DELIVERING
THE RIGHT MIX

JB foods

Annual Report 2013

CONTENTS

CORPORATE PROFILE

Founded in the 1980s, JB Foods Limited (" JB Foods") started as a processor of wet cocoa beans to dry cocoa beans. Today, the Group is one of the major cocoa ingredient producers in Malaysia, with a production capacity of 85,000 metric tonnes of cocoa beans equivalent per year.

The Group's principal activities comprise the production and sale of cocoa ingredient products, namely cocoa butter, cocoa powder, cocoa liquor and cocoa cake, with cocoa butter and cocoa powder contributing approximately 90% to its revenue.

In 2003, JB Foods completed the construction of its cocoa processing plant at the Port of Tanjung Pelepas ("PTP"), a free trade zone in Johor, Malaysia. The production facility has received a numbr of accolades and certifications including ISO 9001:2008 certification, HACCP certification, Kosher and Pareve certification, Halal certification, UTZ certified, BRC Global Standard for Food Safety, as well as Best Cocoa Grinder Award 2010, Industry Excellence Award 2011, and a certificate of appreciation for being the finalist of the Malaysian Commodities Industry Award 2011 for Best Manufacturing Factory.

Since 23 July 2012, JB Foods has been listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

OUR PRODUCTS

COCOA BUTTER

We produce natural deodorised or partially deodorised cocoa butter which is mainly used in the production of chocolates.

COCOA POWDER

We produce a wide range of cocoa powder with varying pH value, application and fat content. Cocoa powder is mostly used to make cocoa beverages and as flavourings and coatings in the manufacture of food and beverage and confectionery products.

We also have the capabilities to customise recipes for cocoa powder based on customer specifications such as producing specific taste and appearance.

COCOA LIQUOR

By carefully blending the cocoa beans from different origins and through the precise control of parameters such as temperature, pressure and humidity during the alkalising and roasting process, we are able to enhance the taste, flavour and appearance of coca liquor. Our main customers for cocoa liquor are chocolate manufacturing companies.

Cocoa liquor can be pressed to produce cocoa butter and cocoa cake.

COCOA CAKE

We sell cocoa cake to international trade houses or cocoa powder millers to be refined into cocoa powder. However, majority of our cocoa cakes are further processed to produce cocoa powder.

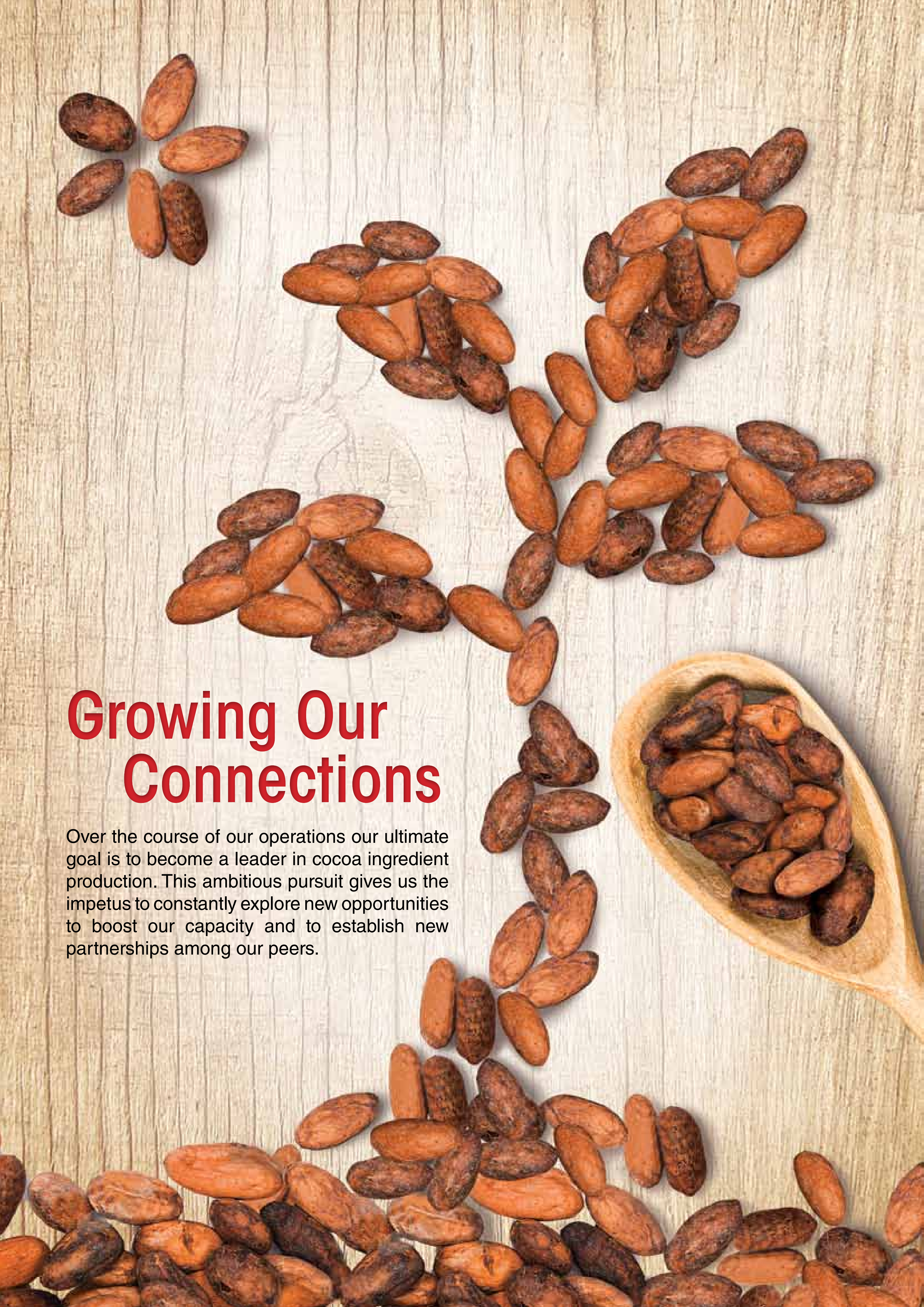
All our products are manufactured under stringent food safety standards to ensure our customers receive quality cocoa ingredient products which meet or exceed their expectations. The Group also places strong emphasis on product development.

Over the years, the Group has developed and honed our ability to provide customisation of cocoa ingredient products, in particular, cocoa powder, where we have the technical know-how, proprietary methods and expertise in blending in order to produce products of high quality and in a consistent manner. This has earned us a strong reputation amongst global customers.

Our products are sold primarily under the 'JBCOCOA' brand name. We have built a wide customer base and export our products worldwide to customers ranging from international trade houses to end users such as food and beverage and confectionery manufacturers. These include Theobroma B.V., ADM Cocoa, General Cocoa Company Inc., Transmar Commodity Group Ltd., Olam Europe Limited, ECOM Group, Nestle Group, INC., AB Food & Beverages (Thailand) Ltd, Kraft Foods Manufacturing Malaysia Sdn Bhd, Mitsubishi Corporation, Hershey India Private Limited, Arcor Salc, Mars Chocolate and Lotte Shanghai Foods Co. Ltd.

STRATEGIC LOCATION

JB Foods' production facility situated in PTP, a strategic logistics hub within a free trade zone in Malaysia, enables the Group to reduce the travel time by road and significantly reduce land logistics costs to and from the port. The Group is also able to closely monitor its containers prior to loading onto vessels for its onward journey to other ports.



Growing Our Connections

Over the course of our operations our ultimate goal is to become a leader in cocoa ingredient production. This ambitious pursuit gives us the impetus to constantly explore new opportunities to boost our capacity and to establish new partnerships among our peers.

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

2013 had been a challenging year. Our financial performance was adversely affected by the unprecedented and precipitous decline in cocoa product prices, stemmed from the massive oversupply in the cocoa ingredients market. The entire cocoa processing industry suffered one of its worst years in financial losses. Petra Foods had divested its cocoa ingredient division to Barry Callebaut last year. In addition, ADM had also publicly declared its intent to divest its cocoa business, to focus on their core grain business.

We believe that the consolidation amongst the world top cocoa processing players bodes well for the industry in the long term. More importantly, it will create a strategic opportunity for JB Foods to improve in the world ranking, to expand and broaden international customer base.

Financially, the Group registered a net loss of RM53 million in FY2013. Notwithstanding this loss, we believe that the Group continues to be fundamentally strong, with a loyal customer base, an experienced and proven management team, and a committed strategic shareholder base. It is therefore well positioned to take advantage of the industry consolidation to execute necessary risk management and growth strategies to bring JB Foods to the next level as a global cocoa ingredient producer.

Acknowledgement

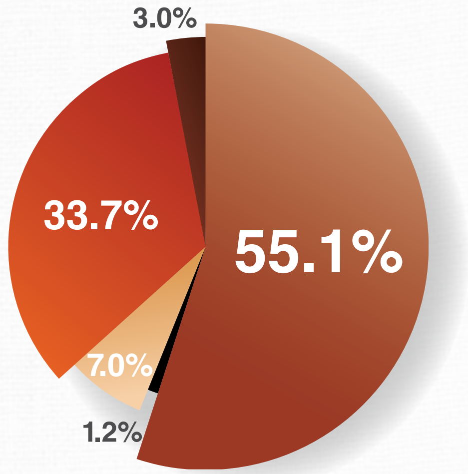
It has been a difficult year for JB Foods and the 2014 will be some what challenging. I believe we have the resources and management expertise to safely navigate through this storm and as the business environment brightens, leverage on our strengths and enhance our competitive advantage. I take this opportunity to thank my fellow Board members for their contributions, management and staff for their efforts, our business partners and shareholders for their continued support.

In an effort to enhance corporate governance and provide deeper industry insight, we appointed Mr.Chin Koon Yew as an Independent Director in February 2014. Mr. Chin brings with him a wealth of experience in the cocoa ingredient industry and we look forward to his contributions. He has been appointed as a member of the Audit and Remuneration Committees and Chairman of the Risk Management Committee

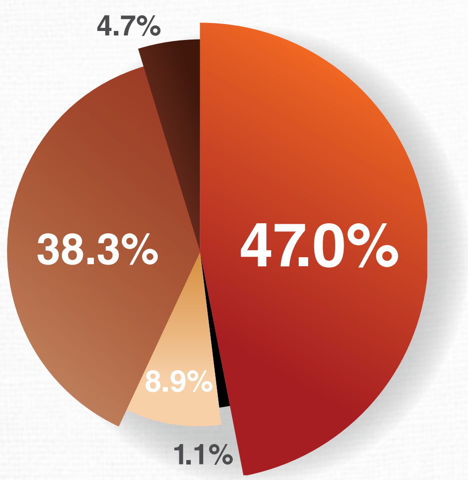
CHUA CHEOW KHOON, MICHAEL
Chairman and Independent Director
9 April 2014

FINANCIAL HIGHLIGHTS

REVENUE ANALYSIS BY PRODUCT (%)



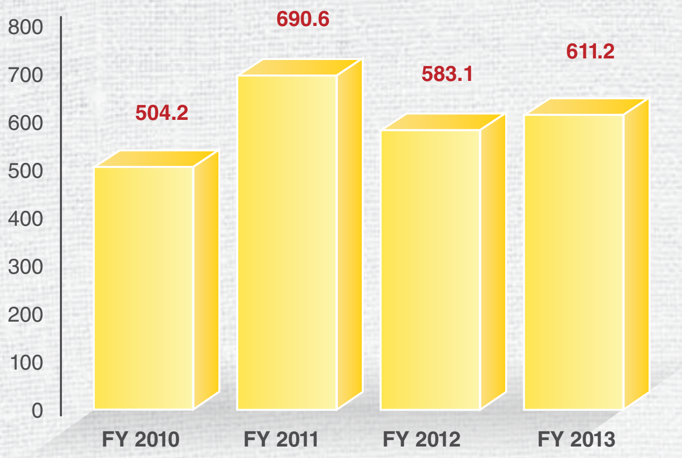
FY 2012



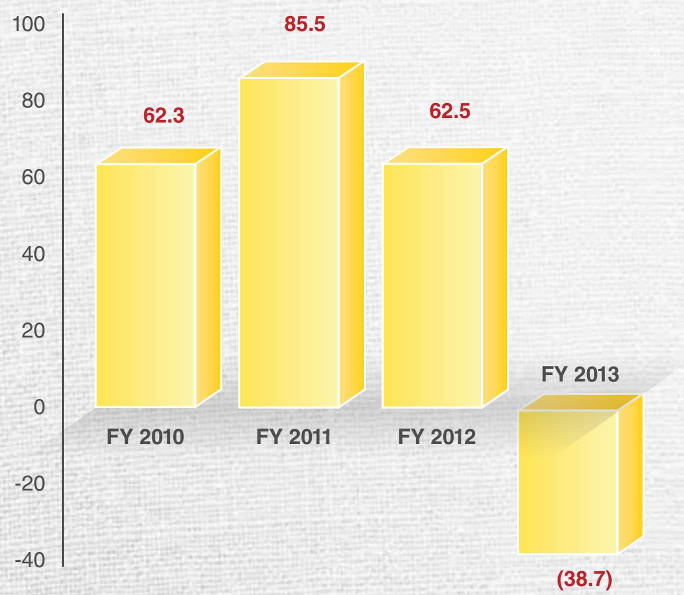
FY 2013

- Cocoa Butter
- Cocoa Liquor
- Cocoa Powder
- Cocoa Cake
- Others

REVENUE (RM MILLION)



GROSS PROFIT / (LOSS) (RM MILLION)



FINANCIAL SUMMARY

Financial Highlights

(RM'000)	FY2013	FY2012
Revenue	611,208	583,100
Gross (Loss) / Profit	(38,713)	62,500
(Loss) / Profit Before Income Tax	(67,917)	43,590
Total Comprehensive Income attributable to owners of the parent	(53,033)	39,158

Balance Sheet

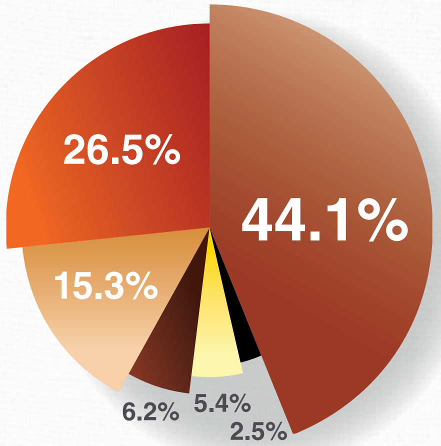
(RM'000)	FY2013	FY2012
Total Assets	487,184	430,899
Total Liabilities	308,136	241,034
Total Equity	179,048	189,865
Net Debt	240,143	175,261
Cash and Cash Equivalents	65,451	51,062

Financial Ratios

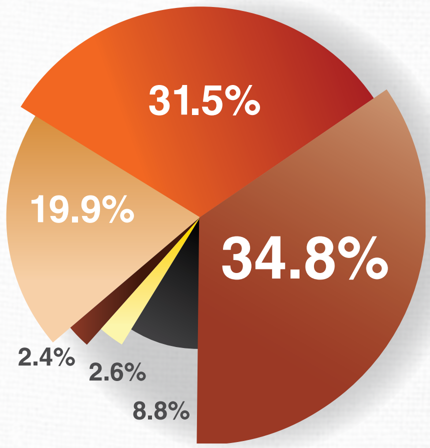
	FY2013	FY2012
(Loss)/ Earning per share[1] (Sen)	(11.31)	14.98
Net Asset Value per share[2] (Sen)	37.30	47.47
Return on equity (%)	(29.72)	20.63
Gearing Ratio (%)	57.29	48.00

(1) Based on weighted average number of shares of 470,575,000 (2012: 261,432,000)
(2) Based on share capital of 480,000,000 shares

