JAPFA

FEEDING EMERGING ASIA



THE JAPFA WAY

JAPFA LTD
ANNUAL REPORT 2018

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OUR MISSION

To be the leading dependable provider of affordable protein foods in emerging Asia, 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.

Headquartered in **Singapore,** we employ over **38,000** people across an integrated network of industrial farms, and processing and distribution facilities in **Indonesia, Vietnam, Myanmar, India and China.**

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THE JAPFA WAY



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 38,000 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 have 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.

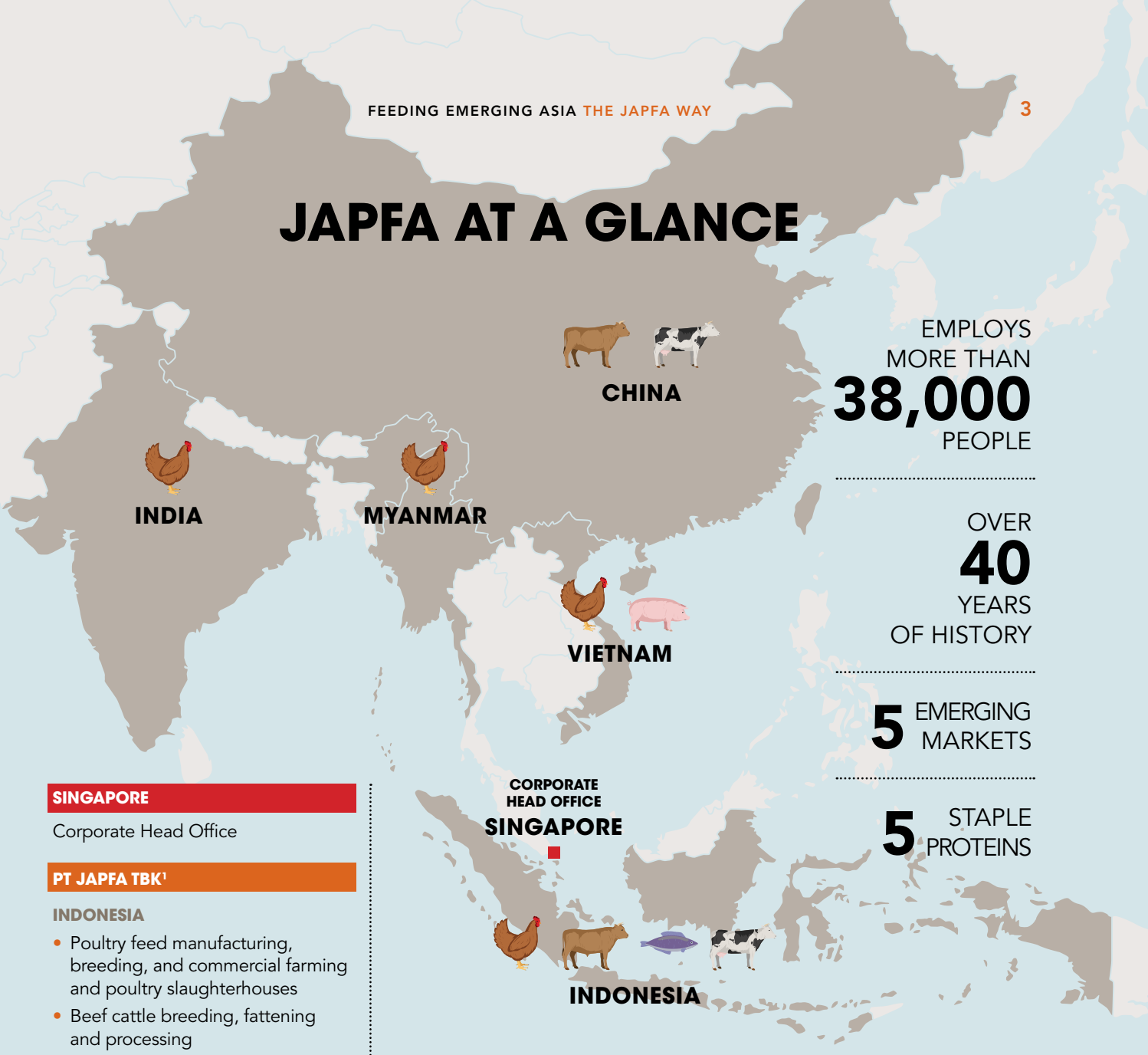
We leverage on the high quality of our raw materials to produce premium and mass market consumer branded food products under leading brands such as *So Good*, as well as Greenfields, which is the top fresh pasteurised milk brand in Indonesia's modern trade channel[1].

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 lives. We plan to forge ahead with our strategy of expanding across multiple protein segments in these high growth emerging Asian markets.

1 Pt Austasia Foods' calculation and claim is based on value and volume sales data provided by Nielsen Scan Track Service for the Indonesian market's pasteurized Milk category for the 12 months ending September 2016 (Copyright © 2016, Nielsen)



JAPFA AT A GLANCE



EMPLOYS MORE THAN **38,000** PEOPLE

OVER **40** YEARS OF HISTORY

5 EMERGING MARKETS

5 STAPLE PROTEINS

SINGAPORE

Corporate Head Office

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

INDIA

- Poultry feed manufacturing, breeding and commercial farming

CHINA

- Beef cattle fattening

DAIRY[2]

CHINA

- Dairy farming
- Raw milk production

INDONESIA

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

CONSUMER FOOD

INDONESIA

- Animal protein-based, branded consumer food
- Ambient, chilled and frozen food production and distribution

LEGEND Poultry | Swine | Beef | Aquaculture | Dairy

1 As at 31 December 2018, Japfa Ltd's shareholding in PT Japfa Comfeed Indonesia Tbk is 52.4%.
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

PT JAPFA TBK

We produce specially-formulated animal feed, and multiple high-quality animal proteins, namely poultry, beef and aquaculture, in Indonesia. We take an industrialised approach to farming by leveraging on our large-scale operations and over 40 years of experience.

ANIMAL PROTEIN OTHER

We have animal protein operations in Vietnam, Myanmar and India, which produce quality 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.

LEADING MARKET POSITIONS IN MULTIPLE PROTEIN STAPLES

Leading upstream regional market positions

CHINA

MILK YIELD[1]
38.9 kg/head/day

1

INDONESIA

POULTRY FEED PRODUCTION CAPACITY[2]
24%

DOC PRODUCTION[2]
29%

2

MYANMAR

POULTRY FEED PRODUCTION CAPACITY[3]
31%

DOC PRODUCTION[3]
21%

2

VIETNAM

DOC PRODUCTION[3]
20%

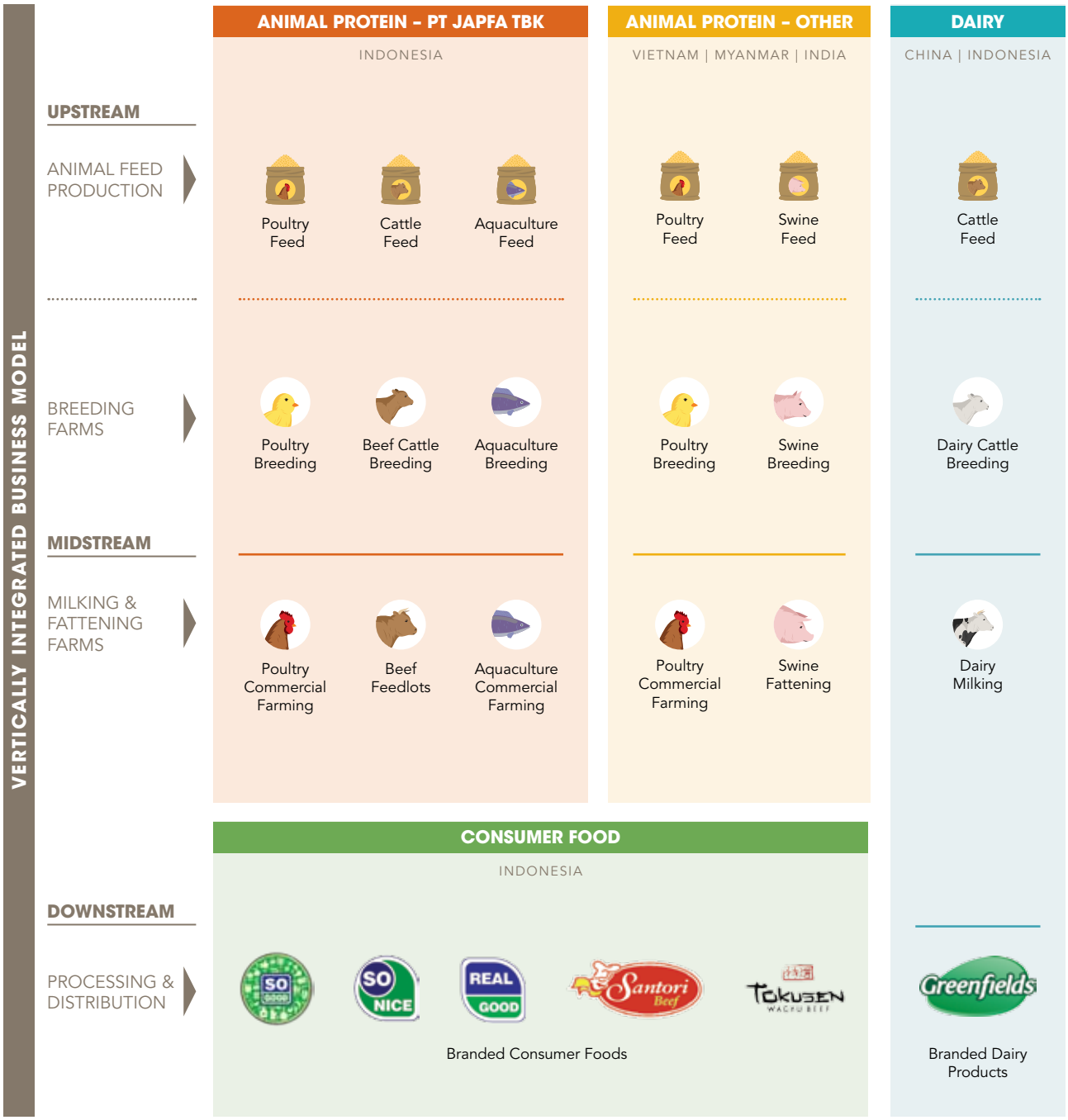
3

1 Our milk yields are the highest in China as per Rabobank, IFCN and annual reports 2016 of respective listed corporates.
2 Source: Frost & Sullivan Analysis, 2015 data.
3 Source: Company estimates, 2016 data.

VERTICALLY-INTEGRATED BUSINESS MODEL

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.

FIVE PROTEINS | FIVE COUNTRIES



BUSINESS SEGMENTS

ANIMAL PROTEIN - PT JAPFA TBK



INDONESIA



POULTRY

- **2nd largest** integrated industrialised farming company
- **14** poultry feedmills
- **3** breeder poultry feedmills
- **76** poultry breeding farms
- **25** central hatcheries
- **10** slaughterhouses and primary processing plants
- Over **100** company-owned commercial farms
- Over **9,000** contract commercial farms

AQUACULTURE

- **5** aqua feedmills
- **9** hatchery (fry) facilities

BEEF

- **2** cattle breeding farms
- **3** cattle fattening farms
- **1** beef processing operation





In Indonesia, we run our animal protein operations through IDX-listed PT Japfa Comfeed Indonesia Tbk ("PT Japfa Tbk"), which we own 52.4% of the share capital.

We produce quality animal proteins, namely poultry, beef and aquaculture. We are a large-scale producer of specially-formulated animal feed. We partner with world-leading genetics companies to breed high performance parent livestock in modern farm facilities using advanced management systems.

POULTRY

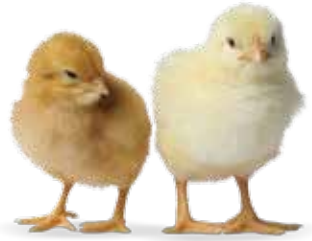
We produce premium-quality animal feed for our own poultry operations, as well as for sale to third parties. We supply consistent quality feed to our customers and, as a result of effective feed conversion ratios (i.e. total amount of feed required per bird kilogram), our feed brands, Comfeed and Benefeed, are among the most recognised in Indonesia. In collaboration with world leading poultry genetics company Aviagen, we also deliver high performance Day-Old-Chicks ("DOCs").

AQUACULTURE

Feed production is the core activity of our aquaculture business. Our aqua-feedmills produce a wide range of feed products for both marine and fresh water aquaculture species. We also operate cold storage and processing plants, fresh water fish farms, shrimp ponds, as well as shrimp and fresh water hatcheries to support our aquaculture customers.

BEEF

Through our vertically-integrated wagyu cattle operations, we produce premium quality beef, namely Tokusen Wagyu Beef, targeted at the premium market segment in Indonesia.



BUSINESS SEGMENTS

ANIMAL PROTEIN - OTHER

The Animal Protein Other ("APO") segment covers our operations in Vietnam, Myanmar and India, where we produce quality animal feed, poultry and swine. Our APO operations constitute a key part of the Group's diversification strategy to ensure long term sustainable earnings, and have successfully replicated our industrialised, vertically integrated business model across the emerging Asian markets.





VIETNAM



POULTRY

- **5** feedmills (poultry and swine feed)
- **1** Grand Parent ('GP') farm
- **13** Parent Stock ('PS') farms
- **3** central hatcheries
- **Over 300** company-managed and contract commercial farms

SWINE

- **1** Great Grand Parent ('GGP') farm
- **6** Grand Parent ('GP') farms
- **22** Parent Stock ('PS') farms
- **Over 280** company-managed and contract fattening farms

MYANMAR



POULTRY

- **2** poultry feedmills
- **3** poultry breeding farms
- **2** hatcheries
- **11** company-managed commercial farms

INDIA



POULTRY

- **7** poultry feedmills
- **1** poultry breeding farm
- **2** hatcheries
- **Over 400** contract commercial farms

BUSINESS SEGMENTS

DAIRY



CHINA



- **7** dairy farms
- **Nearly 78,000** heads of Holstein cattle
- **38.9 kg/head/day** in milk yields
- Premium raw milk **produced and sold** to leading dairy companies
- Continues to **surpass** its competitors in milk yields



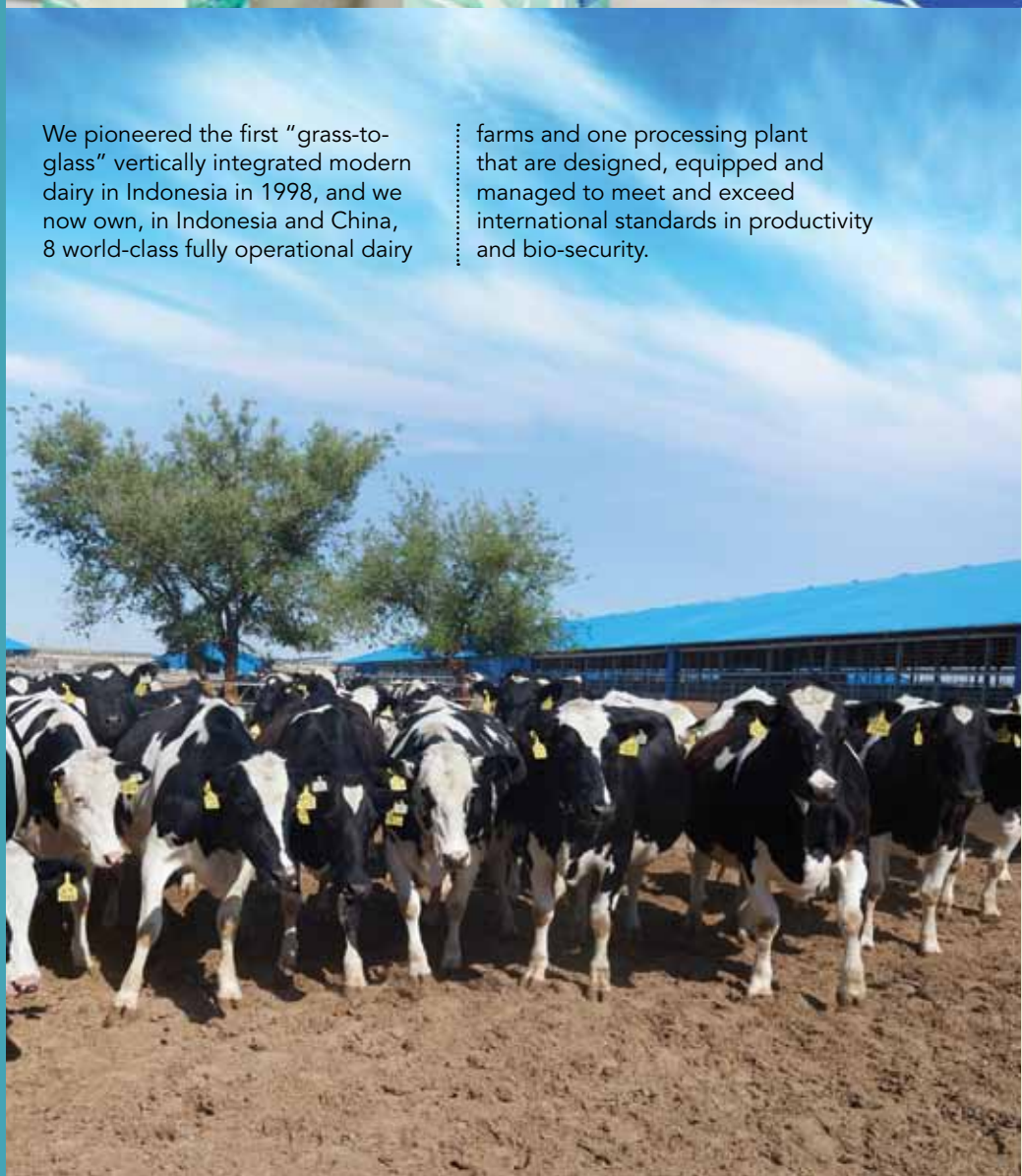
SOUTH EAST ASIA



- **Largest** dairy farm operations by volume of premium fresh milk produced (Indonesia)
- **#1** brand for Fresh Pasteurized Milk in Indonesia
- Products exported to countries including Singapore, Malaysia and the Philippines
- **2018 Superbrands award**, voted as a Singapore Favourite Brand within the Milk Category
- Launched UHT small-pack milk products in February 2018 (Indonesia)
- Yogurt to be major category in the business

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.





BUSINESS SEGMENTS

CONSUMER FOOD



Our downstream consumer food products are manufactured using our quality animal proteins as raw materials. With our expertise in agri-food production, we produce quality consumer food products and have grown to be one of the pioneer providers of protein-based processed food to nourish and delight Indonesian families with practical, reliable and tasty protein.

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.

INDONESIA



- Founded in 1996
- Production volume of more than **50,000 tonnes** of processed poultry and meat products in 2018
- Production volume of **approximately 47 million litres** of UHT milk in 2018
- We produce *So Nice* shelf-stable sausages as well as *So Good* and *So Nice* frozen ready-to-cook processed food



CHAIRMAN'S MESSAGE



Dear Shareholders,

On behalf of the Board of Directors ("Board"), I am pleased to present to you the Group's annual report for the financial year ended 31 December 2018 ("FY2018").

STRONG FINANCIAL PERFORMANCE IN FY2018

The Group recorded a strong financial performance in FY2018, with healthy growth in revenue and earnings across our core business pillars.

Revenue increased by 10.8% to US$3.5 billion, from US$3.2 billion in FY2017. EBITDA improved by 57.6% to US$457.0 million, from US$290.0 million in FY2017, while Core PATMI w/o Forex rose to US$121.9 million, from US$15.7 million in FY2017.

This was attributable to various factors such as higher feed sales volume and higher poultry ASPs recorded by Japfa's Indonesian subsidiary, PT Japfa Tbk, a sharp turnaround in profitability for Animal Protein Other as a result of the swine market recovery in Vietnam and Japfa's full ownership of the Dairy segment which permitted the recognition of this segment's entire contribution in FY2018.

In appreciation of shareholders' continued support, the Board has recommended a final ordinary dividend of 1.0 Singapore cent per share and a final special dividend of 1.0 Singapore cent per share, to be paid in two equal instalments of 0.5 Singapore cents per share.

> "WE REMAIN COMMITTED TO OUR CORPORATE MISSION OF BEING THE LEADING DEPENDABLE PROVIDER OF AFFORDABLE PROTEIN FOODS IN EMERGING ASIA BY BUILDING ON THE FOUNDATIONS OF EXCELLENT TEAMWORK AND PROVEN EXPERIENCE FOR THE BENEFIT OF ALL STAKEHOLDERS"

LOOKING AHEAD

Over the past five years, the Group has expanded and strengthened its operations. Today, the Group is in a better position to manage, adapt to and weather the cyclical environment in which it operates. We will continue to stay the course in establishing the Group as one of the most efficient and lowest cost industrialised protein producers in emerging Asia.

We remain committed to our corporate mission of being the leading dependable provider of affordable protein foods in emerging Asia by building on the foundations of excellent teamwork and proven experience for the benefit of all stakeholders.

Our success is driven by the passion and commitment of our staff of over 38,000 people across Asia. Our FY2018 performance illustrates the result of their shared mission and teamwork, which combines the strengths of our regional teams with the experience of our leadership team.

FAREWELL AND ACKNOWLEDGEMENTS

It has been my honour to serve as Chairman since Japfa's listing in August 2014. My tenure as Chairman now draws to a close as I have decided to step down from the Board at the conclusion of the upcoming Annual General Meeting.

The Board has proposed to elect Mr Handojo Santosa as my successor. Mr Handojo Santosa is currently Japfa's Executive Deputy Chairman. He joined the Group in 1986 and has played a pivotal role in building and expanding the Group's business in the region.

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

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

I wish them every success in their endeavours.

Goh Geok Khim
Chairman



CEO'S MESSAGE



Dear Shareholders,

I am proud to present a strong set of results for FY2018. This was made possible through our ability to leverage the Group's core competencies and diversification strategy across multiple proteins and geographies, which enabled us to take advantage of protein consumption growth across the five emerging markets that Japfa operates in.

Key to our success is our ability to leverage on our industrialised approach to farming and food production and drive integration across our entire value chain. We also target to be one of the most efficient and lowest cost producers, and work towards growing with our stakeholders.

Together, these form the cornerstones of The Japfa Way, which supports our overarching mission in Feeding Emerging Asia.

STRONG FY2018 FINANCIAL PERFORMANCE

In FY2018, we recorded a 57.6% increase in EBITDA to US$457.0 million, as compared to the previous financial year. Core PATMI without Forex surged eight-fold to US$121.9 million, up from US$15.7 million in FY2017. These were achieved on the back of a record revenue of US$3.5 billion for FY2018.

Our continued growth in revenue was driven mainly by higher sales volumes from the Dairy business and poultry feed in Indonesia and Vietnam, as well as higher ASPs for both poultry in Indonesia and swine fattening in Animal Protein Other ("APO")-Vietnam. Our operating profit grew 81.2% mainly due to strong prevailing DOC and broiler average selling prices ("ASPs") lifting PT Japfa Tbk's operating profit, as well as the turnaround in profitability for the APO segment.

As at 31 December 2018, the Group's total assets stood at US$2.9 billion. The balance sheet remains healthy with cash and cash equivalents of US$168.3 million, and a net debt-to-equity ratio of 0.9x based on a debt of US$1.2 billion.

In spite of macroeconomic uncertainties and cyclicality of the agri-food business, Japfa's ability to deliver revenue and earnings growth in FY2018 underlines its strong positioning as a low cost and efficient producer of staple proteins in Emerging Asia.

> "OVER THE PAST 40 YEARS, WE HAVE SOWN OUR SEEDS ACROSS THE RIGHT MARKETS AND THE RIGHT BUSINESS SEGMENTS, AND ARE BEGINNING TO REAP THE REWARDS FROM ADHERING TO OUR STRATEGIC PRIORITIES. TODAY WE ARE WELL POSITIONED TO CAPTURE THE GROWTH IN PROTEIN CONSUMPTION THAT WILL BE DRIVEN BY THE INCREASING AFFLUENCE OF OUR TARGET MIDDLE- AND LOWER-INCOME CONSUMER GROUPS IN THE MARKETS WE OPERATE IN"

GROWTH DRIVEN BY CORE BUSINESS PILLARS

Japfa was able to deliver strong revenue and earnings growth across its core business pillars in FY2018, on the back of continued profitability of PT Japfa Tbk and our Dairy business segment, as well as a significant turnaround of our APO segment.

The PT Japfa Tbk segment remains the largest contributor to the Group's business, accounting for 67.4% of revenue. Revenue increased by



14.9% in Indonesian Rupiah ("IDR") terms, but only 8.0% in United States Dollar ("USD") terms due to the depreciation of the IDR. This was mainly contributed by higher sales volumes for feed and DOCs, coupled with higher ASPs across the poultry business.

