







JAPFA

Feeding Emerging Asia

STRATEGY
•
ACTION
•
RESULTS

JAPFA LTD
ANNUAL REPORT 2019









CONTENTS

Corporate Profile 02

Japfa at a Glance 03

Strategy – Action – Results 04

Business Segments 12

Business Model 13

Animal Protein - PT Japfa Tbk 14

Animal Protein - Other 16

Dairy 18

Consumer Food 20

Chairman's Message 22

CEO's Message 24

Financial Highlights 28

Operating & Financial Review 30

Sustainability & Responsibility 40

Board of Directors 44

Senior Management 48

Corporate Information 50

Corporate Governance 51





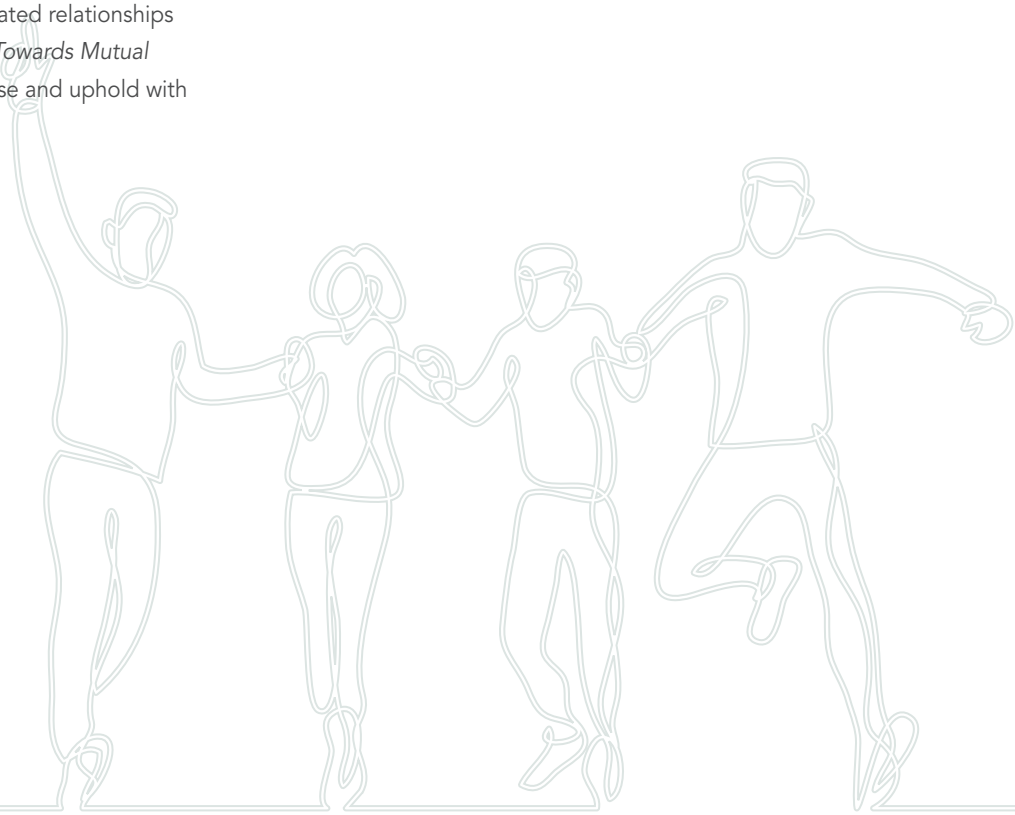
We are a leading, pan-Asian, industrial agri-food company dedicated to feeding emerging Asia with essential proteins

OUR MISSION

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

OUR VALUES

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



Corporate Profile

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

Headquartered in Singapore, we employ over 40,000 people across an integrated network of modern farming, processing and distribution facilities in Indonesia, Vietnam, Myanmar, India and China. We specialise in producing protein staples (poultry, beef, swine and aquaculture), quality dairy and packaged food that nourish millions of people.

Over the past five decades we have grown to become leaders in multiple protein foods by embracing an integrated industrialised approach to farming and food production across the entire value chain. Our large-scale standardised operations allow us to consistently produce high quality proteins and to replicate our business model across different markets and protein types.

Our business is vertically integrated from animal feed production and breeding to commercial farming and food processing. This creates tremendous opportunities for us to capture value at different points along the agri-food chain while providing our customers with greater food security and traceability.

We use superior breeds and adopt a sophisticated approach to animal husbandry, animal health, nutrition and welfare – all of which reinforce the quality of our products and achieve high production yields. We place a strong focus on biosecurity with stringent operating procedures and have forged strategic alliances with global leaders in breeding research.

Today, we are one of the two largest producers of poultry in Indonesia[1] and have replicated our integrated industrialised business model for poultry operations in India, Vietnam and Myanmar and for swine operations in Vietnam.

We have successfully replicated our Indonesian dairy business in China, where we are now one of the leading producers of premium raw milk, with one of the highest milk yields in the market. Our raw milk in Indonesia and China is of the highest quality in terms of nutritional standards.

We leverage on the high quality of our raw materials to produce premium and mass market consumer branded food products under leading brands such as *So Good* and *Greenfields*, which is the top fresh pasteurised milk and stirred yogurt brand in Indonesia[2].

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



1 By poultry feed and DOC production (Frost & Sullivan Analysis, 2015 data)
2 As per sales volumes, based on Company's own estimates
3 As at 31 December 2019.

Japfa at a Glance



SINGAPORE

Group Head Office

PT JAPFA TBK

INDONESIA

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

ANIMAL PROTEIN OTHER

VIETNAM

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

MYANMAR

- Poultry feed manufacturing, breeding, commercial farming

INDIA

- Poultry feed manufacturing, breeding, commercial farming

CHINA

- Beef cattle fattening

DAIRY

CHINA

- Dairy farming
- Raw milk production

INDONESIA

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

CONSUMER FOOD

INDONESIA

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

More than 40,000 people

Almost 50 years of history

5 Emerging markets

5 Staple proteins

LEGEND

Poultry | Swine | Beef | Aquaculture | Dairy

Strategy – Action – Results

Industrialised Business Model

We drive expansion by replicating our integrated industrialised business model, which covers the value chain of protein production: from animal feed and breeding to fattening and consumer products. We leverage our strength in feed, which is the backbone of our business, as well as our core competencies in large scale operations, technology, animal health, standardisation and replication. We build solid breeding pyramids through a scientific approach and leverage our strong farming mentality, strict biosecurity protocols and operational expertise to consistently produce high-quality proteins.

STRATEGIC INITIATIVE	ACTION
To implement our industrialised farming approach	• We applied our scientific approach to feed, proven farm design and best practices in farm management • We leverage on enhancing genetics to achieve better yields • We successfully replicated our 10-thousand heads blue-print model for dairy farms
To build on feed, our stable pillar of profitability	• We further grew our feed business in PT Japfa Tbk to leverage on its already big size. We also grew our feed business in other proteins and emerging markets • We established a centralised raw material procurement arm Singapore
To replicate our business model	We leveraged our proven business model across proteins and countries

Strategy – Action – Results. This is the theme of our 2019 Annual Report. Five years after our IPO in August 2014, we have succeeded in transforming our growth strategy into concrete actions and tangible results. By championing our diversification strategy and our integrated industrialised business model with financial discipline, we have been able to translate our ideas into reality and create good foundation for now and the future.

RESULTS

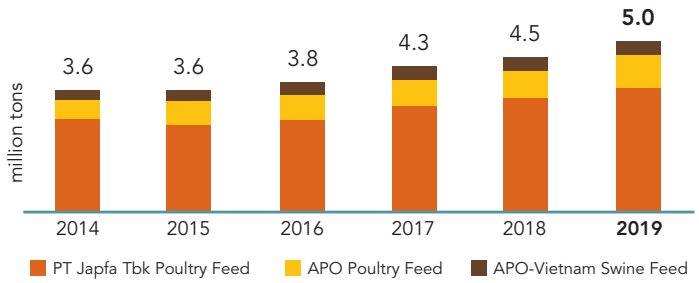
Our Dairy business in China has continuously improved daily milk yields from 34.2 kg/head in 2014 to

39.6 kg/head in 2019

We have consistently the best dairy milk yields in China, which is a proof point of our efficiency in dairy farming

Total poultry and swine feed volume increased by

1.4 million tons



APO-Vietnam revenue grew from US$323.6 million in 2014 to

US$445.6 million in 2019

Aquaculture has increased feed sales volume by almost 40%, while revenue

grew 38% to US$241.7 million

in 2019

Beef operations in China benefited from synergies with Dairy, improving productivity and cost efficiencies. Profitability turnaround in 2019

Strategy – Action – Results

Industrialised Business Model (cont'd)



RESULTS

Greenfields is consistently

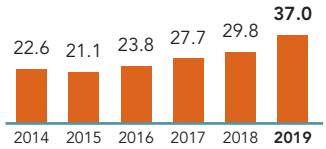
#1

in the fresh pasteurised milk category in Indonesia[1]

Sales volume of fresh pasteurised milk

increased by 64%

ESL Branded Milk (*Greenfields*) Sales Volume in SEA (million litres)



Successfully launched stirred yogurt in 2018. After 6 months, *Greenfields* is

#1

in the stirred yogurt category in Indonesia[1]

Through our strong farm management, the adverse

effects of African Swine Fever ("ASF")

have been

minimised

We have been able to

capitalise on the rebound of swine fattening ASP

in the last quarter of 2019

We can replenish our own breeding stock faster than our competitors in Vietnam

In the context of reduced supply following the ASF outbreak in 2019, we have been able to

increase our swine fattening market share

in Vietnam

1 As per sales volume, based on Company's own estimates

Strategy – Action – Results

Diversification Across 5 Proteins, 5 Countries

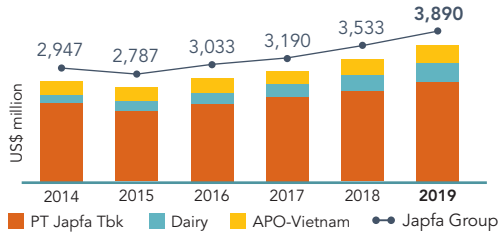
In line with our purpose of *Feeding Emerging Asia*, Japfa's growth strategy is to diversify and expand across multiple protein segments in multiple emerging markets in Asia, building a portfolio of uncorrelated revenue and profit streams. We focus on staple animal proteins: poultry, swine, beef, aquaculture and dairy. Our strategy is based on capturing the high growth potential for protein consumption in five key markets, namely Indonesia, Vietnam, Myanmar, India and China, which together account for more than 40% of the world's total population.

STRATEGIC INITIATIVE	ACTION
To diversify across geographies	• We strengthened our poultry operations across four geographies • We grew our dairy business from Shandong to Inner Mongolia
To diversify across animal proteins	We grew our new protein swine, which was launched in 2012, into a robust industrialised swine pyramid
To mitigate agri-business cyclicality, which depends on factors that are largely beyond our direct control	We smoothen agri-business cyclicality by diversifying into 5 proteins and 5 countries

RESULTS

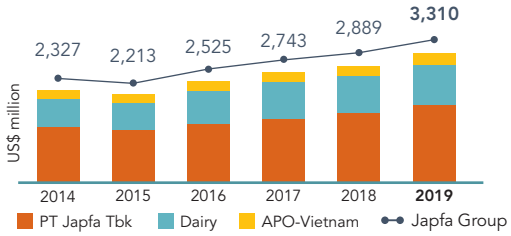
Total Group Revenue increased by

US$0.9 billion



Total Group Assets increased by

US$1.0 billion



Swine has almost tripled the fattening volume from 22,500 tons in 2014 to

65,000 tons in 2019

Today

APO-Vietnam

has become

one of our three key business pillars

Beyond usual cyclicality, since the IPO we have faced two major down-cycles, Poultry Indonesia (2014-2015) and Swine Vietnam (2017), but

Japfa's EBITDA

has always remained

above US$265 million

despite these major down-cycles

In 2019, EBITDA reached a record high of

US$478.6 million

Strategy – Action – Results

Prudent Growth

We execute our strategy with financial discipline to grow in a sustainable way.

STRATEGIC INITIATIVE	ACTION
To realise growth opportunities in our business in a prudent manner	We expanded our business but kept net debt/equity ratio at healthy levels
To build a balanced debt profile	• Consciously work on developing congenial long term relationships with a panel of international overlay bankers, domestic bankers and bondholders • Strive for uniformity of debt terms across the Group • Diversify our sources of debt funding
To have an appropriate balance between debt and equity	In February 2020, we received net proceeds US$67.1 million from our 1-for-10 rights issue which was used to pay down debt

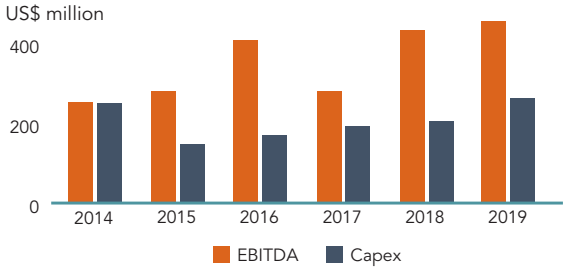
RESULTS

Total Group assets increased from US$2.3 billion in 2014 to

US$3.3 billion in 2019

while net debt/equity ratio remained balanced

Our Capex roll-out remains within the EBITDA generated by the different business segments



Strong continual support

from longstanding debt partners to fund both the Group's ongoing operations and long term growth across all markets

Good support from key banking partners to

fund the Group's expansion

in new markets and greenfield projects

Successfully tapped varied sources of debt funding,

including bilateral, club and syndicate bank facilities, domestic and international bond markets

Rights issue successfully oversubscribed.

Proforma net debt/equity ratio at 0.9x post rights issue

compared to 1.0x at 31 December 2019

Business Segments



PT JAPFA TBK

We produce specially-formulated animal feed and multiple high-quality animal proteins, namely poultry, beef and aquaculture, in Indonesia. We adopt an industrialised approach to farming by leveraging our large-scale operations and almost 50 years of experience.



ANIMAL PROTEIN OTHER

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



DAIRY

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



CONSUMER FOOD

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

LEADING MARKET POSITIONS IN MULTIPLE PROTEIN STAPLES

Leading upstream regional market positions

China



1
MILK YIELD[1]
39.6 kg/head/day

Indonesia



2
POULTRY FEED PRODUCTION[2]
24%
DOC PRODUCTION[2]
29%

Myanmar



1
POULTRY FEED PRODUCTION[1]
27%
2
DOC PRODUCTION[1]
26%

Vietnam

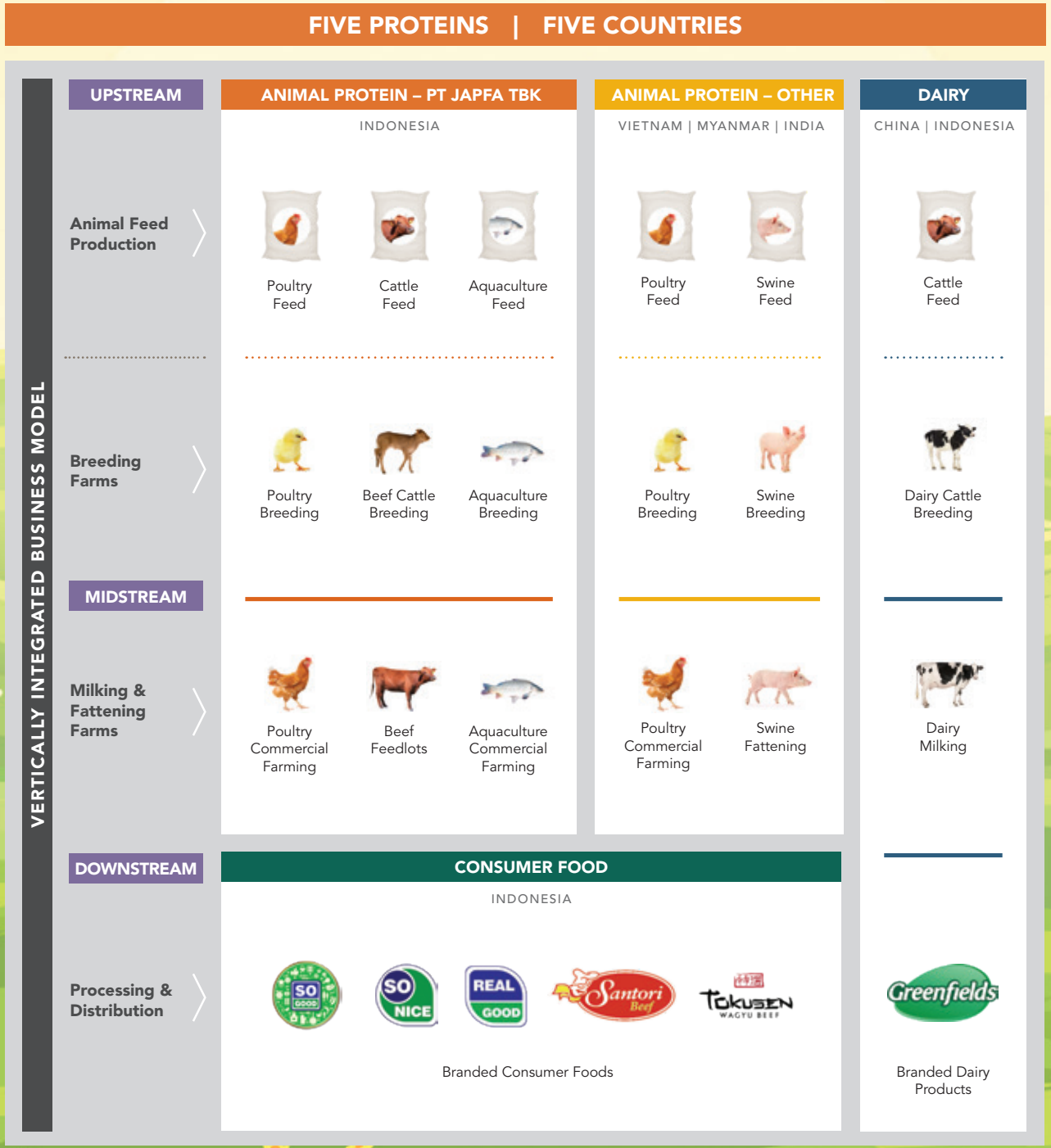


2
DOC PRODUCTION[1]
20%

1 Company's own estimates, 2019 data
2 Frost & Sullivan Analysis, 2015 data

Business Model

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







Business
Segments

ANIMAL PROTEIN
PT JAPFA TBK





In Indonesia, we run our animal protein operations through IDX-listed PT Japfa Comfeed Indonesia Tbk ("PT Japfa Tbk"), our 52.4%-owned subsidiary.