REVENUE ANALYSIS BY GEOGRAPHICAL REGION (%)



FY 2012

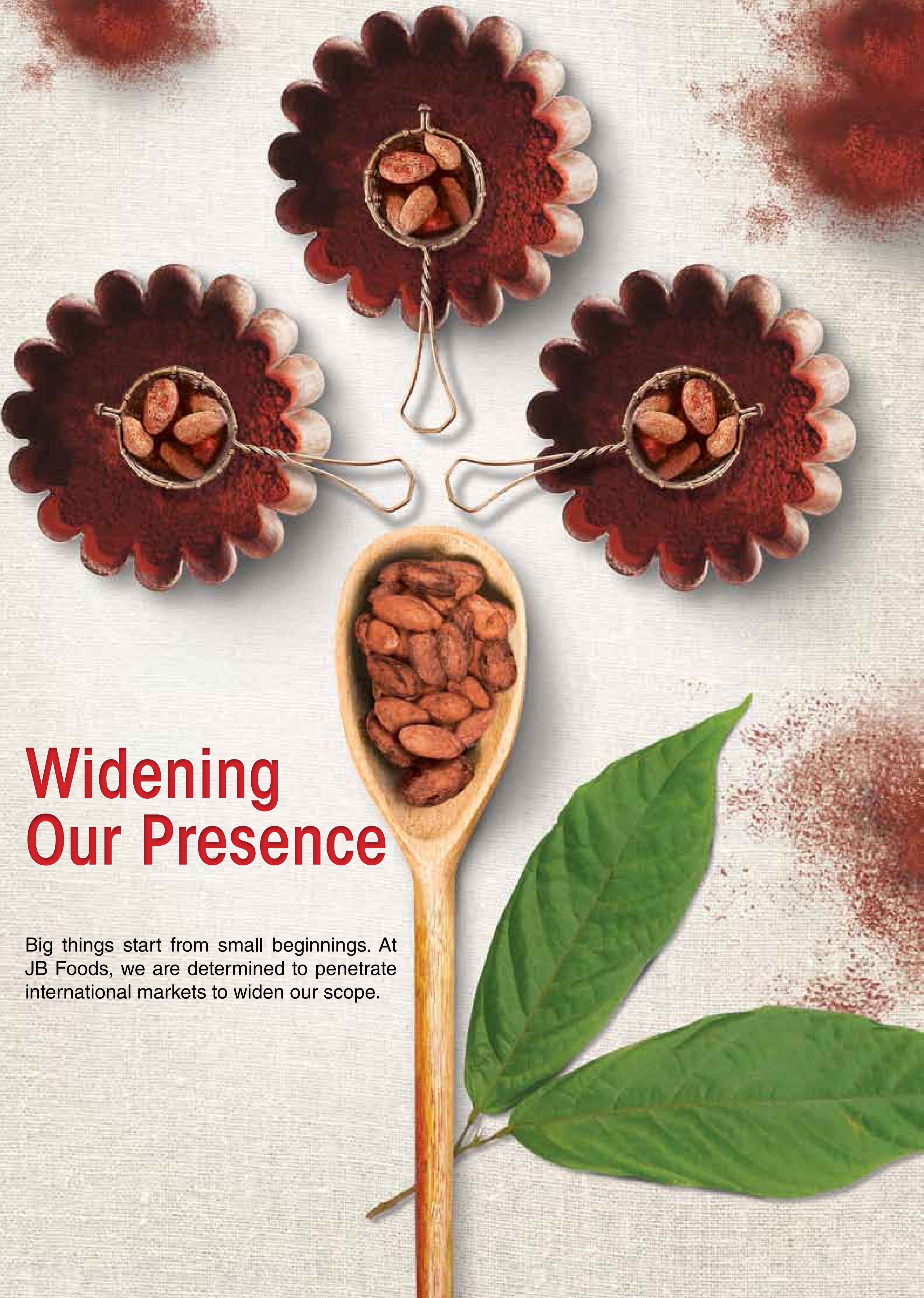


FY 2013

- Asia
- Europe
- North America
- Africa
- Central & South America
- Others

Widening Our Presence

Big things start from small beginnings. At JB Foods, we are determined to penetrate international markets to widen our scope.



CEO'S MESSAGE

DEAR SHAREHOLDERS,

Whilst the net loss of RM53.2 million registered in FY2013 is significant, we believe our underlying business fundamentals remain robust, and we continue to possess the same competitive strengths that the Company's business success has been built on. For instance, we continue to satisfy our existing customers' needs, by delivering on high quality products and superior customer service. Our loyal customer base has continued to support us and in parallel, we are developing and executing strategies to penetrate and expand into new markets. We also believe that the underlying growth drivers for cocoa consumption are intact. With sustained rising income per capita in Asia, coupled with the economic recovery in the key North American and European markets, we believe these factors will underpin the recovery of the cocoa market.

In the short term, we believe the tough operating environment will likely to persist and we may continue to incur operating losses over the next few quarters. However, beyond this year, we are cautiously confident that normal trading condition will return when supply and demand are back in equilibrium. Over time, with the market consolidation, we will be in a better position to increase our sales to existing and new customers as they seek diversification from a smaller pool of suppliers.

As we move forward, we will focus on capitalizing on the opportunities arising from the industry consolidation, to build a sustainable market position on a global platform. In this regard, we will develop and execute a business strategy to position the Group as another leading player in the cocoa ingredients industry, catering to the increasing needs of our global customers. The Group's two main products are cocoa butter and powder. Whilst butter can easily be sold to the large chocolate producers, the Group needs to have an effective business strategy to market and sell our powder products in key strategic geographical markets. As a first step, to address and expand into the important North American cocoa ingredients market, being the largest import market for powder, the Group had recently announced the formation of a subsidiary in the USA.

Lastly, risk management will be a key parallel endeavour as we seek to expand our business. Along that line, we have just formed a Risk Management Committee in April 2014 to provide oversight of the Group's design, implementation and monitoring of risk management and internal control systems.

Acknowledgements

In conclusion, I would like to thank the Board, management and staff for their efforts and contributions in what has been a difficult year for our industry. It is our joint effort that strengthens our development of strategy and execution of growth objectives and I am confident that together we will rise to the challenges ahead. A note of gratitude must also be extended to our business partners and shareholders for their support. I look forward to our continued partnership.

TEY HOW KEONG
Chief Executive Officer
9 April 2014

OPERATIONS & FINANCIAL REVIEW

JB Foods secured higher sales volume of cocoa ingredient products as a result of an increase in production capacity. Total revenue grew by RM28.1 million or 4.8% from RM583.1 million in FY2012 to RM611.2 million in FY2013.

Income Statement

During the year in review, the Group achieved higher sales but net profit declined amidst the unusual market consolidation which depressed processing margins.

JB Foods secured higher sales volume of cocoa ingredient products as a result of an increase in production capacity. Total revenue grew by RM28.1 million or 4.8% from RM583.1 million in FY2012 to RM611.2 million in FY2013. However, the Group registered a gross loss of RM38.7 million and net loss after tax of RM53.2 million in FY2013 respectively. This was mainly due to the write-down on inventories amounting to RM23.2 million in FY2013 and depressed processing margins affecting cocoa ingredient suppliers as a result of the unusual market consolidation in the cocoa ingredients industry.

In the area of expenses, selling and distribution expenses increased by RM1.9 million or 28.7% from RM6.8 million in FY2012 to RM8.7 million in FY2013 due mainly to higher freight costs and warehouse expense in line with higher sales volume. Meanwhile, administrative expenses decreased by RM1.3 million or 13.7% from RM9.7 million in FY2012 to RM8.4 million in FY2013, mainly due to decrease in indirect staff cost of RM1.2 million.

Other expenses increased by RM6.6 million due mainly to net foreign exchange losses as a result of the appreciation of the US Dollar (USD) and British Pound (GBP) against the RM during the year amounting to RM5.6 million, comprising RM2.8 million realised and RM2.8 million unrealised exchange losses.

As for unrealised losses, they were in relation to the revaluation of the USD and the GBP bank borrowings, payables and receivables which amounted to RM4.1 million. This was offset by the unrealised gain on revaluation of the USD and the GBP cash and cash equivalents amounting to RM1.3 million. In addition, there was a fair value loss on currency forwards amounting to RM2.3 million but partially offset by the non-recurring IPO expenses amounting to RM1.8 million in FY2012.

Balance Sheet

Non-current assets increased by RM2.9 million or 2.6% from RM112.6 million as at 31 December 2012 to RM115.5 million as at 31 December 2013. The increase was mainly due to capital expenditure incurred for the expansion project in Tanjung Pelepas.

The Group's current assets increased by RM53.4 million or 16.8% from RM318.3 million as at 31 December 2012 to RM371.7 million as at 31 December 2013. Inventories increased by RM32.7 million in line with the enlarged capacity and higher bean prices. Cash and cash equivalents increased due to the timing of receipts from customers. Trade and other receivables increased mainly due to an increase in advance payment to suppliers of approximately RM15.5 million as at 31 December 2013. Income tax recoverable increased RM2.0 million. This was due to a subsidiary being required to pay estimated corporate taxes in advance for the period, based on its FY2012 profit.

Current liabilities increased by RM81.7 million or 36.1% from RM226.3 million as at 31 December 2012 to RM308.1 million as at 31 December 2013, mainly due to an increase in bank borrowings amounting to RM108.0 million and increase in the marked to market losses on foreign currency contracts by RM2.4 million as at 31 December 2013. This was partially offset by a decrease in trade and other payables of RM28.8 million. Bank borrowings increased mainly due to the increased utilisation of trade bills for the payment of cocoa beans. Other payables and accruals decreased due to progress billing payments relating to the expansion project in Tanjung Pelepas and staff-related costs.

Non-current liabilities decreased RM14.6 million or 99.5% from RM14.7 million as at 31 December 2012 to RM0.1 million as at 31 December 2013 due to the reversal of deferred tax in a subsidiary.

Whilst the Group incurred net loss of RM53.2 million in FY2013, net assets only decreased RM10.8 million due to the issuance of shares to Tee Yi Jia amounting to RM54.1 million but partially offset by the dividend payment of RM11.8 million declared out of FY2012 profitability.

OPERATIONS & FINANCIAL REVIEW

Statements of Financial Position

			GROUP
	FY 2013	FY 2012	Change
	RM'000	RM'000	%
ASSETS			
Non-Current Assets			
Intangibles asset	425	5	n.m.
Property, plant and equipment	108,802	106,702	2.0
Prepaid lease payments	6,268	5,852	7.1
Total Non-Current Assets	**115,495**	**112,559**	**2.6**
Current Assets			
Inventories	202,438	169,733	19.3
Trade and other receivables	97,355	93,149	4.5
Prepayments	159	101	57.4
Current income tax recoverable	6,286	4,295	46.4
Cash and cash equivalents	65,451	51,062	28.2
Total Current Assets	**371,689**	**318,340**	**16.8**
Total Assets	**487,184**	**430,899**	**13.1**
LIABILITIES			
Current Liabilities			
Trade and other payables	25,759	54,519	(52.8)
Derivative financial instruments	2,437	2	n.m.
Bank borrowings	279,835	171,804	62.9
Current income tax payable	30	17	76.5
Total Current Liabilities	**308,061**	**226,342**	**36.10**
Non-Current Liability			
Deferred Tax Liabilities	75	14,692	(99.5)
Total Non-Current Liability	**75**	**14,692**	**(99.5)**
Total Liabilities	**308,136**	**241,034**	**27.8**
Net Assets	**179,048**	**189,865**	**(5.7)**
CAPITAL AND RESERVES			
Share Capital	214,743	160,717	33.6
Other reserves	(72,078)	(72,265)	(0.3)
Retained Earnings	36,383	101,413	(64.1)
Total Equity Attributable to Owners of the Parent	**179,048**	**189,865**	**(5.7)**

Cash Flow

In FY2013, cash and cash equivalents increased by RM14.7 million due to net cash used in operating activities amounting RM120.0 million; net cash used in investing activities amounting to RM9.2 million; net cash from financing activities amounting to RM142.6 million; and unrealised exchange gain on cash and cash equivalents amounting to RM1.3 million.

Net cash used in operating activities was mainly attributable to the increase in working capital amounting to RM90.2 million resulting from an overall increase in inventories and trade and other receivables, and decrease in trade and other payables of RM55.9 million, RM1.5 million and RM32.8 million, respectively.

The Group used net cash in investing activities amounting to RM9.2 million, mainly for additional capital expenditure incurred for the expansion project in Tanjung Pelepas. Net cash from financing activities was largely due to net proceeds from a share placement of RM54.0 million and net increase in trade finance borrowings amounting to RM103.9 million which were partially offset by dividend and interest payments of RM11.8 million and RM3.5 million, respectively.

Statement of Cash Flows

RM'000	FY 2013	FY 2012
Net cash from operating activities before working capital changes	**(27,682)**	**52,188**
Net cash generated (used in)/ from operating activities	(117,221)	(22,703)
Net cash used in investing activities	(11,971)	(32,558)
Net cash from financing activities	142,568	56,933
Net change in cash and cash equivalents	**13,376**	**1,672**
Cash and cash equivalents at end of the year *	**65,451**	**50,772**

* Less bank overdraft of RM290,000 in FY2012

Setting Our Development Strategy

While the industry condition remains challenging, we are confident that we can rise above the challenges that lay ahead. We are taking prudent measures to ensure that we stand firm amidst the volatility and unpredictability in the cocoa industry. Backed by a dedicated workforce and quality service, JB Foods will continue to persevere to secure its place as one of the largest cocoa products suppliers in the world.

BOARD OF DIRECTORS

CHUA CHEOW KHOON MICHAEL
Independent Director and Chairman

GOI SENG HUI
Non-Independent, Non-Executive Director and Vice Chairman

TEY HOW KEONG
Chief Executive Officer

GOH LEE BENG
Executive Director

YESSA MATINDAS TUEGEH
Non-Independent and Non-Executive Director

LEOW WEE KIA CLEMENT
Independent and Non-Executive Director

CHIN KOON YEW
Independent and Non-Executive Director

BOARD OF DIRECTORS

CHUA CHEOW KHOON MICHAEL

Independent and Non-Executive Chairman

Mr Chua was appointed to the Board on 4 May 2012 as Lead Independent and Non-Executive Director. With effect from 2 January 2013, he was appointed as Independent and Non-Executive Chairman. 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 and general management and was the Chief Investment Officer of Sapphire Corporation Limited.

Mr Chua also held senior positions in multinational companies including Reckitts & Colman Singapore Pte Ltd, the Singapore Technologies and Sembcorp group of companies and Delifrance Singapore Pte Ltd. He is also an independent director of Cogent Holdings Limited and lead independent director of Cedar Strategic Holdings Ltd (formerly known as China Titanium Ltd), companies listed on the Mainboard and the Catalist Board of the SGX-ST respectively.

Mr Chua 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 with operations in Singapore, Malaysia, USA, Europe and China), and Yangzhou Junhe Real Estate Group (a growing property development company in China). Apart from these core businesses, Mr Goi has investments across a range of listed and private entities in numerous industries, such as food and beverage, consumer essentials, recycling, distribution and logistics. Mr Goi also serves on the board of four other Mainboard-listed companies as Executive Chairman of GSH Corporation Limited, Vice Chairman of Super Group Limited, Vice Chairman of Etika International Holdings Ltd, and Director of Tung Lok Restaurants (2000) Ltd.

Mr Goi 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-Zhejiang Economic & Trade Council, as well as Senior Consultant to Su-Tong Science & Technology Park. He is currently the Honorary Chairman for the International Federation of Fuqing Association, and a member of the Singapore University of Technology and Design (SUTD) Board of Trustee, and Chairman of Duman High School Advisory Committee and Ulu Pandan Citizens Consultative Committee.