The high operating profit in FY2018 was mainly due to high ASPs for DOCs and broiler driven by lack of DOC supply. The feed business continues to be the stable pillar of PT Japfa Tbk's profitability. The Group's ability to generally pass on raw material cost increases in its feed selling prices is reflected in its stable poultry feed operating margins. The key factors underpinning the volume growth of Japfa's breeding operations are the high productivity of our breeding farms and the quality of our DOC breed.

The Group's APO segment recorded a 22.7% y-o-y revenue growth to US$583.1 million, and a turnaround of operating profit to US$33.1 million, from a loss of US$26.9 million in the previous year. The improved profitability was driven mainly by turnaround in Vietnam's operations, on the back of higher sales volume for poultry feed as well as higher ASP for swine fattening. The recovery of swine prices above cost in the

CEO'S MESSAGE



second quarter of 2018 reflected a re-balancing of Vietnam's domestic swine market demand-supply levels, following China's swine import restrictions imposed in November 2016.

Driven by higher milk yields and volumes, our Dairy segment continued to record good growth in both our top line and bottom line. Revenue rose 17.7% y-o-y to US$408.7 million and operating profit increased 7.3% y-o-y to US$71.8 million. During the year under review, we completed the acquisition of Black River Funds' interest in the Dairy business ("AustAsia") in April 2018, and now own 100% of AustAsia. With the acquisition of the remaining interest of the Dairy segment, the Group is now able to benefit from the recognition of 100% of full year contribution from its wholly-owned Dairy segment.

The Consumer Food segment posted an increase in sales volume for frozen and ambient food products, resulting in a slight year-on-year increase of revenue to US$203.3 million. Nevertheless, the Group's dominant position in the ambient food in Indonesia continues to be contested, thus resulting in a negative operating profit of US$16.6 million.

POSITIONING JAPFA AS A LEADING INDUSTRIALISED AGRI-FOOD COMPANY

We remain steadfast in our goal to becoming a leading, pan-Asian, industrialised agri-food company dedicated to Feeding Emerging Asia with essential proteins. Over the past 40 years, we have sown our seeds across the right markets and the right business segments, and are beginning to reap the rewards from adhering to our strategic priorities. Today we are well positioned to capture the growth in protein consumption that will be driven by the increasing affluence of our target middle- and lower-income consumer groups in the markets we operate in. We will continue to sharpen our competitive edge to remain at the forefront in the industry and achieve sustainable growth for the Group.

We will continue to leverage on our core competencies, such as our ability to manage large-scale operations, harnessing advanced technologies, and having best-in-class bio-security measures, which I believe will anchor us in times of headwinds and propel us during tailwinds.









GROWING SUSTAINABLY

Our approach has always been to grow our business in a sustainable manner that positively impacts all our stakeholders – shareholders, business partners, customers, suppliers, employees and the local communities. We believe that a balanced approach between economic, environmental and social performance will support our goal to provide affordable animal proteins across the regions where we operate in.

Over the past year, we established a Sustainability Committee to direct the Group's sustainability practices towards the accomplishment of the United Nations' Sustainable Development Goal 2: Zero Hunger. The Sustainability Committee's first step was to define the strategy, targets and Japfa Sustainability Pillars that will drive our efforts going forward.

APPRECIATION

On behalf of the Board of Directors and the leadership team, we would also like to extend our appreciation to Mr Goh Geok Khim for his dedicated service and invaluable contributions to Japfa since his appointment in June 2014.

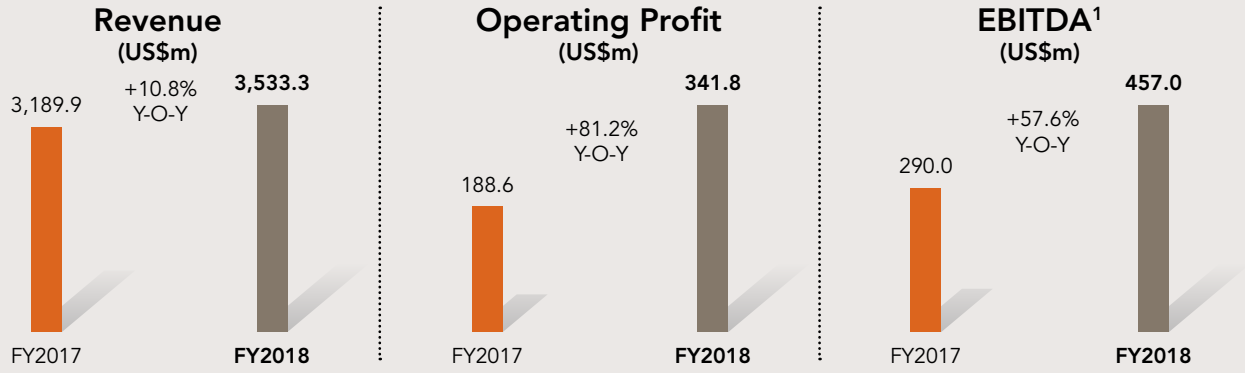
Mr Goh has been instrumental as a guiding light for the business since our IPO in August 2014. As Chairman, Mr Goh was astute in providing a fine balance between growth and in rewarding shareholders. Under his stewardship, we grew the Group's operations from strength to strength. Our revenue has expanded from US$2.9 billion in 2014 to US$3.5 billion in 2018 and EBITDA increased from US$263.9 million in 2014 to US$457.0 million in 2018. We laid the groundwork for our "5 protein, 5 countries" diversification strategy of feeding emerging Asia.

I would also like to thank the Board and the leadership team for their dedication and contribution. Special thanks also to our staff of over 38,000 people across Asia, for the hard work and dedication towards Japfa.

To our shareholders, thank you for your continued support and belief in the Japfa story. We look forward to furthering our legacy of long-term value creation for our stakeholders as we work towards our mission of Feeding Emerging Asia.

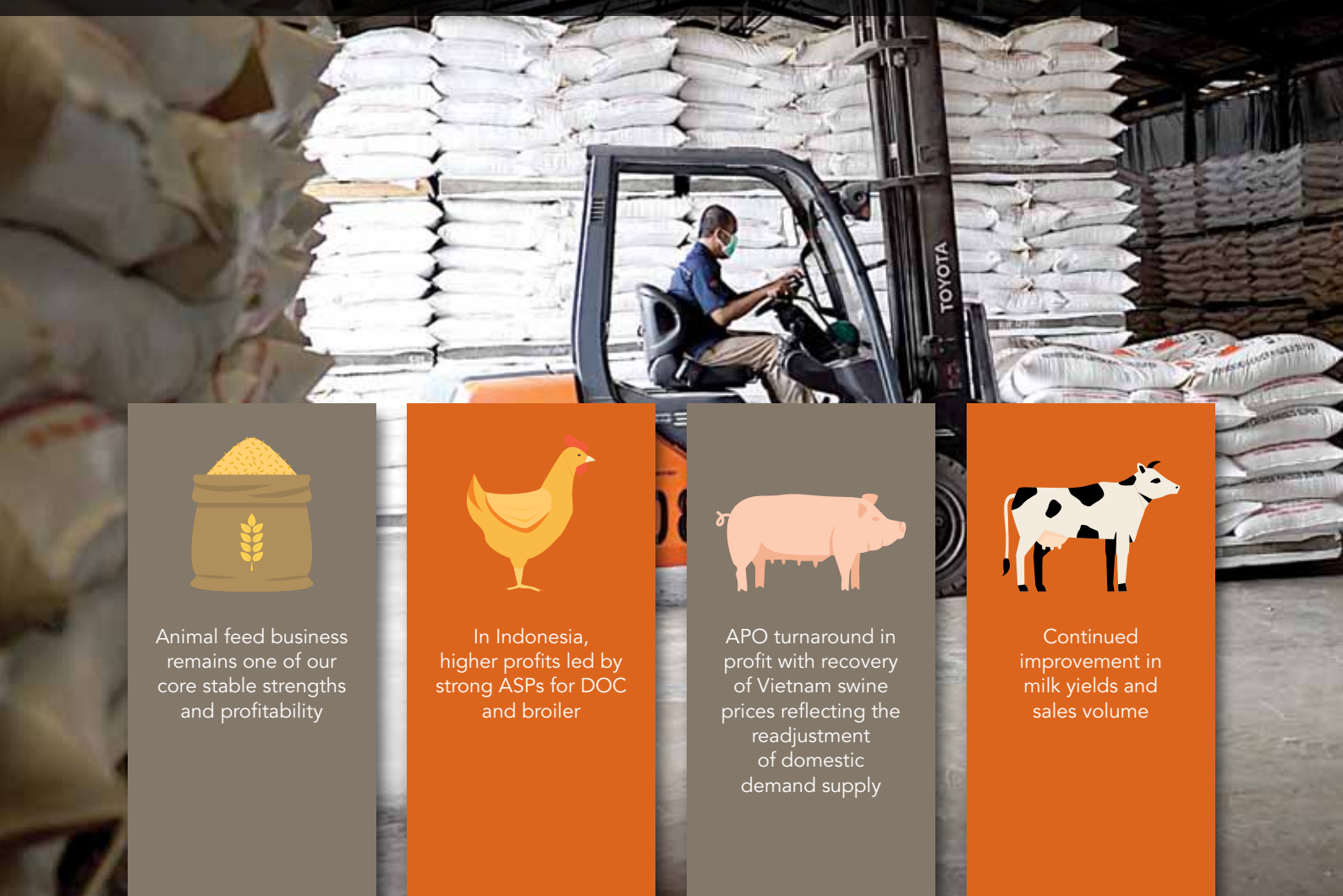
Tan Yong Nang
Chief Executive Officer

FINANCIAL HIGHLIGHTS



Japfa delivers strong revenue and earnings growth across core business pillars, driven by:

- Indonesian poultry recorded higher feed sales volume and higher ASPs
- Marked turnaround in APO profit with recovery of swine prices in 2Q2018
- Full ownership of Dairy segment enables Japfa to recognize 100% contribution in FY2018

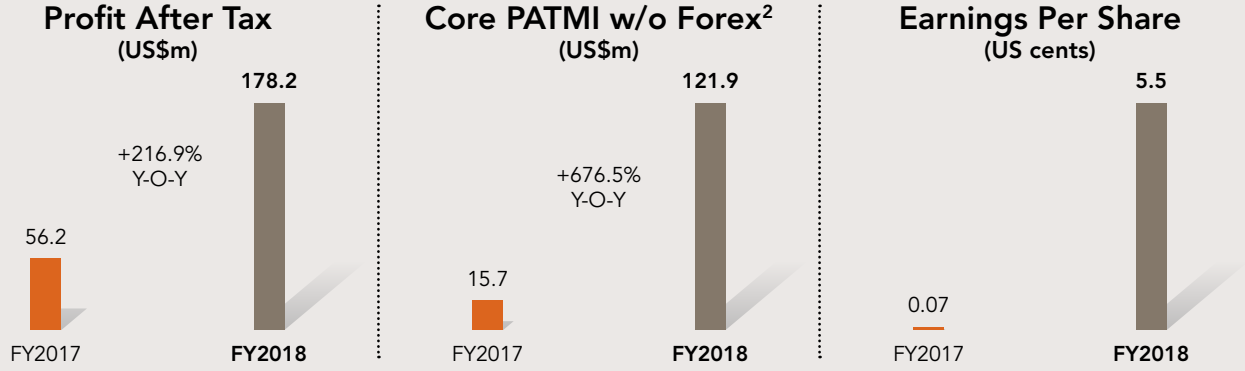


Animal feed business remains one of our core stable strengths and profitability

In Indonesia, higher profits led by strong ASPs for DOC and broiler

APO turnaround in profit with recovery of Vietnam swine prices reflecting the readjustment of domestic demand supply

Continued improvement in milk yields and sales volume





REVENUE
US$3.5b
+10.8% y-o-y

EBITDA[1]
US$457.0m
+57.6% y-o-y

OPERATING PROFIT
US$341.8m
+81.2% y-o-y

PATMI
US$100.4m
+7,494.7% y-o-y

OPERATING PROFIT MARGIN
9.7%
+3.8ppt y-o-y

CORE PATMI W/O FOREX[2]
US$121.9m
+676.5% y-o-y

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

2 We derived "Core PATMI" from "Profit Attributable to Owners of the Parent, Net of Tax" by excluding changes in fair value of bio logical assets (net of tax) and derivatives, and by excluding extraordinary items 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 translat ion of USD bonds in PT Japfa Tbk and USD loans in Dairy, which have no tax implication

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 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 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 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 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 included overseeing its capital structure and managing equity-related matters such as investor relations, annual reports and IDX-compliance.

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

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 coprameal 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.

OPERATING & FINANCIAL REVIEW



JAPFA'S REVENUE GREW

10.8%

to US$3.5 billion in FY2018

OPERATING PROFIT

US$341.8

million in FY2018

OVERVIEW

For the year ended 31 December 2018 ("FY2018"), Japfa's revenue grew 10.8% to a new high of US$3.5 billion, up from US$3.2 billion in the previous year ("FY2017"). The topline growth was driven mainly by higher ASPs for both poultry in Indonesia and swine fattening Animal Protein Other ("APO")-Vietnam, as well as higher sales volumes from Dairy and poultry feed in Indonesia and Vietnam.

Japfa posted EBITDA of US$457.0 million, and Core PATMI without Forex jumped eight-fold to US$121.9 million, up from US$15.7 million previously. Its operating profit for FY2018 increased from US$188.6 million to US$341.8 million, mainly due to three factors:

- **PT JAPFA TBK:** Recorded strong profitability due to higher feed sales and higher poultry ASPs, and continued to be one of the cornerstones of the Group's business
- **APO:** Recorded sharp turnaround in profitability to an operating profit of US$33.1 million in FY2018, mainly due to the recovery of the swine market in Vietnam
- **DAIRY:** Continued to record consistent profits, driven by higher milk yields and volumes

In the Consumer Food segment, the management team is reviewing its strategy and business focus to sharpen its competitive edge and lift performance.

MAJOR DEVELOPMENT

On 30 April 2018, Japfa Ltd completed the acquisition of Black River Funds' interest in the Dairy business ("AustAsia") and now owns 100% of AustAsia. The acquisition of the remaining interest of the Dairy segment allows the Group to recognise a 100% contribution to its PATMI, with effect from 1 January 2018.

Furthermore, the full ownership of the Dairy segment allows the Group to anchor its position in the fast-growing milk industry in emerging Asian markets as well as to align AustAsia's objectives with its long-term strategic goal of becoming a fully integrated milk and food player in emerging Asian markets.

LOOKING AHEAD

The agri-food business is subject to cyclicality which directly impacts the Group's revenue and profitability. Cyclicality is dependent on a variety of external factors, including the seasonality of harvest and festivals, macroeconomic conditions that affect consumer purchasing power, government policies as well as changes to the market demand and supply situation which determine raw material costs and selling prices.

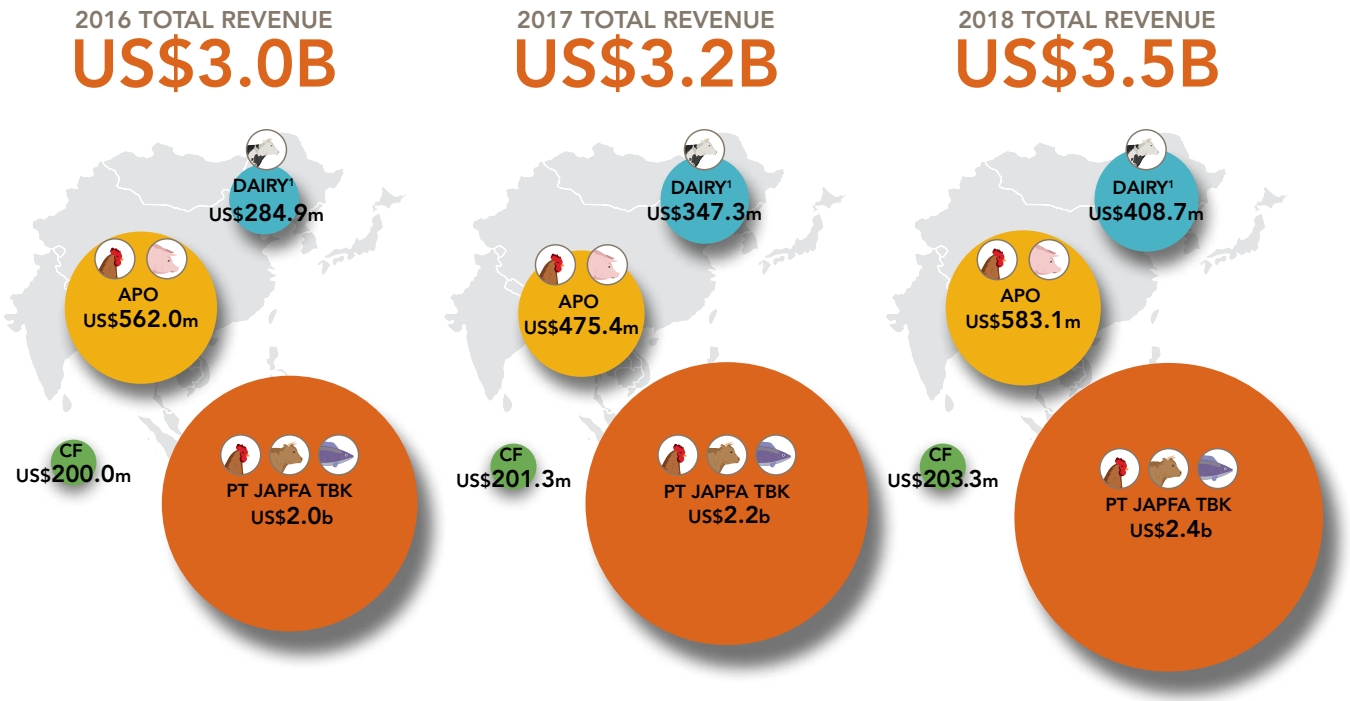
This also includes the transmission of diseases, such as the recent African swine fever outbreak in China that has spread to other Asian geographies including Vietnam. As an industrialised farming operator, Japfa takes the threat of potential disease outbreak very seriously and has stringent bio-security practices in place to minimise the incidence of such threats in its operations.

While cyclical and macroeconomic factors are beyond the Group's control, the management will continue to focus on improving yields and reducing production costs by enhancing its operational efficiency across all its business segments. The Group aims to be one of the most efficient and lowest cost industrialised protein producers in the emerging Asian markets that it operates in. This will allow the Group to ride the rising animal protein consumption in emerging Asia.

The Group will continue to leverage its large scale and industrialised approach, as well as its diversified and vertically-integrated business model to grow the business further and navigate industry headwinds.



OPERATING & FINANCIAL REVIEW

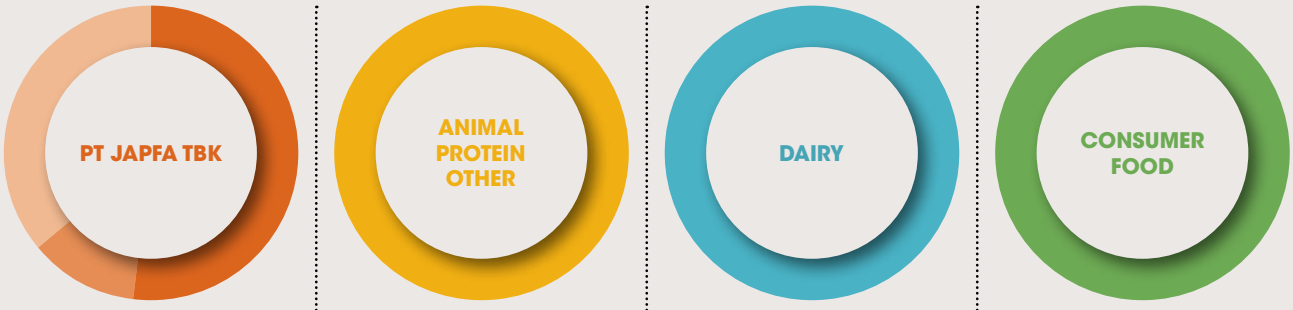


Size of circles represent revenue from PT Japfa Tbk, Animal Protein Other (APO), Dairy[1] and Consumer Food (CF)

Poultry Beef Swine Aquaculture Dairy

1 Dairy revenue includes sales from China and Indonesia.

JAPFA LTD'S OWNERSHIP[2]



- Japfa Ltd 52%
- KKR 12%
- Public 36%

- Japfa Ltd 100%

- Japfa Ltd 100%

- Japfa Ltd 100%

2 As at 31 December 2018

GROUP

	(US$m)	FY2017	FY2018	% change
JAPFA LTD	Revenue	3,189.9	3,533.3	+10.8% ▲
	Operating profit	188.6	341.8	+81.2% ▲
	Operating profit margin	5.9%	9.7%	+3.8 pts ▲
	EBITDA	290.0	457.0	+57.6% ▲
	PAT	56.2	178.2	+216.9% ▲
	PATMI	1.3	100.4	+7494.7% ▲
	Core PATMI w/o Forex	15.7	121.9	+676.5% ▲

SEGMENTAL

PT JAPFA TBK	Revenue[1]	2,205.9	2,382.6	+8.0% ▲
	Operating profit	157.1	256.0	+63.0% ▲
	Operating profit margin	7.1%	10.7%	+3.6pts ▲
	EBITDA	216.5	321.1	+48.3% ▲
	PAT	78.0	156.0	+100.0% ▲
	PATMI	35.6	77.6	+118.2% ▲
	Core PATMI w/o Forex	35.2	85.0	+141.1% ▲
ANIMAL PROTEIN OTHER	Revenue[1]	475.4	583.1	+22.7% ▲
	Operating profit	-26.9	33.1	+223.1% ▲
	Operating profit margin	-5.7%	5.7%	+11.3pts ▲
	EBITDA	-18.7	43.5	+332.4% ▲
	PAT	-37.5	23.3	+162.2% ▲
	PATMI	-37.5	23.9	+163.6% ▲
	Core PATMI w/o Forex	-34.4	23.1	+167.1% ▲
DAIRY	Revenue[2]	347.3	408.7	+17.7% ▲
	Operating profit	67.0	71.8	+7.3% ▲
	Operating profit margin	19.3%	17.6%	-1.7pts ▼
	EBITDA	93.9	102.9	+9.6% ▲
	PAT	33.7	42.1	+24.9% ▲
	PATMI	21.2	42.1	+98.0% ▲
	Core PATMI w/o Forex	32.1	58.1	+81.0% ▲
CONSUMER FOOD	Revenue[3]	201.3	203.3	+1.0% ▲
	Operating profit	-16.0	-16.6	-4.2% ▼
	Operating profit margin	-7.9%	-8.2%	-0.3pts ▼
	EBITDA	-8.2	-7.9	+4.0% ▲
	PAT	-19.9	-19.5	+2.5% ▲
	PATMI	-19.9	-19.5	+2.5% ▲
	Core PATMI w/o Forex	-20.3	-21.1	-4.1% ▼

1 The combined revenue for PT Japfa Tbk and Animal Protein Other includes inter-segment revenue of US$47.6 million in FY2018 (FY2017: US$38.8 million).
2 The Dairy segment revenue includes inter-segment revenue of US$11.4 million in FY2018 (FY2017: US$2.0 million).
3 The Consumer Food segment revenue includes inter-segment revenue of US$0.8 million in FY2018 (FY2017: US$0.7 million).

OPERATING & FINANCIAL REVIEW

PT JAPFA TBK



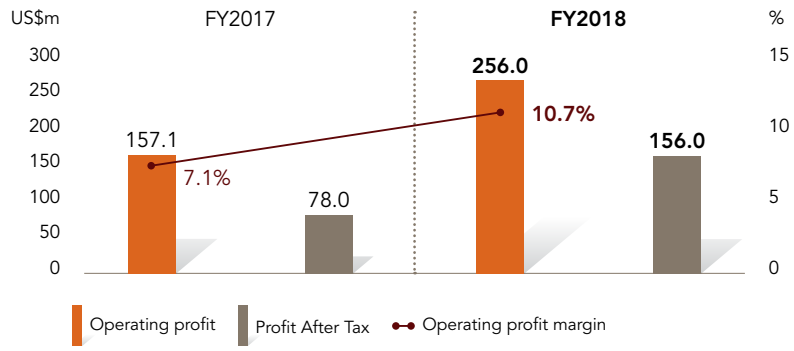
PT Japfa Tbk segment is the largest contributor to the Group's business, accounting for 67.4% of the total revenue in FY2018. Revenue increased 8.0% year-on-year to US$2.4 billion, mainly driven by higher sales volumes for poultry feed and DOC, as well as higher ASPs across the poultry business (feed, breeding and commercial farms).

The poultry feed business continued to be the key profitability pillar with a growth in sales volumes of approximately 6%. Japfa's ability to generally pass on raw material costs increases in its feed selling prices is evident in its stable feed operating margins, even during the periods of foreign currency volatility and poultry market cyclicality.

Breeding operations also recorded exceptionally strong profits in FY2018. The segment's operating profits increased by 63.0% to US$256.0 million in FY2018 due to strong prevailing poultry ASPs in Indonesia driven by low DOC supply. The higher productivity of the breeding farms coupled with the quality of DOC were the key factors underpinning the volume growth of breeding operations.

