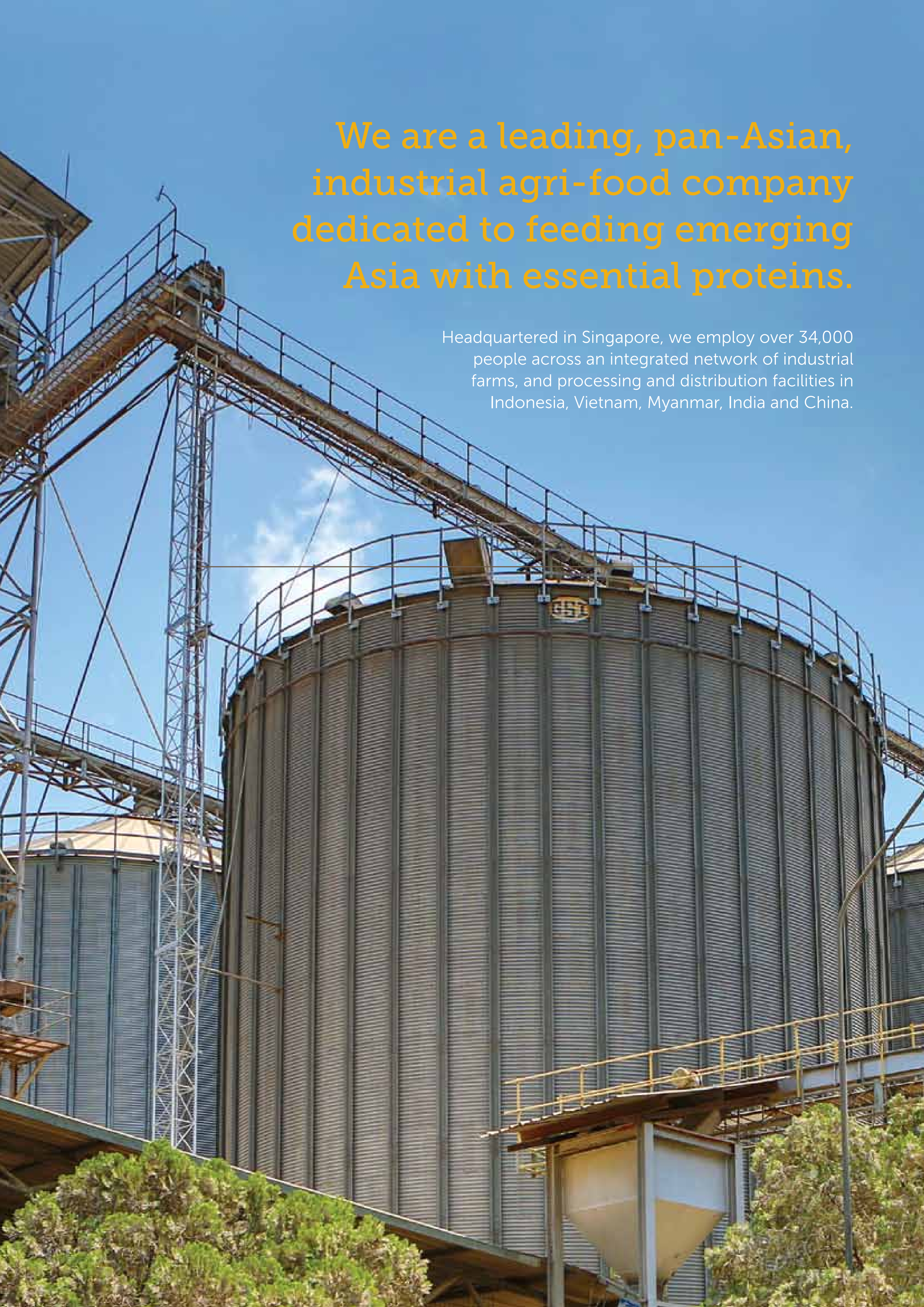
Feeding Emerging Asia

Nurturing a Brighter Future

Japfa Ltd
Annual Report 2017

We are a leading, pan-Asian, industrial agri-food company dedicated to feeding emerging Asia with essential proteins.

Headquartered in Singapore, we employ over 34,000 people across an integrated network of industrial farms, and processing and distribution facilities in Indonesia, Vietnam, Myanmar, India and China.



Growing Towards Mutual Prosperity

Our Mission

To be the leading dependable provider of affordable protein foods in emerging Asia by building on the foundation of our excellent teamwork and proven experience for the benefit of all stakeholders.

Our Values

Central to our Corporate Culture & Responsibility is the nurturing of sustainable, growth-orientated relationships based on trust and integrity. Growing Towards Mutual Prosperity is the vision which we practise and uphold with Japfa's various stakeholder groups.

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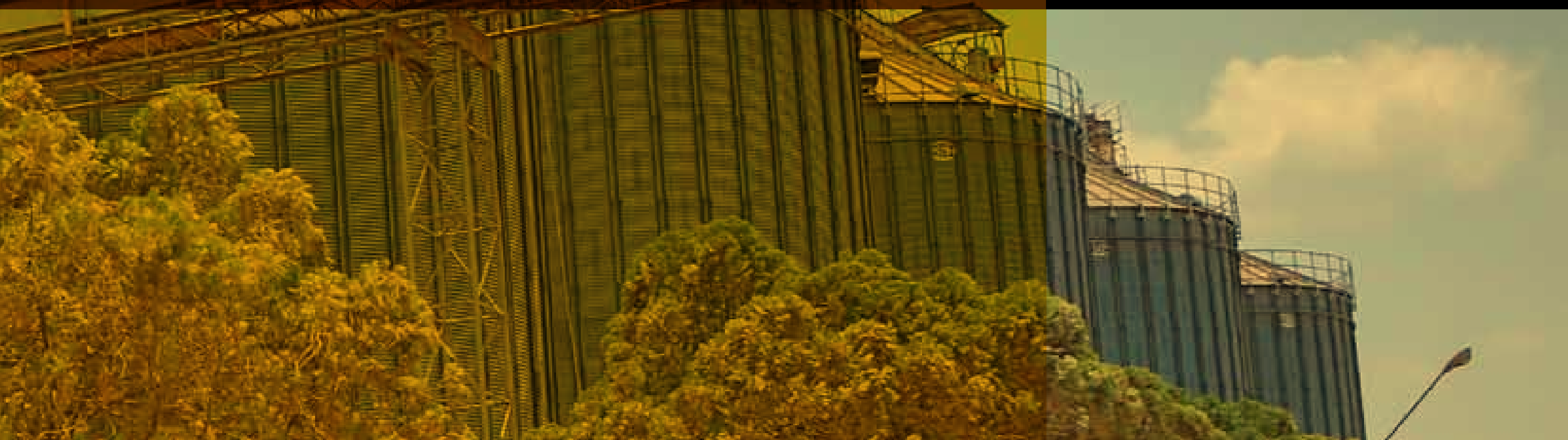


Corporate Profile

Japfa Ltd ("Japfa", the "Company", or together with its subsidiaries, the "Group") is a leading, pan-Asian, industrialised agri-food company dedicated to feeding emerging Asia with essential proteins.

Headquartered in Singapore, we employ over 34,000 people across an integrated network of modern farming, processing and distribution facilities in Indonesia, Vietnam, Myanmar, India and China. We specialise in producing quality dairy, protein staples (poultry, beef, swine and aquaculture) and packaged food that nourish millions of people.

For over 40 years, we have grown in scale to become leaders in multiple protein foods, by embracing an integrated industrialised approach to farming and food production across the entire value chain. We created large-scale standardised operations which allow us to consistently produce high quality proteins and to replicate our business model across different markets and protein types.

In addition, our business is vertically integrated from animal feed production and breeding to commercial farming and food processing. This not only creates opportunities for us to capture value at different points in the agri-food chain but also provides our customers with greater food security and traceability.

We pride ourselves on our use of superior breeds, and a sophisticated approach to animal husbandry, animal health, nutrition and welfare – all of which reinforce the quality of our products and the high production yields. We place a strong focus on bio-security with stringent operating procedures, while building strategic alliances with global leaders in breeding research.

Today, we are one of the two largest producers of poultry in Indonesia. We have also replicated our industrialised, vertically integrated business model for poultry operations in Vietnam, Myanmar and India, as well as swine operations in Vietnam.

On top of this, we have successfully replicated our Indonesian dairy business in China, where we are now amongst the leading producers of premium raw milk in the country, commanding one of the highest milk yields. Our raw milk in Indonesia and China is also of the highest quality in terms of nutritional standards.

We leverage the high quality of our raw materials to produce premium and mass market consumer branded food products under leading brands such as *So Good,* as well as *Greenfields* which is the top fresh pasteurised milk brand in Indonesia's modern trade channel[1].

Given the growing affluence of our target middle- and lower-income consumer groups, we expect protein food consumption in these markets to rise. As one of the most competitive and efficient producers, we are focused on tapping the growing animal protein consumption in the five emerging economies that we operate in, where more than 40% of the world's total population live. We plan to forge ahead with our strategy of expanding across multiple protein segments in these high-growth emerging Asian markets.

1 PT Austasia Food calculation and claim based on value and volume sales data provided by Nielsen Scan Track Service for Pasteurized Milk category for the 12 months ending September 2016 for Indonesia market. (Copyright © 2016, Nielsen)

PT Japfa Tbk[1]

INDONESIA

- Poultry feed manufacturing, breeding, and commercial farming and poultry slaughterhouses
- Beef cattle breeding, fattening and processing
- Aquaculture feed manufacturing, hatcheries, cold storage and processing

Animal Protein Other

VIETNAM

- Poultry feed manufacturing, breeding and commercial farming
- Swine feed manufacturing, breeding and fattening

MYANMAR

- Poultry feed manufacturing, breeding and commercial farming

OVER 40 YEARS OF GROWTH

The Group has grown from a single poultry feedmill in Indonesia to a leading pan-Asian agri-food company in 5 countries. Its diversification strategy into new geographies and proteins well positions the Group to be a long-term industry player.

INDIA

- Poultry feed manufacturing, breeding and commercial farming
- Poultry diagnostic lab

CHINA

- Beef cattle fattening

Singapore

- Corporate Head Office

Dairy[2]

CHINA

- Dairy farming
- Raw milk production

INDONESIA

- Dairy farming
- Milk processing
- Distribution of branded premium milk and dairy products

Consumer Food

INDONESIA

- Branded ready-to-eat poultry, beef and milk-based food
- Branded, fresh, ready-to-cook poultry, beef and seafood-based food
- Food manufacturing, sales and distribution and consumer marketing

VIETNAM

- Branded ready-to-eat meat-based food products
- Food manufacturing, sales and distribution, and consumer marketing

LEGEND

- Corporate Head Office
- PT Japfa Tbk
- Animal Protein Other
- Dairy
- Consumer Food

1 As at 31 December 2017, Japfa Ltd's shareholding in PT Japfa Comfeed Indonesia Tbk is 51.0%.

2 Dairy: Japfa Ltd's shareholdings in Dairy is held through Austasia Investment Holdings Pte Ltd ("AIH") and AIH2 Pte Ltd ("AIH2"). On 21 December 2017, the Company entered into a share purchase agreement to acquire all outstanding shares in the capital of AIH and AIH2. Following this transaction, the Company's ownership in AIH increased from 61.9% to 100% and AIH2 increased from 64.5% to 100%.

Business Segments

AT A GLANCE

PT Japfa Tbk

In Indonesia, we carry out our animal protein operations through IDX-listed PT Japfa Comfeed Indonesia Tbk ("PT Japfa Tbk"), which we own 51.0% of the share capital. We produce specially-formulated premium animal feed, and multiple high-quality animal proteins, namely, poultry, beef and aquaculture.

Animal Protein Other

We have wholly-owned animal protein operations in Vietnam, Myanmar and India, which produce premium animal feed, poultry and swine. We have successfully replicated our industrialised, vertically integrated business model for poultry production in Vietnam, Myanmar and India, as well as established our swine operations in Vietnam.

Dairy

We carry out our dairy operations mainly in China and Indonesia. In China, we focus on upstream dairy farming to produce premium raw milk for downstream customers, while in Indonesia, we operate a vertically integrated dairy business which produces premium raw milk that is used further downstream for our *Greenfields* dairy products.

Consumer Food

We use our animal protein products as raw materials for our own downstream consumer food segment. Our *So Good* and *So Nice* brands are leading brands in Indonesia for processed meats, such as chicken nuggets, meat balls and shelf-stable sausages. We also manufacture and market small-pack UHT liquid milk under the *Real Good* brand in Indonesia, and branded shelf-stable sausages under the *So Yumm* brand in Vietnam.

LEADING MARKET POSITIONS IN MULTIPLE PROTEIN STAPLES

Leading upstream regional market positions

1

China

MILK YIELD[1]
37 kg/day

2

Indonesia

POULTRY FEED PRODUCTION CAPACITY[2]
24%

DOC PRODUCTION[2]
29%

2

Myanmar

POULTRY FEED PRODUCTION CAPACITY[3]
31%

DOC PRODUCTION[3]
21%

3

Vietnam

DOC PRODUCTION[3]
20%

1 Sources: Rabobank, IFCN, annual reports 2016 by respective listed corporates.
2 Source: Frost & Sullivan Analysis, 2015 data.
3 Source: Company estimates, 2016 data.

Business Model

AT A GLANCE

We have a vertically integrated business model that covers the entire value chain for many of our protein products, from feed production and breeding to commercial farming and processing. In addition, we are able to leverage our premium protein production operations through our downstream consumer food business.

VERTICALLY INTEGRATED BUSINESS ACROSS ENTIRE VALUE CHAIN

FIVE PROTEINS | FIVE COUNTRIES

VERTICALLY INTEGRATED BUSINESS MODEL

	Animal Protein – PT Japfa Tbk INDONESIA	Animal Protein – Other VIETNAM | MYANMAR | INDIA	Dairy CHINA | INDONESIA
Upstream ANIMAL FEED PRODUCTION	Poultry Feed; Cattle Feed; Aquaculture Feed	Poultry Feed; Swine Feed	Cattle Feed
BREEDING FARMS	Poultry Breeding; Beef Cattle Breeding; Aquaculture Breeding	Poultry Breeding; Swine Breeding	Dairy Cattle Breeding
Midstream MILKING & FATTENING FARMS	Poultry Commercial Farming; Beef Feedlots; Aquaculture Commercial Farming	Poultry Commercial Farming; Swine Fattening	Dairy Milking
Downstream PROCESSING & DISTRIBUTION	Consumer Food INDONESIA | VIETNAM SO GOOD; SO NICE; REAL GOOD; Santori Beef; TOKUSEN WAGYU BEEF; SO YUMM Branded Consumer Foods		Greenfields Branded Dairy Products

Nourishing Needs

DEVELOPING QUALITY PROTEINS

We have consistently adopted an industrialised farming model which has enabled us to become one of the market leaders in multiple proteins – poultry, dairy, swine, beef and aquaculture. Our large-scale, vertically integrated operations also provide our customers with greater food security and traceability.

PT Japfa Tbk

AT A GLANCE

We produce high-quality animal proteins (poultry, beef and aquaculture) and premium specially-formulated animal feed in Indonesia. Our animal protein operations are vertically integrated and cover the entire value chain of animal protein production, and we partner with world-leading genetics companies to breed high performance parent livestock in modern farm facilities using advanced management systems.

In addition, we help thousands of farmers succeed commercially with a full range of customised animal nutrition, quality breeder livestock and technical assistance. We also engage in commercial farming and further processing of livestock products in markets where we have established downstream distribution.

Poultry

We produce premium-quality animal feed in Indonesia, both for our own poultry and aquaculture operations, as well as for sale to third parties. Our feed brands, namely *Comfeed* and *Benefeed*, are among the most recognised in Indonesia, backed by feed conversion ratios (i.e. total amount of feed required per bird kilogram) that are among the best in the industry.

Produce high-quality animal proteins and premium animal feed in Indonesia

Poultry

14 commercial poultry feedmills

3 breeder poultry feedmills

68 poultry breeding farms

25 central hatcheries

10 slaughterhouses and primary processing plants

Over 100 company-owned commercial farms

Over 9,000 contract farms

Aquaculture

5 aqua-feedmills

6 hatchery (fry) facilities

Beef

2 cattle breeding farms

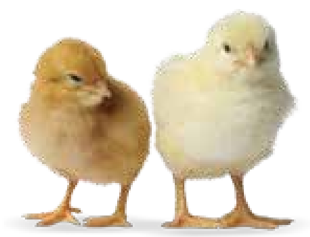
3 cattle fattening farms

1 beef processing operation

We began our poultry business in Indonesia over 40 years ago, and we are now the second largest integrated company in Indonesia. In collaboration with Aviagen, a world leading poultry genetics company, we are able to deliver high performance day-old chicks ("DOCs") which are adaptable to tropical conditions. To combat the threat of disease, we have PT Vaksindo Satwa Nusantara, a leading animal vaccine company in Indonesia, to conduct research and produce autogenous vaccines on a timely basis.

Aquaculture

Feed manufacturing is the core activity of our aquaculture business. Our five aqua-feedmills produce a wide range of feed products for both marine and fresh water aquaculture species which are sold directly to local farmers and independent distributors throughout Indonesia. We also operate cold storage and processing plants, fresh water fish farming, shrimp pond, as well as shrimp and fresh water hatcheries to support our customers who require quality seeds.



Beef

We are the leading integrated beef company in Indonesia with a fattening capacity of 56,000 heads of cattle per cycle. Our Wagyu cattle operations are vertically integrated and our Class A Slaughterhouse has attained export standards, as well as Food Safety Management System ISO 22000:2005 and MUI's Halal certifications. To meet the growing domestic demand for speciality Wagyu Beef products, we also have our own deboning and processing plant in Indonesia to produce premium quality beef, namely *Tokusen* Wagyu Beef, targeted at the premium market segment for HORECA (Hotel, Restaurant and Catering), domestic supermarket chains and export market.

Animal Protein Other

AT A GLANCE

We have successfully replicated our large-scale and industrialised animal protein operations across emerging Asia markets. In recent years, we have established poultry operations in Vietnam, Myanmar and India, swine operations in Vietnam, as well as beef cattle operations in China.

VIETNAM

We produce premium-quality animal feed in Vietnam, both for our own poultry and swine operations, as well as for sale to third parties.

We also operate over 20 company-owned commercial farms and over 280 contract farms for poultry, and own poultry processing facilities in the country. Commercial broiler farming operations are carried out either through our company or contract farms.

In addition, we manufacture specially formulated swine feed and produce a high-performance breed of piglets for external customers and our own company/contract fattening farms. We also partner with Hypor, one of the world's leading suppliers of swine genetics, to operate a great grandparent breeding farm. Japfa on its own, then operates the entire chain from grandparent and parent breeding farms to swine fattening farms for domestic consumption.

MYANMAR

We produce premium-quality animal feed in Myanmar, which is used for our own poultry operations and/or sale to third-party customers. We have also expanded our operations from Southern Myanmar to Northern Myanmar, where we have replicated our feedmills, breeding farms and commercial farms.

In addition, we have adjusted our commercial farming operations to focus more on our company-owned commercial farms which are bigger in terms of chicken capacity, uses more advanced technology (Poultry Closed House System) to achieve higher efficiencies, and better suited for the hotter climate.

INDIA

We operate 6 poultry feedmills in India, which consist of 4 company feedmills and 2 toll processing feedmills. In addition, we carry out commercial broiler farming operations through an extensive network of over 400 contract farms. To cater to the growing demand for premium-quality animal feed in India, we have acquired a new property to build a new poultry feedmill. We are also acquiring a piece of land to build a new poultry Parent Stock ("PS") farm.

CHINA

In 2014, we established feedlot operations in China, and a 10,000-head carrying capacity feedlot spread over 200 hectares in the Hekou district in the Shandong Province of China, with an additional 500 hectares for cultivation. The bull calves born at our dairy farms in China provide the source of cattle for our beef feedlot, thereby providing integration across our dairy and animal protein beef segments.

VIETNAM
5 poultry/swine feedmills

Poultry

12 poultry breeding farms

3 hatcheries

Over 20 company-owned commercial farms

Over 280 contract farms

Swine

1 Great Grand Parent ("GGP") breeding swine farm

5 Grand Parent ("GP") breeding swine farms

21 Parent Stock ("PS") breeding swine farms

3 nursery farms

9 fattening farms

Over 260 contract fattening farms

MYANMAR
Poultry

2 poultry feedmills, **3** poultry breeding farms and **2** hatcheries

Over 37 company-owned commercial farms

Over 50 contract farms

INDIA
Poultry

6 poultry feedmills

1 poultry breeding farm

2 hatcheries

Over 400 contract farms

CHINA
Beef

1 cattle fattening farm

Successfully replicated animal protein operations across emerging Asia markets

Dairy

AT A GLANCE

We pioneered the first "grass-to-glass" vertically integrated modern dairy in Indonesia in 1998, and we now own, in Indonesia and China, 8 world-class fully operational dairy farms and one processing plant that are designed, equipped and managed to meet and exceed international standards in productivity and bio-security.

Our large-scale industrialised dairy farms, with a standardised 10,000-head farm design, maximises operational efficiency and quality, and generates high yields from our milking cows which surpass both local and international nutritional and safety standards.

Our success is largely due to the scale and design of our farms, experienced farm managers, advanced and industrialised farm management practices, high-yielding livestock, as well as the strategic locations of our farms where environmental factors are ideal.

CHINA

42,564 heads of milkable cows[1]

79,289 heads of Holstein cattle in Farms

1 to 5 in Shandong province and Farms **6** and **7** in Inner Mongolia

INDONESIA

4,650 heads of milkable cows[1]

10,963 heads of Holstein cattle in our farm in Malang, East Java

1 Dairy processing plant in Malang, East Java

1 As at 31 December 2017.

Greenfields, #1 brand of fresh pasteurized milk in Indonesia's modern trade channel[1]

CHINA

We have a five-farm hub of dairy farms in Dongying City, Shandong Province, with close to 55,000 heads of Holstein cattle. In China, we focus on producing premium raw milk that is sold to leading dairies such as Yili, Mengniu and New Hope.

With rising consumer demand for traceable, premium dairy products, we plan to grow our capacity by building a new five-farm hub in Inner Mongolia. In November 2016, Farm 6 was fully milking while Farm 7 commenced milking. In March 2018, Farm 7 began fully milking.

Since mid-2014, we have also appointed a third party contract packer in China to pack the premium raw milk from our dairy farms under our *Greenfields* brand for distribution in China.

As the first step in our longer term plans to build a branded consumer goods business in China, in 2015, we entered into a joint venture with Food Union (Asia) Limited ("Food Union"), a European-based dairy and milk processing company, to build, own and operate a premium milk processing plant in Shandong Province, China. We currently own a 19% share in the joint venture company, Food Union AustAsia Holdings Pte Ltd. We will also supply raw milk to the plant, which will in turn manufacture high value-added dairy products for the Group, Food Union, as well as leading third party international food companies.

INDONESIA

In Desa Babadan, Ngajum, Malang, East Java, our dairy farm is the largest dairy farm operation in the country by volume of premium fresh milk produced.

In 2000, we launched our consumer brand *Greenfields* for the premium segment, and subsequently introduced other value-added dairy products to target affluent consumers. Today, *Greenfields* is the number one brand for fresh quality milk in Indonesia's modern trade channel[1], and our products are also exported to neighbouring Southeast Asian countries, including Singapore, Hong Kong, Malaysia and the Philippines.

On 4 May 2017, our new dairy processing plant in Desa Palaan, Malang, East Java was officially opened. With an investment value of IDR 335 billion, the 7-hectare plant is four times larger than our first plant in Desa Babadan, and has a milk processing capacity of 102 million litres per year. With this capacity expansion, *Greenfields* is now one of the largest fresh milk producers in Indonesia.

In addition, we are pleased to widen our consumer offering with the launch of yogurt products in November 2017. We see yogurt as a major category in our business and our target is to be the market leader in the B2C channel.

1 PT Austasia Food calculation and claim based on value and volume sales data provided by Nielsen Scan Track Service for Pasteurized Milk category for the 12 months ending September 2016 for Indonesia market. (Copyright © 2016, Nielsen).

Consumer Food

AT A GLANCE

By combining Japfa's expertise in agri-food production with our passion to provide world-class downstream consumer food products in the long term, we have grown to be the pioneer provider of protein-based food and beverage to nourish and delight Indonesian families with practical, reliable and tasty protein.

INDONESIA

6 meat processing plants

5 poultry slaughterhouses

1 UHT milk processing plant

8 regional sales branches and **58** regional sales depots

VIETNAM

1 meat processing plant

Bettering life through the goodness of tasty proteins

INDONESIA

Founded in 1996, the Group's wholly-owned subsidiary, PT So Good Food, is a downstream consumer food company specialising in the manufacturing and distribution of branded protein-based ready-to-eat, frozen and chilled products, including ready-to-drink UHT milk products.

Headquartered in Jakarta, PT So Good Food is today one of the largest Indonesian producers in the branded processed meat and poultry segment. It currently has over 4,000 employees, with a turnover of approximately US$200 million in FY2017, as well as annual sales volumes of approximately 42,000 tonnes of processed poultry and meat products and approximately 38 million litres of UHT milk.

We process quality ingredients, sourced directly from our upstream animal protein operations into a wide range of branded protein-based ready-to-eat, frozen and chilled products, so as to cater to the trend towards urbanisation and high consumer demand for healthy and convenient ready-to-eat food. By having a reliable source of quality protein products, we are able to set high standards and provide consumers with a wide variety of protein-rich consumer food products.

We now have manufacturing and processing facilities strategically located across Indonesia, which are supported by a network of sales branches and sales depots. All our food processing facilities in Indonesia are Halal-compliant, with the main raw materials directly sourced from our upstream operations.

We adopt a multi-target marketing strategy to reach high-growth consumer groups. With the *So Good* brand, we aim to fulfill the needs of the Indonesian market by providing a wide variety of high quality nutritious, tasty and premium protein food for the family, while the *So Nice* brand offers practical and innovative ready-to-eat and ready-to-cook products which are available all over Indonesia.

With the *Real Good* brand, we provide milk experience with a variety of tastes, by developing unique UHT milk products for the needs of households and bringing the goodness of milk in ready-to-drink and affordable packaging to Indonesian consumers.

VIETNAM

In 2011, we launched ready-to-eat, shelf-stable sausages under *So Yumm* brand in Vietnam where we already have a significant foot print in livestock production. Our sausage processing and packaging plant is strategically located in Binh Duong Province, about 45 km from Ho Chi Minh City, home to the country's largest urban consumer market. We have also started exporting *So Yumm* sausages to Myanmar.

Nurturing Trust

HONING CORE COMPETENCIES

We have built a solid reputation as a dependable provider of affordable quality proteins in emerging Asia. As we continue with this mission, it is imperative that we remain focused in sharpening our position as one of the most competitive and efficient producers. We will continue to enhance our industrialised approach to farming and food production, by honing our large-scale operations, technology and genetics know-how, best-in-class bio-security standards and the standardisation of best farm management practices across all our businesses.

Chairman's Message

GOH GEOK KHIM
CHAIRMAN

"We will continue to focus on areas that can be influenced, as we stay the course in establishing the Group as one of the most efficient and lowest cost industrialised protein producers in emerging Asia."

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Group's annual report for the financial year ended 31 December 2017 ("FY2017").

Challenging Business Environment In FY2017

FY2017 was a challenging year which presented a difficult business environment for the Group.

Though revenue grew by 5.2% from US$3.0 billion in FY2016 to US$3.2 billion in FY2017, EBITDA[1] declined 32.6% to US$285.4 million while Core PATMI w/o Forex[2] dropped 87.9% to US$15.7 million.

1 We define "**EBITDA**" as profit before tax from continuing operations, excluding interest income, changes in fair value of biological assets and marketable securities, foreign exchange adjustments gains/(losses), finance costs, depreciation of property, plant and equipment, depreciation of investment properties and amortisation of intangible assets.

2 We derived "**Core PATMI**" from "Profit Attributable to Owners of the Parent, Net of Tax" by excluding changes in fair value of biological assets (net of tax) and derivatives and by excluding extraordinary items (namely the gain/loss from the buyback of USD bonds in PT Japfa Tbk), attributable to owners of the parent. "**Core PATMI w/o Forex**" is an estimate derived from Core PATMI by excluding foreign exchange gains/losses (before tax) attributable to the owners of the parent. We have not made an estimate of the tax impact on foreign exchange gains/losses. This is because the majority of the gains/losses are unrealised and arise from the translation of USD bonds in PT Japfa Tbk and USD loans in Dairy, which have no tax implication.

The deterioration in overall profitability was attributable to losses incurred by Animal Protein Other and Consumer Food segments, as well as a decline in PT Japfa Tbk's operating profits. Contributing factors included persistently low swine prices in Vietnam, heightened competition in Indonesia's ambient consumer food sector, increased raw material costs for frozen foods and a return to more normal poultry feed operating margins.

On a positive note, the Dairy segment continued to record good growth in revenue and operating profits. This was driven by better milk yields and higher sales volumes of both raw and extended shelf life branded milk.

In appreciation of shareholders' continued support, the Board of Directors has recommended a final dividend of 0.5 Singapore cents per share for FY2017.

Investing For Future Growth

In December 2017, the Group entered into an agreement to acquire the outstanding interest in its Dairy business from its private equity partner, Black River Funds, for US$263.1 million. This will be funded through a combination of bank borrowings and issuance of shares in Japfa Ltd.

> "The dairy acquisition will enable the Group to exercise full control over its dairy business, which is an important engine of future growth."

The dairy acquisition will enable the Group to exercise full control over its dairy business, which is an important engine of future growth. With the upstream milk business substantially in place, the Group will now focus on strengthening its downstream activities and invest resources to further establish its position in the dairy industry.

I have mentioned in the past that the Group's performance may, from time to time, be subject to external influences such as the macro-economic environment, market forces as well as currency and interest rate fluctuations.

While these factors are beyond the Group's control, we will continue to focus on areas that can be influenced, as we stay the course in establishing the Group as one of the most efficient and lowest cost industrialised protein producers in emerging Asia. This includes building on the Group's strong business fundamentals, executing our strategy of diversification and vertical integration to navigate the industry cyclicality, and striving continually to improve operational efficiency at the Group's four business segments – PT Japfa Tbk, Animal Protein Other, Dairy and Consumer Food.

Acknowledgements

On behalf of the Board of Directors, I would like to take this opportunity to thank our shareholders, business partners and customers for their continued support and confidence in the Group.

Further, I would like to thank the Board of Directors for their stewardship and guidance, our management team for their leadership, as well as our 34,000-strong staff for their relentless efforts to build a brighter future for Japfa and feed emerging Asia.

We are confident of overcoming our present challenges and remain resolutely focused in our quest to deliver sustainable long term growth and shareholder value. We look forward to your continued support in the years ahead.

Goh Geok Khim
Chairman

CEO's Message

"One of our key focus is to push for continued growth through higher sales volumes across our core business pillars."

Dear Shareholders,

FY2017 was an extremely eventful year for the Group. Our mettle was put to the test as we navigated industry headwinds and addressed business challenges, while staying tunnel-focused in sharpening our positioning as one of the lowest cost industrialised producers in our five key operating markets.

Underlying strength of Japfa

Notwithstanding the persistent low swine price environment in Vietnam, we are heartened to report continued profitability for the Group in FY2017, with PT Japfa Tbk and Dairy generating healthy operating profits and driving overall performance.

We ended FY2017 with EBITDA of US$285.4 million and Core PATMI w/o Forex of US$15.7 million, against a 5.2% improvement in revenue to US$3.2 billion. This was primarily driven by strong volume expansion across

PT Japfa Tbk's poultry operations, and Dairy's ability to counter the low raw milk price environment with higher milk yields and sales volumes.

Our continued profitability in FY2017 not only underscores the strength of our diversification strategy across five proteins and five countries, but the success of our industrialised approach to large-scale farming and food production as we continue to hone our efficiency.

"With strong fundamentals and a track record of replicating our animal protein business across markets over the past 40 years, we believe the Group is steadily heading in the right direction."

PT JAPFA TBK AND DAIRY: CONTINUED GROWTH THROUGH HIGHER SALES VOLUMES AND EFFICIENCY

One of our key focus is to push for continued growth through higher sales volumes across our core business pillars. In FY2017, PT Japfa Tbk's poultry business, which contributed the bulk of the segment's revenue, delivered a solid performance, with sales volume expansion across its poultry operations. However, against the exceptionally high poultry feed margins recorded in FY2016 and a high corn price environment in FY2017, PT Japfa Tbk recorded relatively lower profits, while commanding creditable margins.

Dairy also turned in a strong performance in FY2017, and generated consistent top- and bottom-line growth. This was driven by continued improvement in milk yields and sales volumes which helped to offset lower raw milk prices in China and drive operating profit. In Indonesia, the Group continues to enjoy strong brand equity where *Greenfields* is the top fresh milk brand.

ANIMAL PROTEIN OTHER: VIETNAM'S SWINE MARKET TO ACHIEVE A NEW EQUILIBRIUM OVER TIME

Our Animal Protein Other segment had done extremely well for the past three years. However, in FY2017, this segment reported a loss due to the swine market downturn in Vietnam as China started imposing restrictions on swine imports in the fourth quarter of 2016. This sudden change in policy had resulted in an immediate oversupply of swine in Vietnam, pushing average selling prices ("ASPs") to levels well below cost throughout FY2017.

The current market down cycle is transient as we believe swine prices will recover when the supply readjusts down to a new level of demand. This process will take time due to the long life cycle of swine livestock.

While we wait out for the swine demand and supply to achieve a new balance, we will continue to explore ways to reduce our cost structure, and hone our farming methods to ramp up efficiency. As one of the most efficient producers in Vietnam, we firmly believe we are better-positioned to navigate this headwind vis a vis the smaller players. Against this backdrop, we expect the larger industrialised swine producers, including Japfa, to gain a larger market share and benefit from industry consolidation opportunities in Vietnam.

CONSUMER FOOD: ANCHORING OUR BRANDS IN ASIA'S HIGH-GROWTH CONSUMER MARKETS

The operating landscape for our Consumer Food business remains challenging. While Consumer Food historically recorded breakeven EBITDA as we reinvest our profits into advertising and promotion, it recorded a negative EBITDA in FY2017. This was primarily due to higher chicken prices in the fourth quarter of 2017, and heightened competition in the ambient food sector as rivals slashed prices to gain market share.

Despite the ongoing challenges, we believe a right foundation has been laid for our Consumer Food business and this places us in a good stead to participate in the high-growth Asian

CEO's Message

consumer markets. Today, *So Good* and *So Nice* have achieved household name status in Indonesia, and have won numerous consumer brand awards. We have also replicated our proven downstream capabilities in Indonesia to Vietnam, where our *So Yumm* brand of shelf-stable sausages is gaining traction.

Moving forward, we will continue to tap the changing consumer dynamics for downstream consumer food products by investing strategically, and focusing on A&P to anchor our consumer brands in Indonesia and Vietnam. Concurrently, to augment our performance, we have embarked on a few strategic initiatives, including increasing our ASPs for frozen food, a brand rejuvenation, improving the taste and quality of our products to meet the changing taste buds, and widening our ambient product positioning from the existing "snacks" category to a broader general grocery market.

Milestones in FY2017

In terms of capital management, we achieved a coup in the third quarter of 2017 when PT Japfa Tbk[1] successfully signed a landmark IDR 3.0 trillion committed term loan which consolidated the previous secured facilities into an unsecured facility under one agreement. This facility is significant as committed and unsecured bank term loans of this quantum are not common in Indonesia, attesting to our creditworthiness and the strong relationships we have built with our major banks over the years.

1 The borrowers comprise PT Japfa Tbk and its four subsidiaries.

Another highlight of the year was when Japfa Ltd entered into an agreement with our private equity partner, Black River Funds, in December 2017 to acquire the remaining interest in our dairy business ("AustAsia"). Subject to shareholders' approval at the upcoming Extraordinary General Meeting, the Company will acquire Black River Funds' stakes in AustAsia for US$263.1 million. Of the aggregate consideration, US$223.0 million will be funded by bank borrowings, while approximately US$40.1 million will be funded through the issuance of 90 million ordinary shares in Japfa Ltd at S$0.60 (US$0.45) per share.

Apart from having 100% control of our dairy business which is in a fast-growing industry, the proposed acquisition provides us with an opportunity to fully extract the intrinsic value of our strong *Greenfields* brand in Indonesia, while the current raw milk prices present upside potential. More importantly, the acquisition will enable us to better align AustAsia's objectives with our long-term strategic goal of becoming a fully integrated milk and food player in emerging markets.

We also look forward to welcoming Black River Funds as one of the Group's new shareholders, as we continue to grow our core business pillars and deliver greater shareholder value.

Building a Pan-Asian Industralised Agri Food Company

In the long run, our goal is to be a pan-Asian agri food company dedicated to feeding emerging Asia with essential animal proteins. This will position us to meet the growing animal protein consumption in emerging Asia as disposable income continues on an uptrend.

With strong fundamentals and a track record of replicating our animal protein business across markets over the past 40 years, we believe the Group is steadily heading in the right direction. We will continue to groom our next generation of talented staff to meet the needs of our growing operations across Asia, and propel the Group forward.

Acknowledgements

I sincerely thank the Board of Directors for their guidance. Due recognition must also be given to the management team and all employees for the camaraderie in tackling challenges and taking the Group to the next level of growth.

I would also like to thank all our shareholders for believing in our growth story.

Tan Yong Nang
Chief Executive Officer

Board of Directors

GOH GEOK KHIM

Non-Executive Independent Chairman

Mr Goh was appointed to our Board on 30 June 2014. He is currently Chairman of the Board of Directors of G. K. Goh Holdings Limited, Boardroom Limited, Temasek Foundation CLG Limited and Federal Iron Works Sdn Bhd.

Mr Goh started his career in his family's business, which was active in trading, rubber, property and manufacturing steel products. He left in 1968 to join the stockbroking industry, and in 1979, he established the G. K. Goh stockbroking group.

Mr Goh had previously served as a Non-Executive Director of Lam Soon (M) Bhd, a member of the National Heritage Board and Chairman of the National Museum of Singapore. He was also a member of the SGX-ST Disciplinary Committee from 1998 to 2006.

Mr Goh graduated with a Bachelor of Science degree in Civil Engineering from the University of Colorado.

HANDOJO SANTOSA @ KANG KIEM HAN

Executive Deputy Chairman

Mr Santosa was appointed as an Executive Director on 19 December 2008. He is in charge of the overall management of our Group's business and operations, including making any major corporate decisions. He oversees the formulation of our Group's corporate planning, strategic direction, business and corporate policies.

Mr Santosa joined our Group in 1986 as a manager in the edible oil division at Nilam in Surabaya where he was in charge of the edible oil division's day-to-day operations. From 1989 to 1997, he served as Vice-President Director of our subsidiary, PT Japfa Comfeed Indonesia Tbk.

In 1997, he was appointed as President Director of PT Japfa Comfeed Indonesia Tbk, a role in which he has oversight of the PT Japfa Group's operations. His responsibilities include overseeing the entire operations of the PT Japfa Group including the Aquaculture Division, Trading Division and the Beef Cattle Division.

