GROWING SUSTAINABLY THROUGH STRONG FOUNDATIONS

ANNUAL REPORT
2019

TABLE OF CONTENTS

CORPORATE PROFILE

JB Foods Limited ("JB Foods" or the "Group") started as a processor of wet cocoa beans to dry cocoa beans in the 1980s. Today, it has grown to be one of the major cocoa ingredient producers in the region, with a total processing capacity of 180,000 metric tonnes of cocoa beans equivalent per year, with two factories located at the Port of Tanjung Pelepas, a free trade zone in Johor, Malaysia, and in the Maspion Industrial Estates in Gresik, Indonesia, approximately 30 km from the Surabaya port.

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

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

OUR BUSINESS

PRINCIPAL BUSINESS

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

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

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

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

PRODUCTION FACILITIES

MALAYSIA

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

INDONESIA

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

AWARDS AND CERTIFICATIONS AWARDS

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

CERTIFICATIONS

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

MALAYSIA
120,000 MT COCOA BEANS EQUIVALENT PER YEAR

INDONESIA
60,000 MT COCOA BEANS EQUIVALENT PER YEAR

OUR PRODUCTS

COCOA CAKE

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

COCOA LIQUOR

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

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

COCOA BUTTER

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

COCOA POWDER

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

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

CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS,

FY2019 REVIEW

2019 was an eventful year marked by a backdrop of global trade tensions and economic uncertainties. Amidst these challenges, the Group delivered another year of strong financial performance and was able to achieve top-line growth of 7.8% from USD327.1 million for the previous financial year to USD352.5 million in FY2019. Correspondingly, the Group's EBITDA increased by 3.4% from USD41.6 million in FY2018 to USD43.0 million. After taking into consideration higher operating expenses arising from increased headcount of middle management and finance costs arising from higher inventory due to expanded production capacity, the Group achieved a net profit of USD26.0 million for the full year.

The Group's stable financial performance was the culmination of a strong team of skilled and dedicated professionals, supported by a stable workforce that the Group has assembled over the years. We have a diverse and experienced management team with areas of expertise in manufacturing, trading, sales and marketing, engineering, quality control, risk management, finance, research and development in the cocoa industry.

A well-grounded and robust business model, extensive business network and ability to customise solutions to create personalised customer engagement have collectively contributed to the Group's achievement.

BUSINESS SUSTAINABILITY

Sustainability is one of the key priorities in driving our success in the business. Long before sustainability became a buzzword, the Group has been adopting a sustainable growth strategy as a core part of our business.

Lower farmer income, child labour and deforestation pose significant challenges to the cocoa production around the world. At the same time, consumers and consuming countries are demanding higher standards in the area of traceability and sustainable practices in the cocoa supply chain. The Group is working towards these common industry goals.

We will continue to uphold our commitment towards sustainable cocoa production to ensure a high-quality cocoa supply. In order to equip cocoa farmers with professional knowledge on sustainable farming and facilitate the sharing of good agricultural practices, the Group had initiated cocoa support centres as well as a lead farmer program in Central Sulawesi, Indonesia a few years ago. These initiatives were well received and have shown positive results.

We have since then replicated this initiative through our subsidiary in West Africa, allowing us to have a better grasp of local cocoa markets. With this strategy, the Group was able to capitalise on closer ties with local bean producers. This has also allowed us to secure sustainable cocoa bean supply and offer better pricing opportunities with our customers.

OUTLOOK & GROWTH STRATEGIES

The global economy continues to experience a lacklustre recovery from the slowdown caused by trade tensions. The unexpected coronavirus pandemic ("COVID-19") outbreak has also impacted demand and disrupted supply chains. At the same time, the cocoa industry also faces uncertainty as a result of the Living Income Differential implementation in the Republic of Cote D'Ivoire and Ghana, the two largest cocoa producers. These events may pose potential headwinds to the Group. However, the Group believes that the cocoa consumption environment will continue to be supported by the growing middle-income class. The Group will keep a close eye on developments in the industry, in particular, the potential impacts of the COVID-19, and adjust the implementation of the Group's strategy over the medium term.

Our business in United States of America ("USA") market has been gaining traction since 2015 despite the challenging business environment. It demonstrates the effectiveness of our penetration strategy into the USA market. The Group will continue with its endeavors to further expand our market share in the USA to tap on the huge business opportunities and a wide array of possibilities in the USA's cocoa ingredient industry.

CHAIRMAN'S STATEMENT

DIVIDEND

To show our appreciation to the shareholders for their unwavering support, the Board has recommended a final dividend of 1.80 Singapore cents per share for FY2019, to be approved at the upcoming Annual General Meeting. Coupled with the interim dividend of 1.00 Singapore cent per share that was paid on 5 September 2019, the total dividend for FY2019 will be 2.80 Singapore cents per share. As such, this represents a pay-out ratio of 22.5% for FY2019.

ACKNOWLEDGEMENT

In closing, I would like to take this opportunity to thank our management team and employees. It was their unwavering dedication and commitment to the Group that made it possible for us to achieve steady results every year.

I would also like to take this opportunity to thank our shareholders, customers and business associates for their continued confidence. Without their support, the Group will not be where we are today.

Looking ahead, we will continue to explore possible corporate plans to create value for our shareholders and expand sustainably into strategic markets. We anticipate your continuous support as we strive to greater heights.

CHUA CHEOW KHOON, MICHAEL
Independent Director and Non-Executive Chairman
30 March 2020

CEO'S STATEMENT

DEAR VALUED SHAREHOLDERS,

2019 IN REVIEW

In 2019, JB Foods has achieved a significant milestone in the fourth quarter where the Group's revenue exceeded US$100 million for the first time ever as the Group continues to strive to be world-class cocoa ingredient producer.

Our strategy to provide end-to-end solutions to our customers has allowed us to capitalise on the increasing popularity of cocoa flavour and ingredients in the food and beverage sector. The Group's revenue increased by 7.8% from USD327.1 million in FY2018 to USD352.5 million in FY2019 mainly due to higher shipment volume arising from customer demand. The Group's EBITDA also increased by 3.4% from USD41.6 million in FY2018 to USD43.0 million in FY2019.

An organisation must boost operational efficiency to remain competitive in an increasingly competitive industry. Therefore, we conduct assessments of our operational processes on a regular basis to improve efficiency and manage operating costs through the adoption of automated processes. Throughout the year, the Group continuously channelled its efforts towards maximising plant utilisation rate to cater to the growing global demand for cocoa ingredient products. Following the expansion of processing capacity at our Malaysia Factory in 2019, we have achieved nearly full utilisation rate in the fourth quarter of 2019. We will continue to focus on increasing our productivity and efficiency within our existing production and distribution channels.

Access to quality cocoa beans is one of the key factors in the production of quality cocoa ingredient products. However, the supply of quality cocoa beans is susceptible to both natural climate changes and rising demand for cocoa beans. To mitigate any potential disruption and supply shortages, the Group has incorporated a subsidiary in cocoa bean producing countries, i.e. the Republic of Cote D'Ivoire to put ourselves in a favourable position to forge strong relationships with our suppliers and ensure a steady supply of cocoa beans while remaining committed to delivering high quality and premium products to our customers. To mitigate our supply risks, the Group continued to focus on maintaining and strengthening our working relationships with our suppliers, trade houses and exporters as well as maintaining adequate inventory in our factories.

CHALLENGES AND FUTURE PROSPECTS

In view of the global economic uncertainty and challenging business environment, the Group will maintain a cautious approach in the coming year. The environment that the Group operates in continue to be permeated with intense competition, rising business costs and volatility in the supply of raw materials and the Group will continue to closely monitor any developments in these areas.

The economic slowdown resulting from trade tensions continue to be a business concern and poses as a potential headwind to the Group in the near-term. However, the Group believes that cocoa ingredient products will remain in demand as it is an important component in a wide range of consumer products.

On the supply side, the top two cocoa bean producing countries, the Republic of Cote D'Ivoire and Ghana, who together account for more than 60% of global cocoa production have introduced a Living Income Differential of US$400 per metric tonne in July 2019 on the cocoa bean crops for the 2020/2021 season. The implementation was with the aim of improving the income and livelihood of farmers. In the short term, the implementation will result in uncertainties relating to the pricing structure in the industry. Moreover, both countries will hold presidential election later in the year which adds further uncertainty to the supply of beans. As such, the Group will continue to keep a close watch on the developments in the industry and take prudent measures in our sourcing strategy, where we have been further diversifying our bean sourcing to other regions, such as East Africa and South America.

CEO'S STATEMENT

In addition, the global outbreak of COVID-19 in early March 2020 has caused fear worldwide and brought negative impact to the economy, posing a great challenge to all industries including us. While the Group has suffered minimal impact thus far, it is expected that the outbreak will result in declining demand and cause disruption to the supply chains if the outbreak continues to prolong. We have our business continuity plan in place to deal with the unexpected circumstances, reducing the impact on the Group's operations. As the situation remains difficult to predict, we will continue to monitor developments closely and adapt our strategy accordingly.

As of now, our products have presence in more than 50 markets across the globe. Moving ahead we will continue to further expand our market presence in existing markets and extend our reach into new markets which would provide us with huge business opportunities.

ACKNOWLEDGEMENT

In the face of adversities and opportunities, JB Foods remains unshaken in its resolve to strengthen its position as one of the world's top producers of high-quality and premium cocoa ingredient products. While the road ahead continues to be unpredictable, I am thankful that I am supported by the Board of Directors and a dedicated management team. On this note, I would also like to express my gratitude to our shareholders, customers and business associates for their decision to stick with us. I remain confident that with the competitive advantages we possess coupled with our strategies, JB Foods will continue to grow and scale greater heights. I am also excited to embark on this journey of growth together with the Group and we look forward to your continued support.

TEY HOW KEONG
Chief Executive Officer
30 March 2020

FINANCIAL HIGHLIGHTS

FINANCIAL RESULTS (USD' million)	**FY2019**	FY2018	FY2017	FY2016	FY2015
REVENUE	352.5	327.1	295.6	300.6	226.5
GROSS PROFIT	51.9	49.4	31.9	13.6	11.7
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AND AMORTISATION	43.0	41.6	24.1	11.2	8.7
PROFIT BEFORE TAX	31.7	34.1	16.9	4.4	2.4
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	26.2	26.8	14.2	3.8	2.1

FINANCIAL POSITION (USD' million)	**FY2019**	FY2018	FY2017	FY2016	FY2015
NON-CURRENT ASSETS	95.9	75.4	63.2	59.8	60.4
CURRENT ASSETS	268.7	172.9	134.4	143.8	140.5
CURRENT LIABILITIES	(213.3)	(120.8)	(110.6)	(128.4)	(128.0)
NON-CURRENT LIABILITIES	(9.9)	(5.4)	(2.9)	(1.4)	(2.6)
SHAREHOLDERS' EQUITY	141.4	122.1	84.1	73.9	70.2
CASH AND CASH EQUIVALENTS	16.6	13.4	15.6	7.1	7.4

RATIOS	**FY2019**	FY2018	FY2017	FY2016	FY2015
NET ASSET VALUE PER SHARE (USD cents)(1)	46.64	40.26	27.75	24.38	23.16
NET GEARING (TIMES)(2)	1.11	0.55	0.75	1.28	1.17

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

OPERATIONS AND FINANCIAL REVIEW

INCOME STATEMENT

For FY2019, JB Foods' revenue increased by 7.8% or USD25.4 million to USD352.5 million, from USD327.1 million in the previous corresponding year, mainly due to higher shipment volume for cocoa ingredients arising from stronger customer demand.

In line with the higher revenue, the Group recorded a gross profit of USD51.9 million in FY2019 as compared to USD49.4 million in FY2018, representing an increase of 5.1% or USD2.5 million. However, gross profit margin for FY2019 declined by 0.4 percentage points to 14.7%.

Selling and distribution expenses increased by USD1.0 million or 18.0% from USD5.6 million in FY2018 to USD6.6 million in FY2019, mainly due to higher export freight and handling costs incurred as a result of higher product shipment volume.

Administrative expenses increased by USD1.4 million or 16.5% from USD8.5 million in FY2018 to USD9.9 million in FY2019, mainly due to an increase in the Group's middle management headcount, higher payroll cost and an increase in the Group's deprecation in FY2019.

Finance cost increased by USD2.5 million or 92.6% from USD2.7 million in FY2018 to USD5.2 million in FY2019, mainly due to higher drawdown of trade bills facilities arising from the higher inventories maintained in FY2019 as a result from the higher processing capacity in FY2019.

Income tax expense was 24.7% or USD1.8 million lower at USD5.5 million in FY2019 from USD7.3 million in FY2018, mainly due to one of a subsidiary was awarded a concessionary status by local government agency. As a result, the subsidiary enjoys a concessionary tax rate of 10% with effect from 1 April 2019.

As a result of the above factors, the Group registered a profit after tax of USD26.2 million in FY2019, a slight decrease of 2.2% from a profit after tax of USD26.8 million in FY2018.

BALANCE SHEET

The Group's non-current assets increased by USD20.5 million or 27.2% from USD75.4 million as at 31 December 2018 to USD95.9 million as at 31 December 2019, mainly due to capital expenditure incurred in property, plant and equipment and investment properties in FY2019 amounting USD18.3 million and USD8.6 million respectively, partially offset by the depreciation charge of USD5.6 million property, plant and equipment.

The Group's current assets increased by USD95.8 million or 55.4%, from USD172.9 million as at 31 December 2018 to USD268.7 million as at 31 December 2019, mainly due to the increase in inventories, trade and other receivables, derivative financial instruments, tax recoverable and cash and cash equivalent of USD68.3 million, USD20.3 million, USD2.9 million, USD1.1 million and USD3.2 million respectively.

The Group's current liabilities increased by USD92.5 million or 76.6%, from USD120.8 million as at 31 December 2018 to USD213.3 million as at 31 December 2019, mainly due to the increase in trade and other payables, derivative financial instruments and short-term bank borrowings of USD2.3 million, USD2.2 million and USD89.7 million respectively partially offset by the decrease in income tax payable of USD1.7 million.

The Group's non-current liabilities increased by USD4.5 million or 83.3% from USD5.4 million to USD9.9 million mainly due to increase in long term loan and deferred tax liabilities of USD3.4 million and USD0.8 million.

The Group's equity attributable to owners of the parent increased by USD19.3 million or 15.8% from USD122.1 million as at 31 December 2018 to USD141.4 million as at 31 December 2019, mainly due to profit generated in FY2019, partially offset by the dividend of USD6.7 million.

OPERATIONS AND FINANCIAL REVIEW

CASH FLOWS

STATEMENT OF CASH FLOWS

USD'000	FY2019	FY2018
Net cash (used in)/from operating activities	(51,101)	7,467
Net cash used in investing activities	(26,864)	(17,185)
Net cash from financing activities	81,288	7,940
Net change in cash and cash equivalents	3,323	(1,778)
Cash and cash equivalents at end of the year	16,594	13,416

The Group's cash and cash equivalent increased by USD3.3 million in FY2019, due to net cash inflows from financing activities of USD81.3 million, partially offset by net cash outflows from operating activities and investing activities of US$51.1 million and USD26.9 million respectively.

The net cash used in operating activities of USD51.1 million was mainly attributable to positive operating cash flows of USD42.3 million, net cash outflows from inventories, trade and other receivables and tax paid of USD68.1 million, USD20.8 million and USD6.8 million respectively, partially offset by the net cash inflow from trade and other payables of USD2.3 million.

The net cash used in investing activities of USD26.9 million was mainly due to the capital expenditure incurred in the purchase of plant and equipment and investment properties.

The net cash from financing activities of USD81.3 million was mainly due to net proceed USD93.2 million partially offset by the payment of dividends and finance cost of USD6.7 million and USD5.2 million respectively.

BOARD OF DIRECTORS

CHUA CHEOW KHOON MICHAEL

INDEPENDENT DIRECTOR AND NON-EXECUTIVE CHAIRMAN

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

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

BOARD OF DIRECTORS

GOI SENG HUI

NON-INDEPENDENT, NON-EXECUTIVE DIRECTOR AND VICE CHAIRMAN

Mr Goi was appointed to the Board on 1 March 2013 as Non-Independent, Non-Executive Director and Vice Chairman. He is the Executive Chairman of Tee Yih Jia Group, a global food and beverage group and GSH Corporation Ltd, a regional developer of premium residential and commercial properties, as well as the owner and operator of the 5-Star Sutera Habour Resorts, Marina and Golf Course in Kota Kinabalu, Sabah, Malaysia.

In addition, Mr Goi serves as Vice Chairman of Envictus International Holdings Limited. He also has investments across a range of listed and private entities in numerous industries, such as food and beverage, leisure real estate, consumer essentials, renewable energy, healthcare, technology, distribution and logistics.

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

Mr Goi was named "Businessman of the Year" at the Singapore Business Awards (2014) and at the 49th National Day Awards, Mr Goi was conferred the Public Service Star (Bar) – Bintang Bakti Masyarakat (Lintang), BBM (L) – by the President of Singapore for his contributions to the community. In 2015, he received the Long Service Award from Singapore's People's Action Party. He was also conferred the State Award of Panglima Gemilang Darjah Kinabalu (PGDK), which carries the title of Datuk, from the Head of State of Sabah, for his social and business contributions to Kota Kinabalu. In recognition of his numerous philanthropy works, he was awarded the SG50 Outstanding Chinese Business Pioneers Award and Enterprise Asia's Lifetime Achievement Award in 2015, as well as the Asian Strategy & Leadership Institute's Lifetime Achievement Award in 2016. In 2017, he was honoured for his contributions and success as an overseas Chinese by People's Tribune Magazine in Beijing, China. In 2018, he was conferred the Distinguished Business Leader Award at the World Chinese Economic Forum. In 2019, he was appointed Patron for Advancement and received the inaugural Benefactors Fellow Award from the Singapore University for Technology and Design, and conferred the Pearl of the Orient Award at the World Chinese Economic Forum.