PT Japfa Tbk recorded stronger profitability in FY2018 and contributed a Core PATMI without Forex of US$85.0 million in FY2018 to the Group, a 141.1% increase compared to US$35.2 million in FY2017.

PT JAPFA TBK
SEGMENTAL PROFITABILITY OVERVIEW



ANIMAL PROTEIN OTHER

The Group has, over recent years, successfully replicated its large-scale and industrialised animal protein operations across emerging Asian markets. It currently has poultry and swine operations in Vietnam, and poultry operations in Myanmar and India, which are collectively reported under its APO segment.

Revenue from the APO segment continued to grow, with an increase of 22.7% to US$583.1 million for FY2018, and a turnaround to operating profit of US$33.1 million in FY2018 from an operating loss of US$26.9 million in FY2017. The improvement in profitability was driven mainly by a turnaround in Vietnam's operations, which represents the bulk of the APO business, on the back of higher sales volume for poultry feed and higher ASPs for swine fattening.

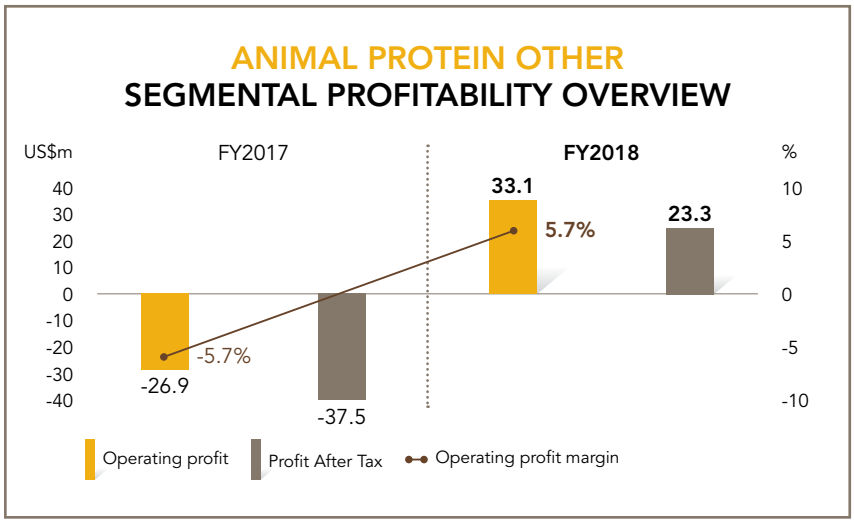
Revenue for APO-Vietnam increased by approximately 30% and, with the recovery of swine prices in in the second quarter of 2018 ("2Q2018"), Vietnam recorded a turnaround to operating profit of US$30.9 million in FY2018 from an operating loss of US$33.9 million in FY2017.

The overall demand for swine in Vietnam dropped significantly due to China's import restrictions in the last quarter of 2016. However, swine prices recovered above cost in 2Q2018, and the current recovery trend in prices reflects the re-balancing of demand-supply in Vietnam's domestic swine market.

Myanmar recorded an operating loss of US$2.0 million due to higher local corn prices as well as the inability to pass on the higher production costs in an increasingly competitive poultry environment.

India witnessed a solid growth of 16.7% in feed sales volume and recorded an operating profit of US$3.7 million. In the long term, India is another key growth market and the Group's focus is to grow the feed business.

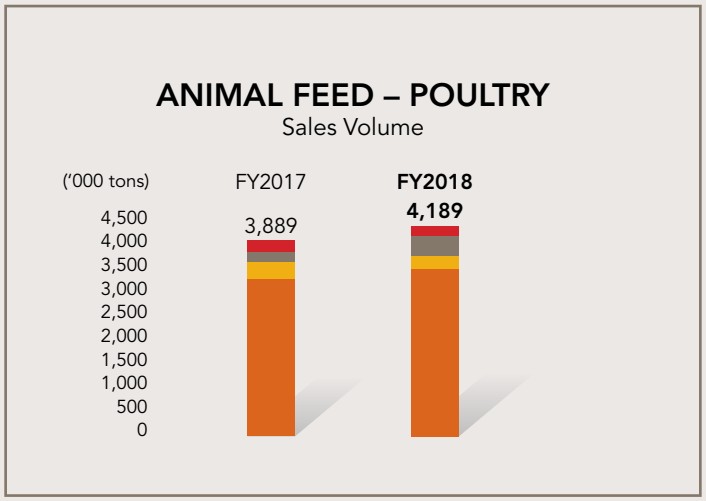


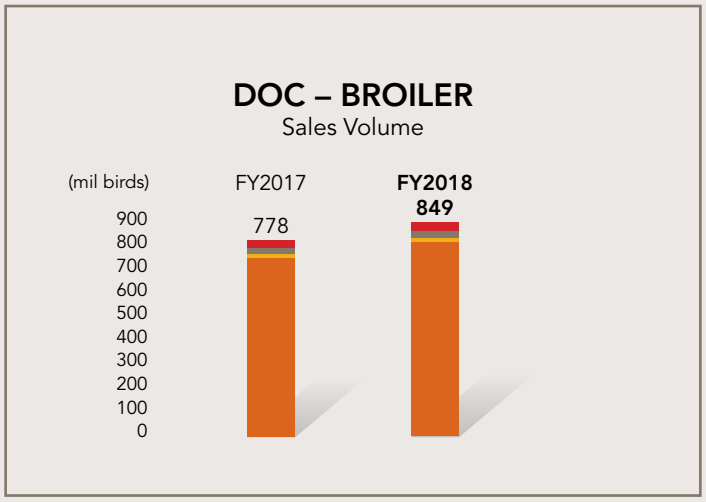


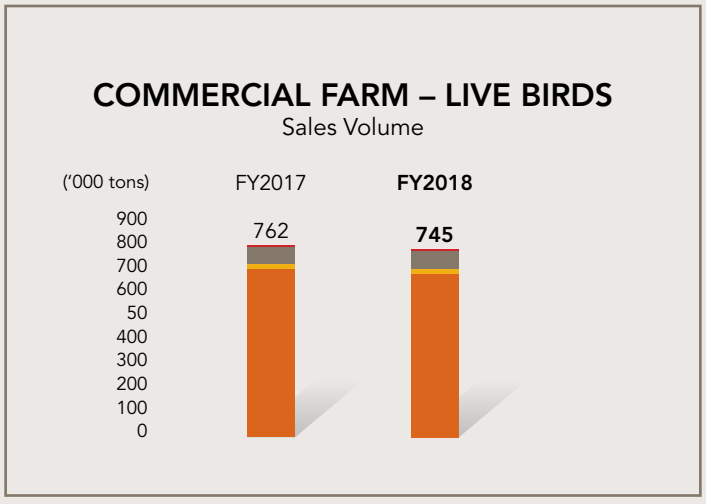
Overall in FY2018, APO contributed Core PATMI without Forex of US$23.1 million in FY2018, compared to a loss of US$34.4 million in FY2017.

OPERATING & FINANCIAL REVIEW

ANIMAL PROTEIN - OPERATIONAL PERFORMANCE



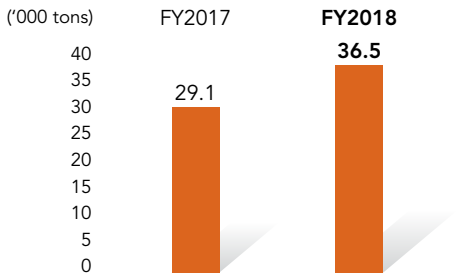




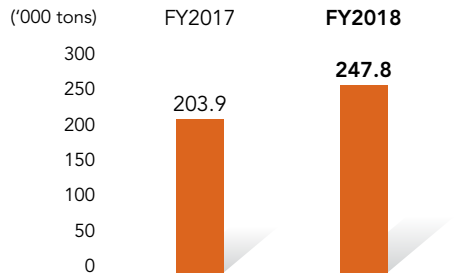
PT Japfa Tbk | Japfa India | Japfa Vietnam | Japfa Myanmar

ANIMAL PROTEIN - OPERATIONAL PERFORMANCE

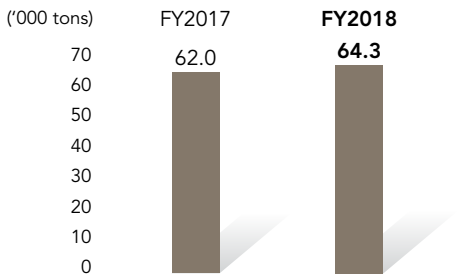
BEEF – LIVE CATTLE
Sales Volume



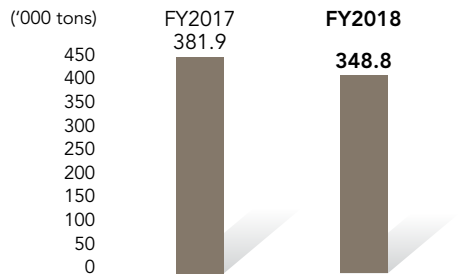
ANIMAL FEED – AQUACULTURE
Sales Volume



SWINE FATTENING
Sales Volume



ANIMAL FEED – SWINE
Sales Volume



PT Japfa Tbk Japfa Vietnam

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. Its eight world-class dairy farms and one processing plant have been designed, equipped and managed to meet and exceed international standards in productivity.

The Dairy segment continues to perform well for both its topline and bottomline contributions to the Group. For FY2018, Dairy saw improvements in operating profit by 7.3% to US$71.8 million, on the back of a 17.7% increase in revenue to US$408.7 million.

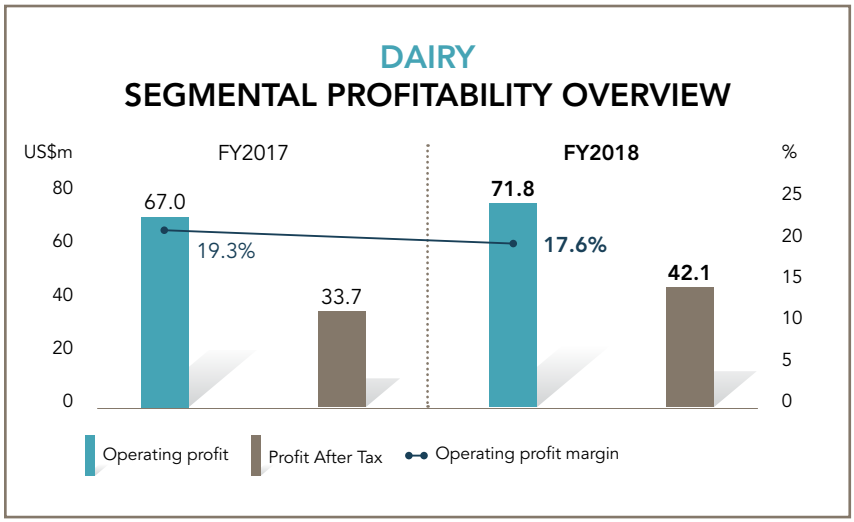
ESL[1] sales volumes in South East Asia increased through greater brand visibility and enhanced market share. Dairy recorded higher selling expenses in FY2018 due to the launch of a new range of dairy products in Indonesia, resulting in a tightening of operating margins. The segment rode on the back of the launch of its stirred yogurt range in November 2017, and successfully launched UHT small-pack milk products in February 2018.

The Greenfields products now hold a dominant position in the strategically important Fresh Milk category in Indonesia, which opens up opportunities for the Group to diversify its product range. It also garnered the 2018 Superbrands award, and was voted a Singapore Favourite Brand within the Milk Category.

Looking ahead, the Dairy business is poised to be a strong pillar for Japfa.

The Group's strategy for the next five years is to focus on Liquid Milk, Yogurt and Fresh Cheese products, and to capitalise on the Greenfields Premium Brand positioning.

In FY2018, with full ownership of the Dairy segment, the Dairy business contributed Core PATMI without Forex of US$58.1 million.

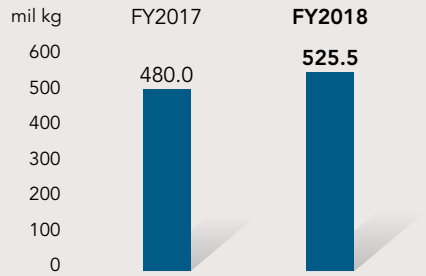


1 ESL: refers to fresh milk with an extended shelf life.

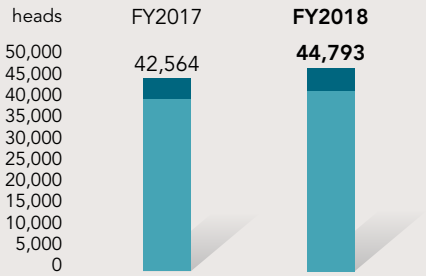


DAIRY - OPERATIONAL PERFORMANCE

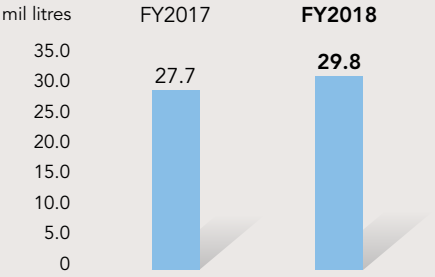
CHINA RAW MILK
Sales Volume



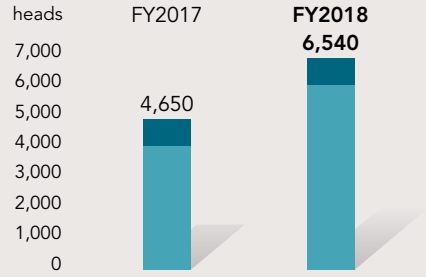
MILKABLE COWS – CHINA
Heads[2]



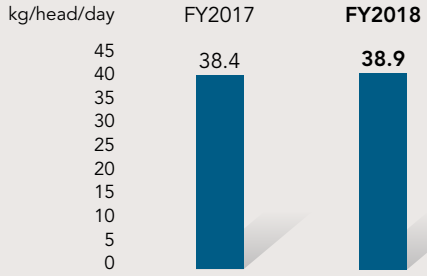
SE ASIA EXTENDED SHELF LIFE BRAND MILK
Sales Volume



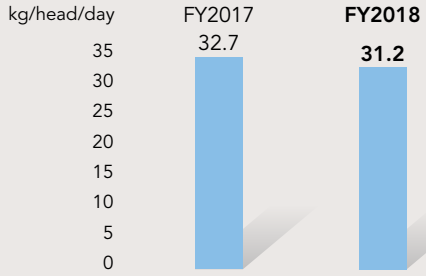
MILKABLE COWS – SE ASIA
Heads[2]



AVERAGE DAILY MILKING – CHINA
kg/head/day



AVERAGE DAILY MILKING – SE ASIA
kg/head/day



Milking Cows | Dry Cows | China | SE Asia

2 Number of milkable cows as at end of the financial year.
Total dairy herd population (which includes heifers and calves) in China and Indonesia as at end of FY2018: 91,840 heads.

OPERATING & FINANCIAL REVIEW

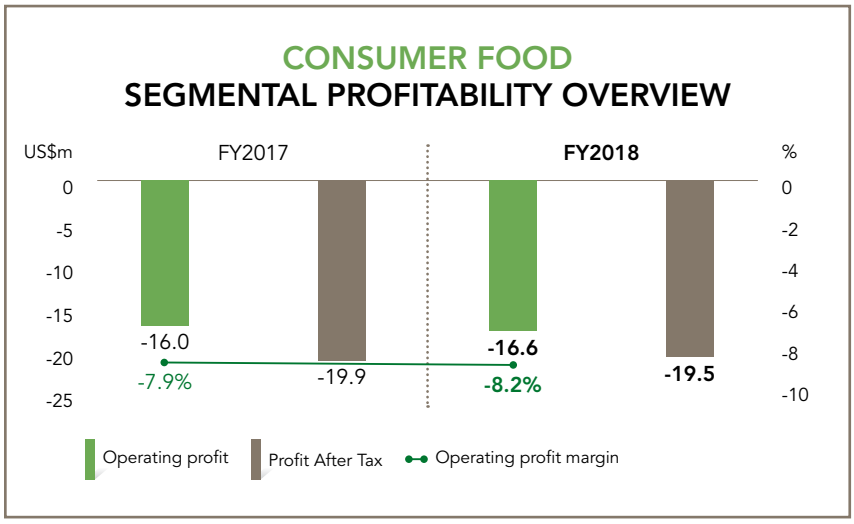
CONSUMER FOOD

Revenue from the Consumer Food segment increased by 8.6% in IDR terms, but increased marginally by 1.0% in USD terms to US$203.3 million in FY2018, due to the depreciation of the IDR. Sales volumes for frozen and ambient food products increased by approximately 8% and 29%, respectively. Nevertheless, the Group's dominant position in the ambient food segment in Indonesia continues to be contested, resulting in a negative operating profit due to i) lower ASPs of ambient food products driven by intense market competition, ii) the inability to pass on increased production costs resulting from higher prices of raw chicken, and iii) continued investment in advertising and promotions to maintain market share.

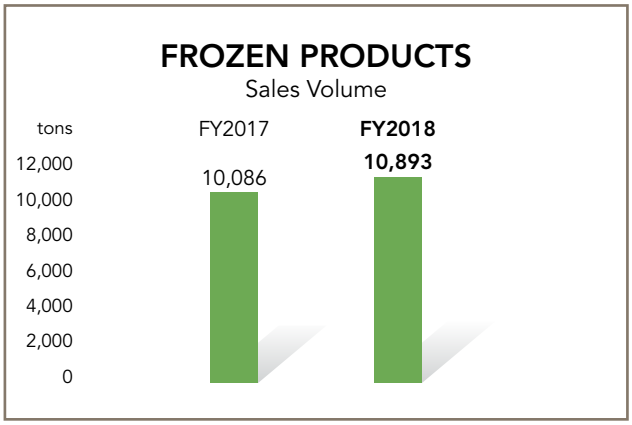
The Group's "*So Good*" and "*So Nice*" brands are gaining market share in the frozen, ready-to-cook and shelf-stable sausage categories, despite a slowing down of the fast-moving consumer goods ("FMCG") market over the past two years.

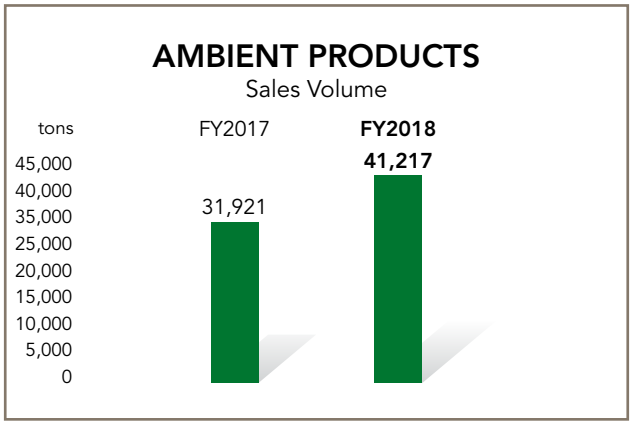
Going forward, some of the Group's strategic initiatives will include brand rejuvenation, coupled with clearer packaging and brand positioning, and improved taste and quality for the "*So Good*" products.

The changing consumption preference in emerging economies will see a shift from wet markets to chilled and frozen distribution channels and growing consumption trend of healthy and convenient food products. This augurs well for the Consumer Food segment in the long term.



CONSUMER FOOD - OPERATIONAL PERFORMANCE







OTHER FINANCIAL INFORMATION

BALANCE SHEET (US$M)	As at 31 Dec 2017	As at 31 Dec 2018	% change
Total Assets	**2,743.1**	**2,889.3**	**5.3%**
Cash and cash equivalent	234.9	168.3	-28.3%
Inventory	670.6	817.3	21.9%
Total Liabilities	**1,720.3**	**1,758.9**	**2.2%**
Debt*	944.2	1,217.6	29.0%
Total Equity	**1,022.8**	**1,130.4**	**10.5%**
Key Ratios			
Net Debt / Equity Ratio (x)	0.7	0.9	
Inventory Turnover Days	92.3	106.5	
NAV per share (US$)	0.39	0.42	
NAV per share (S$)	0.53	0.58	

CASH FLOWS (US$m)	FY2017	FY2018	
Net Cash Flows from Operating Activities	140.5	256.0	
Net Cash Flows used in Investing Activities	(236.8)	(235.0)	
Net Cash Flows Used in Financing Activities	(1.2)	(83.6)	
Net Increase/(Decrease) in Cash and Cash Equivalents	**(97.5)**	**(62.6)**	

BALANCE SHEET

As at 31 December 2018, the Group's total assets increased from US$2.7 billion to US$2.9 billion primarily due to increase in the Group's inventories, biological assets and trade and other receivables.

The Group's total liabilities as at 31 December 2018 increased by US$38.6 million to US$1.7 billion primarily due to increase in loans and borrowings. The Group's translation reserves increased from negative US$167.8 million as at 31 December 2017 to negative US$226.3 million as at 31 December 2018 mainly due to translation losses arising from the Indonesian Rupiah and China Renminbi weakening against the US Dollar.

CASH FLOW AND LIQUIDITY

Net cash flows from operating activities were US$256.0 million in FY2018, which mainly arose from operating cash flows before changes in working capital of US$445.9 million, changes in working capital of US$117.7 million and income tax paid of US$72.2 million.

Net cash flows used in investing activities were US$235.0 million in FY2018 mainly represented by the purchase of property, plant and equipment of US$221.4 million.

Net cash flows used in financing activities were US$83.6 million in FY2018 mainly arose from purchase consideration paid for acquisition of remaining non-controlling interests in subsidiaries of US$223.0 million, interest paid of US$82.5 million and partially offset by proceeds from new bank loans of US$276.5 million.

SUSTAINABILITY & RESPONSIBILITY

JAPFA LTD IS A LEADING, PAN-ASIAN, INDUSTRIALISED AGRI-FOOD COMPANY DEDICATED TO FEEDING EMERGING ASIA WITH AFFORDABLE ESSENTIAL PROTEINS.

At Japfa, the concept of sustainability has always been an integral part of our corporate DNA since the establishment of our business in 1975 by our founder, Mr Ferry Teguh Santosa. But it was not until 1990, when Japfa Tbk first published its Annual Report, that we introduced our vision of Growing Towards Mutual Prosperity, which crystallised our sustainability approach. Today, this vision not only remains intact, but becomes even clearer as the Group makes steady progress in Feeding Emerging Asia with affordable protein foods.

Our approach has always been to grow our business in a sustainable manner that positively impacts all our stakeholders – shareholders, business partners, customers, suppliers, employees and the local communities. 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.

Japfa's Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. The Sustainability Report is available for download from www.japfa.com.



JAPFA SUSTAINABILITY STRATEGY

Our Sustainability Committee was established in 2018 to direct the Group's sustainability practices towards the accomplishment of the United Nations' Sustainable Development Goal 2: Zero Hunger. In order to define our sustainability strategy and targets, the Sustainability Committee had set out the following Japfa Sustainability Pillars.

JAPFA

SUSTAINABILITY PILLARS:
Affordable Nutritious Protein

EFFICIENT PRODUCTION SYSTEM
Large Scale Operations & Advanced Technology

HEALTHY ANIMALS
- Biosecurity
- Vaccines
- Animal Welfare

EFFICIENT USE OF RESOURCES
- Energy
- Water
- Reusable Packaging
- Local Sourcing

MINIMISE WASTE & EMISSION
- Manure to Fertilizer
- Air Pollution Control
- Wastewater Treatment

PEOPLE DEVELOPMENT
Knowledge Management

EMPLOYEES
- Training & Development
  Sports for Life Balance

FARMERS
- Technical Assistance
- Skills Improvement

COMMUNITY
- Education Programs
- Focused on Agriculture

IMPROVING NUTRITION
Feed More People

FACILITATING ACCESS TO AFFORDABLE PROTEIN
- Geographical Reach
- Industrialised Approach

JAPFA FOR KIDS
- Education Programs about Balanced Diet for Children & Teachers

FOOD SAFETY & TRACEABILITY
- Food Safety & Hygiene Standards
- Halal Slaughterhouses
- Traceability back to Farm

SUSTAINABILITY & RESPONSIBILITY



PROVIDING AFFORDABLE AND NUTRITIOUS PROTEIN

Although economic development in Asia has been growing rapidly, several emerging economies still experience chronic malnutrition. In 2018, UNICEF reported that 83.6 million children in Asia under the age of five are stunted.

Japfa is passionate about providing affordable and nutritious protein across emerging Asia. 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 adopting an industrialised approach to farming. Our approach includes selecting the right animal genetics in our breeding farms, producing animal feed that provides optimal nutritional value, and good farm management including stringent biosecurity practices to protect the health of our animals.



EMPLOYEES ARE OUR KEY ASSETS

We are committed to strengthen the professionalism and competencies of our employees, as well as providing good compensation and benefits. To manage and retain great talents, Japfa focuses on developing knowledge and skills, providing opportunities for lifelong learning, promoting career advancement, and preparing employees' competency advancement.