HENDRICK KOLONAS

Non-Executive
Non-Independent Director

Mr Kolonas was appointed as a Non-Executive Director on 18 February 2013. He joined our Group in 2012 as Vice-President Commissioner of our subsidiary, PT Japfa Comfeed Indonesia Tbk. Prior to joining our Group, Mr Kolonas was the branch manager at the Head Office (Operational) of Bank Dagang Nasional Indonesia. During his time there from 1983 to 1988, he was involved in organising and managing various departments of the branch.

Mr Kolonas has also served on the board of Bank Tiara Asia, where he was President Director from 1989 to 1997 and Vice-President Commissioner from 1997 to 1998.

Mr Kolonas founded PT Celebes Artha Ventura in 1996 and spearheaded investments into various financial services businesses. He has been the President Commissioner of PT Celebes Artha Ventura since 2010.

Mr Kolonas graduated from Middlesex University, United Kingdom ("UK") in 1982 with a Bachelor of Arts (Hons) degree in Accounting and Finance. He also has a Masters degree in Business Administration from Schiller International University, UK and a Masters of Arts degree in Banking Administration from University of Hull, UK, which he attained in 1983 and 1989, respectively.

TAN YONG NANG

Executive Director and
Chief Executive Officer

Mr Tan was appointed as an Executive Director on 1 June 2009, and as the Group's Chief Executive Officer ("CEO") on 1 January 2014. As CEO, he is in charge of leading the development and execution of our long-term strategy, and responsible for all day-to-day management decisions.

Mr Tan joined our Group in 2007 as an assistant to the CEO and Chief Operating Officer ("COO") of Corporate Services before taking on the position of COO of our Group in 2011. Mr Tan was involved in the growth of our Group's operations in the region such as the expansion of our swine and dairy business segments, and had oversight of the management functions across our Group's businesses. Mr Tan is also involved in the management of our Group's financial liabilities and has assisted our Group in diversifying our financial relationships to include regional and international banking organisations.

Mr Tan started his career as a statistician at the Department of Statistics, Singapore in 1985 and went on to become a research economist with Singapore's Ministry of Trade and Industry in 1986. He joined the Prudential group in 1988 as an investment analyst and was based in Hong Kong and the USA.

From 1991 to 2003, Mr Tan was employed by the PAMA Group Inc.'s group of companies ("PAMA Group"), becoming a partner of PAMA BVI in 2001. He was involved in setting up several equity funds of the PAMA Group and handling the funds' investment portfolio in South East Asia. He was also an Investment Committee member of PAMA BVI from 1997 to 2003. In 2003, Mr Tan joined Delifrance Asia Ltd as its CEO, and in 2005, he joined Li & Fung Group in 2005 as its Project Director and COO.

Mr Tan graduated with a Bachelor of Arts (Economics) degree from the University of Cambridge, UK in 1983. He was also registered as a Chartered Financial Analyst with The Institute of Chartered Financial Analysts, USA in 1992 and is currently a member of Mensa International.

Board of Directors

KEVIN JOHN MONTEIRO

Executive Director and Chief Financial Officer

Mr Monteiro was appointed as an Executive Director on 16 April 2014. As Chief Financial Officer, his key roles are to develop a balanced capital structure, to source adequate funding for our Group, and to ensure the integrity of the Group's financial data. He has oversight over all the financial operations of our Group.

Mr Monteiro was previously the Head of Corporate Finance of our subsidiary, PT Japfa Comfeed Indonesia Tbk and has over 14 years of experience of working in the agri-food industry, having joined PT Japfa Comfeed Indonesia Tbk in 1999. His responsibilities in this position include overseeing its capital structure and managing equity-related matters such as investor relations, annual reports and IDX-compliance. He also oversees merger and acquisition activities and fund-raising activities of the PT Japfa Group which included a SGX-listed US$225 million Senior Notes issuance in 2013 and three mergers by PT Japfa Comfeed Indonesia Tbk of which two involved public-listed targets.

Prior to joining PT Japfa Comfeed Indonesia Tbk, Mr Monteiro was a financial advisor to another IDX-listed company between 1995 and 1999. Between 1985 and 1995, Mr Monteiro practised as a chartered accountant, first as a sole practitioner, and later as a partner of Callaway & Hecht in Melbourne. Whilst in practice, Mr Monteiro was a registered tax agent and registered company auditor in Australia.

Mr Monteiro obtained a Bachelor of Economics degree from Monash University, Australia in 1979 and has been a member of the Institute of Chartered Accountants in Australia since 1982.

NG QUEK PENG

Independent Director

Mr Ng was appointed to our Board on 29 July 2014. He has more than 30 years of experience in the corporate finance and securities industry in Singapore and Malaysia, advising clients on corporate restructuring, mergers and acquisitions and fund raising. During his career, he has held positions in foreign and local financial institutions, including Citicorp Investment Bank (Singapore) Ltd, OCBC Securities Pte Ltd, ABN Amro Bank and CIMB Bank Berhad, Singapore Branch.

Mr Ng was also with Temasek Holdings Private Ltd as a Managing Director of its Portfolio Management division and as Chief Representative China. He was also a Director of GMR Infrastructure (Singapore) Pte. Limited (part of the India-based GMR Group) and was involved in the development of their infrastructure projects in South East Asia.

Mr Ng graduated with a degree in Civil Engineering from the University of London in 1976 and has been a member of the Institute of Chartered Accountants in England and Wales since 1980.

LIEN SIAOU-SZE

Independent Director

Ms Lien was appointed to our Board on 29 July 2014. She is currently a Senior Executive Coach at Mobley Group Pacific, a management consulting firm which she joined in 2006.

Ms Lien joined Hewlett-Packard Singapore (Private) Limited ("HP") in 1978. During her time at HP, she headed its Technology Solutions Group Asia Pacific and Japan and retired from HP in 2007 as a Senior Vice President.

Ms Lien has served as a member of the Board of the Confucius Institute at Nanyang Technological University ("NTU") since 2008 and a member on the Board of Trustees at NTU.

Ms Lien graduated with a Bachelor of Science degree in Physics from the former Nanyang University in 1971 and attained a Masters degree in Computer Science from London University, Imperial College Science and Technology in 1973. In 2011, she was awarded the Bintang Bakti Masyarakat (Public Service Star) for valuable public service by the Singapore Government and was also appointed a Justice of the Peace by the President of Singapore in 2013.

Senior Management

BAMBANG BUDI HENDARTO
Chief Operating Officer,
Operation 1 — Poultry Indonesia

EDGAR DOWSE COLLINS
Head of Dairy

ANTONIUS HARWANTO
Deputy Chief Operating Officer,
Operation 1 — Poultry Indonesia

CHRISTINA CHUA SOOK PING
Head of Legal And Compliance

ARIF WIDJAJA
Co-Country Head, Japfa Comfeed Vietnam Limited Company

BAMBANG BUDI HENDARTO

Chief Operating Officer,
Operation 1 — Poultry Indonesia

Mr Hendarto oversees the entire poultry operations, including the feed, breeding and commercial aspects, and is responsible for establishing corporate objectives, strategies and plans for our poultry operations.

Mr Hendarto joined our Group in 1978 as a Nutrition Manager in the Production Planning Control Department where he was involved in supervising and coordinating the activities for the production of formula feed. He became a Vice Director (Deputy Director) of PT Comfeed Indonesia in 1981 and led the Feed Division of our Group's operations in Indonesia.

Over the years with our Group, he was promoted several times and was appointed the Vice-President Director of PT Japfa Comfeed Indonesia Tbk in 1997. He holds this position till today and his roles and responsibilities in this position include leading the breeding and commercial poultry operations of our Group and to oversee and ensure that our Group's corporate objectives and strategies relating to such operations are met.

Mr Hendarto graduated from Brawijaya University in 1972 with an Engineering degree in Animal Husbandry.

EDGAR DOWSE COLLINS

Head of Dairy

Mr Collins is responsible for the day-to-day operations of our Group's Dairy Division and is in charge of formulating, developing and implementing both strategic and long-term business plans for our Group's Dairy operations.

Having been involved in beef and cattle operations throughout his career, Mr Collins has accumulated many years of industry experience. He has been with AustAsia Food Pte. Ltd. since 1999 and is currently its Managing Director. Before joining AustAsia Food Pte. Ltd., he was Head of Operations of PT Santosa

Agrindo, currently a subsidiary of our Group, where he was involved in the development of a cattle and beef business in Indonesia.

Mr Collins was also a General Manager for approximately two years at BxE Commodities Pty Ltd ("BxE"), a company engaged in the business of import and trading of cattle feed commodities in Australia's and New Zealand's dairy industries. During his time at BxE, he was involved in the establishment of a system for the importation, trading and distribution of feed products such as copra meal and palm kernel extract to commercial farmers and feedmills.

ANTONIUS HARWANTO

Deputy Chief Operating Officer, Operation 1 — Poultry Indonesia

Mr Harwanto is responsible for setting up the vision, mission and strategies to further grow the Group's poultry business in Indonesia.

Mr Harwanto has been with PT Japfa Comfeed Indonesia Tbk since 1979. From 1979 to 1999, he held various positions in transportation, sales and marketing and served as the unit head of Cikupa, Cirebon and Sidoarjo, respectively.

In addition, Mr Harwanto is serving as a Director of PT Indojaya Agrinusa since 1995. From 1999 to 2012, he was also the Commissioner of PT Multibreeder Adirama Indonesia Tbk. Separately, he served as a Director of PT Multiphala Agrinusa from 2001 to 2008, and was subsequently appointed to President Director from 2008 till 2010.

Between 2003 and 2017, Mr Harwanto was the Head of Feed Division, before he was promoted to his current position.

Mr Harwanto graduated from the 17 August 1945 University in Jakarta, Indonesia, in 1986 with an Economics degree.

CHRISTINA CHUA SOOK PING

Head of Legal And Compliance

Ms Chua oversees all legal, compliance and secretarial functions of our Group's operations. She joined our Group in 2010.

Ms Chua has more than 20 years of experience in legal practice. She joined Drew & Napier LLC in 1990 and later joined Rajah & Tann LLP in 2007. During her time in practice, Ms Chua was a partner in the corporate and tax departments of both firms and was recommended in the 2003/2004, 2004/2005 and 2006/2007 editions of The Asia Pacific Legal 500 for Mergers & Acquisitions with a technology specialisation, for her role in advising in the Bharti Changi Consortium in respect of the modernisation and restructuring of the Mumbai and Delhi airports and as a leading individual, respectively.

She was also named in both Who's Who–Legal (Singapore) for Mergers & Acquisitions and the International Tax Review 2004 as a leading tax practitioner in Singapore. She was highly recommended for tax (particularly infrastructure and cross border) transactions in PLC Which Lawyer? Yearbook Singapore 2008/2009 edition and was also named as a highly recommended tax lawyer in PLC Tax on Transactions Handbook 2009/2010 edition.

Ms Chua graduated with a Bachelor of Laws (Honors) degree from the National University of Singapore in 1989 and was admitted as an advocate and solicitor of the Supreme Court of the Republic of Singapore in 1989. She has been a member of both the Law Society of Singapore and the Singapore Academy of Law since 1990.

ARIF WIDJAJA

Co-Country Head, Japfa Comfeed Vietnam Limited Company

Mr Arif Widjaja was appointed Co-Country Head of Japfa Comfeed Vietnam Limited Company in 2017.

Mr Widjaja started his career with the Group in 1989 as an Overseas Coordinator, managing the logistics and trading of the Edible Oil Division at Nilam in Indonesia.

He subsequently joined the procurement department of PT Japfa Comfeed Indonesia Tbk as Assistant to Head of Procurement Feed Division before his promotion to Head of Procurement for the Group – a position which he held for 18 years, from 1999 to 2017.

Mr Widjaja holds a Master of Business Administration degree from the University of Portland, Oregon, USA.

Enhancing Potential

GROWING OUR DAIRY BUSINESS

Poised to be a key growth pillar of the Group, our dairy business has been generating consistent profitability, driven by our leadership in milk yields and the strength of our market-leading *Greenfields* brand. Our proposed acquisition of the remaining interest in AustAsia in 2018 well-positions us to grow further, and tap the full potential of the fast-growing milk industry in the emerging Asian markets.

Financial Highlights

Fundamentals remain intact, and we continue to focus on being one of the most efficient animal protein producers

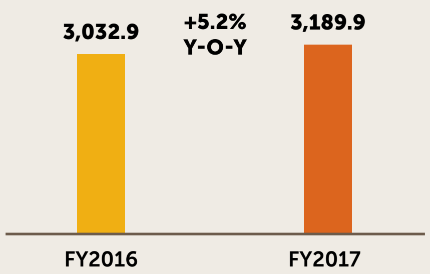
Animal feed business remains one of our core stable strengths and profitability pillars

In Indonesia, the poultry business showed strong growth, with volume expansion across its poultry operations. Lower feed margins were recorded as compared to FY2016 which had exceptionally high feed margins

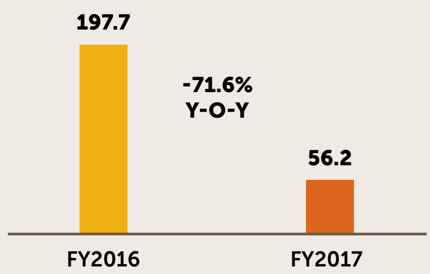
Swine prices in 4Q2017 remained at below cost, at a similar price level to the previous quarter. Recovery in prices is expected when supply readjusts down to the new level of demand

Continued improvement in milk yields and higher sales volume helped to offset lower raw milk prices and drive operating profit

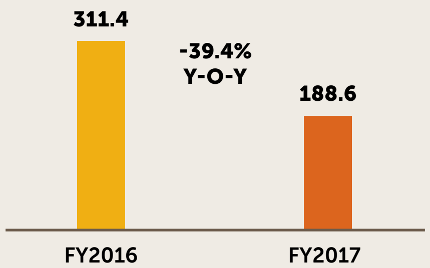
Revenue (US$m)



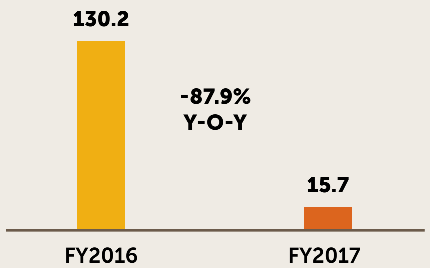
Profit After Tax (US$m)



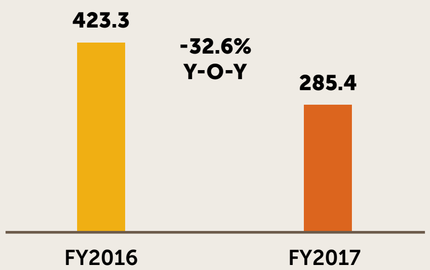
Operating Profit (US$m)



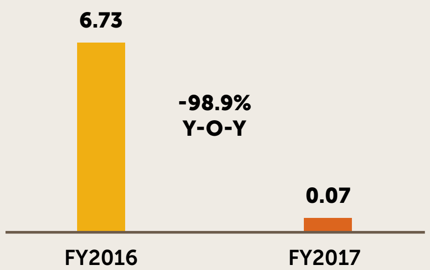
Core PATMI w/o Forex[2] (US$m)



EBITDA[1] (US$m)



Earnings Per Share (US cents)



1 We define "**EBITDA**" as profit before tax from continuing operations, excluding interest income, changes in fair value of biological assets and marketable securities, foreign exchange adjustments gains/(losses), finance costs, depreciation of property, plant and equipment, depreciation of investment properties and amortisation of intangible assets.

2 We derived "**Core PATMI**" from "Profit Attributable to Owners of the Parent, Net of Tax" by excluding changes in fair value of biological assets (net of tax) and derivatives and by excluding extraordinary items (namely the gain/loss from the buyback of USD bonds in PT Japfa Tbk), attributable to owners of the parent. "**Core PATMI w/o Forex**" is an estimate derived from Core PATMI by excluding foreign exchange gains/losses (before tax) attributable to the owners of the parent. We have not made an estimate of the tax impact on foreign exchange gains/losses. This is because the majority of the gains/losses are unrealised and arise from the translation of USD bonds in PT Japfa Tbk and USD loans in Dairy, which have no tax implication.

Operating & Financial Review

GROUP OVERVIEW

In FY2017, the Group posted EBITDA of US$285.4 million and Core PATMI w/o Forex of US$15.7 million, against a 5.2% improvement in revenue to US$3.2 billion which was mainly driven by higher sales volumes from PT Japfa Tbk and Dairy.

PT Japfa Tbk's poultry business showed strong growth, with volume expansion across its poultry operations. In particular, sales volume for poultry feed expanded 15.3% while feed operating margin stood at a creditable 9.7%, despite the high domestic corn price environment. Dairy also turned in a strong performance in FY2017, generating consistent top- and bottom-line growth on higher milk yields and sales volumes.

During the year, the poultry feed business continued to be a key profitability pillar across the Group in Indonesia, Vietnam, Myanmar and India.

However, the Group's overall profitability was affected by losses from Animal Protein Other ("APO") in Vietnam due to the persistent low swine price environment. The market downturn, arising from China's swine import restrictions which started in the fourth quarter of 2016, had curtailed overall market demand in Vietnam causing swine average selling prices ("ASPs") to slide to levels well below cost throughout FY2017.

As a result, the Group's operating profit declined by 39.4% to US$188.6 million in FY2017. The year-on-year decline of US$122.8 million in overall operating profit was mainly due to three factors:

- PT Japfa Tbk: US$59.6 million dip in operating profit, arising mainly from lower poultry feed operating margin compared to FY2016 which recorded exceptionally high margin and lower ASPs for DOC
- APO-Vietnam: Decline of US$63.7 million in operating profit from US$29.8 million in FY2016 to an operating loss of US$33.9 million in FY2017 due to the persistent, below-cost swine price environment
- Consumer Food recorded an operating loss of US$16.0 million in FY2017, compared to an operating profit of US$3.0 million in FY2016. The margin squeeze was due to heightened competition and higher cost of raw materials, namely chicken meat

As a result of our 100% ownership of APO-Vietnam and Consumer Food, the losses in these two businesses had resulted in Profit attributable to Owners of the Parent, Net of Tax ("PATMI") and Core PATMI w/o Forex declining by a larger extent in FY2017. PATMI declined by 98.9% from US$118.8 million in FY2016 to US$1.3 million in FY2017, while Core PATMI w/o Forex declined by 87.9% from US$130.2 million in FY2016 to US$15.7 million in FY2017.

Meanwhile, PT Japfa Tbk and Dairy continued to generate a healthy operating profit of US$157.1 million and US$67.0 million, respectively.

Major Developments

In line with our capital management programme, PT Japfa Tbk successfully issued US$250 million in USD Bonds in the first half of FY2017, as well as re-tapped its IDR Bond programme. The coupons are now lower than the previous issuances of USD Bonds and IDR Bonds by PT Japfa Tbk. Proceeds from these new issuances were primarily used to repay the 2013 USD Bonds, which gave rise to a one-off early redemption cost of US$4.4 million.

In 3Q2017, PT Japfa Tbk[1] successfully signed a landmark IDR 3.0 trillion committed term loan which consolidates the previous secured facilities into an unsecured facility under one agreement. This facility is significant as committed and unsecured bank term loans of this quantum are not common in Indonesia, attesting to the creditworthiness of PT Japfa Tbk and the strong relationships it has built up with its major banks over the years.

In December 2017, the Group entered into an agreement to acquire the remaining interest in the dairy business ("AustAsia") from its private equity partner, Black River Funds. Under the proposed acquisition, the Company will acquire Black River Funds' stakes in AustAsia for US$263.1 million. Of the aggregate consideration, US$223.0 million will be funded by bank borrowings, while approximately US$40.1 million will be funded through the issuance of 90 million ordinary shares in Japfa Ltd at S$0.60 (US$0.45) per share.

The proposed acquisition bodes well for Japfa in the long term as having 100% ownership allows the Group to tap the full potential of the fast-growing milk industry in emerging Asian markets. The Dairy segment is now on a stronger footing, and the Group will continue to invest resources to further establish its position in the dairy industry.

The Company will seek shareholders' approval for the proposed acquisition at an Extraordinary General Meeting to be held on 12 April 2018, following the conclusion of the Company's Annual General Meeting.

Looking Ahead

The agri-food business is always subject to cyclicality which directly impacts the Group's revenue and profitability. Cyclicality is dependent on a variety of external factors which are beyond the Group's control including the seasonality of harvest and festivals, as well as macroeconomic factors that affect purchasing power and government policies.

The Vietnam's swine market remains in a down cycle - an industry-wide issue that is beyond the Group's control. While the Group cannot direct macroeconomic factors, it continue to work on areas which it can directly influence, such as reducing production costs and improving yields. A key focus is to further strengthen operational efficiency so as to sharpen the Group's position as one of the most competitive and efficient producers in the key operating markets. This is important as the Group strive to grow its core business pillars to ride the rising animal protein consumption in emerging Asia.

The Group's poultry business in Indonesia has shown strong growth in FY2017, while a 100% ownership in the Dairy business will anchor the Group's position in the exciting milk industry.

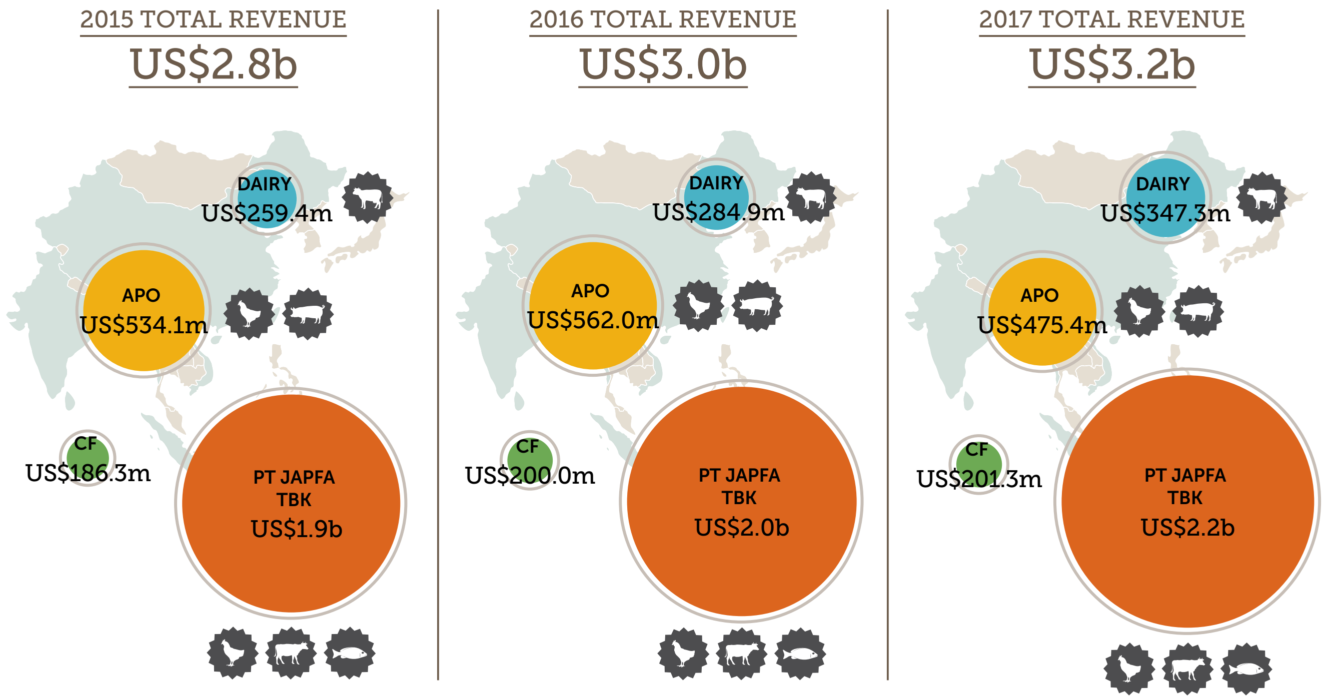
Looking ahead, the Group will continue to leverage its strong fundamentals, namely large-scale, industrialised approach to farming and food production, strength of its diversified and vertically integrated business model, as well as its track record in replicating its industrialised and scalable business across the region to propel the business forward. In all the markets that Japfa operates in, the Group strives to be one of the lowest cost industrialised producers as this places it in a stronger position to navigate industry headwinds and benefit from industry consolidation opportunities. Japfa will also focus on grooming its people to undertake challenges and grow the Group's core pillars.

1 The borrowers comprise PT Japfa Tbk and its four subsidiaries.

Operating & Financial Review

JAPFA'S GROWTH PILLARS AND DIVERSIFICATION STRATEGY

Diversification across 5 proteins, 5 countries cushions the Group against cyclical fluctuations and positions the Group to be a long-term industry player



Size of circles represent revenue from PT Japfa Tbk, Animal Protein Other (APO), Dairy[1] and Consumer Food (CF)

Poultry Beef Swine Aquaculture Dairy

JAPFA LTD'S OWNERSHIP

PT JAPFA TBK	ANIMAL PROTEIN OTHER	DAIRY	CONSUMER FOOD
• Japfa Ltd **51%** • KKR **12%** • Public **37%**	• Japfa Ltd **100%**	**Pre-Transaction** • Japfa Ltd **62%** • Black River Funds **38%** **Post-Transaction[2]** • Japfa Ltd **100%**	• Japfa Ltd **100%**

Japfa Ltd entered into an agreement on 21 December 2017 to acquire the remaining interest in its dairy business ("AustAsia") from its private equity partner, Black River Funds. Under the proposed acquisition, the Company will acquire Black River Funds' stakes in AustAsia for US$263.1 million. Of the aggregate consideration, US$223.0 million will be funded by bank borrowings, which have been secured. The remaining US$40.1 million will be funded through the issuance of 90 million ordinary shares in Japfa Ltd at S$0.60 (US$0.45) per share. The Proposed Transaction is subject to shareholders' approval at the Company's Extraordinary General Meeting on 12 April 2018. With 100% ownership in AustAsia, the Group will enjoy full contribution from its strong dairy business.

1 Dairy revenue includes sales from China and Indonesia.
2 Proposed acquisition of the remaining interest in the dairy business ("AustAsia").

Group

JAPFA LTD	(US$m)	FY2016	FY2017	% change
	Revenue	3,032.9	3,189.9	+5.2% ▲
	Operating profit	311.4	188.6	-39.4% ▼
	Operating profit margin	10.3%	5.9%	-4.4 ppt ▼
	EBITDA	423.3	285.4	-32.6% ▼
	PAT	197.7	56.2	-71.6% ▼
	PATMI	118.8	1.3	-98.9% ▼
	Core PATMI w/o Forex	130.2	15.7	-87.9% ▼

Segmental

PT JAPFA TBK	(US$m)	FY2016	FY2017	% change
	Revenue[1]	2,028.6	2,205.9	+8.7% ▲
	Operating profit	216.7	157.1	-27.5% ▼
	Operating profit margin	10.7%	7.1%	-3.6ppt ▼
	EBITDA	288.2	221.2	-23.2% ▼
	PAT	154.1	78.0	-49.4% ▼
	PATMI	81.1	35.6	-56.1% ▼
	Core PATMI w/o Forex	77.4	35.2	-54.5% ▼

ANIMAL PROTEIN OTHER	(US$m)	FY2016	FY2017	% change
	Revenue[1]	562.0	475.4	-15.4% ▼
	Operating profit	42.5	-26.9	-163.3% ▼
	Operating profit margin	7.6%	-5.7%	-13.3ppt ▼
	EBITDA	49.8	-18.7	-137.5% ▼
	PAT	37.2	-37.5	-200.6% ▼
	PATMI	36.8	-37.5	-201.8% ▼
	Core PATMI w/o Forex	36.7	-34.4	-193.8% ▼

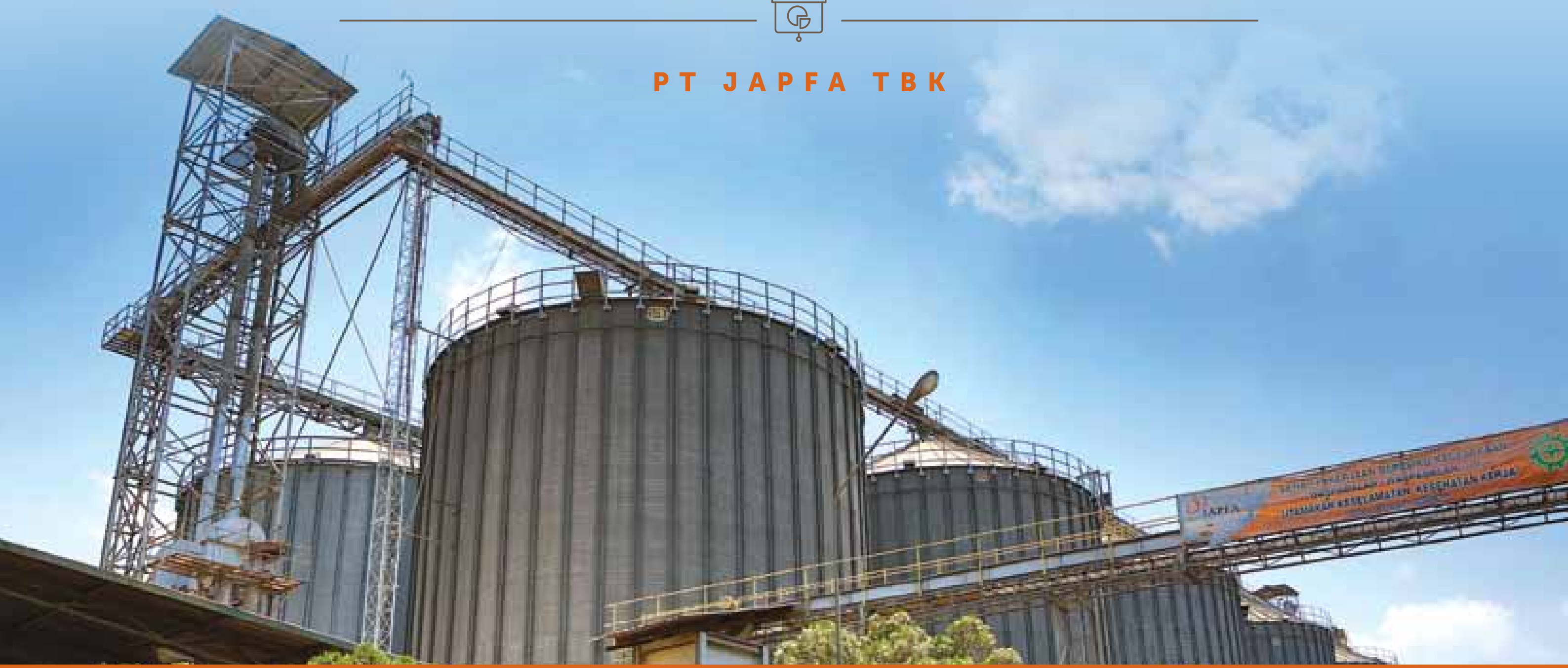
DAIRY	(US$m)	FY2016	FY2017	% change
	Revenue[2]	284.9	347.3	+21.9% ▲
	Operating profit	51.4	67.0	+30.3% ▲
	Operating profit margin	18.0%	19.3%	+1.3ppt ▲
	EBITDA	74.4	84.5	+13.6% ▲
	PAT	15.0	33.7	+123.8% ▲
	PATMI	9.5	21.2	+124.2% ▲
	Core PATMI w/o Forex	26.7	32.1	+20.5% ▲

CONSUMER FOOD	(US$m)	FY2016	FY2017	% change
	Revenue[3]	200.0	201.3	+0.7% ▲
	Operating profit	3.0	-16.0	-637.2% ▼
	Operating profit margin	1.5%	-7.9%	-9.4ppt ▼
	EBITDA	9.4	-8.2	-187.1% ▼
	PAT	-6.0	-20.0	-234.6% ▼
	PATMI	-6.0	-20.0	-234.6% ▼
	Core PATMI w/o Forex	-5.0	-20.3	-303.5% ▼

1 The combined revenue for PT Japfa Tbk and Animal Protein Other includes inter-segment revenue of US$8.6 million in 4Q2017 (4Q2016: US$12.5 million) and US$38.8 million in FY2017 (FY2016: US$42.0 million).
2 The Dairy segment revenue includes inter-segment revenue of US$0.5 million in 4Q2017 (4Q2016: US$0.4 million) and US$2.0 million in FY2017 (FY2016: US$2.3 million).
3 The Consumer Food segment revenue includes inter-segment revenue of US$0.2 million in 4Q2017 (4Q2016: US$0.7 million) and US$0.7 million in FY2017 (FY2016: US$1.3 million).

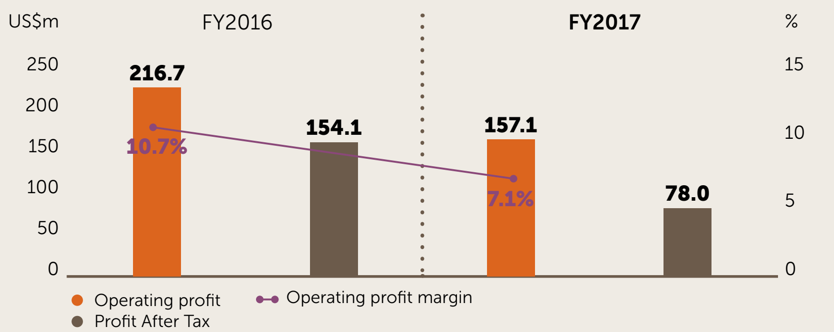
Operating & Financial Review

PT JAPFA TBK



During the year, revenue for PT Japfa Tbk grew by 8.7% year-on-year to US$2.2 billion in FY2017 as the poultry business (feed, breeding and commercial farms), which contributed the bulk of PT Japfa Tbk's revenue, delivered strong growth in sales volumes In particular, sales volume for poultry feed, which is the key profitability pillar for the animal protein business, grew 15.3%. Higher sales volumes were also recorded for DOCs and broilers.

Segmental Profitability Overview



When compared to FY2016, however, PT Japfa Tbk's operating profit showed a decline of 27.5% to US$157.1 million in FY2017. The year-on-year decline of US$59.6 million was due to these factors:

- US$32.1 million dip in operating profit from poultry feed mainly due to:
  - Exceptionally high poultry feed operating margin of 13.4% in FY2016
  - The higher domestic corn price environment tightened poultry feed margin in FY2017
  - In addition, there was a US$10.0 million dip in Operating Profit arising from VAT provision adjustment in 4Q2017
- US$10.9 million dip in operating profit from poultry breeding which registered a 3.8% decline in ASPs of DOCs year-on-year
- Operating loss of US$6.3 million from the beef business as ASPs remained low due to continuing government policies over beef prices

Profit After Tax declined 49.4% year-on-year to US$78.0 million in FY2017 due to the above-mentioned reasons, as well as other income of US$13.7 million, arising from the sale of beef cattle in Australia in FY2016.

Overall, PT Japfa Tbk delivered a stable performance as the poultry business continued to grow in Indonesia and this core pillar contributed a Core PATMI w/o Forex of US$35.2 million in FY2017 to the Group.

Operating & Financial Review

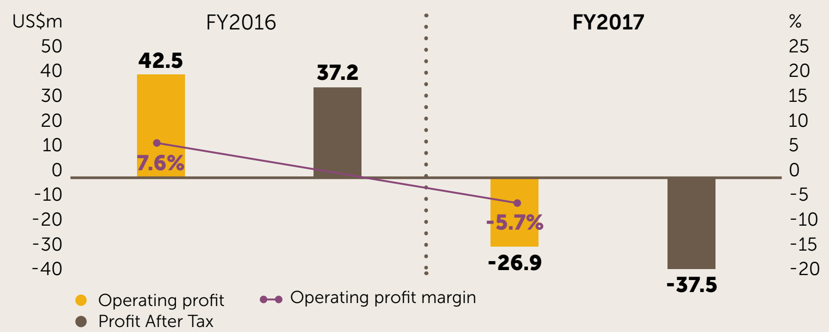
ANIMAL PROTEIN OTHER

In recent years, the Group has replicated its operations in key emerging Asian markets, and currently produces high-quality animal protein staples in Vietnam (poultry and swine), Myanmar (poultry), India (poultry) and China (beef), which are collectively reported under its Animal Protein Other ("APO") segment.

Revenue from the APO segment decreased 15.4% year-on-year to US$475.4 million in FY2017 due to the swine market downturn in Vietnam, which has also resulted in APO recording an operating loss of US$26.9 million for the first time in four years, compared to an operating profit of US$42.5 million a year ago.

Since the start of China's import restrictions in the fourth quarter of 2016, overall demand for swine in Vietnam had dropped significantly. Consequently, ASPs for swine declined 38.7% to levels well below cost in FY2017, and accounted for the Vietnam unit's operating loss of US$33.9 million, compared to an operating profit of US$29.8 million in FY2016. In addition, the Vietnam unit recorded an operating margin shrinkage from 8.4% to negative 11.5% in FY2017.

Segmental Profitability Overview



The recovery in swine prices is expected when supply readjusts down to the new level of demand, but this process will take time due to the long life cycle of swine livestock. To navigate the headwinds in Vietnam, the Group will continue to lift its operational efficiency by sharpening its position as one of the lowest cost producers in the swine industry vis a vis the smaller producers. Over time, the Group expects the industrialised swine producers in Vietnam, including Japfa, to benefit from industry consolidation.

The Group has feed operations in Vietnam, Myanmar and India, which remains a stable contributor to the Group's profitability in these markets in FY2017.

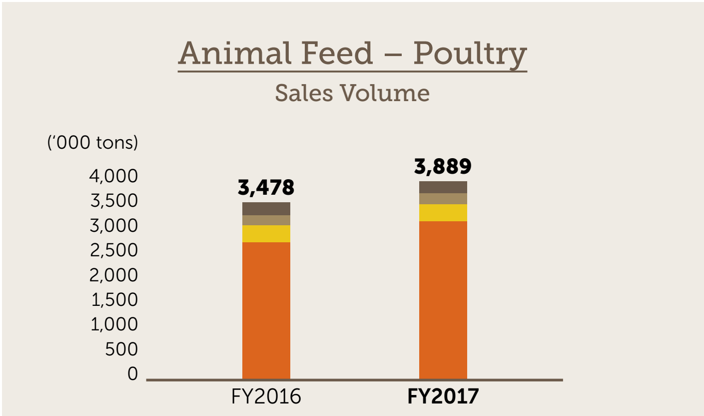
Due to the Group's early mover status, Myanmar had historically recorded high feed margins. However, with growing competition as the industry develops, feed margins had declined to more normalised levels in FY2017.