He is also Enterprise 50 Club's Honorary Past President and Vice Chairman of IE Singapore's "Network China" Steering Committee, Regional Representative for Fuzhou City and Fujian Province, and council member of the Singapore-Zhejiang Economic and Trade Council, Singapore-Tianjin Economic and Trade Council and Singapore-Jiangsu Cooperation Council. He is currently the Honorary Council Member of the Singapore Chinese Chamber of Commerce and Industry, the Honorary Chairman for the International Federation of Fuqing Association, as well as the Honorary Chairman of Dunman High School Advisory Committee and Ulu Pandan Citizens Consultative Committee.

TEY HOW KEONG

CHIEF EXECUTIVE OFFICER

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

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

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

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

BOARD OF DIRECTORS

GOH LEE BENG
EXECUTIVE DIRECTOR

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

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

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

CHIN KOON YEW
INDEPENDENT AND NON-EXECUTIVE DIRECTOR

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

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

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

LOO WEN LIEH
ALTERNATE DIRECTOR TO MR GOI SENG HUI

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

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

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

EXECUTIVE OFFICERS

WONG WING HONG

CHIEF FINANCIAL OFFICER

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

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

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

ONG KIM TECK

GROUP ENGINEERING MANAGER

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

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

SAW POH CHIN

GROUP SALES AND MARKETING MANAGER

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

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

HONG PECK JOO

ASIA PACIFIC OPERATIONS MANAGER

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

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

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

SUSTAINABILITY REPORT

1. BOARD STATEMENT

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

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

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

A summary of our sustainability performance in FY2019 is as follows:

Customer satisfaction	Energy conservation, waste optimisation and carbon footprint reduction	Water conservation and wastewater treatment
• Our factories are certified under internationally recognised quality standards such as Food Safety System Certificate 22000 ("FSSC 22000") and Hazard Analysis and Critical Control Point ("HACCP") • 56% of our employees served more than 3 years with us	• 35% of energy consumed is generated from discarded cocoa shells • We use discarded cocoa shells to produce steam which resulted in cost savings of USD1.97 million • Cocoa shells sold to local poultry farmers as animal feed generated USD276k of income	• 2.08 m^3 of water used per metric tonne of cocoa beans processed • 100% of wastewater generated is treated to remove pollutants before release into waterways
Safety of working environment	**Diversity and equality in the workplace**	**Sustainable business performance**
• Zero incident of workplace fatality • 10 incidents of non-fatal workplace injuries and resulting in 141 man-days lost	• 18% of all employees and 33% of managers are females • Ratio of employees with tertiary and non-tertiary education is 43%:57% • 15% of all employees are at least 40 years old	• Recorded revenue of USD352 million • Generated net profit of USD26 million • Declared a tax-exempt dividend of 2.80 Singapore cents per share
Proactive anti-corruption practices	**Robust corporate governance framework**	
Zero incident of serious offence was reported through our whistle blowing channel	Singapore Governance and Transparency Index ("SGTI") score assessed by National University of Singapore Business School of 64 for the year 2019	

SUSTAINABILITY REPORT

2. REPORTING FRAMEWORK

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

3. REPORTING PERIOD

This Report is applicable for our Group's financial year ended 31 December 2019 ("FY2019" or "reporting period"). A sustainability report will be published annually in accordance with our SR Policy.

4. FEEDBACK

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

5. STAKEHOLDER ENGAGEMENT

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

We actively engage our key stakeholders through the following channels:

S/N	Stakeholder	Engagement channel	Frequency of engagement	Key concerns raised
1	Communities	We focus on continuous community engagement and has undertaken various initiatives to help the communities.	Ongoing	Sustainable agricultural and business practices
2	Customers	Communications with customers are made through various channels such as meetings, events, email communications, phone calls and teleconferences.	Ongoing	• Product quality and reliability • Customer service standards
3	Employees	Senior management holds regular communication sessions with employees to obtain feedback and alignment of business goals across all levels of workforce. Such communication channels include emails and half-yearly staff evaluation sessions where employees can pose questions in person.	Ongoing	• Equal employment opportunity • Workplace safety and health • Job security • Remuneration

SUSTAINABILITY REPORT

S/N	Stakeholder	Engagement channel	Frequency of engagement	Key concerns raised
4	Regulators	We participate in consultations and briefings organised by key regulatory bodies such as Singapore Stock Exchange and relevant government agencies/bodies so as to better understand the regulatory requirements and to furnish feedback on proposed regulatory changes that impact our business.	Ongoing	• Environmental compliance • Corporate governance
5	Shareholders	We convey timely, full and credible information to shareholders through announcements on SGXNET, Company's website (http://www.jbcocoa.com), annual general meetings, annual reports, and other channels such as business publications and investors' relation events.	• On-going for material announcements • Quarterly for result announcements • Annually for annual report and annual general meetings	• Sustainable business performance • Market valuation • Dividend payment • Corporate governance
6	Suppliers	We work closely with suppliers to ensure smooth delivery of products. In general, new suppliers are screened in accordance with our purchasing policy and existing suppliers are assessed by respective work teams based on specified criteria. Feedback is also provided by the procurement teams to suppliers to ensure high standards of products or services delivered by suppliers.	Ongoing	Order volatility

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

SUSTAINABILITY REPORT

6. POLICY, PRACTICE AND PERFORMANCE REPORTING

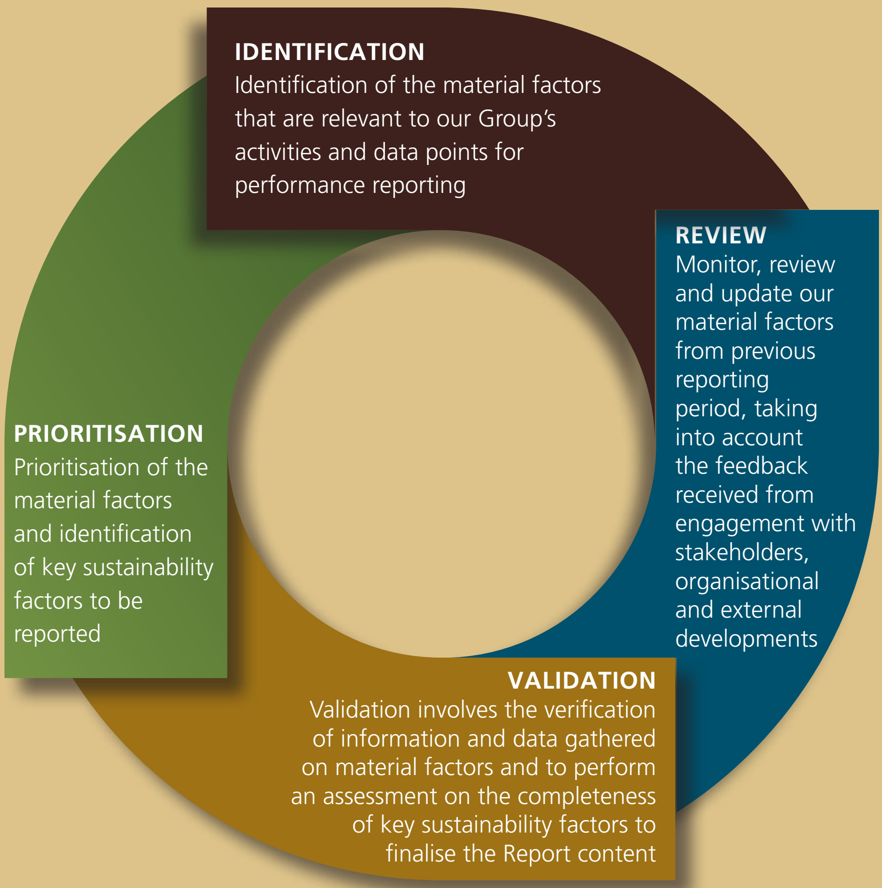
6.1 Reporting structure

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

SUSTAINABILITY REPORT

6.2 Sustainability reporting processes

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



6.3 Materiality assessment

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

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

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

SUSTAINABILITY REPORT

6.4 Performance tracking and reporting

We track the progress of our material factors by identifying the relevant data points, monitoring and measuring them. In addition, we set performance targets that are aligned with our strategy to ensure that we remain focused in our path to sustainability. We shall consistently enhance our performance-monitoring processes and improve our data capturing systems.

7. MATERIAL FACTORS

Our materiality assessment performed for FY2019 involved our Group's senior management and key managers from various functions in identifying sustainability factors deemed material to our businesses and stakeholders so as to allow us to channel our resources judiciously to create sustainability value for our stakeholders.

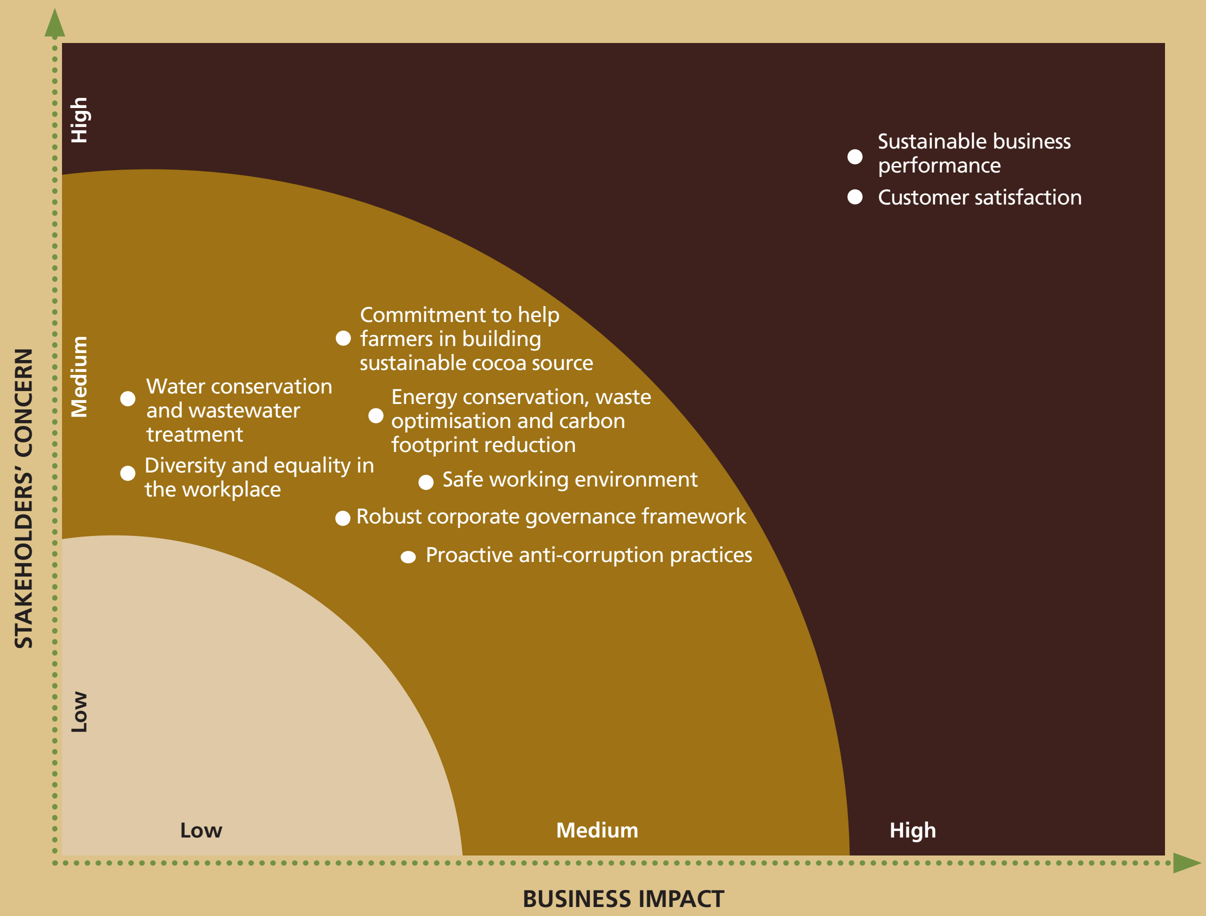
Presented below are a list of material sustainability factors and material factor matrix applicable to our Group:

List of material sustainability factors

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

SUSTAINABILITY REPORT

Material factor matrix



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

7.1 Customer satisfaction

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

SUSTAINABILITY REPORT

Adoption of market standards on product quality and safety

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

Standard/certification	Focus of relevant standard/certification
HACCP certificate	Manage the food hygiene and safety procedures in our operations
FSSC 22000	
HALAL certificate	Ensure our operations comply with the Islamic dietary requirements
Kosher Certificate	Ensure our operations comply with the Kosher requirements
UTZ chain of custody standard	Ensure our products are physically and administratively related to UTZ certified producers

Maintain a close presence and continuous communication with customers

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

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

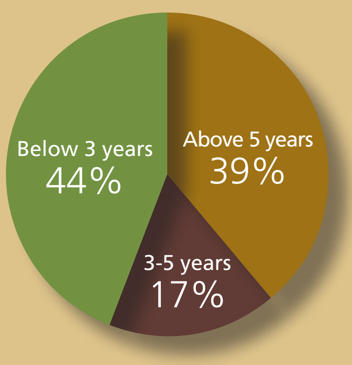
In addition, we collect customer feedback from various touchpoints such as sales teams and customer satisfaction surveys. Results of customer satisfaction surveys are analysed to gather valuable insights into current and future customer requirements. Insights gathered are discussed during regular management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

Nurture a team of experienced employees

The continued success of our business relies on a team of professional, skilled and experienced employees. Our Group is led by an experienced and dedicated management team spearheaded by our CEO. We believe that our team possesses an appropriate mix of multi-disciplinary skills and experience necessary for us to compete in the cocoa processing industry.

As at 31 December 2019, approximately 56% (FY2018: 52%) of the employees have more than 3 years of service in our Group.

Years of Service



Target for FY2019	Performance in FY2019	Target for FY2020
Increase market presence and improve customer loyalty	Target met as follows: • No material changes in our market presence • Improvement in employee retention rate	• Increase or maintain market presence subject to market conditions • Improve or maintain employee retention rate subject to market conditions

SUSTAINABILITY REPORT

7.2 Energy conservation, waste optimisation and carbon footprint reduction

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

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

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

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

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

Conversion of cocoa shell into biomass energy
For our factory in Malaysia, we installed a biomass boiler with improved operational efficiency in converting discarded cocoa shells to renewable energy ("Biomass Boiler"). During the reporting period, 35% (FY2018: 28%) of energy consumed was generated from this renewable source. Moreover, the use of the Biomass Boiler helped us to reduce reliance on diesel fuel which resulted in a cost saving of approximately USD1.97 million (FY2018: USD1.24 million) yearly.

Use of cocoa shells for animal feed
In Indonesia, given that cocoa shells are rich in protein, cocoa shells generated in operations are sold to local poultry farmers as animal feed and a form of recycling. Such an arrangement generated approximately USD276k (FY2018: USD472k) of income during the reporting period. The decrease is due mainly to the transfer of cocoa shells generated in operations to our Malaysian plant for conversion into biomass energy.

Reduce carbon emissions and improve air quality
A major portion of our carbon footprint is generated during our key production processes such as the roasting of cocoa nibs to produce cocoa liquor which rely on machines that operate on fuel such as diesel or liquefied petroleum gas. With the installation of the Biomass Boiler, we now use steam (a clean source of energy) to operate the said machines.

The Biomass Boiler helps to reduce our carbon emissions and improve air quality by:

- Reducing our reliance on carbon-intensive energy sources (such as diesel fuel)
- Reducing the amount of toxic dust particles emitted as the Biomass Boiler has the function to absorb ashes produced from the combustion of discarded cocoa shells

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

Target for FY2019	Performance in FY2019	Target for FY2020
Maintain or reduce energy consumption rate and improve waste management process	Target met as follows: Improvement in utilisation of renewable source of energy to power production processes	Maintain or increase utilisation of renewable source of energy to power production processes

SUSTAINABILITY REPORT

7.3 Water conservation and wastewater treatment

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

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

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

As a result, wastewater is generated from the above processes. We focus on two key areas on water management as follows:

Water consumption
During the reporting period, we used 2.08 m^3 (FY2018: 2.20 m^3) per metric tonne of cocoa bean processed. Water conservation measures adopted by our factories include the following:

- A systematic maintenance program is implemented for operating equipment to maintain water efficiency
- Regular tracking and analysis of water consumption trends and corrective actions are taken when there are unusual consumption patterns

Water quality management
During the reporting period, 100% (FY2018: 100%) of wastewater generated was treated to remove pollutants before being released into waterways.