ENVIRONMENT

Japfa complies with environmental regulations in all the countries that we operate in and our efforts in improving efficiency and reducing cost also contribute positively to our environment. We focus on minimising potential environmental impacts that may affect agri-food operations, such as manure and waste treatment, air pollution, water scarcity and wastewater management.

TRACEABLE AND SUSTAINABLE SOURCING

Our vertically integrated operations allow us to have better control of our supply chain. To ensure sustainable practices in our operations, we pay special attention to animal welfare, our collaboration with contract farmers and the sourcing of raw materials.





SERVING THE COMMUNITY & OUR STAKEHOLDERS

At Japfa, the continuity of our business cannot be separated from our contribution to the community. Our approach focuses on improving the well-being of the community through education and health services.

In 2015, all United Nations Member States adopted the 2030 Agenda for Sustainable Development. The Agenda targets food accessibility, ending malnutrition, and improving agricultural productivity through rural infrastructure development and family farmers. These targets are in line with our vision of "Growing Towards Mutual Prosperity" where we nurture sustainable, growth-oriented relationships based on trust and integrity with all our stakeholders.



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 Officer

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)
Since financial 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

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Singapore 018982

COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A. (trading as Rabobank International), Singapore branch
38 Beach Road
#31-11 South Beach Tower
Singapore 189767

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Indonesia

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

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
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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"), the Nominating Committee ("NC"), the Remuneration Committee ("RC"), and the Audit Committee ("AC"). Each Board Committee has clear terms of reference covering 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, ad hoc 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 an authority matrix 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 ventures, mergers and acquisitions, debt or capital market transactions, 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.

CORPORATE GOVERNANCE

Attendance of Board and Committee meetings in 2018:

	Board Meetings	AC Meetings	NC Meetings	RC Meeting
Number of meetings held	**5**	**4**	**1**	**1**
Name of Directors		**Number of meetings attended**		
Goh Geok Khim (Chairman)	5	4^	1^	–
Handojo Santosa @ Kang Kiem Han (Deputy Chairman)	3	2^	–	–
Hendrick Kolonas	5	4	1^	1
Tan Yong Nang	5	4^	1^	–
Kevin John Monteiro	5	4^	1^	–
Ng Quek Peng	5	4	1	1
Lien Siaou-Sze	4	4	1	1

^ 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 2018 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 2018	Independent, Non-Executive Chairman	–	–	–
Handojo Santosa @ Kang Kiem Han	19 December 2008	12 April 2018	Executive, Non-Independent Deputy Chairman	–	Member	–
Hendrick Kolonas	18 February 2013	12 April 2018	Non-executive, Non-Independent	Member	–	Member
Tan Yong Nang	1 June 2009	12 April 2018	Executive	–	–	–
Kevin John Monteiro	16 April 2014	12 April 2018	Executive	–	–	–
Ng Quek Peng	29 July 2014	12 April 2018	Independent	Chairman	Member	Member
Lien Siaou-Sze	29 July 2014	12 April 2018	Independent	Member	Chairwoman	Chairwoman

The Board has examined its size and is satisfied that its current board size is appropriate for the Company in FY2018.

CORPORATE GOVERNANCE

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 representations 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.

CORPORATE GOVERNANCE

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 Director 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.

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.

CORPORATE GOVERNANCE

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.

CORPORATE GOVERNANCE

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 existing fee structure for Non-Executive Directors on 12 April 2017.

Appointment	Fees (Per Annum) S$
Board Chairman	165,000.00
Board Member	85,000.00
Audit Comm Chairman	33,000.00
Other Comm Chairman	22,000.00
Comm Member	11,000.00

Shareholders approved the payment of FY2018 and 1Q2019 Directors' fees at the previous AGM held on 12 April 2018 ("2018 AGM").
The breakdown (in percentage terms) of the Directors' remuneration for FY2018 is set out below:

Name of Director	Directors' Fees %	Salary* %	Allowances/ Benefits %	Cash-based Incentives %	Equity-based Incentives %	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	47	28	17	–	100
Executive Directors						
S$1,000,001 to S$1,250,000						
Mr Kevin Monteiro	–	62	14	2	22	100
S$7,500,001 to S$7,750,000						
Mr Tan Yong Nang	–	24	–	40	36	100
S$8,750,001 to S$9,000,000						
Mr Handojo Santosa	–	30	–	70	–	100

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

CORPORATE GOVERNANCE

Key Executives' Remuneration for FY2018

The breakdown (in percentage terms) of the Key executives' remuneration for FY 2018 is set out below:

Name of Key Executive	Salary* %	Allowances/ Benefits %	Cash-based Incentives %	Equity-based Incentives %	Total %
S$750,001 to S$1,000,000					
Mr Arif Widjaja	44	23	23	10	100
Ms Christina Chua Sook Ping	75	2	13	10	100
S$1,000,001 to S$1,250,000					
Mr Edgar Dowse Collins	42	24	8	26	100
Mr Antonius Harwanto	35	3	42	20	100
S$3,500,001 to S$3,750,000					
Mr Bambang Budi Hendarto	13	1	70	16	100

* Salary includes CPF Contributions and AWS where applicable.

Mr Renaldo Santosa is the son of the Executive Deputy Chairman, Mr Handojo Santosa, and nephew of Non-Executive Director, Hendrick Kolonas, and has received an annual total compensation of S$250,000 to S$300,000 as Head of Business Development & Strategy/Aquaculture.

Ms Gabriella Santosa is the daughter of the Executive Deputy Chairman, Mr Handojo Santosa, and niece of Non-Executive Director, Hendrick Kolonas, and has received compensation of S$150,000 to S$200,000 for FY 2018 as Business Development Manager.

Mr Irvan Kolonas is the son of Non-Executive Director, Mr Hendrick Kolonas and the nephew of Executive Director and Executive Deputy Chairman, Handojo Santosa, and has received an annual total compensation of S$50,000 to S$100,000 as Deputy Head of Trading division at PT Santosa Utama Lestari, a subsidiary of PT Japfa Comfeed Indonesia Tbk.

The remuneration of Directors and Executives are set out on incremental bands of S$250,000. The Company believes that it is not in the Group's interest to disclose their remuneration to the full extent recommended due to confidentiality of remuneration, and such disclosure may hamper its ability to retain the Group's talent pool in a competitive environment.

Equity-based Incentives

The Company has 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 25 of the financial statements.

Share awards granted to eligible participants in relation to FY2018:

(i) PSP1

On 27 December 2018, the Company granted 18,039,200 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 28 February 2019, the Company granted 288,900 unconditional shares awards under the Japfa Ltd Performance Share Plan for FY2018. The PSP2 awards were satisfied from the allotment of 288,900 new shares to the award recipients on 1 March 2019.

CORPORATE GOVERNANCE

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 Constitution of the Company allows 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 at any adjournment thereof. Accordingly, all resolutions at the AGM 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.

CORPORATE GOVERNANCE

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

AC Composition and Role

The AC comprises 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;

CORPORATE GOVERNANCE

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 policies and procedures established to provide reasonable assurance that material risks in the Group are addressed and mitigated. Business Units ("BU") Management have primary responsibility for implementation and continuous improvement of their internal control systems. 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 Standard Operating Procedures ("SOPs") for business processes. For some large BUs (in Indonesia, Vietnam, India and China), there are in-house Internal Control functions responsible for designing and implementing internal controls systems.

Enterprise Risk Management Process

The Group's risk management framework comprises an on going 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 FY2018 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.

CORPORATE GOVERNANCE

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, Indonesia, Vietnam, and India. 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, to the attention of JAPFALERT Committee. The information disclosed using JAPFALERT is kept confidential. Any whistleblower 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 International Tbk, principal subsidiary of the Company listed 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,

CORPORATE GOVERNANCE

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 FY2018 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	340	–
– Supply of goods	1,479	–
Associates of Hendrick Kolonas		
Provision of services, supply of goods, insurance	3,109	–
Acquisition of subsidiary company	3,024	
Associates of both Handojo Santosa, Hendrick Kolonas		
Lease of office	178	–
Supply of goods	3,523	

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

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.

CORPORATE GOVERNANCE

Additional information on the Existing Directors standing for re-election at the AGM

Handojo Santosa @ Kang Kiem Han

Designation	Executive Deputy Chairman
Age	55
Academic and Professional Qualifications	O Levels, United World College of South East Asia
Date of Appointment	19 December 2018
Date of last re-appointment	12 April 2018
Current Board committee(s) served	Deputy Chairman of Board of Director Member of the Nominating Committee.
Board committee(s) serve after re-election	Executive Chairman of Board of Director
Directorships	Annona Pte Ltd AustAsia Investment Holdings Pte Ltd AIH2 Pte Ltd Japfa Ltd Jupiter Foods Pte Ltd PT Japfa Comfeed Indonesia Tbk PT Indojaya Agrinusa
Other Principal Commitments	Executive Deputy Chairman, Japfa Ltd President Director PT Japfa Comfeed Indonesia Tbk

Hendrick Kolonas

Designation	Non-Executive Director
Age	63
Academic and Professional Qualifications	Bachelor of Arts (Hons) degree in Accounting and Finance from Middlesex University, United Kingdom ("UK") Masters degree in Business Administration, from Schiller International University, UK Masters of Arts degree in Banking Administration from University of Hull, UK
Date of Appointment	18 February 2013
Date of last re-appointment	12 April 2018
Current Board committee(s) served	Member of the Audit Committee Member of the Remuneration Committee
Board committee(s) serve after re-election	Member of the Nominating Committee Member of the Remuneration Committee
Directorships/Other Principal Commitments	PT Japfa Comfeed Indonesia, Tbk PT Celebes Artha Ventura

CORPORATE GOVERNANCE

Tan Yong Nang

Designation	Executive Director and CEO
Age	58
Academic and Professional Qualifications	Bachelor of Arts (Economics) degree from the University of Cambridge Chartered Financial Analyst with The Institute of Chartered Financial Analysts, USA
Date of Appointment	1 June 2009
Date of last re-appointment	12 April 2018
Current Board committee(s) served	N.A.
Board committee(s) serve after re-election	N.A.
Directorships	Japfa Group of Companies: Annona Pte Ltd AustAsia Investment Holdings Pte Ltd AIH2 Pte Ltd Japfa Ltd Japfa China Investments Pte Ltd Dongying Japfa Beef Co Ltd Japfa Vietnam Investments Pte Ltd Japfa Comfeed Vietnam Limited Japfa Hypor Genetics Company Limited Jupiter Foods Pte Ltd Jupiter Food Vietnam Limited Liability Company Japfa South-Asia Investments Pte Ltd Japfa Comfeed India Private Limited Central India Poultry Breeders Pvt Ltd Japfa Comfeed Bangladesh Pte Ltd Japfa Myanmar JV Pte Ltd Japfa Comfeed Myanmar Pte Ltd PT Japfa Comfeed Indonesia Tbk Other Directorships: Great Alpha Investments Limited Seasoned Pro Management Limited Utiva Continental SA
Other Principal Commitments	Chief Executive Officer, Japfa Ltd

CORPORATE GOVERNANCE

Kevin John Monteiro

Designation	Executive Director and CFO
Age	63
Academic and Professional Qualifications	Bachelor of Economics degree from Monash University, Australia Member of the Institute of Chartered Accountants in Australia
Date of Appointment	16 April 2014
Date of last re-appointment	12 April 2018
Current Board committee(s) served	N.A.
Board committee(s) serve after re-election	N.A.
Directorships	Japfa Group of Companies: Annona Technical Services Pte Ltd Japfa Ltd Japfa Santori Australia Pty Limited
Alternate Directorships (Alternate Director to Tan Yong Nang)	Japfa China Investments Pte Ltd Japfa South-Asia Investments Pte Ltd Japfa Myanmar JV Pte Ltd Japfa Vietnam Investments Pte Ltd
Other Principal Commitments	Chief Financial Officer, Japfa Ltd

Ng Quek Peng

Designation	Independent Director
Age	65
Academic and Professional Qualifications	Degree in Civil Engineering from University of London Member of the Institute of Chartered Accountants in England and Wales
Date of Appointment	29 July 2014
Date of last re-appointment	12 April 2018
Current Board committee(s) served	Chairman of Audit Committee Member of the Remuneration Committee Member the Nominating Committee
Designation /Board committee(s) serve after re-election	Lead Independent Director Chairman of Audit Committee Member of the Remuneration Committee
Directorships/ Other Principal Commitments	FEI Holdings Pte Ltd Halcyon Capital Pte. Ltd. Hawthorne Holdings Pte. Ltd Japfa Ltd

CORPORATE GOVERNANCE

Lien Siaou-Sze

Designation	Independent Director
Age	69
Academic and Professional Qualifications	Masters degree in Computer Science from London University, Imperial College Science and Technology Bachelor of Science degree in Physics from the former Nanyang University
Date of Appointment	20 July 2014
Date of last re-appointment	12 April 2018
Current Board committee(s) served	Chairwoman of the Nominating Committee Chairwoman of the Committee Member of the Audit Committee
Board committee(s) serve post re-election	Chairwoman of the Committee Member of the Audit Committee
Directorships	Confucius Institute, Nanyang Technological University Pte. Ltd Japfa Ltd Lien Shih Sheng Education Development Pte. Ltd Nanyang Technological University
Other Principal Commitments	Senior Executive Coach, Mobley Group Pacific

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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 2018.

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 2018 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' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

Name of directors	Deemed interest	
	At beginning of the financial year	At end of the financial year
Ordinary shares of holding company (Japfa Ltd)		
Handojo Santosa @ Kang Kiem Han	1,136,818,915	1,136,818,915
Tan Yong Nang	66,810,691	66,810,691
Kevin John Monteiro	2,044,300	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	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	63,000,000	63,000,000

Name of directors	Deemed interest	
	At beginning of financial year	At end of the financial year
Ordinary shares of related company (PT Japfa Comfeed Indonesia Tbk)		
Hendrick Kolonas	–	263,122,585
Tan Yong Nang	–	380,000

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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

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.

DIRECTORS' STATEMENT

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 2018, the Company granted and issued 73,800 shares to the employees of the Group for their performance in 2017.

- On 27 December 2018, the Company granted a share awards of 18,039,200 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.

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	10,000,000	10,769,300	–	–	20,769,300
Kevin John Monteiro	1,000,000	846,200	–	–	1,846,200
Employees of the Company and subsidiaries	10,275,000	6,497,500	73,800	–	16,698,700
Total	21,275,000	18,113,000	73,800	–	39,314,200

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.

DIRECTORS' STATEMENT

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

19 March 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER 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 2018, 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 Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of 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) Valuation of biological assets

As at 31 December 2018, the Group's biological assets comprising of breeding animals (Cattle, Chicken and Swine), fattening animals (Cattle, Chicken and Swine) and dairy cows, amounted to US$501.4 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 the breeding swine, fattening cattle and dairy cow. The fair value of other biological assets have been internally determined by the management.

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 which are determined by using several key assumptions which involved significant management judgement and assumptions that are affected by market and economic conditions. The fair values are 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, where market-determined prices are unavailable. Changes in these inputs may affect the fair value of the biological assets.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF JAPFA LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

(1) Valuation of biological assets (continued)

To test the valuation of biological assets, we have performed the following procedures, amongst others, in our audit of the Group's valuation of biological assets:

- assessed the competency, objectivity and capabilities of the external valuation experts engaged by the Group;
- evaluated and assessed reasonableness of the key assumptions used in the valuation, in particular the discount rates, average market prices and estimated costs of breeding by comparing the average market prices 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;
- checked the numerical adequacy of the valuations; and
- 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 property, plant and equipment and investment in subsidiary

As at 31 December 2018, the carrying amount of the Group's property, plant and equipment of the consumer food operations in Indonesia amounted to US$37.1 million, and the carrying amount of the Company's investment in a subsidiary, Jupiter Food Pte Ltd ("Jupiter Food") amounted to US$87.2 million. The financial performance of the consumer food operations is affected by the high level of competition in Indonesia. Accordingly, management identified impairment indicators on the property, plant and equipment and the Company's investment in Jupiter Food.

Management performed an impairment assessment on the Group's property, plant and equipment of the consumer food operations in Indonesia and the Company's investment in Jupiter Food by determining the value-in-use of the Indonesian consumer food 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 the respective assets were determined using the value-in-use models 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 to test the Group's impairment assessments:

- reviewed the appropriateness of the valuation methodology used;
- 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 evaluate the reasonableness of the discount rate used by management;
- evaluated the robustness of management's forecasting process by comparing previous forecasts to actual results;
- checked the numerical accuracy of the valuations; and
- 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF JAPFA LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

(3) Defined benefit plan liabilities

As at 31 December 2018, the Group calculated and recorded defined benefit plan liabilities of US$85.4 million for its qualified employees in Indonesia in accordance with Indonesian Labour Laws. An independent actuary was engaged to assist management in the calculation of the plan liabilities.

We considered the calculation 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 ultimate liability.

We have performed the following procedures to test the adequacy of the defined benefit plan liabilities:

- assessed the competency, objectivity and capabilities of the independent actuary engaged by the Group to calculate the defined benefit plan liability;
- tested samples of the employees' details used in the computation of the defined benefit plan liabilities to the personnel 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 increase 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; and
- 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 the information in the annual report, but does not include the financial statements and our auditor's report thereon.
- Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF JAPFA LTD.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), 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.

- 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF JAPFA LTD.

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

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.

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

19 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 US$'000	2017 US$'000
Revenue	4	3,533,256	3,189,930
Cost of sales		(2,762,941)	(2,615,715)
Gross profit		770,315	574,215
Interest income	5	4,199	4,087
Other gains	6	25,404	11,419
Other losses	6	(1,032)	(12,254)
Marketing and distribution costs	7	(144,089)	(137,297)
Administrative expenses	8	(284,454)	(248,272)
Finance costs	9	(82,526)	(67,261)
Foreign exchange adjustments (loss)/gain, net		(32,679)	5,138
Changes in fair value of biological assets	18	(11,625)	(22,124)
Share of gain/(loss) from equity-accounted joint ventures	17	82	(134)
Profit before income tax		243,595	107,517
Income tax expense	11	(65,384)	(51,280)
Profit, net of income tax		178,211	56,237
Other comprehensive income			
Items that will not be reclassified to statement of comprehensive income:			
Remeasurement of the net defined benefits plan, net of tax	27	13,704	(10,230)
Items that may be reclassified subsequently to statement of comprehensive income:			
Exchange differences on translating foreign operations		(78,377)	16,792
Share of other comprehensive income of equity-accounted joint ventures, net of tax	17	5	(4)
Total other comprehensive income, net of tax		(64,668)	6,558
Total comprehensive income		113,543	62,795
Profit, net of income tax attributable to:			
– Owners of the parent		100,385	1,321
– Non-controlling interests		77,826	54,916
		178,211	56,237
Total comprehensive income attributable to:			
– Owners of the parent		49,818	7,293
– Non-controlling interests		63,725	55,502
		113,543	62,795
Basic and diluted earnings per share (cents)	12	5.52	0.07

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group 31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	1,010,147	1,010,925	897,809
Investment properties	14	5,256	5,497	10,568
Intangible assets	15	12,073	10,382	8,384
Investments in joint ventures	17	5,730	6,070	3,825
Biological assets	18	365,041	351,343	299,552
Deferred tax assets	11	23,593	24,037	15,714
Other receivables	19	14,564	14,595	1,797
Other financial assets	20	30,401	19,289	11,164
Other assets, non-current	21	82,052	64,996	15,530
		1,548,857	1,507,134	1,264,343
Current assets				
Inventories	22	817,311	670,634	611,907
Biological assets	18	83,229	76,227	63,597
Trade and other receivables	19	194,407	179,015	161,428
Other financial assets	20	2,488	601	791
Other assets, current	21	74,660	74,613	86,965
Cash and cash equivalents	23	168,316	234,867	336,153
		1,340,411	1,235,957	1,260,841
Total assets		2,889,268	2,743,091	2,525,184
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	24	980,946	940,842	937,614
Treasury shares	24	(5,926)	(4,759)	–
Retained earnings		481,721	385,116	408,167
Other reserves	25	(451,091)	(459,804)	(374,504)
Translation reserve	25	(226,263)	(167,840)	(179,614)
Equity, attributable to owners of the parent		779,387	693,555	791,663
Non-controlling interests		350,998	329,236	467,505
Put options reserve		–	–	(169,979)
Total equity		1,130,385	1,022,791	1,089,189
Non-current liabilities				
Put option financial liabilities	26	–	–	169,979
Provisions	27	85,386	105,880	89,525
Deferred tax liabilities	11	2,511	3,586	3,817
Trade and other payables, non-current	28	358	901	2,107
Loan and borrowings, non-current	29	777,417	626,513	520,093
Other financial liabilities	30	304	8,514	–
Other liabilities, non-current	31	3,405	3,913	3,208
		869,381	749,307	788,729
Current liabilities				
Income tax payable		37,473	19,691	16,812
Trade and other payables, current	28	388,843	623,016	301,507
Loan and borrowings, current	29	440,209	317,691	319,715
Other financial liabilities	30	8,933	1,499	274
Other liabilities, current	31	14,044	9,096	8,958
		889,502	970,993	647,266
Total liabilities		1,758,883	1,720,300	1,435,995
Total equity and liabilities		2,889,268	2,743,091	2,525,184

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Company 31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	274	346	555
Investments in subsidiaries	16	1,275,982	1,280,033	947,206
Other financial assets	20	–	–	2,948
		1,276,256	1,280,379	950,709
Current assets				
Trade and other receivables	19	11,956	13,068	41,495
Other financial assets	20	2,404	601	546
Other assets, current	21	3,694	1,576	59
Cash and cash equivalents	23	7,485	5,608	10,166
		25,539	20,853	52,266
Total assets		1,301,795	1,301,232	1,002,975
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	24	980,946	940,842	937,614
Treasury shares	24	(5,926)	(4,759)	–
Retained earnings		44,674	87,350	60,199
Other reserves	25	(6,192)	21	3,138
Total equity		1,013,502	1,023,454	1,000,951
Non-current liabilities				
Loan and borrowings, non-current	29	252,768	–	–
Other financial liabilities	30	303	–	–
		253,071	–	–
Current liabilities				
Trade and other payables, current	28	11,097	265,778	2,024
Loan and borrowings, current	29	24,125	12,000	–
		35,222	277,778	2,024
Total liabilities		288,293	277,778	2,024
Total equity and liabilities		1,301,795	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 2018

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
Balance at 1 January 2018 (FRS framework)	1,022,791	693,555	940,842	(4,759)	385,116	(459,804)	(167,840)	329,236
Cumulative effect of adopting SFRS(I)	1,803	1,803	–	–	1,803	–	–	–
Balance at 1 January 2018 (SFRS(I) framework)	1,024,594	695,358	940,842	(4,759)	386,919	(459,804)	(167,840)	329,236
Total comprehensive income for the year	113,543	49,818	–	–	108,241	–	(58,423)	63,725
Contribution by and distribution to owners								
Issue of new shares by the Company	40,104	40,104	40,104	–	–	–	–	–
Acquisition of non-controlling interests without change in control	52	–	–	–	–	–	–	52
Grant of share options (Note 25D)	384	384	–	–	–	384	–	–
Purchase of treasury shares by the Company	(1,198)	(1,198)	–	(1,198)	–	–	–	–
Value of employee services pursuant to performance share plan (Note 25E)	1,466	1,466	–	–	–	1,466	–	–
Reissue treasury shares by the Company under performance share plan	–	–	–	31	–	(31)	–	–
Reissue treasury shares by subsidiary under performance share plan	293	–	–	–	–	–	–	293
Dividend paid to equity holders of the Company (Note 37)	(6,545)	(6,545)	–	–	(6,545)	–	–	–
Dividend paid by subsidiary to non-controlling interests	(42,308)	–	–	–	–	–	–	(42,308)
Others								
Transfer to statutory reserve (Note 25C)	–	–	–	–	(6,894)	6,894	–	–
Balance at 31 December 2018	1,130,385	779,387	980,946	(5,926)	481,721	(451,091)	(226,263)	350,998

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 2018

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 2017 (FRS framework)	1,089,189	791,663	937,614	–	408,167	(374,504)	(179,614)	467,505	(169,979)
Total comprehensive income for the year	62,795	7,293	–	–	(4,481)	–	11,774	55,502	–
Contribution by and distribution to owners									
Issue of new shares by subsidiaries to non-controlling interests	7,607	–	–	–	–	–	–	7,607	–
Acquisition of non-controlling interests without change in control	(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 37)	(12,533)	(12,533)	–	–	(12,533)	–	–	–	–
Dividend paid by subsidiary to non-controlling interests	(24,689)	–	–	–	–	–	–	(24,689)	–
Others									
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 2018

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 2017	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 and 1 January 2018 (FRS framework)	1,023,454	940,842	(4,759)	87,350	21
Cumulative effect of adopting SFRS(I)	1,803	–	–	1,803	–
Balance at 1 January 2018 (SFRS(I) framework)	1,025,257	940,842	(4,759)	89,153	21
Total comprehensive income for the year	(37,934)	–	–	(37,934)	–
Issue of new shares	40,104	40,104	–	–	–
Purchase of treasury shares by the Company	(1,198)	–	(1,198)	–	–
Difference in value arising from issuance of consideration shares (Note 16)	(7,648)	–	–	–	(7,648)
Value of employee services pursuant to performance share plan (Note 25E)	1,466	–	–	–	1,466
Reissue treasury shares by the Company under performance share plan	–	–	31	–	(31)
Dividend paid to equity holders of the Company	(6,545)	–	–	(6,545)	–
Balance at 31 December 2018	1,013,502	980,946	(5,926)	44,674	(6,192)