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

Poultry

As the 2nd largest integrated industrialised farming company for poultry[1], we produce premium-quality animal feed for our own poultry operations and for sale to third parties. Our feed brands, *Comfeed* and *Benefeed*, are among the most recognised in Indonesia due to their consistent quality and effective feed conversion ratios (i.e. total amount of feed required per bird kilogramme). We also deliver high performance Day-Old-Chicks ("DOCs") in collaboration with world leading poultry genetics company Aviagen.

Aquaculture

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

Beef

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



INDONESIA

POULTRY

- **2nd largest** integrated industrialised farming company[1]
- **15** commercial poultry feed mills
- **3** breeder poultry feed mills
- **78** poultry breeding farms
- **27** central hatcheries
- **11** slaughterhouses and primary processing plants
- **Over 100** company-owned commercial farms
- **Over 10,000** contract commercial farms

AQUACULTURE

- **5** aquaculture feed mills
- **9** shrimp hatcheries
- **3** shrimp ponds
- **2** eel farms
- **1** fish farm
- **4** freshwater fish hatcheries
- **3** cold storage & processing plants

BEEF

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

1 By poultry feed and DOC production (Source: Frost & Sullivan Analysis, 2015 data)





Business
Segments

ANIMAL PROTEIN
OTHER





The Animal Protein Other ("APO") segment covers our operations in Vietnam, Myanmar and India, where we produce quality animal feed, poultry and swine.

Having successfully replicated our industrialised, vertically integrated business model across these emerging Asian markets, our APO operations constitute a key part of the Group's diversification strategy to ensure long term sustainable earnings.



VIETNAM

POULTRY

- **5** feed mills (poultry and swine feed)
- **2** Grand Parent ("GP") farms
- **15** Parent Stock ("PS") farms
- **3** central hatcheries
- **Over 400** company-managed and contract commercial farms

SWINE

- **1** Great Grand Parent ("GGP") farm
- **7** GP farms
- **21** PS farms
- **Over 290** company-managed and contract fattening farms

INDIA

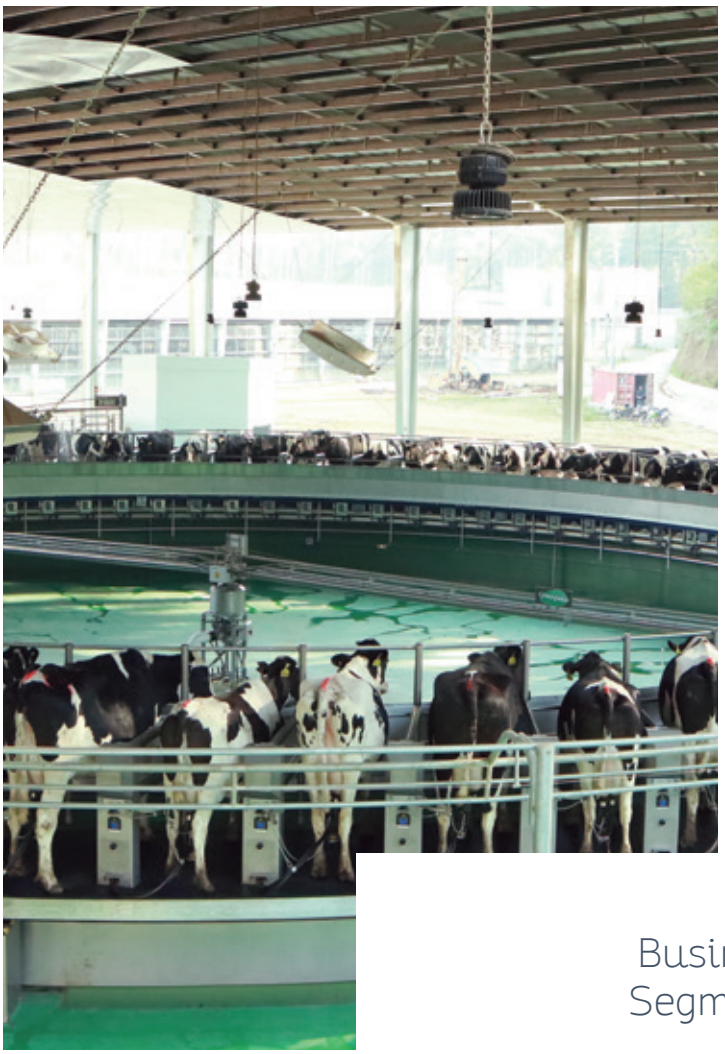
POULTRY

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

MYANMAR

POULTRY

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





Business
Segments

DAIRY





We pioneered the first "grass-to-glass" vertically integrated modern dairy in Indonesia in 1997. Now, we own, in Indonesia and China, nine world-class fully operational dairy farms and one processing plant that are designed and equipped to meet and exceed international standards in productivity and biosecurity.

In China, Japfa produces premium raw milk mainly for sale to leading dairy companies. Our premium raw milk consistently tops the market in terms of quality, nutrition and safety and our Holstein cattle produces one of the highest milk yields.

In Indonesia, we are the largest dairy farm operations by volume of premium fresh milk produced and sell a range of dairy products including yogurts, UHT milk and premium cheeses.

In addition, our milk and dairy products are exported to Southeast Asian countries such as Singapore, Malaysia, Brunei, Hong Kong and Myanmar where they can be found at major retailers, leading hotels, restaurants and more.



CHINA

- **7** dairy farms
- **80,000** heads of Holstein cattle
- Average daily milk yield of **39.6 kg per head**
- Launched iCreamy yogurt products in June 2019

SOUTH EAST ASIA

- **2** dairy farms
- **16,000** heads of Holstein and Jersey cattle
- *Greenfields* **#1** brand in the Fresh Pasteurised Milk and the Stirred Yogurt categories in Indonesia[1]
- Strengthened our market presence in the stirred yogurt segment in Indonesia with the launch of three new flavours and a plain yogurt in 2019

1 As per sales volume, based on Company's own estimates.





Business
Segments

CONSUMER FOOD





Backed by our strong expertise in agri-food production, we are a pioneer provider of protein based processed food in Indonesia. Our downstream consumer food products are manufactured for the most part using our own animal proteins as raw materials, and this enables us to better ensure consistency in the quality and reliability of our products. As such, the consumer food products we produce are well trusted and widely enjoyed by families across Indonesia.

Our *So Good* and *So Nice* brands are leading brands in Indonesia for processed meats, such as chicken nuggets, meat balls and shelf-stable sausages. We also manufacture and market small-pack UHT liquid milk under the *Real Good* brand in Indonesia.



INDONESIA

- Production volume of more than **50,000 tons** of processed poultry and meat products in 2019
- Production volume of approximately **47 million litres** of UHT milk in 2019
- Brands include *So Nice* shelf-stable sausages as well as *So Good* and *So Nice* frozen ready-to-cook processed food

Chairman's Message



> "The key to our success lies in our proven integrated industrialised business model to protein production"

Handojo Santosa
Executive Chairman

Dear Shareholders,

I have been with the Group for over thirty years and today I am happy to address you for the first time as Executive Chairman of Japfa.

Our diversification strategy and our industrialised business model have helped us to ride through cycles and deliver substantial returns over the years. In 2019, Japfa posted strong profits despite challenging conditions in two of our core business segments for most of the year. Revenue amounted to US$3.9 billion (+10.1% vs FY2018), while operating profit remained solid at US$339.0 million (-0.8% vs FY 2018). The Board of Directors recommends a final dividend of 1 Singapore cent per share for FY2019.

I am proud of the hard work that the management and all employees have done to achieve such satisfactory results. But even more so, I am proud because what we do at Japfa matters. Every day we are dedicated to ***Feeding Emerging Asia***. And we do it by producing essential proteins that are nutritious, safe and affordable.

Feeding Emerging Asia

Animal proteins are an important source of nutrients, however, consumption is still low in many key Asian economies. The increasing affluence of populations living in the region bodes well for the rise in protein consumption. Nevertheless, malnutrition is still a problem in many Asian countries. Against this background, it becomes essential to be able to produce quality protein foods. And this is what we have been doing for almost fifty years.



It all began with a single poultry feed mill in Indonesia in the early seventies and we have come a long way since then. We have progressively expanded our business to include breeding, commercial farming and food processing, and we have effectively diversified our activities across multiple proteins and markets. Today we are one the largest integrated poultry producers in Indonesia and one of the largest dairy farming players in Southeast Asia. In just a few years, we were able to set up a profitable swine business in Vietnam. This would not have been possible without a solid strategy and, even more, without the ability of our people to turn strategy into action on the ground every day.

As one of the major industrialised agri-food companies in Asia, with operations in Indonesia, Vietnam, India, Myanmar and China, we can help in improving the nutrition of millions of people. By tapping the growth potential for protein consumption in these countries, we can grow our business further. This is how we stay true to our value of ***Growing Towards Mutual Prosperity***.

What makes us different

The key to our success lies in our proven integrated industrialised business model to protein production. It requires strong animal farming expertise, large scale standardised operations which allow for efficiencies, the use of superior breeds and a sophisticated approach to animal husbandry, a strong focus on animal health, nutrition and welfare, which support production quality and high yields, and stringent biosecurity protocols.

Our long-term strategy and business model were at the heart of our financial performance in 2019. We delivered value to our shareholders, as we have been doing since our listing in 2014. As I look back on the last five years, it is remarkable how much we have achieved since then. Although there were challenging events in the macroenvironment during this period, we were able to face them with the firm conviction that we have built a company with strong fundamentals that is able to ride through economic and industry cycles with confidence, and to thrive in the long-term.

Looking ahead

It is an exciting time to be a protein producer in Asia. With 250 million more mouths to feed expected by 2030[1], there are tremendous opportunities for industrialised producers like Japfa as the demand for protein increases and I believe Japfa is well-positioned to leverage these favourable conditions to embark on the next stage of growth. More importantly, we have the opportunity to play our part in improving the nutrition of millions of people.

Looking ahead, Japfa strives to stay ahead of its game by harnessing technology to develop innovative next-generation farming methods and processes that will boost our productivity further and improve our performance, as we continue to focus the importance of a balanced diet.

In February 2020, Japfa successfully completed its rights issue raising net proceeds of US$67.1 million. We are very pleased with the outcome and grateful for the support we received from our shareholders. This result is a testament of their continuous trust in Japfa's fundamentals, performance and future potential. The successful completion of the rights issue will enhance our financial flexibility and allow us to capitalise on potential growth opportunities arising from increasing protein consumption in Asia.



> "Our diversification strategy and our industrialised business model have helped us to ride through cycles and deliver solid profits over the years"

In closing

I take this opportunity to thank Japfa's management team for their careful stewardship of the business and clear execution of the Group's strategy. I must also commend all our employees for their hard work, support and commitment to uphold our corporate direction and values. A big thanks to my fellow Directors on the Board for generously sharing their impressive collective experience, which has guided Japfa in defining and refining its goals. Our people have demonstrated that while a brilliant plan is only a theory at best, a successful outcome can be achieved when supported by the right individuals to see it through. And most importantly, I would like to thank you, our esteemed shareholders, for your confidence in Japfa's future as we journey along the path towards sustainable growth.

Handojo Santosa
Executive Chairman

1 "The Asia Food Challenge Report: Harvesting the Future", PwC, Rabobank and Temasek (20 November 2019).

CEO's Message

> "By translating our growth strategy into decisive action, we have transformed challenging situations into positive results that demonstrate Japfa's ability to thrive"



Tan Yong Nang
Chief Executive Officer

Dear Shareholders,

I would like to start by thanking all of you for your unwavering support since our listing on the SGX Mainboard in August 2014. Over the past five years, I believe that by translating our growth ***Strategy*** into decisive ***Action***, we have transformed even the most challenging of situations into positive ***Results*** that demonstrate the ability of our business model and operations to withstand the usual agri-business cyclicality and downcycles.

Stronger despite challenges

As a result of our vertically integrated business model and industrialised approach to farming, we can harness our competencies including our large-scale production, economies of scale and high yields, to nimbly respond to adverse conditions and take prompt advantage of uptrends when they come. Japfa has proven many times that our business model, which is replicated across multiple proteins and multiple markets, *works*.

Our strategy positions us to seize opportunities. A prime example can be found in the way we successfully managed the impact of the recent African Swine Fever ("ASF") outbreak in Vietnam during the financial year ended 2019 ("FY2019"). Using our industrialised approach coupled with strict biosecurity protocols, we were able to contain the impact of ASF better than many of our industry peers and capitalise on the rebound in livestock prices swiftly. Having long established a swine breeding pyramid starting from our own Great Grand Parent farm, we enjoy the advantage of being able to replenish our swine breeding stock quickly. This allowed us to increase our swine fattening market share at an opportune time, such as in a context of shrinking supply in Vietnam during the ASF outbreak.

Our strategy enables us to ride agri-business cyclicality over the long term. Over the last few years, we went through a long cycle of mediocre milk prices in China but we have been able to cope with this situation as a result of our high milk yields which positioned us to profit from the upswing in prices in 2019.

And lastly, our strategy makes our business resilient. Since the IPO we have faced two major down-cycles beyond the usual agri-business cyclicality: Poultry Indonesia (2014-2015) and Swine Vietnam (2017). Our EBITDA of US$478.6 million in FY2019, a record since the IPO, is a testament to this fact.





Proven results

What we have achieved is growth, stability and strength to weather all market conditions.

This focused approach has proven itself many times over the past five years, and Japfa's resilience was clearly demonstrated once again in FY2019, when our industry was challenged by the outbreak of the ASF in Vietnam and low broiler prices in Indonesia. While we did not do as well as we would have liked in the first three quarters of the financial year, we not only came back strongly in the last quarter to achieve our best quarterly results since our IPO, but also ended the year with a top line of US$3.9 billion, which was 10.1% higher than the US$3.5 billion achieved in the previous corresponding year ("FY2018"). Operating profit was steady at US$339.0 million, while core PATMI (without Forex) in FY2019 was only marginally lower than that of FY2018 at US$119.7 million.

Even in the face of market challenges, we were able to achieve revenue growth across our key segments. PT Japfa Tbk recorded year-on-year ("y-o-y") revenue growth of 9.0% driven by higher poultry and aquaculture feed sales in FY2019. Animal Protein Other ("APO") greatly benefitted from the rebound of swine fattening average selling prices ("ASPs") in the fourth quarter and closed the year with revenue growth of 18.7% y-o-y. Our Dairy business enjoyed the higher prices of raw milk in China and achieved revenue growth of 15.3% y-o-y.

> "What we have achieved is growth, stability and strength to weather all market conditions"

Our strong FY2019 performance affirms how our business model gives us the ability to withstand challenging conditions across different proteins and markets and enables us to create value for our stakeholders. Indeed, our robust strategy is ***Feeding Emerging Asia*** by making protein more nutritious, more affordable and more accessible in our key regional markets of Indonesia, China, Vietnam, Myanmar and India.

CEO's Message



In our report card (FY2014 to FY2019), our notable achievements included:

- Rise in total Group revenue from US$2.9 billion in FY2014 to US$3.9 billion in FY2019;
- Increase in poultry and swine feed volume from 3.6 million tons in FY2014 to 5.0 million tons in FY2019;
- Increase in total Group assets from US$2.3 billion in FY2014 to US$3.3 billion in FY2019;
- Consistently produced the best dairy milk yields in China, with daily milk yields increasing from 34.2 kg/head in FY2014 to 39.6 kg/head in FY2019;
- Our *Greenfields* fresh pasteurised milk is consistently the number one brand in Indonesia[1];
- Sales volume of fresh pasteurised milk in Southeast Asia increased from 22.6 million litres in FY2014 to 37.0 million litres in FY2019;
- Revenue from APO-Vietnam rose from US$323.6 million in FY2014 to US$445.6 million in FY2019;
- Our EBITDA has consistently been above US$265 million and reached a record high of US$478.6 million in FY2019.

Looking ahead

Today, we have three key business pillars: poultry in Indonesia, swine in Indochina and dairy in China, establishing ourselves as a leading pan-Asian agri-business. Our robust business model lets us efficiently diversify into various protein segments and countries, and prevents our Group from being over reliant on any one market or protein should issues arise in any of them. We believe that by remaining focused on our strengths, we can continue to create the most value for our shareholders.

Looking ahead, we expect PT Japfa Tbk to remain among the market leaders in poultry in Indonesia where we enjoy significant economies of scale. Our successful management of ASF in Vietnam has also given APO-Vietnam a stronger foothold in the market to leverage off. Meanwhile, we expect our Dairy business to continue enjoying favourable raw milk prices in China, which have been on an upward trend since the second half of 2019 as domestic demand for milk continues to outpace supply.

1 As per sales volume, based on Company's own estimates.

> We believe that by remaining focused on our strengths, we can deliver the most value for our shareholders



While the coronavirus outbreak has caused widespread economic and health concerns globally, leading to expectations of a downturn in 2020, we believe its effects on Japfa should not be significant as we supply staple protein foods largely to the domestic markets where they are produced. Having said that, we are keeping a close watch on the situation as a prolonged outbreak will impact GDP growth and thus may affect us indirectly.

In February 2020, Japfa completed its rights issue with net proceeds of US$67.1 million. The funds will enable the Group to enhance our financial stability and position us to capitalise on potential opportunities arising from increasing protein consumption in Asia.