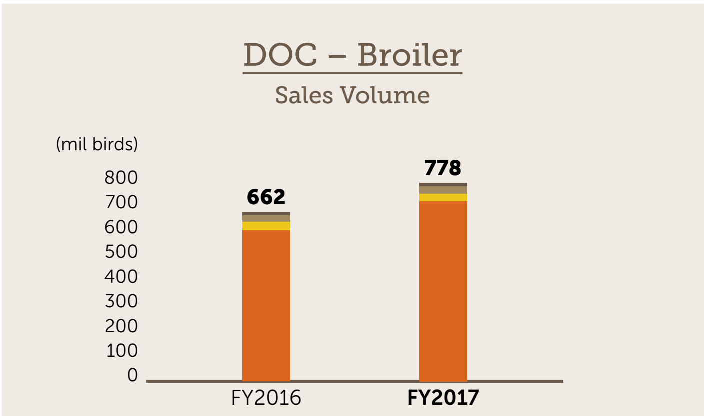
In India, the business continued to be profitable as the feed business generated continued profits in FY2017.

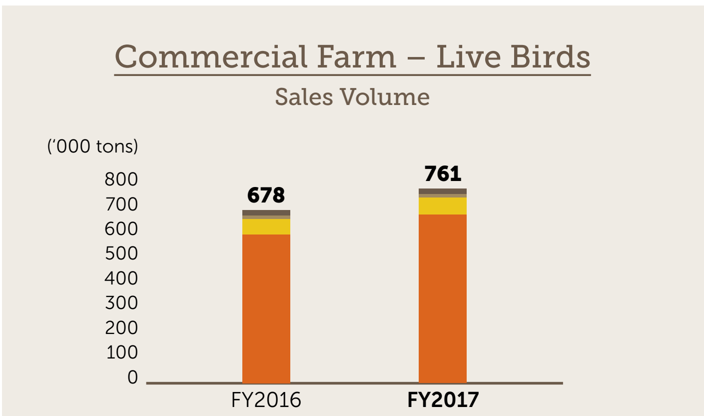
Operating & Financial Review

ANIMAL PROTEIN OTHER (CONT'D)

ANIMAL PROTEIN – OPERATIONAL PERFORMANCE

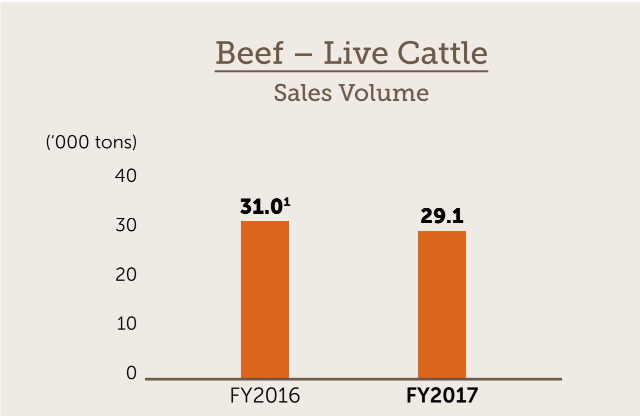


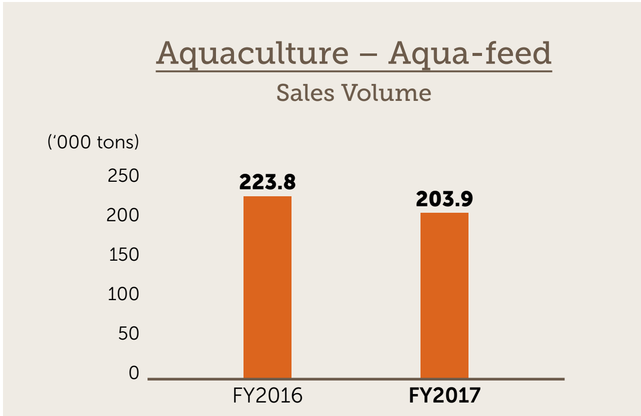


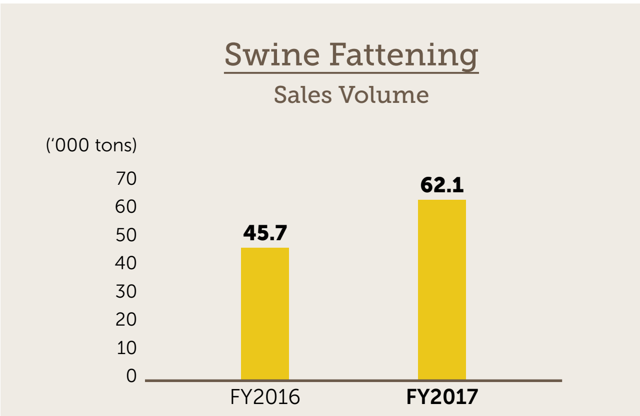


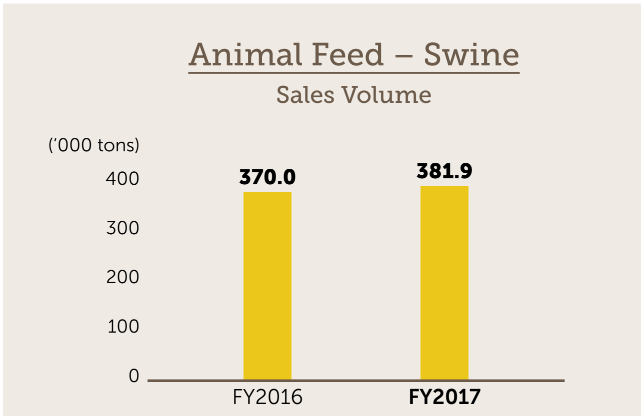
● PT Japfa Tbk ● Japfa Vietnam ● Japfa Myanmar ● Japfa India

ANIMAL PROTEIN – OPERATIONAL PERFORMANCE









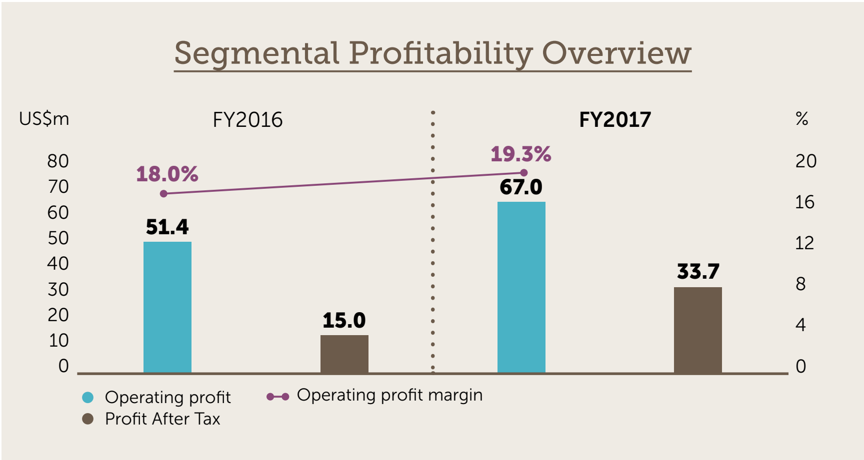
● PT Japfa Tbk ● Japfa Vietnam

1 Excludes sale of beef cattle in Australia.

Operating & Financial Review

DAIRY

The Group is a leading, industrialised producer of premium raw milk in Indonesia and China, which are of high quality in terms of nutritional and safety standards. In China, the Group sells its raw milk from its seven dairy farms in Shandong and Chifeng, Inner Mongolia, to leading milk producers further downstream, while in Indonesia, the Group operates a vertically integrated dairy business which produces raw milk for its own downstream *Greenfields* brand of dairy products that are distributed to countries in South East Asia ("SEA").



The Dairy segment delivered a strong performance as it continued to lift milk yields and volumes in FY2017. Despite pressure on China's raw milk prices, operating profit margin improved 1.3 percentage point to 19.3%. In addition, operating profit rose 30.3% to US$67.0 million, on the back of 21.9% growth in revenue to US$347.3 million as China and Indonesia generated higher raw milk and ESL[1] sales, respectively.

In China, milk yields improved from 37.0Kg/head/day to 38.4Kg/head/day, while in Indonesia, milk yields increased from 30.9kg/head/day to 32.7Kg/head/day.

In addition, milkable cows in China increased by 10.8% to a population of 42,564 heads, as Farm 6 started fully milking and Farm 7 commenced milking in November 2016.

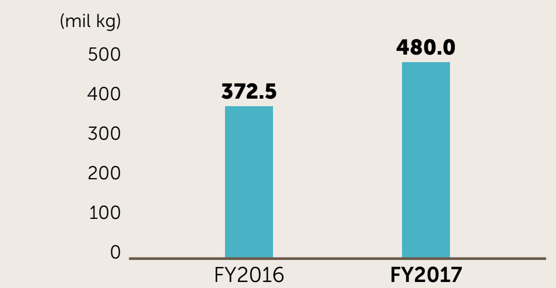
Looking forward, the Group will continue to focus on improving milk yields and volumes in China to mitigate price fluctuations. In Indonesia, efforts will be channeled into brand building and widening its range of *Greenfields* brand of dairy products to capture a larger target segment.

Despite the raw milk price pressures in China, the Dairy business is well poised to be a strong core pillar for the Group in generating consistent profitability. Profit After Tax grew 123.8% year-on-year to US$33.7 million in FY2017, primarily due to the higher revenue and improved operating profit margin. This segment also contributed Core PATMI w/o Forex of US$32.1 million in FY2017 to the Group.

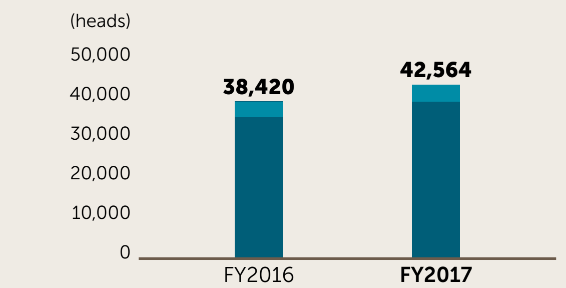
1 ESL: refers to fresh milk with an extended shelf life.

DAIRY – OPERATIONAL PERFORMANCE

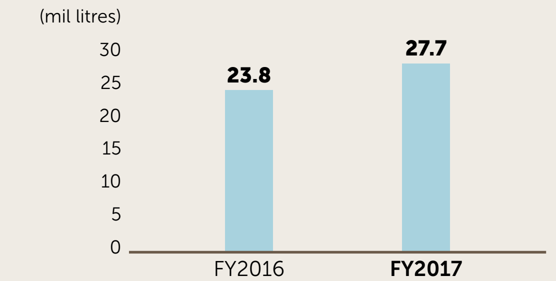
China Raw Milk
Sales Volume



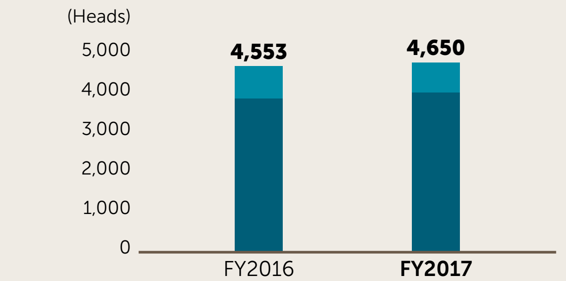
Milkable Cows – China
Heads[2]



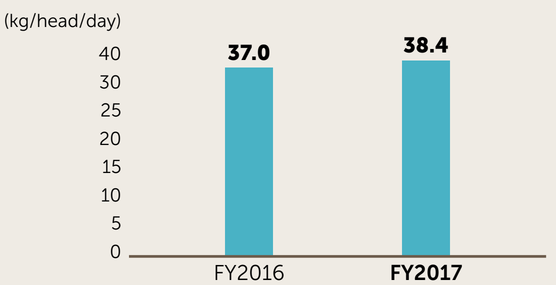
SE Asia Extended Shelf Life Branded Milk
Sales Volume



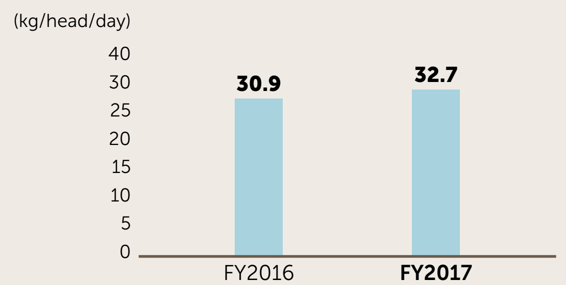
Milkable Cows – SE Asia
Heads[2]



Average Daily Milking – China



Average Daily Milking – SE Asia



China SE Asia Milking Cows Dry Cows

2 Number of milkable cows as at end of the financial year.
Note: Total dairy herd population (which includes heifers and calves) in China and Indonesia as at end of FY2017: 90,252 heads.

Operating & Financial Review

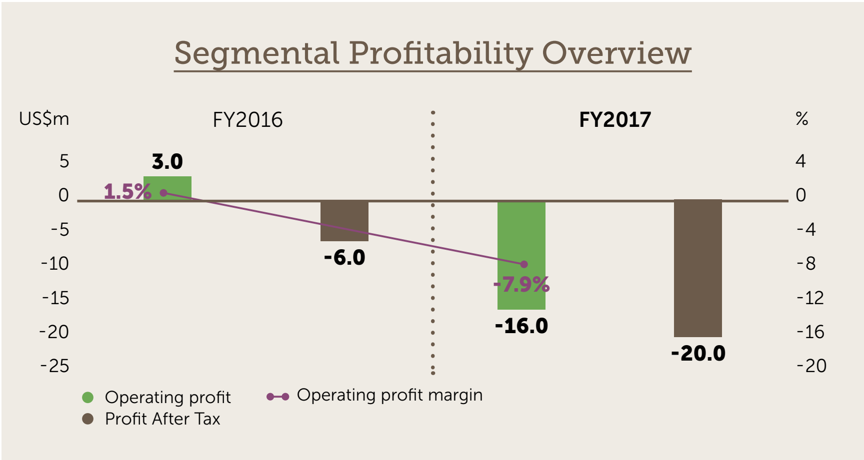
CONSUMER FOOD

The Group uses some of its animal protein products that it produces in-house as raw materials for its own downstream consumer food products which are sold in Indonesia and Vietnam markets.

In FY2017, revenue from the Consumer Food segment improved marginally to US$201.3 million. However, an operating loss of US$16.0 million was recorded in FY2017 due to heightened competition in Indonesia's ambient food sector, and higher raw material costs for frozen food products as chicken prices rose significantly in 4Q2017, which resulted in a margin squeeze.

The Group's dominant position in the ambient food sector was heavily contested as other market players aggressively slashed prices to gain market share. The Group's sales volume of Ambient Food products (eg sausages) declined 12.2% in FY2017.

The decline in the sales of Ambient Food products was partially compensated by the continued increase in sales volume of Frozen Food products (eg nuggets) and *Real Good* brand of UHT milk products, which expanded by 13.9% and 3.9%, respectively.

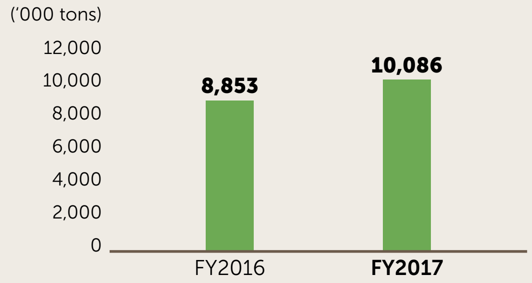


To lift the Consumer Food segment's performance, ASPs for frozen food will be increased to cover the higher cost of chicken. In addition, the Group has embarked on a few strategic initiatives to sharpen its competitive edge in Indonesia. They include brand rejuvenation with clearer packaging and brand positioning, improving the taste and quality of *So Good* brand of products, widening its ambient product positioning from the existing "snacks" category to a broader general grocery market, as well as improving its logistics and distribution system.

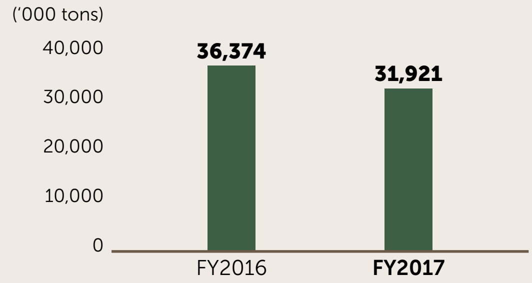
As part of its ongoing brand building efforts to propel growth, Consumer Food will continue to reinvest its profits in advertising and promotion to increase visibility and anchor its *So Good*, *So Nice*, and *So Yumm* brands in Asia's high-growth consumer markets.

CONSUMER FOOD – OPERATIONAL PERFORMANCE

Frozen Products
Sales Volume



Ambient Products
Sales Volume



OTHER FINANCIAL INFORMATION

BALANCE SHEET (US$m)	As at 31 December 2016	As at 31 December 2017	% change
Total Assets	**2,525.1**	**2,743.1**	**+8.6%**
Cash	336.1	234.9	-30.1%
Inventory	611.9	670.6	+9.6%
Total Liabilities	**1,435.9**	**1,720.3**	**+19.8%**
Debt	839.8	944.2	+12.4%
Total Equity	**1,089.2**	**1,022.8**	**-6.1%**
Net Debt / Equity Ratio (x)	0.5	0.7	
Inventory Turnover Days	93.0	92.3	
NAV per share (US$)	0.45	0.39	
NAV per share (S$)	0.65	0.53	

CASH FLOWS (US$m)	FY2016	FY2017
Net Cash Flows from Operating Activities	362.9	140.5
Net Cash Flows used in Investing Activities	(175.2)	(236.8)
Net Cash Flows from/(used in) Financing Activities	3.0	(1.2)
Net Increase/(Decrease) in Cash and Cash Equivalents	**190.7**	**(97.5)**

Balance Sheet

As at 31 December 2017, the Group's total assets increased by US$217.9 million to US$2.7 billion, from US$2.5 billion a year ago, primary due to the increase in property, plant and equipment and biological assets.

The Group's total liabilities as at 31 December 2017 increased by US$284.3 million to US$1.7 billion, as compared to US$1.4 billion a year ago, primarily due to the increase in other payables. The other payables as at 31 December 2017 include a purchase consideration payable of US$263.1 million relating to the acquisition of the remaining interest in the Dairy business, namely AustAsia Investment Holdings Pte Ltd ("AIH") and AIH2 Pte Ltd ("AIH2").

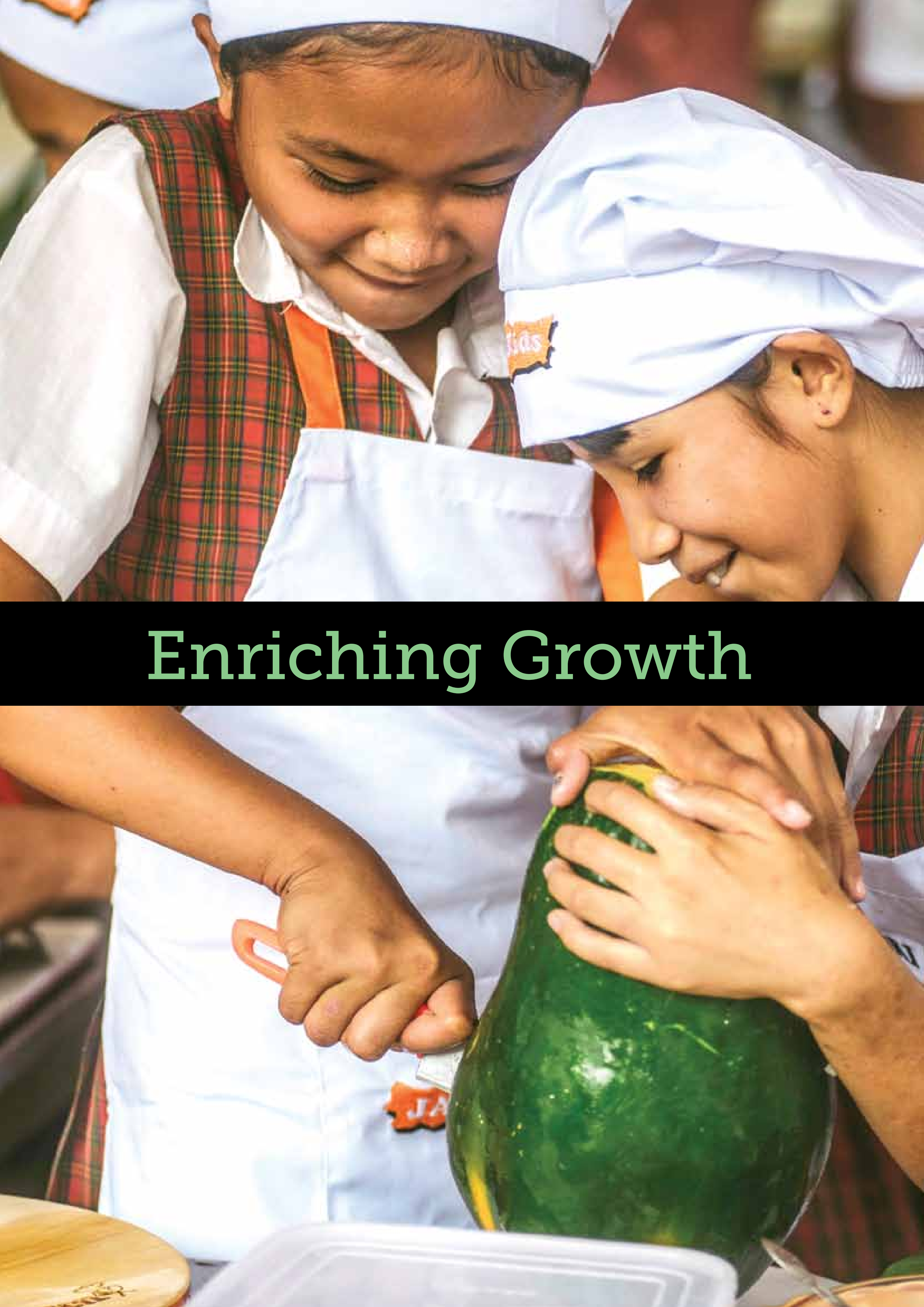
In December 2017, the Group entered into a share purchase agreement to acquire the remaining interest in AIH and AIH2 from Black River Funds with the aggregate consideration of US$263.1 million. Following this transaction, the Group recorded a capital reserve of US$88.6 million as a result of an increase in its ownership in AIH and AIH2 from 61.87% and 64.45% to 100% respectively.

Cash Flow and Liquidity

Net cash flows from operating activities were US$140.5 million in FY2017, which mainly arose from operating cash flows before changes in working capital of US$306.7 million, changes in working capital of US$86.0 million and income tax paid of US$80.2 million.

Net cash flows used in investing activities were US$236.8 million in FY2017, mainly represented by the purchase of property, plant and equipment of US$211.6 million.

Net cash flows used in financing activities were US$1.2 million in FY2017, which mainly arose from the repayment of bonds payable of US$314.8 million, interest paid of US$67.3 million, dividend paid of US$37.2 million and partially offset by the increase in working capital loans of US$95.5 million and net proceeds from issue of bonds of US$320.0 million.



Enriching Growth

CREATING VALUE WITH A PURPOSE

As a provider of quality and affordable animal protein to millions of people in emerging Asia, we recognise our responsibility to contribute to the local communities where we operate, and enrich their lives. Also central to our Corporate Culture & Responsibility is the nurturing of sustainable, growth-orientated relationships based on trust and integrity.

Sustainability & Responsibility

CREATING VALUE WITH A PURPOSE

At Japfa, we wish to continuously grow and evolve with the community to create harmonious relationships that benefit and meet the expectations of our stakeholders.

In 2016, Singapore Exchange ("SGX") made it mandatory for all public-listed companies to report their sustainable practices annually, with effect from the financial year ending 31 December 2017 ("FY2017").

We will soon publish our inaugural Japfa Ltd ("Japfa") Sustainability Report, which will be available for download from www.japfa.com. This section is a summary of the Sustainability Report, covering our approach and performance in relation to the key sustainability issues considered by Japfa and its stakeholders. The Sustainability Report is prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards: Core option.

Sustainable Development

At Japfa, we wish to continuously grow and evolve with the community to create harmonious relationships that benefit and meet the expectations of our stakeholders, namely, customers, business partners, governments, shareholders employees and the community.

We believe that a balanced approach between economic performance, environmental performance and social performance will support our role in bringing about sustainable development needs of the present generation without prejudicing the interests of future generations.

Focus of Sustainability Report

While Japfa produces 5 proteins across 5 countries, approximately 68% of our consolidated Group revenue in FY2017 was generated by PT Japfa Tbk. Within PT Japfa Tbk, the poultry operations contributed 85% of its revenue. As a result, the poultry operations in PT Japfa Tbk contributed more than half of total Group revenue.

It is for this reason that we have chosen the poultry operations in PT Japfa Tbk as the point of focus in our inaugural Sustainability Report.

Materiality Assessment

We conducted focus group discussions with the Sustainability Reporting Committee and the Poultry Operations Team to ascertain what matters the most to Japfa, in terms of business, economic, environmental and social performance. We also conducted surveys with our internal and external stakeholders to determine the relevance and priority of key sustainability issues. A materiality survey among 80 internal and external stakeholders was carried out, as part of the reporting process to our representative shareholders, business partners, customers, suppliers, employees and local communities.

The content of our report has been constructed based on the issues that are important to our company and stakeholders. These priority issues are then linked to topic-specific standards, according to the GRI Sustainability Reporting Standards.

	GRI Topics	Japfa Suppliers	Japfa Ltd	PT Japfa Tbk	Japfa Poultry Units in Indonesia	Japfa Partner Farms
Growing together with our stakeholders	Economic performance, procurement practices, anti-corruption, anti-competitive behavior, socioeconomic compliance	Linked	Cause	Cause	Cause	Contribute
Providing affordable and nutritious protein	Housing of the chickens and a sustainable approach to poultry farming, feed balance diet, safe transport, marketing and labeling		Contribute	Contribute	Cause	Contribute
Developing our farmer partners	Economic performance, community development, indirect economic impact		Contribute	Contribute	Cause	Cause
Empowering our employees	Employment, occupational health and safety, diversity, training and education, security practices		Contribute	Cause	Cause	
Responsible for our environment	Reclaimed packaging materials, energy, emissions, water, effluent and waste, environmental compliance		Contribute	Contribute	Cause	Linked
Nurturing our community	Indirect economic impacts, local community		Cause	Cause	Cause	

● Cause ● Contribute ● Linked

Growing Together With Our Stakeholders

We recognise the importance of growing together with our stakeholders. As an agri-food producer, Japfa contributes to the lives of the people in the countries that we operate in, by providing nutritious and affordable animal protein staples to consumers, partnering and empowering farmers, creating jobs, and contributing to national economic development.

We have over 34,000 employees across our network of industrialised farms, mostly located in Indonesia. Our strategic partnerships with local farmer partners provide employment opportunities beyond the farms, as they form the basis for the economic development programmes within our local community. Through these programmes, our local farmers contribute to the economic growth in their operating regions, via the provision of food protein, job creation and local tax contributions.

Providing Affordable and Nutritious Protein

Across Indonesia, malnutrition is a serious public health problem, arising mainly due to poverty and poor economic conditions. More than 12% of children under the age of five are acutely malnourished. Severe acute malnutrition affects 1.3 million Indonesian children, while moderate acute malnutrition affects 1.6 million Indonesian children. Based on these figures, Indonesia ranks fourth in the world, in terms of the number of children suffering from acute malnutrition.[1]

Our contribution in providing affordable and accessible food is therefore essential.

As an agri-food producer, Japfa is passionate about improving the health of Indonesians, especially children, by providing affordable and nutritious protein throughout Indonesia. It is imperative to have affordable protein easily available and this can be done through efficient production management, while ensuring a safe and healthy environment for the chickens to grow to maturity.

EFFICIENCY IN ANIMAL PROTEIN PRODUCTION

Achieving efficiency in our animal protein production is important so as to keep costs low, enabling us to offer affordable protein to consumers. We continuously strive to enhance efficiency by improving the performance of our livestock, through:

1. Selecting the right animal genetics with superior feed conversion ratios in the tropical climate where we operate our livestock farms;
2. Producing animal feed that provides optimal nutritional value for the animal to reach its best potential; and
3. Minimising the incidence of diseases through stringent biosecurity practices to protect the health of our animals.

1 UNICEF 2016

ANIMAL HEALTH

The health of our chickens is our main priority in every step of our production cycle, and we ensure their well-being by preventing flock infection from external sources. We are focused on identifying, evaluating, and resolving issues relating to animal well-being, both within our farms and with our local farmers. Our approaches include:

1. **Formulating balanced feed**
   We provide specially-formulated feed for various age groups of chickens to fulfill their nutrition requirement. To produce healthy and productive poultry, we have conducted extensive research on the optimal nutrition. In formulating the feed composition, we have considered various factors such as feed efficiency, as well as necessary nutrients required for quality growth and production in our tropical climate. We use the best raw materials available, applying advanced feed milling technology and rigorous quality control.

   Our experienced and qualified professionals assess and formulate the best nutrition component in our feed with precision, by using the Near Infrared Reflectance ("NIR") Machine.

2. **Housing of our chickens as a sustainable approach to poultry farming**
   We raise our chickens in both closed and open house systems. This way, the chickens are able to move freely throughout their housing area and be exposed to their natural behaviour. Our closed house farms are temperature-controlled equipped with good ventilation and lighting to ensure the comfort of our chickens. The ventilation keeps the farm moderately dry to help control microorganism growing in the chicken manure.

   Our breeding farms are equipped with advanced technology hatchery system. The eggs are hatched in a temperature and humidity controlled system which facilitates the production of high quality day-old-chicks ("DOC").

3. **Safe transport**
   We transport our DOC by road and by ship to our customers around Indonesia. Our DOC are packaged into plastic boxes which comply with the Indonesia National Standard (Standar Nasional Indonesia/ SNI 2043:2011) on every aspect of packaging by listing out the capacity, dimension, weight of empty package and producer. The label on our packaging also provides information on the chick size and hatching date. We utilise our own transportation fleet such as trucks or vans which are equipped with GPS for tracking purposes.

4. **Vaccines**
   To counter the threat of poultry diseases, our own in-house animal vaccine company, Vaksindo, conducts research and produces autogenous vaccines, according to GMP Standard and ISO 9001:2015 under the supervision of our Quality Assurance ("QA") team. All vaccines are tested using several stringent quality control procedures to ensure that each product meets required quality standards.

   To develop a specific vaccine for a certain disease outbreak, our team will isolate the virus/bacteria from field samples and develop a suitable vaccine. Vaksindo has BSL-3 facilities that are specially used for handling hazardous biological materials. We also export our vaccines to eight countries: Vietnam, Myanmar, Nigeria, Lebanon, Pakistan, Malaysia, Thailand and Syria.

5. **Preventing viruses from spreading**
   We apply certain procedures to strengthen the biosecurity of our farms, and reduce the chance of virus spreading. These procedures include:
   - Visitor matrix and sanitation procedures
   - Implementing pest control programmes
   - Inspecting flocks daily
   - Keeping the farm area hygienic and feed bins clean

6. **Slaughterhouse practice**
   Currently, we have 10 chicken slaughterhouses ("RPA") across Indonesia. Our poultry slaughtering process is carried out professionally, and follows the appropriate ritual according to the standard requirement for Halal cutting and good slaughtering practices. Hence, our poultry products are Halal certified by Majelis Ulama Indonesia/ Indonesian Council of Ulama ("MUI").

Developing Our Farmer Partners

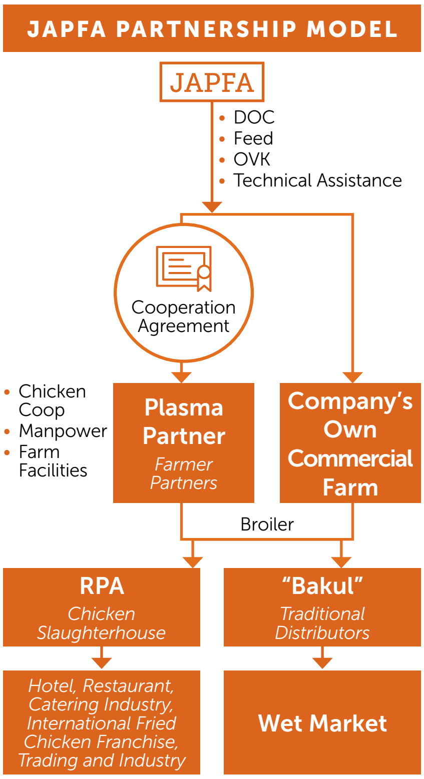
Integral to Japfa's business is our partnership programmes with farmers where we carry out knowledge transfer to improve their technical skillsets and raise their farming capabilities in producing healthy and affordable protein. These efforts will ultimately help them become better farmers and improve their economic well-being.

Throughout 2017, we have established partnerships with more than 9,000 poultry farmer partners in Indonesia.

Initiated in 1998 when the financial crisis hit Indonesia and South East Asia, the programme aims to create job opportunities through the development of local farming, and raise farmers' ability to increase production efficiency.

Efforts have been made to ensure the partnership programme results in a win-win solution for all parties. Under the programme, we also supply our farmer partner with DOC, feed, medicine, vaccines and chemicals ("OVK"), as well as veterinary service and technical assistance.

More importantly, the programme allows us to synergise our Company's objectives with community empowerment efforts.



Our partnership model has substantial principles of being transparent. At early stages of the agreement, our farmer partners will receive crucial information such as their share of sales and how Japfa manages the sales and marketing. In situations when broiler market prices are low or when losses are incurred, the farmer partners will still be given a basic living cost compensation. When the broiler market prices are high, the farmers will enjoy the upside accordingly. This partnership programme with small local farmers is in line with our Number 1 goal of Sustainable Development, which is to reduce poverty.

Sustainability & Responsibility

CREATING VALUE WITH A PURPOSE

Empowering Our Employees

At Japfa, our prosperity begins with growing with our employees. We believe that our employees are our key asset. They deserve our highest level of attention in the fulfillment of their rights so that they can contribute optimally to the sustainable growth of Japfa. Therefore, we are committed to strengthening the professionalism and competencies of our employees, as well as providing good compensation and benefits, including retirement provision.

HR PRACTICE

Our HR practice emphasises fair and equal treatment in staff competency development, with no gender bias. All employees have the same right to develop their career in Japfa. We uphold professionalism in our operations, and provide professional development training for our staff. Equal opportunities are given to all employees to develop their potential and to contribute to the company, regardless of gender. Every employee is assessed and appraised based on a transparent and scalable system that focuses on merit and performance.

PROFESSIONAL DEVELOPMENT

To sharpen our staff professional development, we have extensive training programmes for new and existing employees. The implementation of these programme is based on business priorities and analysis of the Company's future needs.

By the end of 2017, the Company has conducted 130 classes of training, participated by 3,454 employees. Apart from the above trainings, our employees also participated in outsourced training, both domestic and abroad.

In addition, the company has a talent management programme to identify and train potential employees who are suitable to take up strategic positions within two to five years.

EMPLOYMENT ENGAGEMENT PROGRAMME

As part of our commitment to provide the best benefits to our employees, we have developed an Employment Engagement Programme. The programme is aimed at building a good relationship between the Company and the employees from all levels, on both professional as well as personal fronts. This Employment Engagement Programme, which includes activities that are beneficial to both parties, is expected to yield positive results and generate value for the Company and the employees.

OCCUPATIONAL HEALTH AND SAFETY

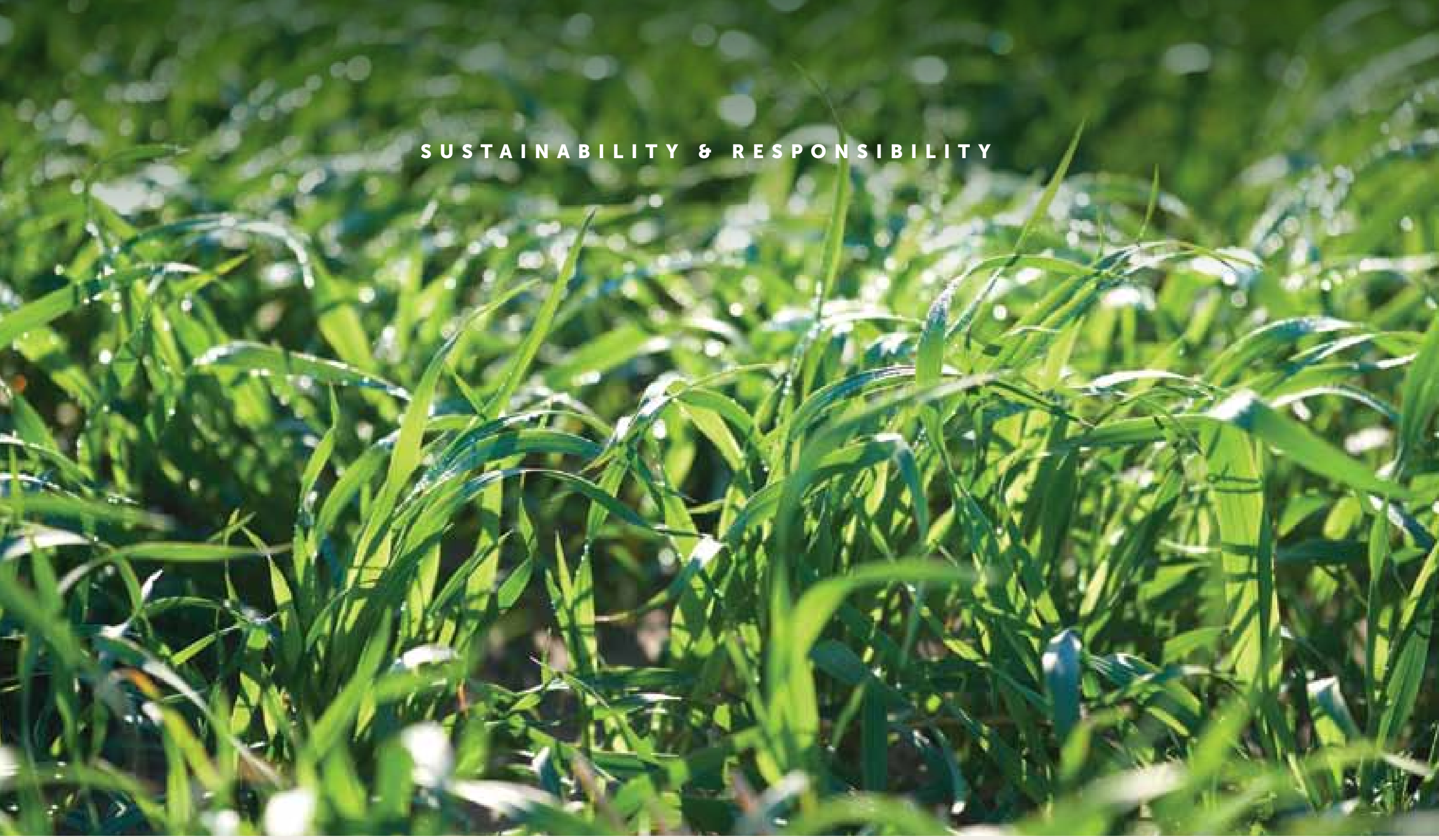
Occupational Health and Safety ("OHS") is a key focus area for Japfa. We strive to create a safe environment that supports optimal business performance. We are committed to creating a healthy work environment that is free from injuries, and we conduct our operations according to applicable rules.