Target for FY2019	Performance in FY2019	Target for FY2020
Maintain or reduce water consumption rate and improve wastewater treatment process	Target met as follows: • No material changes in water consumption rate • 100% of waste water was treated to remove pollutants before being released into waterways	Maintain or reduce water consumption rate and improve wastewater treatment process

SUSTAINABILITY REPORT

7.4 Commitment to help farmers in building sustainable cocoa source

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

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

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

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

Set up cocoa support centers to equip farmers with professional knowledge

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

Share good agricultural practices through lead farmer program

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

Target for FY2019	Performance in FY2019	Target for FY2020
Increase participation in initiatives to promote sustainable cocoa farming	Target met as follows: Initiated various initiatives to promote sustainable cocoa farming	Continue with existing initiatives to promote sustainable cocoa farming

7.5 Safe working environment

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

We recorded zero (FY2018: zero) workplace fatality during the reporting period and 10 (FY2018: 20) non-fatal workplace injuries resulting in 141 man-day lost (FY2018: 100) during the reporting period. The workplace accidents were mainly associated with hand and foot injuries. Lessons from the non-fatal workplace accidents are shared across business units to prevent recurrence and we will continuously work towards reducing both the occurrence and severity of workplace accidents.

SUSTAINABILITY REPORT

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

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

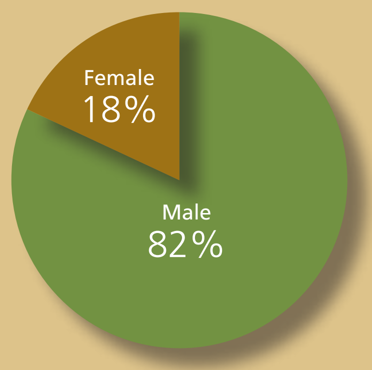
Target for FY2019	Performance in FY2019	Target for FY2020
Reduce the number of workplace accidents	Targets partially met as follows: Zero workplace fatality and 10 non-fatal workplace injuries resulting in 141 man-days lost. Although we did not meet the target as there was an increase in man-days lost, we remain committed to maintain a safe working environment. To prevent similar accidents from occurring in the future, lessons from the workplace accidents are shared across business units.	Reduce the number of workplace accidents where applicable

7.6 Diversity and equality in the workplace

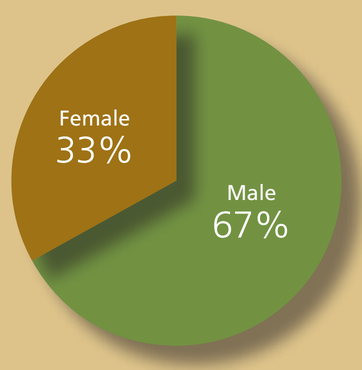
We aim to provide a work environment for employees that fosters fairness, equity and respect for social and cultural diversity, regardless of their gender and age. Therefore, we are committed to the goals of diversity and equal opportunity in employment. The total number of full-time employees in our Group as at 31 December 2019 is 604 (FY2018: 565).

On gender diversity, we view diversity in the Board level as an essential element in supporting sustainable development and in relation to the gender diversity with one (FY2018: one) female representation in the Board of Directors. The percentage of female to total full-time employees is 18% (FY2018: 17%) and about 33% (FY2018: 37%) of managers are females as at 31 December 2019. Given the nature of our business which is principally manufacturing in high heat environment, the gender ratio is geared towards male employees.

Gender Diversity (All Employees)

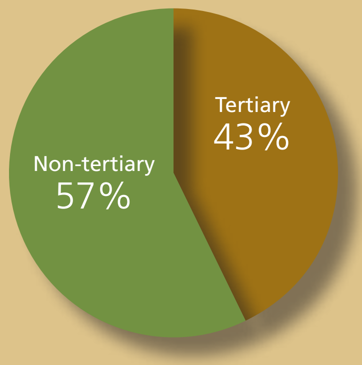


Gender Diversity (Managers)

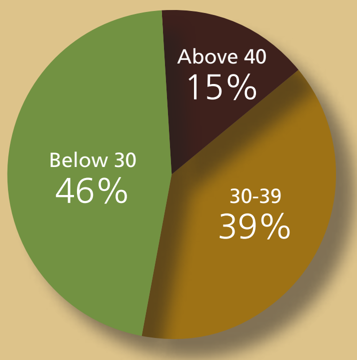


SUSTAINABILITY REPORT

Educational Diversity (All Employees)



Age Diversity (All Employees)



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

Education qualification	FY2019	FY2018
Tertiary	43%	41%
Non-tertiary	57%	59%
Total	100%	100%

On age diversity, matured workers are valued for their experience, vast knowledge and skills. As at 31 December 2019, 15% (FY2018: 14%) of the workforce is at least 40 years old.

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

- A formal interview assessment process is in place to guide interviewers to assess potential employees based on merit and competency
- Staff assessment is performed regularly to evaluate the performance of employees and adjust their remuneration where justifiable
- Staff recruitment advertisements do not state age, race, gender or religion preferences as requirement

Target for FY2019	Performance in FY2019	Target for FY2020
Move towards a more balanced gender, age and educational diversity ratio	Target met as follows: No material changes in diversity ratios	Move towards a more balanced gender, age and educational diversity ratio

7.7 Sustainable business performance

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

In FY2019, our Group recorded revenue of USD352 million (FY2018: USD327 million). Our Group generated USD26 million (FY2018: USD27 million) of net profit for the period attributable to our equity holders. A tax-exempt dividend of 2.80 Singapore cents per share was declared for the reporting period (FY2018: 3.00 Singapore cents per share).

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

SUSTAINABILITY REPORT

USD 352 million
Revenue for the financial period

USD 26 million
Net profit for the financial period

2.80
Singapore cents per share of dividend for FY2019

Target for FY2019	Performance in FY2019	Target for FY2020
Maintain or improve our financial performance whilst maintaining our dividend rate where practicable	Target met as follows: No material changes in our financial performance and dividend rate	Maintain or improve our financial performance subject to market conditions whilst maintaining a dividend payout where practicable

7.8 Proactive anti-corruption practices

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

We have implemented a whistle blowing policy to provide a mechanism for employees to raise concerns through accessible confidential disclosure channels about possible improprieties in matters of financial reporting and others. In FY2019, no serious offence was reported[1] (FY2018: zero).

Target for FY2019	Performance in FY2019	Target for FY2020
Maintain zero incident of serious offence	Target met as follows: We achieved zero incident of serious offence	Maintain zero incident of serious offence

7.9 Robust corporate governance framework

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

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

Our overall SGTI score assessed by National University of Singapore Business School is 64 for FY2019 (FY2018: 65).

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

Target for FY2019	Performance in FY2019	Target for FY2020
Maintain or improve SGTI score	Target met as follows: No material changes in SGTI score	Maintain or improve SGTI score

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

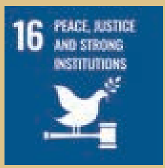
SUSTAINABILITY REPORT

8. SUPPORTING THE UN SUSTAINABLE DEVELOPMENT GOALS

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals ("SDGs"), which form an urgent call for action by all countries – developed and developing – in a global partnership. We believe that everyone plays an important role in advancing sustainable development and in order to align our business objectives with the SDGs, we have identified a number of SDGs which we can contribute to through our business practices, products and services. The SDGs that we focus on and the related sustainability factors are as follows:

SDG		Our effort
3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages	Section 7.5 Safe working environment We constantly utilise safety measures and procedures to avoid accidents that are preventable and in so doing, maintain the well-being and safety of our workers.
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable, and modern energy for all	Section 7.2 Energy conservation, waste optimization and carbon footprint reduction We constantly monitor and implement measures to improve our energy efficiency, as well as to increase the utilisation of renewable energy.
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Section 7.1 Customer satisfaction We recognise that adhering to a high quality of product and customer service standards is vital in the continued success of our business. This in turn helps to contribute to economic growth and employment, as well as long-term economic value for our shareholders. Section 7.7 Sustainable business performance We contribute to economic growth through creating long-term economic value for our shareholders.
10 REDUCED INEQUALITIES	Reduce inequality within and among countries	Section 7.6 Diversity and equality in the workplace We ensure equal employment opportunity for all, regardless of gender, age, and educational background.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns	Section 7.3 Water conservation and wastewater treatment We implement measures that prevent the pollution of waterways by ensuring that hazardous chemicals and materials are removed from the waste water produced in our operations before being released. This in turn helps to minimise the adverse impacts on human health and environment. Section 7.4 Commitment to help farmers in building sustainable cocoa source We implement measures to ensure long-term sustainable supply of cocoa, as well as to achieve a higher yield for farmers.

SUSTAINABILITY REPORT

SDG	Our effort
 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective accountable and inclusive institutions at all levels	Section 7.8 Proactive anti-corruption practices We implement measures that are in line with our objective of zero tolerance towards any forms of corruption and bribery. Section 7.9 Robust corporate governance framework We maintain a high standard of corporate governance framework to maintain the transparency of our business, safeguard our shareholders' interests and maximise long-term shareholder value.

9. GRI CONTENT INDEX

General standard disclosure		Section reference	Page
Organisation profile			
102-1	Name of the organization	Corporate Profile	2
102-2	Activities, brands, products, and services	• Corporate Profile • Our Business • Our Products • Financial Contents > Notes to the Financial Statements > Investments in Subsidiaries	2 3 4 98 – 99
102-3	Location of headquarters	• Corporate Profile • Financial Contents > Notes to Financial Statements > General	2 72
102-4	Location of operations	• Corporate Profile • Our Business	2 3
102-5	Ownership and legal form	• Corporate Profile • Our Business • Financial Contents > Notes to the Financial Statements > General • Financial Contents > Statistics of Shareholding	2 3 72 130 – 131
102-6	Markets served	• Our Business • Financial Contents > Notes to the Financial Statements > Segment information	3 119 – 121
102-7	Scale of the organization	• Our Products • Financial Highlights • Operations and Financial Review • Sustainability Report > Material Factors > Diversity and Equality in the Workplace • Sustainability Report > Material Factors > Sustainable Business Performance • Financial Contents > Statements of Financial Position • Financial Contents > Consolidated Statement of Comprehensive Income	4 9 10 – 11 27 – 28 28 – 29 66 67

SUSTAINABILITY REPORT

General standard disclosure		Section reference	Page
102-8	Information on employees and other workers	Sustainability Report > Material Factors > Diversity and Equality in the Workplace	27 – 28
102-9	Supply chain	• Our Business • CEO's Statements	3 7 – 8
102-10	Significant changes to the organization and its supply chain	There was no significant changes to the organization and its supply chain during the reporting period	–
102-11	Precautionary Principle or approach	None	–
102-12	External initiatives	Sustainability Report > Supporting the UN Sustainable Development Goals	30 – 31
102-13	Membership of associations	The Group is committed to global sustainable practices as a member of the World Cocoa Foundation and Cocoa Association of Asia	–
Strategy			
102-14	Statement from senior decision-maker	Sustainability Report > Board Statement	16
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	• Sustainability Report > Material Factors > Robust Corporate Governance Framework • Financial Contents > Corporate Governance Report	29 37 – 56
Governance			
102-18	Governance structure of the organization	Financial Contents > Corporate Governance Report	37 – 56
Stakeholder engagement			
102-40	List of stakeholder groups	Sustainability Report > Stakeholder Engagement	17 – 18
102-41	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements	–
102-42	Identifying and selecting stakeholders	Sustainability Report > Stakeholder Engagement	17 – 18
102-43	Approach to stakeholder engagement	Sustainability Report > Stakeholder Engagement	17 – 18
102-44	Key topics and concerns raised	• Sustainability Report > Stakeholder Engagement • Sustainability Report > Material Factors > Customer Satisfaction	17 – 18 22 – 23

SUSTAINABILITY REPORT

General standard disclosure		Section reference	Page
Reporting practice			
102-45	Entities included in the consolidated financial statements	Financial Contents > Notes to the Financial Statements > Investments in Subsidiaries	98 – 99
102-46	Defining report content and topic Boundaries	Sustainability Report > Sustainability Reporting Processes	20
102-47	List of material topics	Sustainability Report > Material Factors	21 – 29
102-48	Restatements of information	None	–
102-49	Changes in reporting	None	–
102-50	Reporting period	Sustainability Report > Reporting Period	17
102-51	Date of most recent report	2018 Annual Report > Sustainability Report	–
102-52	Reporting cycle	Sustainability Report > Reporting Period	17
102-53	Contact point for questions regarding the report	• Sustainability Report > Feedback	17
102-54	Claims of reporting in accordance with the GRI Standards and GRI content index	• Sustainability Report > Reporting Framework • Sustainability Report > GRI Content Index	17 31 – 34
102-55	GRI content index	Sustainability Report > GRI Content Index	31 – 34
102-56	External assurance	We may seek external assurance in the future	–
Management approach			
103-1	Explanation of the material topic and its Boundary	Sustainability Report > Material Factors	21 – 29
103-2	The management approach and its components	• Sustainability Report > Board Statement • Sustainability Report > Policy, Practice and Performance Reporting • Sustainability Report > Material Factors	16 19 – 21 21 – 29
103-3	Evaluation of management approach	Sustainability Report > Material Factors	21 – 29

SUSTAINABILITY REPORT

General standard disclosure		Section reference	Page
Category: Economic			
201-1	Direct economic value generated and distributed	• Financial Highlights • Operations and Financial Review • Sustainability Report > Material Factors > Sustainable Business Performance • Financial Contents > Statements of Financial Position • Financial Contents > Consolidated Statement of Comprehensive Income	9 10 – 11 28 – 29 66 67
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report > Material Factors > Proactive Anti-Corruption Practices	29
Category: Environmental			
302-1	Energy consumption within the organization	Sustainability Report > Material Factors > Energy Conservation, Waste Optimization and Carbon Footprint Reduction	24
303-5	Water consumption	Sustainability Report > Material Factors > Water Conservation and Wastewater Treatment	25
306-1	Water discharge by quality and destination	Sustainability Report > Material Factors > Water Conservation and Wastewater Treatment	25
306-2	Waste by type and disposal method	Sustainability Report > Material Factors > Energy Conservation, Waste Optimization and Carbon Footprint Reduction	24
Category: Social			
403-9	Work-related injuries	Sustainability Report > Material Factors > Safe Working Environment	26 – 27
405-1	Diversity of governance bodies and employees	Sustainability Report > Material Factors > Diversity and Equality in the Workplace	27 – 28
413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability Report > Material Factors > Commitment to Help Farmers in Building Sustainable Cocoa Source	26

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHUA CHEOW KHOON MICHAEL
(Chairman and Lead Independent Director)

GOI SENG HUI
(Non-Executive, Non-Independent and Vice Chairman)

TEY HOW KEONG
(Chief Executive Officer)

GOH LEE BENG
(Executive Director)

CHIN KOON YEW
(Independent Director)

LOO WEN LIEH
(Alternate director to Goi Seng Hui)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

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

RISK COMMITTEE

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

JOINT COMPANY SECRETARIES

ONG BENG HONG
WONG WING HONG

REGISTERED OFFICE

80 Robinson Road, #17-02
Singapore 068898
Tel: (65) 6222 8008
Fax: (65) 6222 8001
Website: www.jbcocoa.com

SHARE REGISTRAR

RHT CORPORATE ADVISORY PTE. LTD.
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

INDEPENDENT AUDITORS

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

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

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

As required by the Listing Manual of Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the following report describes the Company's corporate governance processes and structures that were in place throughout the financial year, with specific reference made to the principles and guidelines of the Code of Corporate Governance 2018 (the "**Code**").

This report describes the corporate governance framework and practices of the Company that were in place for the financial year ended 31 December 2019 ("**FY2019**"), with specific references to the Code. The Company confirms that it has adhered to the principles and guidelines set out in the Code, where applicable, relevant and practicable to the Group. Any deviations from the guidelines of the Code or areas of non-compliance have been explained accordingly.

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

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

The Board's principal functions include:

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

(b) supervising and approving strategic direction of the Group;

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

(d) approving the annual budgets and major funding proposals;

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

(f) convening of shareholders' meetings;

(g) assuming responsibility for corporate governance; and

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

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

Directors facing conflicts of interest are required to recuse themselves from discussions and decisions involving the issues of conflict. The Company's Constitution provides that no Director shall vote in regard to any contract, arrangement or transaction, or proposed contract, arrangement or transaction in which he has directly or indirectly a personal material interest as aforesaid or in respect of any allotment of shares in or debentures of the Company to him and if he does so vote his vote shall not be counted.

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

The attendance of the Directors at meetings of the Board and Board Committees held during FY2019 are as follows:

	Board of Directors		Audit Committee		Remuneration Committee		Nominating Committee		Risk Committee	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Director										
Chua Cheow Khoon Michael	6	6	4	4	1	1	1	1	2	2
Tey How Keong	6	6	4	4	1	1	1	1	2	2
Goh Lee Beng	6	6	4	4	1	1	1	1	2	2
Goi Seng Hui (Alternate: Loo Wen Lieh)[1]	6	5 5	4	4 3	1	1 0	1	0 0	2	2 2
Chin Koon Yew	6	6	4	4	1	1	1	1	2	2

Note:

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

Directors are furnished regularly with information from Management about the Group as well as the relevant background information relating to the business to be discussed at meetings of the Board and Board Committees. As a general rule, notices are sent to Directors at least one week in advance of such meetings, followed by the board papers, in order for Directors to be adequately prepared for meetings. The Directors also have separate and independent access to the Company's Management and the Joint Company Secretaries to facilitate separate and independent access.

One Joint Company Secretary or his/her representative administers and attends all Board and Board Committee meetings of the Company and prepares minutes of meetings. Together with members of the Company's Management, the Joint Company Secretaries are responsible for ensuring that appropriate procedures are followed and that the requirements of the Companies Act, Cap.50 of Singapore and the SGX-ST and other rules and regulations that are applicable to the Company are met. Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his duties and responsibilities as Director.