Appreciation

In closing, I would like to express my appreciation to my fellow directors and the key management team for their past year's dedication to the Group's corporate goals. Credit also goes to our people across geographies, departments and ranks – their hard work and commitment to the vision, mission and values of the Group have enabled us to achieve our sterling results in FY2019 against all odds. Together we have built a better, stronger Japfa that is poised for greater growth.

Lastly, my appreciation to all stakeholders for their confidence in Japfa and for partnering us on this journey to feed emerging Asia.

Tan Yong Nang
Chief Executive Officer

Financial Highlights

Financial Year Ended 31 December 2019

REVENUE

US$3.9bn

+10.1% Y-O-Y

OPERATING PROFIT

US$339.0mil

-0.8% Y-O-Y

OPERATING PROFIT MARGIN

8.7%

-1.0 PPT Y-O-Y

EBITDA[1]

US$478.6mil

+4.7% Y-O-Y

PATMI

US$120.0mil

+19.5% Y-O-Y

CORE PATMI W/O FOREX[2]

US$119.7mil

-1.8% Y-O-Y

- Revenue growth in FY2019 driven by higher feed volumes across the Group
- Profits remain steady despite challenging conditions for most of FY2019, backed by a record performance in 4Q2019
- Performance reflects the success of Japfa's long-term growth strategy and industrialised business model



Animal feed business remains a stable pillar of profitability



In Indonesia, the broiler oversupply resulted in low broiler ASP for the first three quarters of 2019



Long-term strategy of swine breeding, starting from Great Grand Parent level, allows Japfa to quickly replenish its own breeding stock

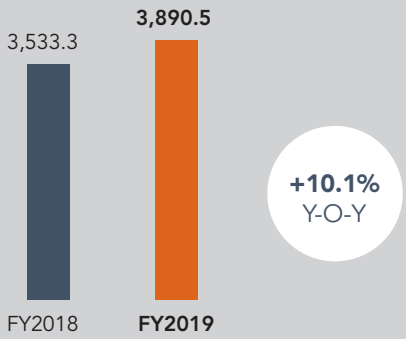


In China, raw milk prices rose in 2H2019 after several sluggish years. In SEA, Japfa recorded higher sales volumes

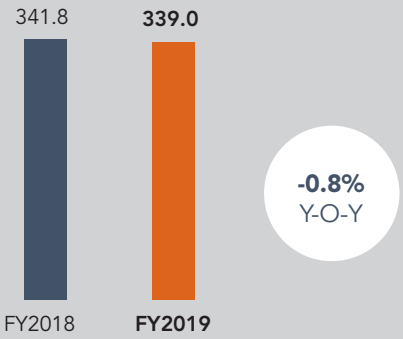
1 The Group defines EBITDA as profit before tax from continuing operations, excluding interest income, finance costs, depreciation and amortisation expenses, and also excluding changes in fair value of biological assets and derivative relates to foreign exchange hedging and foreign exchange adjustments gains/(losses).

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

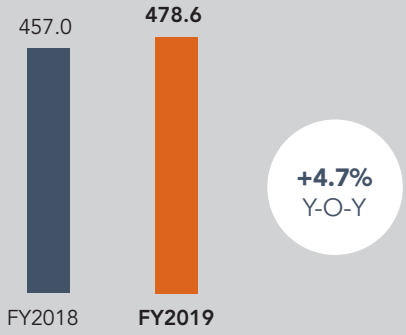
REVENUE
(US$mil)



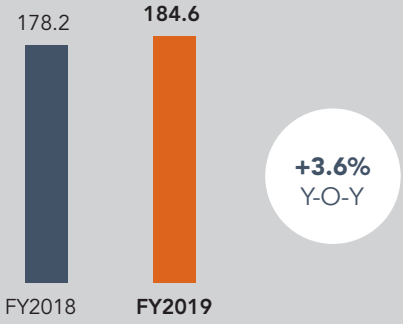
OPERATING PROFIT
(US$mil)



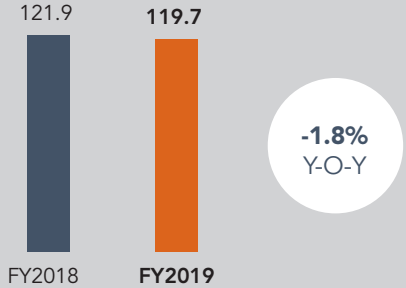
EBITDA[1]
(US$mil)



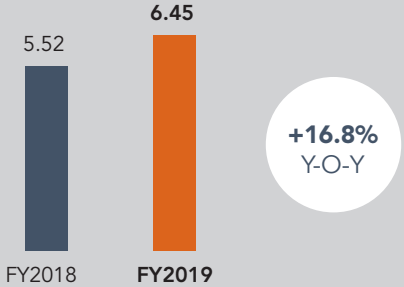
PROFIT AFTER TAX
(US$mil)



CORE PATMI W/O FOREX[2]
(US$mil)



EARNINGS PER SHARE
(US cents)



Operating & Financial Review









Revenue grew 10.1% to **US$3.9 billion** in FY2019 driven by higher feed volumes across the Group

Steady operating profit of **US$339.0 million** despite challenging market conditions

4Q2019 marks **a record quarter** since Japfa's listing in 2014



Overview

For the year ended 31 December 2019 ("FY2019"), Japfa posted strong revenue of US$3.9 billion, a 10.1% year-on-year ("y-o-y") growth from US$3.5 billion in the previous financial year ("FY2018"), driven mainly by higher feed sales volumes across the Group.

Despite facing challenging market conditions in two of its core business pillars for most part of the year, the Group was able to maintain steady profits. In FY2019, operating profit remained solid at US$339.0 million (-0.8% vs FY2018), Core PATMI without Forex was US$119.7 million (-1.8% vs FY2018), while Group's EBITDA increased 4.7% y-o-y to US$478.6 million.

By means of its long-term strategy and industrialised business model, Japfa was able to make the most of improved livestock prices in 4Q2019 and reached a record quarter since its IPO in 2014. Also, the Group's diversification across proteins and geographies provided stability in profits:

- **PT Japfa TBK:** Recorded strong revenue growth driven by feed, which remains the business backbone. Volume growth in poultry and aquaculture feed compensated for weaker broiler price;
- **Animal Protein Other ("APO"):** Recorded strong revenue and remarkable profitability, despite the negative effects of African Swine Fever ("ASF") in Vietnam, as a result of strict biosecurity protocols and strong farm management, and increased its swine fattening market share in the context of reduced supply;
- **Dairy:** Recorded an improved performance y-o-y driven by higher raw milk prices in China and volume growth in Southeast Asia ("SEA"), while milk yields continued to improve.

Major developments

One of the main challenges the Group faced in 2019 was the ASF outbreak in Vietnam, which is estimated to have significantly reduced the country's total swine population. Through the enhancement of its already strict biosecurity protocols and strong farm management, Japfa was able to contain the adverse effects of the ASF and capitalise on the rebound of swine prices in 4Q2019. With new occurrences mainly confined to backyard farms, where there are little to no biosecurity measures in place, ASF in Vietnam has largely slowed.

In a context of supply shrinkage in Vietnam following the ASF, the Group believes it has emerged stronger with a larger swine fattening market share. This results from Japfa's long-term strategy of building a swine breeding pyramid starting from its own Great Grand Parent ("GGP") farm, which allows the Group to replenish its own breeding stock faster than the competition.

Another major challenge in 2019 was the weak broiler Average Selling Price ("ASP") in Indonesia resulting from a market oversupply of broilers for the first three quarters of the year.

Looking ahead

Notwithstanding the cyclicality of the agri-food business, which is beyond the Group's control and directly impacts its revenue and profitability, Japfa remains confident in its long-term growth prospects.

With animal feed as the backbone of Japfa's vertically integrated business, providing stability to revenue and profitability, the Group will continue to take advantage of its industrialised business model and its strategy of greater diversification among proteins and geographies.

Poultry remains the core business of PT Japfa Tbk, where it holds a strong market share in Indonesia with economies of scale.



APO-Vietnam's ability to successfully tackle ASF allowed the Group to make the most of swine fattening ASP increase in 4Q2019 and grow its swine market share, setting a stronger base for the future.

China raw milk prices started to gain upward momentum in the second half of 2019, which bodes well for the growth of the Dairy segment as the Group can benefit from its ability to increase quality and milk yields. In SEA, the business has increased with a second dairy farm and moved to downstream processing to widen the dairy product range, thus allowing the Group to seize the growth opportunities in the market.

With the spread of the novel coronavirus outbreak ("Covid-19"), Japfa has implemented measures to minimise the impact on its staff and ensure their safety and welfare. Business Continuity Plans ("BCP") are being developed where needed. Currently, the Group does not expect the impact on its overall business to be significant as it supplies staple protein foods largely to the domestic markets in which they are produced. However, the Group is monitoring the still-evolving situation as a prolonged outbreak will weaken the economy and indirectly impact the Group.

In December 2019, the Group undertook a 1-for-10 renounceable, non-underwritten rights issue at 50 Singapore cents apiece. The rights issue was oversubscribed and raised net proceeds of US$67.1 million[1] (S$92.6 million) which will be used to repay certain existing borrowings.

The successful completion of the rights issue will enhance the Group's financial flexibility and allow it to capitalise on potential growth opportunities arising from the increasing protein consumption in Asia.

1 Based on the actual exchange rate of USD1.00 to SGD1.3811 as at 4 February 2020

Operating & Financial Review

FY2019 Segmental Overview

GROUP

Japfa Ltd

(US$mil)	FY2018	FY2019	%change
Revenue	3,533.3	3,890.5	10.1% ▲
Operating Profit	341.8	339.0	-0.8% ▼
Operating Profit Margin	9.7%	8.7%	-1.0 pts ▼
EBITDA	457.0	478.6	4.7% ▲
PAT	178.2	184.6	3.6% ▲
PATMI	100.4	120.0	19.5% ▲
Core PATMI w/o Forex	121.9	119.7	-1.8% ▼

SEGMENTS

(US$mil)	FY2018	FY2019	%change
PT Japfa Tbk			
Revenue	2,382.6	2,597.4	9.0% ▲
Operating Profit	256.0	219.0	-14.5% ▼
Operating Profit Margin	10.7%	8.4%	-2.3 pts ▼
EBITDA	321.1	291.4	-9.3% ▼
PAT	156.0	127.0	-18.6% ▼
PATMI	77.6	62.2	-19.9% ▼
Core PATMI w/o Forex	85.0	57.7	-32.1% ▼
Animal Protein Other			
Revenue	583.1	692.0	18.7% ▲
Operating Profit	33.1	39.6	19.6% ▲
Operating Profit Margin	5.7%	5.7%	0.0 pts ▲
EBITDA	43.5	63.9	47.0% ▲
PAT	23.3	42.0	80.4% ▲
PATMI	23.9	42.2	76.8% ▲
Core PATMI w/o Forex	23.1	29.3	27.0% ▲
Dairy			
Revenue	408.7	471.5	15.3% ▲
Operating Profit	71.8	89.2	24.1% ▲
Operating Profit Margin	17.6%	18.9%	1.3 pts ▲
EBITDA	102.9	123.3	19.8% ▲
PAT	42.1	55.3	31.4% ▲
PATMI	42.1	55.3	31.4% ▲
Core PATMI w/o Forex	58.1	69.7	20.0% ▲
Consumer Food			
Revenue	203.3	190.7	-6.2% ▼
Operating Profit	(16.6)	(5.7)	65.5% ▲
Operating Profit Margin	-8.2%	-3.0%	5.2 pts ▲
EBITDA	(7.9)	4.7	159.8% ▲
PAT	(19.5)	(9.5)	51.1% ▲
PATMI	(19.5)	(9.5)	51.1% ▲
Core PATMI w/o Forex	(21.1)	(9.3)	56.2% ▲

1 The combined revenue for PT Japfa Tbk and Animal Protein Other includes inter-segment revenue of US$53.1 million in FY2019 (FY2018: US$47.6 million)
2 The Dairy segment revenue includes inter-segment revenue of US$12.4 million in FY2019 (FY2018: US$11.4 million)
3 The Consumer Food segment revenue includes inter-segment revenue of US$0.6 million in FY2019 (FY2018: US$0.8 million)



PT JAPFA TBK

The Group carries out its animal protein operations in Indonesia through its IDX-listed subsidiary, PT Japfa Tbk, which is one of the market leaders in producing animal feed and multiple proteins, namely poultry, beef and aquaculture.

The segment recorded a revenue increase of 9% y-o-y to US$2.6 billion underpinned by a 9% rise in total poultry and aquaculture feed sales volumes, which compensated for low broiler ASPs resulting from an oversupply in the market in the first three quarters of FY2019.

Low broiler ASPs decreased PT Japfa Tbk's profitability compared to the previous year, with commercial farm operations posting an operating loss of US$3.5 million in FY2019. This reduced operating profit to US$219.0 million in FY2019 compared to US$256.0 million in FY2018.

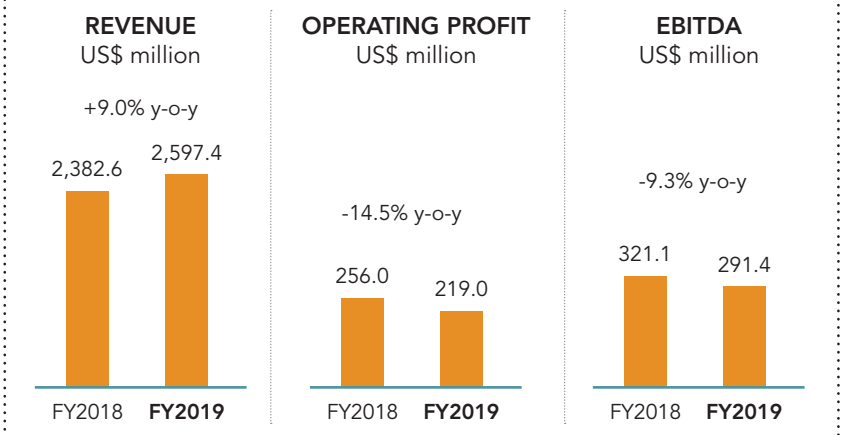
Animal feed is the backbone of Japfa's vertically integrated business model. In FY2019, feed operating profit grew 41.6% y-o-y to US$198.1 million driven by both volume growth and margins.

Breeding operating profit in FY2019 was healthy at US$63.4 million, albeit lower compared to US$94.0 million in FY2018, which was a strong year due to the shortage of day-old-chicks ("DOCs") supply.

Aquaculture's strategy to focus on consistent quality feed over the past three years has lifted feed sales volumes and improved margins in 2019.

In FY2019, PT Japfa Tbk contributed a Core PATMI without Forex of US$57.7 million to the Group, 32.1% lower compared to FY2018.

SEGMENT OVERVIEW – PT JAPFA TBK



Operating & Financial Review

ANIMAL PROTEIN OTHER ("APO")

Under the APO segment the Group reports poultry and swine operations in Vietnam, and poultry operations in India and Myanmar.

In FY2019, the segment recorded strong growth in revenue and remarkable profitability, despite the ASF outbreak in Vietnam, which is estimated to have significantly reduced the total swine population in the country[2]. Revenue grew to US$692.0 million from US$583.1 million (+18.7% y-o-y) mainly on the back of a 16% rise in total poultry and swine feed volumes. Operating profit grew 19.6% y-o-y to US$39.6 million in FY2019 from US$33.1 million in FY2018.

In Vietnam, revenue increased by 16% y-o-y to US$445.6 million due to increase in both poultry and swine feed volumes. Operating profit improved by 3% to US$31.8 million in FY2019 from US$30.9 in FY2018. As a result of Japfa's industrialised business model, which encompasses strict biosecurity protocols and strong farm management, APO-Vietnam was able to contain the adverse effects of ASF and capitalise on the rebound of swine fattening ASPs in 4Q2019 ahead of the Vietnamese New Year ("Tet"). Furthermore, APO-Vietnam has emerged stronger by increasing its swine fattening market share in a context of overall supply shrinkage following the ASF. This is the result of Japfa's long-term strategy of building a swine breeding pyramid starting from its own GGP farm, which allows APO-Vietnam to quickly replenish its own breeding stocks.

In FY2019, broiler volumes also increased (+16%) reflecting a consumer shift towards alternative sources of protein driven by the ASF.

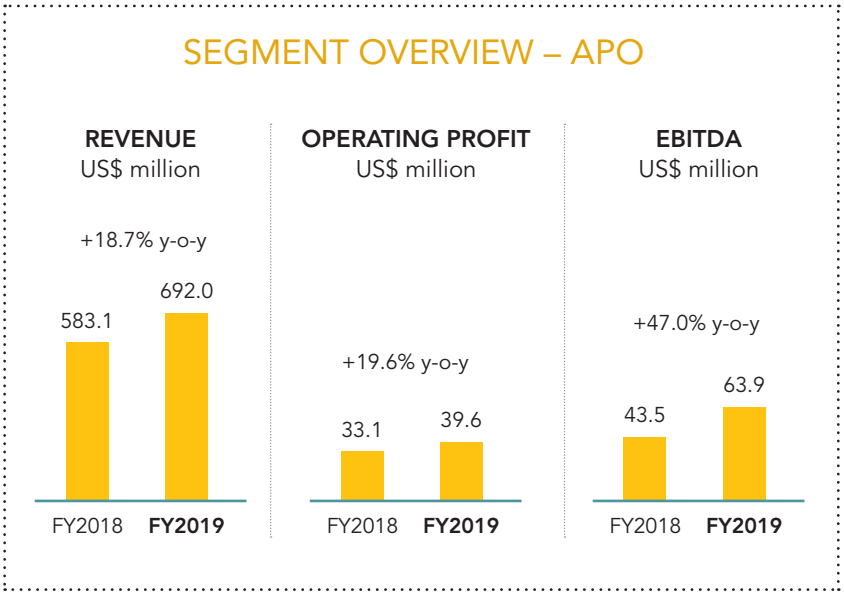


Amid a competitive poultry market environment, APO-Myanmar returned to profitability in FY2019, posting marginally improved revenue of US$81.6 million (vs US$81.2 million in FY2018) and an operating profit of US$2.0 million (vs a loss of US$2.0 million in FY2018).