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 21 years of experience in 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 and played an active role in setting up its cocoa processing plant in Pasir Gudang, and remained as a director until October 2003.

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

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

GOH LEE BENG

Executive Director

Mdm Goh oversees the trading and logistics department of the Group, which monitors world cocoa trends, cocoa trading, sourcing of cocoa beans and marketing of cocoa butter. She was appointed to the Board on 4 May 2012.

Upon graduation, Mdm Goh joined Guan Chong Cocoa Manufacturer Shd Bhd in November 1989 as an executive and was responsible for logistics, operations and inventory management. She joined JB Cocoa Shd Bhd in January 2003 and was appointed as its Executive Director in August 2003.

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

YESSA MATINDAS TUEGEH

Non-Independent and Non-Executive Director

Mr Tuegeh was appointed to the Board on 4 May 2012 and is representative director of ECOM Agroindustrial Corp Limited on the Board.

Mr Tuegeh started his career in September 1997 with PT Cahaya Kalbar TBK, a manufacturer of specialty fats and cocoa products. After leaving PT Cahaya Kalbar TBK in November 2002, he joined ECOM Agroindustrial Asia Pte. Ltd. as a senior trader, where his responsibilities included trading cocoa products and futures. Currently he holds the position of cocoa director for managing the group's cocoa operations in Asia.

Mr Tuegeh graduated with a Bachelor of Science and Business Administration from Washington University, Missouri, USA in 1997 and obtained a Master of Business Administration from the Graduate School of Business of The University of Chicago in 2004.

LEOW WEE KIA CLEMENT

Independent and Non-Executive Director

Mr Leow was appointed to the Board on 4 May 2012. He is currently a partner and head of corporate finance at Partners Capital (Singapore) Pte Ltd, a firm specialising in corporate finance activities, where he is involved in the management of the origination and execution of initial public offerings, mergers and acquisitions, advisory transactions as well as other fund raising activities, and has over 14 years of corporate finance experience. Mr Leow has also been appointed to the Institute of Banking and Finance, Financial Industry Competency Standards Corporate Finance Working Group, which provides guidance and sets the competency standards in the corporate finance industry in Singapore.

Mr Leow worked as an investment banking officer at Keppel Capital Holdings between October 1999 to December 2000, before he joined PricewaterhouseCoopers Corporate Finance Pte Ltd as a senior associate from January 2001 to December 2002. From January 2003 to March 2005, he joined Daiwa Securities SMBC Limited as an assistant vice president of corporate finance. He subsequently joined KBC Bank NV as an associate director of merchant banking until October 2006. Thereafter, he was a managing director of corporate finance at Phillip Securities Pte Ltd from November 2006 to May 2009, before leaving to join Partners Capital (Singapore) Pte Ltd in June 2009.

Mr Leow graduated from Cornell University, United States with a Bachelor of Scinece in Applied Economics in 1994. He was awarded a Master of Business Administration in 2011 from the University of Oxford, United Kindom, and was also conferred a Postgraduate Diploma in Financial Strategy in 2009 by the University of Oxford, United Kingdom. He also completed the Governance as Leadership Program at Harvard Kennedy School, United States in 2010. He is presently an independent non-executive director at Mann Seng Metal International Limited and Overseas Education Limited, listed on the Catalist board and the Mainboard of the Singapore Exchange respectively, and has also served as a member of the Singapore Institute of Directors since April 2009. He has also been awards the Singapore Armed Forces Good Service Medal in 2007.

CHIN KOON YEW

Independent and Non-Executive Director

Mr Chin was appointed to the Board on 18 February 2014 as a Non-Executive 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. He is currently a Special Consultant to Petra Foods Limited.

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 and is a fellow member of ACCA. He obtained a Master of Business Administration from Henley-Brunel University in 1996.

LOO WEN LIEH

Alternate Director to Mr. Goi Seng Hui, Non-Independent Non-Executive Director

Mr Loo Wen Lieh is 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, and oversees its financial, tax and accounting matters. TYJ is the leading frozen foods manufacturer in Singapore, exporting most of its products globally. TYJ has significant investments in many other industries such as environmental, property development and F&B sector, and holds substantial stakes in many SGX listed companies.

Mr Loo was previously the CFO and Corporate Secretary of two other SGX listed companies from December 2002 to May 2007 where he was responsible for the IPO, financial, tax and related matters of the companies. Prior to that, Mr Loo was a manager in KPMG where he worked from July 1996 to November 2002. In KPMG, Mr Loo was involved in auditing, corporate finance, IPOs and related projects. Mr Loo graduated with a Bachelor of Accountancy from the Nanyang Technological University in 1996, and is a member of the Institute of Singapore Chartered Accountants.

EXECUTIVE OFFICERS

CHEAH SOON ANN JEREMY
Chief Financial Officer

Mr Cheah joined JB Foods Ltd as CFO in May 2013. In October 2013, he is also the Joint Company Secretary of the Group. Mr Cheah is responsible for the Finance and Accounting, Procurement and IT function of the Group. Mr. Cheah has over 10 years of experience in finance and accounting.

He started his career as an audit assistant at in Foo, Kon & Tan Grant Thornton in 1999 and then moved on as a senior officer in in the Agency for Science, Technology and Research (A*STAR) in 2001. In August 2004, he left to join mDR Limited as Assistant Finance Manager. Subsequently, he was the General Manager (Finance) and Joint Company Secretary of China XLX Fertiliser Ltd from January 2007 to August 2012 where he helped the company dual list in Singapore and Hong Kong. Then, prior to joining us, he was the financial controller of Aztech Group Ltd from September 2012 to May 2013.

Mr Cheah has been a member of the Institute of Singapore Chartered Accountants and member of the CFA Institute since 2002. He graduated from Nanyang Technological University in 1999 with a bachelor's degree in accountancy and from the University of Adelaide in 2008 with a master's degree in business administration. Mr Cheah is also SAP certified over the finance and costing (FICO) modules.

ONG KIM TECK
Operations Manager

Mr Ong leads and monitors the overall production, factory maintenance, electrical, electronics and information technology matters in the processing facility.

Upon graduation, Mr Ong joined Goista Synergy Berhad as a mechanical engineer in September 1997 and was involved in equipment design and managing engineering projects. In April 2002,he joined JB Cocoa Shd Bhd as project manager, during 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 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.

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

HO KEK SIAN

Quality Assurance and Development Manager

Mr Ho spearheads product development and customization of cocoa ingredient and works closely with the sales and marketing, operations, quality assurance and development departments. He joined JB Cocoa Shd Bhd as its process control engineer in February 2003 and in May 2004, he joined Supervitamins Sdn. Bhd. as a research and development engineer where he was involved in various research and development projects such as the pilot trial of producing palm fatty acid methyl ester or biodiesel and research on producing higher concentration of natural tocotrienols and tocopherol concentrate. Following which, he was with Foster Wheeler Asia Pacific Pte. Ltd. as its pharmaceutical project engineer and ADM Cocoa Pte. Ltd as its production engineer. In December 2010, Mr Ho re-joined JB Cocoa Shd Bhd as its Quality Assurance and Development Manager.

Mr Ho graduated with a Bachelor of Engineering (Chemical-Bioprocess) from the University of Technology, Malaysia in 2000. He subsequently obtained a Master of Engineering from the University of Technology, Malaysia in 2003. In 2005, he became a graduate member of the Board of Engineers, Malaysia.

SAW POH CHIN

Sales and Marketing Manager

Ms Saw has over 10 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 started her career with Guan Chong Cocoa Manufacturer Shd Bhd in February 2000 as a research and development chemist before joining JB Cocoa Shd Bhd in June 2002 as its quality and research and development manager. In December 2004, she was reassigned as the technical support manager and reassigned as technical sales manager in January 2007. In September 2010, she was re-designated as the Sales and Marketing Manager of the Group.

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.



CORPORATE SOCIAL RESPONSIBILITY

As an established, leading cocoa ingredient producer, JB Foods is committed to Corporate Social Responsibility (CSR) practices. We understand that such an orientation and practice benefits everyone, from our wide range of stakeholders, including employees, the neighbouring community and our global cocoa bean suppliers, to our Group as well, in a holistic business eco-system. In this way, we aim to secure long-term, sustainable growth.

Our Group CSR activities and policies focus on these areas: developing a conducive, well-rounded work environment, implementing business ethics and good corporate governance practices, adopting pro-environmental measures and a commitment to global standards in sustainable farming.

At JB Foods, we provide a “Safe & Healthy” and “Work-Life Balance” working environment for our employees. Work safety is of paramount importance and we achieve this through displaying visual signages at various points in our premises and organising briefings and talks on occupational safety. We also have an active “Stay Healthy” programme by organising regular recreation and sports activities. As part of our “Work-Life Balance” orientation, we have established Group-wide events such as Family Day, Hari-Raya Open House, and the Annual Dinner and Dance.

Throughout our operations, we emphasise environmentally-friendly measures. We recycle all used papers and print our marketing material such as brochures using recycled materials. In our production, we compile and use cocoa waste and cocoa shells to generate steam for our machinery, specifically our press machines. Other than such pro-environmental practices in our operations, we encourage staff who stay together in company hostels to car-pool in their daily work commute.

Committed to Global Sustainable Practices

We are committed to global sustainable practices as a member of the World Cocoa Foundation (“WCF”) and Cocoa Association of Asia (“CAA”), both of which promote a sustainable cocoa economy through economic and social development and environmental stewardship in cocoa-growing communities. With joint efforts from other major cocoa industry players and development agencies, we support targeted cocoa sustainability programmes in all the major cocoa growing regions of the world to benefit the world’s cocoa farmers and ensure the long-term supply of quality cocoa.

Being a UTZ Certified-company, we contribute towards this international standard of sustainable farming, which is closely monitored by independent third parties. This organisation seeks to improve the well-being of cocoa farmers via sustainable farming methods, improved working conditions, increasing income, as well as educating their children to be better farmers in the future. It also aims to educate them to be stewards of the environment, adopting environmentally-friendly farming practices.

Overall, the Group adopts and implements best practices with fair competition in all aspects such as business ethics and values, as well as good corporate governance to maintain confidence among all stakeholders, especially our shareholders and investors.

FINANCIAL CONTENTS

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 ("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").

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) consider 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.

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 clear 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, as well as to assist the Board in the governance of risk, 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 these 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 its Non-Executive Chairman 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 Articles of Association of the Company provide for directors to conduct meetings by teleconferencing or videoconferencing. The Board and Board Committees may also make decisions through circulating 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 without limitation, 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.

Each Director is appointed to the Board by way of a formal letter of appointment to the Director setting out the amount of time commitment required and the scope of duties and obligations.

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. Courses attended by some of the Directors in the financial year ended 31 December 2013 ("FY2013") include but are not limited to the Listed Company Directors (LCD) Module 1 by the Singapore Institute of Directors.

The attendance of the Directors at meetings of the Board and Board Committees (excluding the Risk Committee which was only established in the financial year ending 31 December 2014) held during FY2013 are as follows[(1)]:

	Board of Directors		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Director								
Chua Cheow Khoon Michael	5	5	6	6	2	2	2	2
Tey How Keong[(2)]	5	5	6	6	2	2	2	2
Goh Lee Beng	5	5	6	6	2	2	2	2
Leow Wee Kia Clement	5	5	6	6	2	2	2	2
Yessa Matindas Tuegeh[(3)]	5	4	6	5	2	2	2	2
Tey Kan Sam @ Tey Hin Ken[(4)]	5	1	6	1	2	1	2	1
Goi Seng Hui[(5)]	5	3	6	4	2	–	2	1
(Alternate: Loo Wen Lieh) [(6)]		3		3		–		1
Chin Koon Yew[(7)]	5	–	6	–	2	–	2	–

Notes:

(1) The attendance of the Directors, including those also acting as the members of the respective Board Committees, at the meetings of the Board and the Board Committees was recorded in the relevant attendance lists prepared and circulated by the Joint Company Secretaries prior to the commencement of such meetings and these attendance lists are kept in the statutory records of the Company.

(2) Mr Tey How Keong was appointed as a member of the NC on 1 March 2013.

(3) Mr Yessa Matindas Tuegeh was appointed as a member of the AC and RC on 1 March 2013 but ceased being a member of the AC and RC on 18 February 2014.

(4) Mr Tey Kan Sam @ Tey Hin Ken resigned as a Director of the Company and a member of the RC and NC on 1 March 2013.

(5) Mr Goi Seng Hui was appointed as a Director of the Company on 1 March 2013.

(6) 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.

(7) Mr Chin Koon Yew was appointed as an Independent Director of the Company and a member of the AC and RC on 18 February 2014.

Principle 2: Board Composition and Balance

As at the date of this Report, the Board comprises seven Directors of whom three are Independent Directors. The Board also includes Mr Loo Wen Lieh, Alternate Director to Mr Goi Seng Hui. The three Independent Directors of the Company are Mr Chua Cheow Khoon Michael, Mr Leow Wee Kia Clement and Mr Chin Koon Yew. As Mr Chua Cheow Khoon Michael, the Chairman of the Board, is an Independent, Non-Executive 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 brings 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.

CORPORATE GOVERNANCE 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 Board members as of the date of this report are:

Mr Chua Cheow Khoon Michael	-	Independent Non-Executive 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 Yessa Matindas Tuegeh	-	Non-Independent Non-Executive Director
Mr Leow Wee Kia Clement	-	Independent Non-Executive Director
Mr Chin Koon Yew	-	Independent Non-Executive Director
Mr Loo Wen Lieh	-	Alternate Director to Mr Goi Seng Hui

The Company has in place a 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.

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. There are no Independent Directors who have served on the Board beyond nine (9) years from the date of his first appointment.

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 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 is the Independent Non-Executive Chairman and Lead Independent Director of the Company 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 Report, the NC comprises the following members, a majority of whom, including the Chairman, are independent:

Mr Leow Wee Kia Clement (Chairman)

Mr Chua Cheow Khoon Michael

Mr Tey How Keong

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.

In the course of FY2013, Mr Goi Seng Hui was appointed as a Non-Executive, Non-Independent Director of the Company. In addition, Mr Chin Koon Yew was appointed as an Independent Director of the Company and member of the AC and RC on 18 February 2014 and on 1 April 2014 was also appointed as Chairman of the Risk Committee. The abovementioned appointments were reviewed by the NC and the NC took into account Mr Goi's and Mr Chin's respective experiences as well as their respective qualifications before recommending their appointments to the Board for approval.

Further to the above, 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 would also brief 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 Nominating Committee 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 Michael Chua Cheow Khoon, Mr Leow Wee Kia Clement and Mr Chin Koon Yew are independent of the Group and the Management.

CORPORATE GOVERNANCE REPORT

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.

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
Mr Chua Cheow Khoon Michael	64	4 May 2012	26 April 2013	Present Directorships: Cogent Holdings Limited Cedar Strategic Holdings Ltd (FKA China Titanium Ltd) Past Directorships: –
Mr Goi Seng Hui	67	1 March 2013	26 April 2013	Present Directorships: Etika International Holdings Limited Super Group Ltd Tung Lok Restaurants (2000) Ltd GSH Corporation Limited Past Directorships: –
Mr Tey How Keong	48	3 January 2012	–	Present Directorships: – Past Directorships: –
Mdm Goh Lee Beng	48	4 May 2012	26 April 2013	Present Directorships: – Past Directorships: –
Mr Yessa Matindas Tuegeh	39	4 May 2012	26 April 2013	Present Directorships: – Past Directorships: –
Mr Leow Wee Kia Clement	40	4 May 2012	26 April 2013	Present Directorships: Mann Seng Metal International Limited Overseas Education Limited Past Directorships: –
Mr Chin Koon Yew	58	18 February 2014	–	Present Directorships: – Past Directorships: –
Mr Loo Wen Lieh	38	23 May 2013	–	Present Directorships: – Past Directorships: –

The Directors standing for re-election at the forthcoming Annual General Meeting are Mr Tey How Keong and Mr Chin Koon Yew. After assessing each of their contributions and performance, the NC is recommending Mr Tey How Keong and Mr Chin Koon Yew for re-election at the forthcoming Annual General Meeting.