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

CORPORATE GOVERNANCE REPORT

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

As at the date of this Annual Report, the Board comprises five Directors, of whom two are Independent Directors and one is a Non-Executive Director. The two Independent Directors of the Company are Mr Chua Cheow Khoon Michael and Mr Chin Koon Yew. The current number of Independent Directors complies with Rule 210(5)(c) of the Listing Manual of the SGX-ST, which requires the Board to have at least two non-executive Directors who are independent and free of any material business or financial connection with the Company. The current composition of the Board also complies with the Code's requirement that non-executive directors make up a majority of the Board. As the Chairman, Mr Chua Cheow Khoon Michael, is independent, Independent Directors are not required to make up a majority of the Board; however, Independent Directors make up at least one-third of the Board, bringing a strong independent element to the Board. The Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The profiles of the Directors are found in the "Board of Directors" section of this Annual Report.

The Board's policy in identifying nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of age or gender. The Board is of the view that the current Board members comprise persons whose diverse skills, experience, knowledge, attributes and gender (with one female Executive Director on the Board) provide for effective direction of the Group. The Board through the NC has examined the size and composition of the Board and Board Committees and is of the view that each of the Board and Board Committees is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process. The NC is also of the view that the Board has a good balance of Directors who have extensive business, financial, accounting and management experience.

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

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

The Company has in place an NC which determines the independence of each Director annually based on the definition of independence as set out in the Code. Under the Code, an independent Director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company. Under Rule 210(5) of the Listing Manual of the SGX-ST, a Director will not be independent if he is employed or has been employed by the Company or any of its related corporations in the current or any of the past three financial years, or if he has an immediate family member who is employed or has been employed by the Company or any of its related corporations in the current or any of the past three financial years and whose remuneration is or was determined by the RC.

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

CORPORATE GOVERNANCE REPORT

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

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

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

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

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

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

As Chairman, Mr Chua Cheow Khoon Michael is responsible for leading the Board and facilitating its effectiveness and his duties include promoting a culture of openness and debate at the Board, facilitating the effective contribution of all directors and promoting high standards of corporate governance.

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

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

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

CORPORATE GOVERNANCE REPORT

PRINCIPLE 4: BOARD MEMBERSHIP

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

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

Mr Chua Cheow Khoon Michael (Chairman)

Mr Chin Koon Yew

Mr Tey How Keong

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

(a) reviewing and recommending nomination for re-appointment or re-election or renewal of appointment of the directors, the CEO and key management personnel;

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

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

(d) reviewing the performance of the Board and the Board Committees; and

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Name of Director	Age	Date of Initial Appointment	Date of Last Re-election	Present and Past Directorship in Listed Companies	Other Principal Commitments
Chua Cheow Khoon Michael	69	4 May 2012	30 April 2018	**Present Directorships:** – **Past Directorships:** Cogent Holdings Limited (delisted with effect from 8 March 2018)	**Present:** – **Past:** –
Goi Seng Hui	73	1 March 2013	30 April 2019	**Present Directorships:** Envictus International holdings Limited (formerly known as Etika International Holdings Limited) Tung Lok Restaurants (2000) Ltd Gsh Corporation Limited **Past Directorships:** Super Group Ltd (delisted with effect from 6 June 2017)	**Present:** – **Past:** –
Tey How Keong	54	3 January 2012	30 April 2019	**Present Directorships:** – **Past Directorships:** –	**Present:** – **Past:** –
Goh Lee Beng	54	4 May 2012	30 April 2018	**Present Directorships:** – **Past Directorships:** –	**Present:** – **Past:** –
Chin Koon Yew	64	18 February 2014	25 April 2017	**Present Directorships:** – **Past Directorships:** –	**Present:** – **Past:** –
Loo Wen Lieh	45	23 May 2013	–	–	–

The Directors who are retiring by rotation pursuant to Article 98 of the Constitution of the Company at the forthcoming AGM are Mr Chin Koon Yew and Mdm Goh Lee Beng. After assessing their respective contributions and performance, the NC is recommending each of Mr Chin Koon Yew and Mdm Goh Lee Beng for re-election at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 5: BOARD PERFORMANCE

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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

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

The Board evaluation assessment is conducted by the NC by way of a Board evaluation where the NC completes a questionnaire seeking their views on various aspects of the performance of the individual Directors (including the Chairman), the Board Committees and the Board.

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

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

(i) the size and composition of the Board;

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

(iii) the Board's access to information;

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

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

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

To assess the effectiveness of each Board Committee, the factors evaluated by the NC include but are not limited to:

(i) the size and composition of the Board Committee;

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

(iii) the Board Committee's access to information;

(iv) the accountability of the Board Committee to the Board; and

(v) the performance of the Board Committees (including the Board Committee's performance in relation to the discharge of its principal responsibilities set out in the Code).

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

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

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

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

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

Mr Chin Koon Yew (Chairman)

Mr Chua Cheow Khoon Michael

Mr Tey How Keong

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

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

CORPORATE GOVERNANCE REPORT

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

If necessary, the RC may seek expert advice inside and/or outside the Company on the remuneration of the Directors and key management personnel. The RC ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The Company has not appointed any remuneration consultant for FY2019.

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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

Executive Directors are paid a basic salary pursuant to their respective service agreements. Each service agreement was valid for an initial period of three years with effect from the date of the Company's admission to the SGX-ST and had last been renewed for a further period of three years with effect from 1 January 2020. These service agreements provide for, *inter alia*, termination by either party upon giving not less than six months' notice in writing.

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

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

CORPORATE GOVERNANCE REPORT

PRINCIPLE 8: DISCLOSURE ON REMUNERATION

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The level and mix of remuneration of the Company's Directors (rounded off to the nearest thousand dollars) and key management personnel for FY2019 are as follows:

Name of the Directors		Salary S$'000	Bonus S$'000	Other Benefits S$'000	Director's Fees S$'000	Total S$'000
Tey How Keong	Executive	434	1,690	–	–	2,124
Goh Lee Beng	Executive	253	796	–	–	1,049
Chua Cheow Khoon Michael		–	–	–	66	66
Chin Koon Yew		–	–	–	54	54
Goi Seng Hui		–	–	–	42	42
Loo Wen Lieh		–	–	–	–	–
Name of Top 4 Key Management Personnel		**%**	**%**	**%**	**%**	**%**
S$250,001 to S$500,000						
Saw Poh Chin		54	43	3	–	100
Wong Wing Hong		63	29	8	–	100
S$250,000 and below		**%**	**% %**	**%**	**%**	**%**
Ong Kim Teck		51	35	14	–	100
Hong Peck Joo		75	22	3	–	100

The Company had 4 key management personnel for FY2019 (who are not also Directors or the CEO). The total remuneration for these 4 key management personnel amounted to S$942,000 during FY2019.

During FY2019, none of the employee(s) of the Group who were immediate family members of a Director, the CEO or a substantial shareholder of the Company had a remuneration exceeding S$100,000 during the year.

At the AGM of the Company held on 30 April 2014, the Company, having obtained shareholders' approval, implemented an employee share option scheme ("**ESOS**") as a compensation scheme to promote higher performance and goals as well as to give recognition to the contributions and services of the Group's employees. Under the ESOS, the Company may grant options over the Company's shares to full-time employees who satisfy the eligibility criteria. For further details of the ESOS, please refer to the Appendix to the Company's Annual Report dated 15 April 2014, which may also be found on SGXNET (http://www.sgx.com/securities/annual-reports-related-documents). No option has been granted under the ESOS since the ESOS was adopted.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

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

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

The Board with the assistance of the AC, has undertaken an annual assessment on the adequacy and effectiveness of the Group's risk management and internal control systems. The assessment considered issues dealt with in reports reviewed by the AC and the Board during the year together with any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls for the Group for FY2019.

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

The Board has obtained a written confirmation from:

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

(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Group's risk management and internal control systems.

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

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

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

CORPORATE GOVERNANCE REPORT

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

Mr Chin Koon Yew (Chairman)

Mr Tey How Keong

Mr Goi Seng Hui

Mr Wong Wing Hong

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

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

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

(c) in relation to risk assessment:

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

PRINCIPLE 10: AUDIT COMMITTEE

The Board has an Audit Committee ("AC") which discharges its duties objectively.

As at the date of this report, the AC comprises the following members, all of whom are non-executive and the majority of whom, including the chairman, are independent:

Mr Chua Cheow Khoon Michael (Chairman)

Mr Goi Seng Hui

Mr Chin Koon Yew

The members of the AC, collectively, have expertise or experience in financial management and are qualified to discharge the AC's responsibilities. The AC does not comprise former partners or directors of the Company's existing auditing firm within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm and for as long as they have any financial interest in the auditing firm.

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

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

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

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

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

(d) review the external auditors' reports and the assurance from the CEO and the CFO on the financial records and financial statements;

(e) review the cooperation given by the Company's officers to the external auditors and the internal auditors and the adequacy, effectiveness and independence of the external audit and the internal audit;

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

CORPORATE GOVERNANCE REPORT

(g) review and evaluate the administrative, operating and internal accounting and financial control procedures and the policy and arrangements for concerns about possible improprieties financial reporting or other matters to be raised safely, independently investigated and appropriately followed up on;

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

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

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

(k) review any potential conflicts of interest;

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

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

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

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

(p) reviewing the suitability of the Chief Financial Officer or equivalent.

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

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

The AC constantly bears in mind the need to maintain a balance between the independence and objectivity of the external auditors and the work carried out by the external auditors based on value for money consideration. The aggregate amount of fees paid to the external auditors of the Group during the financial year under review for the audit and non-audit services are disclosed in Note 25 to the financial statements in this Annual Report.

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

CORPORATE GOVERNANCE REPORT

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

The auditors of the Company's subsidiaries are disclosed in Note 10 to the financial statements in this Annual Report. BDO LLP, Singapore was appointed in FY2019 to audit the accounts of the Company and JB Foods Global Pte. Ltd.. BDO PLT, Malaysia was appointed in FY2019 to audit the accounts of JB Cocoa Sdn Bhd and JB Cocoa Trading (M) Sdn Bhd. KAP Tanubrata Sutanto Fahmi Bambang & Rekan, Indonesia, a member firm of BDO International Limited, was appointed in FY2019 to audit the accounts of PT Jebe Koko and PT Jebe Trading Indonesia. BDO China Shu Lun Pan CPA LLP was appointed in FY2019 to audit the accounts of JB Cocoa Foods (China) Co., Ltd.

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

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

There were no reported incidents pertaining to whistle-blowing which fell under the scope and purview of the whistle-blowing policy for FY2019.

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

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

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

CORPORATE GOVERNANCE REPORT

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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

Shareholder meetings are the principal forum for communication with shareholders. Annual Reports and notices of the AGMs or any other shareholder meetings (as the case may be) are sent to all shareholders at least 14 days before the scheduled date of such meeting. The members of the Board Committees will be present at AGMs to answer questions relating to the work of these Board Committees. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders. The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad-hoc basis.

Resolutions to be passed at general meetings are always separate and distinct on each substantially separate issue so that shareholders are better able to exercise their right to approve or deny the issue or motion, unless the issues are interdependent and linked so as to form one significant proposal. All shareholders are given the opportunity to voice their views and to direct their queries regarding the resolutions or the business affairs of the Group to the Directors, including the chairperson of each of the Board Committees. All Directors attended the AGM of the Company held during FY2019.

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

Votes at all shareholder meetings will be taken by poll so that shareholders are accorded rights proportionate to their shareholding and all votes are counted. The procedures of the poll will be explained by the appointed scrutineers at the general meeting prior to the taking of the poll.

The Company's Constitution also allows the Directors to approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow Members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

The Company will publish minutes of shareholder meetings on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses form the Board and key management personnel present at the meeting.

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

CORPORATE GOVERNANCE REPORT

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

The company communicates regularly with its shareholders and facilities the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

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

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

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

(c) other announcements on the SGXNET; and

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

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

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

The Company does not have an investor relations policy but maintains a website (https://www.jbcocoa.com) which allows the public to be aware of the Group's latest development and businesses. The shareholders can provide feedback to the Company via its electronic mail address or its registered office address. Calls and emails requesting information are generally attended to promptly, taking into consideration the fact that key management personnel may need to consult with the Board or any of the Company's relevant advisors before communicating or disseminating certain information.

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Such stakeholders include communities, customers, employees, regulators, shareholders and suppliers. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders.

Please refer to the Sustainability Report on pages 16 to 34 for more details on the Company's strategy and key areas of focus in relation to the management of stakeholder relationships during FY2019.

As mentioned above, the Company maintains a website (https://www.jbcocoa.com), which allows the stakeholders to communicate and engage with the Company.

CORPORATE GOVERNANCE REPORT

SUMMARY OF DISCLOSURES – CORPORATE GOVERNANCE

Rule 710 of the Listing Manual requires Singapore-listed companies to describe their corporate governance practices with specific reference to the Code of Corporate Governance issued on 6 August 2018 (the "Code") in their annual reports for the financial years commencing on or after 1 January 2019. This summary of disclosures describes our corporate governance practices with specific reference to the disclosure requirements in the principles and provisions of the Code.

CORPORATE GOVERNANCE REPORT

ADDITIONAL INFORMATION

Dealing in Securities

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, during FY2019, the Group issued quarterly reminders to its Directors, officers and employees on the restrictions in dealing in the Company's securities during the period commencing (i) two weeks prior to the announcement of financial results of each of the first three quarters of the financial year, and (ii) one month before the announcement of full year results, and ending on the date of such announcements. Following the cessation of quarterly reporting which took effect on 27 February 2020, the Group shall, going forward, issue half yearly reminders to its Directors, officers and employees on the restrictions in dealing in the Company's securities during the period commencing one month before the announcement of the half year and full year results.

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

Interested Person Transactions

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

During FY2019, the Group did not enter into any interested person transaction with a value of more than S$100,000. The Group had, however, during FY2019, entered into related person transactions with a related person which is not an "interested person" as defined under Chapter 9 of the Listing Manual of the SGX-ST. The aggregate value of recurrent related person transactions of a revenue or trading nature conducted during FY2019 were as follows:

Related Person	Aggregate value of all related person transactions entered into during the financial year under review (excluding transactions less than S$100,000)
	FY2019 USD'000
Guan Chong Cocoa Manufacturer Sdn Bhd	
– Purchase of cocoa ingredients	2,095
– Sales of cocoa ingredients	703
GCB Cocoa Singapore Pte Ltd	
– Purchase of cocoa ingredients	2,719

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

Material Contracts

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

DIRECTORS' STATEMENT

The Directors of JB Foods Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

1. OPINION OF THE DIRECTORS

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

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

2. DIRECTORS

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

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

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' STATEMENT

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

Name of directors and companies in which interests are held	Shareholdings registered in the name of director		Shareholdings in which director is deemed to have an interest	
	Balance at 1 January 2019	Balance at 31 December 2019	Balance at 1 January 2019	Balance at 31 December 2019
Immediate and ultimate holding company				
(Number of ordinary shares)				
Tey How Keong	270,000	270,000	–	–
Goh Lee Beng	105,000	105,000	–	–
Company				
(Number of ordinary shares)				
Tey How Keong	1,128,100	1,981,767	138,030,000	138,030,000
Goh Lee Beng	3,418,666	4,408,166	138,030,000	138,030,000
Goi Seng Hui	259,200	259,200	72,498,266	72,498,266
Chin Koon Yew	632,000	632,000	–	–

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

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2020 in the shares of the Company have not changed from those disclosed as at 31 December 2019.

5. SHARE OPTIONS

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

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

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

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' STATEMENT

7. INDEPENDENT AUDITOR

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

On behalf of the Board of Directors

Tey How Keong Director	Goh Lee Beng Director

30 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JB FOODS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JB Foods Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 66 to 129, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JB FOODS LIMITED

1 Valuation of inventories

Key Audit Matter

As at 31 December 2019, the inventories of the Group amounted to approximately US$181.1 million, which represents 50% of the total assets of the Group, and is one of the most significant balances on the consolidated statement of financial position.

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

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

Related Disclosures

Refer to Notes 2.8, 3.2(ii) and 11 of the accompanying financial statements.

Audit Response

Our procedures included, amongst others, the following:

- Assessed the inventories costing formula and checked the computation of the cost of cocoa ingredient products for a sample of items which included checking the cocoa beans purchase prices to suppliers' invoices, cocoa ingredient products selling price to forward market rates and testing the application of the inventories costing formula;

- Assessed the net realisable values of the inventories by comparing the cost of cocoa beans and cocoa ingredient products, on a sample basis, to actual selling prices or contract prices for sales contracts secured and spot prices of cocoa beans and cocoa ingredient products subsequent to the year end; and

- Tested the inventory aging reports which management used as a basis to identify slow-moving inventories.