In India, the Group's continued focus on feed operations led to a 33.6% y-o-y rise in revenue to US$131.5 million in FY2019 from US$98.4 million in FY2018, and strong feed sales volumes growth of 24%. However, an operating loss of US$1.2 million was recorded in FY2019 (vs an operating profit of US$3.7 million in FY2018) due to the Group's competitive pricing strategy as part of its efforts to establish India as a key growth market going forward.

In FY2019, APO contributed a Core PATMI without Forex of US$29.3 million in FY2019 to the Group, 27.0% higher compared to FY2018.

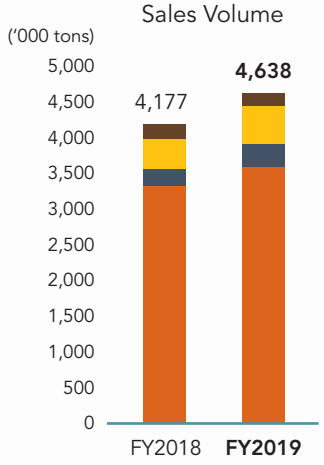
SEGMENT OVERVIEW – APO



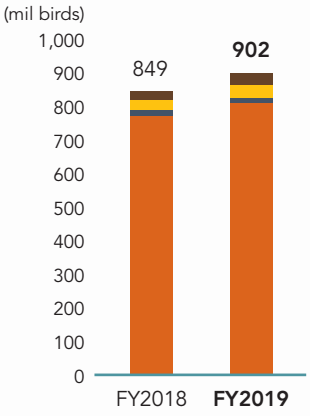
2 Source: USDA, 6 December 2019, Vietnam African Swine Fever Update: "According to official statistics, Vietnam's pig herd has shrunk by 22 percent compared to the same period last year. Other sources suggest that about 30-40 percent of Vietnam's total swine population has been lost to the disease itself and to depopulation".

ANIMAL PROTEINS – OPERATIONAL PERFORMANCE

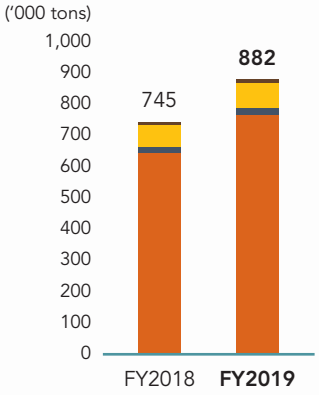
ANIMAL FEED – POULTRY
Sales Volume



DOC – BROILER
Sales Volume

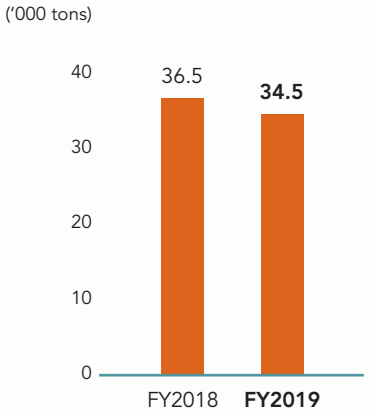


COMMERCIAL FARM – LIVE BIRDS
Sales Volume

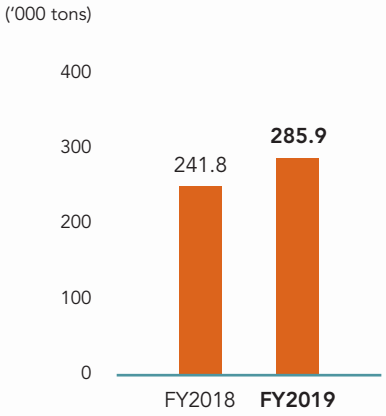




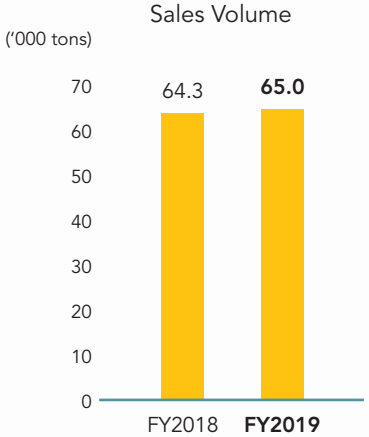
BEEF – LIVE CATTLE
Sales Volume



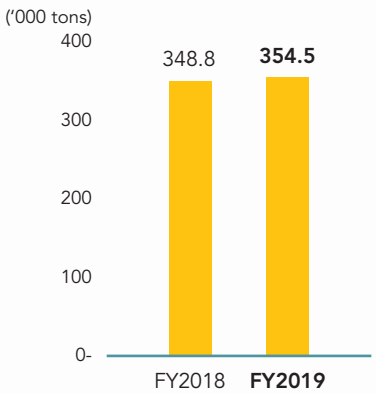
ANIMAL FEED – AQUACULTURE
Sales Volume



SWINE FATTENING
Sales Volume

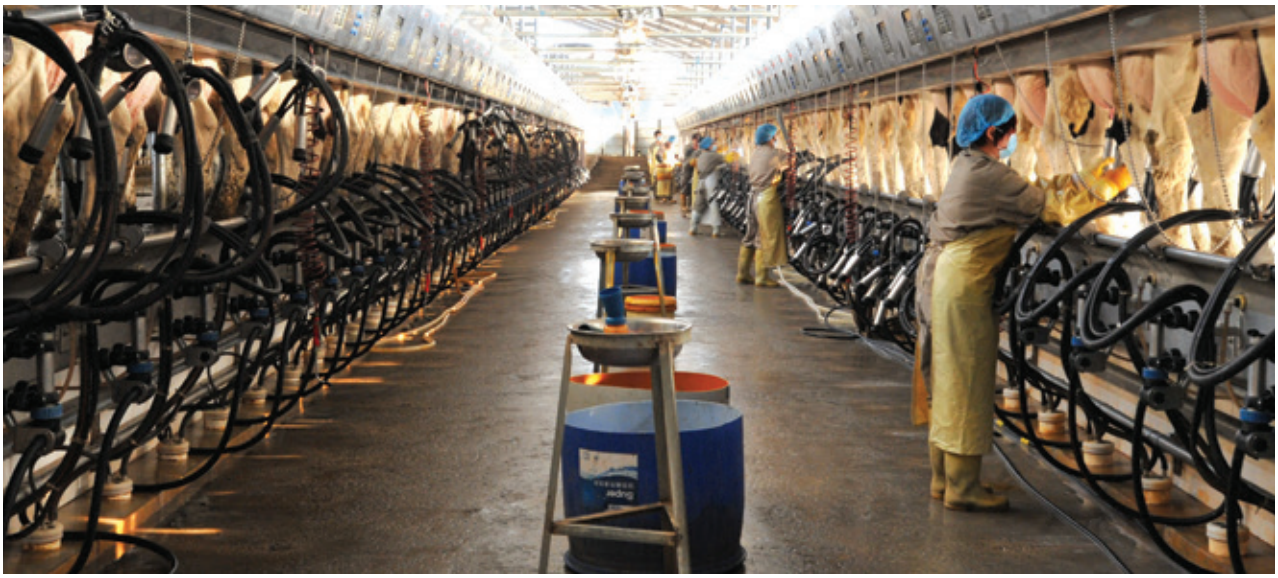


ANIMAL FEED – SWINE
Sales Volume





Operating & Financial Review



DAIRY

The Dairy segment recorded an improved performance y-o-y, with the profit propelled by higher raw milk price in China and volume growth in both China and South East Asia ("SEA").

Revenue grew by 15.3% to US$471.5 million. Operating profit soared by 24.1% to US$89.2 million in FY2019 from US$71.8 million in FY2018.

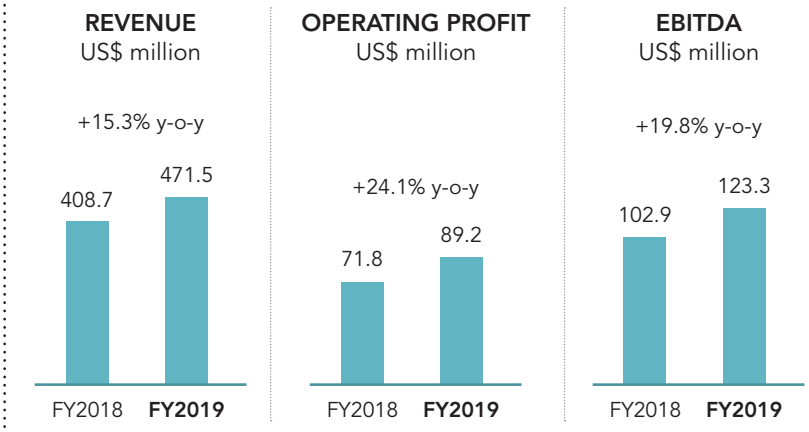
In China, revenue grew 9.4% to US$375.3 million mainly driven by the increase in raw milk price. In 2019, Dairy saw the improvement of daily milk yields to 39.6 kg per head from 38.9 kg per head a year ago and an increase of sales volumes of raw milk in China by 4% y-o-y. The improved productivity was achieved without the addition of new farms, but solely by leveraging the Group's robust farm management under its industrialised business model. Profitability was driven by higher raw milk prices in the second half of 2019 following a shortage of raw milk in China. There was a one-off adjustment of approximately US$5.0 million mainly due to the tax levy refunded from the government in 4Q2019 relating to the import of alfalfa after China lifted tariffs on some US products.

In SEA, overall sales volumes increased by 38% y-o-y in FY2019 resulting from the operation of a second dairy farm in Indonesia, as well as the expansion of the dairy product range and the continued investment in advertising and promotion to increase brand visibility.

The Group believes its Dairy operations in China are well-positioned to reap the benefits of a higher raw milk price environment that is expected to persist over the medium term as it takes time for the industry to build new dairy farms and reach the "full milking stage". In SEA, the Group's strategy continues to focus on downstream processing and capitalise on the *Greenfields* premium brand.

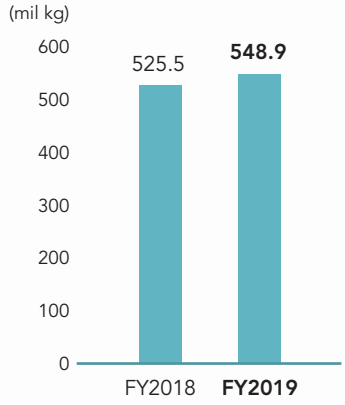
In FY2019, Dairy operations contributed a Core PATMI without Forex of US$69.7 million in FY2019 to the Group, 20% higher compared to FY2018.

SEGMENT OVERVIEW – DAIRY

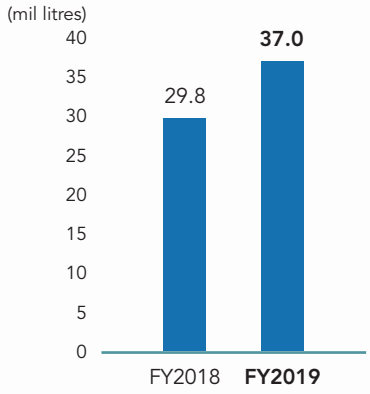


DAIRY – OPERATIONAL PERFORMANCE

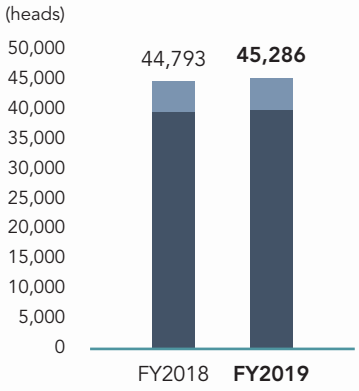
CHINA RAW MILK
Sales Volume



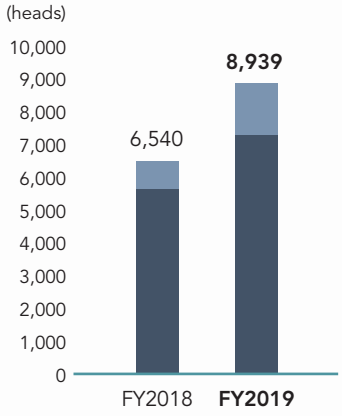
SEA EXTENDED SHELF LIFE BRANDED MILK
Sales Volume



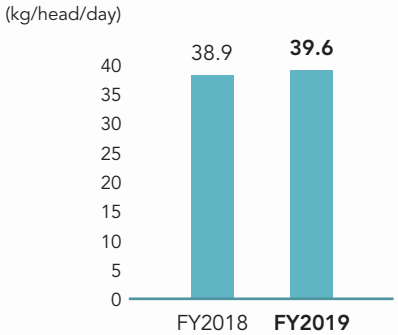
MILKABLE COWS – CHINA
Heads[1]



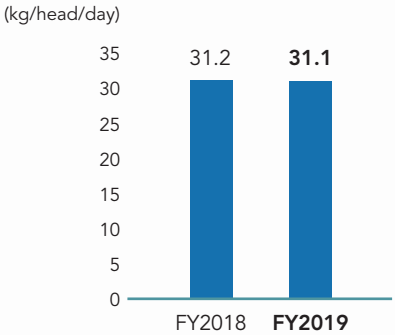
MILKABLE COWS – SEA
Heads[1]



AVERAGE DAILY MILKING – CHINA
(kg/head/day)



AVERAGE DAILY MILKING – SEA
(kg/head/day)



China SEA Milking Cows Dry Cows

1 Number of milkable cows as at the end of each year.
Note: Total dairy herd population (which includes heifers and calves) in China and Indonesia as at end of FY2019: 95,091 heads.

Operating & Financial Review

CONSUMER FOOD

Japfa's dominant market position in the Consumer Food segment continues to be challenged by heightened competition primarily in Indonesia's ambient food sector. Revenue decreased by 6.2% to US$190.7 million in FY2019 from US$203.3 million last year.

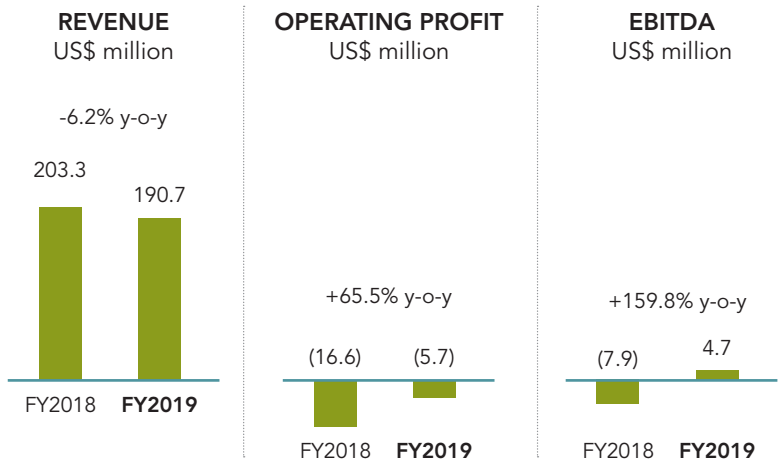
Since 2019, the Group has been pushing forward with its strategy to lift the performance of the segment through various long-term strategic initiatives to sharpen its competitive edge. These actions include brand rejuvenation and the expansion of its market position in ambient products, as well as implementing cost efficiency measures in supply chain and distribution and refocusing advertising and promotion.

These combined efforts have helped narrow the segment's operating loss by 65.5% to US$5.7 million in FY2019, and to deliver a positive EBITDA of US$4.7 million after two years of negative performance.

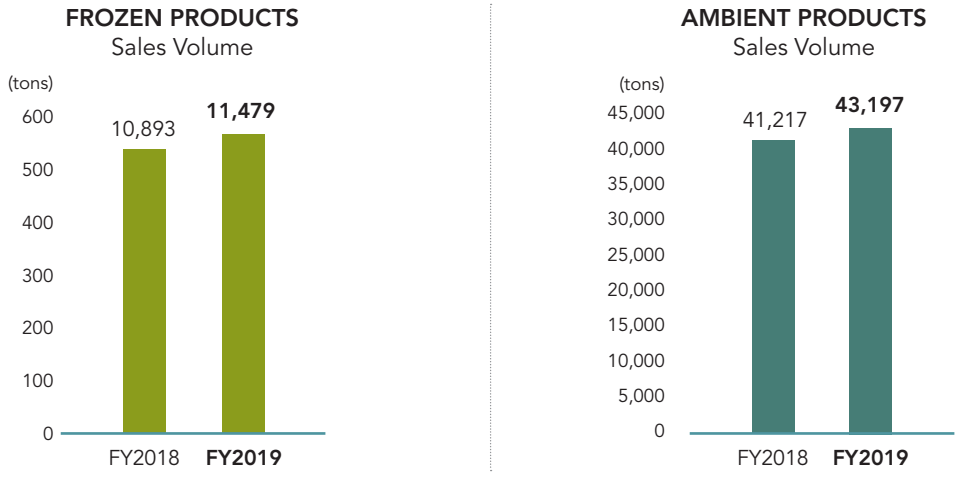
Looking ahead, the Group will focus on tapping the shift from traditional wet markets to chilled and frozen distribution channels and growing consumption of healthy and convenience food products. This should bode well for the Consumer Food segment in the long term.