In fulfilling our OHS commitment, we have developed, implemented and maintained OHS objectives and targets for every relevant function and level within the organisation. This is to:

1. Protect and guarantee the safety of every worker and other people in the workplace.
2. Guarantee every production source is utilised safely and efficiently.
3. Improve the national welfare and productivity.

Responsible For Our Environment

Our environmental performance is measured and monitored using the Environmental Performance Rating Program (PROPER) by the Ministry of Environment and Forestry Republic of Indonesia. Between 2016 and 2017, through the Ministry of Environment and Forestry Decree no. 696 Year 2017, PT Japfa Tbk achieved 13 Blue PROPER for 13 business units, which shows our compliance with the environmental regulation. In addition, four of our business units were nominated as Green PROPER



Prospective Candidates, underscoring our efforts to go beyond compliance.

ENERGY AND GHG EMISSION MANAGEMENT

We strive to systematically conserve energy in our business units through integrated planning by improving our energy efficiency. To this end, some business units have initiated the Energy Efficiency Policy, and have assigned a certified Energy Manager to ensure the implementation of the policy. The Energy Manager is competent not only in the implementation, but also in evaluating our energy management, and performing energy management review at a corporate level. They are supported by qualified human resources and an appropriate organisation structure.

Our strategy on improving energy efficiency encompasses the following:

1. Revamping our boilers
2. Installing Variable Speed Drive Inverter to improve the efficiency of electrical equipments
3. Replacing the use of diesel oil with more environmentally friendly Compressed Natural Gas (CNG)
4. Changing light bulbs to LED Lights
5. Awareness programme to employees and workers on the importance of energy efficiency.

Our energy management focuses on improving production efficiency by aiming to achieve zero bottleneck and minimising idle time. Good manufacturing practices, such as 5S (sort, straighten, shine, standardise, and sustain), cross audit of different departments or units, waste reduction, higher machine efficiency, new technology investment, and ISO standard implementation (ISO 9001: 2008 and transition of ISO 14001:2006 to 14001:2015), have been applied across our business units.

Our operations are powered mostly by gas and electricity from PLN grid. Our gas is provided by PGN (Perusahaan Gas Negara) and portable sources such as Liquefied Petroleum Gas ('LPG") and Compressed Natural Gas ("CNG"). As a part of our efforts to conserve the environment, we no longer use coal. Instead, renewable firewoods and palm oil shells are used to generate electricity and boilers, especially in our feedmills, breeding farms and vaccine unit.

AIR EMISSION AND DUST MANAGEMENT

Emission of particulate matter, such as dust, is an environmental impact on our feedmills. We continuously measure, manage and monitor the air quality and the air (emission) from our operations, adhering to regulations from the environmental board. To manage the dust and improve the air quality, we provide dust collectors in several locations. In addition, our workers are equipped with masks to protect their health and safety. We report our environmental performance regularly.

Sustainability & Responsibility

CREATING VALUE WITH A PURPOSE

WATER MANAGEMENT

The company aims to gradually reduce water consumption. Our efforts include:

1. Water consumption reduction programme
2. Implementation of biopore infiltration holes for groundwater conservation
3. Rainwater harvest programme through the installation of infiltration wells
4. Project commissioning of demineralisation plant with reverse osmosis system as water treatment facility for the boilers.

Our wastewater is treated in a wastewater treatment system before it is released to the environment. We continuously measure and monitor our wastewater quality to meet the permissible threshold and ensure compliance.

NON HAZARDOUS WASTE

The Company invests in more durable materials, such as 100% reusable chick boxes made of high-grade virgin polyethylene, to minimise waste. These reusable plastic boxes are used to transport our day-old-chicks ("DOC") from our hatchery to the customers.

We partner with a third party to manage the effluent generated from our operations, which is mostly chicken blood in our slaughterhouses. The third party collects the affluent regularly. According to our agreement with the third party, the affluent is not to be consumed, following the regulation from the Ministry of Religious Affairs.

HAZARDOUS WASTE

We do not use hazardous raw material in our production. Our hazardous waste are mostly waste oil generated from the equipment and other waste such as packages, garments and active carbons, sludge from our wastewater treatment plant and electronic waste. The hazardous waste is temporarily stored in our on-site storage before being sent to registered third parties for treatment.

HABITATS PROTECTED OR RESTORED

Our company aspires to maintain the biodiversity around our operations. We play an active role to protect and enhance biodiversity sustainably. A major milestone was achieved on 13 April 2017 when we completed the acquisition of 19% of the issued and paid up capital of PT Eco Partners Indonesia ("PT Eco Partners") for a total cash consideration of IDR 20.5 billion (approximately US$ 1.5 million). PT Eco Partners is the holding company of PT Fauna Land Ancol, a company engaged in nature conservation park business and operates a zoo located in Ancol, North Jakarta.

Nurturing Our Community

At Japfa, the continuity of our business cannot be separated from our contribution to the community. Our social community development efforts aim to improve the economic capacity of the community, as well as nurture other fields. Our approach focuses on promoting education and improving children's health.

JAPFA4Kids

JAPFA4Kids is a programme that focuses on nutrition and health campaigns, targeted at elementary school students, aged 6 to 12, in villages across Indonesia. Through this programme, we aim to raise children's awareness of their daily nutrition, health and hygiene and in the process, develop them to be agents for sustainable social transformation in the community.

As part of the programme, we have appointed a number of children as ambassadors for healthy children, health food and healthy environment. In addition, a mentoring program has been put in place to train and monitor the school's commitment to keep the environment clean and organised, and encourage the students and teachers to improve their nutrition and health. We have also developed a partnership with local health institutions to conduct frequent health checks for the community.

In 2017, JAPFA4Kids programme was conducted in six regions in Sumatra, Sulawesi, Java and Bali. The programme, which spanned over six months in each location, was conducted by two facilitators who would train the schools and monitor its effectiveness. JAPFA4Kids reached 56 schools, involving 12,325 students and 752 teachers from 56 schools in 2017.

JAPFA FOUNDATION

Fulfilling our motto of "Growing Towards Mutual Prosperity", JAPFA Foundation aims to align our growth with the economic growth of our surrounding communities. It focuses on the potential of young people as they are the ones who will mobilise their communities towards progress.

As a company operating in emerging Asian countries, Japfa pays great attention to education. We believe that good education is the key to a brighter future. Hence, we are committed to the advancement of education in Indonesia and the countries in which we operate in.

The programmes under JAPFA Foundation focus on three areas: agriculture education and agribusiness development, nutrition improvement programme and sport development. They are directed towards achieving the Sustainable Development Goals (SDGs).

1. **Agriculture Education and Agribusiness Development**
   This programme is in line with Japfa's core business. We believe that through agriculture education, agribusiness development programmes, scholarships and continuous research, new human and capital knowledge will emerge and contribute to the global agriculture industry and agribusiness improvement

2. **Community Open Space Initiatives (COSI)**
   JAPFA Foundation also works with communities to develop youth potential through the implementation of social enterprises and development programmes. All programmes are geared towards socio economic development via education and nutrition improvement. COSI provides an open space that encourages further collaboration with other non-governmental organisations, companies and the public to advance these focus areas.

In the implementation of the programmes, we strive to practise the UN Global Compact Principles for Social Investment.

Corporate Information

Board of Directors

GOH GEOK KHIM
Non-Executive Independent Chairman

HANDOJO SANTOSA @ KANG KIEM HAN
Executive Deputy Chairman

HENDRICK KOLONAS
Non-Executive, Non-Independent Director

TAN YONG NANG
Executive Director and Chief Executive Director

KEVIN JOHN MONTEIRO
Executive Director and Chief Financial Officer

NG QUEK PENG
Independent Director

LIEN SIAOU-SZE
Independent Director

Audit Committee

NG QUEK PENG
Chairman

HENDRICK KOLONAS

LIEN SIAOU-SZE

Nominating Committee

LIEN SIAOU-SZE
Chairwoman

HANDOJO SANTOSA @ KANG KIEM HAN

NG QUEK PENG

Remuneration Committee

LIEN SIAOU-SZE
Chairwoman

HENDRICK KOLONAS

NG QUEK PENG

Company Secretaries

CHRISTINA CHUA SOOK PING
LLB (Hons)

CHENG SAI HONG
ACS, ACIS

Auditor

ERNST & YOUNG LLP

One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge:
Toong Weng Sum Vincent
(Chartered Accountant of Singapore)
Effective from reporting year ended 31 December 2017

Share Registrar and Share Transfer Office

BOARDROOM CORPORATE & ADVISORY SERVICES PTE LTD

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Principal Bankers

DBS BANK LTD.
12 Marina Boulevard
Marina Bay Financial Centre
Tower 3
Singapore 018982

COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A. (TRADING AS RABOBANK INTERNATIONAL), SINGAPORE BRANCH
38 Beach Road
#31-11 South Beach Tower
Singapore 189767

PT BANK CENTRAL ASIA TBK
Menara BCA
Jl. MH Thamrin No. 1
Jakarta 10310
Indonesia

PT BANK MANDIRI (PERSERO) TBK
Jl. Jenderal Gatot Subroto Kav. 36-38
Jakarta 12190
Indonesia

PT BANK MAYBANK INDONESIA
Sentral Senayan 3, Lantai 8 (Treasury)
Gelora Bung Karno, Senayan
Jakarta 10270
Indonesia

Registered Office

391B Orchard Road
#18-08 Ngee Ann City, Tower B
Singapore 238874

Stock Codes

SGX	JAPFA
BLOOMBERG	JAP:SP
REUTERS	JAPF:SI

Website:

www.japfa.com

Corporate Governance

Japfa Ltd ("Japfa" or the "Company", and together with its subsidiaries, the "Group") is committed to maintaining good corporate governance and business integrity in the Group's business activities, so as to deliver long-term and sustained value for its stakeholders.

This report lists out Japfa's corporate governance framework, with specific reference to the principles and guidelines of the revised Code of Corporate Governance 2012 ("2012 Code") issued by the Monetary Authority of Singapore on 2 May 2012.

Japfa has complied in all material aspects with the main principles and supporting guidelines of the 2012 Code, and will regularly review its governance policies and practices to track developments in market best practices and regulations.

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

The principal functions of the Board of Directors (the "Board") are to:

- Supervise the management of the business and affairs of the Company;
- Approve the Group's strategic plans, major investments, disposals and funding decisions;
- Identify the Group's business risks;
- Review on the implementation of appropriate systems to manage identified risks;
- Monitor and review the Group's financial performance; and
- Review management's performance.

To assist in the execution of its responsibilities, the Board is supported by the Executive Director Committee ("Exco"), Audit Committee ("AC"), Nominating Committee ("NC"), and the Remuneration Committee ("RC"). Each Board Committee has clear terms of reference of its duties, responsibilities and authority.

The Board will meet at least four times a year to consider and resolve major financial and business matters of the Group. Where necessary, informal meetings will be held to deliberate on various issues. Between scheduled meetings, material matters which exceed the authority conferred on the Exco are put to the Board for its decision by way of circular resolution.

Management of the day-to-day operations and the implementation of internal control systems is delegated to the Exco comprising the Deputy Chairman, Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company. The Exco operates under a set of authority matrix as set by the Board and the CEO periodically reports to the entire Board on material decisions and actions taken by the Exco in the previous quarter, or that are foreseen for the next quarter.

Material transactions requiring board approval include material corporate restructuring, joint venture, mergers and acquisition, debt or capital market transaction, change of the Company's constitutional documents and commencement of any material litigation by the Company.

Our Directors generally keep themselves updated on new laws and regulations as well as changes in the industry and general economic environment. The Company also engages external lawyers to brief the Board on material changes to their statutory duties and to update them on material changes in laws and regulations. External seminars and conferences are arranged for the Directors when appropriate.

New Directors joining the Company will be given an orientation (which includes site visits to relevant operating subsidiaries) by the Executive Directors and senior management to help new Directors to familiarize themselves with the Group's operations.

Attendance of Board and Committee meetings in 2017:

	Board Meetings	AC Meetings	NC Meetings	RC Meetings
Number of meetings held	4	4	1	2
Name of Directors	Number of meetings attended			
Goh Geok Khim (Chairman)	4	4^	1^	–
Handojo Santosa @ Kang Kiem Han (Deputy Chairman)	4	4^	1	–
Hendrick Kolonas	4	4	1^	2
Tan Yong Nang	4	4^	1^	–
Kevin John Monteiro	4	4^	1^	–
Ng Quek Peng	4	4	1	2
Lien Siaou-Sze	4	4	1	2

^ By invitation

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

As at the date of this Annual Report, the Board comprises seven Directors of whom three are Independent Directors. The nature of the Directors' appointments and committee memberships for 2017 is set out below:

Board Composition Table

Name	Date of Appointment	Date of re-election	Board Membership	AC	NC	RC
Goh Geok Khim	30 June 2014	12 April 2017	Independent, Non-Executive Chairman	–	–	–
Handojo Santosa @ Kang Kiem Han	19 December 2008	12 April 2017	Executive, Non-Independent Deputy Chairman	–	Member	–
Hendrick Kolonas	18 February 2013	12 April 2017	Non-Executive, Non-Independent	Member	–	Member
Tan Yong Nang	1 June 2009	12 April 2017	Executive	–	–	–
Kevin John Monteiro	16 April 2014	12 April 2017	Executive	–	–	–
Ng Quek Peng	29 July 2014	12 April 2017	Independent	Chairman	Member	Member
Lien Siaou-Sze	29 July 2014	12 April 2017	Independent	Member	Chairwoman	Chairwoman

The Board has examined its size and is satisfied that its current board size is appropriate for the Company.

PRINCIPLE 3: CHAIRMAN AND CEO

The Chairman and the CEO of the Company are separate persons and are not related to each other.

The Chairman is an Independent Director while the CEO is an Executive Director.

The roles of the Chairman and the CEO are kept separate and the division of responsibilities between them are set out in writing.

The Chairman is primarily responsible for the workings of the Board. He leads the Board in its discussions and deliberation, facilitates effective contribution by Directors and exercises control over the timeliness of information flow between the Board and the Management.

The CEO manages the business of the Company, implements the Board's decisions and is responsible for the day-to-day operations of the Company.

PRINCIPLE 4: BOARD MEMBERSHIP
PRINCIPLE 5: BOARD PERFORMANCE

NC Composition and Role

The NC comprises three Directors, the majority of whom, including the NC Chairwoman, are Independent Directors.

Please refer to the Board Composition Table for the names and composition of the NC.

The NC is responsible for:

1. making recommendations to the Board on matters relating to:

    (i) the review of board succession plans for Directors, in particular, the Chairman of the Board and the CEO;

    (ii) the reviewing of training and professional development programs for the Board; and

    (iii) the appointment and re-appointment of Directors (including alternate Directors, if applicable);

2. reviewing and determining annually, and as and when circumstances require, whether a Director is independent, in accordance with the 2012 Code and any other salient factors;

3. reviewing the composition of the Board annually to ensure that the Board and its committees comprise Directors who as a group provide an appropriate balance and diversity of skills, expertise, gender and knowledge of the Company and provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge;

4. (where a Director has multiple board representations), deciding whether the Director is able to and has been adequately carrying out his duties as Director, taking into consideration the Director's number of listed company board representation and other principal commitments;

5. making recommendations to the Board on the development of a process for evaluation and performance of the Board, its committees and Directors; and

6. implementing process for assessing the effectiveness of the Board as a whole and its Board Committees and the contributions of each individual Director to the effectiveness of the Board.

The Board evaluates its effectiveness by completing an evaluation questionnaire that covers topics such as Board Structure, Strategy and Performance, Risk Management and Internal Control, Information to Board and Shareholders and Board Functions and Standards of Conduct.

The evaluation results are compiled by the NC and tabled for review by the Board collectively.

The NC having considered the results of the Board evaluation and the following factors:

(i) the number of listed company directorships by each Independent Director;

(ii) the principal commitments of Independent Directors;

(iii) the confirmations by Independent Directors stating that they are each able to devote sufficient time and attention to the matters of the Company;

(iv) the confirmations by Independent Directors that each of them is not accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of any Controlling Shareholder, has no relationship with the Company, its related corporations or with any Director of these corporations, its 10% Shareholders or its officers that could interfere or be reasonably perceived to interfere, with the exercise of his or her independent business judgment with a view to the best interests of the Company;

(v) the Independent Directors' working experience and expertise in different areas of specialization; and

(vi) the composition of the Board,

is of the view that:

(i) each Director is individually and collectively suitable and possess relevant experience to act as Directors of the Company;

(ii) the Independent Directors, as a whole, represent a strong and independent element on the Board which is able to exercise objective judgment on corporate affairs independently from the controlling shareholders; and

(iii) there is no requirement to set the limitation of board representations as the Directors are able to devote sufficient time to the discharge of their duties.

Directors will retire from office at the Annual General Meeting ("AGM") and will submit themselves for re-nomination and re-election each year. All Directors have submit themselves for re-election at the forthcoming AGM.

PRINCIPLE 6: ACCESS TO INFORMATION

All members of the Board have separate and independent access to the Company's senior management and the Company Secretaries at all times.

Prior to Board meetings, all Directors are provided with board papers so that the Directors have complete, adequate, and timely information to enable them to be adequately prepared for the meeting.

Directors are also informed on a regular basis as and when there are any significant developments or events relating to the Group's business operations.

Generally, a Company Secretary attends all Board and Board Committee meetings and is responsible for, among other things, ensuring that Board procedures are observed and that applicable rules and regulations are complied with and is also responsible for advising the Board on all matters relating to corporate governance. The appointment and the removal of a Company Secretary is a matter for the Board as a whole.

The Board takes independent professional advice as and when necessary to enable it or the Independent Directors to discharge their responsibilities effectively and such costs are borne by the Company.

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

RC Composition and Role

The RC comprises three Directors, the majority of whom, including the RC Chairwoman, are Independent Directors.

Please refer to the Board Composition Table for the names and composition of the RC.

The RC is be responsible for:

1. reviewing and recommending to the Board for endorsement, a comprehensive remuneration policy framework and guidelines for the Directors, the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the Company ("Key Management Personnel");

2. reviewing and recommending to the Board, for endorsement, the specific remuneration packages for each Directors and Key Management Personnel;

3. reviewing and approving the design of all share option plans, performance share plans and/or other equity based plans;

4. in the case of service contracts, reviewing the Company's obligations arising in the event of termination of the Executive Directors' or Key Management Personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with a view to being fair and avoiding the reward of poor performance;

5. approving performance targets for assessing the performance of each of the Key Management Personnel and recommend such targets as well as employee specific remuneration packages for each of such Key Management Personnel, for endorsement by the Board; and

6. considering and reviewing the remuneration packages periodically in order to maintain their attractiveness, to retain and motivate the Directors and Key Management Personnel and to align the level and structure of remuneration with the long-term interests and risk policies of the Company.

Executive Directors are employees of the Company and do not receive Directors' fee.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The level of remuneration takes into consideration the Company's ability to attract, retain and motivate our directors and key executives to run the Company well. When determining the remuneration of each key executive, the following factors are also considered:

- Remuneration and compensation conditions in the market and in comparable companies within our industry;
- The Company's relative performance against the performance of the key executives;
- Remuneration that reflects the key executives' roles and responsibilities within the Company.

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

Directors' Remuneration

Directors' fees comprise a basic fee and additional fees for other duties, such as holding the appointment of Chairman of the Board or a Committee. No additional fee is paid for meeting attendance.

Shareholders approved the payment of FY2017 and 1Q2018 Directors' fees at the previous Annual General Meeting held on 12 April 2017 ("2017 AGM").

At the 2017 AGM, Shareholders approved the following Fee structure for Non-Executive Directors commencing from 2Q2017:

Appointment	Fees (Per Annum) S$
Board Chairman	165,000
Board Member	85,000
Audit Committee Chairman	33,000
Other Committee Chairman	22,000
Committee Member	11,000

The breakdown (in percentage terms) of the Directors' remuneration for FY2017 is set out below:

Name of Director	Directors' Fees %	Salary* %	Allowances/ Benefits %	Variable Bonus* %	Total %
Non-Executive Directors					
Below S$250,000					
Mr Goh Geok Khim	100	–	–	–	100
Ms Lien Siaou-Sze	100	–	–	–	100
Mr Ng Quek Peng	100	–	–	–	100
S$1,250,000 to S$1,500,000					
Mr Hendrick Kolonas**	8	49	29	14	100
Executive Directors					
S$750,001 to S$1,000,000					
Mr Kevin Monteiro	–	77	18	5	100
S$3,000,001 to S$3,250,000					
Mr Tan Yong Nang	–	59	1	40	100
S$3,250,001 to S$3,500,000					
Mr Handojo Santosa	–	80	1	19	100

* Salary includes CPF Contributions and AWS where applicable
** The total remuneration of Hendrick Kolonas includes remuneration received from PT Japfa Comfeed Indonesia Tbk for his role as Commissioner

Key Executives' Remuneration for FY2017

The breakdown (in percentage terms) of the Key Executives' remuneration for FY2017 is set out below:

	Salary*	Allowances/ Benefits	Variable Bonus	Total
Name of Key Executive	%	%	%	%
S$500,001 to S$750,000				
Mr Antonius Harwanto	47	5	48	100
Mr Arif Widjaja	52	19	29	100
S$750,001 to S$1,000,000				
Mr Edgar Dowse Collins	50	30	20	100
Ms Christina Chua Sook Ping	82	3	15	100
S$1,750,001 to S$2,000,000				
Mr Bambang Budi Hendarto	23	2	75	100

* Salary includes CPF Contributions and AWS where applicable

Mr Renaldo Santosa, son of the Executive Deputy Chairman, Mr Handojo Santosa, and nephew of Non-Executive Director, Hendrick Kolonas, has received an annual total compensation in the band of S$200,000-S$250,000 for FY2017 as Head of Business Development & Strategy/Aquaculture.

Ms Gabriella Santosa, the daughter of the Executive Deputy Chairman, Mr Handojo Santosa and niece of Non-Executive Director Hendrick Kolonas, has received an annual total compensation in the band S$100,000 to S$150,000 for FY 2017 as Business Development Manager.

Share Based Incentives

The Company had implemented a performance share plan known as the "Japfa Ltd Performance Share Plan" which came into effect on 23 July 2014. For details of this scheme, please refer to Note 25E of the financial statements.

On 1 March 2017, 8,255,200 ordinary shares in the capital of the Company were issued and allotted for performance shares granted under the Japfa Ltd Performance Share Plan for FY2016.

Share awards granted in relation to FY2017:

(i) PSP1

On 21 December 2017, the Company granted 21,275,000 conditional shares awards ("Conditional Awards").

The ordinary shares which are the subject of the Conditional Awards will only vest on the achievement of pre-determined conditions within a two-year period from the date of grant. No Conditional Awards will vest if the pre-determined conditions are not met within the said period; and

(ii) PSP2

On 1 March 2018, the Company granted 73,800 unconditional shares awards under the Japfa Ltd Performance Share Plan for FY2017. The PSP2 awards were satisfied from the transfer of 73,800 treasury shares to the award recipients on 12 March 2018.

PRINCIPLE 10: ACCOUNTABILITY
PRINCIPLE 14: SHAREHOLDER RIGHTS
PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS
PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

The Company respects the rights of shareholders and aims to promote fair and equitable treatment of all shareholders by keeping shareholders appropriately informed of its corporate development and activities, on a timely basis. In particular, new information relating to the Group, which are material and price sensitive, are released through SGXNET before any media or analyst meetings or conference update calls are conducted. This ensures fair and non-selective disclosure of information to all investors.

The Company actively engages its shareholders and investors through regular and non-discriminatory communication, and provides regular and timely information to the investment community regarding the Group's performance and prospects as well as major industry and corporate developments.

This is done via analyst and media face-to-face briefings and teleconferences throughout the year, which are typically held in conjunction with the release of financial results. In addition, the Management takes an active role in engaging investors by holding regular meetings with institutional investors through local and international non-deal roadshows and conferences which are organised by the major brokerage firms.

The Board provides shareholders with quarterly and annual financial reports. Results for the first three quarters are released to shareholders within 45 days of the reporting period while the full-year results will be released to shareholders within 60 days of the Company's financial year-end. In presenting the financial reports, the Board aims to provide a balanced and understandable assessment of the Group's financial performance and prospects.

Since FY2014, the CEO and the CFO have been providing assurance to the Board on the integrity of the financial statements of the Company and its subsidiaries.

The Company recognises that timely information is central to good corporate governance and is necessary for shareholders to make informed investment decisions. Shareholders are kept informed of material developments and performances of the Group through timely announcements and press releases (where appropriate) via the SGXNET, as well as through its annual report. At the same time, shareholders and investors can contact the Company or access information on the Company at its website at www.japfa.com.

Active participation from shareholders at general meetings is welcomed by the Company.

The Company's Constitution allow a shareholder to appoint one or two proxies to attend and vote in his place at general meetings.

The Chairman will be exercising his right under Regulation 86(2)(a) of the Company's Constitution to demand a poll for all resolutions to be put to the vote at the forthcoming AGM and Extraordinary General Meeting ("EGM") and at any adjournment thereof. Accordingly, all resolutions at the AGM and EGM will be voted on by way of a poll.

The Company issues its notice of general meetings together with its annual report and circular to shareholders at least 14 days prior to the scheduled general meetings. This is aimed at providing ample time for shareholders to review the notice of meetings, annual report and circular before the meetings, and if required, appoint their proxies to attend the AGM and/or EGM.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS
PRINCIPLE 12: AUDIT COMMITTEE
PRINCIPLE 13: INTERNAL AUDIT

AC Composition and Role

The AC comprise three Non-Executive Directors, the majority of whom, including the AC Chairman, are Independent Directors.

Please refer to the Board Composition Table for the names and composition of the AC.

The AC is responsible for:

1. assisting the Board in discharging its statutory responsibilities on financing and accounting matters;

2. reviewing significant financial reporting issues and judgments to ensure the integrity of the financial statements and any formal announcements relating to financial performance;

3. reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;

4. reviewing the external auditor's audit plan and audit report and any recommendations to address any control weaknesses highlighted by the external auditor;

5. reviewing the key financial risk areas, including the Company's hedging practices in respect of its exposure to fluctuations in foreign exchange and raw material costs;

6. reviewing the risk management structure and any oversight of the risk management process and activities to mitigate and manage risk at acceptable levels determined by the Board;

7. reviewing the statements to be included in the annual report concerning the adequacy and effectiveness of the Company's risk management and internal controls systems, including financial, operational, compliance controls, and information technology controls;

8. reviewing any interested person transactions and monitoring the procedures established to regulate interested person transactions, including ensuring compliance with the Company's internal control system and the relevant provisions of the Listing Manual, as well as all conflicts of interests to ensure that proper measures to mitigate such conflicts of interests have been put in place;

9. reviewing the scope and results of the internal audit procedures, and at least annually, the adequacy and effectiveness of the internal audit function;

10. approving the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting / auditing firm or corporation to which the internal audit function is outsourced;

11. appraising and reporting to the Board on the audits undertaken by the external auditors and internal auditors, the adequacy of disclosure of information;

12. making recommendations to the Board on the proposals to Shareholders on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;

13. reviewing the effectiveness of the internal audit function and, where deemed necessary, expand the internal audit function to ensure its effectiveness within the Company;

14. reviewing the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters with the objects of ensuring that arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow-up action to be taken;

15. undertaking such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

16. undertaking generally such other functions and duties as may be required by law or the Listing Manual, and by amendments made thereto from time to time.

Board members who are not AC members are invited by the AC Chairman to attend the AC meetings.

The AC has reviewed the aggregate fees paid to the auditors, and a breakdown of the fees paid for audit and non audit services provided by the auditors, is of the opinion that the independence of the auditors have not been affected by the provision of the non-audit services.

The AC noted that the appointment of the external auditors for the Company, its subsidiaries and associated companies are in compliance with Rules 712 and 715 of the SGX-ST Listing manual and recommended that Messrs Ernst & Young LLP be nominated for re-appointment as the external auditors at the forthcoming AGM.

Internal Controls

The Group's internal controls structure consists of the policies and procedures established, to provide reasonable assurance that the material risks in the Group are addressed. Business Units ("BU") Management have primary responsibility for implementation and continuous improvement of their internal control system. Policies are established at the BU or corporate level, depending on the context of operations.

At the corporate level, the Systems and Procedure department and an Internal Control Manager assist the BUs to create the Standard Operating Procedures ("SOPs") for business processes. For some large BUs (in Indonesia, Vietnam, India and China), there is an in-house Internal Control function for design and implementation of the internal controls system.

Enterprise Risk Management Process

The Group's risk management framework comprises an ongoing interaction process that facilitates active involvement by the Board in risk evaluation of strategic alternatives and operational decisions. These processes serve as a forum for the Management to highlight both favorable and adverse factors affecting the business.

Assurance from the CEO and CFO

In addition to the above, the Board has received assurance from the CEO and the CFO that:

(a) the financial records of the Group for FY2017 have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances in accordance with the applicable financial reporting framework that are free from material misstatement; and

(b) the system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

Opinion on Adequacy and Effectiveness of Internal Control and Risk Management Systems

The AC is responsible for making the necessary recommendations to the Board to enable the Board to form an opinion regarding the adequacy and effectiveness of the risk management and internal control systems of the Group. The Management is responsible for assuring the Board as to the adequacy and effectiveness of the risk management systems and ensuring the quality and timeliness of information.

Based on the assurance received from the CEO and CFO and the work performed by the internal audit function, the Board on the nomination of the AC, is of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls, and risk management systems, are adequate and effective to meet the needs of the Group in its current business environment.

The Board notes that the system of internal controls maintained by the Management provides reasonable, but not absolute, assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, the compliance with appropriate legislation, regulation and best practices, and the identification and containment of business risk. The Board further notes that no system of internal controls can provide absolute assurance against human errors including, without limitation, errors in judgment in the course of decision-making. In addition, no such controls can provide absolute protection against fraud or similar misconduct.

Internal Audit

The Group has an in-house Internal Audit ("IA") function, based in Singapore and Indonesia. The most senior member of the Group's internal audit function is the VP, Internal Audit ("Internal Auditor"). He is based in Singapore and reports functionally to the AC Chairman and administratively, to the CEO, as per the IA Charter.

The IA function has met the standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors, an internationally recognized professional body.

The annual internal audit plan is established by the Internal Auditor in consultation with, but independent of, the Management, and is reviewed and approved by the AC. On a quarterly basis, the AC and Management review and discuss internal audit findings, recommendations and status of remediation, at AC meetings.

The internal auditors have unfettered access to the Group's documents, records, properties and personnel, including access to the AC.

Whistleblowing

The Group has implemented a whistleblowing avenue called Japfalert. Any employee/supplier/business associate who is aware of a violation of internal control, accounting and financial principles or anti-corruption regulations/procedures is encouraged to report it. The whistleblower can use the Japfalert internet site www.japfalert.com or send a letter to the dedicated postal address 391B Orchard Road #18-08, Ngee Ann City Tower B, Singapore 238874, with attention to Japfalert Committee. The information disclosed using Japfalert is kept confidential. Any whistleblower using this alert system is not at risk of any sanction, in relation to the matter disclosed, from his or her employer or the Group.

LISTING RULE 1207(19) – DEALING IN SECURITIES

The Group has adopted a security dealing policy similar to Rule 1207(19) of the SGX-ST's Listing Manual with respect to dealings in securities of the Company and PT Japfa Comfeed Indonesia Tbk, principal subsidiary of the Company list on the IDX.

The security trading policy is applicable to:

1) Directors and Commissioners of the Company and its principal subsidiaries;

2) Senior executives of the Company, including Key Executives;

3) Senior financial officers of the Group; and

4) Spouse and children below 21 years of age in respect to (1) above,

where the above listed persons are not allowed to deal in the Company's securities and of its listed subsidiary's securities two weeks before quarterly results are announced and one month before full year results are announced or while they are in possession of unpublished price-sensitive information.

Directors and officers are also discouraged from dealing in the Company's and its listed subsidiary's securities on short-term consideration.

INTERESTED PERSON TRANSACTIONS

The Company has put in place internal procedures to ensure compliance with the requirement of Chapter 9 of the Listing Manual on interested person transactions.

Under the procedures, the Group Financial Controller maintains a register on all interested person transactions and ensures that the register will be updated on submission by designated persons. The register is subjected to periodic review by the Internal Auditor reporting to the AC to ensure that such transactions are carried out on normal business terms in accordance and are not prejudicial to the interest of the Company and its minority shareholders.

The aggregate value of interested person transactions entered into the Group in FY2017 is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) US$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)[1] US$'000
Associates of Handojo Santosa		
– Lease of vehicles	363	
– Lease of office	236	–
– Supply of goods	3,099	–
– Group club membership fees	89	
Associates of Hendrick Kolonas		
Provision of services, supply of goods, insurance	4,290	–
Associates of both Handojo Santosa, Hendrick Kolonas		
Lease of office	161	–
supply of goods	7,473	–

MATERIAL CONTRACTS

Saved as disclosed in the Interested Person Transaction section above, there were no material contracts entered into by the Group involving the interest of the Directors.

1 The Group has not obtained a general mandate from shareholders for interested person transactions under Rule 920 of the Listing Manual.

FINANCIAL STATEMENTS

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Japfa Ltd. (the "Company") and its subsidiary companies (collectively the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2017.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of the statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are:

Goh Geok Khim
Handojo Santosa @ Kang Kiem Han
Hendrick Kolonas
Tan Yong Nang
Kevin John Monteiro
Ng Quek Peng
Lien Siaou-Sze

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described in the paragraphs below, neither at the end of the reporting year nor at any time during the reporting year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiary) as stated below:

	Direct interest	
Name of directors	At beginning of the financial year	At end of the financial year
Ordinary shares of holding company (Japfa Ltd)		
Goh Geok Khim	1,500,000	1,500,000

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

Name of directors	Deemed interest At beginning of the financial year	Deemed interest At end of the financial year
Ordinary shares of holding company (Japfa Ltd)		
Handojo Santosa @ Kang Kiem Han	1,136,763,115	1,136,818,915
Tan Yong Nang	62,110,691	66,810,691
Kevin John Monteiro	2,000,000	2,044,300
Ng Quek Peng	500,000	500,000
Lien Siaou-Sze	625,000	625,000

Name of directors	Direct interest At beginning of the financial year	Direct interest At end of the financial year
Ordinary shares of related company (PT Japfa Comfeed Indonesia Tbk)		
Kevin John Monteiro	1,070,000	1,070,000
Handojo Santosa @ Kang Kiem Han	14,457,200	63,000,000

Name of directors	Principal amount At beginning of the financial year	Principal amount At end of the financial year
Bonds of related company (PT Japfa Comfeed Indonesia Tbk)		
Tan Yong Nang	–	1,000,000

Name of directors	Principal amount At beginning of the financial year	Principal amount At end of the financial year
Bonds of related company (Comfeed Finance B.V.)		
Tan Yong Nang	600,000	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

PERFORMANCE SHARE PLAN

The Company had implemented a performance share plan known as the "Japfa Ltd Performance Share Plan" ("Japfa PSP") which came into effect on 23 July 2014. The remuneration committee that administers the Japfa PSP comprise three directors, Lien Siaou-Sze, Hendrick Kolonas and Ng Quek Peng.

For details of this scheme, please refer to Note 25E of the financial statements.

Japfa PSP granted during the financial year:

- On 1 March 2017, the Company granted and issued 4,855,200 shares to the executive directors and employees of the Group for their performance in 2016.
- On 21 December 2017, the Company granted a share awards of 21,650,000 shares, subject to certain condition being met within a two-year period from the date of grant, to the executive directors and employees of the Group. Subsequently on 1 March 2018, the Company announced that the number of conditional share awards granted under Japfa Ltd Performance Share Plan (previously announced on 21 December 2017) had been reduced from 21,650,000 ordinary shares to 21,275,000 ordinary.

Performance share awards granted, vested and cancelled during the financial year, and share awards outstanding at the end of the financial year, were as follows:

Name of director	At beginning of the financial year	Shares awards granted	Share awards vested	Share awards cancelled	At end of the financial year
Tan Yong Nang	–	14,600,000	4,600,000	–	10,000,000
Kevin John Monteiro	–	1,044,300	44,300	–	1,000,000
Employees of the Company and subsidiaries	–	10,485,900	210,900	–	10,275,000
Total	–	26,130,200	4,855,200	–	21,275,000

OPTIONS

During the reporting year, no option to take up unissued shares of the Company or other body corporate in the Group was granted and there were no shares issued by virtue of the exercise of an option to take up unissued shares, except as disclosed in Note 25D of the financial statements.

AUDIT COMMITTEE

The audit committee (AC) carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor
- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Tan Yong Nang
Director

Kevin John Monteiro
Director

28 March 2018

Independent Auditor's Report

TO THE MEMBERS OF JAPFA LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Japfa Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and of the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is fulfilled in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1) Fair value of biological assets

As at 31 December 2017, the biological assets of the Group amounted to US$427.6 million. These biological assets are stated at fair value less costs to sell. Management engaged external valuation experts to assist in determining the fair value of these biological assets.

We considered the audit of the Group's valuation of biological assets to be a key audit matter due to the magnitude of their net carrying amounts and the carrying amount is determined by using several key assumptions which involved significant management judgement and assumptions that are affected by future market and economic conditions. In measuring the fair value of the biological assets such as dairy cows, breeding cattle and swine, the fair value is measured based on either the respective biological assets' market determined prices as at year end, adjusted with reference to their species, age, growing condition, costs expected to be incurred and expected yield to reflect differences in characteristics and/or stages of growth of the biological assets; or the present value of expected net cash flows from the biological assets discounted at a current market-determined rate, if market-determined prices are unavailable. Any changes in these estimates may affect the fair value of the biological assets significantly.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

1) Fair value of biological assets (continued)

We assessed the competency, objectivity and capabilities of the external valuation experts engaged by the Group. We have also performed the following procedures, amongst others:

- evaluated and assessed reasonableness of the key assumptions used in the valuation, in particular the discount rate, average market price and estimated costs of breeding by comparing the average market price and estimated costs incurred to historical data and market available data
- involved our internal valuation specialist to assist us in our evaluation of discount rate and valuation methodology used by management
- considered the adequacy of the disclosures made on the fair value of biological assets in Note 18 to the financial statements

2) Impairment assessment of assets (Property, Plant and Equipment and Investment in Subsidiary)

As at 31 December 2017, the carrying amount of the property, plant and equipment of the Vietnam operations amounted to US$70.8 million, and the carrying amount of the Company's investment in the Vietnam subsidiary amounted to US$76.7 million. The financial performance of the Vietnam operations was affected by China's swine import restrictions since 2016. Accordingly, management identified impairment indicators on the property, plant and equipment and the Company's investment in the Vietnam subsidiary.

Management performed an impairment assessment on the property, plant and equipment of the Vietnam operations and the Company's investment in the Vietnam subsidiary by calculating the value-in-use of the Vietnam operations using a discounted cash flow model.