Mr Yessa Matindas Tuegeh, who will be retiring pursuant to Article 98 of the Articles of Association of the Company at the forthcoming Annual General Meeting, will not be standing for re-election.

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 Committee 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 Nominating Committee 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 strength 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;

(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.

The Joint Company Secretaries administer and attend all Board and Board Committees meetings of the Company and prepare 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, all of whom are independent:

Mr Leow Wee Kia Clement (Chairman)

Mr Chua Cheow Khoon Michael

Mr Chin Koon Yew

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. The RC will also review the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service contain fair and reasonable termination clauses which are not overly generous. Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package.

If necessary, the RC may seek expert advice inside and/or outside the Company on 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 not appointed any remuneration consultants for FY2013.

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 within the industry 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 provided for, inter alia, termination by either party upon giving not less than six months' notice in writing.

Non-Executive Directors are paid a basic fee and an additional fee for serving on any of the Board Committee. The Chairman of each 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 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.

Subject to Shareholders' approval at the forthcoming Annual General Meeting of the Company, the Company will be implementing 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. The ESOS shall also be extended to the controlling shareholders and the Non-Executive Directors of the Company who have made and who continue to contribute to the Group. For further details of the ESOS, please refer to the Appendix to this Annual Report dated 31 March 2014, which may also be found on SGXNET (http://sgx.com/wps/portal/sgxweb/home/company_disclosure/prospectus_circulars).

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 FY2013 are as follows:

Name of the Directors		Salary	Bonus	Other Benefits	Fees	Total
S$250,000 to below S$500,000:						
Tey How Keong	Executive	$243,000	–	$10,000	–	$253,000
Below S$250,000:						
Goh Lee Beng	Executive	$138,000	–	$5,000	–	$143,000
Tey Kan Sam @ Tey Hin Ken (1)		–	–	–	$4,000	$4,000
Chua Cheow Khoon Michael		–	–	–	$42,000	$42,000
Yessa Matindas Tuegeh		–	–	–	$24,000	$24,000
Leow Wee Kia Clement		–	–	–	$42,000	$42,000
Mr Chin Koon Yew (2)		–	–	–	–	–
Mr Goi Seng Hui		–	–	–	$20,000	$20,000
Mr Loo Wen Lieh		–	–	–	–	–

Name of Top 5 Key Management Personnel (3)	%	%	%	%	%
Below S$250,000:					
Cheah Soon Ann Jeremy	81	9	10	–	100
Low Kim Poh	58	34	8	–	100
Ong Kim Teck	71	14	15	–	100
Saw Poh Chin	71	14	15	–	100
Ho Kek Sian	71	15	14	–	100

Notes:

(1) Mr Tey Kan Sam @ Tey Hin Ken resigned as a Director with effect from 1 March 2013. Pending shareholders' approval for the ESOS at the forthcoming Annual General Meeting, the Company does not have any employee share option scheme in place.

(2) Mr Chin Koon Yew was appointed after the end of FY2013. As such, Mr Chin Koon Yew was not paid directors' fees for FY2013.

(3) The total remuneration for the 5 key management personnel amounted to $513,000 during FY2013. Mr Low Kim Poh ceased as Chief Financial Officer ("CFO") and was transferred to the procurement and treasury department of the Group on 29 May 2013 and was from that date no longer deemed a top key management personnel. Mr Cheah Soon Ann Jeremy was appointed as CFO on 29 May 2013.

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.

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 controls, and internal controls in relation to information technology risks.

The Company outsources its internal audit function to an external professional firm, who reports directly to the Chairman of 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, is 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 the financial year ended 31 December 2013.

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 CFO:

(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

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

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by 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 system is 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.

In order to further strengthen and facilitate the Company's risk assessment and management systems as well as to assist the Board in the governance of risk, the Board had also established a Risk Committee on 1 April 2014 comprising the following members:

Mr Chin Koon Yew (Chairman)

Mr Tey How Keong

Mr Leow Wee Kia Clement

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, focussing 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 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.

Principle 12: Audit Committee

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

Mr Chua Cheow Khoon Michael (Chairman)

Mr Leow Wee Kia Clement

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 our financial and operating results and accounting policies;

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

(c) evaluating our internal accounting control systems and ensuring coordination between the external auditors, the internal auditors and our management, and review the assistance given by our 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 our management, where necessary);

(d) review our external auditors' reports;

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

(f) review the half yearly and annual, and quarterly (if applicable) financial statements of our Company and our Group and the results announcements before the submission to our 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 and any other relevant statutory or regulatory requirements;

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

(h) review and make recommendation to our 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;

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

(j) review and discuss with our 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 our Group's operating results or financial position and our management's response;

(k) review any potential conflicts of interest;

(l) review our key financial risk areas, with a view to providing an independent oversight on our 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 our Company to our Directors;

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

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

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

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

The AC will meet 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. During the financial year under review, the aggregate amount of fees paid to the external auditors of the Company for the audit and non-audit services are disclosed in Note 20 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 is able to meet its audit obligations.

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

The auditors of the Company's subsidiaries are disclosed in Note 7 to the financial statements in this Annual Report. BDO LLP was appointed in FY2013 to audit the accounts of the Company and JB Foods Global Pte Ltd while BDO Malaysia was appointed in FY2013 to audit the accounts of JB Cocoa Sdn Bhd and Allegis NPD Sdn Bhd.

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 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 for FY2013.

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 is not the external auditor 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. 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:

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

- quarterly results announcements of its financial statements on the SGXNET;

- other announcements on the SGXNET; and

- 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:

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

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

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

4) 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 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.

The Company's Articles of Association allow a shareholder of the Company to appoint one proxy to attend and vote on behalf of the shareholder at shareholder meetings.

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 person transactions are reported on 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.

In compliance with Rule 907 of the SGX-ST's Listing Manual, the aggregate value of recurrent interested persons transactions of revenue or trading nature conducted during the FY2013 were as follows:

Name of interested person	Aggregate value of all interested person transactions entered into during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920 of the Listing Manual	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S$100,000)
	FY 2013 RM'000	FY 2013 RM'000
PT Jebe Koko		
- Sale of goods	Not Applicable	15,649
- Purchase of raw materials	Not Applicable	165,779
Guan Chong Cocoa Manufacturer Sdn Bhd		
- Purchase of raw materials	Not Applicable	1,127
GCB Cocoa Singapore Pte Ltd		
- Sale of goods	Not Applicable	6,793
- Purchase of raw materials	Not Applicable	10,621

Material Contracts

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

REPORT OF THE DIRECTORS

The directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2013 and the statement of financial position of the Company as at 31 December 2013 and the statement of changes in equity of the Company for the financial year ended 31 December 2013.

1. Directors

The directors of the Company in office at the date of this report are as follow:

Tey How Keong	
Goh Lee Beng	
Goi Seng Hui	(Appointed on 1 March 2013)
Yessa Matindas Tuegeh	
Chua Cheow Khoon Michael	
Leow Wee Kia Clement	
Loo Wen Lieh	(Appointed on 23 May 2013, alternate director to Goi Seng Hui)
Chin Koon Yew	(Appointed on 18 February 2014)

2. 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 is 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.

3. 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 2013 or date of appointment, if later	Balance at 31 December 2013	Balance at 1 January 2013 or date of appointment, if later	Balance at 31 December 2013
	Number of ordinary shares			
Ultimate holding company				
Tey How Keong	270,000	270,000	–	–
Goh Lee Beng	105,000	105,000	–	–
Company				
Tey How Keong	1,000,000	1,000,000	244,800,000	244,800,000
Goh Lee Beng	–	–	244,800,000	244,800,000
Goi Seng Hui	–	–	80,000,000	80,000,000

3. Directors' interests in shares or debentures (Continued)

By virtue of Section 7 of the Act, Tey How Keong and Goh Lee Beng are deemed to have an interest in the shares of all of the wholly-owned subsidiaries of the Company at the end of the financial year. 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 Directors' shareholdings, the Directors' interests as at 21 January 2014 in the shares of the Company have not changed from those disclosed as at 31 December 2013.

4. Directors' contractual benefits

Since the end of the previous financial period, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or by a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5. Share options

There were no share options granted by the Company or its subsidiaries 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 subsidiaries.

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

6. Audit committee

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

Chua Cheow Khoon Michael (Chairman)
Leow Wee Kia Clement
Chin Koon Yew

The audit committee has carried out its functions in accordance with Section 201B (5) of the Act, and the Code of Corporate Governance, including reviewing the following, where relevant, with the executive directors and external and internal auditors of the Company:

(i) the audit plans of internal and external auditors and the results of the internal auditors examination and evaluation of the Company's system of internal accounting control;

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

(iii) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company before their submission to the directors of the Company and the external auditor's report on those financial statements;

REPORT OF THE DIRECTORS

6. Audit committee (Continued)

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

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

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

(vii) 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 auditors to the Group and is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

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 Board of Directors the nomination of BDO LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting of the Company.

7. Auditor

The auditor, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Tey How Keong Director	Goh Lee Beng Director

Singapore
31 March 2014

STATEMENT BY DIRECTORS

In the opinion of the Board of Directors,

(a) the accompanying financial statements comprising the statements of financial position of the Group and of the Company as at 31 December 2013, consolidated statement of comprehensive income, statements of changes in equity of the Group and of the Company and consolidated statement of cash flows together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company 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.

On behalf of the Board of Directors

Tey How Keong
Director

Goh Lee Beng
Director

Singapore
31 March 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of JB Foods Limited

Report on the Financial Statements

We have audited the accompanying financial statements of JB Foods Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 41 to 91, which comprise the statements of financial position of the Group and of the Company as at 31 December 2013, and the consolidated statement of comprehensive income, statements of changes in equity of the Group and of the Company and consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

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 incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2014

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2013

	Note	Group		Company	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Non-current assets					
Intangible asset	4	425	5	–	–
Property, plant and equipment	5	108,802	106,702	–	–
Prepaid lease payments	6	6,268	5,852	–	–
Investments in subsidiaries	7	–	–	173,792	101,292
		115,495	112,559	173,792	101,292
Current assets					
Inventories	8	202,438	169,733	–	–
Trade and other receivables	9	97,355	93,149	45,880	72,144
Prepayments		159	101	–	–
Current income tax recoverable		6,286	4,295	–	–
Cash and cash equivalents	10	65,451	51,062	129	495
		371,689	318,340	46,009	72,639
Less:					
Current liabilities					
Trade and other payables	11	25,759	54,519	220	806
Derivative financial instruments	12	2,437	2	–	–
Bank borrowings	13	279,835	171,804	–	–
Income tax payable		30	17	1	–
		308,061	226,342	221	806
Net current assets		63,628	91,998	45,788	71,833
Less:					
Non-current liability					
Deferred tax liabilities	14	75	14,692	–	–
Net assets		179,048	189,865	219,580	173,125
Capital and reserves					
Share capital	15	214,743	160,717	214,743	160,717
Other reserves	16	(72,078)	(72,265)	–	–
Retained earnings		36,383	101,413	4,837	12,408
Equity attributable to owners of the parent		179,048	189,865	219,580	173,125

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2013

	Note	2013 RM'000	2012 RM'000
Revenue	17	611,208	583,100
Cost of sales		(649,921)	(520,600)
Gross (loss)/profit		(38,713)	62,500
Other items of income			
Interest income		127	95
Other income	18	–	2,910
Other items of expense			
Selling and distribution expenses		(8,697)	(6,757)
Administrative expenses		(8,386)	(9,713)
Other expenses		(8,747)	(2,130)
Finance costs	19	(3,501)	(3,315)
(Loss)/Profit before income tax	20	(67,917)	43,590
Income tax credit/(expense)	21	14,697	(4,429)
(Loss)/Profit for the financial year		(53,220)	39,161
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		187	(3)
Income tax relating to components of other comprehensive income		–	–
Other comprehensive income for the financial year, net of tax		187	(3)
Total comprehensive income for the financial year		(53,033)	39,158
(Loss)/Profit attributable to owners of the parent		(53,220)	39,161
Total comprehensive income attributable to owners of the parent		(53,033)	39,158
(Loss)/Earnings per share	22		
- Basic and diluted (in sen)		(11.31)	14.98

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

	Note	Share capital RM'000	Merger reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total equity attributable to owners of the parent RM'000
Group						
Balance as at 1 January 2013		160,717	(72,262)	(3)	101,413	189,865
Loss for the financial year		–	–	–	(53,220)	(53,220)
Other comprehensive income for the financial year						
Foreign currency translation differences, net of tax		–	–	187	–	187
Total comprehensive income for the financial year		–	–	187	(53,220)	(53,033)
Contributions by and distributions to owners of the parent						
Issuance of ordinary shares	15	54,051	–	–	–	54,051
Share issue expenses	15	(25)	–	–	–	(25)
Dividends	23	–	–	–	(11,810)	(11,810)
Total transactions with owners of the parent		54,026	–	–	(11,810)	42,216
Balance as at 31 December 2013		214,743	(72,262)	184	36,383	179,048

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2013 (Continued)

	Note	Share capital RM'000	Merger reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total equity attributable to owners of the parent RM'000
Group						
Balance as at 1 January 2012		27,500	–	–	72,262	99,762
Profit for the financial year		–	–	–	39,161	39,161
Other comprehensive income for the financial year						
Foreign currency translation differences, net of tax		–	–	(3)	–	(3)
Total comprehensive income for the financial year		–	–	(3)	39,161	39,158
Contributions by and distributions to owners of the parent						
Share swap pursuant to the restructuring exercise	15	(27,500)	–	–	–	(27,500)
Issuance of ordinary shares pursuant to the restructuring exercise and share swap	15	99,762	(72,262)	–	–	27,500
Issuance of ordinary shares pursuant to the initial public offering exercise	15	63,476	–	–	–	63,476
Share issue expenses	15	(2,521)	–	–	–	(2,521)
Dividends	23	–	–	–	(10,010)	(10,010)
Total transactions with owners of the parent		133,217	(72,262)	–	(10,010)	50,945
Balance as at 31 December 2012		160,717	(72,262)	(3)	101,413	189,865

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2013 (Continued)

	Note	Share capital RM'000	Retained earnings RM'000	Total equity attributable to owners of the parent RM'000
Company				
Balance as at 1 January 2013		160,717	12,408	173,125
Profit for the financial year, representing total comprehensive income for the financial year		–	4,239	4,239
Contributions by and distributions to owners				
Issuance of ordinary shares	15	54,051	–	54,051
Share issue expenses	15	(25)	–	(25)
Dividends	23	–	(11,810)	(11,810)
Total transactions with owners		54,026	(11,810)	42,216
Balance as at 31 December 2013		214,743	4,837	219,580

	Note	Share capital RM'000	Retained earnings RM'000	Total equity attributable to owners of the parent RM'000
Balance as at date of incorporation	15	–*	–	–*
Profit for the financial period, representing total comprehensive income for the financial period		–	22,418	22,418
Contributions by and distributions to owners				
Issuance of ordinary shares pursuant to the restructuring exercise and share swap	15	99,762	–	99,762
Issuance of ordinary shares pursuant to the initial public offering exercise	15	63,476	–	63,476
Share issue expenses	15	(2,521)	–	(2,521)
Dividends	23	–	(10,010)	(10,010)
Total transactions with owners		160,717	(10,010)	150,707
Balance as at 31 December 2012		160,717	12,408	173,125