SEGMENT OVERVIEW – CONSUMER FOOD



CONSUMER FOOD – OPERATIONAL PERFORMANCE



OTHER FINANCIAL INFORMATION

BALANCE SHEET (US$mil)	As at 31 Dec 2018	As at 31 Dec 2019	% Change
Total Assets	**2,889.3**	**3,310.4**	**14.6%**
Cash & cash equivalents	168.3	208.7	24.0%
Inventory	764.0	794.8	4.0%
- Inventory (excluding fattening livestock)	603.2	598.7	-0.7%
- Inventory - Fattening Livestock	160.8	196.1	21.9%
Total Liabilities	**1,758.9**	**2,023.7**	**15.1%**
Total Debt	1,217.6	1,482.4	21.7%
- Loan and borrowings[1]	1,217.3	1,376.9	13.1%
- Lease liabilities	0.3	105.5[2]	31,211.3%
Total Equity	**1,130.4**	**1,286.7**	**13.8%**
KEY RATIOS			
Net Debt / Equity Ratio (x)	0.9	1.0	
Net Debt (w/o lease liabilities) / Equity Ratio (x)	0.9	0.9	
Inventory Turnover days[3]	99.5	93.0	
NAV per share (US$)	0.42	0.47	
NAV per share (S$)	0.58	0.64	
Proforma - Post Rights Issue			
Net Debt / Equity Ratio (x)		0.9	
Net Debt (w/o lease liabilities) / Equity Ratio (x)		0.8	

1 This includes the debt of (i) Annona Pte Ltd (the Group's central purchasing subsidiary) amounting to US$81.6 million for working capital purposes and (ii) Japfa Ltd's acquisition loan of US$252.8 million being the syndicated loan for the acquisition of the remaining interest in its Dairy Segment (AustAsia) and an additional interest in PT Japfa Tbk
2 The Group has adopted the new SFRS(I) 16 Leases, which took effect on 1 January 2019, correspondingly increases in lease liabilities of approximately US$105.5 million as at 31 December 2019
3 Inventory turnover days is calculated based on the total inventory

Balance sheet

As at 31 December 2019, the Group's total assets have grown to US$3.3 billion from US$2.9 billion a year ago, primarily due to an increase in property, plant and equipment, right-of-use assets, biological assets and trade and other receivables.

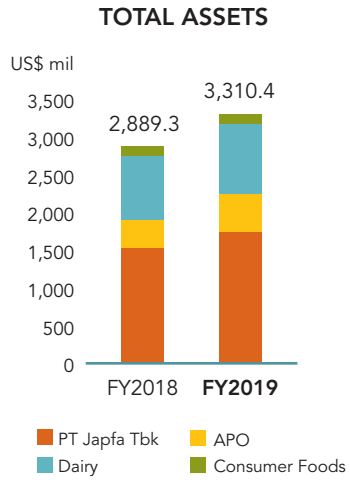
This figure is prior to factoring in the impact from the Group's recent rights issue, which is expected to lower net debt-to-equity ratio to 0.9 times from 1.0 times based on pro-forma estimates.

The Group's translation reserves for the year improved from negative US$226.3 million as at 31 December 2018 to negative US$214.0 million as at 31 December 2019 mainly due to translation gains arising from the Indonesian Rupiah strengthening against the US Dollar.

Rights Issue

In February 2020, we received net proceeds US$67.1 million from our 1-for-10 rights issue which was used to pay down debt.

After the rights issue, the proforma net debt/equity ratio is at 0.9x compared to 1.0x at 31 December 2019.



Sustainability & Responsibility



Japfa's approach has always been to grow the business in a sustainable manner and positively impact all its stakeholders, from consumers and contract farmers to employees, shareholders and the community.



The Group's vision of ***Growing Towards Mutual Prosperity*** clearly outlines this approach.

Over the years, Japfa has been continuously enhancing its processes within sustainability and in 2017, the Group began monitoring and reporting its sustainability practices with the goal to be even better. In 2018, a Sustainability Committee and the Sustainability Pillars were established to align Japfa's practices at the Group level. Backed by full commitment from its top management, Japfa developed, introduced and implemented systems aimed at managing and monitoring sustainability related activities beyond its Indonesian operations to Vietnam, Myanmar and India. This top-down commitment, together with the necessary financial support, has allowed Japfa to embrace sustainability more fully across the organisation.

2019 marks another milestone with a greater number of people within the Group taking ownership of sustainability and other key achievements. To emphasise this further progress, the theme for Japfa's 2019 Sustainability Report is ***Embracing Sustainability***.

First conceived as a corporate vision by Japfa's founder almost 50 years ago, embracing sustainability has become deeply ingrained in the Group's corporate DNA today. As part of this journey, in 2019 the Group has seen both a growing commitment of its people to sustainability and further improvements in processes.

Those who demonstrated increasing engagement and interest in these strategies were identified as Sustainability Champions to drive the Group's efforts and promote sustainability improvement initiatives across its daily operations.

The Group's Human Resource Department played a pivotal role in implementing and promoting social and environmental systems and initiatives. This included the development, together with the Information Technology Department, of the Japfa Sustainability Reporting System ("JSRS"), a platform to monitor the environmental, social and financial performance of the Group. This system has been fully implemented throughout Indonesia in 2019 and we plan to roll it out to Vietnam, Myanmar, and India in 2020. In addition, the Human Resources Department has also rolled out Occupational Health and Safety ("OHS") practices across operations and environmental protection policies in the form of wastewater treatment plants. The Aquaculture Operations team has been an exemplary sustainability champion by implementing environmental initiatives autonomously, and this serves to motivate other units within the organisation to do the same.



As an agri-food company dedicated to feeding the huge and growing population in emerging Asia, the Group recognises the importance of ensuring food security while preserving natural resources and ecosystems.

To learn more about the Group's comprehensive sustainability initiatives, please download Japfa's 2019 Sustainability Report from *www.japfa.com*.

Japfa's 2019 Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option.

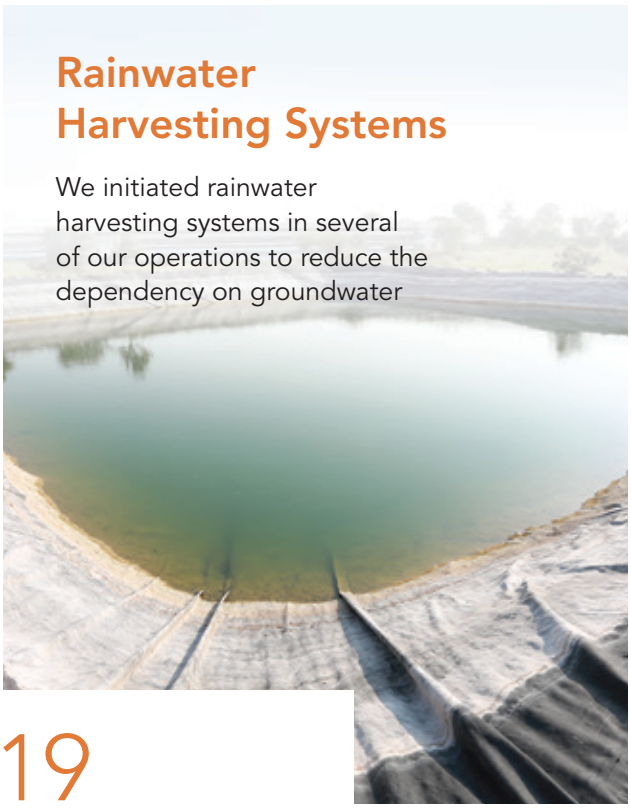


Sustainability & Responsibility



Wastewater Treatment Plants

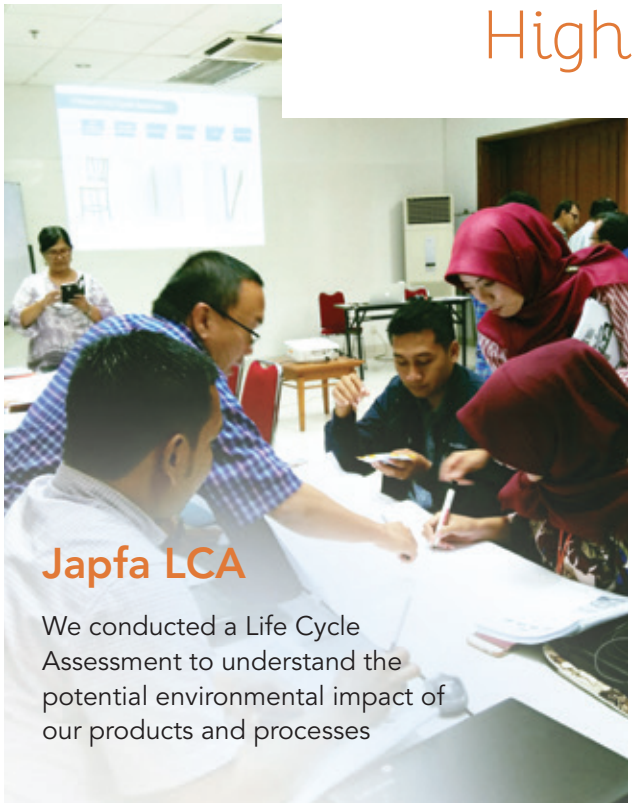
We constructed wastewater treatment plants in many of our operations to improve the quality of water discharged



Rainwater Harvesting Systems

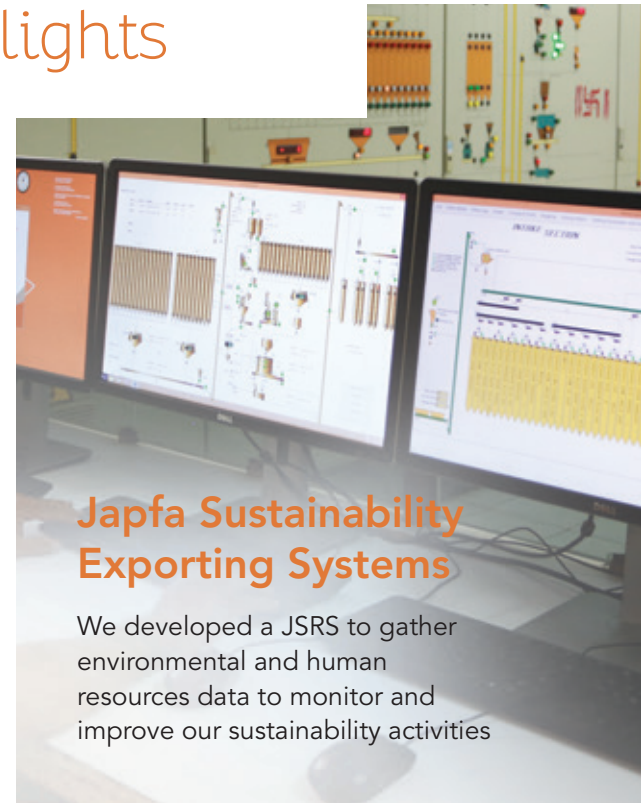
We initiated rainwater harvesting systems in several of our operations to reduce the dependency on groundwater

2019 Highlights



Japfa LCA

We conducted a Life Cycle Assessment to understand the potential environmental impact of our products and processes



Japfa Sustainability Exporting Systems

We developed a JSRS to gather environmental and human resources data to monitor and improve our sustainability activities

JAPFA

JAPFA SUSTAINABILITY PILLARS

AFFORDABLE NUTRITIOUS PROTEIN



Efficient Production System

Large Scale Operations & Advanced Technology

Healthy Animals

Biosecurity
Vaccines
Animal Welfare
Balanced Feed

Efficient Use of Resources

Energy
Water
Reusable Packaging
Local Sourcing

Minimise Waste & Emission

Manure to Fertiliser
Air Pollution Control
Wastewater Treatment



People Development

Knowledge Management

Employees

Training & Development
Sports for Life Balance

Farmers

Technical Assistance
Skills Improvement

Community

Education Programmes Focused on Agriculture



Improving Nutrition

Feed More People

Facilitating Access to Affordable Protein

Geographical Reach
Industrialised Approach

JAPFA for Kids

Education Programmes about Balanced Diet for Children and Teachers

Food Safety & Traceability

Food Safety & Hygiene Standards
Halal Slaughterhouses
Traceability back to the Farm

Board of Directors



Handojo Santosa @ Kang Kiem Han

Executive Chairman

Mr Santosa was appointed Executive Director on 19 December 2008, and subsequently elected as Executive Chairman of the Board on 18 April 2019. He is in charge of the overall management of our Group's business and operations. He oversees the formulation of our Group's corporate planning, strategic direction, business and corporate policies.

Mr Santosa joined our Group in 1986 as a manager in the edible oil division at Nilam in Surabaya where he was in charge of the edible oil division's day-to-day operations.

From 1989 to 1997, he served as Vice-President Director of our subsidiary, PT Japfa Comfeed Indonesia Tbk. In 1997, he was appointed as President Director of PT Japfa Comfeed Indonesia Tbk, a role in which he has oversight of the PT Japfa Group's operations. His responsibilities include overseeing the entire operations of the PT Japfa Group including the Aquaculture Division, Trading Division and the Beef Cattle Division.



Hendrick Kolonas

Non-Executive Non-Independent Director

Mr Kolonas was appointed Non-Executive Director on 18 February 2013 and last re-elected on 18 April 2019. He joined our Group in 2012 as Vice-President Commissioner of our subsidiary, PT Japfa Comfeed Indonesia Tbk. Prior to joining our Group, Mr Kolonas was the branch manager at the Head Office (Operational) of Bank Dagang Nasional Indonesia. During his time there from 1983 to 1988, he was involved in organising and managing various departments within the branch.

Mr Kolonas has also served on the board of Bank Tiara Asia, where he was President Director from 1989 to 1997 and Vice-President Commissioner from 1997 to 1998. Mr Kolonas founded PT Celebes Artha Ventura in 1996 and spearheaded investments into various financial services businesses. He has been the President Commissioner of PT Celebes Artha Ventura since 2010.

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



Tan Yong Nang

Executive Director & Chief Executive Officer

Mr Tan was appointed Executive Director on 1 June 2009 and last re-elected on 18 April 2019. Concurrently, he has been the Group's Chief Executive Officer ("CEO") since 1 January 2014. As CEO, he is in charge of leading the development and execution of our long-term strategy, and responsible for all day-to-day management decisions.

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

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

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

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



Kevin John Monteiro

Executive Director & Chief Financial Officer

Mr Monteiro was appointed Executive Director on 16 April 2014 and last re-elected on 18 April 2019. He is also our Chief Financial Officer responsible for developing a balanced capital structure, to source for adequate funding for our Group, and to ensure the integrity of the Group's financial data. He has oversight over all the financial operations of our Group.

Mr Monteiro was previously the Head of Corporate Finance of our subsidiary, PT Japfa Comfeed Indonesia Tbk and has longstanding experience of working in the agri-food industry, having joined PT Japfa Comfeed Indonesia Tbk in 1999. His responsibilities in this position included overseeing the Company's capital structure and managing equity-related matters such as investor relations, annual reports and IDX-compliance.

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

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

Board of Directors



Ng Quek Peng

Lead Independent Director

Mr Ng has been an Independent Director of our Board since 29 July 2014 and last re-elected on 18 April 2019. He was appointed Lead Independent Director on 14 April 2019. He has more than 30 years of experience in the corporate finance and securities industry in Singapore and Malaysia, advising clients on corporate restructuring, mergers and acquisitions and fund raising. In the course of his career, he has held positions in foreign and local financial institutions, including Citicorp Investment Bank (Singapore) Ltd, OCBC Securities Pte Ltd, ABN Amro Bank and CIMB Bank Berhad, Singapore Branch.

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

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



Lien Siaou-Sze

Independent Director

Ms Lien was appointed to our Board on 29 July 2014 and last re-elected on 18 April 2019. She is currently a Senior Executive Coach at Mobley Group Pacific, a management consulting firm which she joined in 2006.

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

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

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



Manu Bhaskaran

Independent Director

Mr Bhaskaran was appointed to our Board on 18 April 2019. He is currently a Partner of the Centennial Group where he is also founding CEO of its Singapore subsidiary, Centennial Asia Advisors, responsible for its Asian business.

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

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

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



Tan Kian Chew

Independent Director

Mr Tan Kian Chew was appointed to the Board on 18 April 2019. He is currently a Director of Capitaland Mall Trust Management Limited, Chairman of the Centre For Senior (IPC), and Chairman of Central Co-operative Fund Committee, MCCY. Mr Tan is also advisor to Incofood Management Services Pte Limited.

Mr Tan served in the Republic of Singapore's Navy from 1975 to 1983. He was the Head of Naval Operations when he left to join Singapore Government's elite Administrative Service and was attached to the Ministry of Trade and Industry. In 1988, he was posted to the Prime Minister's Office where he served as the Principal Private Secretary to the Deputy Prime Minister. In 1992, Mr Tan joined NTUC FairPrice as its Assistant General Manager. He was appointed as CEO in 1997 and left in 2015 to join Singapore Labour Foundation as its CEO in January 2016 and retired in December 2018.

Mr Tan was awarded a SAF (Overseas) Scholarship in 1972. He graduated with a degree (First Class Honours) in Mechanical Engineering from the University of Aston in Birmingham, UK in 1975. He also completed an Advance Management Program from Harvard University in 2000. In 1991, he was awarded the Singapore Public Administration Medal (Silver) and in 2014, he received the NTUC May Day Award – Medal of Commendation (Gold).

Senior Management



Bambang Budi Hendarto

Chief Operating Officer,
Operation 1 – Poultry Indonesia

Mr Hendarto oversees the entire poultry operations, including the feed, breeding and commercial aspects. He is also responsible for establishing corporate objectives and strategic plans for our poultry operations. Mr Hendarto joined our Group in 1978 as a Nutrition Manager in the Production Planning Control Department where he was involved in supervising and coordinating the activities for the production of formula feed. He became a Vice Director (Deputy Director) of PT Comfeed Indonesia in 1981 and led the Feed Division of our Group's operations in Indonesia.

Over the course of his career with our Group, Mr Hendarto held various positions of increasing seniority and responsibility. In 1997, he was appointed the Vice-President Director of PT Japfa Comfeed Indonesia Tbk, a role he still holds today, leading the breeding and commercial poultry operations of our Group and overseeing the execution of our Group's corporate objectives and strategies relating to such operations.

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



Edgar Dowse Collins

Head of Dairy

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

Mr Collins has accumulated many years of industry experience having been involved in beef and cattle operations throughout his career. He has been with AustAsia Food Pte. Ltd. ("AustAsia"), a subsidiary of the Group, since 1999 and is currently its Managing Director. Before AustAsia, he was Head of Operations of another of the Group's subsidiaries, PT Santosa Agrindo, where he was involved in the development of a cattle and beef business in Indonesia.

Prior to joining our Group, Mr Collins was General Manager for approximately two years at BxE Commodities Pty Ltd, a company engaged in the business of import and trading of cattle feed commodities in Australia's and New Zealand's dairy industries. While there, he was involved in establishing a system for the importation, trading and distribution of its feed products such as coprameal and palm kernel extract to commercial farmers and feedmills.