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 2018

	2018 US$'000	2017 US$'000
Cash flows from operating activities		
Profit before income tax	243,595	107,517
Adjustments for:		
Amortisation of intangible assets	2,058	1,859
Depreciation of property, plant and equipment	103,924	95,235
Write-off of property, plant and equipment	648	299
Depreciation of investment properties	273	592
Fair value (gain)/loss on derivative financial instruments	(15,970)	4,909
Fair value loss on biological assets	11,625	22,124
Loss/(gain) on disposal of property, plant and equipment and investment properties	384	(1,553)
Increase in provision for retirement benefits	17,504	16,001
Interest income	(4,199)	(4,087)
Interest expense	82,526	67,261
Land use rights charges	572	284
Expenses arising from share option plan	384	416
Value of employee services received pursuant to performance share plan	1,466	111
Value of employee services received pursuant to performance share plan by subsidiary	293	350
Share of loss from equity-accounted joint ventures	(82)	134
Net effect of exchange rate changes	846	(4,754)
Operating cash flows before changes in working capital	445,847	306,698
Inventories	(95,753)	(58,727)
Biological assets	(39,524)	(44,502)
Trade and other receivables	(14,429)	(30,385)
Other assets	7,767	(8,095)
Trade and other payables	32,781	67,049
Provisions	(12,989)	(12,231)
Other liabilities	4,440	843
Net cash flows from operations before tax	328,140	220,650
Income taxes paid	(72,156)	(80,176)
Net cash flows from operating activities	255,984	140,474

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 2018

	2018 US$'000	2017 US$'000
Cash flows used in investing activities		
Acquisition of subsidiaries (Net of Cash Outflow)	(2,279)	–
Additional investment in joint ventures	–	(2,297)
Purchase of property, plant and equipment (Note 23B)	(221,444)	(211,627)
Proceeds from disposal of property, plant and equipment	5,753	2,600
Proceeds from disposal of investment properties	–	8,105
Purchase of investment properties	(282)	–
Purchase of financial assets	(83)	(5,031)
Purchase of biological assets	(15,803)	(26,629)
Purchase of intangible assets	(2,692)	(3,163)
Purchase of land use rights	(2,370)	(2,873)
Interest income received	4,199	4,087
Net cash flows used in investing activities	(235,001)	(236,828)
Cash flows used in financing activities		
Dividends paid by subsidiary to non-controlling interests	(42,308)	(24,689)
Dividends paid to equity holders of the Company	(6,545)	(12,533)
Proceeds from issue of bonds	–	320,012
Proceeds from issue of new shares by a subsidiary to non-controlling interests	–	7,607
Proceeds from new bank loans	276,459	–
Transaction cost paid for acquisition of non-controlling interests	(223,000)	(513)
Decrease in cash restricted in use	294	671
Purchase of treasury shares by the Company	(1,198)	(4,759)
Purchase of treasury shares by subsidiary	–	(462)
Repayment of bonds payable	–	(314,775)
Increase/(decrease) in working capital loans	(4,782)	95,524
Interest expense paid	(82,526)	(67,261)
Net cash flows used in financing activities	(83,606)	(1,178)
Net decrease in cash and cash equivalents	(62,623)	(97,532)
Effect of exchange rate changes on cash and cash equivalents	(3,634)	(3,083)
Cash and cash equivalents, beginning balance	230,471	331,086
Cash and cash equivalents, ending balance (Note 23A)	164,214	230,471

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 are 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 regional head office and provision of consultancy 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 balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards International (SFRS(I)).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I).

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

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.

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SRFS(I))

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS(I) 1-21 The Effects of Changes in Foreign Exchange Rates has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SRFS(I)) (continued)

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9, and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retropectively to those financial assets that were not derecognied before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

In previous years, the Group and the Company measured its investment in unquoted equity securities at cost less allowance for impairment. With the adoption of SFRS(I) 9 on 1 January 2018, the Group and the Company elect to measure such unquoted investment at fair value through other comprehensive income FVOCI. The effect of this adoption results an adjustment of US$1,803,000 to the retained earnings as at 1 January 2018 which comprises of an impairment loss of US$536,000 previously recognised in statement of comprehensive income, and a difference of US$1,267,000 between the carrying amount and the fair value of the unquoted equity securities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SRFS(I)) (continued)

SFRS(I) 9 Financial Instruments (continued)

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9 , the Group has assessed that there are no significant additional impairment to be recognised using the expected credit loss model.

The Group has assessed which business model apply to the financial assets held by the Group at 1 January 2018 and has classified its financial instruments into the appropriate categories in accordance with SFRS(I) 9. The effects of the reclassifications and remeasurements, before tax impact, are as follows:

	SFRS(I) 9 adjustments US$'000
FRS 39 net carrying amount on 31 December 2017	13,781
Remeasurement	1,803
FRS 109 carrying amount on 1 January 2018	15,584

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts that have variable consideration, the Group has used the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year ended 31 December 2017. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been lower;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SRFS(I)) (continued)

SFRS(I) 15 Revenue from Contracts with Customers (continued)

The Group's revenue mainly comprises of animal feed, animal protein, raw milk, animal protein products, and milk products. The key impact of adopting SFRS(I) 15 is detailed as follows:

Sales of Animal Feed

Variable consideration

Some contracts with customers provide incentives such as volume rebates. Such provisions give rise to variable consideration under SFRS(I) 15. The Group previously recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Under SFRS(I) 15, 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 associated uncertainty is subsequently resolved.

- Volume rebates

  The Group provides retrospective rebates to some of its customers if they reach a certain threshold of purchases. Prior to the adoption of SFRS(I) 15, the Group estimated the probability-weighted average amount of rebates and included a provision for rebates in trade and other payables.

  Under SFRS(I) 15, retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which a customer will be entitled to, the Group applies the 'most likely amount method' for contracts with a single volume threshold and the 'expected value method' for contracts with more than one volume threshold. The Group has assessed that the amount of variable consideration on account of volume rebates under SFRS(I) 15 to be immaterial and no restatement was taken up in the comparative period.

Sales of Consumer Food Products

Variable consideration

Some contracts provide customers with a right of return under the trading terms. Such provisions which may give rise to circumstances where the consideration recieved or receivable could be variable under SFRS(I) 15. The Group previously recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and fixed rebates. Under SFRS(I) 15, the amount of expected returns estimated and 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 associated uncertainty is subsequently resolved.

- Right of return

  Under SFRS(I) 15, the Group estimates the amount of expected returns in determining the transaction price and recognises revenue based on the amounts to which the Group expects to be entitled through the end of the return period. The Group recognises the amount of expected returns as a refund liability, representing its obligation to return the customer's consideration. Separately, the Group recognises a right of return asset for the right to recover the returned goods. The Group has assessed that the amount of variable consideration on account of return under SFRS(I) is to be immaterial and no restatement was taken up in the comparative period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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
SFRS(I) 16 Leases	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or *Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above 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) 16 are described below.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets of US$97.7 million and lease liabilities of US$97.7 million for its leases previously classified as operating leases

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (continued)

(b) Business combinations and goodwill

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 the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognised in profit or loss.

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquire are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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 de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the de-recognition 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 de-recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 de-recognised 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 de-recognised.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 maybe 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments (continued)

(a) Financial assets (continued)

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derivatives

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 foreign exchange forward and option contracts are determined by reference to market values for similar instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments (continued)

(a) Financial assets (continued)

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition 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 for debt instruments is recognised in profit or loss.

(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 profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.14 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group calculate ECLs for trade receivables initially based on the Group's historical observed default rates and adjust based on the forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of financial assets (cont'd)

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows

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 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 the profit or loss for the year in which it arises. Biological assets mainly comprise of dairy cows, breeding livestock and fattening livestock.

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.

2.19 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 measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.14 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (continued)

(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.

(d) Employee performance share and share option plans

(i) Performance share plans

Employees of the Group may 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (continued)

(d) Employee performance share and share option plans (continued)

(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.

2.22 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (continued)

(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.

2.23 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sales of goods

Revenue is recognised when the goods are delivered to customer and all criteria for acceptance have been satisfied as follows:

(i) Sales of animal feed

Revenue from these sales is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The goods are often sold with incentives such as volume rebates. Revenue from these sales is recorded based on the contracted price less the estimated incentives, which are determined based on the 'most likely amount method' for contracts with a single volume threshold and the 'expected value method' due for contracts with more than one volume threshold.

(ii) Sales of animal protein

Revenue from sales of animal protein is recognised when the livestock are collected by customers.

(iii) Sales of raw milk

Revenue from these sales is recognised when the goods are delivered to the customers and all criteria for acceptance have been satisfied.

(iv) Sales of animal protein products and milk products

The Group sells animal protein products and milk products through retail sales and distributors. Revenue from sales of these products are recognised when the goods are delivered to customers. Animal protein and milk products are sold to certain customers with right of return and fixed rebates. Revenue from these sales is recorded based on the contracted price less the expected returns and rebates. The Group estimates the amount of expected returns in determining the transaction price and recognises revenue based on the amounts to which it expects to be entitled through the end of the return period. The Group recognises the amount of expected returns as a liability, representing its obligation to refund the customer's consideration.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (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.

2.24 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Taxes (continued)

(b) Deferred tax (continued)

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.

2.25 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 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 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.

2.27 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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.

3.2 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) Provision for ECLs of trade receivables and contract assets

The Group calculates ECLs for trade receivables initially based on the historical observed default rates and adjust based on the forward-looking information.

At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 36

The carrying amount of trade receivables as at 31 December 2018 is US$183.6 million (31 December 2017: US$169.8 million, 1 January 2017: US$141.9 million) for which provision for ECLs is US$4.3 million as at 31 December 2018 (31 December 2017: US$4.5 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(b) Fair value of biological assets

Biological assets are measured at fair value less costs to sell. 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 2018 is US$448.3 million (31 December 2017: US$427.5 million, 1 January 2017: US$363.1 million).

(c) 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. Further details about pension obligations are disclosed in Note 27.

Defined benefit plan liabilities at 31 December 2018 amounted to US$85.4 million (31 December 2017: US$105.9 million, 1 January 2017: US$89.5 million).

(d) Impairment assessment of non-financial assets

Where an investee is in net equity deficit and or has suffered losses an assessment is made as to 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 assumptions is US$130.9 million (2017: US$198.8 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. REVENUE

Business segments

	Group	
	2018 US$'000	2017 US$'000
Animal Protein Indonesia	2,337,679	2,167,096
Animal Protein Other	580,416	475,359
Dairy	397,303	345,235
Consumer Food	202,566	200,641
Others	15,292	1,599
	3,533,256	3,189,930

Major products

The major products of the Group includes the following:

	Animal Protein Indonesia US$'000	Animal Protein Other US$'000	Dairy US$'000	Consumer Food US$'000	Total US$'000
2018					
Animal feed	846,430	280,248	–	–	1,126,678
Animal proteins	1,135,873	283,467	–	–	1,419,340
Raw milk	–	–	289,996	–	289,996
Milk products	–	–	80,886	–	80,886
Animal protein products	–	–	–	202,566	202,566
2017					
Animal feed	796,316	257,330	–	–	1,053,646
Animal proteins	1,046,109	210,294	–	–	1,256,403
Raw milk	–	–	260,682	–	260,682
Milk products	–	–	59,648	–	59,648
Animal protein products	–	–	–	200,641	200,641

For the sale of goods, the Group satisfies its performance obligation at a point in time.

Judgement and methods used in estimating variable consideration

In estimating the variable consideration from the sale of goods, the Group uses the expected value method to predict the returns and various incentives to customer, such as volume relates by different product types. Management has exercised judgement in applying the constraint on the estimated variable consideration that can be included in the transaction price. For volume rebates, management determines the retrospective rebates to some of its customers if the customers reach a certain threshold of purchase. For product returns, management considers its historical experience and evidence from other similar contracts to develop an estimate of variable consideration for expected returns using the expected value method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. INTEREST INCOME

	Group	
	2018 US$'000	2017 US$'000
Interest income from cash deposits in bank	4,199	4,087

6. OTHER GAINS AND (LOSSES)

	Group	
	2018 US$'000	2017 US$'000
Other gains		
Gain on disposal of property, plant and equipment	–	1,268
Gain on fair value of derivative financial instruments	15,970	–
Bad debts recovered from trade receivables	2,015	5,258
Insurance compensation	1,824	1,419
Sale of scrap	1,281	1,110
Government grant income	2,076	1,288
Rental income from investment properties	956	11
Other rental income	137	1,039
Others	1,145	26
	25,404	11,419
Other losses		
Loss on disposal of property, plant and equipment	(384)	–
Write-off of property, plant and equipment	(648)	(299)
Loss on fair value of derivative financial instruments	–	(4,909)
Early redemption of bonds payable	–	(5,029)
Others	–	(2,017)
	(1,032)	(12,254)

7. MARKETING AND DISTRIBUTION COSTS

The major components include the following:

	Group	
	2018 US$'000	2017 US$'000
Advertising and promotion expense	29,528	37,305
Employee benefits expense	36,910	31,822
Freight charges	40,193	29,947
Sales commission	1,368	6,499
Vehicle maintenance	5,504	5,237
Freight forwarding	3,365	4,783
Travel and courier services	4,793	4,097
Rental expenses	3,204	3,497
Depreciation expenses	3,380	3,146

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. ADMINISTRATIVE EXPENSES

The major components include the following:

	Group	
	2018 US$'000	2017 US$'000
Audit fees:		
– Auditor of the Company	1,200	1,026
– Other auditors	–	417
Non-audit fees:		
– Auditor of the Company	125	128
– Other auditors	–	103
Employee benefits expense	170,549	147,360
Depreciation expense	15,756	13,911
Travel expense	10,329	9,626
Rental expense	7,368	7,278
Professional expense	6,425	6,150
Security expense	5,024	5,233
Miscellaneous office expense	4,814	5,580
Maintenance expense	5,079	4,210

9. FINANCE COSTS

	Group	
	2018 US$'000	2017 US$'000
Interest expense on borrowings	82,526	67,261

10. EMPLOYEE BENEFITS EXPENSE

	Group	
	2018 US$'000	2017 US$'000
Salaries and bonuses	310,886	275,732
Contributions to defined contribution plans	16,280	14,966
Defined benefits expenses (Note 27)	17,504	16,001
Share-based payments: Performance share plan	1,466	111
Share-based payments: Employee share option plan	384	416
Total employee benefits expense	346,520	307,226

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. INCOME TAX

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

	Group	
	2018 US$'000	2017 US$'000
Current income tax:		
Current income taxation	66,781	41,921
Under provision in respect of previous years	121	10,413
	66,902	52,334
Deferred income tax:		
Origination and reversal of temporary differences	(6,732)	(6,142)
Withholding tax expenses	5,214	5,088
Income tax expense recognised in statement of comprehensive income	65,384	51,280

The reconciliation of 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% (2017: 17%) to statement of comprehensive income before income tax as a result of the following differences:

	Group	
	2018 US$'000	2017 US$'000
Profit before income tax	243,595	107,517
Share of (gain)/loss of equity accounted joint ventures	(82)	134
	243,513	107,651
Income tax expense at the above rate	41,397	18,278
Effect of different tax rates in different countries	19,847	11,417
Expenses not deductible for tax purposes	10,780	7,787
Income not subject to tax	(15,606)	(8,995)
Deferred tax assets not recognised	2,366	4,390
Under adjustments in respect of prior years	121	10,413
Withholding tax	5,214	5,088
Tax incentives	(38)	(1,863)
Others	1,303	4,765
Total income tax expense	65,384	51,280
Effective tax rate	26.9%	47.6%

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

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

Certain subsidiaries within the Group are exempted from corporate income tax in the respective tax jurisdiction in which they are domiciled and operate. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. INCOME TAX (CONTINUED)

11B. Deferred tax income recognised in statement of comprehensive income

	Group	
	2018 US$'000	2017 US$'000
Excess of net book value over tax value of plant and equipment	(3,741)	744
Fair value of biological assets	211	(952)
Tax losses of subsidiaries	4,072	(1,658)
Provision for employee obligations	(5,495)	(923)
Allowance for impairment	124	(969)
Others	(1,903)	(2,384)
Net deferred tax income recognised in statement of comprehensive income	(6,732)	(6,142)

11C. Deferred tax expense/(income) recognised in other comprehensive income

	Group	
	2018	2017
Re-measurement of the net defined benefits plan (Note 27)	4,493	(3,413)

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

	Group	
	2018	2017
Deferred tax assets/(liabilities) are as follows:		
Excess of net book value over tax value of plant and equipment	(4,824)	(5,463)
Fair value of biological assets	(1,446)	(1,326)
Losses of subsidiaries	2,765	3,728
Provision for employee obligations	22,319	15,897
Others	2,268	7,615
Total	21,082	20,451
Presented in the statement of financial position as follows:		
Deferred tax assets	23,593	24,037
Deferred tax liabilities	(2,511)	(3,586)
	21,082	20,451

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. INCOME TAX (CONTINUED)

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$68.8 million (2017: US$58.1 million) and US$14.5 million (2017: US$12.9 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 was 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	
	2018 US$'000	2017 US$'000
Tax losses expiring in year		
2018	–	4,426
2019	5,513	5,380
2020	6,163	4,626
2021	6,672	6,023
2022	10,180	8,610
2023	14,353	–
	42,881	29,065

Temporary differences on undistributed earnings:

A deferred tax liability of approximately US$39.8 million (2017: US$34.0 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 it 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	
	2018 US$'000	2017 US$'000
Numerator:		
Earnings attributable to equity holders	100,385	1,321
	Number of shares	
Denominator:		
Weighted average number of equity shares	1,817,280	1,761,628

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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$'000	Total US$'000
Cost:								
At 1 January 2017	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
Additions	31,361	416	23,431	32,409	14,812	98,848	14,112	215,389
Additions through business combination	1,116	–	2,660	2,578	71	418	86	6,929
Disposals/write-off	–	–	(2,965)	(3,275)	(1,155)	(61)	(6,851)	(14,307)
Reclassifications *	(49,906)	–	38,214	38,534	1,619	(82,180)	88	(53,631)
Foreign exchange adjustments	(10,903)	(121)	(32,132)	(33,471)	(6,012)	(8,018)	(4,160)	(94,817)
At 31 December 2018	143,469	1,735	580,563	604,990	104,467	88,094	79,711	1,603,029

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$'000	Total US$'000
Accumulated depreciation:								
At 1 January 2017	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
Depreciation for the year	5,874	–	27,136	52,385	11,316	–	7,213	103,924
Additions through business combination	–	–	110	94	10	–	17	231
Disposals/write-off	–	–	(2,025)	(2,165)	(1,049)	–	(2,283)	(7,522)
Reclassifications *	(673)	–	(785)	(577)	22	–	97	(1,916)
Foreign exchange adjustments	(2,208)	–	(8,790)	(16,071)	(4,149)	–	(3,158)	(34,376)
At 31 December 2018	36,418	–	151,856	283,094	69,478	–	52,036	592,882

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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$'000	Total US$'000
Net book value:								
At 1 January 2017	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
At 31 December 2018	107,051	1,735	428,707	321,896	34,989	88,094	27,675	1,010,147

* Included in the reclassifications are certain assets with carrying values reclassified from / to investment properties (Note 14) of US$101,000 (2017: US$3,421,000), intangible assets (Note 15) of US$ Nil (2017: US$654,000), inventories of US$46,172,000 (2017: US$ Nil) and other assets (Note 21) of US$5,442,000 (2017: US$238,000) respectively.

Company	Office furniture & fixtures US$'000	Motor vehicles US$'000	Total US$'000
Cost:			
At 1 January 2017	1,247	448	1,695
Additions	9	–	9
Disposals/write-off	–	(61)	(61)
At 31 December 2017	1,256	387	1,643
Additions	23	–	23
At 31 December 2018	1,279	387	1,666
Accumulated depreciation:			
At 1 January 2017	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
Depreciation for the year	18	77	95
At 31 December 2018	1,238	154	1,392
Net book value:			
At 1 January 2017	158	397	555
At 31 December 2017	36	310	346
At 31 December 2018	41	233	274

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

The Group's property, plant and equipment with carrying amount of US$144.5 million (31 December 2017: US$138.7 million, 1 January 2017: US$217.9 million) are pledged as security for banking facilities (Note 29A).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. INVESTMENT PROPERTIES

	2018 US$'000	2017 US$'000
At cost:		
At beginning of the year	7,390	12,837
Additions	282	–
Disposals	–	(8,218)
Reclassifications from property, plant and equipment	101	2,877
Foreign exchange adjustments	(477)	(106)
At end of the year	7,296	7,390
Accumulated depreciation and impairment:		
At beginning of the year	1,893	2,269
Depreciation for the year	273	592
Disposals	–	(398)
Reclassifications to property, plant and equipment	–	(544)
Foreign exchange adjustments	(126)	(24)
At end of the year	2,040	1,893
Net book value:		
At beginning of the year	5,497	10,568
At end of the year	5,256	5,497
Rental income	956	11
Direct operating expenses (including repair and maintenance) of investment properties that generated rental income during the year	163	35
Direct operating expenses (including repair and maintenance) of investment properties that did not generate rental income during the year	110	94

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 amounted to US$16.8 million. Considering the condition of the property market, management believes that there had been no significant changes to such fair value between the valuation date and 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. INTANGIBLE ASSETS

	Group		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Goodwill (Note 15A)	6,455	5,177	5,220
Other intangible assets (Note 15B)	5,618	5,205	3,164
	12,073	10,382	8,384

15A. Goodwill

	Group US$'000
At 1 January 2017	5,220
Foreign exchange adjustments	(43)
At 31 December 2017	5,177
Additions through business combination	1,653
Foreign exchange adjustments	(375)
At 31 December 2018	6,455

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 Indonesia Segment		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Name of subsidiary:			
PT Ciomas Adisatwa	4,843	5,177	5,220
PT Multi Makanan Permai	1,612	–	–

The goodwill for PT Ciomas Adisatwa 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 Indonesia Segment		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
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:	10.76%	9.36%	11.00%
Cash flow forecasts derived from the most recent financial budgets and plans approved by management:	5 years	5 years	5 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. INTANGIBLE ASSETS (CONTINUED)

15A. Goodwill (continued)

Relationship of unobservable inputs to value in use:

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

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:

	2018		2017	
	Increase/ (decrease)	Change in recoverable amount US$'000	Increase/ (decrease)	Change in recoverable amount US$'000
Discount rate	+1%	(2,884)	+1%	(2,068)
	–1%	2,884	–1%	2,068

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 1 January 2017	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
Additions	–	–	–	2,757	2,757
Disposals	–	–	(189)	(564)	(753)
Reclassification	–	(20)	–	20	–
Foreign exchange adjustments	–	(28)	(18)	(610)	(656)
At 31 December 2018	2,853	1,311	–	11,459	15,623
Accumulated amortisation:					
At 1 January 2017	2,852	9	195	4,079	7,135
Amortisation for the year	–	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
Additions	–	134	–	1,924	2,058
Disposals	–	–	(189)	(499)	(688)
Reclassification	–	(9)	–	9	–
Foreign exchange adjustments	–	(4)	(18)	(413)	(435)
At 31 December 2018	2,852	257	–	6,896	10,005
Net book value:					
At 1 January 2017	1	16	–	3,147	3,164
At 31 December 2017	1	1,223	–	3,981	5,205
At 31 December 2018	1	1,054	–	4,563	5,618

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

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16. INVESTMENTS IN SUBSIDIARIES

	Company		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Quoted equity shares at cost	116,204	93,252	93,252
Unquoted equity shares at cost	1,215,160	1,190,181	857,354
	1,331,364	1,283,433	950,606
Less: Allowance for impairment	(55,382)	(3,400)	(3,400)
Net carrying amount	1,275,982	1,280,033	947,206
Fair value of quoted equity shares	912,813	558,398	630,186
Analysis of above amount denominated in non-functional currency:			
Indonesian Rupiah	116,204	93,252	93,252
Indian Rupee	4,230	4,230	4,230

	Company US$'000
Movements in cost during the year:	
At 1 January 2017	950,606
Additions	332,737
Capitalisation of loan to subsidiaries	90
At 31 December 2017	1,283,433
Additions	48,049
Capitalisation of loan to subsidiaries	7,530
Difference in value arising from issuance of consideration shares on acquisition of non-controlling interests	(7,648)
At 31 December 2018	1,331,364

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		
		31.12.2018 %	31.12.2017 %	1.1.2017 %
Held by the Company:				
PT Japfa Comfeed Indonesia Tbk ("JCI") [b] [f] [g] 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	52.4	51.0	51.0
Annona Pte Ltd [a] Import and export of raw materials	Singapore	100	100	100
Jupiter Foods Pte Ltd ("JFS") [a] Investment holding	Singapore	100	100	100
Japfa South-Asia Investments Pte Ltd ("JSI") [a] Investment holding	Singapore	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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		
		31.12.2018 %	31.12.2017 %	1.1.2017 %
Held by the Company: (continued)				
Japfa Vietnam Investments Pte Ltd ("JVI") [a] Investment holding	Singapore	100	100	100
Japfa China Investments Pte Ltd ("JC") [a] Investment holding	Singapore	100	100	100
Japfa Myanmar JV Pte Ltd ("JMJV") [a] Investment holding	Singapore	100	100	100
AustAsia Investment Holdings Pte Ltd ("AIH") [a] [e] [g] Investment holding	Singapore	100	100	61.9
AIH2 Pte Ltd ("AIH2") [a] [e] [g] Providing business and management consultancy services	Singapore	100	100	64.5
Major subsidiaries held through JCI:				
PT Suri Tani Pemuka [b] Production of shrimp feed, shrimp farming, cold storage and shrimp hatchery	Indonesia	52.4	51.0	51.0
Comfeed Finance B.V. [c] Provision of treasury services	Netherlands	52.4	51.0	51.0
PT Ciomas Adisatwa [b] Trading, commercial farm and chicken slaughter house	Indonesia	52.4	51.0	51.0
PT Indojaya Agrinusa [b] [d] Animal feeds manufacturing and chicken breeding	Indonesia	26.2	25.5	25.5
PT Santosa Agrindo [b] Trading, beef processing unit and cattle slaughter house	Indonesia	52.4	51.0	51.0
PT Jakamitra Indonesia [b] Real estate	Indonesia	52.4	51.0	51.0
Major subsidiary held through JSI:				
Japfa Comfeed India Private Ltd ("JCIPL") [b] Poultry	India	100	100	100
Major subsidiary held through JFS:				
PT So Good Food [b] Trading	Indonesia	100	100	100
Major subsidiary held through JVI:				
Japfa Comfeed Vietnam Limited Company [b] Breeding farm and poultry	Vietnam	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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		
		31.12.2018 %	31.12.2017 %	1.1.2017 %
Major subsidiary held through JC:				
Dongying Japfa Beef Co Ltd. [b] Beef cattle breeding, grass forage production, import and export of beef cattle and related products	China	100	100	100
Major subsidiary held through JMJV:				
Japfa Comfeed Myanmar Pte Ltd ("JCM") [b] Poultry and feedmill business	Myanmar	99.0	99.0	100
Major subsidiaries held through AIH:				
PT Greenfields Indonesia [b] [e] Production and sales of milk	Indonesia	100	100	61.9
Dongying AustAsia Modern Dairy Farm Co., Ltd [b] [e] Production and sales of milk	China	100	100	61.9
Taian AustAsia Modern Dairy Farm Co., Ltd [b] [e] Production and sales of milk	China	100	100	61.9
Dongying Xianhe AustAsia Modern Dairy Farm Co., Ltd [b] [e] Production and sales of milk	China	100	100	61.9
Dongying Shenzhou AustAsia Modern Dairy Farm Co., Ltd [b] [e] Production and sales of milk	China	100	100	61.9
Major subsidiaries held through AIH2:				
Chifeng Austasia Modern Dairy Farm Co., Ltd [e] Production and sales of milk	China	100	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.
(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.
(f) Listed on a stock exchange.
(g) The Group's investments in the related subsidiaries are pledged to banks to secure banking facilities

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

16B. Impairment of certain subsidiaries

Certain investments in subsidiaries with carrying amounts of US$102.0 million (2017: US$198.8 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 impairment loss of US$52.0 million (2017: Nil) were recognised during the year.