We considered the audit of the Group's and Company's impairment assessment of these assets to be a key audit matter due to the magnitude of their net carrying amounts and the significant management judgement involved in the impairment assessment process as the assumptions used are affected by future market and economic conditions. Recoverable amounts of these assets was determined using the value-in-use model by discounting the underlying cash flow forecasts which included certain expectations for sales and margin developments and overall market and economic conditions.

We performed the following audit procedures amongst other in our audit of the Group's impairment assessment:

- reviewed the value in use model to assess the appropriateness of the methodology used by Management
- evaluated and assessed reasonableness of the key assumptions used in the impairment assessment, in particular the discount rate, sales growth rate, depreciation growth, capex growth rate, farm capacity and operating costs to the historical data and market available data
- involved our internal valuation specialist to assist us in our evaluation of discount rate
- evaluated management's forecasting process by comparing previous forecasts to actual results
- considered the adequacy of disclosures relating to property, plant and equipment and investment in subsidiaries included in Notes 13 and 16 to the financial statements

Key Audit Matters (continued)

3) Defined benefit plan liabilities

As at 31 December 2017, the Group calculated and recorded defined benefit plan liabilities of US$105.9 million for its qualified employees. These benefits were made available to the employees based on Indonesian Labour Laws. Management engaged an independent actuary to assist them in the computation of the defined benefit plan liabilities.

We considered the computation of the defined benefit plan liabilities to be a key audit matter due to the magnitude of the amounts recognised in the financial statements as well as estimation uncertainty involved in determining the liability.

We assessed the competency, objectivity and capabilities of the independent actuary engaged by the Group. We have also performed the following procedures, amongst others:

- tested samples of the employees' details used in the computation of the defined benefit plan liabilities to the Group's human resource records and performed re-computation of the defined benefit plan liabilities
- evaluated the reasonableness of the total annual salaries used in the computation by comparing to the historical data
- evaluated key assumptions used in the valuation, in particular the discount rate, future salaries increases and mortality rates.
- compared the discount rate, and mortality rate to market available data issued by the government of Indonesia
- evaluated the reasonableness of future salaries increases to the historical data
- considered the adequacy of the disclosures made on the defined benefit plan liabilities in Note 27 to the financial statements

Other Information

Management is responsible for other information. The other information comprises general information, the Directors' statement included in pages 1 to 4 and the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report

TO THE MEMBERS OF JAPFA LTD.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Matters

The financial statements for the year ended 31 December 2016 were audited by another auditor whose report dated 14 March 2017 expresses an unqualified opinion on those financial statements.

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

The engagement partner on the audit resulting in this independent auditor's report is Mr Toong Weng Sum Vincent.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

28 March 2018

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 US$'000	2016 US$'000
Revenue	4	3,189,930	3,032,944
Cost of sales		(2,615,715)	(2,367,575)
Gross profit		574,215	665,369
Interest income	5	4,087	3,580
Other gains	6	11,419	28,467
Other losses	6	(12,254)	(1,450)
Marketing and distribution costs	7	(137,297)	(120,669)
Administrative expenses	8	(248,272)	(233,282)
Finance costs	9	(67,261)	(60,035)
Foreign exchange adjustments losses, net		5,138	(8,284)
Decrease in fair value of biological assets	18	(22,124)	(18,703)
Share of loss from equity-accounted joint ventures	17	(134)	(367)
Profit before income tax		107,517	254,626
Income tax expense	11	(51,280)	(56,905)
Profit, net of income tax		56,237	197,721
Other comprehensive income/(loss)			
Items that will not be reclassified to statement of comprehensive income:			
Remeasurement of the net defined benefits plan, net of tax	27	(10,230)	(5,589)
Items that may be reclassified subsequently to statement of comprehensive income:			
Exchange differences on translating foreign operations		16,792	(12,068)
Share of other comprehensive income of equity-accounted joint ventures, net of tax	17	(4)	(4)
Total other comprehensive income/(loss), net of tax		6,558	(17,661)
Total comprehensive income		62,795	180,060
Profit, net of income tax attributable to:			
– Owners of the parent		1,321	118,784
– Non-controlling interests		54,916	78,937
		56,237	197,721
Total comprehensive income attributable to:			
– Owners of the parent		7,293	107,162
– Non-controlling interests		55,502	72,898
		62,795	180,060
Basic and diluted earnings per share (cents)	12	0.07	6.73

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

AS AT 31 DECEMBER 2017

	Note	Group 2017 US$'000	Group 2016 US$'000	Company 2017 US$'000	Company 2016 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	1,010,925	897,809	346	555
Investment properties	14	5,497	10,568	–	–
Intangible assets	15	10,382	8,384	–	–
Investments in subsidiaries	16	–	–	1,280,033	947,206
Investments in joint ventures	17	6,070	3,825	–	–
Biological assets, non-current	18	351,343	299,552	–	–
Deferred tax assets	11	24,037	15,714	–	–
Other receivables, non-current	19	14,595	1,797	–	–
Other financial assets, non-current	20	19,289	11,164	–	2,948
Other assets, non-current	21	64,996	15,530	–	–
		1,507,134	1,264,343	1,280,379	950,709
Current assets					
Inventories	22	670,634	611,907	–	–
Biological assets, current	18	76,227	63,597	–	–
Trade and other receivables, current	19	179,015	161,428	13,068	41,495
Other financial assets, current	20	601	791	601	546
Other assets, current	21	74,613	86,965	1,576	59
Cash and cash equivalents	23	234,867	336,153	5,608	10,166
		1,235,957	1,260,841	20,853	52,266
Total assets		2,743,091	2,525,184	1,301,232	1,002,975
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	24	940,842	937,614	940,842	937,614
Treasury shares		(4,759)	–	(4,759)	–
Retained earnings		385,116	408,167	87,350	60,199
Other reserves	25	(459,804)	(374,504)	21	3,138
Translation reserve	25	(167,840)	(179,614)	–	–
Equity, attributable to owners of the parent		693,555	791,663	1,023,454	1,000,951
Non-controlling interests		329,236	467,505	–	–
Put options reserve		–	(169,979)	–	–
Total equity		1,022,791	1,089,189	1,023,454	1,000,951
Non-current liabilities					
Put option financial liabilities	26	–	169,979	–	–
Provisions	27	105,880	89,525	–	–
Deferred tax liabilities	11	3,586	3,817	–	–
Trade and other payables, non-current	28	901	2,107	–	–
Loan and borrowings, non-current	29	626,513	520,093	–	–
Other financial liabilities	30	8,514	–	–	–
Other liabilities, non-current	31	3,913	3,208	–	–
		749,307	788,729	–	–
Current liabilities					
Income tax payable		19,691	16,812	–	–
Trade and other payables, current	28	623,016	301,507	265,778	2,024
Loan and borrowings, current	29	317,691	319,715	12,000	–
Other financial liabilities	30	1,499	274	–	–
Other liabilities, current	31	9,096	8,958	–	–
		970,993	647,266	277,778	2,024
Total liabilities		1,720,300	1,435,995	277,778	2,024
Total equity and liabilities		2,743,091	2,525,184	1,301,232	1,002,975

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Group	Total equity US$'000	Attributable to parent sub-total US$'000	Share capital US$'000	Treasury shares	Retained earnings US$'000	Other reserves US$'000	Translation reserve US$'000	Non-controlling interests US$'000	Put options reserve US$'000
Balance at 1 January 2017	1,089,189	791,663	937,614	–	408,167	(374,504)	(179,614)	467,505	(169,979)
Total comprehensive income/(loss) for the year	62,795	7,293	–	–	(4,481)	–	11,774	55,502	–
Issue of new shares by subsidiaries to non-controlling interests	7,607	–	–	–	–	–	–	7,607	–
Acquisition of non-controlling interests without change in control (Note 16D)	(265,213)	(88,636)	–	–	–	(88,636)	–	(176,577)	–
Grant of share options (Note 25D)	416	416	–	–	–	416	–	–	–
Reversal and changes in present value of the put option financial liabilities (Note 26)	169,979	–	–	–	–	–	–	–	169,979
Purchase of treasury shares by the Company	(4,759)	(4,759)	–	(4,759)	–	–	–	–	–
Purchase of treasury shares by subsidiary	(462)	–	–	–	–	–	–	(462)	–
Value of employee services pursuant to performance share plan (Note 25E)	111	111	–	–	–	111	–	–	–
Issue of shares by the Company under performance share plan	–	–	3,228	–	–	(3,228)	–	–	–
Issue of shares by subsidiary under performance share plan	350	–	–	–	–	–	–	350	–
Dividend paid to equity holders of the Company (Note 38)	(12,533)	(12,533)	–	–	(12,533)	–	–	–	–
Dividend paid by subsidiary to non-controlling interests	(24,689)	–	–	–	–	–	–	(24,689)	–
Transfer to statutory reserve (Note 25C)	–	–	–	–	(6,037)	6,037	–	–	–
Balance at 31 December 2017	1,022,791	693,555	940,842	(4,759)	385,116	(459,804)	(167,840)	329,236	–

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Group	Total equity US$'000	Attributable to parent sub-total US$'000	Share capital US$'000	Treasury shares US$'000	Retained earnings US$'000	Other reserves US$'000	Translation reserve US$'000	Non-controlling interests US$'000	Put options reserve US$'000
Balance at 1 January 2016, restated	827,670	670,545	937,614	–	301,022	(396,315)	(171,776)	338,071	(180,946)
Total comprehensive income /(loss) for the year	180,060	107,162	–	–	115,000	–	(7,838)	72,898	–
Issue of new shares by subsidiaries to non-controlling interests	6,612	–	–	–	–	–	–	6,612	–
Disposal of shares in subsidiary to non-controlling interests without change in control (Note 16E)	28,994	7,876	–	–	–	7,876	–	21,118	–
Deemed disposal of subsidiary without change in control (Note 16E)	53,410	10,660	–	–	–	10,660	–	42,750	–
Acquisition of non-controlling interests without change in control (Note 16E)	(4,634)	(1,745)	–	–	–	(1,745)	–	(2,889)	–
Grant of share options (Note 25D)	491	491	–	–	–	491	–	–	–
Changes in present value of the put option financial liabilities (Note 26)	10,967	–	–	–	–	–	–	–	10,967
Value of employee services pursuant to performance share plan (Note 26E)	3,138	3,138	–	–	–	3,138	–	–	–
Dividend paid to equity holders of the Company (Note 38)	(6,464)	(6,464)	–	–	(6,464)	–	–	–	–
Dividend paid by subsidiary to non-controlling interests	(11,055)	–	–	–	–	–	–	(11,055)	–
Transfer to statutory reserve (Note 25C)	–	–	–	–	(1,391)	1,391	–	–	–
Balance at 31 December 2016	1,089,189	791,663	937,614	–	408,167	(374,504)	(179,614)	467,505	(169,979)

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

Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Company	Total equity US$'000	Share capital US$'000	Treasury shares US$'000	Retained earnings US$'000	Other reserves US$'000
Balance at 1 January 2016	963,707	937,614	–	26,093	–
Total comprehensive income for the year	40,570	–	–	40,570	–
Value of employee services pursuant to performance share plan (Note 25E)	3,138	–	–	–	3,138
Dividend paid to equity holders of the Company	(6,464)	–	–	(6,464)	–
Balance at 31 December 2016	1,000,951	937,614	–	60,199	3,138
Total comprehensive income for the year	39,684	–	–	39,684	–
Purchase of treasury shares by the Company	(4,759)	–	(4,759)	–	–
Value of employee services pursuant to performance share plan (Note 25E)	111	–	–	–	111
Issue of shares by the Company under performance share plan	–	3,228	–	–	(3,228)
Dividend paid to equity holders of the Company	(12,533)	–	–	(12,533)	–
Balance at 31 December 2017	1,023,454	940,842	(4,759)	87,350	21

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 US$'000	2016 US$'000
Cash flows from operating activities		
Profit before income tax	107,517	254,626
Adjustments for:		
Amortisation of intangible assets	1,859	1,496
Amortisation of land use rights	284	238
Depreciation of property, plant and equipment	95,235	82,802
Depreciation of investment properties	592	468
Fair value loss on financial assets	–	473
Fair value loss on derivative financial instruments	4,909	278
Fair value loss on biological assets	22,124	18,703
Gain on disposal of other financial assets	–	(149)
Gain on disposal of property, plant and equipment and investment properties	(1,553)	(2,915)
Fair value gain on call option assets	–	(2,948)
Gain on buy back of bonds payable	–	(589)
Increase in provision for retirement benefits	16,001	10,500
Interest income	(4,087)	(3,580)
Interest expense	67,261	60,035
Share options granted by a subsidiary	416	491
Value of employee services received pursuant to performance share plan	111	3,138
Value of employee services received pursuant to performance share plan by subsidiary	350	–
Share of loss from equity-accounted joint ventures	134	367
Write-off of property, plant and equipment	299	699
Net effect of exchange rate changes	(4,754)	8,101
Operating cash flows before changes in working capital	306,698	432,234
Inventories	(58,727)	(2,470)
Biological assets	(44,502)	(27,026)
Trade and other receivables	(30,385)	(30,495)
Other assets	(8,095)	(1,306)
Trade and other payables	67,049	36,228
Provisions	(12,231)	(5,123)
Other liabilities	843	1,673
Net cash flows from operations before tax	220,650	403,715
Income taxes paid	(80,176)	(40,773)
Net cash flows from operating activities	140,474	362,942
Cash flows used in investing activities		
Additional investment in joint ventures	(2,297)	(666)
Purchase of property, plant and equipment (Note 23B)	(211,627)	(168,421)
Proceeds from disposal of property, plant and equipment	2,600	22,524
Proceeds from disposal of investment properties	8,105	511
Proceeds from disposal of investment in other financial assets	–	3,222
Purchase of financial assets	(5,031)	(3,200)
Purchase of biological assets	(26,629)	(26,726)
Purchase of intangible assets	(3,163)	(1,121)
Purchase of land use rights	(2,873)	(4,900)
Interest income received	4,087	3,580
Net cash flows used in investing activities	(236,828)	(175,197)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 US$'000	2016 US$'000
Cash flows (used in)/from financing activities		
Dividends paid by subsidiary to non-controlling interests	(24,689)	(11,055)
Dividends paid to equity holders of the Company	(12,533)	(6,464)
Proceeds from issue of bonds	320,012	73,709
Proceeds from issue of new shares by a subsidiary to non-controlling interests	7,607	60,022
Proceeds from disposal of shares in subsidiary to non-controlling interests without change in control	–	28,994
Acquisition of non-controlling interests without change in control	–	(4,634)
Transaction cost paid for acquisition of non-controlling interests	(513)	–
Decrease in cash restricted in use	671	2,099
Purchase of treasury shares by the Company	(4,759)	–
Purchase of treasury shares by subsidiary	(462)	–
Buy back of bonds payable	–	(5,323)
Repayment of bonds payable	(314,775)	–
Increase/(decrease) in working capital loans	95,524	(74,331)
Interest expense paid	(67,261)	(60,035)
Net cash flows (used in)/from financing activities	(1,178)	2,982
Net (decrease)/increase in cash and cash equivalents	(97,532)	190,727
Effect of exchange rate changes on cash and cash equivalents	(3,083)	(410)
Cash and cash equivalents, beginning balance	331,086	140,769
Cash and cash equivalents, ending balance (Note 23A)	230,471	331,086

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

Japfa Ltd (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange. The immediate and ultimate holding companies are Rangi Management Limited and Fusion Investment Holdings Limited, both of which is incorporated and domiciled in British Virgin Islands.

The registered office and principal place of business of the Company is located at 391B Orchard Road, #18-08 Ngee Ann City Tower B, Singapore 238874.

The principal activities of the Company are those of investment holding and provision of management services.

The principal activities of the subsidiaries are described in Note 16 of the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars (USD) and all values in the tables are rounded to the nearest thousand (USD$'000), except when otherwise indicated.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed in Note 2.3.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017, including the Amendments to FRS 7 Disclosure Initiative. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 102 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 40 Transfers of Investment Property	1 January 2018
FRS 109 Financial Instruments	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
Improvements to FRSs (December 2016)	
– Amendments to FRS 28 Investments in Associates and Joint Ventures	1 January 2018
INT FRS 122 Foreign Currency Transactions and Advance Consideration	1 January 2018
FRS 116 Leases	1 January 2019
INT FRS 123 Uncertainty over Income Tax Treatments	1 January 2019
Improvements to FRSs (March 2018)	1 January 2019
– Amendments to FRS 103 Business Combinations	1 January 2019
– Amendments to FRS 111 Joint Arrangements	1 January 2019
– Amendments to FRS 12 Income Taxes	1 January 2019
– Amendments to FRS 23 Borrowing Costs	1 January 2019
Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

* The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council ("ASC") in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the Directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

FRS 109 Financial Instruments (continued)

(a) Classification and measurement

The Group currently measured its investment in unquoted equity securities at cost amounting to US$19,890,000. Under FRS 109, the Group will be required to measure the investment at fair value.

The Group will elect to measure its currently held available-for-sale unquoted equity securities at fair value through other comprehensive income (FVOCI) under FRS109. The difference between the current carrying amount and the fair value as at 31 December 2017, would be recognised in the opening retained earnings with the corresponding tax impact when the Group applies FRS 109. In addition, the impairment loss of US$536,000 previously recognised in statement of comprehensive income will be adjusted against retained earnings when the Group applies FRS 109.

(b) Impairment

FRS 109 requires the Group and the Company to record expected credit losses on all of its debt securities, loans, trade receivables and financial guarantees, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has performed a preliminary impact assessment and do not expects any significant changes in the allowance upon application of the expected credit loss model.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subjected to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. The Group also plans to apply the following practical expedients:

- For completed contracts that have variable consideration, the Group plans to use the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year.

The Group does not have any completed contracts that begin and end within the same year or are completed contracts at 1 January 2017.

The Group is in the agricultural business of providing sale of animal feed, livestock, dairy products and consumer food. The Group expects the following impact upon adoption of FRS 115:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

FRS 115 Revenue from Contracts with Customers (continued)

(a) Variable consideration

For the sale of animal feed, dairy and consumer food products, some contracts with customers provide a right of return, trade discounts or volume rebates. Such provisions give rise to variable consideration under FRS 115. The Group currently recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Under FRS 115, variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associate uncertainty is subsequently resolved.

The Group currently records a provision for the trade discounts and volume rebates to reduce revenue. The Group does not expect any significant adjustment on the adoption of FRS 115 in 2018.

(b) Rights of return

Under FRS 115, the Group is required to estimate the amount of expected returns in determining the transaction price and recognise revenue based on the amounts to which the Group expects to be entitled through the end of the return period. The Group will recognise the amount of expected returns as a refund liability, representing its obligation to return the customer's consideration. Separately, the Group recognises a related asset for the right to recover the returned goods.

The Group currently records a provision for the expected returns. The Group does not expect any significant adjustment on the adoption of FRS 115 in 2018.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
– de-recognises the carrying amount of any non-controlling interest;
– de-recognises the cumulative translation differences recorded in equity;
– recognises the fair value of the consideration received;
– recognises the fair value of any investment retained;
– recognises any surplus or deficit in statement of comprehensive income;
– re-classifies the Group's share of components previously recognised in other comprehensive income to statement of comprehensive income or retained earnings, as appropriate.

(b) Business combinations and goodwill

The business combination involved entities or businesses under common control that is, a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The business combination in such situation is accounted for under the pooling-of-interests or merger method. Such manner of presentation reflects the economic substance of the combined entities as a single economic enterprise.

For entities not under common control, business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at acquisition date. Acquisition-related costs are recognised in the periods in which the costs are incurred.

Where the fair values of identifiable assets acquired and liabilities assumed are estimated on a provisional basis, they are finalised within one year from the acquisition date with consequent retrospective changes to the amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (continued)

(b) Business combinations and goodwill (continued)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in statement of comprehensive income on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent.

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

2.6 Foreign currency

The financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency (continued)

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their statement of comprehensive income are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in statement of comprehensive income.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and site facilities	–	4 to 50 years
Machinery and equipment	–	3 to 30 years
Office furniture and fixtures	–	2 to 25 years
Motor vehicles	–	3 to 12 years
Leasehold land	–	Over the remaining lease terms
Freehold land	–	Not depreciated

Asset under construction are not depreciated as these assets are not yet available for use.

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in statement of comprehensive income in the year the asset is derecognised.

2.8 Investment property

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment property (continued)

Subsequent to initial recognition, cost model is used to measure the investment property at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value. For disclosure purposes only, the fair values are determined by management. Depreciation is computed on a straight-line basis over the estimated useful lives of the investment properties of 14 to 35 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in statement of comprehensive income in the year of retirement or disposal.

2.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in statement of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated 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 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 intangible assets are amortised on a straight line basis over their estimated useful lives as follows:

Formula and technology	–	20 years
Non-compete fees	–	5 years
Customer relationships	–	6 years
Computer software	–	5 to 7 years

Intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition 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 statement of comprehensive income when the asset is derecognised.

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the 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.

Impairment losses of continuing operations are recognised in statement of comprehensive income, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in statement of comprehensive income unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.11 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.12 Joint arrangements – joint ventures

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement. To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group accounts for its investments in joint ventures using the equity method from the date on which it becomes a joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Joint arrangements – joint ventures (continued)

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the joint venture's statement of comprehensive income in the period in which the investment is acquired.

Under the equity method, the investment in joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The statement of comprehensive income reflects the share of results of the operations of the joint ventures. Distributions received from joint ventures reduce the carrying amount of the investment.

Where there has been a change recognised in other comprehensive income by the joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint ventures.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in statement of comprehensive income.

The financial statements of the joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through statement of comprehensive income, directly attributable transaction costs.

Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through statement of comprehensive income are expensed immediately. The transactions are recorded at the trade date. When the settlement date accounting is applied, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognised in net statement of comprehensive income for assets classified as trading.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments (continued)

(a) Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through statement of comprehensive income:

Assets are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a designated as an effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option". All changes in fair value relating to assets at fair value through statement of comprehensive income are recognised directly in statement of comprehensive income.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For impairment, the carrying amount of the asset is reduced through use of an allowance account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Gains and losses are recognised in statement of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through statement of comprehensive income. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of available-for-sale financial assets (other than those relating to foreign exchange translation differences on monetary investments) are recognised in other comprehensive income (except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in statement of comprehensive income) and accumulated in a separate component of equity under the heading revaluation reserves. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to statement of comprehensive income as a reclassification adjustment when the financial asset is de-recognised.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments (continued)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through statement of comprehensive income, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in statement of comprehensive income.

2.14 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in statement of comprehensive income.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of financial assets (continued)

(a) Financial assets carried at amortised cost (continued)

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in statement of comprehensive income.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in statement of comprehensive income, is transferred from other comprehensive income and recognised in statement of comprehensive income. Reversals of impairment losses in respect of equity instruments are not recognised in statement of comprehensive income; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in statement of comprehensive income. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in statement of comprehensive income, the impairment loss is reversed in statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Cash and cash equivalents

Cash and cash equivalents include bank and cash balances and on demand deposits. For the consolidated statement of cash flows the item includes cash and cash equivalents less cash subject to restriction, if any.

2.16 Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Biological assets

Biological assets include dairy cows and breeding livestock. Breeding livestock includes breeding chickens, breeding cattle and breeding swine.

Dairy cows, including milkable cows, heifers and calves are measured on initial recognition and at the end of the reporting year at their fair value less costs to sell, with any resultant gain or loss recognised in statement of comprehensive income for the year in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation costs excluding finance costs and income taxes. The fair value of dairy cows is determined based on its present location and condition and is determined independently by professional valuers. The fair value of dairy cows for which there are active markets is determined by reference to the quoted market prices. For dairy cows where there is no active market, fair value is determined by valuation techniques, for example discounted cash flow techniques, etc.

The feeding costs and other related costs including the depreciation charge, utilities cost and consumables incurred for raising of heifers and calves are capitalised, until such time as the heifers and calves begin to produce milk.

In general, the heifers are inseminated when they reach an age of approximately 14 months old. After an approximately 9 month pregnancy term, a calf is born and the dairy cow begins to produce raw milk and the lactation period begins.

Breeding chickens include grandparent stocks that produce hatchable eggs for parent stocks, and parent stocks that produce hatchable eggs for trade livestock inventories. Breeding chickens are classified as productive breeding chickens and unproductive breeding chickens. Unproductive breeding chickens are stated at fair value which approximates acquisition costs plus accumulated growing costs. The accumulated costs of unproductive breeding chickens are reclassified to productive breeding chickens at the optimal production age. In general, unproductive broiler breeding chickens reach the optimal production age after 25 weeks and unproductive layer breeding chickens reach the optimal production age after 20 weeks. Productive breeding chickens are carried at fair value, which is approximately cost at the time of reclassification from unproductive breeding chickens and are amortised over the economic egg-laying lives of the breeding chickens (42 – 52 weeks) after considering residual values.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Biological assets (continued)

Breeding cattle are cattle that are being nurtured for production of calves. Breeding cattle are classified as productive breeding cattle and unproductive cattle. Unproductive cattle are stated at fair value which approximates acquisition costs plus accumulated growing costs. The accumulated costs of unproductive cattle are reclassified to productive cattle at the optimal productive age. In general, unproductive cattle reach the average optimal production age after 15 months. Productive cattle are measured on initial recognition and at the end of the reporting year at fair value less costs to sell, with any resultant gain or loss recognised in statement of comprehensive income for the year in which it arises.

Breeding swine are swine that are being nurtured for production of piglets. Breeding swine are classified as productive breeding swine and unproductive swine. Unproductive swine are stated at fair value which approximates acquisition costs plus accumulated growing costs. The accumulated costs of unproductive swine are reclassified to productive swine at the optimal productive age. In general, immature swine are carefully selected to be classified as productive breeding swine based on a combination of the right age, body weight and physical / genetic qualities. Productive swine are measured on initial recognition and at the end of the reporting year at fair value less costs to sell, with any resultant gain or loss recognised in statement of comprehensive income for the year in which it arises.

Forage plants are immature corn and sorghum plantation costs which consist of field preparation, planting, fertilising and maintenance and an allocation of other related costs. In general, a corn plantation and a sorghum plantation take about three months to reach maturity from the time the seedings are planted. Plantations in initial stages of growth are stated at fair value which approximates cost as market-determined prices or values are not available. Plantations close to harvest and the harvested product of the Group's wet corn and sorghum are measured at fair value less estimated point-of-sale costs. The fair value was determined based on the actual selling prices in the local market at the point of harvest and less estimated point-of-sale costs. Gains or losses arising on initial recognition of plantations at fair value less estimated point-of-sale costs and from the change in fair value less estimated point-of-sale costs of plantations at each reporting date are recognised in statement of comprehensive income for the year in which they arise. Upon harvest, the forage plants are transferred to inventories for feeding of the dairy cows.

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of time value of money is material, provisions are discounted at a current pre-tax rate that reflects, where appropriate, current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. Changes in estimates are reflected in statement of comprehensive income in the reporting year they occur.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in statement of comprehensive income over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to statement of comprehensive income.

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that 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 incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 Put option financial liabilities

Where the Group writes put options with non-controlling shareholders of subsidiaries, entitling them to sell their equity interests in the subsidiaries back to the Group for settlement in cash or another financial asset within a stipulated period upon the non-occurrence of specified events, the Group recognises a liability based on the present value of the redemption amount of the put options. Subsequent to initial recognition of the financial liability, the Group has adopted an accounting policy to recognise the changes in the present value of the put option financial liabilities in equity as the transaction is within equity holders. If the put option expires unexercised, then the put option financial liability is reversed against equity.

2.22 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits (continued)

(b) Defined benefit plans

Certain subsidiaries overseas have arrangements for defined benefit plans. Under the defined benefit plan, contributions are set at a level that is expected to be sufficient to pay the benefits falling due in the same period; and future benefits earned during the current period will be paid out of future contributions and the employees' benefits are determined by the length of their service and their salaries at the time of the pension. Remeasurements are reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur and not to be reclassified to statement of comprehensive income. All other costs related to the defined benefit plan are recognised in statement of comprehensive income.

Defined benefits plan liability recognised in the statement of financial position represents the present value of the defined benefit obligation reduced by the fair value of plan assets. Any asset (surplus) resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan. Such a plan creates actuarial risk for the entity: if the ultimate cost of benefits already earned at the end of the reporting period is more than expected, the entity will have either to increase its contributions or to persuade employees to accept a reduction in benefits.

For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonus is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

(c) Pension benefits

The Group's subsidiaries in Indonesia operates a defined benefit pension plan for severance and service benefits, which is required under the labour laws in Indonesia and is unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, is recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to statement of comprehensive income in subsequent period.

Past service costs are recognised in statement of comprehensive income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring–related costs.

The Group recognises service costs comprising current service costs, past-service costs, gains and losses on curtailments and non–routine settlements in the net defined benefit obligation under 'administration expenses' in consolidated statement of statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits (continued)

(d) Employee performance share and share option plans

(i) Performance share plans

Employees of the Group receive remuneration in the form of shares as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the shares awarded or rights granted, excluding the impact of any non-market vesting conditions. These are fair valued based on the market price of the entity's shares (or an estimated market price, if the entity's shares are not publicly traded). This cost is recognised in statement of comprehensive income, with a corresponding increase in equity, over the vesting period of the share-based payment scheme. The value of the charge is adjusted in statement of comprehensive income over the remainder of the vesting period to reflect expected and actual quantities vesting, with the corresponding adjustment made in equity.

If the employee is rendering the services for the award beginning on a date earlier than the grant date, the Group estimates the cost of the award and recognises such cost over a period starting with that earlier date. The Group adjusts the fair value estimate to the grant date when approval is given. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in statement of comprehensive income.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(ii) Employee share option plans

Some employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in statement of comprehensive income, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to statement of comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in the statement of comprehensive income upon cancellation.

The employee share option reserve is transferred to retained earnings upon expiry of the share option.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to statement of comprehensive income. Contingent rents are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(b). Contingent rents are recognised as revenue in the period in which they are earned.

2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rental income

Rental income is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue (continued)

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income from equity instruments is recognised when the entity's right to receive payment is established.

2.25 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in statement of comprehensive income except to the extent that the tax relates to items recognised outside statement of comprehensive income, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and established provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable statement of comprehensive income; and

– In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Taxes (continued)

(b) Deferred tax (continued)

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

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable statement of comprehensive income; and

– In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside statement of comprehensive income is recognised outside statement of comprehensive income. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

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

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on geographical area of the business unit which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.28 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.29 Derivative financial instruments

Derivative financial instruments are classified as financial assets or liabilities at fair value through statement of comprehensive income and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at each balance sheet.

Any gains or losses arising from changes in fair value on derivative financial instruments are taken to the statement of comprehensive income for the year.

The fair value of interest rate swap and forward currency contracts are determined by reference to market values for similar instruments.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Key sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) Fair value of biological assets

Biological assets are measured at fair value less costs to sell. In measuring the fair value of the biological assets, such as dairy cows, breeding cattle and swine, the fair value is measured based on either the market determined prices as at the end of the reporting year adjusted with reference to the species, age, growing condition, costs incurred and expected yield to reflect differences in characteristics and/or stages of growth of the biological assets; or the present value of expected net cash flows from the biological assets discounted at a current market-determined rate, when market-determined prices are unavailable. Any change in the estimates may affect the fair value of the biological assets significantly. The key assumptions applied in determination of the fair value of the Group's biological assets are described in more detail in Note 18.

The carrying amount of the biological assets as at 31 December 2017 is US$427.5 million (2016: US$363.1 million).

(b) Defined benefit plans

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Defined benefit plan liabilities at 31 December 2017 amounted to US$105.9 million (2016: US$89.5 million). Further details about pension obligations are disclosed in Note 27.

(c) Impairment assessment of non-financial assets

Where an investee is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. The carrying amount of the specific asset (or class of assets) at the end of the reporting year affected by these assumption is US$198.8 million (2016: US$9.2 million).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Judgements made in applying accounting policies

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below.

Income taxes

The Group operates in a number of jurisdictions, including Indonesia, China, India, Vietnam, Myanmar and Singapore. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate determination is uncertain during the ordinary course of business. The administration and enforcement of tax laws and regulations may be subject to uncertainty and a certain degree of discretion by the tax authorities in these countries. Although the Group believes the amounts recognised for income and deferred taxes are adequate, these amounts may be insufficient based on the respective countries' tax authorities interpretation and application of these laws and regulations and the Group may be required to pay more as a result. It is impracticable to determine the extent of the possible effects of the above, if any, on the consolidated financial statements of the Group. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made.

4. REVENUE

	Group 2017 US$'000	Group 2016 US$'000
Revenue from sale of goods	3,189,930	3,032,944

5. INTEREST INCOME

	Group 2017 US$'000	Group 2016 US$'000
Interest income	4,087	3,580

6. OTHER GAINS AND (LOSSES)

	Group 2017 US$'000	Group 2016 US$'000
Other gains		
Gain on disposal of property, plant and equipment	1,268	2,915
Gain on fair value of call option assets	–	2,948
Gain on buyback of bonds payable (Note 29C)	–	589
Gain on disposal of other financial assets	–	149
Bad debts recoverable from trade receivables	5,258	1,553
Insurance compensation	1,419	963
Sale of scrap	1,110	1,022
Sale of cattle on disposal of farm	–	13,744
Government grant income	1,288	478
Payables written back	26	68
Rental income from investment properties	11	11
Other rental income	1,039	290
Others	–	3,737
	11,419	28,467
Other losses		
Write-off of property, plant and equipment	(299)	(699)
Loss on fair value of financial assets	–	(473)
Loss on fair value of derivative financial instruments	(4,909)	(278)
Early redemption of bonds payable	(5,029)	–
Others	(2,017)	–
	(12,254)	(1,450)

7. MARKETING AND DISTRIBUTION COSTS

The major components include the following:

	Group	
	2017	2016
	US$'000	US$'000
Advertising and promotion expense	37,305	32,221
Employee benefits expense	31,822	28,565
Freight charges	29,947	27,425
Sales commission	6,499	6,091
Vehicles maintenance	5,237	4,607
Freight forwarding	4,783	3,062
Travel and courier services	4,097	4,246
Rental expenses	3,497	3,360
Depreciation expenses	3,146	2,778

8. ADMINISTRATIVE EXPENSES

The major components include the following:

	Group	
	2017	2016
	US$'000	US$'000
Audit fees:		
– Auditor of the Company	187	190
– Other auditors	1,256	1,188
Non-audit fees:		
– Auditor of the Company	128	–
– Other auditors	103	87
Employee benefits expense	147,360	128,905
Depreciation expense	13,911	12,229
Travel expense	9,626	7,808
Rental expense	7,278	5,961
Professional expense	6,150	5,246
Security expense	5,233	12,116
Miscellaneous office expense	5,580	5,755
Maintenance expense	4,210	3,757

9. FINANCE COSTS

	Group	
	2017	2016
	US$'000	US$'000
Interest expense on borrowings	67,261	60,035

10. EMPLOYEE BENEFITS EXPENSE

	Group 2017 US$'000	Group 2016 US$'000
Salaries and bonuses	250,557	240,644
Contributions to defined contribution plans	13,389	13,751
Defined benefits expenses (Note 27)	16,001	10,500
Share-based payments: Performance share plan	21	3,138
Share-based payments: Employee share option plan	416	536
Total employee benefits expense	280,384	268,569

11. INCOME TAX

11A. Components of tax expense recognised in statement of comprehensive income

	Group 2017 US$'000	Group 2016 US$'000
Current income tax:		
Current income taxation	47,009	57,556
Under provision in respect of previous years	10,413	–
	57,422	57,556
Deferred income tax:		
Origination and reversal of temporary differences	(6,142)	(651)
Income tax expense recognised in statement of comprehensive income	51,280	56,905

The reconciliation or income tax below is determined by applying the Singapore corporate tax rate. The income tax in statement of comprehensive income varied from the amount determined by applying the Singapore corporate tax rate of 17% (2016: 17%) to statement of comprehensive income before income tax as a result of the following differences:

	Group 2017 US$'000	Group 2016 US$'000
Profit before income tax	107,517	254,626
Share of loss of equity accounted joint ventures	134	367
	107,651	254,993
Income tax expense at the above rate	18,278	43,349
Effect of different tax rates in different countries	11,417	9,486
Expenses not deductible for tax purposes	7,787	12,495
Income not subject to tax	(8,995)	(15)
Deferred tax assets not recognised	4,390	3,508
Under adjustments in respect of prior years	10,413	–
Withholding tax	5,088	120
Tax incentives	(1,863)	(10,618)
Others	4,765	(1,420)
Total income tax expense	51,280	56,905
Effective tax rate	47.6%	22.3%

11. INCOME TAX (CONTINUED)

11A. Components of tax expense recognised in statement of comprehensive income (continued)

There are no income tax consequences of dividends to owners of the Company.

Expenses not deductible for tax purposes comprise mainly facilities expenses and depreciation expense of certain subsidiaries.

The amount of income tax payable outstanding as at end of the reporting year was US$19.7 million (2016: US$16.8 million). Such an amount is net of tax advances, which, according to the tax rules, was paid before the end of the reporting year.

Certain subsidiaries within the Group are exempted from corporate income tax in the respective tax jurisdiction. In addition, a subsidiary in the Group enjoys a concessionary corporate income tax rate of 10%, subject to meeting certain terms and conditions imposed by the authorities.

11B. Deferred tax expense/(income) recognised in statement of comprehensive income

	Group	
	2017	2016
	US$'000	US$'000
Excess of net book value over tax value of plant and equipment	744	1,428
Fair value of biological assets	(952)	(568)
Tax losses of subsidiaries	(1,658)	(153)
Provision for employee obligations	(923)	887
Allowance for impairment	(969)	(408)
Others	(2,384)	(1,835)
Net deferred tax income recognised in statement of comprehensive income	(6,142)	(651)

11C. Deferred tax income recognised in other comprehensive income

	Group	
	2017	2016
	US$'000	US$'000
Re-measurement of the net defined benefits plan (Note 27)	(3,413)	(1,555)

11. INCOME TAX (CONTINUED)

11D. Deferred tax balance in the statement of financial position

	Group	
	2017	2016
	US$'000	US$'000
Deferred tax assets/(liabilities) are as follows:		
Excess of net book value over tax value of plant and equipment	(5,463)	(4,543)
Fair value of biological assets	(1,326)	(2,289)
Losses of subsidiaries	3,728	2,004
Provision for employee obligations	15,897	12,158
Others	7,615	4,567
Total	20,451	11,897
Presented in the statement of financial position as follows:		
Deferred tax assets	24,037	15,714
Deferred tax liabilities	(3,586)	(3,817)
	20,451	11,897

11E. Unrecognised deferred tax

Unrecognised tax losses:

At the end of the reporting year, the Group and the Company have unutilised tax losses of approximately US$58.1 million (2016: US$56.5 million) and US$12.9 million (2016: US$14.9 million) respectively that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Included in unrecognised tax losses are tax losses with expiry dates as follows:

	Group	
	2017	2016
Tax losses expiring in year	US$'000	US$'000
2017	–	3,768
2018	4,426	4,146
2019	5,380	4,994
2020	4,626	4,314
2021	6,023	5,920
2022	8,610	–
	29,065	23,142

Temporary differences on undistributed earnings:

A deferred tax liability of approximately US$34.0 million (2016: US$32.5 million) has not been recognised in these financial statements for withholding taxes that would be payable on the undistributed earnings of the Group's foreign subsidiaries as the Group is able to control the timing of dividend distributions of the subsidiaries and has determined that these undistributed earnings will not be distributed in the foreseeable future.