Antonius Harwanto

Deputy Chief Operating Officer, Operation 1 – Poultry Indonesia

Mr Harwanto is responsible for setting up the vision, mission and strategies to achieve sustainable growth for the Group's poultry business in Indonesia. Mr Harwanto has been with PT Japfa Comfeed Indonesia Tbk since 1979. From 1979 to 1999, he held various positions in transportation, sales and marketing and served as the unit head of Cikupa, Cirebon and Sidoarjo, respectively.

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

Between 2003 and 2017, Mr Harwanto was the Head of Feed Division, before he was promoted to his current position. Mr Harwanto graduated from the 17 August 1945 University in Jakarta, Indonesia, with an Economics degree in 1986.



Christina Chua Sook Ping

Head of Legal and Compliance

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

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

She was also named in both Who's Who – Legal (Singapore) for Mergers & Acquisitions and the International Tax Review 2004 as a leading tax practitioner in Singapore. She was highly recommended for tax (particularly infrastructure and cross border) transactions in PLC Which Lawyer? Yearbook Singapore 2008/2009 edition and was also named as a highly recommended tax lawyer in PLC Tax on Transactions Handbook 2009/2010 edition. Ms Chua graduated with a Bachelor of Laws (Honors) degree from the National University of Singapore in 1989 and was admitted as an advocate and solicitor of the Supreme Court of the Republic of Singapore in 1989. She has been a member of both the Law Society of Singapore and the Singapore Academy of Law since 1990.



Arif Widjaja

Co-Country Head, Japfa Comfeed Vietnam Limited Company

Mr Widjaja was appointed Co- Country Head of Japfa Comfeed Vietnam Limited Company in 2017. Mr Widjaja started his career with the Group in 1989 as an Overseas Coordinator, managing the logistics and trading of the Edible Oil Division at Nilam in Indonesia.

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

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

Corporate Information

BOARD OF DIRECTORS

HANDOJO SANTOSA @ KANG KIEM HAN
Executive Chairman

HENDRICK KOLONAS
Non-Executive, Non-Independent Director

TAN YONG NANG
Executive Director and Chief Executive Officer

KEVIN JOHN MONTEIRO
Executive Director and Chief Financial Officer

NG QUEK PENG
Independent Director

LIEN SIAOU-SZE
Independent Director

MANU BHASKARAN
Independent Director

TAN KIAN CHEW
Independent Director

AUDIT COMMITTEE

NG QUEK PENG
Chairman

LIEN SIAOU-SZE

TAN KIAN CHEW

NOMINATING COMMITTEE

LIEN SIAOU-SZE
Chairwoman

HENDRICK KOLONAS

NG QUEK PENG

REMUNERATION COMMITTEE

LIEN SIAOU-SZE
Chairwoman

HENDRICK KOLONAS

NG QUEK PENG

COMPANY SECRETARIES

CHRISTINA CHUA SOOK PING
LLB (Hons)

CHENG SAI HONG
ACS, ACIS

INVESTOR RELATIONS

investorcontact@japfa.com

AUDITOR

ERNST & YOUNG LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge:
Toong Weng Sum Vincent
(Chartered Accountant of Singapore)
Since financial year ended
31 December 2017

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

BOARDROOM CORPORATE & ADVISORY SERVICES PTE LTD
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

PRINCIPAL BANKERS

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

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

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

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

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

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
21 Collyer Quay
#13-01 HSBC Building
Singapore 049320

REGISTERED OFFICE

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

STOCK CODES

SGX: UD2
BLOOMBERG: JAP SP
REUTERS: JAPF.SI

WEBSITE

www.japfa.com

Corporate Governance

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

This report lists out Japfa's corporate governance framework, with specific reference to the principles of the revised Code of Corporate Governance 2018 ("2018 Code") issued by the Monetary Authority of Singapore on 6 August 2018.

Japfa has complied in all core Principles 2018 Code, and will regularly review its governance policies and practices to track developments in market best practices and regulations.

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

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

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

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

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

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

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

Material transactions requiring board approval include material corporate restructuring, joint venture, mergers and acquisition, debt or capital market transaction, change of the Company's constitutional documents and commencement of any material litigation by the Company. Directors will disclose and abstain from discussing and voting on the any transaction in which they or their associate, directly or indirectly, have a personal interest.

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

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

Corporate Governance

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

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

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

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

New Directors joining the Company will receive a letter of appointment and briefing notes to inform and remind the Director(s) of his/her duties and obligations as a member of the Board, the Constitution of the Company and the terms of reference of each Board Committees. To help new Directors to familiarize themselves with the Group's operations, they will be given an orientation (which includes site visits to relevant operating subsidiaries) by the Executive Directors and senior management.

Attendance of Board and Committee meetings in 2019:

	Board Meetings	AC Meetings	NC Meeting	RC Meeting
Number of meetings held	**5**	**4**	**1**	**2**
Name of Directors	**Number of meetings attended**			
Goh Geok Khim (Ex-Chairman) Retired on 18 April 2019	1*	1*^	–	–
Handojo Santosa @ Kang Kiem Han (Chairman wef 18 April 2019)	4	2^	1	–
Hendrick Kolonas	5	4	1^–	2
Tan Yong Nang	5	4^	–	–
Kevin John Monteiro	5	4^	–	–
Ng Quek Peng	5	4	1	2
Lien Siaou-Sze	5	4	1	2
Manu Bhaskaran (Appointed 18 April 2019)	5@	4^@	–	–
Tan Kian Chew (Appointed 18 April 2019)	5@	4^@	–	

^ By invitation
@ (including attendance as an observers prior to appointment as Director)
* prior to retirement

Corporate Governance

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 eight Directors with Independent Directors making up half of the Board as required under guideline 2.2 of the Code of Corporate Governance 2012 (such provision continues to apply prior to 1 January 2022).

The nature of the Directors' appointments and committee memberships for 2019 is set out below:

Board Composition Table

Name	Date of Appointment	Date of re-election	Board Membership	AC	NC	RC
Goh Geok Khim Retired on 18 April 2019	30 June 2014	N.A.	Independent Chairman 1 Jan to 18 April 2019	–	–	–
Handojo Santosa @ Kang Kiem Han	19 December 2008	18 April 2019	Executive, Non-Independent Chairman wef 18 April 2019 Deputy Chairman 1 Jan to 18 April 2019	–	–	–
Hendrick Kolonas	18 February 2013	18 April 2019	Non-executive, Non-Independent	Member 1 Jan to 18 April 2019	Member wef 18 April 2019	Member
Tan Yong Nang	1 June 2009	18 April 2019	Executive	–	–	–
Kevin John Monteiro	16 April 2014	18 April 2019	Executive	–	–	–
Ng Quek Peng	29 July 2014	18 April 2019	Independent Lead ID wef 18 April 2019	Chairman	Member 1 Jan to 18 April 2019	Member
Lien Siaou-Sze	29 July 2014	18 April 2019	Independent	Member	Chairwoman 1Jan to 18 April 2019	Chairwoman
Manu Bhaskaran	18 April 2019	N.A.	Independent	–	Chairman wef 18 April 2019	–
Tan Kian Chew	18 April 2019	N.A.	Independent	Member wef 18 April 2019	Member wef 18 April 2019	–

PRINCIPLE 3: CHAIRMAN AND CEO

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.

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

Both the Chairman and the CEO are Executive Directors.

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

Corporate Governance

The Chairman is responsible for the overall direction of our Group's business and operations strategies, including making any major corporate decisions. He oversees the formulation of our Group's corporate planning, strategic direction, business and corporate policies and is responsible for the workings of the Board. He leads the Board in its discussions and deliberation, facilitates effective contribution by Directors and exercises control over the timeliness of information flow between the Board and the Management.

The CEO is in charge of leading the development and execution of long-term strategies. He implements the decision of Board and is responsible for all day to-day operations of the Company.

PRINCIPLE 4: BOARD MEMBERSHIP

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

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.

NC Composition and Role

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

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

The NC is responsible for:

1. making recommendations to the Board on matters relating to:
   - (i) the review of board succession plans for Directors, in particular, the Chairman of the Board and the CEO;
   - (ii) the reviewing of training and professional development programs for the Board; and
   - (iii) the appointment and re-appointment of Directors (including alternate Directors, if applicable);
2. reviewing and determining annually, and as and when circumstances require, whether a Director is independent, in accordance with the 2018 Code and any other salient factors;
3. reviewing the composition of the Board annually to ensure that the Board and its committees comprise Directors who as a group provide an appropriate balance and diversity of skills, expertise, gender and knowledge of the Company and provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge;
4. (where a Director has multiple board representations), deciding whether the Director is able to and has been adequately carrying out his duties as Director, taking into consideration the Director's number of listed company board representation and other principal commitments;
5. making recommendations to the Board on the development of a process for evaluation and performance of the Board, its committees and Directors; and
6. implementing process for assessing the effectiveness of the Board as a whole and its Board Committees and the contributions of each individual Director to the effectiveness of the Board.

Corporate Governance

Process for selection and appointment of new Directors

Potential candidates are sourced through a variety of channels, for example, recommendations from financial institution, business/industry contacts, network of board members or professional search firms (if required).

The CEO will meet up with the potential candidates before recommending the candidates for consideration by the NC.

During the selection process, NC will take into consideration among others,

(i) the current composition of the board;

(ii) the position vacated or new position to be filled;

(iii) qualifications and experience of the candidates.

NC Chairman reports to the Board on its recommendation of candidates and the Board will consider and if thought fit, approves nominated Director candidate(s). If timing permits, the Board will recommend for the candidate(s) to stand in for election as Director(s) by the Shareholders at the Annual General Meeting ("AGM").

Evaluation and Re-appointment of Directors

Individual Directors and Board evaluates its effectiveness by completing an evaluation questionnaire that include topics such as Individual Director's Competencies, Board Structure, Strategy and Performance, Risk Management and Internal Control, Information to Board and Shareholders, Board Functions and Standards of Conduct, Preparation and participation in for Board/Committee meetings.

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

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

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

(ii) the principal commitments of Independent Directors;

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

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

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

(vi) the composition of the Board,

is of the view that:

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

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

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

Corporate Governance

Directors will retire from office at the AGM and will submit themselves for re-nomination and re-election each year. All Directors have submit themselves for re-election at the forthcoming AGM.

PRINCIPLE 6: 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.

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.

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.

RC Composition and Role

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

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

The RC is be responsible for:

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

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

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

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

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

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

Corporate Governance

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

Remuneration Framework and Pay Philosophy

The remuneration framework is designed to support the implementation of the Company's strategy and to enhance shareholder value. The Company's Pay Philosophy is based on the following principles:

- Performance-driven – The remuneration supports a pay-for-performance mindset, ensuring that targets are appropriately set and short-term incentives are based on the achievement of these performance factors.

- Forward-looking – Long-term incentive plans also measure performance over a multi-year forward looking period, ensuring that our near-term actions are built on continuity and sustainability.

- Competitive – Each remuneration component is benchmarked accordingly against the respective marketplace, ensuring that the Company continue to attract and retain the best.

To find the right balance and level for executive remuneration package and appropriate fee level for Non-Executive Directors, the Company has, since 2014, engaged the service of independent external consultants.

In reviewing the remuneration package of the key executives, the RC, with the assistance of Human Resources and external consultants engaged by the Company, considers the level of remuneration based on the Company's remuneration policy which comprises of the following distinct objectives:

- to reward employees for achieving corporate and individual performance targets in a fair and equitable way; and

- to ensure that the remuneration reflects employees' duties and responsibilities.

Particularly for key executives, the Company places importance on a long-term incentive plan to encourage key executives to adopt a balanced focus between achievement of short and long-term results.

When determining the fixed and variable component for a key executive, the key executive's individual performance is taken into consideration and remuneration recommendations are reviewed based on competitive market practices and information gathered from market surveys. As the Company has operations spread over a few countries, the remuneration is benchmarked against comparable companies in the region. This is further reviewed along with the Group's and individual performance, taking into consideration specific key performance indicators tracked over time. The Company exercises its discretion and independent judgment in ensuring that the amount and mix of compensation are aligned with the interests of shareholders and to ensure the long-term success of the Company. The current pay level and mix for Executive Chairman and CEO and the Long-Term Incentive Plan approved by RC was designed by Mercer Singapore.

Corporate Governance

Directors' Remuneration

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

Shareholders approved the existing Fee structure for Non-Executive Directors on at the previous AGM held 18 April 2019 ("2019 AGM").

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

Shareholders also approved the payment of FY2019 and 1Q2020 Directors' fees at the 2019 AGM.

The breakdown of Directors' remuneration for FY2019 is set out below:

Name of Directors	Directors' Fees %	Salary[1] %	Allowances/ Benefits %	Cash-based Incentive %	Total (rounded) S$ '000
Executive Chairman					
Mr Handojo Santosa[2]	–	17%	–	83%[4]	15,920
Executive Directors					
Mr Tan Yong Nang[2]	–	26%	–	74%	6,930
Mr Kevin Monteiro	–	67%	15%	18%	974
Non-Executive Directors					
Mr Goh Geok Khim[3]	100%	–	–	–	41
Mr Tan Kian Chew	100%	–	–	–	86
Mr Manu Bhaskaran	100%	–	–	–	86
Ms Lien Siaou-Sze	100%	–	–	–	134
Mr Ng Quek Peng	100%	–	–	–	145
Mr Hendrick Kolonas[2]	8%	49%	29%	14%	1,366

1 Salary includes CPF Contributions and AWS where applicable.
2 The total remuneration of Handojo Santosa, Tan Yong Nang and Hendrick Kolonas include renumeration received from PT Japfa Comfeed Indonesia Tbk as President Director, Director, and Vice President Commissioner respectively.
3 Directors fee paid to Goh Geok Khim was based on the old fee structure approved at 2018 AGM.
4 This amount includes a special bonus paid to Handojo Santosa for satisfying additional performance conditions.

Corporate Governance

The breakdown of top 5 Key Executive's renumeration for FY2019 is set out below:

Name of Key Executives	Salary[1] %	Allowances/ Benefits %	Cash-based Incentive %
S$3,000,001 to S$3,250,000			
Mr Bambang Budi Hendarto	17%	1%	82%
S$1,000,001 to S$1,250,000			
Mr Antonius Harwanto	37%	3%	60%
Mr Edgar Dowse Collins	45%	25%	30%
$750,001 to S$1,000,000			
Mr Arif Widjaja	45%	21%	34%
Ms Christina Chua Sook Ping	80%	2%	18%

1 Salary includes CPF Contributions and AWS where applicable.

	Total S$'000
Aggregate of total remuneration paid to top 5 Key Executives	7,047

Remuneration paid to employees who are Substantial Shareholders or an immediate family member of a Director or Substantial Shareholder of the Company for FY2019 is set out below:

Remuneration Bands/ Name of Employee	Relationship
S$300,001 to S$400,000	
Mr Renaldo Santosa	Substantial Shareholder; Son of the Executive Chairman, Handojo Santosa and Substantial Shareholder, Farida Gustimego Santosa; Brother of Substantial Shareholders, Gabriella Santosa, Mikael Santosa and Raffaela Santosa; and Nephew of Non-Executive Director, Hendrick Kolonas.
S$100,001 to $200,000	
Gabriella Santosa	Substantial Shareholder; Daughter of the Executive Chairman, Handojo Santosa, and Substantial Shareholder, Farida Gustimego Santosa ; Sister of Substantial Shareholders, Renaldo Santosa, Mikael Santosa and Raffaela Santosa; and Niece of Non-Executive Director, Hendrick Kolonas.
Irvan Kolonas	Son of Non-Executive Director, Hendrick Kolonas; Brother of Substantial Shareholder, Rachel Anastasia Kolonas; and Nephew of Executive Chairman, Handojo Santosa.

Corporate Governance

Share Based Incentives

The Company had implemented a performance share plan known as the "Japfa Ltd Performance Share Plan" which came into effect on 23 July 2014. The Japfa Ltd Performance Share Plan is administered by the Renumeration Committee. Since its inception, no share awards was granted to Controlling Shareholders and their associates.

No Share Awards was granted for FY2019.

Performance Share Awards granted to Directors since commencement of the Japfa Ltd Performance Share Plan are as follows:

Name: Tan Yong Nang

		Released		Awards Outstanding as at
Financial Year	Granted	Date	No ordinary shares	31 December 2019
FY2016	4,600,000 Share Awards	1 March 2017	4,600,000	N.A.
FY2017	10,000,000 Conditional Share Awards	1 March 2019	10,000,000	N.A.
FY2018	10,769,300 Conditional Share Awards	–	–	10,769,300 Conditional Share Awards
FY2019	Nil	N.A.	N.A.	N.A.

Name: Kevin John Monteiro

		Released		Awards Outstanding as at
Financial Year	Granted	Date	No ordinary shares	31 December 2019
FY2016	44,300 Share Awards	1 March 2017	44,300	N.A.
FY2017	1,000,000 Conditional Share Awards	1 March 2019	1,000,000	N.A.
FY2018	846,200 Conditional Share Awards	–	–	846,200 Conditional Share Awards
FY2019	Nil	N.A.	N.A.	N.A.

Corporate Governance

PRINCIPLE9: 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.

PRINCIPLE 10: AUDIT COMMITTEE

The Board has an Audit Committee which discharges its duties objectively.

AC Composition and Role

The AC comprise three Independent Directors.

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

The AC is responsible for:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AC has access to the Partner-in-charge of the external auditors ("Audit Partner") and can contact the Audit Partner without the presence of the Management when required.

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

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

Internal Controls

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

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

Enterprise Risk Management

AC approved the establishment of the Management Risk Committee under the leadership of the CEO to spearhead the documentation of Japfa's risk management activities, formalised the Enterprise Risk Management Framework and its implementation.

The CEO presents the operation and risk review to the Board at the quarterly Board meetings. CEO will seek Board's approval for projects or transactions which carries significant risks or are listed under Board Reserved Matters (e.g. Restructuring, Mergers & Acquisitions and significant borrowing) at the quarterly Board meetings.