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.

Summarised statement of financial position

	PT Japfa Comfeed Indonesia Tbk		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Current assets	857,386	825,902	823,237
Non-current assets	733,528	615,044	502,151
Current liabilities	476,796	352,055	386,540
Non-current liabilities	408,725	482,070	349,294

Summarised statement of comprehensive income and other summarised information

	PT Japfa Comfeed Indonesia Tbk	
	2018 US$'000	2017 US$'000
Revenue	2,383,975	2,209,458
Profit for the reporting year	156,008	78,003
Total comprehensive income	126,767	63,867
Operating cash flows, increase	129,003	57,520
Net cash flows, decrease	(41,815)	(79,166)

16D. Changes in equity interests in subsidiaries in 2018

PT Japfa Comfeed Indonesia Tbk

An interest of 0.11% in subsidiary, JCI, was acquired on 2 April 2018 for US$1,372,000 in cash. This increased the equity interest from 51.00% to 51.11%. Subsequently, an additional interest of 1.32% was acquired on 8 June 2018 for US$21,270,000 in cash. This further increased the equity interest from 51.11% to 52.43%.

NOTES TO THE FINANCIAL STATEMENTS

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16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

16E. Acquisition of subsidiary in 2018

PT Santosa Utama Lestari (SUL)

On 1 May 2018, the Group acquired 100% of the share capital in PT Santosa Utama Lestari ("SUL") for a purchase consideration of US$2,915,000. From that date, the Group gained control and SUL became a subsidiary. The principal activities of SUL are trading of agriculture, trading industry and corn dryer. The transaction was accounted for by the acquisition method of accounting.

The fair value of the identifiable assets and liabilities at acquisition date are as follows:

	Fair value recognised on acquisition US$'000
Property, plant and equipment	6,698
Other assets	436
Inventories	3,315
Trade and other receivables	932
Tax recoverable	3
Cash and cash equivalents	636
Trade and other payables	(1,662)
Loans and borrowings	(8,895)
Deferred tax liability	(149)
Net assets	1,314
Less: Non-controlling interests	(52)
Add: Goodwill	1,653
Purchase consideration paid	2,915
Less: Cash and cash equivalents of subsidiary acquired	(636)
Net cash outflow on acquisition	2,279

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17. INVESTMENTS IN JOINT VENTURES

	Group		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Unquoted equity shares, at cost	7,940	7,940	5,643
Share of post-acquisition losses, net of dividends	(1,687)	(1,769)	(1,635)
Share of post-acquisition other comprehensive income	(3)	(8)	(4)
Foreign exchange adjustments	(520)	(93)	(179)
Carrying amount	5,730	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		
		31.12.2018 %	31.12.2017 %	1.1.2017 %
Held through JCIPL:				
Central India Poultry Breeders Private Limited [(b)] Animal feed production and poultry (SPCM & Associates, Chartered Accountants)	India	50	50	50
Held through PT So Good Food:				
PT Intan Kenkomayo Indonesia ("IKI") [(a)] Production and sales of mayonnaise and dressing sauce products	Indonesia	51	51	51
PT Cahaya Gunung Foods ("CGF") [(a)] Production and sales of fully cooked poultry product	Indonesia	40	40	40

(a) Audited by member firms of EY Global in the respective countries
(b) 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.

NOTES TO THE FINANCIAL STATEMENTS

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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:

	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Summarised statement of financial position			
Current assets	7,932	10,149	3,913
Cash and cash equivalents	279	2,159	1,826
Non-current assets	6,091	7,944	2,990
Current liabilities	(2,661)	(2,114)	(355)
Non-current liabilities	(3,375)	(4,281)	(376)
Non-current financial liabilities	(283)	(333)	(330)

	31.12.2018 US$'000	31.12.2017 US$'000
Summarised statement of comprehensive income		
Revenue	15,261	11,677
Profit/(loss) for the reporting year	191	(272)
Total comprehensive loss	200	(280)
Depreciation and amortisation	(519)	(390)
Interest income	29	42
Interest expense	(393)	(43)
Income tax income/(expense)	118	(27)
Reconciliation:		
Net assets of the joint ventures	7,983	11,698
Group's share of net assets of the joint ventures	3,442	5,313
Goodwill	2,288	757
Carrying amount of the interest in the joint ventures	5,730	6,070

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. BIOLOGICAL ASSETS

	Group		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Breeding chickens	83,229	76,227	63,597
Breeding cattle	15,367	22,293	15,181
Breeding swine	23,223	16,842	21,347
Dairy cows	326,287	312,028	262,842
Forage and plantation	164	180	182
	448,270	427,570	363,149
Fattening livestock	160,810	153,854	141,795
	609,080	581,424	504,945
Presented as:			
Biological assets, current	83,229	76,227	63,597
Biological assets, non-current	365,041	351,343	299,552
Biological assets presented as Inventories (Note 22)	160,810	153,854	141,795
	609,080	581,424	504,945

Movement in biological assets:

	US$'000
At 1 January 2017	504,945
Net additions	72,263
Changes in fair value	(22,124)
Foreign exchange adjustments	26,340
At 31 December 2017 and 1 January 2018	581,424
Net additions	50,385
Changes in fair value	(11,625)
Foreign exchange adjustments	(11,104)
At 31 December 2018	609,080

The Group's biological assets with carrying amount of US$314.0 million (31 December 2017: US$301.2 million, 1 January 2017: US$244.6 million) are pledged as security for banking facilities (Note 29A).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Non-current:						
Other receivables:						
Third parties	1,307	1,487	1,484	–	–	–
Joint venture	310	363	313	–	–	–
Investee company	12,947	12,745	–	–	–	–
Total	14,564	14,595	1,797	–	–	–
Current:						
Trade receivables:						
Third parties	187,178	174,092	144,912	–	–	–
Joint venture	823	182	90	–	–	–
Less: Allowance for impairment	(4,330)	(4,469)	(3,114)	–	–	–
	183,671	169,805	141,888	–	–	–
Other receivables:						
Third parties	10,736	9,210	9,470	327	335	197
Subsidiaries	–	–	–	11,629	12,733	41,298
Investee company	–	–	10,070	–	–	–
	10,736	9,210	19,540	11,956	13,068	41,495
Total trade and other receivables	194,407	179,015	161,428	11,956	13,068	41,495
Add: Cash and cash equivalent	164,214	230,471	331,086	7,485	5,608	10,166
Add: Deposits to secure services	4,121	4,487	4,021	–	–	–
Total financial assets carried at amortised cost	362,742	413,973	496,535	19,441	18,676	51,661

Trade receivables are non-interest bearing and are generally on average credit period of 30 days' terms. They are recognized at their original invoice amounts which represents their fair values on initial recognition.

Other receivables due from an investee company is an unsecured loan, amounting to US$12.9 million (2017: US$12.7 million), which bears interest ranging from 1.55% to 1.81% per annum (2017: 1.55% to 1.81%) and have no fixed terms of repayment. These amounts are to be settled in cash.

Other receivables due from a joint venture is an unsecured loan, which has no fixed terms of repayment and bears interest at 13.25% (2017: 13.25%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

All other receivables from subsidiaries are unsecured. Other receivables from subsidiaries of US$8.4 million (2017: US$10.9 million) bear interest ranging from 5.05% to 6.83% (2017: 3.33% to 6.83%) per annum and is repayable on demand. The remaining other receivables from subsidiaries are interest free and repayable on demand.

The Group's trade receivables with carrying amount of US$146.4 million (31 December 2017: US$134.6 million, 1 January 2017: US$156.5 million) are pledged as security for banking facilities (Note 29A).

Receivables that are past due but not impaired

	Group	
	31.12.2017 US$'000	1.1.2017 US$'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

Less than 60 days	–	8
91 to 120 days	1	–
Over 120 days	4,468	3,106
Total	4,469	3,114

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record impairment are as follows:

	Group 31.12.2017 US$'000
Movement in allowance accounts:	
At 1 January 2017	3,114
Charged for trade receivables to statement of comprehensive income included in administrative expenses	4,138
Bad-debts written off	(2,743)
Foreign exchange adjustments	(40)
At 31 December 2017	4,469

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL as at 31 December 2018 are as follows:

	Group 31.12.2018 US$'000
At 1 January 2018	4,469
Charged for trade receivables to statement of comprehensive income included in administrative expenses	1,536
Bad debts written–off	(1,369)
Foreign exchange adjustments	(306)
At 31 December 2018	4,330

20. OTHER FINANCIAL ASSETS

	Group			Company		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Unquoted investments (Note 20A)	15,303	13,781	8,762	2,404	601	546
Derivative financial assets (Note 20B)	17,586	6,109	245	–	–	–
Call option asset	–	–	2,948	–	–	2,948
	32,889	19,890	11,955	2,404	601	3,494
Presented as:						
Other financial assets, current	2,488	601	791	2,404	601	546
Other financial assets, non-current	30,401	19,289	11,164	–	–	2,948
	32,889	19,890	11,955	2,404	601	3,494

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. OTHER FINANCIAL ASSETS (CONTINUED)

20A. Unquoted investments

	Group 31.12.2018 US$'000	Company 31.12.2018 US$'000
Unquoted equity shares, at fair value, represent total financial assets carried at fair value through other comprehensive income	15,303	2,404

	Group		Company	
	31.12.2017 US$'000	1.1.2017 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Unquoted equity shares, at cost	13,781	8,762	601	546

The unquoted investments relate to equity shares of entities in Singapore, Indonesia and China.

20B. Derivative financial instruments

	Group			Company		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Interest rate swap contracts	1,799	1,425	245	303	–	–
Foreign currency forward and option contracts	6,550	(5,329)	(274)	–	–	–
	8,349	(3,904)	(29)	303	–	–
Presented as:						
Derivative financial assets (Note 20)	17,586	6,109	245	–	–	–
Derivative financial liabilities (Note 30)	(9,237)	(10,013)	(274)	303	–	–
	8,349	(3,904)	(29)	303	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. OTHER FINANCIAL ASSETS (CONTINUED)

20B. Derivative financial instruments (continued)

	Group					
	31.12.2018		31.12.2017		1.1.2017	
	Notional amount US$'000	Assets/ (liabilities) US$'000	Notional amount US$'000	Assets/ (liabilities) US$'000	Notional amount US$'000	Assets/ (liabilities) US$'000
Foreign currency forward and option contracts	118,382	6,550	401,175	(5,329)	153,333	(274)
Interest rate swap contracts	298,353	1,799	89,300	1,425	153,333	245
		8,349		(3,904)		(29)

	Company					
	31.12.2018		31.12.2017		1.1.2017	
	Notional amount US$'000	Assets/ (liabilities) US$'000	Notional amount US$'000	Assets/ (liabilities) US$'000	Notional amount US$'000	Assets/ (liabilities) US$'000
Interest rate swap contracts	180,000	(303)	–	–	–	–
		(303)		–		–

Foreign currency forward and option 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).

Interest rate swap contracts

In 2016, the Group entered into interest rate swap contracts 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 per annum and pays a fixed rate of 1.685% per annum. The interest rate swap will mature on 14 September 2021.

In 2018, the Company entered into interest rate swap contracts 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 per annum and pays a fixed rate of 2.71% per annum for Cooperatieve Rabobank U.A, 2.705% per annum for Credit Suisse AG and 2.66% per annum for DBS. The interest rate swaps will mature on 29 January 2029.

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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. OTHER ASSETS

	Group			Company		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Non-current:						
Deposits to secure services	4,121	4,487	4,021	–	–	–
Deferred charges	5,209	5,610	4,260	–	–	–
Land use rights (Note 21A)	12,647	8,570	5,871	–	–	–
Advances	29,390	24,810	268	–	–	–
Tax recoverable	30,669	21,336	576	–	–	–
Others	16	183	534	–	–	–
	82,052	64,996	15,530	–	–	–
Current:						
Advances*	50,897	48,474	48,856	3	–	–
Prepayments	23,763	26,139	38,109	3,691	1,576	59
	74,660	74,613	86,965	3,694	1,576	59

* Included in the advances to suppliers of US$43.1 million (31 December 2017: US$37.7 million, 1 January: US$17.9 million); advances to staff of US$0.6million (31 December 2017: US$0.9 million, 1 January 2017: US$0.2 million) and others of US$7.2 million (31 December 2017: US$9.8 million, 1 January 2017: US$30.7 million).

21A. Land use rights

	Group	
	31.12.2018 US$'000	31.12.2017 US$'000
Cost:		
At beginning of the year	9,356	6,339
Additions	2,370	2,873
Reclassification	3,760	–
Foreign exchange adjustments	(874)	144
At end of the year	14,612	9,356
Accumulated amortisation:		
At beginning of the year	786	468
Amortisation for the year	572	284
Reclassification	674	–
Foreign exchange adjustments	(67)	34
At end of the year	1,965	786
Net carrying amount	12,647	8,570

The net carrying amount of the landused rights as at 1 January 2017 is amounted to US$5.9 million.

	Group		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Balance to be amortised			
Not later than one year	391	280	251
Later than one year but not later than five years	1,644	1,224	906
Later than five years	10,612	7,066	4,714

The land use rights refer to land owned by third parties rented by the Group for its business in Indonesia, China, Vietnam and Myanmar. The land use rights in Indonesia, China, Vietnam and Myanmar will expire in 2032 to 2044, 2046, 2063 and 2085 respectively. The land use rights are not transferable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22. INVENTORIES

	Group		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Finished goods	80,756	74,566	77,644
Work in process	3,323	6,001	3,298
Raw materials	458,537	381,167	338,999
Consumables	60,570	52,297	48,172
Real estate assets	53,315	2,749	1,999
	656,501	516,780	470,112
Biological assets presented under inventories (Note 18)	160,810	153,854	141,795
	817,311	670,634	611,907

The cost of inventories recognised as an expense in cost of sales were US$2.7 billion (2017: US$2.6 billion). This includes the reversal of write-down of inventory of US$2.6 million in 2018 (inventory write-down of US$2.2 million in 2017).

The real estate assets are lands held for development in Indonesia.

The Group's inventories with carrying amount of US$138.8 million (31 December 2017: US$90.2 million, 1 January 2017: US$198.5 million) are pledged as security for banking facilities (Note 29A).

23. CASH AND CASH EQUIVALENTS

	Group			Company		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Not restricted in use	164,214	230,471	331,086	7,485	5,608	10,166
Cash pledged for bank facilities	4,102	4,396	5,067	–	–	–
	168,316	234,867	336,153	7,485	5,608	10,166
Interest earning balances	11,066	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		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Amount as shown above	168,316	234,867	336,153
Cash pledged for bank facilities (Note 29A)	(4,102)	(4,396)	(5,067)
Cash and cash equivalents in consolidated statement of cash flows	164,214	230,471	331,086

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23. CASH AND CASH EQUIVALENTS (CONTINUED)

23B. Non-cash transactions

The net cash incurred for the purchase of property, plant and equipment is as follows:

	Group	
	31.12.2018 US$'000	31.12.2017 US$'000
Additions of property, plant and equipment (Note 13)	215,389	201,777
Less: Net movements in liability for purchase of property, plant and equipment and construction cost payables (Note 28)	6,055	9,850
Purchase of property, plant and equipment in consolidated statement of cash flows	221,444	211,627

24. SHARE CAPITAL AND TREASURY SHARES

24A. Share capital

	Group and Company			
	2018		2017	
	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	1,769,525	940,842	1,764,670	937,614
Issue of shares	90,000	40,104	–	–
Issue of shares under Performance Share Plan (Note 25E)	–	–	4,855	3,228
At end of the year	1,859,525	980,946	1,769,525	940,842

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.

NOTES TO THE FINANCIAL STATEMENTS

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24. SHARE CAPITAL AND TREASURY SHARES (CONTINUED)

24B. Treasury shares

	Group and Company			
	2018		2017	
	Number of shares issued '000	Amount US$'000	Number of shares issued '000	Amount US$'000
At beginning of the year	11,114	4,759	–	–
Acquired of shares	3,031	1,198	11,114	4,759
Reissue of shares under Performance Share Plan (Note 25E)	(74)	(31)	–	–
At end of the year	14,071	5,926	11,114	4,759

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 3,031,400 (2017: 11,114,100) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was US$1,198,000 (2017: US$4,759,000) and this was presented as a component within shareholders' equity.

25. OTHER RESERVES

	Group			Company		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
General reserve (Note 25A)	19,139	19,139	19,139	–	–	–
Capital reserve (Note 25B)	(502,369)	(502,369)	(413,733)	(7,648)	–	–
Statutory reserve (Note 25C)	28,174	21,280	15,243	–	–	–
Share option reserve (Note 25D)	2,509	2,125	1,709	–	–	–
Performance share reserve (Note 25E)	1,461	21	3,138	1,461	21	3,138
Others	(5)	–	–	(5)	–	–
	(451,091)	(459,804)	(374,504)	(6,192)	21	3,138
Translation reserve (Note 25F)	(226,263)	(167,840)	(179,614)	–	–	–
Total	(677,354)	(627,644)	(554,118)	(6,192)	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.

NOTES TO THE FINANCIAL STATEMENTS

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25. OTHER RESERVES

25B. Capital reserve

	Group		Company	
	31.12.2018 US$'000	31.12.2017 US$'000	31.12.2018 US$'000	31.12.2017 US$'000
At beginning of the year	(502,369)	(413,733)	–	–
Acquisition of non-controlling interests without change in control	–	(88,636)	–	–
Difference in value arising from issuance of consideration shares (Note 16)	–	–	(7,648)	–
At end of the year	(502,369)	(502,369)	(7,648)	–

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.

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 has been reclassified to capital reserve in the consolidated financial statements of the Group.

25C. Statutory reserve

	Group	
	31.12.2018 US$'000	31.12.2017 US$'000
At beginning of the year	21,280	15,243
Transfer from retained earnings	6,894	6,037
At end of the year	28,174	21,280

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.

NOTES TO THE FINANCIAL STATEMENTS

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25. OTHER RESERVES (CONTINUED)

25D. Share option reserve

	Group	
	31.12.2018 US$'000	31.12.2017 US$'000
At beginning of the year	2,125	1,709
Expenses arising from share option plan	384	416
At end of the year	2,509	2,125

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.

Share Option Plan

The expenses recognised for employee services received during the year is shown below:

	Group	
	31.12.2018 US$'000	31.12.2017 US$'000
Expense arising from equity-settled share-based payment transactions	384	416

There were no cancellations or modifications to the awards in 2017 and 2018.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2018		2017	
	Number	WAEP US$/share	Number	WAEP US$/share
Outstanding at 1 January	4,339,230	1.42	4,409,230	1.42
Forfeited during the year	–	–	(70,000)	1.42
Outstanding at 31 December	4,339,230	1.42	4,339,230	1.42

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25. OTHER RESERVES (CONTINUED)

25E. Performance share reserve

	Group	
	31.12.2018 US$'000	31.12.2017 US$'000
At beginning of the year	21	3,138
Value of employee services pursuant to performance share plan	1,466	111
Issue of shares under Performance Share Plan	(26)	(3,228)
At end of the year	1,461	21

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.

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 award 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.

NOTES TO THE FINANCIAL STATEMENTS

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25. OTHER RESERVES (CONTINUED)

25E. Performance share reserve (continued)

Japfa Performance Share Plan (continued)

On 1 March 2017, pursuant to Japfa PSP, the Company granted and issued 4,855,200 new shares to the executive directors and employees of the Group for their performance. 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
	4,855,200

The new shares issued rank pari passu in all respects with the existing shares of the Company.

On 21 December 2017, pursuant to Japfa PSP, the Company granted 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.

On 1 March 2018, pursuant to Japfa PSP, the Company granted and reissued 73,800 treasury shares to the employees of the Group for their performance.

Details of shares granted are as follows:

	No. of shares granted
Employees of the Company and subsidiaries	73,800

The new shares issued rank pari passu in all respects with the existing shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. OTHER RESERVES (CONTINUED)

25E. Performance share reserve (continued)

Japfa Performance Share Plan (continued)

On 27 December 2018, pursuant to Japfa PSP, the Company granted a share awards of 18,039,200 shares, subject to certain condition being met, to the executive directors and employees of the Group.

Details of shares granted are as follows:

	No. of shares granted
Directors of the Company:	
Tan Yong Nang	10,769,300
Kevin John Monteiro	846,200
Employees of the Company and subsidiaries	6,423,700
	18,039,200

The ordinary shares which are the subject of the awards granted on 27 December 2018 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	
	31.12.2018 US$'000	31.12.2017 US$'000
At beginning of the year	(167,840)	(179,614)
Exchange differences on translating foreign operations	(58,423)	11,774
At end of the year	(226,263)	(167,840)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. PUT OPTION FINANCIAL LIABILITIES

	Level	Group 31.12.2018 US$'000	Group 31.12.2017 US$'000
Present value of redemption amount:			
Balance at beginning of the year		–	169,979
Reversal and changes in present value included in equity		–	(169,979)
Balance at end of the year	2	–	–

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.