* denotes less than RM1,000

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2013

	Note	2013 RM'000	2012 RM'000
Operating activities			
(Loss)/Profit before income tax		(67,917)	43,590
Adjustments for:			
Allowance for doubtful third parties trade receivables		–	19
Amortisation of intangible asset		42	1
Amortisation of prepaid lease payment		588	511
Depreciation of property, plant and equipment		7,747	5,983
Fair value loss/(gain) on derivative financial instruments		2,435	(366)
Interest expense		3,501	3,315
Interest income		(127)	(95)
Loss/(Gain) on disposal of plant and equipment		19	(1)
Write-back of allowance for impairment loss of trade receivables no longer required		–	(62)
Inventories written down		23,188	–
Unrealised loss/(gain) on foreign exchange		2,842	(707)
Operating cash flows before working capital changes		(27,682)	52,188
Changes in working capital:			
Inventories		(55,893)	(31,264)
Trade and other receivables		(1,603)	(42,203)
Prepayments		(58)	(35)
Trade and other payables		(30,087)	14,045
Cash used in operations		(115,323)	(7,269)
Income tax paid		(1,898)	(15,434)
Net cash used in operating activities		(117,221)	(22,703)
Investing activities			
Proceeds from disposal of plant and equipment		9	1
Purchase of intangible asset		(462)	(6)
Purchase of property, plant and equipment		(10,641)	(32,536)
Payment of prepaid leases		(1,004)	(112)
Interest received		127	95
Net cash used in investing activities		(11,971)	(32,558)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2013 (Continued)

	Note	2013 RM'000	2012 RM'000
Financing activities			
Drawdown of trade bills		654,179	363,508
Repayments of trade bills		(550,326)	(326,319)
Drawdown of bridging loans		–	11,207
Repayments of bridging loans		–	(17,480)
Repayments of term loans		–	(1,582)
Repayments of finance lease payables		–	(31)
Dividends paid		(11,810)	(30,010)
Interest paid		(3,501)	(3,315)
Proceeds from issue of shares		54,051	63,476
Share issue expenses		(25)	(2,521)
Net cash from financing activities		142,568	56,933
Net change in cash and cash equivalents		13,376	1,672
Cash and cash equivalents at beginning of financial year		50,772	48,630
Effects of exchange rate changes		1,303	470
Cash and cash equivalents at end of financial year	10	65,451	50,772

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

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) was incorporated in the Republic of Singapore on 3 January 2012 under the Singapore Companies Act, Chapter 50 (the "Act") as an exempt private limited company under the name of JB Foods Pte. Limited. On 3 July 2012, the Company was converted to a public limited company and changed its name to JB Foods Limited. The Company was listed on Official list of the Singapore Exchange Securities Trading Limited on 23 July 2012.

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'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 7 to the financial statements.

The statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2013 were authorised for issue in accordance with a Directors' resolution dated 31 March 2014.

2. Summary of significant accounting policies

2.1 Basis of preparation

A restructuring exercise was undertaken in the previous financial year which involved companies under common control. The consolidated financial statements of the Group have been prepared in a manner similar to the "pooling-of-interest" method. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidiary relationship was not established until after 15 May 2012.

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS (INT FRS). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

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 Ringgit Malaysia ("RM") 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 ("RM'000") as indicated.

The preparation of financial statements in conformity with FRS 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.

In the current financial year, the Group has adopted all the new or revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new or revised FRS and INT FRS did not result in changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except as detailed below.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Amendments to FRS 1 - Presentation of Items of Other Comprehensive Income

The amendments to FRS 1 require that items presented in other comprehensive income must be grouped separately into those that may be reclassified subsequently to profit or loss and those that will never be reclassified. As the amendments only affect the presentation of items recognised in other comprehensive income, there is no impact on the Group's financial position or financial performance on initial adoption of this standard on 1 January 2013.

FRS 113 - Fair Value Measurement

FRS 113 provides a single source of guidance on fair value measurement and fair value disclosure requirements when fair value measurement and/or disclosure is required by other FRSs. It also provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope.

The adoption of FRS 113 does not have any material impact on any of the Group's fair value measurements, therefore there has been no material impact on the financial position or financial performance of the Group. The Group has included the additional required disclosures in the financial statements. In line with the transitional requirements, FRS 113 has been adopted prospectively from 1 January 2013 and therefore comparative information has not been presented for the new disclosure requirements.

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the Group has not adopted the following FRS and INT FRS that have been issued but not yet effective:

		Effective date (annual periods beginning on or after)
FRS 19 (Amendments)	: Defined Benefit Plans: Employee Contributions	1 July 2014
FRS 27 (Revised)	: Separate Financial Statements	1 January 2014
FRS 28 (Revised)	: Investments in Associates and Joint Ventures	1 January 2014
FRS 32 (Amendments)	: Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 36 (Amendments)	: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
FRS 39 (Amendments)	: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
FRS 110	: Consolidated Financial Statements	1 January 2014
FRS 111	: Joint Arrangements	1 January 2014
FRS 112	: Disclosure of Interests in Other Entities	1 January 2014
FRS 110, FRS 112 and FRS 27 (Amendments)	: Investment Entities	1 January 2014
INT FRS 121	: Levies	1 January 2014
FRS 102,103,108,16,24 and 38 (Amendments)	: Improvements to FRSs (January 2014)	1 July 2014
FRS 103,113 and 40 (Amendments)	: Improvements to FRSs (February 2014)	1 July 2014

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS and INT FRS issued but not yet effective (Continued)

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

Except as disclosed below, management anticipates that the adoption of the above FRS and INT FRS in futures periods, if applicable, will not have a material impact on the financial statements of the Group in the period of their initial adoption.

FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation – Special Purpose Entities*. FRS 110 defines the principle of control and establishes a new control model as the basis for determining which entities are consolidated in the consolidated financial statements. FRS 27 remains as a standard applicable only to separate financial statements. On the adoption of FRS 110 management will be required to exercise more judgement than under the current requirements of FRS 27 in order to determine which entities are controlled by the Group. These changes will take effect from the financial year beginning on 1 January 2014 with full retrospective application. The Group anticipates no material impact to the financial position and financial performance of the Group on initial adoption.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is a new standard which prescribes comprehensive disclosure requirements for all types of interest in other entities. It requires an entity to disclose information that help users to assess the nature and financial effects of relationships with subsidiaries, associates, joint arrangements and unconsolidated structured entities. This new standard is likely to result in more extensive disclosures in the financial statements, however, there will be no impact on the financial position or financial performance of the Group on initial adoption of the standard in the financial year beginning on 1 January 2014.

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 power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

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.

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 FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any, in the Company's statement of financial position.

Acquisition of entities under common control

Business combination arising from the transfers of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's financial statements. The components of equity of the acquired entities are added to the same components within the Group equity. Any difference between the cash paid for the acquisition and share capital of acquiree is recognised directly to equity.

2.3 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. 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.

2. Summary of significant accounting policies (Continued)

2.3 Intangible assets (Continued)

Computer software licenses (Continued)

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.

Computer software licenses are assessed for impairment whenever there is an indication that the intangible asset may be impaired. 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.

2.4 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and 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 of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, 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.

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.

Depreciation 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 building	2%
- 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 vehicle	20%

2. Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

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

2.5 Prepaid lease payments

Prepaid 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 of 12.39 years, 13.75 years and 24 years.

2.6 Inventories

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

Cost is determined on the "weighted average" basis 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.

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.

2.7 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.

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Summary of significant accounting policies (Continued)

2.8 Financial Instruments

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

Financial assets

The Group classifies their financial assets as 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.

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.

Loans and receivables

Loans and receivables are non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market. 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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

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.

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.

2. Summary of significant accounting policies (Continued)

2.8 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.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received. Incremental costs directly attributable to the issuance of new equity instruments are shown in the equity as a deduction from the proceeds.

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.

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. Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

Derivative financial instruments

Derivative financial instruments held by the Group are recognised as assets or liabilities on the statements of financial position and classified as financial assets or financial liabilities at the fair value through profit or loss.

The Group uses derivative financial instruments such as forward currency contracts and commodity futures contracts to hedge its risks associated with foreign currency and commodity prices. Such derivative financial instruments are initially recognised at fair value at the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss for the financial year.

The fair value of forward currency contracts and commodity future contracts are calculated by reference to contracts with similar maturity profile. The Group has not designated any of its derivatives as hedging instruments in the current or previous financial year. 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.

2.9 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 less bank overdraft.

2.10 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of business. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is presented, net of rebates, discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered to and accepted by the customer and the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably.

Interest income is recognised on a time-proportion basis using the effective interest method.

2.11 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. Summary of significant accounting policies (Continued)

2.12 Leases

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.

2.13 Employee benefits

Retirement benefits costs

Payments to defined contribution 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.

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.

2.14 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.

2.15 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.

2. Summary of significant accounting policies (Continued)

2.15 Taxes (Continued)

Current income tax (Continued)

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 and associates, and interests in joint ventures, 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.

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.

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.

2.16 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.

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.

2. Summary of significant accounting policies (Continued)

2.16 Foreign currency transactions and translation (Continued)

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Ringgit Malaysia 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 disposal of a foreign operation, the accumulated foreign currency translation reserve relating to that operation is reclassified to profit or loss.

2.17 Financial guarantee

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 contracts are initially recognised at their fair value plus transaction costs.

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.

2.18 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.

2.19 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, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013 (Continued)

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

3.1 Critical judgements made in applying the accounting policies

(i) Impairment of investments or financial assets

The Group follows the guidance of FRS 36 and FRS 39 on determining when an investment or a financial asset is impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment or a financial asset is less than its cost and the financial health of the near-term business outlook for an investment or a financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(ii) Classification of leasehold land

The classification of leasehold land as a finance lease or an operating lease require the use of judgements in determining the extent to which risks and rewards incidental to its ownership lie. The fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management is of the judgement that the lease does not transfer substantially all the risks and rewards to the Group and is classified as operating lease.

(iii) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currency of the respective entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

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) Depreciation of property, plant and equipment and amortisation of intangible assets

The Group depreciates the property, plant and equipment and amortises the intangible assets, using the straight-line method, over their estimated useful lives after taking into account of their estimated residual values. 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 property, plant and equipment and intangible assets. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economic useful lives and the residual values of these assets which could then consequentially impact future depreciation and amortisation charges. The carrying amount of the Group's property, plant and equipment and intangible assets as at 31 December 2013 were approximately RM108,802,000 (2012: RM106,702,000) and RM425,000 (2012: RM5,000) respectively.

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

3.2 Key sources of estimation uncertainty (Continued)

(ii) Inventories valuation

Inventory is valued at the lower of cost and net realisable value. Cost is determined primarily using the "weighted average" method. 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. 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 2013 was approximately RM202,438,000 (2012: RM169,733,000).

(iii) Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there is objective evidence that the investments in subsidiaries are impaired. The management's assessment is based on the estimation of the value-in-use of the cash-generating unit by forecasting the expected future cash flows for a period up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investments in subsidiaries as at 31 December 2013 was RM173,792,000 (2012: RM101,292,000).

(iv) Allowance for doubtful trade and other receivables

The provision policy for doubtful debts of the Group is based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and Company's trade and other receivables as at 31 December 2013 were approximately RM97,355,000 and RM45,880,000 (2012: RM93,149,000 and RM72,144,000) respectively.

(v) 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 2013 was approximately RM6,286,000 (2012: RM4,295,000). The carrying amount of the Group's and Company current income tax payable as at 31 December 2013 was approximately RM30,000 (2012: RM17,000) and RM1,000 (2012: RMNil) respectively. The carrying amount of the Group's deferred tax liabilities as at 31 December 2013 was approximately RM75,000 (2012: RM14,692,000).

4. Intangible asset

	Group Computer software 2013 RM'000	Group Computer software 2012 RM'000
Cost		
Balance at beginning of the financial year	6	–
Additions	462	6
Balance at end of the financial year	468	6
Accumulated amortisation		
Balance at beginning of the financial year	1	–
Amortisation during the financial year	42	1
Balance at end of the financial year	43	1
Carrying amount		
Balance at end of the financial year	425	5
Remaining useful life (years)	4 to 5	5

5. Property, plant and equipment

	Factory buildings RM'000	Plant and machinery, tools and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
Cost						
Balance at 1 January 2013	43,121	101,884	3,927	2,015	397	151,344
Additions	389	2,331	180	–	6,975	9,875
Disposals	–	(15)	(1)	(41)	–	(57)
Reclassification	2,696	2,456	38	–	(5,190)	–
Balance at 31 December 2013	46,206	106,656	4,144	1,974	2,182	161,162
Accumulated depreciation						
Balance at 1 January 2013	8,797	32,716	2,427	702	–	44,642
Depreciation for the financial year	1,712	5,384	463	188	–	7,747
Disposals	–	(7)	(1)	(21)	–	(29)
Balance at 31 December 2013	10,509	38,093	2,889	869	–	52,360
Carrying amount						
Balance at 31 December 2013	35,697	68,563	1,255	1,105	2,182	108,802

5. Property, plant and equipment (Continued)

	Factory buildings RM'000	Plant and machinery, tools and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
Cost						
Balance at 1 January 2012	23,277	80,866	3,041	1,595	11,650	120,429
Additions	13,776	15,499	886	424	334	30,919
Disposals	–	–	–	(4)	–	(4)
Reclassification	6,068	5,519	–	–	(11,587)	–
Balance at 31 December 2012	43,121	101,884	3,927	2,015	397	151,344
Accumulated depreciation						
Balance at 1 January 2012	7,569	28,545	1,988	561	–	38,663
Depreciation for the financial year	1,228	4,171	439	145	–	5,983
Disposals	–	–	–	(4)	–	(4)
Balance at 31 December 2012	8,797	32,716	2,427	702	–	44,642
Carrying amount						
Balance at 31 December 2012	34,324	69,168	1,500	1,313	397	106,702

For the purpose of the consolidated statement of cash flows, the Group's additions to property, plant and equipment were financed as follows:

	Group 2013 RM'000	Group 2012 RM'000
Aggregate cost of property, plant and equipment acquired	9,875	30,919
Unpaid balance included in other payables (Note11)	(860)	(1,626)
Cash paid in respect of acquisitions in previous financial year	1,626	3,243
Cash paid during the financial year	10,641	32,536

6. Prepaid lease payments

	Group 2013 RM'000	Group 2012 RM'000
Balance at beginning of financial year	5,852	6,251
Additions	1,004	112
Amortisation during the financial year	(588)	(511)
Balance at end of financial year	6,268	5,852
Analysed as:		
Sub-lease of land	6,268	5,852

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013 (Continued)

6. Prepaid lease payments (Continued)

Payments represent the prepayment for three sub-leases of land from Port of Tanjung Pelepas, Malaysia, which are charged to profit or loss over their respective lease periods of 12.39 years, 13.75 years and 24 years.

A sub-leased land with the carrying amount of approximately RMNil (2012: RM3,267,000) was charged for bank borrowings granted as disclosed in Note 13 to the financial statements.

As at 31 December 2013, prepaid lease payments to be amortised within the next 12 months amounted to RM566,000 (2012: RM588,000).

7. Investments in subsidiaries

	Company	
	2013	2012
	RM'000	RM'000
Unquoted equity shares, at cost	173,792	101,292

The details of the subsidiaries are as follows:

Name of company (Country of incorporation)	Effective equity interest 2013 %	2012 %	Principal activities
Held by Company			
JB Cocoa Sdn Bhd[(1)] (Malaysia)	100	100	Production and sale of cocoa ingredients products
JB Foods Global Pte. Ltd.[(2)] (Singapore)	100	100	Procurement, sales and marketing of cocoa beans, cocoa ingredients and related products
Held by JB Cocoa Sdn Bhd			
Allegis NPD Sdn Bhd[(1)] (Malaysia)	100	–	Trading of waste from cocoa

(1) Audited by BDO, Malaysia

(2) Audited by BDO LLP, Singapore

Acquisition of a subsidiary

On 12 June 2013, JB Cocoa Sdn Bhd, a wholly-owned subsidiary of the Company, acquired a 100% equity interest in Allegis NPD Sdn Bhd from third parties for total cash consideration of RM2. The fair value of the net identifiable assets is approximately RM2, representing cash on hand as at the date of acquisition. Allegis NPD Sdn Bhd was dormant on the date of acquisition.