Corporate Governance

Assurance from the CEO and CFO

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

(a) the financial records of the Group for FY2019 have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances in accordance with the applicable financial reporting framework that are free from material misstatement; and

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

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

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

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

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

Internal Audit

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

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

The annual internal audit plan is established by the Internal Auditor based on risk in consultation with, but independent of, the Management, and is reviewed and approved by the AC. On a quarterly basis, the AC and Management review and discuss internal audit findings, recommendations and status of remediation, at AC meetings. Chairman of the AC meet up the Internal Auditor without the presence of the Management on a quarterly basis.

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

Corporate Governance

Whistleblowing

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

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF 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.

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

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

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

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

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

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

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

Corporate Governance

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

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

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

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

LISTING RULE 1207(19) – DEALING IN SECURITIES

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

The security trading policy is applicable to:

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

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

(3) Senior financial officers of the Group; and

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

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

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

Corporate Governance

INTERESTED PERSON TRANSACTIONS

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

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

The aggregate value of interested person transactions entered into the Group in FY2019 is as follows:

Nature of Relationship/ Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) US$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)[1] US$'000
Associates of Handojo Santosa		
– Lease of vehicles	332	–
– Lease of office	572	–
Associates of Hendrick Kolonas		
Provision of insurance	952	–
Supply of goods	11,732	
Acquisition of subsidiary company	2,687	–

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

MATERIAL CONTRACTS

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

Corporate Governance

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

Handojo Santosa @ Kang Kiem Han

Designation	Executive Chairman
Age	56
Academic and Professional Qualifications	O Levels, United World College of South East Asia
Date of Appointment	19 December 2008
Date of last re-appointment	18 April 2019
Current Board committee(s) served	Chairman of Board of Director
Board committee(s) serve after re-election	N.A.
Directorships	Japfa Group of Companies Annona Pte Ltd AustAsia Investment Holdings Pte Ltd AIH2 Pte Ltd Japfa Ltd PT Japfa Comfeed Indonesia Tbk
Past 5 years Directorships	Jupiter Food Pte Ltd Japfa Vietnam Investments Pte Ltd Japfa Myanmar Investments Pte. Ltd Japfa Santori Australia Pte Ltd PT Ometraco Infraciti PT Resor Puri Candikuning PT Indojaya Agrinusa
Other Principal Commitments	Executive Chairman, Japfa Ltd President Director PT Japfa Comfeed Indonesia Tbk

Corporate Governance

Hendrick Kolonas

Designation	Non-Executive Director
Age	64
Academic and Professional Qualifications	Bachelor of Arts (Hons) degree in Accounting and Finance from Middlesex University, United Kingdom ("UK") Masters degree in Business Administration, from Schiller International University, UK Masters of Arts degree in Banking Administration from University of Hull, UK
Date of Appointment	18 February 2013
Date of last re-appointment	18 April 2019
Current Board committee(s) served	Member of the Nominating Committee Member of the Remuneration Committee.
Board committee(s) serve after re-election	Member of the Nominating Committee Member of the Remuneration Committee
Directorships/Other Principal Commitments	PT Japfa Comfeed Indonesia, Tbk PT Celebes Artha Ventura
Past 5 years Directorships	–

Corporate Governance

Tan Yong Nang

Designation	**Executive Director**
Age	59
Academic and Professional Qualifications	Bachelor of Arts (Economics) degree from the University of Cambridge Chartered Financial Analyst with The Institute of Chartered Financial Analysts, USA
Date of Appointment	1 June 2009
Date of last re-appointment	18 April 2019
Current Board committee(s) served	N.A.
Board committee(s) serve after re-election	N.A.
Directorships	Japfa Group of Companies Annona Pte Ltd AustAsia Investment Holdings Pte Ltd AIH2 Pte Ltd Japfa Ltd Japfa China Investments Pte Ltd Dongying Japfa Beef Co Ltd Japfa Vietnam Investments Pte Ltd Japfa Comfeed Vietnam Limited Company Japfa Hypor Genetics Company Limited Jupiter Foods Pte Ltd Japfa South-Asia Investments Pte Ltd Japfa Comfeed India Private Limited Japfa Comfeed Bangladesh Pte Ltd Japfa Myanmar JV Pte Ltd Japfa Comfeed Myanmar Pte Ltd PT Japfa Comfeed Indonesia Tbk Other Directorships Great Alpha Investments Limited Seasoned Pro Management Limited Utiva Continental SA
Past 5 years Directorships	Japfa Group of Companies Apachee Pte Ltd Central India Poultry Breeders Pvt Ltd Japfa Comfeed Myanmar Pte Ltd Japfa Comfeed Bin Thuan Limited Japfa Comfeed Long An Limited Jupiter Food Vietnam Limited Liability Company PT So Good Food Other Directorships Great Beta Investments Limited Viva Sino Investments Limited
Other Principal Commitments	Chief Executive Officer, Japfa Ltd

Corporate Governance

Kevin John Monteiro

Designation	**Executive Director**
Age	64
Academic and Professional Qualifications	Bachelor of Economics degree from Monash University, Australia Member of the Institute of Chartered Accountants in Australia
Date of Appointment	16 April 2014
Date of last re-appointment	18 April 2019
Current Board committee(s) served	N.A.
Board committee(s) serve after re-election	N.A.
Directorships	Japfa Group of Companies Annona Technical Services Pte Ltd Japfa Ltd
Past 5 years Directorships	Japfa Group of Companies AustAsia Pty Limited Japfa Santori Australia Pty Limited
Alternate Directorships (Alternate Director to Tan Yong Nang)	Japfa China Investments Pte Ltd Japfa South-Asia Investments Pte Ltd Japfa Myanmar JV Pte Ltd Japfa Vietnam Investments Pte Ltd
Other Principal Commitments	Chief Financial Officer, Japfa Ltd

Corporate Governance

Ng Quek Peng

Independent Director seeking re-election

Age	66
Academic and Professional Qualifications	Degree in Civil Engineering from University of London Member of the Institute of Chartered Accountants in England and Wales
Date of Appointment	29 July 2014
Date of last re-appointment	18 April 2019
Appointment/ Current Board committee(s) served	Chairman of Audit Committee Member of the Remuneration Committee
Appointment/ Board committee(s) serve after re-election	Lead Independent Director Chairman of Audit Committee Member of the Remuneration Committee
Directorships/ Other Principal Commitments	Lead Independent Director Hawthorne Holdings Pte. Ltd Japfa Ltd Jios Aerogel Pte Ltd
Past 5 years Directorships	Asia Pacific Port Holdings Pte. Ltd FEI Holdings Pte Ltd D'nonce Technology Bhd Halcyon Capital Pte. Ltd. Otto Marine Ltd# Zico Holdings Inc#

Listed Company

Corporate Governance

Lien Siaou-Sze

Designation	Independent Director
Age	70
Academic and Professional Qualifications	Masters degree in Computer Science from London University, Imperial College Science and Technology Bachelor of Science degree in Physics from the former Nanyang University
Date of Appointment	20 July 2014
Date of last re-appointment	18 April 2019
Current Board committee(s) served	Chairwoman of the Remuneration Committee Member of the Audit Committee
Board committee(s) serve post re-election	Chairwoman of the Remuneration Committee Member of the Audit Committee
Directorships	Confucius Institute, Nanyang Technological University Pte. Ltd Japfa Ltd Lien Shih Sheng Education Development Pte. Ltd
Past 5 years Directorship	Elekta AB (listed on the Nordic Stock Exchange) Singapore Corporation of Rehabilitative Enterprises ("SCORE") Nanyang Technological University
Other Principal Commitments	Senior Executive Coach, Mobley Group Pacific

Corporate Governance

Manu Bhaskaran

Designation	Independent Director
Age	61
Academic and Professional Qualifications	Bachelor of Arts (Honours) from Magdalene College, Cambridge University Masters in Public Administration from John F Kennedy School of Government at Harvard University Chartered Financial Analyst
Date Of Appointment	18 April 2019
Date of last re-appointment	N.A.
Current Board committee(s) served	Chairman of the Nominating Committee
Board committee(s) serve post re-election	Chairman of the Nominating Committee
Directorships	Directorship Aspen Networks Inc IFS Capital Limited Centennial Asia Advisors Pte Ltd Centennial Group Holdings Luminor Capital Pte Ltd MinorCap Pte Ltd Jebsen & Jessen SE Asia Ltd Shining Star Solutions and Services Private Limited, India CIMB Investment Bank Berhad
Past 5 years Directorship	–
Other Principal Commitments	CEO, Centennial Asia Advisors Pte Ltd

Corporate Governance

Tan Kian Chew

Designation	**Independent Director**
Age	66
Academic and Professional Qualifications	Bachelor of Science (Mechanical Engineering) (First Class Honours) from the University of Aston in Birmingham, UK Advance Management Program, Harvard University
Date Of Appointment	18 April 2019
Date of last re-appointment	N.A.
Current Board committee(s) served	Member of the Audit Committee Member of the Nominating Committee
Directorships/ Other Principal Commitments	CapitaLand Mall Trust Management Limited
Past 5 years Directorship	ARA Trust Management (Suntec) Limited NTUC Fairprice Foundation Ltd Fairprice International (2010) Pte Ltd NewFront Investments Pte Ltd

FINANCIAL STATEMENTS

Directors' Statement 76

Independent Auditor's Report 80

Consolidated Statement of Comprehensive Income 85

Statements of Financial Position 86

Statements of Changes in Equity 88

Consolidated Statement of Cash Flows 91

Notes to the Financial Statements 93

Statistics of Shareholdings 175

Important Notice – Covid-19 Impact on Annual General Meeting 2020 177

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Japfa Ltd. (the "Company") and its subsidiary companies (collectively the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019.

OPINION OF THE DIRECTORS

In the opinion of the directors,

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

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

DIRECTORS

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

Handojo Santosa @ Kang Kiem Han
Hendrick Kolonas
Tan Yong Nang
Kevin John Monteiro
Ng Quek Peng
Lien Siaou-Sze
Manu Bhaskaran (Appointed on 18 April 2019)
Tan Kian Chew (Appointed on 18 April 2019)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Directors' Statement

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

	Direct interest			Deemed interest		
Name of directors	At beginning of the financial year/date of appointment	At end of the financial year	At 21 Jan 2020	At beginning of the financial year/date of appointment	At end of the financial year	At 21 Jan 2020
Ordinary shares of Japfa Ltd						
Handojo Santosa @ Kang Kiem Han	–	–	–	1,136,818,915	1,136,818,915	1,136,818,915
Tan Yong Nang	–	–	–	66,810,691	76,810,691	76,810,691
Kevin John Monteiro	–	–	–	2,044,300	3,044,300	3,044,300
Ng Quek Peng	–	–	–	500,000	500,000	500,000
Lien Siaou-Sze	–	–	–	625,000	625,000	625,000
Manu Bhaskaran	–	–	–	–	–	–
Tan Kian Chew	30,000	30,000	30,000	–	–	–
Ordinary shares of Japfa Ltd Provisional Rights						
Handojo Santosa @ Kang Kiem Han	–	–	–	–	–	113,681,890
Tan Yong Nang	–	–	–	–	–	7,681,069
Kevin John Monteiro	–	–	–	–	–	304,430
Ng Quek Peng	–	–	–	–	–	50,000
Lien Siaou-Sze	–	–	–	–	–	62,500
Manu Bhaskaran	–	–	–	–	–	–
Tan Kian Chew	–	–	3,000	–	–	–
Ordinary shares of related company (PT Japfa Comfeed Indonesia Tbk)						
Handojo Santosa @ Kang Kiem Han	–	–	–	63,000,000	63,000,000	63,000,000
Hendrick Kolonas	–	–	–	263,122,585	263,122,585	263,122,585
Tan Yong Nang	–	–	–	380,000	380,000	380,000
Kevin John Monteiro	1,070,000	1,070,000	1,070,000	–	–	–
Bonds of related company (PT Japfa Comfeed Indonesia Tbk)						
Tan Yong Nang	–	–	–	1,000,000	1,000,000	1,000,000

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

Directors' Statement

PERFORMANCE SHARE PLAN

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

For details of this scheme, please refer to Note 27E of the financial statements.

Japfa PSP granted during the financial year:

- On 28 February 2019, the Company granted and issued 288,900 shares to the employees of the Group for their performance in 2018.

On 28 February 2019, the Company announced that the performance condition of the share awards granted on 21 December 2017 had been achieved and 21,275,000 shares have been issued to the executive directors and employees of the Group.

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

Name of director	At beginning of the financial year	Shares awards granted	Share awards vested	Share awards cancelled	At end of the financial year
Tan Yong Nang	20,769,300	–	(10,000,000)	–	10,769,300
Kevin John Monteiro	1,846,200	–	(1,000,000)	–	846,200
Employees of the Company and subsidiaries	16,698,700	288,900	(10,563,900)	–	6,423,700
Total	39,314,200	288,900	(21,563,900)	–	18,039,200

OPTIONS

During the reporting year, no option to take up unissued shares of the Company or other body corporate in the Group was granted and there were no shares issued by virtue of the exercise of an option to take up unissued shares, except as disclosed in Note 27D of the financial statements.

Directors' Statement

AUDIT COMMITTEE

The Audit Committee ("AC") carried out its functions in accordance with section 201B (5) of the Act, including the following:

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

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

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

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

AUDITOR

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

On behalf of the board of directors:

Tan Yong Nang
Director

Kevin John Monteiro
Director

17 March 2020

Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Japfa Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and of the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Key Audit Matters (continued)

(1) Valuation of biological assets

The Group measures their biological assets, such as beef cattle, dairy cows, swine, chickens, fish, etc, at fair value less cost to sell. Management assessed the fair value by using either an income approach or a market comparison approach, both of which uses inputs such as market prices at the year end. We have considered this as a key audit matter because management estimation of the fair value of the biological assets involves significant judgement and making assumptions on the future market and economic conditions.

Our audit procedures over the measurement of biological assets included, amongst others, (i) assessing the competency, objectivity and capabilities of the valuers; (ii) evaluating the valuation approaches used by management in the measurement of biological assets; (iii) testing the information and key assumptions used by management, including the classification and age, weight and number of livestock, comparing projected cashflows against historical information and comparing prices and discount rates used by the Group to the internal and external sources of data and the available market prices at year end; (iv) involving our internal valuation specialists to assess the reasonableness of the discount rates used; (v) checking the computational accuracy of the valuations and evaluated the sensitivity of the outcomes by considering reasonably plausible changes to the key assumptions; and (vi) reviewing the adequacy and appropriateness of disclosure in relation to biological assets included in the financial statements.

(2) Impairment assessment of property, plant and equipment and investment in subsidiary

The performance of the Group's consumer food operations in Indonesia and dairy operations in China are affected by the highly competitive environment in their respective markets. Accordingly, management identified impairment indicators over the property, plant and equipment operated by the Indonesian consumer food business and the Company's investments in both Jupiter Foods Pte Ltd and AustAsia Investment Holdings Pte Ltd ("AIH") [the respective investment holding companies of the Group's Indonesian consumer food and dairy operations]. Recoverable amounts of the respective assets were determined using the value-in-use calculations by discounting the underlying cash flow forecasts approved by management. We considered the audit of the Group and Company's impairment assessments over these assets to be a key audit matter because the assessment process involves management exercising significant judgement and making assumptions of future market and economic conditions.

Our audit procedures over the impairment assessments included, amongst others, (i) evaluating the appropriateness of the valuation methodology used; (ii) evaluating and assessing the reasonableness of the key assumptions used, including the discount rates, sales growth rates, terminal growth rates, production capacity and operating costs against historical and market available data; (iii) evaluating the robustness of management's forecasting process by comparing previous forecasts to actual results; (iv) involving our internal valuation specialists to assess the reasonableness of the discount rates used; (v) checking the computational accuracy of the valuations and evaluated the sensitivity of the outcomes by considering reasonably plausible changes to the key assumptions; and (vi) reviewing the adequacy and appropriateness of disclosures relating to property, plant and equipment and investment in subsidiaries included in the financial statements.

Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Key Audit Matters (continued)

(3) Defined benefit plan liabilities

In accordance with Indonesian Labour Laws, the Group maintains defined benefit plans and records the plan liabilities for its qualified employees in Indonesia. An independent actuary is engaged to assist management with the valuation of the plan liabilities. We considered the valuation of the defined benefit plan liabilities to be a key audit matter due to the magnitude of the carrying amounts as well as estimation uncertainty involved in determining the ultimate liability.

Our audit procedures over the reasonableness of the Group's defined benefit plan liabilities included, amongst others, (i) assessing the competency, objectivity and capabilities of the independent actuary; (ii) testing samples of the employees' payroll details used in the valuations; (iii) evaluating the reasonableness of key inputs and assumptions used in the valuation, such as the total annual salaries and future salary increases used in the computation against historical data, and the discount rate and mortality rates used against the market available data issued by the Government of Indonesia; (iv) involving our internal actuarial specialists to assess the reasonableness of the ultimate liability computed ; (v) checking the computational accuracy of the valuations and evaluated the sensitivity of the outcomes by considering reasonably plausible changes to the key assumptions; and (vi) reviewing the adequacy and appropriateness of the disclosures made on the defined benefit plan liabilities in the financial statements.

(4) Lease liabilities and right of use assets

The Group has recognised significant lease liabilities and right of use assets this financial year on adoption of the new SFRS(I) 16, Leases, standard. We considered the calculation of the lease liabilities and right of use assets to be a key audit matter due to the magnitude of the carrying amounts as well as significant management judgement involved in arriving at the incremental borrowing rate ("IBR") used to discount the lease liabilities.

Our audit procedures over the reasonableness of the lease liabilities and right of use assets recorded included, amongst others, (i) reviewing management's processes and internal controls over the identification of applicable leases, determination of IBR, computation and recording of the lease liabilities and right of use assets; (iii) involving our internal valuation specialist to assess the reasonableness of management's IBR; (iii) checking computational accuracy of the lease liabilities and right of use assets; (vi) reviewing the opening lease commitment reconciliation and appropriateness of exempted short-term and low value leases; and (v) reviewing the adequacy and appropriateness of the disclosures in the financial statements.