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"). 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 2017 had been reversed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. PROVISIONS

	Group		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Present value of unfunded defined benefit	105,851	118,230	93,468
Fair value of plan assets	(20,465)	(12,350)	(3,943)
Defined benefit plan liabilities	85,386	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 2018 and 2017 were as follows:

	31.12.2018	31.12.2017	1.1.2017
Discount rate:	8.25% – 8.70%	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	10% at age of 25 and decreasing linearly to 0% at age 45 and thereafter
Expected rate of salary increases:	9%	9%	9% – 10%
Expected rate of mortality rate:	Based on Indonesian Mortality Table (TMI-III) – 2011	Based on Indonesian Mortality Table (TMI-III) – 2011	Based on Indonesian Mortality Table (TMI-III) – 2011

Movements of the defined benefit plan liabilities recognised in statement of financial position are as follows:

	Group	
	31.12.2018 US$'000	31.12.2017 US$'000
Balance at beginning of the year	105,880	89,525
Net benefit expense recognised in statement of comprehensive income (Note 10)	17,504	16,001
Re-measurement loss included in other comprehensive income	(18,197)	13,643
Payments for the year	(525)	(673)
Contributions to plan made	(12,599)	(11,616)
Foreign exchange adjustments	(6,811)	(1,058)
Others	134	58
Balance at end of the year	85,386	105,880

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. PROVISIONS (CONTINUED)

Net benefit expense recognised in statement of comprehensive income under administrative expenses is as follows:

	Group	
	31.12.2018 US$'000	31.12.2017 US$'000
Service costs	9,838	8,515
Past service costs and gain from settlements	485	(72)
Net interest expense	7,302	7,359
Excess benefit paid by Indonesian subsidiaries to employees	(151)	13
Immediate adjustment	30	194
Curtailment	–	(8)
	17,504	16,001

Re-measurement loss included in other comprehensive income is as follows:

	Group	
	31.12.2018 US$'000	31.12.2017 US$'000
Re-measurement loss as above	(18,197)	13,643
Income tax effect	4,493	(3,413)
Re-measurement of the net defined benefits plan, net of tax	(13,704)	10,230

Movements in the fair value of the plan assets are as follows:

Balance at beginning of the year	12,350	3,943
Interest income	1,214	493
Return on plan assets (excluding amounts included in net interest expense)	30	(63)
Contributions from the employer	12,516	11,570
Benefits paid	(4,815)	(3,555)
Foreign exchange adjustments	(830)	(38)
Balance at end of the year	20,465	12,350

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:

	31.12.2018		31.12.2017		1.1.2017	
Group	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	Increase/ (decrease)	Change in present value of defined benefit plan liabilities US$'000
Discount rate	+1%	(7,894)	+1%	(9,015)	+1%	(2,443)
	–1%	9,064	–1%	11,483	–1%	12,998
Salary increase rate	+1%	8,986	+1%	22,751	+1%	13,164
	–1%	(7,945)	–1%	(18,854)	–1%	(3,101)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. TRADE AND OTHER PAYABLES

	Group			Company		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Trade payables:						
Third parties	239,562	242,785	190,922	6	9	18
Joint venture	686	299	120	–	–	–
Related parties	–	–	409	–	–	–
	240,248	243,084	191,451	6	9	18
Other payables:						
Third parties	138,920	364,622	86,102	11,091	265,769	2,006
Construction cost payables	8,226	12,340	21,179	–	–	–
Payable for purchase of plant and equipment	1,807	3,871	4,882	–	–	–
	148,953	380,833	112,163	11,097	265,769	2,006
Total trade and other payable	389,201	623,917	303,614	11,097	265,778	2,024
Add:						
– Loans and borrowings (Note 29)	1,217,626	944,204	839,808	276,893	12,000	–
Total financial liabilities carried at amortised cost	1,606,827	1,568,121	1,143,422	287,990	277,778	2,024
Presented as:						
Trade and other payables, current	388,843	623,016	301,507	11,097	265,778	2,024
Trade and other payables, non-current	358	901	2,107	–	–	–
	389,201	623,917	303,614	11,097	265,778	2,024

Trade and other payables are non-interest bearing. Trade payables are normally settled on 60 day terms while other payables have an average term of six months.

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 as at 31 December 2017 includes 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. LOANS AND BORROWINGS

	Group			Company		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Non-current:						
Floating interest rate financial instruments:						
Bank loans (Note 29A)	416,017	178,355	195,808	252,768	–	–
Fixed interest rate financial instruments:						
Bank loans (Note 29A)	37,708	59,059	55,551	–	–	–
Finance leases (Note 29B)	217	1	147	–	–	–
Bonds payable (Note 29C)	323,475	389,098	268,587	–	–	–
Non-current, total	777,417	626,513	520,093	252,768	–	–
Current:						
Floating interest rate financial instruments:						
Bank loans (Note 29A)	318,354	251,698	166,002	24,125	–	–
Fixed interest rate financial instruments:						
Bank loans (Note 29A)	63,263	65,982	41,273	–	12,000	–
Finance leases (Note 29B)	119	11	800	–	–	–
Bonds payable (Note 29C)	58,473	–	111,640	–	–	–
Current, total	440,209	317,691	319,715	24,125	12,000	–
Total	1,217,626	944,204	839,808	276,893	12,000	–
Non-current portion is repayable:						
Due within 2-5 years	777,417	626,513	520,093	252,768	–	–

	Group			Company		
	31.12.2018 %	31.12.2017 %	1.1.2017 %	31.12.2018 %	31.12.2017 %	1.1.2017 %
Range of fixed interest rates per annum:						
Bank loans	5.22 – 11.9	3.44 – 13.0	4.0 – 7.13	–	–	–
Bonds payable	5.5 – 9.75	5.5 – 9.75	6.0 – 9.9	–	–	–
Finance leases	3.6 – 11.0	4.4 – 6.5	4.4 – 6.5	–	–	–
Range of floating interest rates per annum:						
Bank loans	2.45 – 12.0	2.45 – 11.0	2.32 – 10.5	4.93 – 5.05	3.44 – 3.62	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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) totalling US$734.4 million (2017: US$430.0 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) totalling US$100.9 million (2017: US$125.0 million) that bear fixed rates of interest is a reasonable approximation of the carrying amount due to their short-term nature or that they are fixed rate instruments that are frequently re-priced to market interest rates.

29B. Finance Leases

Group	Minimum payments US$'000	Finance charges US$'000	Present value US$'000
31.12.2018			
Minimum lease payments payable:			
Due within one year	141	(22)	119
Due within 2 to 5 years	232	(15)	217
Total	373	(37)	336
Net book value of plant and equipment under finance leases			449
31.12.2017			
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
1.1.2017			
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 (2017: 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. LOANS AND BORROWINGS (CONTINUED)

29C. Bonds payable

		Group		
		31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Bonds payable A		69,056	73,812	111,640
Bonds payable B		250,000	250,000	197,000
Bonds payable C		69,056	73,812	74,427
Less: Unamortised transaction costs		(6,164)	(8,526)	(2,840)
		381,948	389,098	380,227
Effective interest rates per annum:				
Bonds payable A		9.77	9.60	10.12
Bonds payable B		5.50	5.50	6.98
Bonds payable C		9.68 – 10.19	9.25 – 9.75	9.71
The fair values of bonds payables are as follows:				
	Level			
Bonds payable A	1	68,712	73,355	111,711
Bonds payable B	1	244,520	242,567	198,970
Bonds payable C	1	68,716	73,176	75,117
Fair value at end of the year		381,948	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.

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.

In 2017, PT Japfa Comfeed Indonesia Tbk, a subsidiary of the Company purchased from the market US$2,530,000 (nominal value) of Comfeed Finance B.V.'s outstanding bonds with net book value of US$2,503,000 for US$2,587,000. The purchases resulted in a gain amounting to US$84,000 which is included in other gains (Note 6).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. LOANS AND BORROWINGS (CONTINUED)

29C. Bonds payable (continued)

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				
	Opening balance US$'000	Cash flows US$'000	Amortisation US$'000	Addition through business combination US$'000	Addition through purchase of fixed assets US$'000	Foreign exchange movement US$'000	Closing balance US$'000
31.12.2018							
Loans	555,094	271,715	736	8,895	–	(1,098)	835,342
Bonds	389,098	–	1,839	–	–	(8,989)	381,948
Obligations under finance leases	12	(38)	–	–	363	(1)	336
Total	944,204	271,677	2,575	8,895	363	(10,088)	1,217,626
31.12.2017							
Loans	458,634	93,876	–	–	–	2,584	555,094
Bonds	380,227	7,819	1,450	–	–	(398)	389,098
Obligations under finance leases	947	(934)	–	–	–	(1)	12
Total	839,808	100,761	1,450	–	–	2,185	944,204

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. OTHER FINANCIAL LIABILITIES

	Group			Company		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Other financial liabilities, non-current	304	8,514	–	303	–	–
Other financial liabilities, current	8,933	1,499	274	–	–	–
Derivative financial liabilities (Note 20B)	9,237	10,013	274	303	–	–

31. OTHER LIABILITIES

	Group		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Advances received	13,319	8,375	8,077
Deferred government grants (Note 31A)	3,659	3,895	3,754
Others	471	739	335
	17,449	13,009	12,166
Presented as:			
Other liabilities, current	14,044	9,096	8,958
Other liabilities, non-current	3,405	3,913	3,208
	17,449	13,009	12,166

31A. Deferred government grants

	Group		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Balance at beginning of the year	3,895	3,754	3,315
Received during the year	1,943	1,260	1,108
Released during the year	(1,927)	(1,288)	(413)
Foreign exchange adjustments	(252)	169	(256)
Balance at end of the year	3,659	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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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.

	2018 US$'000	2017 US$'000
Revenue	671	659
Purchases of goods	9,399	13,699
Rendering of services expense	922	940
Insurance expense	1,565	1,338
Rental of premises	1,366	1,433
Rental of boat	298	407
Purchase of property, plant and equipment	75	43
Construction of property, plant and equipment	–	657
Others	328	232

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	
	2018 US$'000	2017 US$'000
Salaries and other short-term employee benefits	13,924	10,735
Central Provident Fund contributions	79	57
Share-based payments: Performance share plan	9,701	560
	23,704	11,352
Comprise amounts paid to:		
Directors of the Company	17,862	6,383
Other key management personnel	5,842	4,969
	23,704	11,352

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").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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	
	2018 US$'000	2017 US$'000
Construction costs	2,624	7,595
Purchase of property, plant and equipment	1,875	4,783

(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	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Not later than one year	21,444	19,602	532	544
Later than one year but not later than five years	54,150	50,740	580	1,143
More than five years	86,857	110,684	–	–
Total	162,451	181,026	1,112	1,687
Rental expense for the year	25,212	19,955	1,112	559

The following table analyses the breakdown of the operating lease payment commitments by type of asset:

Land lease/Land use rights	105,969	133,794	–	–
Building and site facilities	54,428	45,420	1,112	1,687
Machinery and equipment	682	629	–	–
Others	1,372	1,183	–	–
Total	162,451	181,026	1,112	1,687

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 (2017: 1 to 50 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 then 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
31.12.2018				
Assets measured at fair value				
Financial assets:				
Equity securities at FVOCI (Note 20A)				
Unquoted equity securities	–	–	15,303	15,303
Derivatives (Note 20)				
Foreign currency forward and option contracts	–	6,550	–	6,550
Interest rate swap contracts	–	1,799	–	1,799
Financial assets as at 31 December 2018	–	8,349	15,303	23,652
Non-financial assets:				
Biological assets (Note 18)	–	90,661	357,609	448,270
Non-financial assets as at 31 December 2018	–	90,661	357,609	448,270
Liabilities measured at fair value				
Financial liabilities				
Derivatives (Note 20)				
Interest rate swap contracts	–	(303)	–	(303)
Financial liabilities as at 31 December 2018	–	(303)	–	(303)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) Assets and liabilities measured at fair value (continued)

	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
31.12.2017				
Assets measured at fair value				
Financial assets:				
Derivatives (Note 20)				
Interest rate swap contracts	–	1,425	–	1,425
Financial assets as at 31 December 2017	–	1,425	–	1,425
Non-financial assets:				
Biological assets (Note 18)	–	98,574	328,996	427,570
Non-financial assets as at 31 December 2017	–	98,574	328,996	427,570
Liabilities measured at fair value				
Derivatives (Note 20)				
Foreign currency forward and option contracts	–	(5,329)	–	(5,329)
Financial liabilities as at 31 December 2017	–	(5,329)	–	(5,329)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) Assets and liabilities measured at fair value (continued)

	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
1.1.2017				
Assets measured at fair value				
Financial assets:				
Derivatives (Note 20)				
Interest rate swap contracts	–	245	–	245
Financial assets as at 1 January 2017	–	245	–	245
Non-financial assets:				
Biological assets (Note 18)	–	85,850	277,299	363,149
Non-financial assets as at 1 January 2017	–	85,850	277,299	363,149
Liabilities measured at fair value				
Financial liabilities				
Derivatives (Note 20)				
Foreign currency forward and options contract	–	(274)	–	(274)
Financial liabilities as at 1 January 2017	–	(274)	–	(274)

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Foreign currency forward and option 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 2018 US$'000	Fair value 2017 US$'000	Valuation techniques	Significant unobservable inputs	Range 2018	Range 2017
Productive breeding cattle	10,930	18,638	Market comparable approach	Market-transacted prices determined based on price per head and their weight	US$883 to US$2,030 per head	US$1,308 to US$5,043 per head
Productive breeding swine	16,254	8,559	Market comparable approach	Market-transacted prices determined based on price per head and their weight	US$336 to US$1,054 per head	US$234 to US$598 per head
Biological assets – Heifers and calves	90,499	98,394	Market transactions	Market selling price and feed cost	–	–
Milkable cows	235,789	213,634	Income approach	Culling rate	10% to 100% depending on lactation period	10% to 100% depending on lactation period

In financial year 2018, the Group's biological assets namely dairy cows and breeding swine were independently valued by Jones Lang LaSalle Sallmanns Limited ("JLL") 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 determined with reference to the current replacement cost approach. It 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, productive breeding swine and heifers and calves.

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.

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% (2017: 15%, 20%, 30%, 50%, 60% and 100%) in the first to the sixth lactation cycles.

- The culling rates adopted in Indonesia are 10%, 15%, 25%, 35%, 45%, 60% and 100% (2017: 10%, 15%, 25%, 35%, 45%, 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 13.0% in PRC and 17.7% in Indonesia (2017: 13.0% in PRC and 17.3% in Indonesia).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 expected average prices of milk are estimated after taking into account certain percentage growth, future demand and inflation. The expected average prices are US$0.55 per liter (2017: US$0.56 per liter) in the PRC and US$0.44 per liter (2017: US$0.44 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.

– The average milk yield of each cow per day ranges from 30.0kg to 43.6kg (2017: 27.0kg to 36.9kg) in the PRC and 21.8kg to 28.4kg (2017: 24.8kg to 29.1kg) in Indonesia during the projected period of six lactation cycles.

– The price of female calve at about 14 months is based on the most recent transacted market price. The price of a female calve is US$2,768 (2017: US$2,908) in PRC and US$ 1,929 (2017: US$2,057) in Indonesia.

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			
	2018		2017	
	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%	(3,505)	+1%	(3,156)
	–1%	3,606	–1%	3,244
Price of productive swine	+1%	163	+1%	86
	–1%	(163)	–1%	(86)
Price of productive cattle	+1%	109	+1%	186
	–1%	(109)	–1%	(186)
Milk price	+1%	4,856	+1%	4,489
	–1%	(4,856)	–1%	(4,489)
Feed cost for mature animals	+1%	(2,506)	+1%	(2,377)
	–1%	2,506	–1%	2,629
Price of female calve at about 14-month age	+1%	708	+1%	675
	–1%	(708)	–1%	(675)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(d) Level 3 fair value measurements (continued)

(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:	
2018	
– Changes in fair value of biological assets	(13,062)
2017	
– Changes in fair value of biological assets	(22,124)

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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
31.12.2018							
Revenue by segment							
External revenue	2,337,679	580,416	2,918,095	397,303	202,566	15,292	3,533,256
Inter-segment revenue	44,934	2,704	47,630	11,433	766	(59,837)	–
Total revenue	2,382,613	583,120	2,965,733	408,736	203,332	(44,545)	3,533,256
Operating profit	256,043	33,116	289,159	71,842	(16,632)	(2,597)	341,772
Interest income	2,763	990	3,753	355	8	83	4,199
Finance costs	(38,380)	(7,427)	(45,807)	(16,197)	(5,355)	(15,167)	(82,526)
Foreign exchange adjustments (loss)/gain	(23,421)	(3,106)	(26,527)	(7,562)	1,674	(264)	(32,679)
(Loss)/gain from changes in fair value of biological assets	(2,757)	4,478	1,721	(13,346)	–	–	(11,625)
Share of loss of equity-accounted joint ventures	–	(23)	(23)	–	105	–	82
Others	16,361	(91)	16,270	7,437	880	(215)	24,372
Profit/(loss) before income tax	210,609	27,937	238,546	42,529	(19,320)	(18,160)	243,595
Income tax expense	(54,601)	(4,638)	(59,239)	(465)	(138)	(5,542)	(65,384)
Profit/(loss), net of income tax	156,008	23,229	179,307	42,064	(19,458)	(23,702)	178,211
31.12.2017							
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
Operating profit	157,077	(26,899)	130,178	66,960	(15,957)	7,465	188,646
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)
Foreign exchange adjustments (loss)/gain	(3,734)	783	(2,951)	7,521	361	207	5,138
(Loss)/gain from changes in fair value of biological assets	(419)	(4,800)	(5,219)	(16,905)	–	–	(22,124)
Share of loss of equity-accounted joint ventures	–	17	17	–	(151)	–	(134)
Others	7,444	(1,033)	6,411	(6,760)	692	(1,178)	(835)
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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							
31.12.2018							
Segment assets	1,531,741	367,961	1,899,702	833,175	115,623	5,997	2,854,497
Unallocated assets	26,765	3,892	30,657	2,951	1,165	(2)	34,771
Total Group assets	1,558,506	371,853	1,930,359	836,126	116,788	5,995	2,889,268
31.12.2017							
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
1.1.2017							
Segment assets	1,287,458	300,574	1,588,032	727,803	124,725	39,482	2,479,592
Unallocated assets	37,729	3,109	40,838	2,922	1,820	12	45,492
Total Group assets	1,325,187	303,683	1,628,870	730,725	126,545	39,494	2,525,184
Liabilities and reconciliations							
31.12.2018							
Segment liabilities	853,732	202,752	1,056,484	342,667	92,331	227,409	1,718,891
Unallocated liabilities	31,789	2,566	34,355	604	768	4,265	39,992
Total Group liabilities	885,521	205,318	1,090,839	343,271	93,099	231,674	1,758,883
31.12.2017							
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
1.1.2017							
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

	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
31.12.2018							
Capital expenditure	153,763	26,602	180,365	33,890	4,102	70	218,427
Depreciation and amortisation	59,989	10,460	70,449	27,895	7,771	140	106,255
31.12.2017							
Capital expenditure	114,092	30,208	144,300	51,631	8,998	11	204,940
Depreciation and amortisation	56,711	9,216	65,927	24,294	7,215	250	97,686

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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	
	31.12.2018 US$'000	31.12.2017 US$'000
Revenue		
Singapore	5,977	5,610
Indonesia	2,569,635	2,368,455
Vietnam	393,658	302,942
China	348,574	302,660
India	98,351	90,103
Myanmar	81,722	83,617
Others	35,339	36,543
	3,533,256	3,189,930

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services.

	Group		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Non-current assets			
Singapore	29,802	29,083	16,099
Indonesia	795,392	753,108	592,058
Vietnam	101,800	96,999	96,111
China	557,238	558,149	494,916
India	20,183	22,005	21,727
Myanmar	44,437	41,743	24,751
Others	5	10	19
	1,548,857	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 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks during the financial year.

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.

The Group's principal financial assets comprise cash and cash equivalents, trade receivables, other receivables, and other non-current assets. The Group has various other financial liabilities such as interest-bearing loans and borrowings and trade payables.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk, and commodity price risk. The management reviews and approves policies for managing each of these risks, which are described in more detail as follows:

Interest rate risk

The Group's interest rate risk mainly arises from loans for working capital and investment purposes. Loans at variable rates expose the Group to fair value interest rate risk.

The Group minimizes the interest rates risks by ensuring the loan agreements entered into with partner banks provide sufficient flexibility with regards to adjustments to terms and conditions, as well as early repayment, take-over, and other exit options. In addition, the Group is continuously expanding its choices of debt financing by obtaining loan facilities offering the most competitive terms and conditions in the market.

The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group			Company		
	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000	31.12.2018 US$'000	31.12.2017 US$'000	1.1.2017 US$'000
Financial liabilities:						
Fixed rates	483,574	525,498	477,998	–	12,000	–
Floating rates	735,710	431,945	361,810	276,893	–	–
	1,219,284	957,443	839,808	276,893	12,000	–
Financial assets:						
Fixed rates	11,054	16,262	18,542	4,275	3,775	3,775
Floating rates	12	3,200	11,583	4,100	7,100	36,445
	11,066	19,462	30,125	8,375	10,875	40,220

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

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	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
A hypothetical increase in interest rates by 100 basis points would have a (decrease)/increase effect on profit before tax of	(7,357)	(4,287)	(2,728)	71

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).

Foreign currency risk

The Group's exposure to foreign currency risk relates principally to the Group's subsidiaries in Indonesia, China, Vietnam, India and Myanmar where some of the transactions are denominated in United States Dollar ("USD"). The functional currencies of the Group's subsidiaries in Indonesia, China, Vietnam, India and Myanmar are Indonesia Rupiah ("IDR"), Chinese Renminbi ("RMB"), Vietnam Dong, ("VND"), India Rupee ("INR"), and Myanmar Kyat ("MMK") respectively.

Therefore, the fluctuations in the exchange rate could affect the Group's results of operations. The Group entered into forward currency contracts to hedge foreign currency risk arising from the Group's bank loans denominated in USD as disclosed in Note 20B.

At 31 December 31 2018, based on a sensitivity simulation, had the exchange rate of respective functional currencies of the Group entities against the US Dollar depreciated/appreciated by 10%, with all other variables held constant, profit before income tax expense on 31 December 2018 and 31 December 2017 would have been US$24.6 million and US$42.6 million higher/lower, mainly as a result of foreign exchange gains/losses on the translation of cash and cash equivalents, trade receivables, other receivables, trade payables and loan and borrowings denominated in US Dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and short-term deposits and derivatives), the Group and Company minimises credit risk by dealing exclusively with high credit rating counterparties.

With regards to credit risk exposures from trade receivables, the Group manages and controls the credit risk by dealing only with recognized and credit worthy parties, setting internal policies on verifications and authorizations of credit, and regularly monitoring the collectability of receivables to reduce the exposure for bad debts. Management believes that there are no significant concentrations of credit risk.

Concentration of trade receivables customers as at the end of the reporting year:

	Group	
	2018 US$'000	2017 US$'000
Top 1 customer	10,338	9,335
Top 2 customers	19,003	13,536
Top 3 customers	20,829	17,291

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 Group and the Company aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group and the Company finances its working capital requirements through external bank and other borrowings as set out in Note 29.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

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	After 5 years US$'000	Total US$'000
31.12.2018				
Gross borrowing commitments	455,751	851,547	874	1,308,172
Gross finance lease commitments	141	232	–	373
Trade and other payables	388,089	234	–	388,323
	843,981	852,013	874	1,696,868
31.12.2017				
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
1.1.2017				
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

Company	Less than 1 year US$'000	2 – 5 years US$'000	Total US$'000
31.12.2018			
Gross borrowing commitments	25,333	290,534	315,867
Trade and other payables	11,097	–	11,097
Financial guarantee contracts – in favour of subsidiaries	306,986	–	306,986
	343,416	290,534	633,950
31.12.2017			
Gross borrowing commitments	12,424	–	12,424
Trade and other payables	265,778	–	265,778
Financial guarantee contracts – in favour of subsidiaries	287,095	–	287,095
	565,297	–	565,297
1.1.2017			
Gross borrowing commitments	12,424	–	12,424
Trade and other payables	265,778	–	265,778
Financial guarantee contracts – in favour of subsidiaries	287,095	–	287,095
	565,297	–	565,297

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

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	
	2018	2017
Group	US$'000	US$'000
Foreign currency forward and option contracts	6,550	5,329

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

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	
	2018 US$'000	2017 US$'000
Net debt:		
All current and non-current loans and borrowings	1,217,626	944,204
Less: Cash and cash equivalents	(168,316)	(234,867)
Net debt	1,049,310	709,337
Total equity	1,130,385	1,022,791
Debt-to-adjusted capital ratio	0.9 times	0.7 times

37. DIVIDENDS

	Group	
	2018 US$'000	2017 US$'000
Declared and paid during the financial year		
Dividends on ordinary shares:		
Final tax exempt (1-tier) dividend of 0.50 (2016: 1.00) Singapore cent per share paid for reporting year ended 31 December 2017	6,545	12,533

On 28 February 2019, the directors of the Company recommended that a tax-exempt one-tier final dividend of 1.00 Singapore cent per ordinary share and a tax-exempt one-tier final special dividend of 1.00 Singapore cent per ordinary share, amounting to a total of S$37,190,000 (equivalent to US$27,250,000) be paid for the reporting year ended 31 December 2018. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. CONTINGENT LIABILITIES

38A. Corporate guarantees

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Corporate guarantees in favour of subsidiaries	–	–	306,986	287,095

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$15,662,000 (2017:US$29,355,000).

