. ____________________

of ____

being a *member/members of JB FOODS LIMITED (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No	Proportion of shareholdings (%)

and/or (delete as appropriate)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Raffles Marina, Chartroom at 10 Tuas West Drive, Singapore 638404 on Tuesday, 30 April 2019 at 10:00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Ordinary Resolutions set out in the Notice of Annual General Meeting as indicated hereunder. In the absence of specific instructions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.

Resolution No.	Ordinary Resolutions	For	Against
1	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2018, the Directors' Statement and the Auditors' Report thereon.		
2	To re-elect Mr Tey How Keong as Director.		
3	To re-elect Mr Goi Seng Hui as Director.		
4	To approve Directors' fees of S$162,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears.		
5	To re-appoint Auditors and to authorise the Directors to fix their remuneration.		
6	To approve the proposed share issue mandate.		
7	To approve the proposed grant of authority to allot and issue shares under the JB Foods Employee Share Option Scheme 2014.		

* If you wish to exercise the votes in respect of all of your shares "For" or "Against", please tick (√) within the box provided. Alternatively, please indicate the number of shares in respect of which the votes are to be cast "For" and "Against" as appropriate.

Dated this __________ day of ________________ 2019.

Total Number of Ordinary Shares Held	

____
Signature(s) of Member(s)
and Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

1. Please insert the total number of ordinary shares held by you. If you have ordinary shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of ordinary shares. If you have ordinary shares registered in your name in the Register of Members, you should insert that number of ordinary shares. If you have ordinary shares entered against your name in the Depository Register and ordinary shares registered in your name in the Register of Members, you should insert the aggregate number of ordinary 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 Proxy Form shall be deemed to relate to all the ordinary shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote instead of him save that no limit shall be imposed on the number of proxies for nominee companies. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) 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. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Annual General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Annual General Meeting.

6. The Proxy Form must be lodged at the registered office of the Company at 80 Robinson Road, #17-02, Singapore 068898 not less than 48 hours before the time appointed for the Annual General Meeting.

7. The Proxy Form must be under the hand of the appointor or of his attorney duly authorised in writing. Where the Proxy Form 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 attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. 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 Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investors") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Annual General Meeting in person. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.

*A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

GENERAL

The Company shall be entitled to reject the Proxy Form 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 Proxy Form. In addition, in the case of ordinary shares entered in the Depository Register, the Company may reject any Proxy Form lodged if the member, being the appointor, is not shown to have ordinary shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

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JB FOODS LIMITED
80 Robinson Road #17-02
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