12. EARNINGS PER SHARE

The following table illustrates the numerators and denominators used to calculate basic and diluted amount per share of no par value:

	Group	
	2017 US$'000	2016 US$'000
Numerator:		
Earnings attributable to equity holders	1,321	118,784

	2017 '000	2016 '000
Denominator:		
Weighted average number of equity shares	1,768,741	1,764,670

The weighted average number of equity shares refers to shares in circulation during the reporting year.

There is no dilution of earnings per share as there are presently no dilutive shares outstanding as at the end of the reporting year. The denominators used are the same as those detailed above for both basic and diluted earnings per share.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land US$'000	Freehold land US$'000	Buildings & site facilities US$'000	Machinery & equipment US$'000	Office furniture & fixtures US$'000	Construction in progress US$'000	Motor vehicles US$'000	Assets not in use US$'000	Total US$'000
Cost:									
At 31 December 2015	139,457	1,016	439,902	415,007	68,996	55,934	61,251	10,338	1,191,901
Additions	19,172	–	8,443	12,401	7,125	119,634	9,111	237	176,123
Disposals/write-off	(14,610)	–	(3,492)	(2,809)	(979)	(363)	(2,128)	–	(24,381)
Reclassifications *	2,713	–	82,360	40,574	4,063	(129,203)	831	(10,900)	(9,562)
Foreign exchange adjustments	4,308	(23)	(4,758)	1,025	1,797	532	1,458	325	4,664
At 31 December 2016	151,040	993	522,455	466,198	81,002	46,534	70,523	–	1,338,745
Additions	21,288	384	13,999	16,506	14,969	128,829	5,802	–	201,777
Disposals/write-off	(32)	–	(921)	(1,518)	(1,053)	(1)	(2,648)	–	(6,173)
Reclassifications *	636	–	6,842	80,852	582	(95,847)	3,121	–	(3,814)
Foreign exchange adjustments	(1,131)	63	8,980	6,177	(368)	(428)	(362)	–	12,931
At 31 December 2017	171,801	1,440	551,355	568,215	95,132	79,087	76,436	–	1,543,466

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold land US$'000	Freehold land US$'000	Buildings & site facilities US$'000	Machinery & equipment US$'000	Office furniture & fixtures US$'000	Construction in progress US$'000	Motor vehicles US$'000	Assets not in use US$'000	Total US$'000
Accumulated depreciation:									
At 31 December 2015	24,872	–	92,351	157,625	42,903	–	39,139	59	356,949
Depreciation for the year	3,477		23,888	38,182	10,203	–	7,052	–	82,802
Disposals / write-off	–	–	(685)	(1,057)	(782)	–	(1,549)	–	(4,073)
Reclassifications *	–	–	(32)	185	(105)	–	(121)	(62)	(135)
Foreign exchange adjustments	723	–	670	1,889	1,111	–	997	3	5,393
At 31 December 2016	29,072	–	116,192	196,824	53,330	–	45,518	–	440,936
Depreciation for the year	3,817	–	24,940	48,054	11,102	–	7,322	–	95,235
Disposals / write-off	–	–	(192)	(1,110)	(907)	–	(2,333)	–	(4,542)
Reclassifications *	807	–	(5,349)	4,835	206	–	–	–	499
Foreign exchange adjustments	(271)	–	619	825	(403)	–	(357)	–	413
At 31 December 2017	33,425	–	136,210	249,428	63,328	–	50,150	–	532,541
Net book value:									
At 31 December 2016	121,968	993	406,263	269,374	27,672	46,534	25,005	–	897,809
At 31 December 2017	138,376	1,440	415,145	318,787	31,804	79,087	26,286	–	1,010,925

* Included in the reclassifications are certain assets with carrying values reclassified from / to investment properties (Note 14) of US$3,421,000 (2016: US$10,589,000), intangible assets (Note 15) of US$654,000 (2016: US$Nil) and other assets (Note 21) of US$238,000 (2016: US$1,162,000) respectively.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Office furniture & fixtures US$'000	Motor vehicles US$'000	Total US$'000
Cost:			
At 31 December 2015	1,237	61	1,298
Additions	12	387	399
Disposals/write-off	(2)	–	(2)
At 31 December 2016	1,247	448	1,695
Additions	9	–	9
Disposals/write-off	–	(61)	(61)
At 31 December 2017	1,256	387	1,643
Accumulated depreciation:			
At 31 December 2015	856	27	883
Depreciation for the year	246	12	258
Disposals / write-off	(1)	–	(1)
Reclassifications *	(12)	12	–
At 31 December 2016	1,089	51	1,140
Depreciation for the year	131	80	211
Disposals / write-off	–	(54)	(54)
At 31 December 2017	1,220	77	1,297
Net book value:			
At 31 December 2016	158	397	555
At 31 December 2017	36	310	346

Depreciation is included in cost of sales, marketing and distribution costs and administrative expenses.

Certain items of property, plant and equipment are pledged as security for banking facilities (Note 29A).

Certain land is held in trust for the Group by employees of the Group.

Certain assets are under finance lease agreements (see Note 29B).

14. INVESTMENT PROPERTIES

	Group 2017 US$'000	2016 US$'000
At cost:		
At beginning of the year	12,837	2,639
Disposals	(8,218)	(562)
Reclassifications from property, plant and equipment	2,877	10,677
Foreign exchange adjustments	(106)	83
At end of the year	7,390	12,837
Accumulated depreciation and impairment:		
At beginning of the year	2,269	1,715
Depreciation for the year	592	468
Disposals	(398)	(52)
Reclassifications (to)/from property, plant and equipment	(544)	88
Foreign exchange adjustments	(24)	50
At end of the year	1,893	2,269
Net book value:		
At beginning of the year	10,568	924
At end of the year	5,497	10,568
Rental income	11	11
Direct operating expenses (including repair and maintenance) of investment properties that generated rental income during the year	35	35
Direct operating expenses (including repair and maintenance) of investment properties that do not generated rental income during the year	94	433

The investment properties are leased out as operating leases. The management has not entered into contractual obligations for the maintenance or enhancement of the investment properties.

There are no restrictions on the realisability of investment properties or the remittance of income and proceeds of disposal.

Investment properties are carried at cost less accumulated depreciation at the statement of financial position date. The fair value of investment properties was not determined as it is not expected to be significantly different from the carrying value.

15. INTANGIBLE ASSETS

	Group 2017 US$'000	Group 2016 US$'000
Goodwill (Note 15A)	5,177	5,220
Other intangible assets (Note 15B)	5,205	3,164
	10,382	8,384

15A. Goodwill

	2017	2016
Balance at beginning of the year	5,220	5,061
Foreign exchange adjustments	(43)	159
Balance at end of the year	5,177	5,220

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in a subsidiary as follows:

	Group Animal Protein Segment 2017 US$'000	Group Animal Protein Segment 2016 US$'000
Name of subsidiary:		
PT Ciomas Adisatwa	5,177	5,220

The goodwill was tested for impairment at the end of the reporting year. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs of disposal or its value in use. The recoverable amount of the CGU has been measured based on the value in use method. The value in use is measured by management. The value in use is a recurring fair value measurement (Level 3). The quantitative information and key assumptions about the value in use measurement using significant unobservable inputs for cash generating unit are consistent with those used for the measurement last performed and is analysed as follows:

	Group Animal Protein Segment 2017	Group Animal Protein Segment 2016
Valuation technique:	Discounted cash flow method	
Unobservable inputs:		
Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGU:	9.36%	11.00%
Cash flow forecasts derived from the most recent financial budgets and plans approved by management:	5 years	5 years

15. INTANGIBLE ASSETS

15A. Goodwill (continued)

Relationship of unobservable inputs to value in use:

Discount rate – the higher the discount rate, the lower the value in use.

Based on impairment testing performed as of 31 December 2017 and 2016, no impairment in goodwill is required.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the goodwill as of the end of the reporting period, assuming if all other assumptions were held constant:

	Group			
	2017		2016	
	Increase/ (decrease)	Change in recoverable amount US$'000	Increase/ (decrease)	Change in recoverable amount US$'000
Discount rate	+1%	(2,068)	+1%	(1,389)
	−1%	2,068	−1%	1,471

15B. Other intangible assets

Group	Customer relation-ships US$'000	Formula and technology US$'000	Non-compete fees US$'000	Computer software US$'000	Total US$'000
At cost:					
At 31 December 2015	2,853	25	199	6,020	9,097
Additions	–	–	–	1,121	1,121
Foreign exchange adjustments	–	–	(4)	85	81
At 31 December 2016	2,853	25	195	7,226	10,299
Additions	–	1,296	–	1,867	3,163
Reclassification	–	–	–	696	696
Foreign exchange adjustments	–	38	12	67	117
At 31 December 2017	2,853	1,359	207	9,856	14,275
Accumulated amortisation:					
At 31 December 2015	2,852	4	199	2,578	5,633
Amortisation for the year	–	5	–	1,491	1,496
Foreign exchange adjustments	–	–	(4)	10	6
At 31 December 2016	2,852	9	195	4,079	7,135
Additions	–	124	–	1,735	1,859
Reclassification	–	–	–	42	42
Foreign exchange adjustments	–	3	12	19	34
At 31 December 2017	2,852	136	207	5,875	9,070
Net book value:					
At 31 December 2016	1	16	–	3,147	3,164
At 31 December 2017	1	1,223	–	3,981	5,205

The amortisation expense of other intangible assets is charged as administrative expenses.

16. INVESTMENTS IN SUBSIDIARIES

	Company 2017 US$'000	Company 2016 US$'000
Quoted equity shares at cost	93,252	93,252
Unquoted equity shares at cost	1,190,181	857,354
	1,283,433	950,606
Less: Allowance for impairment	(3,400)	(3,400)
Net carrying amount	1,280,033	947,206
Fair value of quoted equity shares	558,398	630,186
Analysis of above amount denominated in non-functional currency:		
Indonesian Rupiah	93,252	93,252
Indian Rupee	4,230	4,230
Movements in cost during the year:		
Balance at the beginning of the year	950,606	793,475
Additions	332,737	16,383
Capitalisation of loan to subsidiaries	90	147,825
Disposals	–	(7,077)
Balance at the end of the year	1,283,433	950,606
Movements in allowance for impairment:		
Balance at the beginning and end of the year	3,400	3,400

16A. Major subsidiaries held by the Group

Name of subsidiaries and principal activities (and independent auditor)	Country of incorporation	Effective equity held by the Group 2017 %	Effective equity held by the Group 2016 %
Held by the Company:			
PT Japfa Comfeed Indonesia Tbk ("JCI") [(b)] [(f)] Processing of materials for the manufacture/ production of animal feed, engaging in breeding, poultry and other farms and engaging in domestic and international trading	Indonesia	51.0	51.0
Annona Pte Ltd [(a)] Import and export of raw materials	Singapore	100	100
Jupiter Foods Pte Ltd ("JFS") [(a)] Investment holding	Singapore	100	100
Japfa South-Asia Investments Pte Ltd ("JSI") [(a)] Investment holding	Singapore	100	100

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

16A. Major subsidiaries held by the Group (continued)

Name of subsidiaries and principal activities (and independent auditor)	Country of incorporation	Effective equity held by the Group 2017 %	2016 %
<u>Held by the Company:</u> (continued)			
Japfa Vietnam Investments Pte Ltd ("JVI") [a] Investment holding	Singapore	100	100
Japfa China Investments Pte Ltd ("JC") [a] Investment holding	Singapore	100	100
Japfa Myanmar JV Pte Ltd ("JMJV") [a] Investment holding	Singapore	100	100
AustAsia Investment Holdings Pte Ltd ("AIH") [a] [e] Investment holding	Singapore	100	61.9
AIH2 Pte Ltd ("AIH2") [a] [e] Providing business and management consultancy services	Singapore	100	64.5
<u>Major subsidiaries held through JCI:</u>			
PT Suri Tani Pemuka [b] Production of shrimp feed, shrimp farming, cold storage and shrimp hatchery	Indonesia	51.0	51.0
Comfeed Finance B.V. [c] Provision of treasury services (RSM Netherlands B.V.)	Netherlands	51.0	51.0
PT Ciomas Adisatwa [b] Trading, commercial farm and chicken slaughter house	Indonesia	51.0	51.0
PT Indojaya Agrinusa [b] [d] Animal feeds manufacturing and chicken breeding	Indonesia	25.5	25.5
PT Santosa Agrindo [b] Trading, beef processing unit and cattle slaughter house	Indonesia	51.0	51.0
<u>Major subsidiary held through JSI:</u>			
Japfa Comfeed India Private Ltd ("JCIPL") [b] Poultry	India	100	100
<u>Major subsidiary held through JFS:</u>			
PT So Good Food [c] Trading (Mulyamin Sensi Suryanto & Lianny)	Indonesia	100	100

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

16A. Major subsidiaries held by the Group (continued)

Name of subsidiaries and principal activities (and independent auditor)	Country of incorporation	Effective equity held by the Group 2017 %	2016 %
Major subsidiary held through JVI:			
Japfa Comfeed Vietnam Limited Company [(c)] Breeding farm and poultry (RSM Vietnam)	Vietnam	100	100
Major subsidiary held through Japfa China Investments Pte Ltd:			
Dongying Japfa Beef Co Ltd. [(c)] Beef cattle breeding, grass forage production, import and export of beef cattle and related products (Hui Xin Certified Public Accountants)	China	100	100
Major subsidiary held through JMJV:			
Japfa Comfeed Myanmar Pte Ltd ("JCM") [(b)] Poultry and feedmill business	Myanmar	99.0	100
Major subsidiaries held through AIH:			
PT Greenfields Indonesia [(b) (e)] Production and sales of milk	Indonesia	100	61.9
Dongying AustAsia Modern Dairy Farm Co., Ltd [(b) (e)] Production and sales of milk	China	100	61.9
Taian AustAsia Modern Dairy Farm Co., Ltd [(b) (e)] Production and sales of milk	China	100	61.9
Dongying Xianhe AustAsia Modern Dairy Farm Co., Ltd [(b) (e)] Production and sales of milk	China	100	61.9
Dongying Shenzhou AustAsia Modern Dairy Farm Co., Ltd [(b) (e)] Production and sales of milk	China	100	61.9
Major subsidiaries held through AIH2:			
Chifeng Austasia Modern Dairy Farm Co., Ltd [(b) (e)] Production and sales of milk	China	100	64.5

(a) Audited by Ernst & Young LLP, Singapore.
(b) Audited by member firms of EY Global in the respective countries
(c) Other independent auditors. Audited by firms of accountants other than member firms of EY Global of which Ernst & Young LLP in Singapore is a member. Their names are indicated above.
(d) The entity is regarded as a subsidiary as the Group owns, directly or indirectly through subsidiaries, more than half of the voting power of the entity, and it is able to obtain control through potential voting rights.
(e) On 21 December 2017, the Company entered into a share purchase agreement to acquire all outstanding shares in AIH and AIH2. Following this transaction, the Company's ownership in AIH increased from 61.9% to 100% and AIH2 increased from 64.5% to 100% respectively. Also see Note 16D.
(f) Listed on a stock exchange.

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

16A. Major subsidiaries held by the Group (continued)

As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited, the audit committee and the board of directors of the Company have satisfied themselves that the appointment of different auditors for certain subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

16B. Impairment of certain subsidiaries

Certain investments in subsidiaries with carrying amounts of US$198.8 million (2016: US$9.2 million) were tested for impairment at the end of the reporting year where the cost of investments exceeded the net asset values of these subsidiaries. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs of disposal or its value in use. The recoverable amounts of CGUs have been measured based on the value in use method as appropriate. The value in use is measured by management and no impairment loss is required to be recognised during the year (2016: nil).

16C. Financial information of subsidiaries with material NCI

There are subsidiaries that have non-controlling interests ("NCI") that are considered material to the Group and additional disclosures on them (amounts before inter-company eliminations) are presented below.

	Group	
	2017	2016
	US$'000	US$'000
Name of the subsidiary: PT Japfa Comfeed Indonesia Tbk		
Profit for the year allocated to NCI of the subsidiary	42,426	64,968
Accumulated NCI of the subsidiary at the end of the reporting year	328,133	258,715
The summarised financial information of the subsidiary (not adjusted for the percentage ownership held by the Group and amounts before inter-company eliminations) is as follows:		
Current assets	825,902	823,237
Non-current assets	615,044	502,151
Current liabilities	352,055	386,540
Non-current liabilities	482,070	349,294
Revenue	2,209,458	2,030,281
Profit for the reporting year	78,003	154,084
Total comprehensive income	63,867	158,907
Operating cash flows, increase	57,520	206,574
Net cash flows, (decrease)/ increase	(79,166)	135,745

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

16C. Financial information of subsidiaries with material NCI (continued)

	Group	
	2017	2016
	US$'000	US$'000
Name of the subsidiary: AustAsia Investment Holdings Pte Ltd		
Profit for the year allocated to NCI of the subsidiary	6,885	3,318
Accumulated NCI of the subsidiary at the end of the reporting year	–	115,516
The summarised financial information of the subsidiary (not adjusted for the percentage ownership held by the Group and amounts before inter-company eliminations) is as follows:		
Current assets	127,541	129,139
Non-current assets	471,918	404,264
Current liabilities	113,148	94,666
Non-current liabilities	151,030	135,764
Revenue	285,318	287,883
Profit for the reporting year	18,058	8,703
Total comprehensive income/(loss)	31,893	(4,730)
Operating cash flows, increase	68,447	68,330
Net cash flows, increase	14,931	13,949
Name of the subsidiary: AIH2 Pte Ltd		
Loss for the year allocated to NCI of the subsidiary	5,555	2,256
Accumulated NCI of the subsidiary at the end of the reporting year	–	33,914
The summarised financial information of the subsidiary (not adjusted for the percentage ownership held by the Group and amounts before inter-company eliminations) is as follows:		
Current assets	54,682	72,582
Non-current assets	195,080	141,384
Current liabilities	42,633	44,824
Non-current liabilities	68,234	73,744
Revenues	69,745	13,883
Profit for the reporting year	15,626	6,347
Total comprehensive income	22,296	587
Operating cash flows, increase/(decrease)	9,119	(889)
Net cash flows, (decrease)/increase	(30,653)	35,765

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

16D. Investments in AIH and AIH2

AIH Undertaking

As part of the Company's pre-IPO restructuring, on 2 April 2014, the Company entered into a sale and purchase agreement with Progressive Investment Inc. ("PII"), Foxbar Investments Ltd. ("Foxbar") and Viva Sino Investments Limited ("Viva") (collectively, the "Progressive Group") for the purchase by the Company of an aggregate of 134,953,572 fully paid ordinary shares and 6,343,571 partially paid ordinary shares (in total comprising 61.9% of the issued shares in the capital of AIH) and the undertakings defined below, for a consideration of US$554.5 million comprising US$50.0 million in cash and 168,256,634 new shares in the capital of the Company.

US$36.2 million of the aggregate consideration of US$554.5 million was for the assignment of the rights of the Progressive Group in respect of (i) the Deed of Undertaking dated 19 July 2012 entered into between Black River Funds 1 ("BR Fund 1") (non-controlling interest in AIH), Foxbar, and AIH ("Foxbar Undertaking"), under which BR Fund 1 had undertaken to Foxbar to pay 30.0% of its realisation value in cash/kind/AIH shares upon a realisation event (including AIH IPO or sale of its shares) less its cost of investment, and (ii) the Deed of Undertaking dated 13 August 2010 entered between BR Fund 1, PII and AIH (as amended on 10 August 2011) ("PII Undertaking"), under which BR Fund 1 had undertaken to PII to pay 20.0% of its realisation value in cash/kind/AIH shares upon any realisation event (including, AIH IPO or sale of its shares) less its cost of investment. Alternatively, Foxbar and PII have the option to purchase 14,014,286 AIH shares from BR Fund 1 for an aggregate consideration of US$15,214,000 being BR Fund 1's cost of investment. The consideration paid for the assignment of the undertaking and call option was recognised as investment in equity instrument as the Company intended to elect the settlement via AIH shares when it exercised its rights under the call option in future. The investment in equity instrument was adjusted against the capital reserve in the consolidated financial statements. On 28 November 2016, the Company served notice to the BR Fund 1 to irrevocable elect to purchase AIH shares in future when it exercised its right under the call option.

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

16D. Investments in AIH and AIH2 (continued)

AIH2 Undertaking

On 2 April 2014, the Company entered into an agreement with Black River Fund 2 ("BR Fund 2") ("AIH2 Shareholder's Agreement") to establish AIH2. Under the agreement, BR Fund 2 granted an undertaking to the Company in respect of its shareholding from time to time in AIH2 on substantially the same terms as those set out in the AIH Undertakings above, except for the operative percentage, which will be 10% of all shares held by BR Fund 2.

The Company and the Group recognised the fair value of AIH2 Call Option amounting to US$2,948,000 as at 31 December 2016 (Note 20). The fair value of AIH2 Call Option as at 31 December 2015 was not material.

Changes in equity interests in AIH and AIH2 in 2017

On 21 December 2017, the Company entered into a share purchase agreement ("SPA") with the BR Fund 1 and BR Fund 2 (collectively "BR Funds") to acquire all outstanding shares in the capital of AIH and AIH2 (collectively "AustAsia") held by the BR Funds (the "Proposed Transaction"). Under the SPA, the Company will (a) exercise its call options to purchase from the Black River Funds, 14,014,286 ordinary shares (6.14%) in the capital of AIH and 4,339,190 ordinary shares (3.56%) in the capital of AIH2 (collectively the "Call Option Shares"); and (b) purchase the remaining 73,057,142 ordinary shares (31.99%) in the capital of AIH and 39,052,710 ordinary shares (31.99%) in the capital of AIH2 (collectively the "Sale Shares") held by the Black River Funds.

The aggregate consideration for the Proposed Transaction is US$263.1 million (the "Consideration"). The Company and the Group had recorded Consideration payables of US$263.1 million as a liability in other payables accounts (see Note 28).

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

16D. Investments in AIH and AIH2 (continued)

Changes in equity interests in AIH and AIH2 in 2017 (continued)

The Consideration will be satisfied in full at the closing of the Proposed Transaction by:

(i) cash payment of US$223.0 million funded by bank financing; and

(ii) the issue of 90 million ordinary shares in the Company at the issue price of S$0.60 (US$0.45) per share based on exchange rate of 1.3465 (which is approximately US$40.1 million in aggregate).

This acquisition increased the Group's equity interest in AIH from 61.87% to 100% and AIH2 from 64.45% to 100% respectively. Changes in the ownership interest in a subsidiary that do not result in change in control are accounted for as transactions with owners in their capacity as owners (as equity transactions). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. 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 the owners of the parent.

The schedule below shows the effects of the changes.

	2017 US$'000
Proportionate share of the carrying amount of the net assets of AustAsia has been transferred from non-controlling interests	176,577
Loss included in capital reserve	(88,636)

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

16E. Changes in equity interests in subsidiaries in 2016

PT Japfa Comfeed Indonesia Tbk

An interest of 0.78% in subsidiary, JCI, was acquired in January 2016 for US$4.4 million in cash. This increased the equity interest from 57.95% to 58.73%. Changes in the ownership interest in a subsidiary that do not result in change in control are accounted for as transactions with owners in their capacity as owners (as equity transactions). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. 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 the owners of the parent. The schedule below shows the effects of the changes.

	2016 US$'000
Proportionate share of the carrying amount of the net assets of JCI has been transferred from non-controlling interests	2,626
Loss included in capital reserve	(1,770)

On 4 August 2016, global investment firm KKR's US$81.9 million investment in JCI was completed through a private placement in JCI for US$53.4 million and purchase of shares in JCI from the Company for US$28.5 million. Following this transaction, the Group recorded a capital reserve of US$18.4 million as a result of a reduction in its ownership in JCI from 58.73% to 51%. Changes in the ownership interest in a subsidiary that do not result in change in control are accounted for as transactions with owners in their capacity as owners (as equity transactions). 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 the owners of the parents.

The schedule below shows the effects of the changes at the Group level:

	2016 US$'000
Proportionate share of the carrying amount of the net assets of JCI has been transferred to non-controlling interests	63,513
Gain included in capital reserve	18,429

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

16E. Changes in equity interests in subsidiaries in 2016 (continued)

Japfa Comfeed Myanmar Pte Ltd

On 2 May 2016, the Group disposed of a 1% interest out of its 100% shareholding in Japfa Comfeed Myanmar Pte Ltd ("JCM") at a consideration of US$462,000. Changes in the ownership interest in a subsidiary that do not result in change in control are accounted for as transactions with owners in their capacity as owners (as equity transactions). 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 the owners of the parents. The schedule below shows the effects of the changes at the Group level.

	2016 US$'000
Proportionate share of the carrying amount of the net assets of JCM has been transferred to non-controlling interests	355
Gain included in capital reserve	107

PT Multi Makanan Permai

An interest of 30% in JCI's subsidiary, PT Multi Makanan Permai was acquired on 30 December 2016 for US$238,000 (IDR 3.2 billion) in cash. This increased the equity interest from 70% to 100%. Changes in the ownership interest in a subsidiary that do not result in change in control are accounted for as transactions with owners in their capacity as owners (as equity transactions). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. 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 the owners of the parent. The schedule below shows the effects of the changes.

	2016 US$'000
Proportionate share of the carrying amount of the net assets of PT Multi Makanan Permai has been transferred from non-controlling interests	263
Gain included in capital reserve	25

17. INVESTMENTS IN JOINT VENTURES

	Group 2017 US$'000	Group 2016 US$'000
Unquoted equity shares, at cost	7,940	5,643
Share of post-acquisition losses, net of dividends	(1,769)	(1,635)
Share of post-acquisition other comprehensive income	(8)	(4)
Foreign exchange adjustments	(93)	(179)
Carrying amount	6,070	3,825
Movements in carrying amount:		
Balance at beginning of the year	3,825	3,476
Additions	2,297	666
Share of loss for the year	(134)	(367)
Share of other comprehensive income for the year	(4)	(4)
Foreign exchange adjustments	86	54
Balance at end of the year	6,070	3,825

The listing of and information on the joint ventures is given below:

Name of joint ventures and principal activities (and independent auditor)	Country of incorporation	Effective equity held by the Group 2017 %	Effective equity held by the Group 2016 %
Held through JCIPL:			
Central India Poultry Breeders Private Limited [a] Animal feed production and poultry (SPCM & Associates, Chartered Accountants)	India	50	50
Held through PT So Good Food:			
PT Intan Kenkomayo Indonesia ("IKI") [a] Production and sales of mayonnaise and dressing sauce products (Mulyamin Sensi Suryanto & Lianny)	Indonesia	51	51
PT Cahaya Gunung Foods ("CGF") [a] Production and sales of fully cooked poultry product (Mulyamin Sensi Suryanto & Lianny)	Indonesia	40	40

(a) Other independent auditors. Audited by firms of accountants other than member firms of EY Global of which Ernst & Young LLP in Singapore is a member. Their names are indicated above.

The joint ventures are not considered material to the Group.

17. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The summarised financial information of the joint ventures (and not the Group's share of those amounts) based on the financial statements of the joint ventures are as follows:

	Group 2017 US$'000	Group 2016 US$'000
Summarised statement of comprehensive income		
Revenue	11,677	3,415
Loss for the reporting year	(272)	(723)
Total comprehensive loss	(280)	(731)
Depreciation and amortisation	(390)	(118)
Interest income	42	52
Interest expense	(43)	(42)
Income tax (expense)/income	(27)	252
Summarised statement of financial position		
Current assets	10,149	3,913
Cash and cash equivalents	2,159	1,826
Non-current assets	7,944	2,990
Current liabilities	(2,114)	(355)
Non-current liabilities	(4,281)	(376)
Non-current financial liabilities	(333)	(330)
Reconciliation:		
Net assets of the joint ventures	11,698	6,172
Group's share of net assets of the joint ventures	5,313	3,122
Goodwill	757	703
Carrying amount of the interest in the joint ventures	17,768	9,997

18. BIOLOGICAL ASSETS

	Group 2017 US$'000	Group 2016 US$'000
Breeding chickens (Note 18A)	76,227	63,597
Breeding cattle (Note 18B)	22,293	15,181
Breeding swine (Note 18C)	16,842	21,347
Dairy cows (Note 18D)	312,028	262,842
Others	180	182
	427,570	363,149
Presented as:		
Biological assets, current	76,227	63,597
Biological assets, non-current	351,343	299,552
	427,570	363,149

18. BIOLOGICAL ASSETS (CONTINUED)

The (decreases)/increases in fair values less estimated point of sale costs for biological assets during the reporting year are as follows:

	Group 2017 US$'000	Group 2016 US$'000
Productive breeding cattle	(419)	866
Productive breeding swine	(4,800)	1,577
Heifers and calves	3,775	5,934
Milkable cows	(19,443)	(25,437)
Forage plants	(1,237)	(1,643)
Net loss	(22,124)	(18,703)

Movement in biological assets:

	Forage Plants US$'000	Livestock US$'000	Total US$'000
As at 1 January 2016	176	341,805	341,981
Net additions/(reductions)	1,649	126,540	128,189
Sales/Mortality	-	(75,193)	(75,193)
Net Fair value less estimated costs to sell	(1,643)	(17,060)	(18,703)
Foreign exchange adjustments	-	(13,125)	(13,125)
As at 31 December 2016 and 1 January 2017	182	362,967	363,149
Net additions/(reductions)	1,235	137,855	139,090
Sales/Mortality	-	(67,957)	(67,957)
Net Fair value less estimated costs to sell	(1,237)	(20,887)	(22,124)
Foreign exchange adjustments	-	15,412	15,412
As at 31 December 2017	180	427,390	427,570

18A. Breeding chickens

In general, the productive lives of the breeding chickens are approximately a year. Therefore, the fair value of the biological assets is regarded to approximate the carrying amount of biological assets stated at cost less accumulated amortisation and impairment losses.

The quantity of breeding chickens owned by the Group at end of the reporting year is shown below:

	2017 Head'000	2016 Head'000
Productive chickens	4,588	4,064
Unproductive chickens	2,591	3,199
	7,179	7,263

18. BIOLOGICAL ASSETS (CONTINUED)

18B. Breeding cattle

The quantity of breeding cattle owned by the Group at end of the reporting year is shown below:

	2017 Head	2016 Head
Productive breeding cattle	11,996	7,798
Unproductive breeding cattle	5,137	3,829
	17,133	11,627

Breeding cattle are pledged as security for general banking facilities granted to the Group (Note 29A).

18C. Breeding swine

The quantity of breeding swine owned by the Group at end of the reporting year is shown below:

	2017 Head	2016 Head
Productive breeding swine	32,619	45,807
Unproductive breeding swine	50,219	51,717
	82,838	97,524

Breeding swine are pledged as security for general banking facilities granted to the Group (Note 29A).

18. BIOLOGICAL ASSETS (CONTINUED)

18D. Dairy cows

The quantity of dairy cows owned by the Group at end of the reporting year is shown below:

	2017 Head	2016 Head
Milkable cows	47,214	42,973
Heifers and calves	43,145	39,289
	90,359	82,262

Dairy cows are pledged as security for general banking facilities granted to the Group (Note 29A).

The principal valuation assumptions adopted in applying the discounted cash flow approach are as follows:

– The culling rates adopted are based on the estimated culling rate of the livestock in the forecasted years due to natural or unnatural factors. The culling rates adopted in the PRC are 15%, 20%, 30%, 50%, 60% and 100% (2016: 15%, 20%, 30%, 50%, 60% and 100%) in the first to the sixth lactation cycles.

  The culling rates adopted in Indonesia are 10%, 20%, 30%, 40%, 50%, 60% and 100% (2016: 10%, 20%, 30%, 40%, 50%, 60% and 100%) in the first to the seventh lactation cycles.

– The natural birth rate is determined based on the estimated natural birth rate of the livestock in the forecasted years.

– The discount rate represents the pre-tax discount rate related to the specific risks of the relevant assets group. The discount rates used are 13.00% in PRC and 17.3% in Indonesia (2016: 12.90% in PRC and 18.65% in Indonesia).

– The expected average prices of milk are estimated after taking into account certain percentage growth, future demand and inflation. The expected average prices are US$0.56 per liter (2016: US$0.58 per liter) in the PRC and US$0.44 per liter (2016: US$0.46 per liter) in Indonesia.

– The inflation rate of raw materials is determined based on the estimated inflation index in the raw material sourcing locations in the forecasted years.

18E. Forage plants

Forage plants are usually sown in spring and harvested in autumn of the same year for feeding dairy cows. Loss in the reporting year arising from changes in fair value of forage plants amounted to US$1,237,000 (2016: US$1,643,000).

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Non-current:				
Other receivables:				
Third parties	1,487	1,484	–	–
Joint venture	363	313	–	–
Investee company	12,745	–	–	–
Total	14,595	1,797	–	–
Current:				
Trade receivables:				
Third parties	174,092	144,912	–	–
Joint venture	182	90	–	–
Less: Allowance for impairment	(4,469)	(3,114)	–	–
	169,805	141,888	–	–
Other receivables:				
Third parties	9,210	9,470	335	197
Subsidiaries	–	–	12,733	41,298
Investee company	–	10,070	–	–
	9,210	19,540	13,068	41,495
Total	179,015	161,428	13,068	41,495

	Group	
	2017	2016
	US$'000	US$'000
Movements in above allowance:		
Balance at beginning of the year	3,114	3,905
Charged for trade receivables to statement of comprehensive income included in administrative expenses	4,138	11,040
Bad debts written-off	(2,743)	(11,848)
Foreign exchange adjustments	(40)	17
Balance at end of the year	4,469	3,114

Other receivables due from a joint venture is an unsecured loan, which has no fixed terms of repayment and bears interest at 13.25% (2016: 13.25%) per annum.

Other receivables due from an investee company is an unsecured loan, amounting to US$12.7 million (2016: US$10.1 million), which bears interest ranging from 1.55% to 1.81% per annum (2016: 1.50% to 1.56%) and have no fixed terms of repayment. These amounts are to be settled in cash.

All other receivables from subsidiaries are unsecured. Other receivables from subsidiaries of US$10.9 million (2016: US$40.2 million) bear interest ranging from 3.33% to 6.83% (2016: 2.55% to 6.83%) per annum and is repayable on demand. The remaining other receivables from subsidiaries are interest free and have no fixed terms of repayment.

Certain trade receivables are pledged as security for general banking facilities granted to the Group (Note 29A).

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables that are past due but not impaired

	Group	
	2017	2016
	US$'000	US$'000
Less than 60 days	32,463	28,450
61 to 90 days	4,002	1,364
91 to 120 days	3,478	732
Over 120 days	7,664	4,382
Total	47,607	34,928

Receivables that are impaired

	Group	
	2017	2016
	US$'000	US$'000
Less than 60 days	–	8
61 to 90 days	–	–
91 to 120 days	1	–
Over 120 days	4,468	3,106
Total	4,469	3,114

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling US$4,469,000 (2016: US$3,114,000). These are not secured.

20. OTHER FINANCIAL ASSETS

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Unquoted investments at cost less allowance for impairment (Note 20A)	13,781	8,762	601	546
Derivative financial assets (Note 20B)	6,109	245	–	–
Call option asset (Note 16D)	–	2,948	–	2,948
	19,890	11,955	601	3,494
Presented as:				
Other financial assets, current	601	791	601	546
Other financial assets, non-current	19,289	11,164	–	2,948
	19,890	11,955	601	3,494

20. OTHER FINANCIAL ASSETS (CONTINUED)

20A. Unquoted investments at cost less allowance for impairment

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Unquoted equity shares, at cost	13,781	8,762	601	546
Movements during the year:				
At beginning of the year	8,762	5,563	546	546
Additions	5,031	3,200	55	–
Foreign exchange adjustments	(12)	(1)	–	–
At end of the year	13,781	8,762	601	546

The unquoted investments relate to equity shares of entities in Singapore and Indonesia.

20B. Derivative financial instruments

	Group	
	2017	2016
	US$'000	US$'000
Interest rate swap	1,425	245
Foreign currency forward contracts	(5,329)	(274)
	(3,904)	(29)
Presented as:		
Derivative financial assets (Note 20)	6,109	245
Derivative financial liabilities (Note 30)	(10,013)	(274)
	(3,904)	(29)

	Group			
	2017		2016	
	Notional amount US$'000	Assets/ (liabilities) US$'000	Notional amount US$'000	Assets/ (liabilities) US$'000
Foreign currency forward contracts	401,175	(5,329)	153,333	(274)
Interest rate swap contracts	89,300	1,425	153,333	245
		(3,904)		(29)

Foreign currency forward contracts

Forward currency contracts are used to hedge foreign currency risk arising from the Group's bank loans and bonds denominated in USD for which firm commitments existed at the reporting year end.

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique includes forward pricing model, using present value calculations. The model incorporates various inputs including the credit quality of counterparties, foreign exchange spot and forward rates (Level 2).

20. OTHER FINANCIAL ASSETS (CONTINUED)

20B. Derivative financial instruments (continued)

Interest rate swaps

In 2016, the Group entered into interest rate swap contracts are used to hedge interest rate risk arising from floating rate USD long-term bank loans. The interest rate swap received floating interest rate equal to 3-month LIBOR p.a. and pays a fixed rate of 1.685% p.a. The interest rate swap will mature on 14 September 2021.

Interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique includes swap model using present value calculations. The model incorporates various inputs including interest rate curves and forward rate curves (Level 2).

21. OTHER ASSETS

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Non-current:				
Deposits to secure services	4,487	4,021	–	–
Deferred charges	5,610	4,260	–	–
Land use rights (Note 21A)	8,570	5,871	–	–
Advances	24,810	268	–	–
Tax recoverable	21,336	576	–	–
Others	183	534	–	–
	64,996	15,530	–	–
Current:				
Advances	48,474	48,856	–	–
Prepayments	19,119	13,452	1,461	53
Prepaid taxes	7,020	24,657	115	6
	74,613	86,965	1,576	59

21. OTHER ASSETS (CONTINUED)

21A. Land use rights

	Group 2017 US$'000	Group 2016 US$'000
Cost:		
At beginning of the year	6,339	1,439
Additions	2,873	4,900
Foreign exchange adjustments	144	–
At end of the year	9,356	6,339
Accumulated amortisation:		
At beginning of the year	468	146
Amortisation for the year	285	238
Foreign exchange adjustments	33	84
At end of the year	786	468
Net carrying amount	8,570	5,871
Balance to be amortised		
Not later than one year	280	251
Later than one year but not later than five years	1,224	906
Later than five years	7,066	4,714

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use right are amortised on a straight-line basis according to the rights period. The land use rights refer to land owned by third parties rented by the Group for its business in China, Indonesia and Myanmar. The land use rights in China, Indonesia and Myanmar will expire in 2031 to 2040, 2046, and 2085 respectively. The land use rights are not transferable.