38C. Other legal matters

On 1 April 2016, the subsidiaries, PT Austasia Stockfeed (ASF) and PT Santosa Agrindo (SA) 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. Based on the Supreme Court Decision dated 17 September 2018 that was received by AS and ASF on 7 January 2019, the Supreme Court rejected the appeal of SA and ASF towards the said Central Jakarta District Court Decision and therefore, the KPPU Decision is valid, and binding and has permanent legal force.

On 13 October 2016, the subsidiary, PT Japfa Comfeed Indonesia Tbk (JCI) 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. Pursuant to the Supreme Court Decision dated 15 May 2018 which was received by JCI on 12 September 2018, the Supreme Court rejected KPPU's appeal against the West Jakarta District Court Decision in relation to alleged violation of Law No. 5 year 1999 with respect to the Production Arrangement/ Control of Day Old Chicken Parent Stock (DOC PS) in Indonesia towards 12 poultry companies including the Company ("DOC Case"). This means that the Decision of West Jakarta District Court which among others to cancel the KPPU's Decision and state that the 12 poultry companies including JCI did not violate article 11 of Law No. 5 year 1999 is valid, binding and has permanent legal force, and therefore nullify the KPPU's IDR25.0 billion fine to JCI. Based on the notification notice on the statement of review of civil case dated 1 March 2019, KPPU has filed a Civil Review as extraordinary legal remedies to the Supreme Court for the DOC Case on 25 February 2019. JCI is given a period of 30 days from the date of notification notice to submit a counter-memory to reply the extraordinary legal efforts submitted by KPPU.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. CONTINGENT LIABILITIES (CONTINUED)

38C. Other legal matters (continued)

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 summon 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. On August 7, 2018, the Judges at Central Jakarta District Court issued an interlocutory decision on the lawsuit lodged by YPDT with respect to STP's tilapia farming business at Lake Toba in Sumatra ("Toba Lake Case"), where the Judges ruled that the district court has no jurisdiction to examine the case, since the case shall be adjudicated by administrative court. Therefore, the court dismissed the case by declaring that lawsuit of the plaintiff (YPDT) is not acceptable. The parties are given 14 days since the ruling to file an appeal with the high court of Jakarta, neither parties (including YPDT) filed an appeal until the given time and therefore the case is legally binding.

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.

On June 5, 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. On 31 July 2017, STP filed an application to the judge who examined 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. 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 28 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. CONTINGENT LIABILITIES (CONTINUED)

38C. Other legal matters (continued)

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 was 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 in the Supreme Court.

No accruals have been made in these financial statements except for the legal matter relates to ASF and SA above as management is of the view that these subsidiaries have not violated the Indonesia law.

39. EVENTS AFTER THE END OF THE REPORTING YEAR

On 28 February 2019, the Company issued and allotted 288,900 new ordinary shares in relation to the share awards ("2018 Share Awards") to employees of the Group under Japfa Performance Share Plan.

On the same day, the Company issued and allotted 21,275,000 new ordinary shares to the directors of the Company and employees of the Group under Japfa Performance Share Plan in respect of the share awards granted on 21 December 2017.

40. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 19 March 2019.

STATISTICS OF SHAREHOLDINGS

AS AT 06 MARCH 2019

Issued and Paid-up Share Capital	:	SGD1,262,446,706.50
Number of issued shares	:	1,881,089,491
Treasury Shares*	:	14,371,700
Issued shares less treasury	:	1,866,717,791
Class of Shares	:	ordinary shares
Voting Rights	:	one vote per share

* excludes shares bought back by the Company that have not been credited to the Company's account on 6 March 2019

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Shareholders	%	No. of Shares	%
1 – 99	1	0.05	60	0.00
100 – 1,000	535	25.60	509,300	0.03
1,001 – 10,000	879	42.06	5,751,150	0.31
10,001 – 1,000,000	658	31.48	33,634,133	1.80
1,000,001 and above	17	0.81	1,826,823,148	97.86
Total	**2,090**	**100.00**	**1,866,717,791**	**100.00**

The information in this table does not take into account the 450,000 shares bought back by the Company from the market on 6 March 2019 and held as treasury shares.

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 6 March 2019, approximately 18.86% 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	1,189,179,034	63.70
2	CITIBANK NOMINEES SINGAPORE PTE LTD	428,730,461	22.97
3	RHB SECURITIES SINGAPORE PTE. LTD.	87,015,000	4.66
4	DBS NOMINEES (PRIVATE) LIMITED	31,515,822	1.69
5	HSBC (SINGAPORE) NOMINEES PTE LTD	23,314,652	1.25
6	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	19,354,800	1.04
7	DBSN SERVICES PTE. LTD.	12,217,631	0.65
8	BPSS NOMINEES SINGAPORE (PTE.) LTD.	7,952,300	0.43
9	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	6,431,386	0.34
10	UOB KAY HIAN PRIVATE LIMITED	5,537,200	0.30
11	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,181,269	0.17
12	DB NOMINEES (SINGAPORE) PTE LTD	2,714,205	0.15
13	PHILLIP SECURITIES PTE LTD	2,476,600	0.13
14	OCBC SECURITIES PRIVATE LIMITED	2,433,150	0.13
15	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,884,100	0.10
16	GOH GEOK KHIM	1,500,000	0.08
17	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,385,538	0.07
18	BAMBANG WIDJAJA	967,100	0.05
19	LIM & TAN SECURITIES PTE LTD	785,500	0.04
20	LIM HAN TUA	700,000	0.04
	Total	**1,829,275,748**	**97.99**

STATISTICS OF SHAREHOLDINGS

AS AT 06 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as recorded in the Register of Substantial Shareholders as at 6 March 2019

	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	60.90
Rangi Management Limited [1][2][4]	948,368,240	–	948,368,240	50.80
Fusion Investment Holdings Limited [2][4]	–	948,368,240	948,368,240	50.80
Tasburgh Limited [1][3][4]	106,714,375	–	106,714,375	5.72
Morze International Limited [5]	282,527,085	–	282,527,085	15.13
Highvern Trustees Limited [3][4][5][6]	–	1,337,609,700	1,337,609,700	71.66
MNM Holdings Limited [6]	–	1,337,609,700	1,337,609,700	71.66
Martin John Hall [7]	–	1,337,609,700	1,337,609,700	71.66
Naomi Julia Rive [7]	–	1,337,609,700	1,337,609,700	71.66
Miles Aidan Le Cornu [7]	–	1,337,609,700	1,337,609,700	71.66
Scuderia Trust [4]	–	1,055,082,615	1,055,082,615	56.52
Capital Two Trust [5]	–	282,527,085	282,527,085	15.13
Rachel Anastasia Kolonas [5][8]	–	282,527,085	282,527,085	15.13
Farida Gustimego Santosa [1][4][9]	–	1,055,818,915	1,055,818,915	56.56
Renaldo Santosa [4][10]	–	1,055,942,615	1,055,942,615	56.57
Gabriella Santosa [4][11]	–	1,055,182,615	1,055,182,615	56.53

(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 Fifth Annual General Meeting ("AGM") of Japfa Ltd (the "Company") will be held at York Hotel Singapore, Carlton Hall, Level 2, 21 Mount Elizabeth, Singapore 228516 on Thursday, 18 April 2019 at 2.00 p.m. to transact the following businesses:

(A) ROUTINE BUSINESS

1.	To receive and adopt the Directors' Report and Audited Financial Statements of the Company for the financial year ended 31 December 2018, together with the Auditors' Report.	**Resolution 1**
2.	To declare a final one-tier tax exempt dividend of 1.0 Singapore cent per ordinary share and a special one-tier tax exempt dividend of 1.0 Singapore cents per ordinary share for the financial year ended 31 December 2018.	**Resolution 2**
3(i).	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:	
	Handojo Santosa @ Kang Kiem Han (see Note 4)	**Resolution 3**
	Hendrick Kolonas (see Note 5)	**Resolution 4**
	Tan Yong Nang (see Note 6)	**Resolution 5**
	Kevin John Monteiro (see Note 7)	**Resolution 6**
	Ng Quek Peng (see Note 8)	**Resolution 7**
	Lien Siaou-Sze (see Note 9)	**Resolution 8**
(ii).	To appoint the following candidates as Director(s) of the Company.	
	Manu Bhaskaran (see Note 10)	**Resolution 9**
	Tan Kian Chew (see Note 11)	**Resolution 10**
(iii).	To note the retirement of Mr Goh Geok Khim following the completion of his appointment term. Mr Goh has decided not to stand for re-election and will retire as a Director of the Company on 18 April 2019 at the conclusion of the AGM.	
4.	To approve the increase in Directors' Fee for Non-Executive Directors commencing 2Q2019. (see Note 12)	**Resolution 11**
5.	To approve payment of Directors fee up to 31 March 2020 based on the new Directors' fee structure.	**Resolution 12**
6.	In the event Resolution 12 is not passed, to approve payment of Directors fee up to 31 March 2020 based on existing Directors' fee structure.	**Resolution 13**
7.	To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.	**Resolution 14**

NOTICE OF ANNUAL GENERAL MEETING

(B) SPECIAL BUSINESS

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

8. **Authority for Directors to issue additional shares and convertible instruments pursuant to Section 161 of the Companies Act, Cap 50** **Resolution 15**

"That pursuant to Section 161 of the Companies Act Cap 50, the Directors of the Company be authorised and empowered to:

(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. 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. 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."

NOTICE OF ANNUAL GENERAL MEETING

9. **Authority for Directors 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** **Resolution 16**

"That approval be and is hereby given to the Directors to:

(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."

10. **Proposed Renewal of the Share Purchase Mandate** **Resolution 17**

"That:-

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore, as amended or modified from time to time (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the "Shares") not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) ("Market Purchase(s)") on the Singapore Exchange Securities Trading Limited ("SGXST") transacted through the SGX-ST trading system and/or any other securities exchange on which the Shares may for the time being be listed and quoted (the "Other Exchange"); and/or

(ii) off-market purchase(s) ("Off-Market Purchase(s)") (if effected otherwise than on the SGX-ST or, as the case may be, the Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, the Other Exchange, as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

NOTICE OF ANNUAL GENERAL MEETING

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; or

(iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"**Average Closing Price**" means:

(i) in the case of a Market Purchase, the average of the closing market prices of a Share over the five consecutive Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, the Other Exchange, immediately preceding the date of the Market Purchase by the Company; or

(ii) in the case of an Off-Market Purchase, the average of the closing market prices of a Share over the five consecutive Market Days on which the Shares are transacted on the SGX-ST or, as they case may be, the Other Exchange, immediately preceding the date of the making of the offer pursuant to the Off-Market Purchase,

and deemed to be adjusted in accordance with the Listing Manual of the SGX-ST for any corporate action that occurs after the relevant five-day period;

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

"**Market Day**" means a day on which the SGX-ST is open for trading in securities;

"**Maximum Percentage**" means that number of issued Shares representing 10.0% of the issued Shares as at the date of the passing of this Ordinary Resolution; and

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

(i) in the case of a Market Purchase, 105.0% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 105.0% of the Average Closing Price of the Shares; and

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

11. 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
3 April 2019

NOTICE OF ANNUAL GENERAL MEETING

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 Handojo Santosa @ Kang Kiem Han will, upon re-election, serve as an Executive Director and the Chairman of the Board of Directors.

5. Mr Hendrick Kolonas will, upon re-election, serve as a Member of the Nominating and the Remuneration Committee.

6. Mr Tan Yong Nang will, upon re-election, continue to serve as an Executive Director and Chief Executive Officer of the Company.

7. Mr Kevin John Monteiro will, upon re-election, continue to serve as an Executive Director and the Chief Financial Officer of the Company.

8. Mr Ng Quek Peng will, upon re-election, serve as the Chairman of Audit Committee and a member of the Remuneration Committee. Mr Ng will be the Lead Independent Director.

9. Ms Lien Siaou-Sze will, upon re-election, serve as the Chairwoman of the Remuneration Committee and a member of the Audit Committee. Ms Lien is an independent Director.

10. Mr Manu Bhaskaran, will upon election, be an Independent Director and serve as the Chairman of the Nominating Committee.

11. Mr Tan Kian Chew, will upon election, be an independent Director and serve as a member of the Audit Committee and the Nominating Committee

NOTICE OF ANNUAL GENERAL MEETING

12. Proposed increase in Directors' Fee for Non-Executive Directors:

Appointment	Fee Structure for Non-Executive Director Existing Fees (S$ Per Annum)	 New Fees commencing 2Q2019 (S$ Per Annum)
Board Chairman	165,000.00	165,000.00
Board Member	85,000.00	90,000.00
Audit Committee Chairman	33,000.00	33,000.00
Remuneration Committee Chairman	22,000.00	30,000.00
Nominating Committee Chairman	22,000.00	25,000.00
Committee Member	11,000.00	12,000.00

13. Ordinary Resolution 15 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).

14. Ordinary Resolution 16 is to empower the Directors to offer and grant awards pursuant to the Japfa 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.

15. Ordinary Resolution 17 is to renew the Share Purchase Mandate which was approved by shareholders on 12 April 2018. Please refer to the Appendix to this Notice of Annual General Meeting for more details.

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 ANNUAL GENERAL MEETING

NOTICE OF BOOKS CLOSURE

Notice is hereby given that, subject to members' approval to the proposed payment of the a final one-tier tax exempt dividend and a special one-tier tax exempt dividend at the Fifth Annual General Meeting scheduled to be held on 18 April 2019, the Company's Share Transfer Book and Register of Members, will be closed on 24 April 2019 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 24 April 2019 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 24 April 2019 will be entitled to the final dividend.

If approved by members at the Fifth Annual General Meeting, the dates of payment of the proposed dividends will be as follows:

(i) final one-tier tax exempt dividend of 1.0 Singapore cent will be paid on 21 May 2019,

(ii) special one-tier tax exempt dividend of 1.0 Singapore cent will be paid in two instalments, 0.5 Singapore cents will be paid on 21 May 2019 and the remaining 0.5 Singapore cents will be paid on 31 October 2019.

By Order of the Board
Japfa Ltd

Tan Yong Nang
Executive Director and Chief Executive Officer
3 April 2019

CANDIDATES STANDING FOR ELECTION AS DIRECTORS AT THE COMPANY'S ANNUAL GENERAL MEETING

CANDIDATES STANDING FOR ELECTION AS DIRECTORS AT THE COMPANY'S ANNUAL GENERAL MEETING

The NC of the Company having reviewed the experience and qualifications of Mr Manu Bhaskaran and Mr Tan Kian Chew recommended and the Board approved their nomination for election as Director(s) at the forthcoming AGM scheduled on 18 April 2019.

The profiles of Mr Manu Bhaskaran and Mr Tan Kian Chew are set out below:



Manu Bhaskaran

Mr Manu Bhaskaran is currently a Partner of the Centennial Group. As founding CEO of its Singapore subsidiary, Centennial Asia Advisors, he co-ordinates the Asian business of the Group which provides independent economic research on Asian political and macroeconomic trends for investment institutions, government agencies, multilateral institutions and companies with interests in Asia.

Mr Bhaskaran is also Adjunct Senior Research Fellow at the Institute of Policy Studies. From 1989 to 2001, Mr Bhaskaran was with Societe Generale's Asian investment banking division where he supervised Asian economic and investment strategy analysis and was a member of the Executive Committee. From 1982 to 1989, Mr Bhaskaran worked for the Singapore government, supervising a team that prepared strategic political and economic assessments of Asia for senior Singapore government officials.

Mr Bhaskaran has served as Chairman of a high-level government committee reviewing the regulation of moneylenders in Singapore in 2014 and 2015. He is also Member of the Competition Appeals Board, Singapore, a Member of the Regional Advisory Board for Asia of the International Monetary Fund, Trustee of the Asia Foundation in Asia, Member of the Board of Advisors, School of Economics, Singapore Management University, Council Member in Singapore Institute of International Affairs (SIIA), and Vice-President, Economics Society of Singapore. He currently serves on the boards of CIMB Investment Bank, IFS Capital, Jebsen & Jessen SE Asia Limited and Luminor Capital.

Mr Bhaskaran graduated with an honours degree in Economics from Magdalene College, Cambridge University in 1980 and a Masters in Public Administration from John F Kennedy School of Government at Harvard University in 1987. He is also a Chartered Financial Analyst.

CANDIDATES STANDING FOR ELECTION AS DIRECTORS AT THE COMPANY'S ANNUAL GENERAL MEETING

Additional information required under S720(6) of the Listing Manual :

Candidate standing for election as Director	Manu Bhaskaran
Age	60
Country Of Principal Residence	Singapore
Proposed Date Of Appointment	18 April 2019
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Nominating Committee ("NC") reviewed the experience and qualification of Mr Bhaskaran and is of the view that he suitable candidate for appointment as Independent Director of the Company. The Board having considered the recommendation of the Nominating Committee, nominate Mr Bhaskaran to stand for election as Director at the Annual General Meeting.
Whether appointment is executive, and if so, the area of responsibility	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director Chairman of the Nominating Committee
Academic and Professional Qualifications	Bachelor of Arts (Honours) from Magdalene College, Cambridge University Masters in Public Administration from John F Kennedy School of Government at Harvard University Chartered Financial Analyst
Working experience and occupation(s) during the past 10 years	2002- present Chief Executive Officer and Founding Director of Centennial Asia Advisors
Shareholding interest in the listed issuer and its subsidiaries	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes

Other Principal Commitments* including Directorships

* "Principal Commitments" has the same meaning as defined in the Code.

CANDIDATES STANDING FOR ELECTION AS DIRECTORS AT THE COMPANY'S ANNUAL GENERAL MEETING

Candidate standing for election as Director	Manu Bhaskaran
Past (for the last 5 years)	N.A.
Present	CEO, Centennial Asia Advisors Pte Ltd Directorships: Aspen Networks Inc IFS Capital Limited Centennial Asia Advisors Pte Ltd Centennial Group Holdings Luminor Capital Pte Ltd MinorCap Pte Ltd Jebsen & Jessen SE Asia Ltd Shining Star Solutions and Services Private Limited, India CIMB Investment Bank Berhad

Disclose the following matters concerning an appointment of director

(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c)	Whether there is any unsatisfied judgment against him?	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No However, Mr Bhaskaran was convicted on three counts under the Singapore Official Secrets Act on 31 March 1994. He was fined $2,000 on each count.

CANDIDATES STANDING FOR ELECTION AS DIRECTORS AT THE COMPANY'S ANNUAL GENERAL MEETING

Candidate standing for election as Director		Manu Bhaskaran
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No

CANDIDATES STANDING FOR ELECTION AS DIRECTORS AT THE COMPANY'S ANNUAL GENERAL MEETING

Candidate standing for election as Director		Manu Bhaskaran
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of –	
	any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No
	any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
	any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
	any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No
Any prior experience as a director of an issuer listed on the Exchange?		Yes IFS Capital Ltd

CANDIDATES STANDING FOR ELECTION AS DIRECTORS AT THE COMPANY'S ANNUAL GENERAL MEETING



Tan Kian Chew

Mr Tan Kian Chew is currently a Director of CapitaLand Mall Trust Management Limited, Chairman of the Centre for Senior, and Chairman of Central Co-operative Fund Committee (MCCY).

Mr Tan served in the Republic of Singapore's Navy from 1975 to 1983 and held the position of Head of Naval Operations from 1980 to 1983. He left the Navy to join the Singapore Government's elite Administrative Service in 1983 and served in the Ministry of Trade and Industry. In 1988, he was posted to the Prime Minister's Office where he served as the Principal Private Secretary to the then Deputy Prime Minister, Mr Ong Teng Cheong.

Mr Tan left the Administrative Service to join NTUC FairPrice in 1992 as its Assistant General Manager. He was promoted to Chief Executive Officer in 1997. Mr Tan retired from NTUC FairPrice in Dec 2015 after being its CEO for 18 years. He joined Singapore Labour Foundation as its CEO in Jan 2016 and retired in Dec 2018.

Mr Tan obtained an Honours degree (First Class) in Mechanical Engineering from the University of Aston in Birmingham, UK in 1975. He also completed the Advance Management Program at Harvard University in 2000.

Mr Tan was awarded a SAF (Overseas) Scholarship in 1972 and was a recipient of Singapore Public Administration Medal (Silver) in 1991. Mr Tan received the NTUC May Day Award – Medal of Commendation (Gold) in 2014.

Additional information required under S720(6) of the Listing Manual:

Candidate standing for election as Director	Tan Kian Chew
Age	65
Country Of Principal Residence	Singapore
Proposed Date Of Appointment	18 April 2019
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Nominating Committee ("NC") reviewed the experience and qualification of Mr Tan and is of the view that he suitable candidate for appointment as Independent Director of the Company. The Board having considered the recommendation of the Nominating Committee, nominate Mr Tan to stand for election as Director at the Annual General Meeting.
Whether appointment is executive, and if so, the area of responsibility	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director Member of the Audit Committee Member of the Nominating Committee

CANDIDATES STANDING FOR ELECTION AS DIRECTORS AT THE COMPANY'S ANNUAL GENERAL MEETING

Candidate standing for election as Director	Tan Kian Chew
Academic and Professional Qualifications	Bachelor of Science (Mechanical Engineering) (First Class Honours) from the University of Aston in Birmingham, UK Advance Management Program, Harvard University
Working experience and occupation(s) during the past 10 years	Jan 2016-2018 Chief Executive Officer Singapore Labour Foundation 1997 - Dec 2015 Group Chief Executive Officer NTUC Fairprice Co-operative Limited
Shareholding interest in the listed issuer and its subsidiaries	30,000 ordinary shares in the capital of Japfa Ltd
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes

Other Principal Commitments* including Directorships#

* "Principal Commitments" has the same meaning as defined in the Code.

Past (for the last 5 years)	ARA Trust Management (Suntec) Limited NTUC Fairprice Foundation Ltd Fairprice International (2010) Pte Ltd Newfront Investments Pte Ltd
Present	CapitaLand Mall Trust Management Limited

Disclose the following matters concerning an appointment of director

(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No

CANDIDATES STANDING FOR ELECTION AS DIRECTORS AT THE COMPANY'S ANNUAL GENERAL MEETING

Candidate standing for election as Director		Tan Kian Chew
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c)	Whether there is any unsatisfied judgment against him?	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No

CANDIDATES STANDING FOR ELECTION AS DIRECTORS AT THE COMPANY'S ANNUAL GENERAL MEETING

Candidate standing for election as Director		Tan Kian Chew
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of –	
	any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No
	any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
	any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
	any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No
Any prior experience as a director of an issuer listed on the Exchange?		Yes CapitaLand Mall Trust Management Limited ARA Trust Management (Suntec) Limited FHTK Holdings Ltd (now known as Sunmoon Food Company Limited)

JAPFA LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 200819599W)

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, the Annual Report 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 3 April 2019

PROXY FORM

ANNUAL GENERAL MEETING

*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, Carlton Hall, Level 2, 21 Mount Elizabeth, Singapore 228516 on Thursday, 18 April 2019 at 2.00 p.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions 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 86(2)(a) of the Constitution of the Company to demand a poll in respect of the Ordinary Resolutions to be put to the vote at the AGM and at any adjournment thereof. Accordingly, the Ordinary Resolutions 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 final one-tier tax exempt dividend of 1.0 Singapore cent per ordinary share and a special one-tier tax exempt dividend of 1.0 Singapore cents per ordinary share for the financial year ended 31 December 2018		
Ordinary Resolution 3 Re-election of Handojo Santosa @ Kang Kiem Han as a Director		
Ordinary Resolution 4 Re-election of Hendrick Kolonas as a Director		
Ordinary Resolution 5 Re-election of Tan Yong Nang as a Director		
Ordinary Resolution 6 Re-election of Kevin John Monteiro as a Director		
Ordinary Resolution 7 Re-election of Ng Quek Peng as a Director		
Ordinary Resolution 8 Re-election of Lien Siaou-Sze as a Director		
Ordinary Resolution 9 To appoint Manu Bhaskaran as a Director		
Ordinary Resolution 10 To appoint Tan Kian Chew as a Director		
Ordinary Resolution 11 To approve the increase in Directors' Fee for Non-Executive Directors commencing 2Q2019		

Ordinary Resolution 12 To approve payment of Directors' fees up to 31 March 2020 based on new Directors' fee structure		
Ordinary Resolution 13 In the event Resolution 11 is not passed, to approve payment of Directors fee up to 31 March 2020 based on existing Directors' fee structure		
Ordinary Resolution 14 To re-appoint Ernst & Young LLP as Auditors of the Company and authorise the Directors to fix their remuneration		
Special Business		
Ordinary Resolution 15 Authority for Directors to issue additional shares and convertible instruments pursuant to Section 161 of the Companies Act, Cap 50		
Ordinary Resolution 16 Authority for Directors to offer and grant awards and issue shares in accordance with the provision of Japfa Performance Share Plan and pursuant to Section 161 of the Companies Act, Cap 50		
Ordinary Resolution 17 To approve the proposed renewal of Share Purchase Mandate		

* 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 _____ 2019

Total Number of Shares Held

_____

Signature of member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

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.



This annual report is printed on environmentally-friendly paper.



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