Additional investment in a subsidiary

On 30 December 2013, the Company has increased its investments in JB Cocoa Sdn Bhd, a wholly-owned subsidiary, from RM99,762,000 to RM172,262,000 by way of the capitalisation of the sum of RM72,500,000 from amount due from this subsidiary.

Incorporation of a subsidiary

In the previous financial year, the Company incorporated JB Foods Global Pte. Ltd., a company incorporated in the Republic of Singapore for a consideration of US$1 (approximately RM3) and the paid-up capital was subsequently increased to US$500,000 (approximately RM1,530,000) on 27 September 2012.

8. Inventories

	Group	
	2013	2012
	RM'000	RM'000
At cost		
Raw materials	83,374	100,020
Work-in-progress	12,457	8,046
Finished goods	20,241	56,962
Stores and supplies	4,155	4,705
	120,227	169,733
At net realisable value		
Finished goods	82,211	–
	202,438	169,733

The cost of inventories recognised as expenses and included in "cost of sales" line item amounted to RM610,897,000 (2012: RM491,537,000). The cost of sales includes inventories written down of RM23,188,000 (2012: RMNil) pursuant to a review of the net realisable value of the inventories during the financial year.

9. Trade and other receivables

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Trade receivables				
- Third parties	73,861	67,728	–	–
- Related companies	646	11,158	–	–
- Related parties	1,026	7,989	–	–
	75,533	86,875	–	–
Allowance for impairment loss - Third parties	(1)	(1)	–	–
	75,532	86,874	–	–
Other receivables				
- Third parties	1,710	2,621	–	–
- Subsidiaries	–	–	45,852	72,144
- Related company	3	–	–	–
- Related party	2	3	–	–
	1,715	2,624	45,852	72,144
Advances to suppliers				
- Third parties	553	–	–	–
- Related company	18,379	3,465	–	–
	18,932	3,465	–	–
Deposits	1,176	186	28	–
Total trade and other receivables	97,355	93,149	45,880	72,144
Add: Cash and cash equivalents (Note 10)	65,451	51,062	129	495
Less: Advances to suppliers	(18,932)	(3,465)	–	–
Total loan and receivables	143,874	140,746	46,009	72,639

Trade receivables are non-interest bearing, unsecured and the normal trade term ranges from cash against documents to 90 (2012: cash against documents to 90) days from the date of the invoices. Other credit terms are assessed and approved on a case-by-case basis.

9. Trade and other receivables (Continued)

Other receivables mainly relate to claims to suppliers.

The non-trade amounts due from subsidiaries are unsecured, bear interest of 1.5% (2012: 1.5%) per annum and repayable on demand.

The non-trade amounts due from a related company and a related party are unsecured, interest free and repayable on demand.

Advances to suppliers relate to the payments made by the Group in advance for the purchase of cocoa related products.

Movement in allowance for impairment loss of trade receivables were as follows:

	Group	
	2013	2012
	RM'000	RM'000
Balance at beginning of financial year	1	86
Allowance made during the financial year	–	19
Write-back of allowance no longer required	–	(62)
Write-off	–	(42)
Balance at end of financial year	1	1

The Group's allowance for doubtful trade receivables of approximately RMNil (2012: RM19,000) are included in "other expenses" line item in profit or loss subsequent to a debt recovery assessment performed during the financial year.

Write-back of allowance for doubtful trade receivables no longer required for the Group of approximately RMNil (2012: RM62,000) are included in "other income" line item in profit or loss subsequent to the recovery of the related receivables.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
United States dollar	54,399	67,403	13,646	–
Euro	1,039	642	–	–
Pound sterling	34,628	19,372	–	–
Ringgit Malaysia	7,198	4,837	1,518	13,000
Singapore dollar	63	9	30,716	59,144
Others	28	886	–	–
	97,355	93,149	45,880	72,144

10. Cash and cash equivalents

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	59,995	47,798	129	495
Short-term deposits	5,456	3,264	–	–
Cash and cash equivalents on statements of financial position	65,451	51,062	129	495
Bank overdrafts (Note 13)	–	(290)		
Cash and cash equivalents on consolidated statement of cash flows	65,451	50,772		

The effective interest rate and tenure of the short-term deposit placed with a licensed bank at the end of the reporting period is 1.5% (2012: 2.8%) per annum and with maturity of 1 to 5 (2012: 1 to 2) days.

Cash and cash equivalents included in the statements of financial position are denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
United States dollar	33,779	25,675	70	37
Euro	628	903	–	–
Pound sterling	22,569	15,483	–	–
Ringgit Malaysia	6,572	4,750	–	–
Singapore dollar	94	4,237	59	458
Others	1,809	14	–	–
	65,451	51,062	129	495

11. Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Trade payables				
- Third parties	13,001	28,687	–	–
- Related parties	64	7,953	–	–
	13,065	36,640	–	–
Other payables				
- Third parties	7,728	7,310	70	124
- Related party	–	15	–	–
	7,728	7,325	70	124
Accrued expenses	3,919	10,554	150	682
Advances from customers	1,047	–	–	–
Total trade and other payables	25,759	54,519	220	806
Add: Bank borrowings (Note 13)	279,835	171,804	–	–
Less: Advances from customers	(1,047)	–	–	–
Total financial liabilities carried at amortised costs	304,547	226,323	220	806

11. Trade and other payables (Continued)

Trade payables are non-interest bearing and the normal trade terms granted ranges from cash against documents to 90 (2012: cash against documents to 90) days from the date of the invoices.

Accrued expenses consist mainly of employee benefits and related expenses.

The non-trade amounts due to a related party are unsecured, interest-free and repayable on demand.

Included in other payables is an amount of approximately RM860,000 (2012: RM1,626,000) payable for the purchase of property, plant and equipment (Note 5).

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
United States dollar	11,190	33,337	–	–
Euro	816	512	–	–
Pound sterling	2,915	3,696	–	–
Ringgit Malaysia	10,431	15,642	–	–
Singapore dollar	407	1,332	220	806
	25,759	54,519	220	806

12. Derivative financial instruments

	Group	
	2013	2012
	RM'000	RM'000
Derivative liabilities		
Foreign currency forward contracts	2,362	2
Cocoa bean futures contracts	75	–
	2,437	2

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. Such derivatives do not qualify for hedge accounting.

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

12. Derivative financial instruments (Continued)

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

	Group	
	2013	2012
	RM'000	RM'000
Foreign currency forward contracts		
Contract/Notional amount		
United States dollar	3,250	2,140
Pound sterling	133,518	11,367
Ringgit Malaysia	3,578	–
Others	876	496
Derivative liabilities	2,362	2

<u>Cocoa bean futures contracts</u>

The Group uses cocoa bean futures 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. Such derivatives do not qualify for hedge accounting.

The following details the cocoa bean futures contracts outstanding as at the end of the reporting period:

	Group	
	2013	2012
	RM'000	RM'000
Cocoa bean futures contracts		
Contract/Notional amount		
- Sales	557	–
- Purchases	2,790	–
Derivative liabilities	75	–

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

	2013	2012
	RM'000	RM'000
United States dollar	275	–
Pound sterling	3,072	–
	3,347	–

13. Bank borrowings

	Group 2013 RM'000	Group 2012 RM'000
Secured		
Bank overdraft	–	290
Trade bills	–	76,597
	–	76,887
Unsecured		
Trade bills	279,835	94,917
	279,835	171,804

As at 31 December 2012, the Group's bank overdraft was secured by:

(a) joint and several guarantees by a Director of the Company and a shareholder of the holding company;

(b) corporate guarantee issued by holding company and a corporate shareholder; and

(c) first party legal charge over a prepaid lease payment with a carrying value of approximately RM3,267,000 as referred to in Note 6 to the financial statements

As at 31 December 2012, the Group's trade bills facilities were secured by:

(a) joint and several guarantees by a Director of the Company and a shareholder of the holding company;

(b) corporate guarantee issued by holding company and an agreed proportion of corporate guarantee by a corporate shareholder; and

(c) certain trade bills of RM76,597,000 are secured by first party legal charge over a prepaid lease payment with a carrying amount of RM3,267,000 as referred to in Note 6 to the financial statements.

As at 31 December 2013, the Group's trade bills facilities are secured by:

(a) joint and several guarantees by a Director of the Company, a shareholder of the holding company and the holding company; and

(b) corporate guarantees issued by the Company.

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

	Group 2013 RM'000	Group 2012 RM'000
Banking facilities granted	350,342	249,580
Banking facilities utilised	279,835	171,804

Bank borrowings are arranged at fixed and floating rates. Bank borrowings arranged at floating rates expose the Group to interest rate risk, as set out in Note 27.2 to the financial statements.

13. Bank borrowings

The effective interest rates per annum for bank borrowings as at the end of the reporting period are as follows:

	Group 2013 %	Group 2012 %
Bank overdraft	–	7.6
Trade bills	1.2 - 3.7	1.1 - 3.2

The trade bills have maturity date from 30 to 180 (2012: 30 to 180) days from the contractual date. The interest rates are fixed with the financial institutions during the contractual period.

The bank overdraft is carried at floating rates and repayable on demand.

Bank borrowings are denominated in the following currencies:

	Group 2013 RM'000	Group 2012 RM'000
United States dollar	219,416	136,397
Pound sterling	60,419	35,117
Ringgit Malaysia	–	290
	279,835	171,804

14. Deferred tax liabilities

The movement for the financial year in deferred tax position is as follows:

	Group 2013 RM'000	Group 2012 RM'000
Balance at beginning of financial year	14,692	11,660
(Credit)/Charge to profit or loss	(14,617)	3,032
Balance at end of financial year	75	14,692

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

Deferred tax liabilities	Tax losses RM'000	Accelerated tax depreciation RM'000	Prepaid lease payments RM'000	Others RM'000	Total RM'000
Group					
At 1 January 2012	–	10,417	1,563	(320)	11,660
Charge/(Credit) to profit or loss	–	2,186	(100)	946	3,032
At 31 December 2012 and 1 January 2013	–	12,603	1,463	626	14,692
(Credit)/Charge to profit or loss	(12,080)	328	104	(2,969)	(14,617)
At 31 December 2013	(12,080)	12,931	1,567	(2,343)	75

15. Share capital

	Group			
	2013	2012	2013	2012
	Number of ordinary shares		RM'000	RM'000
Issued and fully paid-up				
At beginning of financial year	400,000,000	10	160,717	27,500
Share swap pursuant to the restructuring exercise	–	–	–	(27,500)
Issuance of ordinary shares pursuant to the restructuring exercise	–	126,399,933	–	79,810
Issuance of ordinary shares pursuant to the share swap	–	31,600,057	–	19,952
	400,000,000	158,000,000	160,717	99,762
Sub-division of 1 into 2 ordinary shares		158,000,000		
Total ordinary shares after sub-division		316,000,000		
Issuance of ordinary shares pursuant to the initial public offering exercise	–	84,000,000	–	63,476
Issuance of ordinary shares	80,000,000	–	54,051	–
Share issue expenses	–	–	(25)	(2,521)
At end of financial year	480,000,000	400,000,000	214,743	160,717

	Company			
	2013	2012	2013	2012
	Number of ordinary shares		RM'000	RM'000
Issued and fully paid-up				
At beginning of financial year/date of incorporation	400,000,000	10	160,717	*–
Issuance of ordinary shares pursuant to the restructuring exercise	–	126,399,933	–	79,810
Issuance of ordinary shares pursuant to the share swap	–	31,600,057	–	19,952
	400,000,000	158,000,000	160,717	99,762
Sub-division of 1 into 2 ordinary shares		158,000,000		
Total ordinary shares after sub-division		316,000,000		
Issuance of ordinary shares pursuant to the initial public offering exercise	–	84,000,000	–	63,476
Issuance of ordinary shares	80,000,000	–	54,051	–
Share issue expenses	–	–	(25)	(2,521)
At end of financial year/period	480,000,000	400,000,000	214,743	160,717

* denotes less than RM1,000

15. Share capital (Continued)

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.

Financial year ended 31 December 2013

On 23 January 2013, the Company issued 80,000,000 ordinary shares for total cash consideration of RM54,051,000 to provide funds for the expansion of the Group's operations and general working capital.

Financial year ended 31 December 2012

The Company was incorporated on 3 January 2012. The share capital of the Company as at 31 December 2012 comprised fully paid-up 10 ordinary shares with no par value, amounting to a total of S$10.

On 13 July 2012, the Company issued 126,399,933 ordinary shares pursuant to the restructuring exercise for the acquisition of JB Cocoa Sdn Bhd for a consideration of approximately RM79,810,000.

On 13 July 2012, the Company issued 31,600,057 ordinary shares pursuant to the share swap for the acquisition of the JB Cocoa Sdn Bhd for a consideration of approximately RM19,952,000.

On 13 July 2012, the ordinary shares of the Company were increased to 316,000,000 ordinary shares through the sub-divison of every 1 ordinary shares in the Company into 2 ordinary shares.

On 15 July 2012, the Company issued 84,000,000 ordinary shares at S$0.30 (approximately RM0.76) per shares for cash pursuant to the Company's initial public offering. The proceeds from the initial public offering were used for repayment of bank borrowings, general working capital and to fund acquisitions, joint venture and/or strategic alliances when opportunities arises for the Group.

Included in the share issue expenses were professional fees paid to the auditors of the Company amounting to approximately RMNil (2012: RM80,000) in respect of the professional services rendered in connection with the Company's initial public offering.

The share capital of the Group at the beginning of financial year 2012 represent the combined paid-up capital of the Company and its subsidiary.

16. Other reserves

16.1 Foreign currency translation reserve

The foreign currency translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operation whose functional currency is different from that of the Group's presentation currency and is not distributable.

16.2 Merger reserve

Merger reserve represents the difference between the consideration paid and the share capital of a subsidiary acquired.

Movements in reserves are shown in the statement of changes in equity.

17. Revenue

Revenue represents invoiced value of goods sold net of returns and discounts.

18. Other income

	Group	
	2013	2012
	RM'000	RM'000
Fair value gain on derivative financial instruments	–	366
Foreign exchange gain, net	–	2,481
Gain on disposal of plant and equipment	–	1
Write–back of allowance for impairment loss of trade receivables no longer required	–	62
	–	2,910

19. Finance costs

	Group	
	2013	2012
	RM'000	RM'000
Interest expenses		
- Term loans	–	41
- Trade bills	3,501	3,078
- Bridging loans	–	196
	3,501	3,315

20. (Loss)/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:

	Group	
	2013	2012
	RM'000	RM'000
Cost of sales		
Amortisation of prepaid lease payment	588	511
Depreciation of property, plant and equipment	7,241	5,508
Inventories written down	23,188	–
Administrative expenses		
Audit fees		
- Auditors of the Company	188	157
- Other auditors	47	50
Non-audit fees		
- Auditors of the Company	–	16
Amortisation of intangible asset	42	1
Depreciation of property, plant and equipment	506	475
Operating leases:		
- Rental of crane	13	6
- Rental of forklift	63	28
- Rental of hostel	120	69
- Rental of warehouse	–	72
Research expenditure	232	86
Other expenses		
Allowance for doubtful third parties trade receivables	–	19
Initial public offering expenses*	–	1,814
Fair value loss on derivative financial instruments	2,435	–
Foreign exchange losses, net	5,498	–
Loss on disposal of plant and equipment	19	–

* In the previous financial year, included in this expense is an amount of approximately RM195,000 paid to auditors of the Company in respect of professional services rendered as independent reporting auditors.