22. INVENTORIES

	Group 2017 US$'000	Group 2016 US$'000
Finished goods	181,928	172,234
Work in process	52,569	50,509
Raw materials	390,380	348,884
Others	45,757	40,280
	670,634	611,907
Inventories are stated after allowance as follows:		
Balance at beginning of the year	1,445	635
Charge to statement of comprehensive income	5,811	4,168
Amount written-off	(3,653)	(3,320)
Foreign exchange adjustments	(33)	(38)
Balance at end of the year	3,572	1,445

The cost of inventories included in cost of sales was US$2,615,715,000 (2016: US$2,367,575,000).

Certain inventories are pledged as security for general banking facilities granted to the Group (Note 29A).

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Not restricted in use	230,471	331,086	5,608	10,166
Cash pledged for bank facilities	4,396	5,067	–	–
	234,867	336,153	5,608	10,166
Interest earning balances	19,462	19,742	–	–

The interest rate for the cash on interest earning accounts is insignificant.

23A. Cash and cash equivalents in the consolidated statement of cash flows

	Group	
	2017	2016
	US$'000	US$'000
Amount as shown above	234,867	336,153
Cash pledged for bank facilities (Note 29A)	(4,396)	(5,067)
Cash and cash equivalents in consolidated statement of cash flows	230,471	331,086

23B. Non-cash transactions

The net cash incurred for the purchase of property, plant and equipment is as follows:

	Group	
	2017	2016
	US$'000	US$'000
Additions of property, plant and equipment (Note 13)	201,777	176,123
Less: Net movements in liability for purchase of property, plant and equipment and construction cost payables (Note 28)	9,850	(7,702)
Purchase of property, plant and equipment in consolidated statement of cash flows	211,627	168,421

24. SHARE CAPITAL AND TREASURY SHARES

24A. Share capital

	Group and Company			
	2017		2016	
	Number of shares issued '000	Share capital US$'000	Number of shares issued '000	Share capital US$'000
Issued and fully paid ordinary shares:				
At beginning of the year	1,764,670	937,614	1,764,670	937,614
Issue of shares under Performance Share Plan	4,855	3,228	–	–
At end of the year	1,769,525	940,842	1,764,670	937,614

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

On 1 March 2017, pursuant to Japfa Performance Share Plan, the Company granted and issued 4,855,200 shares to the executive directors and employees of the Group for their performance in 2016. Details of shares granted are as follows:

	No. of s hares granted
Directors of the Company:	
Tan Yong Nang	4,600,000
Kevin John Monteiro	44,300
Employees of the Company and subsidiaries	210,900
Controlling shareholders (and their associates) of the Company	–
	4,855,200

24B. Treasury shares

	Group and Company			
	2017		2016	
	Number of shares issued '000	Amount US$'000	Number of shares issued '000	Amount US$'000
At beginning of the year	–	–	–	–
Acquired during the year	11,114	4,759	–	–
At end of the year	11,114	4,759	–	–

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 11,114,100 (2016: nil) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was US$4,759,000 (2016: nil) and this was presented as a component within shareholders' equity.

25. OTHER RESERVES

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
General reserve (Note 25A)	19,139	19,139	–	–
Capital reserve (adverse balance) (Note 25B)	(502,369)	(413,733)	–	–
Statutory reserve (Note 25C)	21,280	15,243	–	–
Share option reserve (Note 25D)	2,125	1,709	–	–
Performance share reserve (Note 25E)	21	3,138	21	3,138
	(459,804)	(374,504)	21	3,138
Translation reserve (Note 25F)	(167,840)	(179,614)	–	–
Total	(627,644)	(554,118)	21	3,138

25A. General reserve

The general reserve relates mainly to revaluation surplus attributed to the initial interest held in PT Japfa Comfeed Indonesia Tbk.

25B. Capital reserve (adverse balance)

	Group	
	2017	2016
	US$'000	US$'000
At beginning of the year	(413,733)	(430,524)
Disposal of shares in subsidiary to non-controlling interests without change in control (Note 16E)	–	7,876
Deemed disposal of subsidiary without change in control (Note 16E)	–	10,660
Acquisition of non-controlling interests without change in control (Notes 16D & 16E)	(88,636)	(1,745)
At end of the year	(502,369)	(413,733)

The capital reserve arises from the acquisitions or disposals of non-controlling interests in subsidiaries without change in control and from the effects of business combination between entities under common control. The capital reserve relates mainly to the share capital of the following components which are assumed to be subsidiaries of the Company with effect from 1 January 2011:

(a) AustAsia Investment Holdings Pte Ltd
(b) PT Greenfields Indonesia
(c) PT AustAsia Food
(d) AustAsia Food Pte Ltd
(e) AustAsia Food (M) Sdn Bhd
(f) AustAsia Food HK Limited

In accounting for common control business acquisition, financial statement items of the combining entities for the reporting period in which the common control combination occurs, and for the comparative periods disclosed, are included in the consolidated financial statements of the Group as if the combination had occurred from the date when the combining entities first came under the control of the controlling party or parties. The share capital of the combining entities have been reclassified to capital reserve in the consolidated financial statements of the Group.

Upon completion of the restructuring exercise on 1 May 2014, the cost of investment in AustAsia Investment Holdings Pte Ltd of US$555.6 million has been adjusted against the capital reserve in the consolidated financial statements.

25. OTHER RESERVES (CONTINUED)

25C. Statutory reserve

	Group	
	2017	2016
	US$'000	US$'000
At beginning of the year	15,243	13,852
Transfer from retained earnings	6,037	1,391
At end of the year	21,280	15,243

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

25D. Share option reserve

	Group	
	2017	2016
	US$'000	US$'000
At beginning of the year	1,709	1,218
Grant of share options	416	491
At end of the year	2,125	1,709

Share Option Plan

The share option plan is of one of the subsidiaries, AustAsia Investment Holdings Pte Ltd ("AIH"). Under this plan, share options are granted to employees of the PRC and Singapore subsidiaries of AIH with four years' service. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest if and when AIH's initial public offering is completed and the employees fulfil continuous employment of four years. The share options granted will not vest if the initial public offering is not completed.

The total number of share options granted under the plan should not exceed 2% of the total number of shares issued by AIH before the date of grant.

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. There are no cash settlement alternatives.

The expenses recognised for employees services received during the year is shown below:

	Group	
	2017	2016
	US$'000	US$'000
Expense arising from equity-settled share-based payment transactions	416	491

There were no cancellations or modifications to the awards in 2016 and 2017.

25. OTHER RESERVES (CONTINUED)

25D. Share option reserve (continued)

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2017		2016	
	Number	WAEP US$/share	Number	WAEP US$/share
Outstanding at 1 January	4,409,230	1.42	2,125,000	1.33
Granted during the year	–	–	2,459,230	1.50
Forfeited during the year	(70,000)	1.42	(175,000)	1.38
Outstanding at 31 December	4,339,230	1.42	4,409,230	1.42

The following table list the inputs to the binomial option pricing model used for the share option granted during the year ended 31 December 2016:

	2016 US$'000
Dividend yield (%)	–
Expected volatility (%)	44.50
Risk-free interest rate (%)	1.17
Expected life of share options (years)	4.11
Weighted average share price (US$)	1.80

The expected life of the share option is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

25E. Performance share reserve

	Group	
	2017 US$'000	2016 US$'000
At beginning of the year	3,138	–
Value of employee service pursuant to performance share plan	111	3,138
Issue of shares under Performance Share Plan	(3,228)	–
At end of the year	21	3,138

Japfa Performance Share Plan

The Company has a share scheme known as the "Japfa Performance Share Plan" (the "Japfa PSP"). The Japfa PSP, which forms an integral component of its compensation plan, is designed to foster an ownership culture within the Group which aligns the interests of the participants with interests of the shareholders' of the Company. It provides an opportunity to motivate participants to achieve the Group's key financial and operational goals and makes total employee remuneration sufficiently competitive to recruit and retain staff having skills that are commensurate with the Group's ambition.

25. OTHER RESERVES (CONTINUED)

25E. Performance share reserve (continued)

Japfa Performance Share Plan (continued)

Under the rules of the Japfa PSP, the directors and employees of the Group who have attained the age of 21 years and hold such rank as may be designated by the remuneration committee of the Company from time to time are eligible to participate in the Japfa PSP. Controlling shareholders or their associates are also eligible to participate in the Japfa PSP subject to the approval of independent shareholders in the form of separate resolutions for each participant and each awards granted.

The remuneration committee administers the Japfa PSP in accordance with the rules of the Japfa PSP. The number of shares to be offered to a participant shall be determined at the discretion of the remuneration committee who shall take into account criteria such as the rank, performance, seniority, potential for future development and length of service of the participant provided that:

(a) the total number of shares which may be offered during the entire operation of the Japfa PSP (including adjustments under the rules) shall not exceed 15% of the shares of the total number of issued shares of the Company (excluding shares held by the Company as treasury shares);

(b) the aggregate number of shares which may be offered to participants who are controlling shareholders and their associates during the entire operation of the Japfa PSP (including adjustments under the rules) shall not exceed 25% of the shares in respect of which the Company may grant under the Japfa PSP; and

(c) the number of shares which may be offered to each participant who is a controlling shareholder or his associate during the entire operation of the Japfa PSP shall not exceed 10% of the shares in respect of which the Company may grant under the Japfa PSP.

The Japfa PSP shall continue to be in force at the discretion of the remuneration committee, subject to a maximum period of 10 years commencing on 23 July 2014, provided always that the Japfa PSP may continue beyond the above stipulated period with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

On 1 March 2017, pursuant to Japfa PSP, the Company granted and issued 4,855,200 shares to the executive directors and employees of the Group for their performance in 2016. Details of shares granted are as follows:

	No. of shares granted
Directors of the Company:	
Tan Yong Nang	4,600,000
Kevin John Monteiro	44,300
Employees of the Company and subsidiaries	210,900
Controlling shareholders (and their associates) of the Company	–
	4,855,200

25. OTHER RESERVES (CONTINUED)

25E. Performance share reserve (continued)

The new shares issued rank pari passu in all respects with the existing shares of the Company. Following the issuance of the new shares, the total number of issued and fully-paid shares in the share capital of the Company has increased from 1,764,670,391 to 1,769,525,591 ordinary shares.

On 21 December 2017, pursuant to Japfa PSP, the Company granted a share awards of 21,650,000 shares, subject to certain condition being met, to the executive directors and employees of the Group.

Subsequently on 1 March 2018, the Company announced that the number of conditional share awards granted under Japfa Ltd Performance Share Plan (previously announced on 21 December 2017) had been reduced from 21,650,000 ordinary shares to 21,275,000 ordinary shares.

Details of shares granted are as follows:

	No. of shares granted
Directors of the Company:	
Tan Yong Nang	10,000,000
Kevin John Monteiro	1,000,000
Employees of the Company and subsidiaries	10,275,000
	21,275,000

The ordinary shares which are the subject of the awards granted on 21 December 2017 above will only vest on the achievement of pre-determined conditions within a two-year period from the date of grant. No Awards will vest if the pre-determined conditions are not met within the period. The fair value of awards granted are determined using Monte Carlo Simulation Model and the expense are recognized over the vesting period.

25F. Translation reserve

	Group	
	2017 US$'000	2016 US$'000
At beginning of the year	(179,614)	(171,776)
Exchange differences on translating foreign operations	11,774	(7,838)
At end of the year	(167,840)	(179,614)

The translation reserve represents exchange differences arising from the translation of financial statements of foreign operations whose functional currencies are different from presentation currency of the Group.

26. PUT OPTION FINANCIAL LIABILITIES

		Group	
	Level	2017 US$'000	2016 US$'000
Present value of redemption amount:			
Balance at beginning of the year		169,979	180,946
Reversal and changes in present value included in equity		(169,979)	(10,967)
Balance at end of the year	2	–	169,979

In 2016, the present values of the redemption amount and fair value measurement of financial instruments are determined using Monte Carlo Simulation Model as well as the inputs stated in the shareholders' agreement between the Company and non-controlling interests in AIH and AIH2. The carrying amounts of the financial instruments in relation to AIH and AIH2 Put Options approximate their fair value.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the put option financial liabilities as of the end of the reporting year, assuming if all other assumptions were held constant:

	Group	
		2016
	Increase/ (decrease)	Change in present value of put option financial liabilities US$'000
Share price	+10%	17,495
	–10%	(16,713)
Volatility	+10%	(3,311)
	–10%	(5,668)

The Company had written put options with the non-controlling shareholders of AIH and AIH2 (the "AIH and AIH2 Put Options"), details of which are as follows:

Under the AIH Shareholder's Agreement (including amendments thereof), BR Fund I and the Company (the "AIH Shareholders") have agreed that they shall each, subject to profitability, viability and satisfactory reviews and recommendations by competent financial advisers and prevailing market conditions at the time, use all reasonable endeavours to procure that application be made by AIH for the admission of AIH to an internationally recognised securities exchange on or before 12 August 2018 ("AIH IPO Target Date"). In the event an initial public offering of shares in, or assets and businesses of, AIH ("AIH IPO") does not take place on or before the AIH IPO Target Date, BR Fund I shall be entitled at any time between 12 August 2018 and 12 September 2018 to require the Company to purchase from the BR Fund I, its shares in AIH as at the date of the notice ("AIH Put Option"). Further, the BR Fund I shall have the option to elect to receive payment of the price at which the AIH Put Option is exercised by way of a combination of cash and/or shares in the capital of Company, subject to a maximum of 14.9% of the issued and paid-up share capital of the Company held by BR Fund I and by BR Fund 2 (in relation to AIH2 Put Option) on AIH and AIH2 IPO Target Date.

26. PUT OPTION FINANCIAL LIABILITIES (CONTINUED)

Under the AIH2 Shareholder's Agreement (including amendments thereof), BR Fund 2 has the option to require the Company to purchase the shares in AIH2 owned by the BR Fund 2 ("AIH2 Option Shares") in the event an initial public offering of shares in AIH2 ("AIH2 IPO") does not take place by 12 August 2018 ("AIH2 IPO Target Date"). The terms of AIH2 Put Option are substantially the same as those set out in AIH Put Option including the IPO target date of 12 August 2018.

On 21 December 2017, the Company entered into a share purchase agreement ("SPA") with the Black River Funds to acquire all outstanding shares in the capital of AIH and AIH2 (collectively "AustAsia") held by the Black River Funds (the "Proposed Transaction") (see Note 16D). The Company has recorded the purchase consideration payable of the Proposed Transaction of US$263.1 million as liability in other payables account (see Note 28).

Since there is no possibility of the AIH and AIH2 Put Options being exercised with the signing of the SPA, fair value was assessed to be US$ Nil. As such, the put option financial liabilities recognized as at 31 December 2016 had been reversed.

27. PROVISIONS

	Group	
	2017	2016
	US$'000	US$'000
Present value of unfunded defined benefit	118,230	93,468
Fair value of plan assets	(12,350)	(3,943)
Defined benefit plan liabilities	105,880	89,525

Defined benefit plan:

The Group operates a defined benefit plan for qualifying employees of its subsidiaries in Indonesia, in accordance with Indonesian Labour Laws. Amounts are determined based on years of service and salaries of the employees at the time of the pension.

The cost of providing defined benefit plan liabilities was calculated based on actuarial valuations performed by PT Dayamandiri Dharmakonsilindo, an independent actuary. The principal actuarial assumptions used for the purpose of the actuarial valuation at 31 December 2017 and 2016 were as follows:

	2017	2016
Discount rate:	7.23% – 7.50%	8.26% – 8.65%
Withdrawal/resignation rate:	10% at age of 25 and decreasing linearly to 0% at age 45 and thereafter	10% at age of 25 and decreasing linearly to 0% at age 45 and thereafter
Expected rate of salary increases:	9%	9% – 10%
Expected rate of mortality rate:	Based on Indonesian Mortality Table (TMI-III) – 2011	Based on Indonesian Mortality Table (TMI-III) – 2011

27. PROVISIONS (CONTINUED)

Movements of the defined benefit plan liabilities recognised in statement of financial position are as follows:

	Group	
	2017	2016
	US$'000	US$'000
Balance at beginning of the year	89,525	74,801
Net benefit expense recognised in statement of comprehensive income (Note 11)	16,001	10,500
Re-measurement loss included in other comprehensive income	13,643	7,144
Payments for the year	(673)	(618)
Contributions to plan made	(11,616)	(4,505)
Foreign exchange adjustments	(1,058)	2,203
Others	58	–
Balance at end of the year	105,880	89,525

Net benefit expense recognised in statement of comprehensive income under administrative expenses is as follows:

	Group	
	2017	2016
	US$'000	US$'000
Service costs	8,515	7,152
Past service costs and gain from settlements	(72)	(3,139)
Net interest expense	7,359	6,445
Excess benefit paid by Indonesian subsidiaries to employees	13	19
Immediate adjustment	194	77
Curtailment	(8)	(54)
	16,001	10,500

Re-measurement loss included in other comprehensive income is as follows:

	Group	
	2017	2016
	US$'000	US$'000
Re-measurement loss as above	13,643	7,144
Income tax effect	(3,413)	(1,555)
Re-measurement of the net defined benefits plan, net of tax	10,230	5,589

27. PROVISIONS (CONTINUED)

Movements in the fair value of the plan assets are as follows:

	Group 2017 US$'000	Group 2016 US$'000
Balance at beginning of the year	3,943	2,409
Interest income	493	299
Return on plan assets (excluding amounts included in net interest expense)	(63)	(65)
Contributions from the employer	11,570	4,486
Benefits paid	(3,555)	(3,249)
Foreign exchange adjustments	(38)	63
Balance at end of the year	12,350	3,943

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit plan liabilities as of the end of the reporting period, assuming if all other assumptions were held constant:

	Group			
	2017		2016	
	Increase/ (decrease)	Change in present value of defined benefit plan liabilities US$'000	Increase/ (decrease)	Change in present value of defined benefit plan liabilities US$'000
Discount rate	+1%	(9,015)	+1%	(2,443)
	−1%	11,483	−1%	12,998
Salary increase rate	+1%	22,751	+1%	13,164
	−1%	(18,854)	−1%	(3,101)

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Trade payables:				
Third parties	242,785	190,922	9	18
Joint venture	299	120	–	–
Related parties	–	409	–	–
	243,084	191,451	9	18
Other payables:				
Third parties	364,622	86,102	265,769	2,006
Construction cost payables	12,340	21,179	–	–
Payable for purchase of plant and equipment	3,871	4,882	–	–
	380,833	112,163	265,769	2,006
Total	623,917	303,614	265,778	2,024
Presented as:				
Trade and other payables, current	623,016	301,507	265,778	2,024
Trade and other payables, non-current	901	2,107	–	–
	623,917	303,614	265,778	2,024

28. TRADE AND OTHER PAYABLES (CONTINUED)

Construction cost payables pertain to progressive billings from suppliers for the construction of building offices, infrastructure and cowsheds.

Third party other payables of the Company and the Group includes a purchase consideration payables of US$263.1 million for the acquisition of all outstanding shares in the capital of AIH and AIH2 held by the Black River Funds (see Note 16D).

Trade and other payables are non-interest bearing and are settled on 60 to 90 days terms.

29. LOANS AND BORROWINGS

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Non-current:				
Floating interest rate financial instruments:				
Bank loans (Note 29A)	178,355	195,808	–	–
Fixed interest rate financial instruments:				
Bank loans (Note 29A)	59,059	55,551	–	–
Finance leases (Note 29B)	1	147	–	–
Bonds payable (Note 29C)	389,098	268,587	–	–
Non-current, total	626,513	520,093	–	–
Current:				
Floating interest rate financial instruments:				
Bank loans (Note 29A)	251,698	166,002	–	–
Fixed interest rate financial instruments:				
Bank loans (Note 29A)	65,982	41,273	12,000	–
Finance leases (Note 29B)	11	800	–	–
Bonds payable (Note 29C)	–	111,640	–	–
Current, total	317,691	319,715	12,000	–
Total	944,204	839,808	12,000	–
Non-current portion is repayable:				
Due within 2-5 years	626,513	520,093	–	–

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Range of fixed interest rates per annum:				
Bank loans	3.44 – 13.0	4.0 – 7.13	3.44 – 3.62	–
Bonds payable	5.5 – 9.75	6.0 – 9.9	–	–
Finance leases	4.4 – 6.5	4.4 – 6.5	–	–
Range of floating interest rates per annum:				
Bank loans	2.45 – 11.0	2.32 – 10.5	–	–

29. LOANS AND BORROWINGS (CONTINUED)

29A. Bank loans

The bank loans are secured by property, plant and equipment, share certificates of certain subsidiaries, cash and cash equivalents, receivables, inventories, biological assets, assessment of insurance policies and covered corporate guarantees of the Company and its subsidiaries.

The loans are for working capital purposes and repayment of restructured debts. The loan agreements generally include covenants that require the maintenance of certain financial ratios. Any non-compliance with these covenants will result in these loans becoming repayable upon service of notice of default of the lenders.

The fair value (Level 2) of bank loans (secured) totaling US$430.0 million (2016: US$361.8 million) that bear floating rates of interest is a reasonable approximation of the carrying amount due to their short term nature or that they are floating rate instruments that are frequently re-priced to market interest rates.

The fair value (Level 2) of bank loans (secured) totaling US$125.0 million (2016: US$96.8 million) that bear fixed rates of interest is a reasonable approximation of the carrying amount due to their short term nature.

29B. Finance Leases

Group 2017	Minimum payments US$'000	Finance charges US$'000	Present value US$'000
Minimum lease payments payable:			
Due within one year	11	–	11
Due within 2 to 5 years	2	(1)	1
Total	13	(1)	12
Net book value of plant and equipment under finance leases			25

Group 2016	Minimum payments US$'000	Finance charges US$'000	Present value US$'000
Minimum lease payments payable:			
Due within one year	820	(20)	800
Due within 2 to 5 years	149	(2)	147
Total	969	(22)	947
Net book value of plant and equipment under finance leases			4,234

There are leases for certain of the Group's plant and equipment. The range of lease term is 3 to 5 years (2016: 3 to 5 years). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessors' charge over the leased assets.

The carrying amount of the lease liabilities is not significantly different from the fair value.

29. LOANS AND BORROWINGS (CONTINUED)

29C. Bonds payable

		Group 2017 US$'000	Group 2016 US$'000
Bonds payable A		73,812	111,640
Bonds payable B		250,000	197,000
Bonds payable C		73,812	74,427
Less: Unamortised transaction costs		(8,526)	(2,840)
		389,098	380,227
Effective interest rates per annum:			
Bonds payable A		9.60	10.12
Bonds payable B		5.50	6.98
Bonds payable C		9.25 – 9.75	9.71
The fair values of bonds payables are as follows:			
	Level		
Bonds payable A	1	73,355	111,711
Bonds payable B	1	242,567	198,970
Bonds payable C	1	73,176	75,117
Fair value at end of the year		389,098	385,798

Bonds payable A

In April 2017, PT Japfa Comfeed Indonesia Tbk, a subsidiary, issued Rupiah denominated in Indonesia Rupiah ("IDR") with a nominal value of IDR1,000.0 billion. The bonds have terms of 5 years until April 21, 2022. Interest rate is fixed at 9.6 % per annum payable quarterly. The subsidiary has an option to redeem the bonds partially or in full, after a year from the issuance date.

In January and February 2012, PT Japfa Comfeed Indonesia Tbk, a subsidiary, issued bonds denominated in Indonesia Rupiah ("IDR") with a nominal value of IDR1,250.0 billion and IDR250.0 billion respectively (total nominal value of IDR1,500.0 billion). These bonds were listed on the Indonesia Stock Exchange. The bonds were repayable in January 2017 with a fixed interest rate of 9.6% per annum payable quarterly. The bonds were fully repaid in January 2017.

Bonds payable B

In March 2017, PT Japfa Comfeed Indonesia Tbk, a subsidiary, issued 5.5% Senior Notes due 2022 with aggregate principal amount of US$150.0 million, and interest is payable every six months up to March 31, 2022. The Notes are listed on the Singapore Exchange Securities Trading Limited (SGX-ST). In June 2017, the subsidiary issued additional 5.5% Senior Notes due 2022 with aggregate principal amount of US$100.0 million, and interest is payable every six months up to March 31, 2022, total 5.5% Senior Notes due 2022 become US$250.0 million.

29. LOANS AND BORROWINGS (CONTINUED)

29C. Bonds payable (continued)

Bonds payable B (continued)

In May 2013, the subsidiary, Comfeed Finance B.V., issued US$225.0 million, 6% senior notes which are traded on the Singapore Exchange. The senior notes are repayable in May 2018 and the interest will be repayable semi-annually. The senior notes are guaranteed by PT Japfa Comfeed Indonesia Tbk, the parent company of Comfeed Finance B.V. and certain subsidiaries of PT Japfa Comfeed Indonesia Tbk.

During the reporting year, PT Japfa Comfeed Indonesia Tbk, a subsidiary of the Company purchased from the market US$2,530,000 (2016: US$6,000,000) (nominal value) of Comfeed Finance B.V.'s outstanding bonds with net book value of US$2,503,000 (2016: US$5,912,000) for US$2,587,000 (2016: US$5,323,000). The purchases resulted in a gain amounting to US$84,000 (2016: US$589,000) which is included in other gains (Note 7).

In May 2017, the subsidiary, Comfeed Finance BV, redeemed the 6% Senior Notes Due 2018 amounting to US$150.0 million and in June 2017, the subsidiary fully redeemed the remaining US$44.5 million.

Bonds payable C

In December 2016, the subsidiary, PT Japfa Comfeed Indonesia Tbk issued bonds denominated in IDR with a nominal value of IDR850.0 billion and IDR150.0 billion bonds respectively (total nominal value of IDR1,000.0 billion) listed on the Indonesia Stock Exchange. The nominal value of IDR850.0 billion bond is repayable in December 2019 with a fixed interest rate of 9.25% per annum payable quarterly. The nominal value of IDR150.0 billion bond is repayable in December 2021 with a fixed interest rate of 9.75% per annum payable quarterly. PT Japfa Comfeed Indonesia Tbk has an option to redeem the bonds, partially or in full, after a year from the issuance date.

29D. Reconciliation of liabilities arising from financing activities

A reconciliation of liabilities arising from financing activities is as follows:

			Non-cash changes			
	2016 US$'000	Cash flows US$'000	Amortisation US$'000	Foreign exchange movement US$'000	Other US$'000	2017 US$'000
Loans and bonds						
– current	318,915	(33,921)	–	5,994	26,692	317,680
– non-current	519,946	135,616	1,450	(3,808)	(26,692)	626,512
Obligations under finance leases						
– current	800	(788)	–	(1)	–	11
– non-current	147	(146)	–	–	–	1
Total	839,808	100,761	1,450	2,185	–	944,204

The "other" column relates to reclassification of current and non-current portion of loans and borrowings due to passage of time.

30. OTHER FINANCIAL LIABILITIES

	Group 2017 US$'000	Group 2016 US$'000
Derivative financial liabilities (Note 20B)	10,013	274

31. OTHER LIABILITIES

	Group 2017 US$'000	Group 2016 US$'000
Advances received	8,375	8,077
Deferred government grants (Note 31A)	3,895	3,754
Others	739	335
	13,009	12,166
Presented as:		
Other liabilities, current	9,096	8,958
Other liabilities, non-current	3,913	3,208
	13,009	12,166

31A. Deferred government grants

	Group 2017 US$'000	Group 2016 US$'000
Balance at beginning of the year	3,754	3,315
Received during the year	1,260	1,108
Released during the year	(1,288)	(413)
Foreign exchange adjustments	169	(256)
Balance at end of the year	3,895	3,754

Government grants have been received for the construction of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

32. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Transaction with the related parties

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year.

	2017 US$'000	2016 US$'000
Revenue	(659)	(619)
Purchases of goods	13,699	10,916
Rendering of services expense	940	957
Insurance expense	1,338	1,351
Rental of premises	1,433	1,543
Rental of boat	407	677
Purchase of property, plant and equipment	43	72
Construction of property, plant and equipment	657	1,557
Others	232	182

Related companies

The related parties are either the joint ventures entities or companies associated with the Executive Deputy Chairman, Mr Handojo Santosa @ Kang Kiem Han and the Non-Executive Director, Mr Hendrick Kolonas.

(b) Compensation of key management personnel of the Group

	Group	
	2017 US$'000	2016 US$'000
Salaries and other short-term employee benefits	10,735	9,607
Central Provident Fund contributions	57	72
Share-based payments: Performance share plan	560	3,033
Share-based payments: Employee share option plan	–	153
	11,352	12,865
Comprise amounts paid to:		
Directors of the Company	6,383	8,982
Other key management personnel	4,969	3,883
	11,352	12,865

Directors' interests in performance share plan

Please see Note 25E for the disclosure of shares granted to the Company's executive directors under the Japfa Performance Share Plan ("Japfa PSP").

33. COMMITMENTS

(a) Capital commitments

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2017	2016
	US$'000	US$'000
Construction costs	7,595	1,913
Investment in a joint venture entity #	–	2,400
Purchase of property, plant and equipment	4,783	5,270

On 20 September 2016, the subsidiary, PT So Good Food, a subsidiary, entered into a joint venture agreement with PT Cargill Investment Indonesia and Cargill Meats (Thailand) Limited to establish a joint venture company to manufacture fully-cooked poultry products for human consumption. The initial capital required to establish the joint venture entity is US$6,000,000, of which PT So Good Food will subscribe for 40% equity interests amounting to US$2,400,000.

(b) Operating lease payment commitments – as lessee

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Not later than one year	19,602	20,524	544	534
Later than one year but not later than five years	50,740	49,291	1,143	31
More than five years	110,684	108,531	–	–
Total	181,026	178,346	1,687	565
Rental expense for the year	19,955	19,140	559	561

The following table analyses the breakdown of the operating lease payment commitments by type of asset:

	Group 2017 US$'000	Group 2016 US$'000	Company 2017 US$'000	Company 2016 US$'000
Land lease / Land use rights	133,794	129,585	–	–
Building and site facilities	45,420	48,405	1,687	565
Machinery and equipment	629	–	–	–
Others	1,183	356	–	–
Total	181,026	178,346	1,687	565

Operating lease payments are for rentals payable mainly for several land leases in China and Vietnam, and office premises and storage in the countries which the subsidiaries operate in. These leases have remaining tenures ranging from 1 to 49 years (2016: 1 to 50 years).

34. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

– Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;

– Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

– Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of assets measured at fair value at the end of the financial year:

	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) US$'000	Significant observable inputs other than quoted prices (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
2017				
Biological assets (Note 18)	–	98,575	328,995	427,570
Derivatives (Note 20)				
Forward currency contracts	–	(5,329)	–	(5,329)
Interest rate swap contracts	–	1,425	–	1,425
2016				
Biological assets (Note 18)	–	85,850	277,299	363,149
Derivatives (Note 20)				
Forward currency contracts	–	(274)	–	(274)
Interest rate swap contracts	–	245		245
Put option liabilities	–	169,979	–	169,979
Call option	–	2,948	–	2,948

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Forward currency contracts and interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

Forage plants and Heifers and calves

Forage plants and heifers and calves are valued using the market comparable approach technique with market transacted prices.

(d) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value		Valuation techniques	Significant unobservable inputs	Range	
	2017 US$'000	2016 US$'000			2017	2016
Productive breeding cattle	18,638	12,624	Market comparable approach	Market-transacted prices determined based on price per head and their weight	US$1,308 to US$5,043 per head	US$1,205 to US$2,962 per head
Productive breeding swine	8,559	15,704	Market comparable approach	Market-transacted prices determined based on price per head and their weight	US$234 to US$598 per head	US$287 to US$1,530 per head
Milkable cows	213,634	177,174	Income approach	Culling rate	10% to 100% depending on lactation period	10% to 100% depending on lactation period

The Group's biological assets namely dairy cows, breeding cattle and breeding swine were independently valued by Jones Lang LaSalle Sallmanns Limited ("JLL"), KJPP Desmar, Ferdinand, Hentriawan Dan Rekan ("DFH&R") and Hanoi Branch of Sai Gon Valuation Company Limited respectively, firms of independent qualified professional valuers, who have appropriate qualifications and recent experiences in valuation of biological assets.

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(d) Level 3 fair value measurements (continued)

(i) Information about significant unobservable inputs used in Level 3 fair value measurements (continued)

Productive breeding cattle, productive breeding swine, and heifers and calves:

The fair value less costs to sell the productive breeding swine and cattle and heifers and calves are determined with reference to the market-determined prices (either derived from sales invoices or from comparable market transactions) of items with similar age, breed and genetic merit, if the market-determined prices are available.

Productive breeding chickens:

The fair value of the productive breeding chickens is regarded to approximate the carrying amount of biological assets stated at cost less accumulated amortisation and impairment losses.

An increase in the estimated market selling price used would result to a higher percentage of increase in the fair value measurement of productive breeding cattle and productive breeding swine.

Milkable cows:

Due to the fact that the market-determined prices of milkable cows are not available, JLL has applied the discounted cash flow approach to calculate the fair value less costs to sell of these items.

A significant increase or decrease in the culling rate based on management's assumptions would result in a significantly lower or higher fair value measurement.

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(d) Level 3 fair value measurements (continued)

(i) Information about significant unobservable inputs used in Level 3 fair value measurements (continued)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the biological assets as of the end of the reporting year, assuming if all other assumptions were held constant:

	Group			
	2017		2016	
	Increase/ (decrease)	Change in present value of biological assets US$'000	Increase/ (decrease)	Change in present value of biological assets US$'000
Discount rate	+1%	(3,156)	+1%	(2,648)
	−1%	3,244	−1%	2,722
Price of productive swine	+1%	86	+1%	157
	−1%	(86)	−1%	(157)
Price of productive cattle	+1%	186	+1%	126
	−1%	(186)	−1%	(126)
Milk price	+1%	4,489	+1%	3,772
	−1%	(4,489)	−1%	(3,772)
Feed cost for mature animals	+1%	(2,377)	+1%	(2,082)
	−1%	2,629	−1%	2,082
Price of female calve at about 14-month age	+1%	675	+1%	649
	−1%	(675)	−1%	(649)

(ii) Movements in Level 3 assets and liabilities measured at fair value

The reconciliation for assets measured at fair value based on significant unobservable inputs (Level 3) is as shown in Note 18.

Total loss for the year included in	Fair value measurements using significant unobservable inputs (Level 3) US$'000
Statement of comprehensive income:	
2017	
– Changes in fair value of biological assets	(22,124)
2016	
– Changes in fair value of biological assets	(18,703)

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(d) Level 3 fair value measurements (continued)

(iii) Valuation policies and procedures

The Company revalues its biological assets portfolio on an annual basis. The fair value is determined by external, independent valuers which have appropriate recognised professional qualifications and experience in the valuation of biological assets. Management reviews the appropriateness of the valuation methodologies and assumptions adopted, and the reliability of the inputs used in the valuations.

(e) Trade and other receivables, cash and bank balances, trade and other payables, loans and borrowings

The carrying amount of these financial assets and financial liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

(f) Transfers into or out of Level 3

FRS 113 requires disclosures of the amount of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred. Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.

There were no assets or liabilities transferred from Level 1 and Level 2 to Level 3.

35. SEGMENT INFORMATION

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported performance or financial position of the reporting entity.

For management purposes, the Group is organised into the following major strategic operating segments that offer different products and services: (1) animal protein, (2) dairy, (3) consumer food and (4) others. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

Two or more operating segments may be aggregated into a single operating segment if in the judgement of management, the segments have similar economic characteristics and the segments are similar in some aspects such as the nature of the products and services; production processes; type or class of customer; distribution methods.

The segments and types of products and services are as follows:

The animal protein segment includes production of multiple high-quality animal proteins, including poultry, swine, beef and aquaculture as well as high-quality animal feed, across the Group's target markets as follows:

- "Animal Protein Indonesia" refers to the animal protein operations of its public listed subsidiary, PT Japfa Comfeed Indonesia Tbk; and
- "Animal Protein Other" refers to the animal protein operations in Vietnam, India, Myanmar and China.

35. SEGMENT INFORMATION (CONTINUED)

The dairy segment includes production of premium raw milk in China and Indonesia and premium downstream milk products such as premium fresh milk, premium UHT milk and premium cheeses to consumers in Indonesia and other countries in Asia.

The consumer food segment uses the animal protein products that are produced in-house as raw materials for downstream consumer food segment.

Others include corporate office, central purchasing office and consolidation adjustments which are not directly attributable to a particular business segment above.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the significant accounting policies.

The management reporting system evaluates performances based on operating statement of comprehensive income and is measured in the same way as operating statement of comprehensive income in the consolidated financial statements.

2017	Animal Protein Indonesia US$'000	Animal Protein Other US$'000	Total Animal Protein US$'000	Dairy US$'000	Consumer Food US$'000	Others US$'000	Group US$'000
Revenue by segment							
External revenue	2,167,096	475,359	2,642,455	345,235	200,641	1,599	3,189,930
Inter-segment revenue	38,847	–	38,847	2,043	684	(41,574)	–
Total revenue	2,205,943	475,359	2,681,302	347,278	201,325	(39,975)	3,189,930
Segment results	217,079	(22,733)	194,346	75,110	(7,689)	6,744	268,511
Interest income	2,573	1,016	3,589	355	6	137	4,087
Finance costs	(37,792)	(6,217)	(44,009)	(15,959)	(5,749)	(1,544)	(67,261)
Depreciation	(55,562)	(9,139)	(64,701)	(23,951)	(6,925)	(250)	(95,827)
Amortisation	(1,149)	(77)	(1,226)	(343)	(290)	–	(1,859)
Share of loss of equity-accounted joint ventures	–	17	17	–	(151)	–	(134)
Profit/(loss) before income tax	125,149	(37,133)	88,016	35,212	(20,798)	5,087	107,517
Income tax expense	(47,146)	(320)	(47,466)	(1,529)	849	(3,134)	(51,280)
Profit/(loss), net of income tax	78,003	(37,453)	40,550	33,683	(19,949)	1,953	56,237

35. SEGMENT INFORMATION (CONTINUED)

2016	Animal Protein Indonesia US$'000	Animal Protein Other US$'000	Total Animal Protein US$'000	Dairy US$'000	Consumer Food US$'000	Others US$'000	Group US$'000
Revenue by segment							
External revenue	1,986,595	562,045	2,548,640	282,529	198,677	3,098	3,032,944
Inter-segment revenue	42,004	–	42,004	2,322	1,325	(45,651)	–
Total revenue	2,028,599	562,045	2,590,644	284,851	200,002	(42,553)	3,032,944
Segment results	289,874	50,345	340,219	46,260	8,772	964	396,215
Interest income	1,972	1,255	3,227	247	19	86	3,579
Finance costs	(38,295)	(3,977)	(42,272)	(9,589)	(6,140)	(2,034)	(60,035)
Depreciation	(49,557)	(7,475)	(57,032)	(19,527)	(6,413)	(298)	(83,270)
Amortisation	(915)	(75)	(990)	(278)	(228)	–	(1,496)
Share of loss of equity-accounted joint ventures	–	(86)	(86)	–	(281)	–	(367)
Profit/(loss) before income tax	203,079	39,987	243,066	17,113	(4,271)	(1,282)	254,626
Income tax expense	(48,997)	(2,766)	(51,763)	(2,063)	(1,692)	(1,387)	(56,905)
Profit/(loss), net of income tax	154,082	37,221	191,303	15,050	(5,963)	(2,669)	197,721

35. SEGMENT INFORMATION (CONTINUED)

	Animal Protein Indonesia US$'000	Animal Protein Other US$'000	Total Animal Protein US$'000	Dairy US$'000	Consumer Food US$'000	Others US$'000	Group US$'000
Assets and reconciliations							
2017							
Segment assets	1,419,456	333,132	1,752,588	822,233	122,058	9,978	2,706,857
Unallocated assets	21,491	7,357	28,848	2,566	4,698	122	36,234
Total Group assets	1,440,947	340,489	1,781,436	824,799	126,756	10,100	2,743,091
2016							
Segment assets	1,287,458	300,574	1,588,032	727,803	124,275	39,482	2,479,592
Unallocated assets	37,729	3,109	40,838	2,922	1,820	12	45,592
Total Group assets	1,325,187	303,683	1,628,870	730,725	126,095	39,494	2,525,184
Liabilities and reconciliations							
2017							
Segment liabilities	819,737	195,532	1,015,269	349,094	101,819	230,841	1,697,023
Unallocated liabilities	14,388	3,863	18,251	1,531	617	2,878	23,277
Total Group liabilities	834,125	199,395	1,033,520	350,625	102,436	233,719	1,720,300
2016							
Segment liabilities	722,272	143,165	865,437	330,366	90,569	128,993	1,415,365
Unallocated liabilities	13,562	2,189	15,751	1,989	963	1,927	20,630
Total Group liabilities	735,834	145,354	881,188	332,355	91,532	130,920	1,435,995

Unallocated liabilities comprise mainly tax payable and deferred tax liabilities.