The results of our testing were satisfactory.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JB FOODS LIMITED

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JB FOODS LIMITED

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JB FOODS LIMITED

Report on Other Legal and Regulatory Requirements

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

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

BDO LLP
Public Accountants and
Chartered Accountants

Singapore

30 March 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 31 December 2019 US$'000	Group 31 December 2018 US$'000	Company 31 December 2019 US$'000	Company 31 December 2018 US$'000
Non-current assets					
Intangible assets	4	**225**	321	**–**	–
Investment properties	5	**12,539**	4,072	**–**	–
Land use rights	6	**–**	1,260	**–**	–
Property, plant and equipment	7	**80,493**	68,075	**–**	–
Prepaid lease payments	8	**–**	1,468	**–**	–
Right-of-use assets	9	**2,533**	–	**–**	–
Investments in subsidiaries	10	**–**	–	**103,408**	103,385
Deferred tax assets	20	**128**	160	**–**	–
		95,918	75,356	**103,408**	103,385
Current assets					
Inventories	11	**181,100**	112,837	**–**	–
Trade and other receivables	12	**65,437**	45,099	**7,588**	7,797
Prepayments		**653**	723	**7**	8
Derivative financial instruments	15	**3,781**	855	**–**	–
Current income tax recoverable		**1,116**	–	**–**	–
Cash and cash equivalents	13	**16,594**	13,416	**9**	62
		268,681	172,930	**7,604**	7,867
Current liabilities					
Trade and other payables	14	**38,582**	36,309	**82**	101
Lease liabilities	17	**30**	–	**–**	–
Derivative financial instruments	15	**2,772**	543	**–**	–
Bank borrowings	16	**170,005**	80,276	**–**	–
Current income tax payable		**1,929**	3,655	**2**	16
		213,318	120,783	**84**	117
Net current assets		**55,363**	52,147	**7,520**	7,750
Non-current liabilities					
Bank borrowings	16	**3,523**	85	**–**	–
Deferred capital grant	18	**470**	487	**–**	–
Provision for post-employment benefits	19	**455**	275	**–**	–
Deferred tax liabilities	20	**5,419**	4,579	**–**	–
		9,867	5,426	**–**	–
Net assets		**141,414**	122,077	**110,928**	111,135
Capital and reserves					
Share capital	21	**113,963**	113,963	**113,963**	113,963
Other reserves	22	**(33,056)**	(32,947)	**(8,458)**	(8,458)
Retained earnings	22	**60,497**	41,051	**5,423**	5,630
Equity attributable to owners of the parent		**141,404**	122,067	**110,928**	111,135
Non-controlling interests		**10**	10	**–**	**–**
Total equity		**141,414**	122,077	**110,928**	111,135

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 US$'000	2018 US$'000
Revenue	23	**352,494**	327,114
Cost of sales		**(300,622)**	(277,673)
Gross profit		**51,872**	49,441
Other items of income			
Interest income		**89**	110
Other gains, net		**1,418**	1,332
Other items of expense			
Selling and distribution expenses		**(6,609)**	(5,603)
Administrative expenses		**(9,925)**	(8,540)
Finance costs	24	**(5,152)**	(2,652)
Profit before income tax	25	**31,693**	34,088
Income tax expense	26	**(5,470)**	(7,303)
Profit for the financial year		**26,223**	26,785
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences, net of tax		**(136)**	(698)
Item that will not be reclassified subsequently to profit or loss:			
Re-measurement of post-employment benefits, net of tax	19	**(47)**	59
Other comprehensive income for the financial year, net of tax		**(183)**	(639)
Total comprehensive income for the financial year		**26,040**	26,146
Profit attributable to:			
Owners of the parent		**26,223**	26,785
Non-controlling interests		**–**	–
		26,223	26,785
Total comprehensive income attributable to:			
Owners of the parent		**26,040**	26,146
Non-controlling interests		**–**	–
		26,040	26,146
Earnings per share			
– Basic and diluted (US$ cents)	27	**8.6**	9.1

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

GROUP	Note	Share capital USD'000	Merger reserve USD'000	Statutory reserve USD'000	Foreign currency translation reserve USD'000	Retained earnings USD'000	Equity attributable to the owners of the parent USD'000	Non-controlling interest USD'000	Total equity USD'000
Balance as at 1 January 2019		113,963	(25,472)	27	(7,502)	41,051	122,067	10	122,077
Profit for the financial period		-	-	-	-	26,223	26,223	-	26,223
Other comprehensive income for the financial period									
Re-measurement of post-employment benefits, net of tax		-	-	-	-	(47)	(47)	-	(47)
Foreign currency translation differences, net of tax		-	-	-	(136)	-	(136)	-	(136)
Total comprehensive income for the financial period		-	-	-	(136)	26,176	26,040	-	26,040
Contribution by and distribution to owners									
Dividends on ordinary shares	28	-	-	-	-	(6,703)	(6,703)	-	(6,703)
Others									
Transfer to statutory reserve	22	-	-	27	-	(27)	-	-	-
Balance as at 31 December 2019		113,963	(25,472)	54	(7,638)	60,497	141,404	10	141,414

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

GROUP	Note	Share capital USD'000	Merger reserve USD'000	Statutory reserve USD'000	Foreign currency translation reserve USD'000	Retained earnings USD'000	Equity attributable to the owners of the parent USD'000	Non-controlling interest USD'000	Total equity USD'000
Balance as at 1 January 2018 as previously		99,641	(25,472)	–	(6,804)	16,749	84,114	10	84,124
Effect of transition to SFRS(I) 9		–	–	–	–	(290)	(290)	–	(290)
Balance as at 1 January 2018 as restated		99,641	(25,472)	–	(6,804)	16,459	83,824	10	83,834
Profit for the financial period		–	–	–	–	26,785	26,785	–	26,785
Other comprehensive income for the financial period									
Re-measurement of post-employment benefits, net of tax		–	–	–	–	59	59	–	59
Foreign currency translation differences, net of tax		–	–	–	(698)	–	(698)	–	(698)
Total comprehensive income for the financial period		–	–	–	(698)	26,844	26,146	–	26,146
Contribution by and distribution to owners									
Issuance of ordinary shares	21	14,436	–	–	–	–	14,436	–	14,436
Share issuance expenses	21	(114)	–	–	–	–	(114)	–	(114)
Dividends on ordinary shares	28	–	–	–	–	(2,225)	(2,225)	–	(2,225)
Total transactions with owners of the parent		14,322	–	–	–	(2,225)	12,097	–	12,097
Others									
Transfer to statutory reserve	22	–	–	27	–	(27)	–	–	–
Balance as at 31 December 2018		113,963	(25,472)	27	(7,502)	41,051	122,067	10	122,077

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 US$'000	2018 US$'000
Operating activities		
Profit before income tax	**31,693**	34,088
Adjustments for:		
Amortisation of intangible assets	**143**	153
Amortisation of land use rights	**–**	28
Amortisation of prepaid lease payments	**–**	214
Amortisation of right-of-use assets	**285**	–
Amortisation of deferred capital grant	**(10)**	(10)
Depreciation of investment properties	**151**	60
Depreciation of property, plant and equipment	**5,619**	4,448
Fair value gain on derivative financial instruments	**(697)**	(694)
Reversal of loss allowance on trade receivables	**(86)**	(346)
Bad debt written off	**15**	10
Interest expense	**5,152**	2,652
Interest income	**(89)**	(110)
Reversal of write down to net realisable value of inventory	**(148)**	(11)
Loss/(Gain) on disposal of property, plant and equipment	**206**	(4)
Gain on disposal of intangible assets	**(50)**	–
Provision for post-employment benefits	**102**	75
Operating cash flows before working capital changes	**42,286**	40,553
Inventories	**(68,115)**	(29,610)
Trade and other receivables	**(20,782)**	(10,282)
Prepayments	**70**	(132)
Trade and other payables	**2,273**	8,117
Cash from operations	**(44,268)**	8,646
Income tax paid	**(6,833)**	(1,179)
Net cash (used in)/from operating activities	**(51,101)**	7,467
Investing activities		
Proceeds from disposal of property, plant and equipment	**16**	158
Proceeds from disposal of intangible assets	**50**	8
Purchase of intangible assets	**(47)**	(31)
Purchase of property, plant and equipment	**(18,318)**	(17,301)
Prepayment of lease	**(36)**	–
Additions to investment properties	**(8,618)**	(129)
Interest received	**89**	110
Net cash used in investing activities	**(26,864)**	(17,185)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 US$'000	2018 US$'000
Financing activities		
Proceeds from issuance of ordinary shares	**–**	14,436
Share issuance expenses	**–**	(114)
Drawdown of borrowings (Note A)	**417,318**	235,332
Repayments of borrowings (Note A)	**(324,134)**	(233,432)
Repayment of obligations under leases (Note A)	**(41)**	–
Dividend paid to owners of the parent	**(6,703)**	(5,630)
Interest paid	**(5,152)**	(2,652)
Net cash from financing activities	**81,288**	7,940
Net change in cash and cash equivalents	**3,323**	(1,778)
Cash and cash equivalents at beginning of financial year	**13,416**	15,641
Effect of exchange rate changes on cash and cash equivalents	**(145)**	(447)
Cash and cash equivalents at end of financial year (Note 13)	**16,594**	13,416

Note A: Reconciliation of liabilities arising from financing activities:

			Non-cash changes		
	1 January 2019 US$'000	Cash flows US$'000	Interest expense US$'000	Currency realignment US$'000	2019 US$'000
Bank borrowings	80,361	93,184	–	(17)	173,528
Lease liabilities	70	(41)	1	–	30

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

1. GENERAL

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

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

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

The principal activities of the subsidiaries are set out in Note 10 to the financial statements.

The statement of financial position of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2019 were authorised for issue in accordance with a Directors' resolution dated 30 March 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

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

Changes in accounting policies

New standards, amendments and interpretation effective from 1 January 2019

The standards, amendments to standards, and interpretations, issued by Accounting Standard Council Singapore ("ASC") that will apply for the first time by the Group are not expected to impact the Group as they are either not relevant to the Group's business activities or require accounting which is consistent with the Group's current accounting policies, except as detailed below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

Changes in accounting policies (Continued)

New standards, amendments and interpretation effective from 1 January 2019 (Continued)

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 Leases and SFRS(I) INT 4 *Determining whether an Arrangement Contains a Lease*. SFRS(I) 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the consolidated statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the right-of-use assets will be amortised and the lease liabilities will be measured at amortised cost. From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16.

The Group applied SFRS(I) 16 retrospectively with the cumulative effect of initially applying this standard as an adjustment to the opening retained earnings as at 1 January 2019 (the "date of initial application"). The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed. The definition of lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- Leases with a remaining term of twelve months from the date of initial application have been accounted for as short-term leases (i.e. not recognised on statement of financial position) even though the initial term of the leases from lease commencement date may have been more than twelve months;

As a lessee, the Group previously classified leases as finance or operating lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most leases. For those low-value assets based on the value of the underlying asset when new and leases with a lease term of 12 months or less, the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

On adoption of SFRS(I) 16, the Group recognised right-of-use assets and lease liabilities in relation to rental of hostel and office which had previously been classified as operating leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

Changes in accounting policies (Continued)

New standards, amendments and interpretation effective from 1 January 2019 (Continued)

SFRS(I) 16 *Leases* (Continued)

Lease liabilities from operating leases under the principles of SFRS(I) 1-17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 5%.

The effect of adopting SFRS(I) 16 as at 1 January 2019 was as follows:

	Group Increase/ (decrease) U$'000
Assets	
Land use rights	(1,260)
Prepaid lease payments	(1,468)
Right-of-use assets	2,798
Liabilities	
Lease liabilities	70

The aggregate lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 and the Group's operating lease commitment as at 31 December 2018 can be reconciled as follows:

	U$'000
Operating lease commitment as at 31 December 2018 (Note 30.2)	95
Less: Effect of short-term and low value leases	(23)
	72
Effect of discounting using the incremental borrowing rate as at date of initial application	(2)
Lease liability as at 1 January 2019	70

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

SFRS(I) issued but not yet effective

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

			Effective date (annual periods beginning on or after)
Various	:	Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
SFRS(I) 3 (Amendments)	:	Definition of a Business	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8 (Amendments)	:	Definition of Material	1 January 2020

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

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

2.2 BASIS OF CONSOLIDATION

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 BASIS OF CONSOLIDATION (CONTINUED)

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

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

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

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

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

Acquisition of entities under common control

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

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect the fair values, or recognise any new assets or liabilities.
- No goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within equity as merger reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 BASIS OF CONSOLIDATION (CONTINUED)

Acquisition of entities under common control (Continued)

- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

- Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

2.3 INTANGIBLE ASSETS

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

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

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

Computer software licenses

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

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

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

Software under development

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 INVESTMENT PROPERTIES

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

Freehold land is not depreciated. Depreciation is charged on other items of investment property, using the straight-line method, so as to write off the cost over its estimated useful life range from 30 to 50 years.

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

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

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

2.5 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Factory buildings	
– factory buildings	2% – 5%
– renovation and safety	10%
Plant and machinery, tools and equipment	
– plant and equipment	5%
– crane and laboratory	8%
– factory equipment	10%
– pallet	20%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Office equipment, furniture and fittings	
– furniture and fittings, office equipment, telecommunication and data line	10%
– computers and signboard	20%
Motor vehicles	
– forklift	8%
– motor vehicles	12.5% – 20%

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

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

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

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

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

2.6 PREPAID LEASE PAYMENTS

Prepaid operating lease payments represent the lump sum payment for the sub-lease of land. The amount is charged to profit or loss using the straight line basis over their respective lease periods. As at 1 January 2019, the prepaid leases payments had been reclassified to Right-of-use assets due to the adoption of SFRS(I) 16.

2.7 LAND USE RIGHTS

Land use rights represent payments made to acquire land held under an operating lease. Land use rights are stated at costs less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the lease term of 50 years. As at 1 January 2019, the land use rights had been reclassified to Right-of-use assets due to the adoption of SFRS(I) 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 INVENTORIES

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

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

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

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 FINANCIAL INSTRUMENTS

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

Financial assets

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

Amortised cost

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (Continued)

Derivative financial instruments

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

Derecognition of financial assets

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

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

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

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities and equity instruments (Continued)

Financial liabilities

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

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

Other financial liabilities

Trade and other payables

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

Bank borrowings

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

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

Derecognition of financial liabilities

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

2.11 CASH AND CASH EQUIVALENTS

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 REVENUE RECOGNITION

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

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

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

Interest income

Interest income is recognised using the effective interest rate method.

Rental income

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

2.13 RESEARCH AND DEVELOPMENT EXPENDITURE

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 LEASES

As lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group presents the right-of-use assets (excluding those which meet the definition of investment property) and lease liabilities separately from other assets and other liabilities in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 LEASES (CONTINUED)

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset.

Accounting policy prior to 1 January 2019

Finance leases

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

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

Operating leases

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

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

2.15 EMPLOYEE BENEFITS

Defined contribution plans

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 EMPLOYEE BENEFITS (CONTINUED)

Defined benefit plans

Certain subsidiaries operates defined benefit plans, which are unfunded.

Defined benefit plans surpluses and deficits are measured at:

– The fair value of plan assets at the reporting date; less

– Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality government bonds that have maturity dates approximating to the term of the liabilities; plus

– Unrecognised past service costs; less

– The effect of minimum funding requirements agreed with scheme trustees.

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

– Actuarial gains and losses

– Return on plan assets (interest exclusive)

– Any asset ceiling effects (interest exclusive).

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

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

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

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

Employee leave entitlement

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 BORROWING COSTS

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

2.17 TAXES

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

Current income tax

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

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

Deferred tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 TAXES (CONTINUED)

Deferred tax (Continued)

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

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

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

Sales tax

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

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

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

2.18 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (CONTINUED)

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

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

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

2.19 FINANCIAL GUARANTEE CONTRACTS

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

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

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

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

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

2.20 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 DIVIDENDS

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

2.22 GOVERNMENT GRANTS

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

2.23 SEGMENT REPORTING

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

3.1 CRITICAL JUDGEMENTS MADE IN APPLYING THE ACCOUNTING POLICIES

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

3.2 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Changes in the expected level of usage and technological developments could affect the economic useful lives of these assets which could then consequentially impact future amortisation charges and depreciation. The carrying amounts of the Group's intangible assets and property, plant and equipment as at 31 December 2019 are disclosed in Note 4 and Note 7, respectively to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(ii) Inventories valuation

Inventory is valued at the lower of cost and net realisable value. Cost is determined primarily using the "weighted average" method. The cost of cocoa ingredient products is computed using a formula in which cocoa bean purchase prices and selling prices of cocoa ingredient products are the key determinants. Market price is generally the merchandise's selling price quoted from the market of similar items. The management estimates the net realisable value of inventories based on assessment of receipt of committed sales prices and provide for excess and obsolete inventories based on historical usage, estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of its products. However, factors beyond its control, such as demand levels and pricing competition, could change from period to period. In addition, as the global cocoa market continues to be challenging amidst volatility in prices of cocoa beans and cocoa ingredient products, such factors may require the Group to reduce the value of its inventories. The carrying amount of the Group's inventories as at 31 December 2019 is disclosed in Note 11 to the financial statements.

(iii) Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there are indications of impairment that the investments in subsidiaries are impaired. The management's assessment of indicator is based on the expected future cash flows for the subsidiaries. The Company's carrying amount of investments in subsidiaries as at 31 December 2019 is disclosed in Note 10 to the financial statements.

(iv) Income taxes

The Group recognises expected income tax issues based on their best estimates of the likely taxes due. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters differs from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions, in the financial year in which such determination is made. The carrying amount of the Group's current income tax recoverable as at 31 December 2019 was approximately US$1,116,000 (31 December 2018: US$ Nil). The carrying amount of the Group's current income tax payable as at 31 December 2019 was approximately US$1,929,000 (31 December 2018: US$3,655,000).

The carrying amount of the Group's deferred tax assets and deferred tax liabilities as at 31 December 2019 are disclosed in Note 20 to the financial statements.

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

Trade receivables

Management determines the expected loss arising from default for trade receivables, by categorising them based on its historical loss pattern, historical payment profile, geographical risk as well as credit risk profile of customer. The allowances of trade receivables as at 31 December 2019 are disclosed in Note 12 to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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

Amounts due from subsidiaries and related parties

Management determines whether there is significant increase in credit risk of these subsidiaries and related parties since initial recognition. Management considers various operating performance ratios as well as liquidity ratios of these subsidiaries and related parties. There is no significant increase in credit risk as at 31 December 2019. The carrying amounts of the Group's amount due from subsidiaries and related parties are disclosed in Note 12 to the financial statements.