20. (Loss)/Profit before income tax (Continued)

(Loss)/Profit before income tax also includes:

	Group	
	2013	2012
	RM'000	RM'000
Employee benefit expenses		
Salary and other emoluments	11,408	12,609
Directors' fee	332	195
Pension costs – defitned contribution plan	1,183	1,230
Social security costs	113	95
Other staff related expenses	640	562
	13,676	14,691

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

	Group	
	2013	2012
	RM'000	RM'000
Cost of sales	8,843	8,225
Administrative expenses	4,833	6,466
	13,676	14,691

Included in employee benefit expenses were Directors' remuneration as shown in Note 24 to the financial statements.

21. Income tax (credit)/expense

	Group	
	2013	2012
	RM'000	RM'000
Current income tax		
- Current financial year	25	3,917
- Overprovision in prior financial years	(105)	(2,520)
	(80)	1,397
Deferred income tax		
- Current financial year	(14,451)	3,032
- Overprovision in prior financial years	(166)	–
	(14,617)	3,032
Total income tax (credit)/expense in consolidated statement of comprehensive income	(14,697)	4,429

21. Income tax (credit)/expense (Continued)

Reconciliation of effective income tax rate

	Group	
	2013 RM'000	2012 RM'000
(Loss)/Profit before income tax	(67,917)	43,590
Tax at the domestic rates applicable to (loss)/profit in the countries where the Group operates	(17,531)	11,090
Income not subject to tax	(1,052)	–
Singapore statutory stepped income exemption	(15)	(24)
Tax effect of expenses not deductible for income tax purposes	53	884
Tax effect of double deduction expenses	(135)	(95)
Tax effect on incentive under investment tax allowances	–	(4,898)
Unrecognised deferred tax benefits	4,276	–
Overprovision of current tax expense in prior financial years	(105)	(2,520)
Overprovision of deferred tax expense in prior financial years	(166)	–
Corporate Income tax rebate	(4)	–
Others	(18)	(8)
	(14,697)	4,429

The Group operates mainly in Singapore and Malaysia, for which the corporate income tax rate applicable is 17% (2012: 17%) and 25% (2012: 25%) respectively.

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

	Group	
	2013 RM'000	2012 RM'000
Unutilised tax loss	5,849	–
Unrealised loss on foreign exchange	8,894	–
Unrealised loss on derivative financial instruments	2,363	–
	17,106	–

No deferred tax asset has been recognised on the temporary differences due to the unpredictability of profit streams. The temporary difference do not expire under the current tax legislation and are subject to agreement by the relevant tax authority.

22. (Loss)/Earnings per share

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

	Group	
	2013	2012
(Loss)/Profit for the financial year attributable to owners of the parent (RM'000)	(53,220)	39,161
Aggregate weighted number of ordinary shares in issue during the financial year applicable to basic and diluted (loss)/earnings per share ('000)	470,575	261,432
Basic and diluted (loss)/earnings per share (in sen)	(11.31)	14.98

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013 (Continued)

22. (Loss)/Earnings per share (Continued)

The calculation of the basic and diluted (loss)/earnings per share for the relevant periods is based on the (loss)/ profit attributable to owners of the parent for the financial years ended 31 December 2013 and 2012 divided by the aggregate weighted number of shares in the relevant periods.

The dilutive (loss)/earnings per share for the relevant periods are the same as the basic (loss)/earnings per share as the Group does not have any dilutive options for the relevant periods.

23. Dividends

	Group	
	2013	2012
	RM'000	RM'000
Interim tax–exempt dividend paid of S$0.01 (approximately RM0.025) per ordinary share in respect of the financial year ended 31 December 2012	–	10,010
Final tax–exempt dividend paid of S$0.01 (approximately RM0.025) per ordinary share in respect of the financial year ended 31 December 2012	11,810	–
	11,810	10,010

The Company did not recommend any dividend in respect of the financial year ended 31 December 2013.

24. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint ventures of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

24. Significant related party transactions (Continued)

During the year, in addition to those information disclosed elsewhere in these financial statements, the following were significant related party transactions between the Group or the Company and its related parties during the financial year/period at rates and terms agreed between the parties:

	Group		Company	
	2013 RM'000	2012 RM'000	Year ended 2013 RM'000	Period from 3.7.2012 (date of incorporation) to 31.12.2012 RM'000
Holding company				
Dividends paid	–	6,106	–	6,106
Subsidiaries				
Advances	–	–	69,333	58,778
Dividend income	–	–	–	25,000
Interest income	–	–	1,518	367
Related company				
Sale of goods	15,905	11,270	–	–
Purchase of goods	165,779	–	–	–
Related parties				
Sale of goods	49,948	61,850	–	–
Purchase of goods	62,592	113,859	–	–
Warehouse rental expense	87	188	–	–

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/period were as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	Year ended 2013 RM'000	Period from 3.7.2012 (date of incorporation) to 31.12.2012 RM'000
Directors				
Short-term employee benefits – current year	839	2,002	359	677
Short-term employee benefits – accrual in prior financial year written back	(1,138)	–	(374)	–
Directors' fee	332	195	332	195
Pension costs – defined contribution plan – current year	39	224	–	–
Pension costs – defined contribution plan – accrual in prior financial year written back	(45)	–	–	–
	27	2,421	317	872
Other key management personnel				
Short-term employee benefits	1,092	1,210	–	–
Pension costs – defined contribution plan	129	134	–	–
	1,221	1,344	–	–
	1,248	3,765	317	872

25. Commitments

25.1 Capital commitments

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	
	2013	2012
	RM'000	RM'000
Capital expenditure contracted but not provided for:		
Purchase of plant and equipment	3,521	528

25.2 Operating lease commitments

Group as a lessee

At the end of the reporting period, there were operating lease commitments for rental payable in respect of an office premises and sub-lease of land in subsequent accounting periods as follows:

	Group	
	2013	2012
	RM'000	RM'000
Not later than one financial year	–	1,059

In the previous financial year, the leases typically run for an initial period of 12 to 132 months, with an option to renew the lease for another 12 to 360 months. The disclosed commitments were based on existing rental rates.

26. 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.

26. Segment information (Continued)

Analysis by geographical segments

	Malaysia RM'000	Singapore RM'000	Elimination RM'000	Consolidated RM'000
2013				
Revenue				
External revenue	560,817	50,391	–	611,208
Inter-segment revenue	296	312,115	(312,411)	–
	561,113	362,506	(312,411)	611,208
Results				
Segment results	(62,306)	6,036	104	(56,166)
Interest income				127
Finance costs				(3,501)
Depreciation and amortisation				(8,377)
Loss before income tax				(67,917)
Income tax expense				14,697
Loss after income tax				(53,220)
Capital expenditures				
Property, plant and equipment	9,865	10	–	9,875
Intangible asset	–	462	–	462
Segment assets	459,631	323,109	(295,556)	487,184
Segment liabilities	330,929	98,971	(121,764)	308,136
2012				
Revenue				
External revenue	543,359	39,741	–	583,100
Inter-segment revenue	–	28,964	(28,964)	–
	543,359	68,705	(28,964)	583,100
Results				
Segment results	55,649	22,759	(25,103)	53,305
Interest income				95
Finance costs				(3,315)
Depreciation and amortisation				(6,495)
Profit before income tax				43,590
Income tax expense				(4,429)
Profit after income tax				39,161
Capital expenditures				
Property, plant and equipment	30,919	–	–	30,919
Intangible asset	–	6	–	6
Segment assets	399,036	207,633	(175,770)	430,899
Segment liabilities	282,692	32,715	(74,373)	241,034

26. 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	
	2013	2012
	RM'000	RM'000
North America	121,573	89,053
Asia	212,475	256,916
Europe	192,615	154,428
Central and South America	15,735	31,581
Africa	14,872	36,187
Others	53,938	14,935
Total revenue	611,208	583,100

Major customers

Revenue from three (2012: three) customers of the Group's represents 31% (2012: 25%) of the total revenue.

Location of non-current assets

	Malaysia	Singapore	Consolidated
	RM'000	RM'000	RM'000
2013			
Non-current assets	115,060	435	115,495
2012			
Non-current assets	112,553	6	112,559

Non-current assets consist of intangible asset, property, plant and equipment and prepaid lease payments.

27. Financial instruments, financial risks and capital management

The Group's activities expose them to credit risk, market risk (including foreign currency risk, interest rate risks 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 commodity future 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.

27. Financial instruments, financial risks and capital management (Continued)

27.1 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 estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for group or similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic profile.

In relation to the financial guarantees issued by the Company on behalf of its subsidiaries, the credit risk, being the principal risk to which the Company is exposed, represents the loss that would be recognised upon a default by the subsidiaries. At the end of the reporting period, the Company has provided corporate guarantee to banks for facilities granted to subsidiaries amounting to approximately RM253,043,000 (2012: RM18,296,000). As at the end of the reporting period, the Company does not consider it probable that a claim will be made against the Company under the guarantees.

The Group has no significant concentration of credit risk except for five (2012: five) third party trade receivables which accounts for approximately 41% (2012: 39%) of the total trade receivables as at 31 December 2013 and 2012. The Company has no significant concentration of credit risk except for amounts due from subsidiaries as at 31 December 2013.

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets at the end of the reporting period.

The Group's major classes of financial assets are bank deposits and trade and other receivables.

Trade and other receivables that are neither past due nor impaired are creditworthy customers with good payment records with the Group.

Bank deposits are mainly deposits with banks with high credit ratings.

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

	Group	
	2013 RM'000	2012 RM'000
Asia		
- China	9,603	17,296
- Indonesia	1,060	13,526
- Others	11,267	17,785
Europe	17,063	22,837
North America		
- USA	16,183	4,259
- Others	–	175
South America	13,583	3,065
Others	6,774	7,932
	75,533	86,875

27. Financial instruments, financial risks and capital management (Continued)

27.1 Credit risk (Continued)

The age analysis of trade receivables that are past due but not impaired is as follows:

	Gross amount RM'000	Impairment RM'000
Group		
2013		
- Past due 0 to 30 days	22,115	–
- Past due 31 to 60 days	789	–
- Past due 61 to 90 days	248	–
- Past due over 90 days	263	(1)
2012		
- Past due 0 to 30 days	12,899	–
- Past due 31 to 60 days	4,437	–
- Past due 61 to 90 days	1,193	–
- Past due over 90 days	68	(1)

The management believes that no impairment allowance is necessary in respect of the past due trade receivables as they are substantially companies with good collection track record and no recent history of default.

27.2 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 cocoa bean futures 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 United States dollar ("US"), Euro ("EURO"), Pound sterling ("GBP") and Singapore dollar ("S$"). 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.

27. Financial instruments, financial risks and capital management (Continued)

27.2 Market risk (Continued)

(i) Foreign exchange risk management (Continued)

At the end of the reporting period, the carrying amounts of financial assets and financial liabilities denominated in currencies other than the functional currency of the entities within the Group and the Company are as follows:

	United States dollar RM'000	Euro RM'000	Pound sterling RM'000	Ringgit Malaysia RM'000	Singapore dollar RM'000	Others RM'000	Total RM'000
Group							
2013							
Financial assets							
Trade and other receivables	54,399	1,039	34,628	7,198	63	28	97,355
Cash and cash equivalents	33,779	628	22,569	6,572	94	1,809	65,451
	88,178	1,667	57,197	13,770	157	1,837	162,806
Financial liabilities							
Trade and other payables	11,190	816	2,915	10,431	407	–	25,759
Bank borrowings	219,416	–	60,419	–	–	–	279,835
	230,606	816	63,334	10,431	407	–	305,594
Net financial (liabilities)/assets	(142,428)	851	(6,137)	3,339	(250)	1,837	(142,788)
Less: Net financial assets denominated in the respective entities' functional currency	35,857	–	–	(3,339)	–	–	32,518
Net foreign currency exposure	(106,571)	851	(6,137)	–	(250)	1,837	(110,270)
2012							
Financial assets							
Trade and other receivables	67,403	642	19,372	4,837	9	886	93,149
Cash and cash equivalents	25,675	903	15,483	4,750	4,237	14	51,062
	93,078	1,545	34,855	9,587	4,246	900	144,211
Financial liabilities							
Trade and other payables	33,337	512	3,696	15,642	1,332	–	54,519
Bank borrowings	136,397	–	35,117	290	–	–	171,804
	169,734	512	38,813	15,932	1,332	–	226,323
Net financial (liabilities)/assets	(76,656)	1,033	(3,958)	(6,345)	2,914	900	(82,112)
Less: Net financial assets denominated in the respective entities' functional currency	265	–	–	6,345	–	–	6,610
Net foreign currency exposure	(76,391)	1,033	(3,958)	–	2,914	900	(75,502)

27. Financial instruments, financial risks and capital management (Continued)

27.2 Market risk (Continued)

(i) Foreign exchange risk management (Continued)

	United States dollar RM'000	Ringgit Malaysia RM'000	Singapore dollar RM'000	Total RM'000
Company				
2013				
Financial assets				
Trade and other receivables	13,646	1,518	30,716	45,880
Cash and cash equivalents	70	–	59	129
	13,716	1,518	30,775	46,009
Financial liability				
Trade and other payables	–	–	220	220
Net financial assets	13,716	1,518	30,555	45,789
Less: Net financial assets denominated in the entity's functional currency	–	(1,518)	–	(1,518)
Net foreign currency exposure	13,716	–	30,555	44,271
2012				
Financial assets				
Trade and other receivables	–	13,000	59,144	72,144
Cash and cash equivalents	37	–	458	495
	37	13,000	59,602	72,639
Financial liability				
Trade and other payables	–	–	806	806
Net financial assets	37	13,000	58,796	71,833
Less: Net financial assets denominated in the entity's functional currency	–	(13,000)	–	(13,000)
Net foreign currency exposure	37	–	58,796	58,833

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.

27. Financial instruments, financial risks and capital management (Continued)

27.2 Market risk (Continued)

(i) Foreign exchange risk management (Continued)

Foreign currency sensitivity analysis

The following table details the sensitivity to a 5% (2012: 5%) increase and decrease in the relevant foreign currencies against the functional currency of the entities within Group. The 5% (2012: 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 adjusts their translation at the end of the reporting period for a 5% (2012: 5%) change in foreign currency rates.

	Increase / (Decrease) (Loss) / Profit after tax			
	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
US$/RM				
Strengthened	3,996	(2,873)	569	2
Weakened	(3,996)	2,873	(569)	(2)
GBP/RM				
Strengthened	271	148	–	–
Weakened	(271)	(148)	–	–
S$/RM				
Strengthened	10	120	1,268	2,473
Weakened	(10)	(120)	(1,268)	(2,473)

(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 13 to the financial statements.

The Group's results are affected by changes in interest rates due to the impact of such changes on interest expenses from bank borrowings which are at floating interest rates. It is the Group's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group.

27. Financial instruments, financial risks and capital management (Continued)

27.2 Market risk (Continued)

(ii) Interest rate risk (Continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risks for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 1% (2012: 1%) change in the interest rates from the end of the reporting period, with all variables held constant.

If the interest rate increases or decreases by 1% (2012: 1%), profit after income tax, will increase or decrease by:

	Group Increase/(Decrease) Profit after income tax	
	2013 RM'000	2012 RM'000
Bank borrowings	–	2

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 cocoa beans futures contracts to manage the risk.

27.3 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 sets out the maturity profile of the financial instruments at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period).

27. Financial instruments, financial risks and capital management (Continued)

27.3 Liquidity risk (Continued)

	2013 RM'000 Within one financial year	2012 RM'000 Within one financial year
<u>*Group*</u>		
Financial assets		
Non-interest bearing		
- Trade and other receivables	97,355	93,149
- Cash and cash equivalents	59,995	47,798
Interest bearing		
- Cash and cash equivalents	5,457	3,265
	162,807	144,212
Financial liabilities		
Non-interest bearing		
- Trade and other payables	25,759	54,519
- Derivative liabilities	2,437	2
Interest bearing		
- Bank borrowings	280,514	172,933
	308,710	227,454
<u>*Company*</u>		
Financial assets		
Non-interest bearing		
- Trade and other receivables	28	13,377
- Cash and cash equivalents	129	495
Interest bearing		
- Trade and other receivables	46,540	59,649
	46,697	73,521
Financial liabilities		
Non-interest bearing		
- Trade and other payables	220	806
	220	806

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.