Other material items and reconciliations

Capital expenditure	Animal Protein Indonesia US$'000	Animal Protein Other US$'000	Total Animal Protein US$'000	Dairy US$'000	Consumer Food US$'000	Others US$'000	Group US$'000
2017	114,092	30,208	144,300	51,631	8,998	11	204,940
2016	59,531	24,303	83,834	84,696	13,212	402	182,144

35. SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Group 2017 US$'000	Group 2016 US$'000
Revenue		
Singapore	5,610	6,051
Indonesia	2,368,455	2,187,120
Vietnam	302,942	360,931
China	302,660	249,003
India	90,103	106,747
Myanmar	83,617	91,976
Others	36,543	31,116
	3,189,930	3,032,944

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services.

	Group 2017 US$'000	Group 2016 US$'000
Non-current assets		
Singapore	29,083	16,099
Indonesia	753,108	592,058
Vietnam	96,999	96,111
China	558,149	494,916
India	22,005	21,727
Myanmar	41,743	24,751
Others	10	19
	1,501,097	1,245,681

The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any deferred tax assets and derivative financial assets.

Information about a major customer

There are no customers with revenue transactions of over 10% of the Group revenue in 2017 and 2016.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the Group's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk, commodity price risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

(i) Minimise interest rate, currency, credit and market risk for all kinds of transactions.

(ii) Maximise the use of "natural hedge": favouring as much as possible the natural off- setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.

(iii) Enter into derivatives or any other similar instruments solely for hedging purposes.

(iv) All financial risk management activities are carried out and monitored at central level.

(v) All financial risk management activities are carried out following good market practices.

(vi) May consider investing in shares or similar instruments.

The main risk arising from the Group's biological assets is business risk. The Group has institutionalised a comprehensive health management and quarantine system for all its operations to ensure a consistently high standard of good healthcare management and hygiene for its breeding livestock and dairy cows.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from cash and cash equivalents, receivables and certain other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments at the end of the reporting year.

Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings. For credit risk on receivables, an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in statement of comprehensive income. The exposure to credit risk with customers is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management.

There is no significant concentration of credit risk on receivables as the exposure is spread over a large number of counter-parties and customers, unless otherwise disclosed in the financial statements below.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Concentration of trade receivables customers as at the end of the reporting year:

	Group	
	2017 US$'000	2016 US$'000
Top 1 customer	9,335	9,197
Top 2 customers	13,536	13,318
Top 3 customers	17,291	16,866

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Other receivables are normally with no fixed terms and therefore there is no maturity. Quoted and unquoted equity shares in corporations have no fixed maturity dates.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19 (Trade and other receivables).

Liquidity risk

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 30 – 60 days (2016: 30 – 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statements of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments, the operating activity is expected to generate sufficient cash inflows.

The following table analyses the non-derivative financial liabilities at the end of the reporting year by remaining contractual maturity (contractual and undiscounted cash flows):

Group	Less than 1 year US$'000	2 – 5 years US$'000	Total US$'000
2017			
Gross borrowing commitments	331,491	671,490	1,002,981
Gross finance lease commitments	11	1	12
Trade and other payables	622,766	901	623,667
	954,268	672,392	1,626,660
2016			
Gross borrowing commitments	329,693	582,716	912,409
Gross finance lease commitments	820	149	969
Put option financial liabilities	–	172,903	172,903
Trade and other payables	301,507	2,107	303,614
	632,020	757,875	1,389,895

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

	Less than 1 year	
	2017	2016
Company	US$'000	US$'000
Gross borrowing commitments	12,424	–
Trade and other payables	265,778	2,024
Financial guarantee contracts – in favour of subsidiaries	287,095	326,878
	565,297	328,902

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

Financial guarantee contracts – For issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. At the end of the reporting year no claims on the financial guarantees are expected to be payable.

The following table analyses the derivative financial liabilities at the end of the reporting year by remaining contractual maturity (contractual and undiscounted cash flows):

	Less than 1 year	
	2017	2016
Group	US$'000	US$'000
Foreign currency forward contracts	5,329	274

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statements of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

These are investments in equity shares or similar instruments. Such instruments are exposed to both currency risk and market price risk arising from uncertainties about future values of the investment securities. Sensitivity analysis: The effect on pre-tax profit is not expected to be significant.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

The interest rate risk exposure is mainly from changes in fixed interest rates and floating interest rates.

The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Financial liabilities:				
Fixed rates	525,498	477,998	12,000	–
Floating rates	431,945	361,810	–	–
	957,443	839,808	12,000	–
Financial assets:				
Fixed rates	16,262	18,542	3,775	3,775
Floating rates	3,200	11,583	7,100	36,445
	19,462	30,125	10,875	40,220

The floating rate debt obligations are with interest rates that are re-set at regular intervals. The interest rates are disclosed in the respective notes. When considered appropriate, in order to manage the interest rate risk, interest rate swaps are entered into to mitigate the fair value risk relating to fixed-interest assets or liabilities and the cash flow risk related to variable interest rate assets and liabilities. Note 20B disclosed the interest rate hedging activities in place at the end of the reporting year.

Sensitivity analysis:

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
A hypothetical increase in interest rates by 100 basis points would have a (decrease)/increase effect on profit before tax of	(4,287)	(3,502)	71	364

The analysis has been performed separately for fixed interest rate and floating interest rate over a year for financial instruments. The impact of a change in interest rates on fixed interest rate financial instruments has been assessed in terms of changing of their fair value. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on statement of comprehensive income. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

Analysis of significant amounts of financial assets and financial liabilities denominated in non-functional currencies at the end of the reporting year is as follows:

Group	Singapore Dollar US$'000	US Dollar US$'000	Euro Dollar US$'000	Australia Dollar US$'000	Total US$'000
2017					
Financial assets:					
Cash and cash equivalents	2,004	15,837	284	2	18,127
Trade and other receivables	348	298	201		847
Other financial assets	601	–	–	–	601
Total financial assets	2,953	16,135	485	2	19,575
Financial liabilities:					
Loans and borrowings	–	(430,699)	–	–	(430,699)
Trade and other payables	(924)	(11,312)	(2,696)	(10)	(14,942)
Total financial liabilities	(924)	(442,011)	(2,696)	(10)	(445,641)
Net financial assets/(liabilities)	2,029	(425,876)	(2,211)	(8)	(426,066)
2016					
Financial assets:					
Cash and cash equivalents	1,421	113,277	–	4,592	119,290
Trade and other receivables	224	35,908	–	–	36,132
Other financial assets	546	–	–	–	546
Total financial assets	2,191	149,185	–	4,592	155,968
Financial liabilities:					
Loans and borrowings	–	(385,837)	–	–	(385,837)
Trade and other payables	(575)	(12,231)	–	(9)	(12,815)
Total financial liabilities	(575)	(398,068)	–	(9)	(398,652)
Net financial assets/(liabilities)	1,616	(248,883)	–	4,583	(242,684)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

	Singapore Dollar	
	2017	2016
Company	US$'000	US$'000
2017		
Financial assets:		
Cash and cash equivalents	1,477	859
Trade and other receivables	341	197
Other financial assets	601	546
Total financial assets	2,419	1,602
Financial liabilities:		
Trade and other payables	(44)	(50)
Net financial assets	2,375	1,552

There is exposure to foreign currency risk as part of the Group's normal business.

The effect on pre-tax profits is not significant except as illustrated below:

	Group	
	2017	2016
	US$'000	US$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency against US$ with all other variables held constant would have a favourable effect on pre-tax profit of	42,588	24,888

The above table shows sensitivity to the hypothetical percentage variations in the functional currency against US$. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against US$, there would be comparable impacts in the opposite direction.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure. The analysis above has been carried out on the basis that there are no hedged transactions.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

Equity price risks

There are investments in equity shares or similar instruments. Such investments are exposed to both currency risk and market price risk arising from uncertainties about future values of the securities. The fair values of these assets are disclosed in Note 20.

Commodity risks

Commodity price risk is the risk of fluctuations in the price of raw material used in feed production such as corn and soybean meal, which are commodities. The Group is generally able to pass through raw material cost increases into its feed selling prices, which mitigates the commodity price risk.

In addition, the Group continuously reviews the optimal inventory level and enters into purchase agreements with reference to cost prices, the production plan and materials requirements.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

In order to maintain its listing on the Singapore Stock Exchange, the Company has to have share capital with a free float of at least 10% of its shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity.

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt/adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

	Group	
	2017	2016
	US$'000	US$'000
Net debt:		
All current and non-current loans and borrowings	944,204	839,808
Less: Cash and cash equivalents	(234,867)	(336,153)
Net debt	709,337	503,655
Total equity	1,022,791	1,089,189
Debt-to-adjusted capital ratio	0.7 times	0.5 times

37. DIVIDENDS

	Group	
	2017	2016
	US$'000	US$'000
Declared and paid during the financial year		
Dividends on ordinary shares:		
Final tax exempt (1-tier) dividend of 1.00 (2015: 0.50) Singapore cent per share paid for reporting year ended 31 December 2016	12,533	6,464

On 1 March 2018, the directors of the Company recommended that a tax-exempt one-tier final dividend of 0.50 Singapore cent per ordinary share, amounting to a total of S$8,792,000 (equivalent to US$6,635,000) be paid for the reporting year ended 31 December 2017. The dividend is subject to approval by shareholders at the forthcoming Annual General Meeting and hence the proposed dividend has not been accrued as a liability in these financial statements.

38. CONTINGENT LIABILITIES

38A. Corporate guarantees

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Corporate guarantees in favour of subsidiaries	–	–	287,095	306,878

38B. Financial Support

The Company has agreed to provide financial support to a subsidiary having current liabilities in excess of its current assets by US$29,355,000.

38C. Other legal matters

On 1 April 2016, the subsidiaries, PT Austasia Stockfeed and PT Santosa Agrindo were alleged to have violated Indonesia laws in relation to the sale of imported cattle in Jakarta and were imposed administrative fines of IDR8.8 billion (equivalent to US$652,000) and IDR5.5 billion (equivalent to US$403,000) respectively by the Business Competition Supervisory Commission ("KPPU"). On 9 June 2016, both PT Austasia Stockfeed and PT Santosa Agrindo appealed against the KPPU's decision. Considering that the appeal process is still ongoing, the KPPU's decision is not legally binding. In August 2016, the Supreme Court had stipulated the Central Jakarta District Court to examine and render a decision of appeal against the KPPU's decision. In August 2017, the Central Jakarta District Court has issued a verdict which affirmed KPPU's Decision. Against the Central Jakarta District Court Decision, ASF and SA have filed an appeal to Supreme Court in August 2017. As at the date of these financial statements, this appeal against the KPPU's decision is still on-going.

38. CONTINGENT LIABILITIES (CONTINUED)

38C. Other legal matters (continued)

On 13 October 2016, the subsidiary, PT Japfa Comfeed Indonesia Tbk was alleged to have violated Indonesia laws in relation to the production arrangement/control of Day Old Chicken Final Stock in Indonesia and was imposed administrative fines of IDR25.0 billion (equivalent to US$1,845,000) by the KPPU. On 7 December 2016, PT Japfa Comfeed Indonesia Tbk appealed against the KPPU's decision. Considering that the appeal process is still ongoing, the KPPU's decision is not legally binding. In January 2017, the KPPU requested the Supreme Court to stipulate and appoint West Jakarta District Court to examine and render a decision on the appeal against KPPU. In November 2017, the West Jakarta District Court accepted the appeal and declared that all appellants are not proven to be in violation of the Law No. 5 Year 1999, and revoke the DOC Case Decision. KPPU had filed an appeal to Supreme Court in December 2017 against the West Jakarta District Court Decision. As at the date of these financial statements, this appeal against the KPPU's decision is still on-going.

On 21 February 2017, the subsidiary, PT Suri Tani Pemuka (STP) received a summon with respect to a civil lawsuit filed by Yayasan Pecinta Danau Toba (YPDT) with respect to STP's tilapia farming business at Lake Toba in Sumatra. The lawsuit also named another company as defendant that is engaged in similar business activities at Lake Toba, as well as four governmental authorities. The lawsuit alleges that the aquaculture operations conducted at Lake Toba violate existing environmental law. The lawsuit seeks the payment of security money of IDR114.2 trillion (equivalent to US$8.4 billion) from STP and IDR260.0 trillion (equivalent to US$19.2 billion) from the other corporate party. YPDT has withdrawn its lawsuit on 29 May 2017, and therefore the case was closed. But on 7 September 2017, STP received a summons with respect to a civil lawsuit lodged by Yayasan Pecinta Danau Toba with respect to STP's tilapia farming business at Lake Toba in Sumatra. The lawsuit also named another company as defendant that is engaged in similar business activities at Lake Toba, as well as 5 (five) local governmental authorities, both central and local. The lawsuit alleges that the aquaculture operations conducted at Lake Toba violate existing environmental law. The lawsuit seeks to recover damages of IDR905.7 trillion (equivalent to US$66.8 billion) jointly from STP and other corporate parties. As at the date of these financial statements, this lawsuit is still on-going.

On 2 March 2017, the subsidiary, PT Suri Tani Pemuka (STP) filed an application to a panel of judges examining the case at State Administrative Court of Medan to become involved as an intervention defendant in 2 cases on a lawsuit in the State Administrative Court of Medan. The case was filed by Yayasan Pecinta Danau Toba (YPDT) to the Chief of Integrated Licensing Services and Investment Board of Simalungun ("BPPTPM") as the authorized party in issuing Fishery Business License in Lake Toba to STP. In the lawsuit, YPDT alleged that the issuance of the fishery business license by BPPTPM was in contrary to the principles of good governance and then asked the State Administrative Court of Medan to prosecute and ordered BPPTPM to (i) suspend the implementation of the aquaculture activity carried out by STP, and (ii) declared invalid and void and obliges BPPTPM to revoke the business license owned by STP. STP's application has been granted by judges in a hearing on 13 March 2017. The Judges ruled the lawsuit was unacceptable and the cases were declared closed. But on 5 June 2017, Yayasan Pecinta Danau Toba (YPDT) has lodged two lawsuits to the State Administrative Court of Medan. Both lawsuits are addressed to the Head of Integrated Licensing Services and Investment Board of Simalungun Regency ("PMPPTSP") as the authority who issued the Fishery Business License in Lake Toba to PT Suri Tani Pemuka (STP), a subsidiary of the Company. In the lawsuit, YPDT alleged that the issuance of the fishery business license by PMPPTSP was in contrary to the principles of good governance and then asked the State Administrative Court of Medan to prosecute and order PMPPTSP to declare invalid, void and revoke the business license granted to STP. In 31 July 2017, STP filed an application to the judge who examine the case in State Administrative Court of Medan to be included as an intervenor to the case in order to protect its rights therein. STP's application has been granted by judges in a hearing on 14 August 2017.

38. CONTINGENT LIABILITIES (CONTINUED)

38C. Other legal matters (continued)

The verdict was read on 7 December 2017, where the Judges viewed that even though PMPPTSP is authorized to issue the business licenses, however PMPPTSP used a regulation in the license's consideration that has been invalidated and therefore, the Judges declared that the business licenses are flawed and ordered PMPPTSP to revoke the license in the verdict. PMPPTSP did not appeal toward the verdict, meanwhile, STP did appeal and later revoked the appeal application on 28 December 2017. As the consequences, the case is legally final and binding, to which then PMPPTSP revoked the case-related business licenses and later re-issued another as correction for the revoked ones.

On 21 March 2017, the subsidiary, PT Indojaya Agrinusa (Indojaya) was sued for the lawsuit filed by Ade Rahayu Susanti Siregar and friends (contract worker) whereby Indojaya is the First Defendant and PT Bangun Sari Gemilang as the Second Defendant. The value of the lawsuit is IDR6.8 billion (equivalent to US$503,000). In August 2017, the Industrial Court has granted part of the Plaintiff's claim and punished the Second Defendant (PT Bangun Sari Gemilang) to reemploy the Plaintiffs in the original place and to pay the cost of the case amounting to IDR1,036,000 (equivalent to US$76). Toward the decision of the Industrial Court, the Plaintiff has appealed to the Supreme Court. As at the date of these financial statements, this lawsuit is still on-going.

No accruals have been made in these financial statements as management is of the view that these subsidiaries have not violated the Indonesia law.

39. EVENTS AFTER THE END OF THE REPORTING YEAR

In January 2018, the Group entered into a facility agreement for an up to US$280.0 million underwritten and committed syndicated loan with DBS Bank Ltd, Cooperatieve Rabobank U.A., Singapore Branch, Credit Suisse AG, Singapore branch, as Mandated Lead Arranger Banks in relation to the Syndicated Loan. The Syndicated Loan comprises (a) an up to US$230.0 million 3-year term loan for the purpose of the Group acquired all outstanding shares in the capital of its subsidiaries (see Note 16D); and (b) an up to US$50.0 million 3-year revolving credit facility for general corporate purposes.

40. COMPARATIVE FIGURES

The financial statements for the year ended 31 December 2016 were audited by another auditor whose report dated 14 March 2017 expresses an unqualified opinion on those financial statements.

41. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 28 March 2018.

Statistics of Shareholdings

AS AT 2 MARCH 2018

Issued and Paid-up Share Capital:	SGD1,187,095,123
Number of issued shares:	1,769,525,591
Treasury Shares:	11,699,700
Issued shares less treasury:	1,757,825,891
Class of Shares:	ordinary shares
Voting Rights:	one vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.03	60	0.00
100 - 1,000	559	19.17	537,304	0.03
1,001 - 10,000	1,139	39.05	7,510,700	0.43
10,001 - 1,000,000	1,201	41.17	61,344,609	3.49
1,000,001 AND ABOVE	17	0.58	1,688,433,218	96.05
TOTAL	**2,917**	**100.00**	**1,757,825,891**	**100.00**

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 2 March 2018, approximately 14.70% 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.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LIMITED	1,231,305,731	70.05
2	CITIBANK NOMINEES SINGAPORE PTE LTD	361,991,309	20.59
3	DBS NOMINEES (PRIVATE) LIMITED	31,119,300	1.77
4	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	18,949,700	1.08
5	HSBC (SINGAPORE) NOMINEES PTE LTD	8,240,200	0.47
6	UOB KAY HIAN PRIVATE LIMITED	6,015,500	0.34
7	DB NOMINEES (SINGAPORE) PTE LTD	5,999,800	0.34
8	MAYBANK KIM ENG SECURITIES PTE. LTD.	5,384,808	0.31
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,205,800	0.18
10	BPSS NOMINEES SINGAPORE (PTE.) LTD.	3,042,700	0.17
11	OCBC SECURITIES PRIVATE LIMITED	2,919,250	0.17
12	PHILLIP SECURITIES PTE LTD	2,502,400	0.14
13	DBSN SERVICES PTE. LTD.	2,141,940	0.12
14	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,824,780	0.10
15	GOH GEOK KHIM	1,500,000	0.09
16	LIM HAN TUA	1,200,000	0.07
17	SIN KENG CHOO @ NG NYET CHIN	1,090,000	0.06
18	ASDEW ACQUISITIONS PTE LTD	900,200	0.05
19	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	888,626	0.05
20	BAMBANG WIDJAJA	819,500	0.05
	TOTAL	**1,691,041,544**	**96.20**

Statistics of Shareholdings

AS AT 2 MARCH 2018

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as recorded in the Register of Substantial Shareholders as at 2 March 2018

	No of Shares			
Substantial Shareholders	Direct interest	Indirect interest	Total interest	%
Handojo Santosa @ Kang Kiem Han(1)	–	1,136,818,915	1,136,818,915	64.67
Rangi Management Limited(1)(2)(4)	928,368,240	–	928,368,240	52.81
Fusion Investment Holdings Limited(2)(4)	–	928,368,240	928,368,240	52.81
Tasburgh Limited(1)(3)(4)	126,714,375	–	126,714,375	7.21
Morze International Limited(5)	282,527,085	–	282,527,085	16.07
Highvern Trustees Limited (3)(4)(5)(6)	–	1,337,609,700	1,337,609,700	76.09
MNM Holdings Limited(6)	–	1,337,609,700	1,337,609,700	76.09
Martin John Hall(7)	–	1,337,609,700	1,337,609,700	76.09
Naomi Julia Rive(7)	–	1,337,609,700	1,337,609,700	76.09
Miles Aidan Le Cornu(7)	–	1,337,609,700	1,337,609,700	76.09
Scuderia Trust(4)	–	1,055,082,615	1,055,082,615	60.02
Capital Two Trust(5)	–	282,527,085	282,527,085	16.07
Rachel Anastasia Kolonas(5)(8)	–	282,527,085	282,527,085	16.07
Farida Gustimego Santosa (1)(4)(9)	–	1,055,818,915	1,055,818,915	60.06
Renaldo Santosa(4)(10)	–	1,055,942,615	1,055,942,615	60.07
Gabriella Santosa(4)(11)	–	1,055,182,615	1,055,182,615	60.03

(1) Mr Handojo Santosa is the settlor of the Scuderia Trust. Under the terms of the Scuderia Trust, he is entitled, as an investment power holder, to direct the trustee of the Scuderia Trust to procure to the best of its ability that the directors of Fusion Investment Holdings Limited and Tasburgh Limited act in accordance with his instructions in relation to the investments of the Scuderia Trust. See Note (4) below. As the sole shareholder of Rangi Management Limited, Fusion Investment Holdings Limited is entitled to determine the composition of the board of directors of Rangi Management Limited. Accordingly, Mr Handojo Santosa can control the exercise of the rights of the shares held by Fusion Investment Holdings Limited in Rangi Management Limited and through the board of directors appointed by Fusion Investment Holdings Limited, control the exercise of the rights of the Shares held by Rangi Management Limited under the Scuderia Trust. By virtue of Section 4 of the SFA, Mr Handojo Santosa is deemed to have an interest in the Shares held by Rangi Management Limited and Tasburgh Limited. Tallowe Services Inc holds 81,000,000 Shares. The Shares of Tallowe Services Inc are held by Magnus Nominees Limited and Fidelis Nominees Limited as bare trustees for Mr Handojo Santosa. By virtue of Section 4 of the SFA, Mr Handojo Santosa is also deemed to have an interest in the Shares held by Tallowe Services Inc. In addition, Mr Handojo Santosa is also deemed to have an interest in 736,300 Shares held in a joint account with his wife (through their client account with a financial institution).

(2) Fusion Investment Holdings Limited holds the entire issued and paid-up capital of Rangi Management Limited. By virtue of Section 4 of the SFA, Fusion Investment Holdings Limited is deemed to have an interest in the Shares held by Rangi Management Limited.

(3) The shares in each of Fusion Investment Holdings Limited, Tasburgh Limited and Morze International Limited are collectively held by Magnus Nominees Limited and Fidelis Nominees Limited as bare trustees on trust for their sole shareholder, Highvern Trustees Limited, as trustee of the Scuderia Trust and the Capital Two Trust. By virtue of Section 4 of the SFA, Highvern Trustees Limited is deemed to have an interest in the Shares held by Rangi Management Limited, Tasburgh Limited and Morze International Limited. Highvern Trustees Limited is a professional trustee and is wholly-owned by MNM Holdings Limited.

(4) Highvern Trustees Limited is the trustee of the Scuderia Trust which is a reserved power discretionary trust. The Shares held by Rangi Management Limited and Tasburgh Limited are assets of the Scuderia Trust. The settlor of Scuderia Trust is Mr Handojo Santosa. The beneficiaries of the Scuderia Trust are Mr Handojo Santosa's spouse (Farida Gustimego Santosa), children (Renaldo Santosa, Gabriella Santosa, Mikael Santosa and Raffaela Santosa) and remoter issue. Pursuant to Section 4 of the SFA, the beneficiaries of the Scuderia Trust are deemed to have an interest in the Shares held by Rangi Management Limited and Tasburgh Limited.

(5) Highvern Trustees Limited is the trustee of the Capital Two Trust which is a reserved power discretionary trust. The Shares held by Morze International Limited are assets of the Capital Two Trust. The settlor of Capital Two Trust is Ms Rachel Anastasia Kolonas. The beneficiaries of the Capital Two Trust are Rachel Anastasia Kolonas, her issue and remoter issue and Tati Santosa. Pursuant to Section 4 of the SFA, the beneficiaries of the Capital Two Trust are deemed to have an interest in the Shares held by Morze International Limited.

(6) MNM Holdings Limited is the direct holding company of Highvern Trustees Limited. By virtue of Section 4 of the SFA, MNM Holdings Limited is deemed to be indirectly interested in the Shares that Highvern Trustees Limited is interested in.

(7) Mr Martin John Hall, Ms Naomi Julia Rive and Mr Miles Aidan Le Cornu each has a direct interest in 33.33% of MNM Holdings Limited, which is the direct holding company of Highvern Trustees Limited. By virtue of Section 4 of the SFA, each of Mr Martin John Hall, Ms Naomi Julia Rive and Mr Miles Aidan Le Cornu is deemed to be indirectly interested in the Shares that Highvern Trustees Limited is interested in.

(8) Ms Rachel Anastasia Kolonas is the settlor of the Capital Two Trust. Under the terms of the Capital Two Trust, she is entitled, as an investment power holder, to direct the trustee of the Capital Two Trust to procure to the best of its ability that the directors of Morze International Limited act in accordance with her instructions in relation to the investments of the Capital Two Trust. Accordingly she can control the exercise of the rights of the Shares held under the Capital Two Trust. By virtue of Section 4 of the SFA, Ms Rachel Anastasia Kolonas is deemed to have an interest in the Shares held by Morze International Limited.

(9) Mdm Farida Gustimego Santosa is a beneficiary under the Scuderia Trust. See Note (4) above. Mdm Farida Gustimego Santosa is also deemed to have an interest in 736,300 Shares held in a joint account with her husband (through their client account with a financial institution).

(10) Mr Renaldo Santosa is a beneficiary under the Scuderia Trust. See Note (4) above. Mr Renaldo Santosa additionally holds 860,000 Shares through his client account with a financial institution.

(11) Ms Gabriella Santosa is a beneficiary under the Scuderia Trust. See Note (4) above. Ms Gabriella Santosa additionally holds 100,000 Shares through her client account with a financial institution.

Notice of Annual General Meeting

JAPFA LTD
(Incorporated in the Republic of Singapore)
Company Registration No. 200819599W

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting ("AGM") of Japfa Ltd (the "Company") will be held at York Hotel Singapore, Rosemarie Hall, 21 Mount Elizabeth, Singapore 228516 on Thursday, 12 April 2018 at 2.00 p.m. to transact the following businesses:

A) ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements of the Company for the financial year ended 31 December 2017 (FY2017), together with the Auditor's Report. **Resolution 1**

2. To declare a first and final one-tier tax exempt dividend of 0.50 Singapore cents per ordinary share for the financial year ended 31 December 2017. **Resolution 2**

3. To re-elect the following Directors, retiring pursuant to Regulation 112 of the Company's Constitution and who, being eligible, offer themselves for re-election:

   Goh Geok Khim (see Note 4) **Resolution 3**

   Handojo Santosa @ Kang Kiem Han (see Note 5) **Resolution 4**

   Hendrick Kolonas (see Note 6) **Resolution 5**

   Tan Yong Nang (see Note 7) **Resolution 6**

   Kevin John Monteiro (see Note 8) **Resolution 7**

   Ng Quek Peng (see Note 9) **Resolution 8**

   Lien Siaou-Sze (see Note 10) **Resolution 9**

4. To approve payment of Directors' fees up to 31 March 2019 based on existing Directors' fee structure. **Resolution 10**

5. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 11**

B) SPECIAL BUSINESS

6. That pursuant to Section 161 of the Companies Act Cap 50, the Directors of the Company be authorised and empowered to: **Resolution 12**

(i) (a) issue Shares whether by way of rights, bonus or otherwise; and/or

(b) make or grant offers, agreements or options (collectively, the "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(ii) (notwithstanding that the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this resolution is in force.

PROVIDED THAT:

(1) the aggregate number of Shares issued pursuant to this resolution (including Shares issued in pursuance to any Instruments made or granted pursuant to this resolution), does not exceed 50 per cent. (50%) of the total number of issued Shares excluding treasury Shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuant of Instruments made or granted pursuant to this resolution) does not exceed 20 per cent. (20%) of the total number of issued Shares excluding treasury Shares (as calculated in accordance with sub-paragraph (2) below);

(2) (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 (1) above, the percentage of issued shares shall be based on the total number of issued shares in the capital of the Company at the time this resolution is passed (excluding treasury shares), after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed; and

(ii) any subsequent bonus issue or consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Companies Act, the Listing Manual of the SGX-ST (including supplemental measures thereto) for the time being in force (unless such compliance has been waived by the SGX-ST) and the constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

7. That approval be and is hereby given to the Directors to: **Resolution 13**

(i) offer and grant Awards in accordance with the provisions of Japfa Ltd Performance Share Plan ("Share Plan") and pursuant to Section 161 of the Companies Act (Cap. 50):

(a) to allot and issue from time to time such number of fully-paid new Shares as may be required to be delivered pursuant to the vesting of the Awards under the Share Plan; and

(b) (notwithstanding the authority conferred by this resolution may have ceased to be in force) to allot and issue from time to time such number of fully-paid new Shares as may be required to be delivered pursuant to any Awards granted by the Directors in accordance with the Share Plan awarded while the authority conferred by this resolution was in force, and

(ii) subject to the same being allowed by law, apply any Shares purchased under any share purchase mandate and to deliver such existing Shares (including treasury shares) towards the satisfaction of Awards granted under the Share Plan,

PROVIDED THAT the aggregate number of Shares to be issued or transferred pursuant to the Awards under the Share Plan on any date, when aggregated with the number of Shares over which options or awards are granted under any other share option schemes or share schemes of the Company, shall not exceed fifteen per cent. (15%) of the total issued share capital of the Company (excluding treasury Shares) the day preceding that date.

8. To transact any other business of an Annual General Meeting.

By Order of the Board of Directors

Tan Yong Nang
Executive Director and Chief Executive Officer
28 March 2018

Notes:

1. (a) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual general meeting (the "**Meeting**"). Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no such proportion of shareholding is specified, the first named proxy may be treated as representing 100% of the shareholding and any subsequent named proxy as an alternate to the earlier named. A proxy need not be a member of the Company.

   (b) A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. If no such number or class of shares is specified, the first named proxy may be treated as representing 100% of the shares and any subsequent named proxy as an alternate to the earlier named.

   "**Relevant Intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50 of Singapore).

2. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.

3. The instrument appointing a proxy or proxies must be deposited with the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 72 hours before the time appointed for the AGM. The sending of a Proxy Form by a member does not preclude him from attending and voting in person at the AGM if he so wishes. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the AGM.

4. Mr Goh Geok Khim, will, upon re-election, continue to serve as the Chairman of the Board of Directors. Mr Goh is an independent Director.

5. Mr Handojo Santosa @ Kang Kiem Han will, upon re-election, continue to serve as Executive Deputy Chairman and a member of the Nominating Committee.

6. Mr Hendrick Kolonas will, upon re-election, continue to serve as a member of the Audit Committee and Remuneration Committee.

7. Mr Tan Yong Nang will, upon re-election, continue to serve as an Executive Director and Chief Executive Officer of the Company.

8. Mr Kevin John Monteiro will, upon re-election, continue to serve as an Executive Director and the Chief Financial Officer of the Company.

9. Mr Ng Quek Peng will, upon re-election, continue to serve as the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. Mr Ng is an independent Director.

10. Ms Lien Siaou-Sze will, upon re-election, continue to serve as the Chairwoman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee. Ms Lien is an independent Director.

11. Ordinary Resolution 12 is to empower the Directors from the date of the Annual General Meeting until the date of the next Annual General Meeting to issue Shares and Instruments in the Company, up to a number not exceeding 50% of the total number of Shares (excluding treasury Shares) (with a sub-limit of 20% of the total number of Shares (excluding treasury Shares) in respect of Shares to be issued other than on a pro rata basis to shareholders).

12. Ordinary Resolution 13 is to empower the Directors to offer and grant awards pursuant to the Japfa Ltd Performance Share Plan ("Share Plan") and to issue shares in the capital of the Company pursuant to the vesting of awards granted pursuant to Share Plan provided that: (a) the aggregate number of new shares which may be issued under the Share Plan does not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time, (b) The aggregate number of Shares which may be issued or transferred pursuant to Awards under the Share Plan to Participants who are Controlling Shareholders and their Associates shall not exceed 25% of the Shares available under the Share Plan, and (c) The number of Shares which may be issued or transferred pursuant to Awards under the Plan to each Participant who is a Controlling Shareholder or his Associate shall not exceed 10% of the Shares available under the Share Plan.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

NOTICE OF BOOKS CLOSURE

Notice is hereby given that, subject to members' approval to the proposed payment of the first and final dividend at the Fourth Annual General Meeting to be held on 12 April 2018, the Company's Share Transfer Book and Register of Members, will be closed on 18 April 2018 at 5.00 p.m. for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate and Advisory Services Pte Ltd, at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, up to 5.00 p.m. on 18 April 2018 will be registered to determine shareholders' entitlements to the Dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares in the capital of the Company as at 5.00 p.m. on 18 April 2018 will be entitled to the final dividend.

Payment of the first and final dividend, if approved by members at the Fourth Annual General Meeting, will be made 11 May 2018.

By Order of the Board
Japfa Ltd

Tan Yong Nang
Executive Director and Chief Executive Officer
28 March 2018

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JAPFA LTD
(Incorporated in the Republic of Singapore)
(Company Registration No. 200819599W)

PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT:
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 1 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. 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.

Personal Data Privacy
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 28 March 2018.

*I/We ____ (Name) _______________________ (NRIC/Passport Number)

of ____ (Address)

being a *member/ members of Japfa Ltd (the "**Company**") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%

*and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%

or failing him/them, the Chairman of the Annual General Meeting ("**AGM**"), as my/our proxy/proxies to attend and vote for me/us on my/our behalf and if necessary, to demand a poll at the AGM to be held at York Hotel Singapore, Rosemarie Hall, 21 Mount Elizabeth, Singapore 228516 on Thursday, 12 April 2018 at 2.00 p.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolution to be proposed at the AGM as indicated hereunder. If no specified direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

NOTE: The Chairman of the AGM will be exercising his right under Regulation 85(a) of the Constitution of the Company to demand a poll in respect of the Ordinary Resolution and Special Resolution to be put to the vote at the AGM and at any adjournment thereof. Accordingly, the Ordinary Resolution and Special Resolution at the AGM will be voted on by way of a poll.

	For *	Against *
Ordinary Business		
Ordinary Resolution 1 Adoption of the Directors' Report, the Audited Financial Statements and the Auditor's Report		
Ordinary Resolution 2 Declaration of a first and final one-tier tax exempt dividend of 0.50 Singapore cents per ordinary share		
Ordinary Resolution 3 Re-election of Goh Geok Khim as a Director		
Ordinary Resolution 4 Re-election of Handojo Santosa @ Kang Kiem Han as a Director		
Ordinary Resolution 5 Re-election of Hendrick Kolonas as a Director		
Ordinary Resolution 6 Re-election of Tan Yong Nang as a Director		
Ordinary Resolution 7 Re-election of Kevin John Monteiro as a Director		
Ordinary Resolution 8 Re-election of Ng Quek Peng as a Director		

Ordinary Resolution 9 Re-election of Lien Siaou-Sze as a Director		
Ordinary Resolution 10 To approve payment of Directors' fees up to 31 March 2019 based on existing Directors' fee structure.		
Ordinary Resolution 11 To re-appoint Ernst & Young LLP as Auditors of the Company for FY2018 and to authorise the Directors to fix their remuneration		
Special Business		
Ordinary Resolution 12 Authority for Directors to issue additional shares and convertible instruments pursuant to Section 161 of the Companies Act, Cap 50		
Ordinary Resolution 13 Authority for Directors to offer and grant awards and issue shares in accordance with the provision of Japfa Ltd Performance Share Plan		

* If you wish to exercise all your votes "For" or "Against" the Ordinary Resolution, please indicate with a "✓" within the box provided. Otherwise, please indicate the number of votes "For" or "Against" the Ordinary Resolution.

Dated this __________ day of _______________ 2018

Total Number of Shares Held

____

Signature of member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES BELOW

NOTES:-

1. (a) A member of the Company ("**Member**") who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at a Meeting of the Company. Where such Member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no such proportion of shareholding is specified, the first named proxy may be treated as representing 100% of the shareholding and any subsequent named proxy as an alternate to the earlier named.

   (b) A Member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at a Meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder. Where such Member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. If no such number or class of shares is specified, the first named proxy may be treated as representing 100% of the shares and any subsequent named proxy as an alternate to the earlier named.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50 of Singapore).

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

3. The instrument appointing a proxy must be deposited with the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 72 hours before the time appointed for holding the AGM.

4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under this instrument of proxy to the AGM.

5. If the member has Shares entered against his/her/its name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he/she/it should insert that number of Shares. If the member has Shares registered in his/her/its name in the Register of Members, he/she/it should insert that number of Shares. If the member has Shares entered against his/her/its name in the Depository Register and Shares registered in his/her/its name in the Register of Members, he/she/it should insert the number of Shares entered against his/her/its name in the Depository Register and registered in his/her/its name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by the member.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney duly authorised.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a copy thereof certified by a notary public (failing previous registration with the Company) must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

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

9. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the Proxy Form. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

MIX
Paper from responsible sources
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This annual report is printed on environmentally-friendly paper.

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