4. INTANGIBLE ASSETS

	Computer software US$'000	Software under development US$'000	Others US$'000	Total US$'000
Group				
Cost				
Balance at 1 January 2019	**800**	**13**	**27**	**840**
Additions	**47**	**–**	**–**	**47**
Disposal	**(141)**	**–**	**–**	**(141)**
Balance at 31 December 2019	**706**	**13**	**27**	**746**
Accumulated amortisation				
Balance at 1 January 2019	**514**	**–**	**5**	**519**
Amortisation during the financial year	**138**	**–**	**5**	**143**
Disposal	**(141)**	**–**	**–**	**(141)**
Balance at 31 December 2019	**511**	**–**	**10**	**521**
Carrying amount				
Balance at 31 December 2019	**195**	**13**	**17**	**225**
Cost				
Balance at 1 January 2018	794	18	8	820
Additions	9	3	19	31
Disposal	–	(8)	–	(8)
Written off	(3)	–	–	(3)
Balance at 31 December 2018	800	13	27	840
Accumulated amortisation				
Balance at 1 January 2018	368	–	1	369
Amortisation during the financial year	149	–	4	153
Written off	(3)	–	–	(3)
Balance at 31 December 2018	514	–	5	519
Carrying amount				
Balance at 31 December 2018	286	13	22	321

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. INVESTMENT PROPERTIES

	Freehold land US$'000	Building US$'000	Capital work in progress US$'000	Leasehold Building US$'000	Total US$'000
Group					
Cost					
Balance at 1 January 2019	**1,205**	**2,973**	**147**	**–**	**4,325**
Additions	**746**	**2,061**	**91**	**5,720**	**8,618**
Balance at 31 December 2019	**1,951**	**5,034**	**238**	**5,720**	**12,943**
Accumulated depreciation					
Balance at 1 January 2019	**–**	**253**	**–**	**–**	**253**
Depreciation during the financial year	**–**	**122**	**–**	**29**	**151**
Balance at 31 December 2019	**–**	**375**	**–**	**29**	**404**
Carrying amount					
Balance at 31 December 2019	**1,951**	**4,659**	**238**	**5,691**	**12,539**
Cost					
Balance at 1 January 2018	1,205	2,973	18	–	4,196
Additions	–	–	129	–	129
Balance at 31 December 2018	1,205	2,973	147	–	4,325
Accumulated depreciation					
Balance at 1 January 2018	–	193	–	–	193
Depreciation during the financial year	–	60	–	–	60
Balance at 31 December 2018	–	253	–	–	253
Carrying amount					
Balance at 31 December 2018	1,205	2,720	147	–	4,072

The rental income from the investment property of the Group which are leased out under operating leases, amounted to US$579,000 (2018: US$408,000). Direct operating expenses (including repair and maintenance) arising from the rental generating investment property amounted US$185,000 (2018: US$170,000).

As at 31 December 2019, the fair value for the investment properties located in Estonia and Malaysia were approximately US$8,500,000. The fair value for these properties were determined based on valuations performed by the external independent valuers on these properties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. INVESTMENT PROPERTY (CONTINUED)

As at 31 December 2019, the fair value of the investment property located in United States of America was approximately US$6,800,000 (2018: US$6,800,000). The fair value was determined based on management's estimation by using the direct sales comparison approach by making reference to market evidence of transacted prices per square feet for comparable properties, adjusted for key attributes such as size, tenure, location, condition and prevailing market conditions. In estimating the fair value of the investment property, the highest and best use of the property is their current use. Management considers that the fair value of the investment property is sensitive to these unobservable adjustments to the price per square feet.

6. LAND USE RIGHTS

	31 December	
	2019	**2018**
	US$'000	**US$'000**
Group		
Cost		
Balance at 1 January	**1,321**	1,396
Adoption of SFRS(I) 16	**(1,321)**	–
At 1 January 2019	**–**	–
Currency realignment	**–**	(75)
Balance at end of the financial year	**–**	1,321
Accumulated amortisation		
Balance at 1 January	**61**	35
Adoption of SFRS(I) 16	**(61)**	–
At 1 January 2019	**–**	35
Amortisation during the financial year	**–**	28
Currency realignment	**–**	(2)
Balance at end of the financial year	**–**	61
Carrying amount		
Balance at the end of the financial year	**–**	1,260

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

As at 1 January 2019, the land use rights had been reclassified to Right-of-use assets due to the adoption of SFRS(I) 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. PROPERTY, PLANT AND EQUIPMENT

	Freehold land US$'000	Factory buildings US$'000	Plant and machinery, tools and equipment US$'000	Office equipment, furniture and fittings US$'000	Motor vehicles US$'000	Capital work-in-progress US$'000	Total US$'000
Group							
Cost							
Balance at 1 January 2019	**1,851**	**26,720**	**63,794**	**1,303**	**1,163**	**9,293**	**104,124**
Additions	**–**	**4,573**	**9,653**	**307**	**94**	**3,691**	**18,318**
Disposals	**–**	**–**	**(290)**	**(3)**	**(36)**	**–**	**(329)**
Written off	**–**	**–**	**(88)**	**–**	**(100)**	**–**	**(188)**
Reclassification	**–**	**1,941**	**6,508**	**–**	**86**	**(8,535)**	**–**
Currency realignment	**–**	**(55)**	**(2)**	**–**	**–**	**(2)**	**(59)**
Balance at 31 December 2019	**1,851**	**33,179**	**79,575**	**1,607**	**1,207**	**4,447**	**121,866**
Accumulated depreciation							
Balance at 1 January 2019	**–**	**8,344**	**26,115**	**913**	**677**	**–**	**36,049**
Depreciation for the financial year	**–**	**1,197**	**4,143**	**156**	**123**	**–**	**5,619**
Disposals	**–**	**(1)**	**(97)**	**(2)**	**(30)**	**–**	**(130)**
Written off	**–**	**–**	**(65)**	**–**	**(100)**	**–**	**(165)**
Balance at 31 December 2019	**–**	**9,540**	**30,096**	**1,067**	**670**	**–**	**41,373**
Carrying amount							
Balance at 31 December 2019	**1,851**	**23,639**	**49,479**	**540**	**537**	**4,447**	**80,493**
Cost							
Balance at 1 January 2018	1,851	21,468	56,949	1,147	1,146	4,677	87,238
Additions	–	556	5,631	168	36	10,910	17,301
Disposals	–	–	(147)	(14)	(19)	–	(180)
Reclassification	–	4,882	1,366	2	–	(6,250)	–
Currency realignment	–	(186)	(5)	–	–	(44)	(235)
Balance at 31 December 2018	1,851	26,720	63,794	1,303	1,163	9,293	104,124
Accumulated depreciation							
Balance at 1 January 2018	–	7,434	22,820	789	584	–	31,627
Depreciation for the financial year	–	910	3,295	132	111	–	4,448
Disposals	–	–	–	(8)	(18)	–	(26)
Balance at 31 December 2018	–	8,344	26,115	913	677	–	36,049
Carrying amount							
Balance at 31 December 2018	1,851	18,376	37,679	390	486	9,293	68,075

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. PREPAID LEASE PAYMENTS

	Group 31 December	
	2019 US$'000	**2018 US$'000**
Balance at beginning of financial year	**1,468**	1,682
Adoption of SFRS(I) 16	**(1,468)**	–
At 1 January 2019	**–**	1,682
Amortisation during the financial year	**–**	(214)
Balance at end of financial year	**–**	1,468

The above payments represent the prepayment for the sub-leases of land from Port of Tanjung Pelepas, Malaysia and Surabaya, Indonesia which their respective lease periods of 10 to 24 years.

As at 1 January 2019, the prepaid leases payments had been reclassified to Right-of-use assets due to the adoption of SFRS(I) 16.

9. RIGHT-OF-USE ASSETS

	Land use rights US$'000	Leasehold lands US$'000	Hostel and offices US$'000	Total US$'000
Group				
Cost				
Balance at 1 January 2019				
– Reclassified from land use rights (Note 6)	1,260	–	–	1,260
– Reclassified from prepaid lease payments (Note 8)	–	1,468	–	1,468
Adoption of SFRS(I) 16 (Note 2.1)	–	–	70	70
	1,260	1,468	70	2,798
Additions	–	36	–	36
Amortisation charge	(26)	(219)	(40)	(285)
Currency realignment	(16)	–	–	(16)
At 31 December 2019	1,218	1,285	30	2,533

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

The leasehold lands represent the sub-leases of land at Port of Tanjung Pelepas, Malaysia and Surabaya, Indonesia which their respective lease periods range from 10 to 24 years.

The hostel and office are amortised over the lease periods range from 1 to 2 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. INVESTMENTS IN SUBSIDIARIES

	Company 31 December 2019 US$'000	Company 31 December 2018 US$'000
Unquoted equity shares, at cost	**66,408**	66,385
Loan deemed as investment in a subsidiary	**37,000**	37,000
	103,408	103,385

LOAN DEEMED AS INVESTMENT IN A SUBSIDIARY

As at 31 December 2019 and 2018, loan deemed as investment in a subsidiary comprised of non-trade receivables due from a subsidiary and accounted for as part of the net investment in subsidiary. The amount due from a subsidiary is not expected to be repaid within the next 12 months. Management monitors and assessed at each reporting date on any indicator of significant increase in credit risk on the loan deemed as investment in a subsidiary, by considering their performance ratios and at default in external debts. Management had concluded that there is no significant increase in credit risk at 31 December 2019.

The details of the subsidiaries are as follows:

Name of company (Country of incorporation and principal place of business)	Principal activities	Effective equity interest 31 December 2019 %	Effective equity interest 31 December 2018 %
Held by the Company			
JB Cocoa Sdn Bhd[1] (Malaysia)	Production and sale of cocoa ingredients products	**100**	100
JB Foods Global Pte. Ltd.[2] (Singapore)	Procurement, sales and marketing of cocoa beans, cocoa ingredients and related products	**100**	100
JB Cocoa AG (formerly known as JB Cocoa SA)[3] (Switzerland)	Trading of cocoa ingredients products	**100**	80
JBC Europe OU[3] (The Republic of Estonia)	Manufacturing of cocoa, chocolate and sugar	**100**	100
Held by JB Cocoa Sdn Bhd			
JB Cocoa Trading (M) Sdn. Bhd. (formerly known as Allegis NPD Sdn Bhd[1] (Malaysia)	Dormant	**100**	100
Held by JB Foods Global Pte. Ltd			
JB Cocoa Holding Inc[3] (United States of America)	Investment holding company	**100**	100
JB Cocoa Foods (China) Co., Ltd[5] (People's Republic of China)	Production and sale of cocoa ingredient products	**100**	100
PT Jebe Trading Indonesia[4] (Indonesia)	Trading of cocoa ingredient products	**99.94**	99.94
Held by PT Jebe Trading Indonesia			
PT Jebe Koko[4] (Indonesia)	Production and sale of cocoa ingredients products	**99.92**	99.92

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (CONTINUED)

Name of company (Country of incorporation and principal place of business)	Principal activities	Effective equity interest 31 December 2019 %	2018 %
Held by JB Cocoa Holding Inc			
JB Cocoa, Inc.[(3)] (United States of America)	Trading of cocoa ingredient products	**100**	100
JB Cocoa EBNJ LLC[(3)] (United States of America)	Property leasing	**100**	100
Held by JB Cocoa AG (formerly known as JB Cocoa SA)			
JB Cocoa CI	Procurement of raw materials	**100**	–

(1) Audited by BDO PLT, Malaysia

(2) Audited by BDO LLP, Singapore

(3) Exempted from statutory audit

(4) Audited by KAP Tanubrata Sutanto Fahmi Bambang & Rekan, Indonesia, a member firm of BDO International Limited

(5) Audited by BDO China Shu Lun Pan CPA LLP

Incorporation of new subsidiaries

In April 2019, JB Cocoa CI, a wholly-owned subsidiary of JB Cocoa AG (formerly known as JB Cocoa SA) was incorporated with a registered share capital of Francs CFA 66,500,000 (Equivalent to US$114,000).

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

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

Acquisition of additional interest in a subsidiary

In September 2019, JB Foods Limited has acquired 20% equity interest in JB Cocoa AG (formerly known as JB Cocoa SA) with a consideration of Euro 20,000 (equivalent to US$22,267), which is now wholly owned by the Group.

Significant restrictions

Cash and bank balances of US$1,248,000 (2018: US$1,060,000) held in the People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. INVENTORIES

	Group 31 December	
	2019 US$'000	2018 US$'000
Raw materials	**97,266**	83,335
Work-in-progress	**6,367**	4,559
Finished goods	**73,374**	22,053
Stores and supplies	**4,093**	2,890
	181,100	112,837

The cost of inventories recognised as expenses and included in "cost of sales" line item amounted to US$288,724,000 (2018: US$256,115,000). The cost of sales includes inventories written back of US$148,000 (2018: inventories written down of US$11,000) pursuant to a review of the net realisable value of the inventories during the financial year.

12. TRADE AND OTHER RECEIVABLES

	Group 31 December		Company 31 December	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Current				
Trade receivables				
– Third parties	**53,900**	32,605	**–**	–
– Loss allowance for trade receivables	**(91)**	(177)	**–**	–
	53,809	32,428	**–**	–
– Related parties	**703**	99	**–**	–
	54,512	32,527	**–**	–
Other receivables				
– Third parties	**1,947**	1,958	**–**	117
– Subsidiaries	**–**	–	**3,088**	135
– Dividend receivables due from subsidiaries	**–**	–	**4,500**	7,545
	1,947	1,958	**7,588**	7,797
Advances to third party suppliers	**6,427**	7,480	**–**	–
Deposits	**2,551**	3,134	**–**	–
Total trade and other receivables	**65,437**	45,099	**7,588**	7,797
Add:				
– Cash and cash equivalents (Note 13)	**16,594**	13,416	**9**	62
Less: Advances to third party suppliers	**(6,427)**	(7,480)	**–**	–
Financial assets at amortised costs	**75,604**	51,035	**7,597**	7,859

Trade receivables are non-interest bearing, unsecured and the normal trade term ranges from cash against documents to 120 (2018: cash against documents to 120) days from the date of the invoices. Other credit terms are assessed and approved on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

The amount due from a subsidiary which is unsecured, bear interest of 4% (2018: nil) per annum and repayable on demand.

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

	Group	
	2019	**2018**
	US$'000	**US$'000**
At 1 January under FRS 39	**177**	233
Application of SFRS(I) 9	**–**	290
At 1 January under SFRS(I) 9	**177**	523
Reversal of loss allowance	**(86)**	(346)
At 31 December	**91**	177

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	31 December		31 December	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
United States dollar	**18,562**	20,047	**4,679**	7,680
Pound sterling	**26,408**	6,542	**–**	–
Malaysian ringgit	**9,503**	9,587	**–**	–
Euro	**368**	3,354	**2,909**	–
Others	**10,596**	5,569	**–**	117
	65,437	45,099	**7,588**	7,797

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	31 December		31 December	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Cash and bank balances	**15,821**	12,642	**9**	62
Short-term deposits	**773**	774	**–**	–
	16,594	13,416	**9**	62

The interest rate and tenure of the short-term deposits placed with licensed banks at the end of the reporting period range from 0.25% to 5.25% (2018: 0.25% to 5.25%) per annum and with maturity of 2 to 30 (2018: 1 to 30) days.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents are denominated in the following currencies:

	Group 31 December		Company 31 December	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
United States dollar	**12,412**	7,183	**5**	5
Pound sterling	**955**	3,024	**–**	–
Others	**3,227**	3,209	**4**	57
	16,594	13,416	**9**	62

14. TRADE AND OTHER PAYABLES

	Group 31 December		Company 31 December	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Trade payables				
– Third parties	**26,741**	27,413	**–**	–
– Related parties	**1,249**	143	**–**	–
	27,990	27,556	**–**	–
Other payables				
– Third parties	**2,810**	1,144	**4**	–
– Dividend payable (Note 28)	**–**	–	**–**	5
	2,810	1,144	**4**	5
Accrued expenses	**6,055**	5,674	**78**	96
Advances from customers	**207**	338	**–**	–
Provisions	**1,520**	1,597	**–**	–
Total trade and other payables	**38,582**	36,309	**82**	101
Add: Bank borrowings (Note 16)	**173,528**	80,361	**–**	–
Add: Lease liabilities (Note 17)	**30**	–	**–**	–
Less: Advances from customers	**(207)**	(338)	**–**	–
Less: Provisions	**(1,520)**	(1,597)	**–**	–
Total financial liabilities carried at amortised costs	**210,413**	114,735	**82**	101

Trade payables are non-interest bearing and the normal trade terms granted ranges from cash against documents to 90 (2018: cash against documents to 90) days from the date of the invoices.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. TRADE AND OTHER PAYABLES (CONTINUED)

Trade and other payables are denominated in the following currencies:

	Group		Company	
	31 December		31 December	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
United States dollar	**23,854**	15,631	**–**	–
Pound sterling	**6,357**	13,006	**–**	–
Singapore dollar	**335**	529	**82**	101
Malaysian ringgit	**2,535**	2,275	**–**	–
Others	**5,501**	4,868	**–**	–
	38,582	36,309	**82**	101

15. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	31 December	
	2019	2018
	US$'000	US$'000
Derivative assets		
Foreign currency forward contracts	**134**	276
Derivative cocoa bean contracts	**3,647**	579
	3,781	855
Derivative liabilities		
Foreign currency forward contracts	**214**	299
Derivative cocoa bean contracts	**2,558**	244
	2,772	543

Foreign currency forward contracts

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency forward contracts (Continued)

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

	Group 31 December 2019 US$'000	Group 31 December 2018 US$'000
Foreign currency forward contracts		
Contract amount		
Buy United States dollar/Sell Pound sterling	**19,177**	9,634
Buy Pound sterling/Sell United States dollar	**646**	24,624
Buy United States dollar/Sell Chinese Renminbi	**12,395**	9,602
Others	**464**	4,333

As at the end of the reporting period, the settlement dates for foreign currency forward contracts range from 1 to 36 months (2018: 1 to 7 months).