27.4 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 and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 December 2013 and 2012.

The Group monitors capital based on a gearing ratio, which is net debt divided by total equity plus net debt. The Group includes within net debt, trade and other payables and bank borrowings less cash and cash equivalents. Capital consists of total share capital, retained earnings plus reserves.

27. Financial instruments, financial risks and capital management (Continued)

27.4 Capital management policies and objectives (Continued)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Trade and other payables	25,759	54,519	220	806
Bank borrowings	279,835	171,804	–	–
Less: Cash and cash equivalents	(65,451)	(51,062)	(129)	(495)
Net debt	240,143	175,261	91	311
Total equity	179,048	189,865	219,580	173,125
Total capital	419,191	365,126	219,671	173,436
Gearing ratio	57.3%	48.0%	0.1%	0.2%

27.5 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 financial instruments that are carried at fair value classified by level of fair value hierarchy are as follows:

	Level 1	Level 2	Level 3
	RM'000	RM'000	RM'000
Group			
2013			
Financial liabilities			
Derivative financial instruments	–	2,437	–
2012			
Financial liabilities			
Foreign currency forward contracts	–	2	–

27. Financial instruments, financial risks and capital management (Continued)

27.5 Fair values of financial assets and financial liabilities (Continued)

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 assessed by the independent parties on the market.

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

STATISTICS OF SHAREHOLDINGS

As at 31 March 2014

Share Capital		
Number of Issued Shares	:	480,000,000
Class of Shares	:	Ordinary Shares
Voting Rights	:	On a show of hands - one vote On a poll - one vote for every ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	2	0.15	1,000	0.00
1,000 - 10,000	504	36.73	3,307,000	0.69
10,001 - 1,000,000	847	61.73	58,978,000	12.29
1,000,001 AND ABOVE	19	1.39	417,714,000	87.02
TOTAL	1,372	100.00	480,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	JB COCOA GROUP SDN BHD	244,800,000	51.00
2	TEE YIH JIA FOOD MANUFACTURING PTE LTD	80,000,000	16.67
3	AMFRASER SECURITIES PTE. LTD.	55,530,000	11.57
4	CITIBANK NOMINEES SINGAPORE PTE LTD	6,170,000	1.28
5	OCBC SECURITIES PRIVATE LIMITED	4,524,000	0.94
6	UOB KAY HIAN PRIVATE LIMITED	4,223,000	0.88
7	PHILLIP SECURITIES PTE LTD	3,106,000	0.65
8	TENG NAM SENG	3,000,000	0.62
9	CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,751,000	0.57
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,714,000	0.36
11	NG CHING YUN	1,600,000	0.33
12	DMG & PARTNERS SECURITIES PTE LTD	1,554,000	0.32
13	THOMAS TAN SOON SENG (THOMAS CHEN SHUNCHENG)	1,321,000	0.28
14	CITIBANK CONSUMER NOMINEES PTE LTD	1,300,000	0.27
15	PEH TEIK SENG	1,300,000	0.27
16	CHAN HENG CHOY	1,208,000	0.25
17	GAN SIN CHERN	1,040,000	0.22
18	HSBC (SINGAPORE) NOMINEES PTE LTD	1,033,000	0.22
19	TEY HOW KEONG	1,000,000	0.21
20	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	912,000	0.19
	TOTAL	418,086,000	87.10

PUBLIC FLOAT

Based on the information available to the Company as at 31 March 2014, approximately 20.54% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

STATISTICS OF SHAREHOLDINGS

As at 31 March 2014

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Number of Shares Direct Interest	Deemed Interest	Total Interest	% of shares capital in the Company
JB Cocoa Group Sdn Bhd	244,800,000	–	244,800,000	51.00
Tey Kan Sam @ Tey Hin Ken	–	244,800,000	244,800,000(1)	51.00
Lim Ah Bet @ Chabo	–	244,800,000	244,800,000(1)	51.00
Tey How Keong	1,000,000	244,800,000	245,800,000(2)	51.21
Goh Lee Beng	400,000	244,800,000	245,200,000(2)	51.08
ECOM Agroindustrial Corp. Limited	55,200,000	–	55,200,000	11.50
Unichocola Pte. Ltd.	–	55,200,000	55,200,000(3)	11.50
IECOM Pte. Ltd.	–	55,200,000	55,200,000(4)	11.50
Jorge Esteve Campdera and grandchildren	–	55,200,000	55,200,000(3)	11.50
Isabel Recolons Esteve and lineal descendants	–	55,200,000	55,200,000(4)	11.50
Tee Yih Jia Food Manufacturing Pte Ltd	80,000,000		80,000,000	16.67
Goi Seng Hui	–	80,000,000	80,000,000(5)	16.67

Notes:

(1) 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 244,800,000 shares held by JBC Group and vice versa by virtue of their relationship as husband and wife.

(2) Tey How Keong holds 36.0% of the issued and paid-up share capital of JBC Group and is also deemed interested in the 14.0% of the issued and paid-up capital of JBC Group held by his spouse, Goh Lee Beng, and is therefore deemed interested in the 244,800,000 shares held by JBC Group and vice versa by virtue of their relationship as husband and wife.

(3) Unichocola Pte. Ltd. holds approximately 36.0% of the issued and paid-up share capital of ECOM Agroindustrail Corp. Limited ("ECOM"), and is therefore deemed interested in the 63,200,000 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 Turst are Jorge C. Esteve and his grandchildren. Jorge C. Esteve is the settlor of the Creston Union Trust.

(4) IECOM Pte. Ltd. holds approximately 26.3% of the issued and paid-up share capital of ECOM, and is therefore deemed interested in the 63,200,000 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 linear descendants. Isabel R. Esteve is the settlor of the Robles Trust.

(5) Goi Seng Hui holds 99.98% of Tee Yih Jia Food Manufacturing Pte Ltd ("TYJ") and is therefore deemed interested in the 80,000,000 shares held by TYJ.

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 Wednesday, 30 April 2014 at 10 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 2013 together with the Reports of the Directors and Auditors thereon. Resolution 1

2. To re-elect Mr Tey How Keong who retires by rotation pursuant to Article 98 of the Company's Articles of Association.

   Mr Tey How Keong will, upon re-election as a Director of the Company, remain as Executive Director and Chief Executive Officer of the Company, as well as a member of the Remuneration Committee. Resolution 2

3. To note the retirement of Mr Yessa Matindas Tuegeh pursuant to Article 98 of the Company's Articles of Association who would not be seeking re-election.

4. To re-elect Mr Chin Koon Yew who retires pursuant to Article 102 of the Company's Articles of Association.

   [See Explanatory Note (i)]

   Mr Chin Koon Yew will, upon re-election as a Director of the Company, remain as an Independent Director of the Company and a member of the Audit and Remuneration Committees. Resolution 3

5. To approve the payment of directors' fees of S$147,178.57 for the financial year ending 31 December 2014, to be paid quarterly in arrears. Resolution 4

6. To re-appoint Messrs BDO LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 5

7. To transact any other business that may be transacted at an Annual General Meeting.

SPECIAL BUSINESSES

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:

8. AUTHORITY TO ALLOT AND ISSUE SHARES

   That:

   (A) pursuant to Section 161 of the Companies Act, Chapter 50 ("Companies Act") 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;

   (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 Articles of Association of the Company; and

(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 (ii)]

Resolution 6

9. THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

That:

(1) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("Chapter 9") of the SGX-ST, for the renewal of the mandate (the "Shareholders' Mandate") set out in the Appendix to the Company's Annual Report dated 15 April 2014 (the "Appendix") for the Company, its subsidiaries and its associated companies which are entities at risk as defined under Chapter 9, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix, with any person who falls within the classes of interested persons described in the Appendix, provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders and are in accordance with the review procedures for interested person transactions as set out in the Appendix;

(2) the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next annual general meeting of the Company; and

(3) the Directors of the Company and any of them be and are hereby authorised to complete and do all such acts and things (including execution all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the Shareholders' Mandate and/or this Resolution. Resolution 7

10. THE PROPOSED ADOPTION OF THE JB FOODS EMPLOYEE SHARE OPTION SCHEME 2014

That:

(1) the employee share option scheme to be known as the "JB Foods Employee Share Option Scheme 2014" (the "Option Scheme"), under which options ("Options") to subscribe for ordinary shares in the capital of the Company ("Shares") will be granted to selected employees of the Company and its subsidiaries, particulars of which are set out in the Appendix, be and is hereby approved and adopted;

(2) the Directors of the Company be and are hereby authorised:

(a) to implement and establish the Option Scheme;

(b) to modify and/or amend the Option Scheme from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the Option Scheme and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary, desirable or expedient in order to give full effect to the Option Scheme;

(c) to offer and grant options in accordance with the provisions of the Option Scheme and pursuant to section 161 of the Companies Act, to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of the Options (notwithstanding that the exercise thereof or such allotment and issue may occur after the conclusion of the next or any ensuing annual general meeting of the Company), 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; and

(3) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the Option Scheme and this Resolution. Resolution 8

11. THE PROPOSED GRANT OF AUTHORITY TO OFFER AND GRANT OPTION(S) UNDER THE OPTION SCHEME AT A DISCOUNT

THAT, subject to and contingent upon the passing of Resolution 8 for the adoption of the Option Scheme, the Directors of the Company be and are hereby authorised to offer and grant Options in accordance with the provisions of the Option Scheme to participants with exercise prices set at a discount to the Market Price (as defined in the Appendix) provided that such discount does not exceed the twenty per cent. (20%) (or such other relevant limits as may be set by the SGX-ST from time to time) of the Market Price. Resolution 9

12. THE PROPOSED ADOPTION OF THE SHARE BUYBACK MANDATE

That:

(1) for the purposes of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the issued Shares not exceeding in aggregate the Maximum Limit (as defined below), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as defined below), whether by way of:

(a) on-market purchases (the "Market Purchase") transacted on the SGX-ST through the SGX-ST's trading system or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, and which may be transacted through one or more duly licensed stockbrokers appointed by the Company;

(b) off-market purchases (the "Off-Market Purchase") effected pursuant to an equal access scheme as defined in the Companies Act;

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

(2) unless varied or revoked by the members of the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors of the Company at any time and from time to time during the Relevant Period (as defined below) and expiring on the earliest of:

(a) the date on which the next annual general meeting of the Company is held or required by law to be held;

(b) the date on which the authority conferred by the Share Buyback Mandate is varied or revoked by Shareholders in a general meeting; or

(c) the date on which the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated;

(3) for the purposes of this Resolution:

"Maximum Limit" means that number of issued Shares representing not more than ten per cent. (10%) of the issued ordinary share capital of the Company as at the date of the passing of this Resolution, in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time). Any Shares which are held as treasury shares will be disregarded for purposes of computing the ten per cent. (10%) limit;

"Relevant Period" means the period commencing from the date of the passing of this Resolution and expiring on the earliest of the date on which the next annual general meeting of the Company is held or is required by law to be held, the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the shareholders of the Company in a general meeting, or the date on which the share buy-backs are carried out to the full extent of the Share Buyback Mandate;

"Maximum Price", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(a) in the case of Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price; and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price,

where:

"Average Closing Price" means the average of the closing market prices of the Shares over the last five (5) Market Days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days;

"day of the making of the offer" means the day on which the Company makes an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(4) the number of Shares which may in aggregate be purchased or acquired by the Company during the Relevant Period shall be subject to the Maximum Limit;

(5) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased by the Company, pursuant to the Share Buyback Mandate in manner as they think fit, which is permitted under the Companies Act; and

(6) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution. Resolution 10

By Order of the Board

Jeremy Cheah Soon Ann
Joint Company Secretary
15 April 2014

Notes:

(1) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead.

(2) A proxy need not be a member of the Company.

(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 Meeting.

Explanatory Notes:

(i) The effect of Ordinary Resolution 3 is to re-elect Directors of the Company who are appointed as additional directors. Pursuant to Article 102 of the Company's Articles of Association, such directors so appointed shall hold office only until the next Annual General Meeting and shall then be eligible for re-election.

(ii) 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.

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JB FOODS LIMITED

(Company Registration No. 201200268D)
(Incorporated in the Republic of Singapore)

IMPORTANT
1. For investors who have used their CPF monies to buy shares ("CPF Investors") in the capital of JB Foods Limited, this Proxy Form is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

*I/We ____ NRIC No. ______________

of ____

being a *member/members of JB FOODS LIMITED (the "Company"), hereby appoint

Name	Address	NRIC / Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting, as my/ our proxy/ proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at Raffles Marina, Chartroom at 10 Tuas West Drive, Singapore 638404 on Wednesday, 30 April 2014 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 Financial Statements for the financial year ended 31 December 2013 and the Reports of the Directors and Auditors thereon.		
2	To re-elect Mr Tey How Keong as Director.		
3	To re-elect Mr Chin Koon Yew		
4	To approve Directors' fees of S$147,178.57 for the financial year ending 31 December 2014, 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 renewal of the Shareholders' Mandate for interested person transactions		
8	To approve the proposed adoption of the JB Foods Employee Share Option Scheme 2014		
9	To approve the proposed grant of authority to offer and grant Option(s) under the Option Scheme at a discount		
10	To approve the adoption of the Share Buyback Mandate		

* 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 ___________________ 2014

Total number of Ordinary Shares held:	

____

Signature(s) of Member(s) or Common Seal
IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

1. If you have Ordinary Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of 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 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. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be valid only if he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. In the case of a joint appointment of two proxies, the Chairman of the Meeting will be a member's proxy by default if either or both of the proxies appointed do not attend the Annual General Meeting. In the case of an appointment of two proxies in the alternative, the Chairman of the Meeting will be a member's proxy by default if both of the proxies appointed do not attend the Annual General Meeting.

4. 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.

5. 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.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

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 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chua Cheow Khoon Michael
Independent Director and Chairman

Goi Seng Hui
Non-Independent, Non-Executive Director and Vice Chairman

Loo Wen Lieh
Alternate Director to Mr Goi Seng Hui

Tey How Keong
Chief Executive Officer

Goh Lee Beng
Executive Director

Yessa Matindas Tuegeh
Non-Independent and Non-Executive Director

Leow Wee Kia Clement
Independent and Non-Executive Director

Chin Koon Yew
Independent and Non-Executive Director

REGISTERED OFFICE

80, Robinson Road, #17-02,
Singapore 068898
www.jbfoods.com.sg
Tel: 65 - 6222 8008
Fax: 65 - 6222 8001

AUDIT COMMITTEE

Chua Cheow Khoon Michael (Chairman)
Leow Wee Kia Clement
Chin Koon Yew

REMUNERATION COMMITTEE

Leow Wee Kia Clement (Chairman)
Chua Cheow Khoon Michael
Chin Koon Yew

NOMINATING COMMITTEE

Leow Wee Kia Clement (Chairman)
Chua Cheow Khoon Michael
Tey How Keong

RISK MANAGEMENT COMMITTEE

Chin Koon Yew (Chairman)
Leow Wee Kia Clement
Tey How Keong

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Service Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

JOINT COMPANY SECRETARIES

Ong Beng Hong
Jeremy Cheah Soon Ann

INDEPENDENT AUDITORS

BDO LLP
Public Accountants and Chartered Accountants
21 Merchant Road
#05-01 Singapore 058267

Partner-in-charge: Poon Yew Wah
(Appointed since financial year ended 31 December 2013)

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