Derivative cocoa bean contracts

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

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

	Group 31 December 2019 US$'000	Group 31 December 2018 US$'000
Derivative cocoa bean contracts		
Contract amount		
Sales	**46,259**	553
Purchases	**33,581**	2,177

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

	Group 31 December 2019 US$'000	Group 31 December 2018 US$'000
United States dollar	**33,833**	596
Pound sterling	**46,007**	2,134
	79,840	2,730

As at the end of the reporting period, the settlement dates for derivative cocoa bean contracts range from 1 to 11 months (2018: 1 to 5 months).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16. BANK BORROWINGS

	Group 31 December 2019 US$'000	Group 31 December 2018 US$'000
Current		
Trade bills	**168,665**	80,276
Term loan	**1,340**	–
	170,005	80,276
Non-current		
Term loan	**3,523**	85
Total	**173,528**	80,361

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

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

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

	Group 31 December 2019 US$'000	Group 31 December 2018 US$'000
Banking facilities granted	**222,951**	199,823
Banking facilities utilised	**168,665**	80,276

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

	Group 31 December 2019 %	Group 31 December 2018 %
Trade bills	**1.52 – 4.31**	1.81 – 4.74
Term loan	**3.65 – 5.46**	5.46

The trade bills have maturity periods ranging from 36 to 181 (2018: 2 to 182) days from the contractual date. The interest rates are fixed with the financial institutions during the contractual period. The term loans have maturity dates between 2023 and 2024.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16. BANK BORROWINGS (CONTINUED)

Bank borrowings are denominated in the following currencies:

	Group 31 December	
	2019	**2018**
	US$'000	**US$'000**
United States dollar	**169,743**	59,420
Pound sterling	**343**	20,856
Others	**3,442**	85
	173,528	80,361

17. LEASE LIABILITIES

	Rental of hostels and office U$'000
Group	
At 1 January 2019	
– Adoption of SFRS(I) 16 (Note 2.1)	**70**
Interest expense (Note 24)	**1**
Lease payments	
– Principal portion	**(40)**
– Interest portion	**(1)**
At 31 December 2019	**30**

The maturity analysis of lease liabilities of the Group at each reporting date are as follows:

	Group 2019 US$'000
Contractual undiscounted cash flows	
– Not later than a year	**31**
Less: Future interest expense	**(1)**
Present value of lease liabilities	**30**
Presented in consolidated statement of financial position	
– Current	**30**

Certain equipments of the Group are qualified for low value assets and the Group also leases certain equipments on the short-term basis in order to support the production deadlines. The election of short-term leases is made by class of underlying assets with similar nature and use in the Group's operation whereas the low-value lease exemption is made on lease-by-lease basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. DEFERRED CAPITAL GRANT

	Group 31 December 2019 US$'000	Group 31 December 2018 US$'000
Cost		
Balance at the beginning of financial year	**510**	538
Currency realignment	**(7)**	(28)
Balance at the end of the financial year	**503**	510
Accumulated amortisation		
Balance at the beginning of the financial year	**(23)**	(13)
Grant taken to profit or loss to match amortisation	**(10)**	(10)
Balance at the end of the financial year	**(33)**	(23)
Carrying amount		
Balance at the end of the financial year	**470**	487

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

19. PROVISION FOR POST-EMPLOYMENT BENEFITS

The Group provides for post-employment benefits for its employees for certain subsidiaries in Indonesia in the form of severance pay and long service awards in accordance with the local labour law in Indonesia. The provision is based on the calculation performed by an independent actuary using the "Projected Unit Credit" method. The number of employees who are entitled to post-employment benefits is 158 (2018: 158) employees.

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

	Group 31 December 2019 US$'000	Group 31 December 2018 US$'000
Balance at beginning of financial year	**275**	298
Provision in the current period	**102**	75
Re-measurement of post-employment benefits recognised in other comprehensive income	**63**	(79)
Currency realignment	**15**	(19)
Balance at end of financial year	**455**	275

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19. PROVISION FOR POST-EMPLOYMENT BENEFITS (CONTINUED)

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

	Group 31 December	
	2019	**2018**
	US$'000	**US$'000**
Current service costs	**78**	57
Interest costs	**24**	18
	102	75

The principal actuarial assumptions used are as follows:

	Group 31 December	
	2019	**2018**
Discount rate	**8.00% per annum**	8.30% per annum
Annual salary growth rate	**8% per annum**	7% per annum
Mortality table	**TMI – 2011**	TMI – 2011
Disability rate	**5% x TMI-2011**	10% x TMI-2011
Retirement age	**55 years of age**	55 years of age

Sensitivity analysis

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

		Defined benefit obligation	
Actuarial assumption	**Reasonably possible change**	**Increase US$'000**	**Decrease US$'000**
31 December 2019			
Discount rate	**+/-1%**	**389**	**534**
Growth in future salaries	**+/-1%**	**536**	**386**
31 December 2018			
Discount rate	+/-1%	235	323
Growth in future salaries	+/-1%	326	232

The average duration of the post-employment benefits at the end of the financial year is 15 years (2018: 13 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. DEFERRED TAX ASSETS/LIABILITIES

	Group 31 December 2019 US$'000	2018 US$'000
Deferred tax assets		
Balance at beginning of financial year	**160**	137
(Charge)/Credit to profit or loss	**(32)**	31
Currency realignment	**–**	(8)
Balance at end of financial year	**128**	160
Deferred tax liabilities		
Balance at beginning of financial year	**4,579**	2,034
Charge to profit or loss	**856**	2,525
(Credit)/Charge to other comprehensive income	**(16)**	20
Balance at end of financial year	**5,419**	4,579

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

Deferred tax assets	Deferred capital grant US$'000
Group	
At 1 January 2019	**160**
Credit to profit or loss	**(32)**
At 31 December 2019	**128**
At 1 January 2018	137
Credit to profit or loss	31
Currency realignment	(8)
At 31 December 2018	160

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

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

Deferred tax liabilities	Tax losses US$'000	Accelerated tax depreciation US$'000	Capital allowances US$'000	Others US$'000	Total US$'000
Group					
At 1 January 2019	**–**	**4,604**	**–**	**(25)**	**4,579**
Charge/(Credit) to profit or loss	**–**	**918**	**–**	**(62)**	**856**
Credit to other comprehensive income	**–**	**–**	**–**	**(16)**	**(16)**
At 31 December 2019	**–**	**5,522**	**–**	**(103)**	**5,419**
At 1 January 2018	(1,376)	3,759	(317)	(32)	2,034
Charge/(Credit) to profit or loss	1,376	845	317	(13)	2,525
Charge to other comprehensive income	–	–	–	20	20
At 31 December 2018	–	4,604	–	(25)	4,579

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

21. SHARE CAPITAL

	Group and Company			
	31 December		31 December	
	2019	2018	2019	2018
	Number of ordinary shares		US$'000	US$'000
Issued and fully paid-up				
At beginning of the financial year	**303,199,966**	227,399,975	**113,963**	99,641
Issuance of ordinary shares	**–**	75,799,991	**–**	14,436
Share issue expenses	**–**	–	**–**	(114)
At end of the financial year	**303,199,966**	303,199,966	**113,963**	113,963

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22. OTHER RESERVES AND RETAINED EARNINGS

	Group 31 December		Company 31 December	
	2019	**2018**	**2019**	**2018**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Merger reserve	**25,472**	25,472	**–**	–
Statutory reserve	**(54)**	(27)	**–**	–
Exchange reserve	**6,956**	6,956	**8,458**	8,458
Foreign currency translation reserve	**682**	546	**–**	–
	33,056	32,947	**8,458**	8,458

22.1 MERGER RESERVE

Merger reserve represents:

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

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

22.2 STATUTORY RESERVE

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

22.3 EXCHANGE RESERVE

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

22.4 FOREIGN CURRENCY TRANSLATION RESERVE

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22. OTHER RESERVES AND RETAINED EARNINGS (CONTINUED)

22.4 FOREIGN CURRENCY TRANSLATION RESERVE (CONTINUED)

Movement in foreign currency translation reserve:

	Group 31 December	
	2019	**2018**
	US$'000	**US$'000**
Beginning of the financial year	**546**	(152)
Credited to other comprehensive income	**136**	698
Balance at end of financial year	**682**	546

22.5 RETAINED EARNINGS

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

	Company	
	2019	**2018**
	US$'000	**US$'000**
At 1 January	**5,630**	851
Total comprehensive income for the financial year	**6,496**	7,004
Dividends	**(6,703)**	(2,225)
At 31 December	**5,423**	5,630

23. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

24. FINANCE COSTS

	Group	
	2019	**2018**
	US$'000	**US$'000**
Interest expenses		
– Trade bills	**4,652**	2,212
– Term loan	**173**	–
– Supplier financing	**326**	440
– Lease liabilities (Note 17)	**1**	–
	5,152	2,652

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. PROFIT BEFORE INCOME TAX

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

	Group	
	2019	2018
	US$'000	US$'000
Cost of sales		
Amortisation of prepaid lease payment	**–**	214
Amortisation of right-of-use assets	**219**	–
Depreciation of property, plant and equipment	**5,270**	4,293
Reversal of write down to net realisable value of inventories	**(148)**	(11)
Fair value gain on derivative financial instruments, net	**(697)**	(405)
Realised gain on cocoa beans derivative contracts	**(234)**	(1,011)
Selling and distribution expenses		
Outward freight	**2,314**	1,437
Haulage trucking	**942**	648
Handling and documentation	**1,190**	1,117
Warehousing expenses	**676**	678
Administrative expenses		
Audit fees		
– Auditors of the Company	**49**	49
– Other auditors	**57**	57
Amortisation of intangible assets	**143**	153
Amortisation of land use rights	**–**	28
Amortisation of right-of-use assets	**66**	–
Depreciation of property, plant and equipment	**349**	155
Depreciation of investment properties	**151**	60
Short term leases (2018: Operating leases):		
– Rental of crane	**13**	9
– Rental of forklift	**123**	70
– Rental of hostel	**–**	40
– Rental of equipment	**4**	1
Professional fee	**515**	768
Upkeep of office	**662**	486
Bad debt written off	**15**	10
Other gains/(losses)		
(Loss)/Gain on disposal of property, plant and equipment	**(206)**	4
Gain on disposal of intangible assets	**50**	–
Rental income	**579**	408
Fair value gain on derivative financial instruments, net	**55**	289
Foreign exchange gain/(loss), net	**865**	(74)
Reversal of loss allowance of trade receivables	**86**	346

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. PROFIT BEFORE INCOME TAX (CONTINUED)

Profit before income tax also includes:

	Group	
	2019	**2018**
	US$'000	**US$'000**
Employee benefit expenses		
Salaries and other emoluments	**11,110**	9,942
Pension costs – defined contribution plan	**621**	622
Social security costs	**101**	85
Other staff related expenses	**211**	172
Defined employment benefits expenses	**102**	75
	12,145	10,896

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

	Group	
	2019	**2018**
	US$'000	**US$'000**
Cost of sales	**6,461**	6,315
Administrative expenses	**5,684**	4,581
	12,145	10,896

Included in employee benefit expenses were Directors' remuneration and compensation of key management personnel as shown in Note 29 to the financial statements.

26. INCOME TAX EXPENSE

	Group	
	2019	**2018**
	US$'000	**US$'000**
Current income tax		
– Current financial year	**4,142**	4,648
– Under provision in prior financial years	**462**	144
Withholding tax	**11**	17
	4,615	4,809
Deferred income tax		
– Current financial year	**1,001**	2,226
– (Over)/under provision in prior financial years	**(146)**	268
	855	2,494
	5,470	7,303

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. INCOME TAX EXPENSE (CONTINUED)

Reconciliation of effective income tax rate:

	Group	
	2019	2018
	US$'000	US$'000
Profit before income tax	**31,693**	34,088
Tax at the domestic rates applicable to profit in the countries where the Group operates	**6,985**	8,022
Tax concession	**(1,119)**	–
Effects of:		
– Income not subject to tax	**(36)**	(201)
– Singapore statutory stepped income exemption	**(16)**	142
– Expenses not deductible for income tax purposes	**539**	320
– Enhance tax allowances	**–**	(287)
Utilisation of reinvestment allowance	**(1,308)**	(734)
Utilisation of deferred tax benefits not previously recognised	**(18)**	(414)
Under provision of tax expense in prior financial years	**462**	144
(Over)/under provision of deferred tax expense in prior financial years	**(146)**	268
Withholding tax	**11**	17
Others	**116**	26
	5,470	7,303

The Group operates mainly in Singapore, Malaysia, Indonesia and United States of America, for which the corporate income tax rate applicable is 10% and 17% (2018: 17%), 24% (2018: 24%), 25% (2018: 25%) and 21% (2018: 21%) respectively.

During the current financial year, a subsidiary in Singapore was approved as an approved global trading company ("AGTC") by a Singapore government agency. As a result, with effect from 1 April 2019, the subsidiary enjoys a concessionary tax rate of 10% on qualifying transaction from trading of cocoa bean and cocoa ingredient products. The concession will expire on 31 December 2021.

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

	Group	
	2019	2018
	US$'000	US$'000
Unutilised tax losses	**–**	70

In the current financial year, tax losses of subsidiary in Indonesia brought forward from prior years of approximately US$70,000 for which no deferred tax asset was recognised, has been fully utilised as disclosed in the tax reconciliation above.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. EARNINGS PER SHARE

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

	Group	
	2019	**2018**
Profit for the financial year attributable to owners of the parent (US$'000)	**26,223**	26,785
Aggregate weighted number of ordinary shares applicable to basic and diluted profit per share ('000)	**303,200**	293,390
Basic and diluted earnings per share (US$ cents)	**8.6**	9.1

The calculation of the basic and diluted earnings per share for the relevant periods is based on the profit attributable to owners of the parent for the financial years ended 31 December 2019 and 2018 divided by the aggregate weighted number of shares in the relevant periods.

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

28. DIVIDENDS

	Group	
	2019 US$'000	**2018 US$'000**
Interim one-tier tax exempt dividend of S$0.01 (2018: S$0.01) per ordinary share in respect of financial year ended 31 December 2019 (2018: 31 December 2018)	**2,230**	2,225
Final tax exempt dividend of S$0.02 per ordinary share in respect of financial year ended 31 December 2018	**4,473**	–
	6,703	2,225

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

On 26 February 2019, the Company declared a final tax-exempt (one-tier) dividend S$0.02 per ordinary share amounting to S$6,063,999 (equivalent to US$4,473,000) be paid in respect of the financial year ended 31 December 2018. The dividend was paid out in the current financial year.

On 13 August 2019, the Company declared an interim one-tier tax exempt dividend of S$0.01 per ordinary share amounting to S$3,032,000 (equivalent to US$2,230,000) be paid in respect of the current financial year. The dividend was paid out in current financial year.

On 26 February 2020, the Board of Directors recommended a final tax-exempt (one-tier) dividend of 1.80 Singapore cents per ordinary share amounting to S$5,457,599 be paid in respect of the current financial year. The final tax-exempt (one-tier) dividend has not been recognised as a liability as at the end of the reporting period as it is subject to approval by shareholders at the forthcoming Annual General Meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Subsidiaries				
Advances to	**–**	–	**2,844**	15,892
Interest income	**–**	–	**103**	–
Dividend income	**–**	–	**6,750**	7,545
Related party*				
Sale of goods	**703**	212	**–**	–
Purchase of goods	**4,814**	3,027	**–**	–

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

As at 31 December, the outstanding balances in respect of the above transactions have been disclosed in Note 12 and Note 14 to the financial statements.

Compensation of key management personnel

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

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Directors				
Short-term employee benefits	**2,333**	1,757	**11**	11
Directors' fee	**119**	120	**119**	120
Pension costs – defined contribution plan	**–**	6	**–**	–
	2,452	1,883	**130**	131
Other key management personnel				
Short-term employee benefits	**700**	414	**–**	–
Pension costs – defined contribution plan	**28**	30	**–**	–
	728	444	**–**	–
	3,180	2,327	**130**	131

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. COMMITMENTS

30.1 CAPITAL COMMITMENTS

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

	Group	
	2019	**2018**
	US$'000	**US$'000**
Purchase of property, plant and equipment and intangible assets	**16,474**	5,307

30.2 OPERATING LEASE COMMITMENTS

Group as a lessee

As at 31 December 2019, the Group has approximately US$89,525 of aggregate undiscounted commitment for short-term leases.

As at 31 December 2018, commitments in respect of non-cancellable operating leases of motor vehicles, equipments and other operating facilities are as follows:

	Group
	2018
	US$'000
Not later than one year	74
Between one and five years	21
	95

Group as a lessor

The Group has entered into certain leases on one of its building. These non-cancellable leases have remaining lease terms of 36 months (2018: 48 months). As at the end of the financial year, future minimum rentals receivable under non-cancellable lease are as follows:

	Group	
	2019	**2018**
	US$'000	**US$'000**
Not later than one financial year	**1,021**	419
Later than one year but not later than five years	**1,418**	871
	2,439	1,290

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. SEGMENT INFORMATION

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

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

Income taxes are managed on a Group basis.

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

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

The Group operates in only one business segment which is production and sale of cocoa ingredients products and therefore no business segment information has been presented.

Analysis by geographical segments

	Malaysia US$'000	Singapore US$'000	United States of America US$'000	Indonesia US$'000	Others US$'000	Elimination US$'000	Consolidated US$'000
2019							
Revenue							
External revenue	154,821	131,927	35,262	8,617	21,867	–	352,494
Inter-segment revenue	164,575	373,398	–	115,530	3,510	(657,013)	–
	319,396	505,325	35,262	124,147	25,377	(657,013)	352,494
Results							
Segment results	22,081	17,295	175	4,554	539	(1,690)	42,954
Interest income							89
Finance costs							(5,152)
Depreciation and amortisation							(6,198)
Profit before income tax							31,693
Income tax expense							(5,470)
Profit after income tax							26,223
Capital expenditure							
Property, plant and equipment	17,537	34	19	571	157	–	18,318
Investment properties	5,720	–	91	–	2,807	–	8,618
Intangible assets	1	46	–	–	–	–	47
Segment assets	241,217	313,923	20,019	105,268	25,861	(341,689)	364,599
Segment liabilities	168,493	143,278	18,807	71,533	15,906	(194,832)	223,185

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. SEGMENT INFORMATION (CONTINUED)

Analysis by geographical segments (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. SEGMENT INFORMATION (CONTINUED)

Analysis by geographical segments (Continued)

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

	Group	
	2019	**2018**
	US$'000	**US$'000**
North and South America		
– United States of America	**83,479**	83,017
– Others	**17,414**	9,257
Asia		
– China	**33,363**	41,454
– Others	**101,873**	101,873
Europe		
– Russian Federation	**51,311**	20,198
– Others	**39,489**	43,913
Others	**25,565**	27,402
Total revenue	**352,494**	327,114

Major customers

Revenue from one (2018: two) customers of the Group's represents 10% (2018: 27%) of the total revenue.

Location of non-current assets

	Malaysia US$'000	Singapore US$'000	United States of America US$'000	Indonesia US$'000	Others US$'000	Consolidated US$'000
Group						
2019						
Non-current assets	**56,709**	**298**	**4,108**	**26,215**	**8,460**	**95,790**
2018						
Non-current assets	37,141	371	4,077	27,778	5,829	75,196

Non-current assets consist of intangible assets, property, plant and equipment, investment properties and right-of-use assets (2018: intangible assets, property, plant and equipment, investment properties, land use rights and prepaid lease payments).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

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

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

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

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

32.1 CREDIT RISK

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

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

The Group has no significant concentration of credit risk except for one (2018: three) third party trade receivables which accounts for approximately 22% (2018: 23%) of the total trade receivables as at 31 December 2019 and 2018. The Company has no significant concentration of credit risk except for amounts due from subsidiaries as at 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.1 CREDIT RISK (CONTINUED)

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

	Group 31 December 2019 US$'000	Group 31 December 2018 US$'000
Asia		
– China	**6,626**	7,104
– Malaysia	**5,730**	4,427
– Others	**6,486**	5,487
Europe		
– Russian Federation	**15,392**	2,837
– Others	**6,580**	4,661
North and South America		
– United States of America	**5,806**	3,197
– Others	**4,321**	1,751
Others	**3,571**	3,063
	54,512	32,527

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

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

The table below provides information about the exposure to conduct risk and expected credit loss from trade receivables of the Group as at 31 December 2019 and 2018.

	31 December 2019		
	Weighted average loss rate	**Gross receivable US$'000**	**Impairment US$'000**
Group			
Past due 1 to 30 days	**0%**	**9,498**	**–**
Past due 31 to 60 days	**0%**	**910**	**–**
Past due over 60 days	**10%**	**887**	**(91)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.1 CREDIT RISK (CONTINUED)

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

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

Non-trade amounts due from subsidiaries

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

Cash and cash equivalents

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Aa1 to Baa1, based on Moody's ratings. The Board of Directors monitors the credit ratings of counterparties regularly. Impairment on cash and cash equivalents has been measured on the 12-month expected loss model. At the reporting date, the Group and the Company did not expect any credit losses from non-performance by the counterparties.

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

	Company 31 December	
	2019 US$'000	2018 US$'000
Corporate guarantees provided to banking facilities of subsidiaries	**173,018**	80,276

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.1 CREDIT RISK (CONTINUED)

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

32.2 MARKET RISK

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

(i) Foreign exchange risk management

Currency risk arises from transactions denominated in currency other than the functional currency of the entities within the Group and the Company. The currencies that give rise to this risk are primarily Pound Sterling ("GBP") (2018: GBP). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group may enter into forward foreign currency contracts to hedge against its foreign currency risk.

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

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

Foreign currency sensitivity analysis

The following table details the sensitivity to a 5% (2018: 5%) increase and decrease in the relevant foreign currencies against the functional currency of the entities within the Group. The 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the possible change in foreign exchange rates.

The sensitivity analysis includes only significant outstanding foreign currency denominated net financial assets or liabilities and adjusted for the translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.2 MARKET RISK (CONTINUED)

(i) *Foreign exchange risk management* (CONTINUED)

Foreign currency sensitivity analysis (CONTINUED)

	Increase/ (Decrease) Profit or loss Group US$'000
2019	
GBP/US$	
Strengthened	**1,033**
Weakened	**(1,033)**
2018	
GBP/US$	
Strengthened	(1,215)
Weakened	1,215

(ii) *Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to bank borrowings as shown in Note 16 to the financial statements.

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

Interest rate sensitivity analysis

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

Fair value sensitivity analysis for fixed rate instruments

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

(iii) *Commodity price risk*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.3 LIQUIDITY RISK

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

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

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

	Less than 1 year US$'000	More than 1 year US$'000	Total US$'000
Group			
As at 31 December 2019			
Trade and other payables	**38,375**	**–**	**38,375**
Bank borrowings	**170,989**	**5,790**	**176,779**
Lease liabilities	**31**	**–**	**31**
	209,395	**5,790**	**215,185**
As at 31 December 2018			
Trade and other payables	35,971	–	35,971
Bank borrowings	80,562	108	80,670
	116,533	108	116,641
Company			
As at 31 December 2019			
Trade and other payables	**82**	**–**	**82**
Financial guarantee contracts	**173,081**	**–**	**173,081**
As at 31 December 2018			
Trade and other payables	101	–	101
Financial guarantee contracts	80,276	–	80,276

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

32.3 LIQUIDITY RISK (CONTINUED)

In respect of derivative financial instruments as shown in Note 15 to the financial statements, the derivative liabilities are due within one financial year. Foreign currency forward contracts are settled on a gross basis while derivative cocoa bean contracts are settled on a net basis.

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

33. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

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

The Group is in compliance with externally imposed capital requirements which are the bank covenants in relation to the bank borrowings included in Note 16 to the financial statements, for the financial years ended 31 December 2019 and 2018.

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

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

	Group 31 December 2019 US$'000	 2018 US$'000
Bank borrowings	**173,528**	80,361
Total debt	**173,528**	80,361
Total equity	**141,404**	122,067
Gearing ratio	**1.23**	0.66

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts of the current financial assets and current financial liabilities approximate their fair values as at the end of the reporting period due to the relatively short period of maturity of these financial instruments. The fair value of non-current borrowings approximately their carrying amounts as these borrowings are subject to floating interest rates.

The Group's derivative financial instruments (financial assets and financial liabilities) are carried at fair value and considered as Level 2 hierarchy fair value measurement for financial years ended 31 December 2019 and 2018.

Fair value hierarchy

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

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

There were no transfers between levels during the financial year.

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

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

35. EVENTS SUBSEQUENT TO REPORTING DATE

On 8 January 2020, the Group had entered into a Sales and Purchase Agreement ("SPA") with a third party ("the Vendor") to acquire a piece of land, and building, for a total purchase consideration of US$17,138,000. The deposit for 10% of the purchase consideration paid to the Vendor amounting to US$1,713,800 is recorded as deposit in other receivables in Note 12 to the financial statements. The capital commitment for the contracted capital expenditure had been disclosed in Note 30.1 to the financial statements.

STATISTICS OF SHAREHOLDINGS

AS AT 27 MARCH 2020

SHARE CAPITAL

Number of Issued shares	:	303,199,966
Class of shares	:	Ordinary shares
Voting Rights	:	On a poll – one vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	19	1.80	564	0.00
100 – 1,000	124	11.72	71,220	0.02
1,001 – 10,000	434	41.02	2,266,084	0.75
10,001 – 1,000,000	470	44.42	33,964,960	11.20
1,000,001 AND ABOVE	11	1.04	266,897,138	88.03
TOTAL	**1,058**	**100.00**	**303,199,966**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	JB COCOA GROUP SDN BHD	138,030,000	45.52
2	TEE YIH JIA FOOD MANUFACTURING PTE LTD	72,498,266	23.91
3	KGI SECURITIES (SINGAPORE) PTE. LTD.	33,217,666	10.96
4	TENG NAM SENG	6,398,000	2.11
5	GOH LEE BENG	4,408,166	1.45
6	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,220,732	1.06
7	TEY HOW KEONG	2,683,767	0.89
8	CITIBANK NOMINEES SINGAPORE PTE LTD	2,197,600	0.72
9	DBS NOMINEES (PRIVATE) LIMITED	1,772,841	0.58
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,239,300	0.41
11	OCBC SECURITIES PRIVATE LIMITED	1,230,800	0.41
12	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	978,208	0.32
13	UOB KAY HIAN PRIVATE LIMITED	953,916	0.31
14	RAFFLES NOMINEES (PTE.) LIMITED	929,195	0.31
15	TAN PENG KIM	851,800	0.28
16	PEH TEIK SENG	840,000	0.28
17	ONG TONG YANG @ WONG TONG YANG	650,000	0.21
18	PHILLIP SECURITIES PTE LTD	634,583	0.21
19	CHIN KOON YEW	632,000	0.21
20	RHB SECURITIES SINGAPORE PTE. LTD.	619,816	0.20
	TOTAL	**273,986,656**	**90.35**

PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at 27 March 2020, based on the information provided and to the best of the knowledge of the Directors, the percentage of shareholding in the Company held in the hands of the public is approximately 17.23%. At least 10% of the Company's equity securities are held by public at all times and the Company is in compliance with Rule 723 of the SGX-ST Listing Manual.

STATISTICS OF SHAREHOLDINGS

AS AT 27 MARCH 2020

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	Number of Shares	% [1]	Number of Shares	% [1]
JB Cocoa Group Sdn Bhd	138,030,000	45.52	–	–
Tey Kan Sam @ Tey Hin Ken[2]	–	–	138,030,000	45.52
Lim Ah Bet @ Chabo[3]	–	–	138,030,000	45.52
Tey How Keong[4]	2,683,767	0.89	138,030,000	45.52
Goh Lee Beng[5]	4,408,166	1.45	138,030,000	45.52
ECOM Agroindustrial Corp. Limited	33,120,000	10.92	–	–
Unichocola Pte. Ltd.[6]	–	–	33,120,000	10.92
IECOM Pte. Ltd.[7]	–	–	33,120,000	10.92
Jorge Esteve Campdera and grandchildren[6]	–	–	33,120,000	10.92
Isabel Recolons Esteve and lineal descendents[7]	–	–	33,120,000	10.92
Tee Yih Jia Food Manufacturing Pte Ltd	72,527,466[9]	23.92	–	–
Goi Seng Hui[8]	259,200	0.09	72,527,466[9]	23.92

Notes:

(1) The percentage is calculated based on the total issued and paid-up share capital of 303,199,966 shares.

(2) Tey Kan Sam @ Tey Hin Ken holds 30.0% of the issued and paid-up share capital of JB Cocoa Group Sdn Bhd ("**JBC Group**"), and is also deemed interested in the 20.0% of the issued and paid-up share capital of JBC Group held by his spouse, Lim Ah Bet @ Chabo, and is therefore deemed interested in the 138,030,000 shares held by JBC Group.

(3) Lim Ah Bet @ Chabo holds 20.00% of the issued and paid-up share capital of JBC Group, and is also deemed interested in the 30.00% of the issued and paid-up share capital of JBC Group held by her spouse, Tey Kan Sam @ Tey Hin Ken, and is therefore deemed interested in the 138,030,000 Shares held by JBC Group.

(4) Tey How Keong holds 36.00% of the issued and paid-up share capital of JBC Group, and is also deemed interested in the 14.00% of the issued and paid-up share capital of JBC Group held by his spouse, Goh Lee Beng, and is therefore deemed interested in the 138,030,000 Shares held by JBC Group.

(5) Goh Lee Beng holds 14.00% of the issued and paid-up share capital of JBC Group, and is also deemed interested in the 36.00% of the issued and paid-up share capital of JBC Group held by her spouse, Tey How Keong, and is therefore deemed interested in the 138,030,000 Shares held by JBC Group.

(6) Unichocola Pte. Ltd. holds approximately 36.00% of the issued and paid-up share capital of ECOM Agroindustrial Corp. Limited ("**ECOM**"), and is therefore deemed interested in the 33,120,000 Shares held by ECOM. All the shares in the issued and paid-up share capital of Unichocola Pte. Ltd. is held by Glico PTC, L.L.C., as managing trustee to the Creston Union Trust. The Creston Union Trust is a discretionary trust and the beneficiaries of the Creston Union Trust are Jorge C. Esteve and his grandchildren. Jorge C. Esteve is the settlor of the Creston Union Trust.

(7) IECOM Pte. Ltd. holds approximately 26.30% of the issued and paid-up share capital of ECOM, and is therefore deemed interested in the 33,120,000 Shares held by ECOM. All the shares in the issued and paid-up share capital of IECOM Pte. Ltd. is held by Ecire PTC, L.L.C., as trustee to the Robles Trust. The Robles Trust is a discretionary trust and the beneficiaries of the Robles Trust are Isabel R. Esteve and her lineal descendants. Isabel R. Esteve is the settlor of the Robles Trust.

(8) Goi Seng Hui holds 99.98% of the issued and paid up capital of Tee Yih Jia Food Manufacturing Pte Ltd ("**TYJ Food Manufacturing**") and is therefore deemed interested in the 72,527,466 Shares held by TYJ Food Manufacturing.

(9) This includes the 29,200 shares bought by Tee Yih Jia Food Manufacturing Pte Ltd on 27 March 2020, as notified to the Company, and announced by the Company via SGXNET on 30 March 2020.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Chin Koon Yew and Mdm Goh Lee Beng are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on or before 30 June 2020 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

	MR CHIN KOON YEW	MDM GOH LEE BENG
Date of Appointment	18 February 2014	4 May 2012
Dates of last re-appointment	30 April 2014 25 April 2017	26 April 2013 30 April 2015 30 April 2018
Age	64	54
Country of principal residence	Singapore	Malaysia#
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experience and suitability of Mr Chin Koon Yew for re-appointment as Independent Director of the Company, chairman of each of the Remuneration Committee and the Risk Committee and a member of each of the Audit Committee and the Nominating Committee. The Board has reviewed and concluded that Mr Chin Koon Yew possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board and the relevant Board Committees. Mr Chin Koon Yew is considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.	The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the qualification, work experience and suitability of Mdm Goh Lee Beng for re-appointment as Executive Director of the Company. The Board has reviewed and concluded that Mdm Goh Lee Beng possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR CHIN KOON YEW	MDM GOH LEE BENG
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive; responsible for procurement of raw materials and managing the cocoa trading positions of the Group
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director, chairman of each of the Remuneration Committee and the Risk Committee and a member of each of the Audit Committee and the Nominating Committee	Executive Director
Professional qualifications	Certified Chartered Accountant from Association of Chartered Certified Accountant (1980) Master of Business Administration from Henley-Brunel University, UK (1996)	Bachelor of Business Administration from University of Toledo, College of Business Administration, USA (1989)
Working experience and occupation(s) during the past 10 years	Group Chief Financial Officer of Petra Foods Limited (2001 to 2013)	Executive Director of the Company
Shareholding interest in the Company and its subsidiaries	632,000 shares as at 27 March 2020	142,438,166 shares as at 27 March 2020 (4,408,166 direct; 138,030,000 deemed)
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the Company and/ or substantial shareholder of the Company or of any of its principal subsidiaries	No	Spouse of Mr Tey How Keong, the Chief Executive Officer and an Executive Director of the Company Shareholder of JB Cocoa Group Sdn Bhd, a substantial shareholder of the Company
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR CHIN KOON YEW	MDM GOH LEE BENG
Other Principal Commitments* Including Directorships (for the last 5 years) *"Principal Commitments" has the same meaning as defined in the Code.	Past (for the past 5 years): N/A Present: N/A	Past (for the past 5 years): N/A Present: N/A
Other Information		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

		MR CHIN KOON YEW	MDM GOH LEE BENG
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR CHIN KOON YEW	MDM GOH LEE BENG
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR CHIN KOON YEW	MDM GOH LEE BENG
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Prior Experience		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N/A	N/A

Although Mdm Goh Lee Beng principally resides in Malaysia, she works in Singapore for the Company and as such, is a tax resident of Singapore.

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