Other Information

- Management is responsible for other information. The other information comprises the information in the annual report, but does not include the financial statements and our auditor's report thereon.
- Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

17 March 2020

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 US$'000	2018 US$'000
Revenue	4	3,890,456	3,533,256
Cost of sales		(3,076,932)	(2,762,941)
Gross profit		813,524	770,315
Interest income	5	2,645	4,199
Other gains	6	9,831	25,404
Other losses	6	(9,504)	(1,032)
Marketing and distribution costs	7	(163,112)	(144,089)
Administrative expenses	8	(311,371)	(284,454)
Finance costs	9	(107,050)	(82,526)
Foreign exchange adjustments gain/(loss), net		9,431	(32,679)
Changes in fair value of biological assets	19	2,079	(11,625)
Share of gain from equity-accounted joint ventures	18	601	82
Profit before income tax		247,074	243,595
Income tax expense	11	(62,449)	(65,384)
Profit, net of income tax		184,625	178,211
Other comprehensive income			
Items that will not be reclassified to statement of comprehensive income:			
Remeasurement of the net defined benefits plan, net of tax	28	(2,283)	13,704
Net loss on equity instruments designated at fair value through other comprehensive income		(5,934)	–
Items that may be reclassified subsequently to statement of comprehensive income:			
Exchange differences on translating foreign operations		25,920	(78,377)
Share of other comprehensive income of equity-accounted joint ventures, net of tax	18	(3)	5
Total other comprehensive income, net of tax		17,700	(64,668)
Total comprehensive income		202,325	113,543
Profit, net of income tax attributable to:			
– Owners of the parent		119,952	100,385
– Non-controlling interests		64,673	77,826
		184,625	178,211
Total comprehensive income attributable to:			
– Owners of the parent		124,581	49,818
– Non-controlling interests		77,744	63,725
		202,325	113,543
Basic and diluted earnings per share (cents)	12	6.45	5.52

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

Statements of Financial Position

AS AT 31 DECEMBER 2019

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	1,179,316	1,010,147	198	274
Right-of-use assets	14	130,787	–	544	–
Investment properties	15	4,994	5,256	–	–
Intangible assets	16	16,911	12,073	–	–
Investment in subsidiaries	17	–	–	1,293,305	1,275,982
Investments in joint ventures	18	6,483	5,730	–	–
Biological assets	19	386,416	365,041	–	–
Deferred tax assets	11	28,182	23,593	–	–
Real estate assets	20	60,605	53,315	–	–
Other receivables	21	14,825	14,564	–	–
Other financial assets	22	18,799	30,401	–	–
Other assets, non-current	23	78,966	82,052	–	–
		1,926,284	1,602,172	1,294,047	1,276,256
Current assets					
Inventories	24	794,752	763,996	–	–
Biological assets	19	98,841	83,229	–	–
Trade and other receivables	21	225,881	194,407	19,030	11,956
Other financial assets	22	2,488	2,488	2,404	2,404
Other assets, current	23	53,444	74,660	2,024	3,694
Cash at banks	25	208,743	168,316	17,676	7,485
		1,384,149	1,287,096	41,134	25,539
Total assets		3,310,433	2,889,268	1,335,181	1,301,795
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	26	993,178	980,946	993,178	980,946
Treasury shares	26	(7,620)	(5,926)	(7,620)	(5,926)
Retained earnings		563,704	481,721	19,024	44,674
Other reserves	27	(454,730)	(451,091)	(13,625)	(6,192)
Translation reserve	27	(213,975)	(226,263)	–	–
Equity, attributable to owners of the parent		880,557	779,387	990,957	1,013,502
Non-controlling interests		406,133	350,998	–	–
Total equity		1,286,690	1,130,385	990,957	1,013,502

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

Statements of Financial Position

AS AT 31 DECEMBER 2019

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Non-current liabilities					
Defined benefit plan liabilities	28	98,776	85,386	–	–
Deferred tax liabilities	11	9,531	2,511	–	–
Trade and other payables, non-current	29	480	358	–	–
Loan and borrowings, non-current	30	793,369	777,200	252,768	252,768
Lease liabilities	31	91,295	217	30	–
Other financial liabilities	32	4,625	304	2,766	303
Other liabilities, non-current	33	3,199	3,405	–	–
		1,001,275	869,381	255,564	253,071
Current liabilities					
Income tax payable		19,018	37,473	593	–
Trade and other payables, current	29	389,871	388,843	8,148	11,097
Loan and borrowings, current	30	583,549	440,090	79,400	24,125
Lease liabilities	31	14,224	119	519	–
Other financial liabilities	32	2,206	8,933	–	–
Other liabilities, current	33	13,600	14,044	–	–
		1,022,468	889,502	88,660	35,222
Total liabilities		2,023,743	1,758,883	344,224	288,293
Total equity and liabilities		3,310,433	2,889,268	1,335,181	1,301,795

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

Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Total equity US$'000	Attributable to parent sub-total US$'000	Share capital US$'000	Treasury shares US$'000	Retained earnings US$'000	Other reserves US$'000	Translation reserve US$'000	Non-controlling interests US$'000
Balance at 1 January 2019	1,130,385	779,387	980,946	(5,926)	481,721	(451,091)	(226,263)	350,998
Total comprehensive income for the year	202,325	124,581	–	–	118,400	(6,107)	12,288	77,744
Contribution by and distribution to owners								
Purchase of treasury shares by the Company	(1,694)	(1,694)	–	(1,694)	–	–	–	–
Grant of share options by a subsidiary (Note 27D)	943	943	–	–	–	943	–	–
Value of employee services pursuant to performance share plan (Note 27E)	4,799	4,799	–	–	–	4,799	–	–
Issue of new shares by the Company under performance share plan	–	–	12,232	–	–	(12,232)	–	–
Reissue treasury shares by a subsidiary under performance share plan	382	–	–	–	–	–	–	382
Reserve arising from changes in non-controlling interests without change in control	–	(173)	–	–	–	(173)	–	173
Dividend paid to equity holders of the Company (Note 39)	(27,286)	(27,286)	–	–	(27,286)	–	–	–
Dividend paid by subsidiary to non-controlling interests	(23,164)	–	–	–	–	–	–	(23,164)
Total contribution by and distribution to owners	(46,020)	(23,411)	12,232	(1,694)	(27,286)	(6,663)	–	(22,609)
Others								
Transfer to statutory reserve (Note 27C)	–	–	–	–	(9,131)	9,131	–	–
Balance at 31 December 2019	1,286,690	880,557	993,178	(7,620)	563,704	(454,730)	(213,975)	406,133

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

Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Total equity US$'000	Attributable to parent sub-total US$'000	Share capital US$'000	Treasury shares US$'000	Retained earnings US$'000	Other reserves US$'000	Translation reserve US$'000	Non-controlling interests US$'000
Balance at 1 January 2018 (FRS framework)	1,022,791	693,555	940,842	(4,759)	385,116	(459,804)	(167,840)	329,236
Cumulative effect of adopting SFRS(I)	1,803	1,803	–	–	1,803	–	–	–
Balance at 1 January 2018 (SFRS(I) framework)	1,024,594	695,358	940,842	(4,759)	386,919	(459,804)	(167,840)	329,236
Total comprehensive income for the year	113,543	49,818	–	–	108,241	–	(58,423)	63,725
Contribution by and distribution to owners								
Issue of new shares by the Company	40,104	40,104	40,104	–	–	–	–	–
Acquisition of non-controlling interests without change in control	52	–	–	–	–	–	–	52
Grant of share options (Note 27D)	384	384	–	–	–	384	–	–
Purchase of treasury shares by the Company	(1,198)	(1,198)	–	(1,198)	–	–	–	–
Value of employee services pursuant to performance share plan (Note 27E)	1,466	1,466	–	–	–	1,466	–	–
Reissue treasury shares by the Company under performance share plan	–	–	–	31	–	(31)	–	–
Reissue treasury shares by subsidiary under performance share plan	293	–	–	–	–	–	–	293
Dividend paid to equity holders of the Company (Note 39)	(6,545)	(6,545)	–	–	(6,545)	–	–	–
Dividend paid by subsidiary to non-controlling interests	(42,308)	–	–	–	–	–	–	(42,308)
Total contribution by and distribution to owners	(7,752)	34,211	40,104	(1,167)	(6,545)	1,819	–	(41,963)
Others								
Transfer to statutory reserve (Note 27C)	–	–	–	–	(6,894)	6,894	–	–
Balance at 31 December 2018	1,130,385	779,387	980,946	(5,926)	481,721	(451,091)	(226,263)	350,998

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

Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	Total equity US$'000	Share capital US$'000	Treasury shares US$'000	Retained earnings US$'000	Other reserves US$'000
Balance at 31 December 2017 and 1 January 2018 (FRS framework)	1,023,454	940,842	(4,759)	87,350	21
Cumulative effect of adopting SFRS(I)	1,803	–	–	1,803	–
Balance at 1 January 2018 (SFRS(I) framework)	1,025,257	940,842	(4,759)	89,153	21
Total comprehensive income for the year	(37,934)	–	–	(37,934)	–
Issue of new shares	40,104	40,104	–	–	–
Purchase of treasury shares by the Company	(1,198)	–	(1,198)	–	–
Difference in value arising from issuance of consideration shares (Note 17)	(7,648)	–	–	–	(7,648)
Value of employee services pursuant to performance share plan (Note 27E)	1,466	–	–	–	1,466
Reissue treasury shares by the Company under performance share plan	–	–	31	–	(31)
Dividend paid to equity holders of the Company	(6,545)	–	–	(6,545)	–
Balance at 31 December 2018 and 1 January 2019	1,013,502	980,946	(5,926)	44,674	(6,192)
Total comprehensive income for the year	1,636	–	–	1,636	–
Issue of new shares by the Company under performance share plan	–	12,232	–	–	(12,232)
Purchase of treasury shares by the Company	(1,694)	–	(1,694)	–	–
Value of employee services pursuant to performance share plan (Note 27E)	4,799	–	–	–	4,799
Dividend paid to equity holders of the Company (Note 39)	(27,286)	–	–	(27,286)	–
Balance at 31 December 2019	990,957	993,178	(7,620)	19,024	(13,625)

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 US$'000	2018 US$'000
Cash flows from operating activities		
Profit before income tax	247,074	243,595
Adjustments for:		
Amortisation of intangible assets	1,967	2,058
Amortisation of bonds issuance cost	2,060	1,839
Depreciation of property, plant and equipment	117,461	103,924
Depreciation of right-of-use assets	18,543	–
Write-off of property, plant and equipment	1,047	648
Depreciation of investment properties	275	273
Fair value loss/(gain) on derivative financial instruments	4,936	(15,970)
Fair value (gain)/loss on biological assets	(2,079)	11,625
(Gain)/loss on disposal of property, plant and equipment	(32)	384
Gain on disposal of investment property	(430)	–
Expenses arising from increase in defined benefit plan liabilities	16,601	17,504
Interest income	(2,645)	(4,199)
Interest expense on loans and borrowings	99,418	82,526
Interest expense on leases	7,632	–
Land use rights charges	–	572
Write-off of other financial assets	1,452	–
Allowance for impairment on trade receivables	4,167	1,536
Expenses arising from share option plan	943	384
Value of employee services received pursuant to performance share plan	4,799	1,466
Value of employee services received pursuant to performance share plan by subsidiary	382	293
Share of gain from equity-accounted joint ventures	(601)	(82)
Net effect of exchange rate changes	10,629	(1,299)
Operating cash flows before changes in working capital	533,599	447,077
Inventories	(23,954)	(45,187)
Biological assets	(10,434)	(39,524)
Trade and other receivables	(33,963)	(15,659)
Other assets	28,579	7,767
Trade and other payables	1,333	32,781
Defined benefit plan liabilities	(10,044)	(12,989)
Other liabilities	(3,151)	4,440
Net cash flows from operations before tax	481,965	378,706
Income taxes paid	(95,856)	(72,156)
Net cash flows from operating activities	386,109	306,550

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 US$'000	2018 US$'000
Cash flows used in investing activities		
Acquisition of subsidiaries, net of cash outflows	(8,567)	(2,279)
Purchase of property, plant and equipment (Note 25B)	(277,188)	(221,444)
Proceeds from disposal of property, plant and equipment	3,026	5,753
Proceeds from disposal of investment properties	536	–
Prepayment of leases	(7,325)	–
Increase in real estate assets	(5,567)	(50,566)
Purchase of investment properties	–	(282)
Purchase of financial assets	–	(83)
Purchase of biological assets	(30,612)	(15,803)
Purchase of intangible assets	(1,205)	(2,692)
Purchase of land use rights	–	(2,370)
Interest income received	2,645	4,199
Net cash flows used in investing activities	(324,257)	(285,567)
Cash flows used in financing activities		
Dividends paid by subsidiary to non-controlling interests	(23,164)	(42,308)
Dividends paid to equity holders of the Company	(27,286)	(6,545)
Repayment of principal portion of lease liabilities	(11,843)	–
Proceeds from new bank loans	46,417	276,459
Transaction cost paid for acquisition of non-controlling interests	–	(223,000)
Decrease in cash restricted in use	658	294
Purchase of treasury shares by the Company	(1,694)	(1,198)
Repayment of bonds payable	(61,147)	–
Increase/(decrease) in working capital loans	162,741	(4,782)
Interest paid on lease liabilities	(7,632)	–
Interest expense paid	(99,418)	(82,526)
Net cash flows used in financing activities	(22,368)	(83,606)
Net increase/(decrease) in cash and cash equivalents	39,484	(62,623)
Effect of exchange rate changes on cash and cash equivalents	1,601	(3,634)
Cash and cash equivalents, beginning balance	164,214	230,471
Cash and cash equivalents, ending balance (Note 25A)	205,299	164,214

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. CORPORATE INFORMATION

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

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

The principal activities of the Company are that of group head office, and business development and branding. The principal activities of its subsidiaries are described in Note 17 of the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards International ("SFRS(I)").

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2019. Except for the adoption of SFRS(I) 16 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 Leases, SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, SFRS(I) INT 1-15 Operating Leases-Incentives and SFRS(I) INT 1-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 did not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

SFRS(I) 16 *Leases* (continued)

The effect of adoption SFRS(I) 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

Impact on balance sheets - increase/(decrease):

	1 January 2019	
	Group US$'000	Company US$'000
Assets		
Right-of-use assets	106,769	1,046
Property, plant and equipment	(8,751)	–
Other assets, non-current	(12,647)	–
Other assets, current	(2,207)	–
Total	83,164	1,046
Liabilities		
Lease liabilities	83,164	1,046
Total	83,164	1,046

The Group has lease contracts for various items of land use rights, buildings and sites facilities, machinery and equipment, office furniture and fixtures, and transport vehicles. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.23 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

– Leases previously classified as finance leases

  The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

– Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

SFRS(I) 16 *Leases* (continued)

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group US$'000
Operating lease commitments as at 31 December 2018	162,451
Less:	
Commitments relating to short-term leases	(3,128)
Commitments relating to leases of low-value assets	(13)
Lease commitments exclude short-term leases and leases of low value assets	159,310
Discounting	(76,146)
Additional lease liabilities as a result of the initial application of IFRS 16 as at 1 January 2019	83,164
Add: Present value of leases previously classified as finance lease liabilities as at 31 December 2018	336
Lease liabilities as at 1 January 2019	83,500

The lease liabilities were discounted at the weighted average incremental borrowing rate as at 1 January 2019 of 8.03%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in FRS standards	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 Definition of Material	1 January 2020
Amendments to SFRS(I) 3 Definition of a Business	1 January 2020
Amendments to SFRS(I) 9 and SFRS(I) 7 Interest Rate Benchmark Return	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	Date to be determined

The directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (continued)

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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

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

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

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

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

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

2.5 Transactions with non-controlling interest

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

2.7 Property, plant and equipment

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment property

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

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

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

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

2.9 Intangible assets

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

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

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

The intangible assets are amortised on a straight-line basis over their estimated useful lives as follows:

Formula and technology	–	20 years
Non-compete fees	–	5 years
Customer relationships	–	6 years
Computer software	–	5 to 7 years
Trademark	–	8 years

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (continued)

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in statement of comprehensive income when the asset is de-recognised.

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

2.10 Impairment of non-financial assets

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

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

When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

2.11 Subsidiaries

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Joint arrangements - joint ventures

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

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

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

Subsequent measurement

Investments in debt instruments

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

(i) Amortised cost

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

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

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

(iiii) Fair value through profit or loss

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments (continued)

(a) Financial assets (continued)

Subsequent measurement (continued)

Investments in equity instruments

Investments in equity instruments are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Derivatives

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

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

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

Derecognition

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

(b) Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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

De-recognition

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of financial assets

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

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

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

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

2.15 Cash and cash equivalents

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

2.16 Inventories

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

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

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

2.17 Biological assets

Biological assets are measured on initial recognition and at the end of the reporting year at their fair value less costs to sell, with any resultant gain or loss recognised in the profit or loss for the year in which it arises. Biological assets mainly comprise of dairy cows, breeding livestock and fattening livestock.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Real estate assets

Real estate assets are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Real estate assets are measured at the lower of cost and net realisable value.

Net realisable value of real estate assets is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of real estate assets recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

2.19 Provisions

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

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

2.20 Financial guarantee

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.14 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.21 Borrowing costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

(c) Pension benefits

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

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

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

– The date of the plan amendment or curtailment; and

– The date that the Group recognises restructuring-related costs.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits (continued)

(d) Employee performance share and share option plans

(i) Performance share plans

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

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

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

(ii) Employee share option plans

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases

(a) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land use rights	–	2 to 58 years
Buildings and site facilities	–	2 to 15 years
Machinery and equipment	–	2 to 7 years
Office furniture and fixtures	–	2 years
Transport vehicles	–	2 to 8 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (s) Impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (continued)

(a) As lessee (continued)

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.24 Revenue recognition

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

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

(a) Sales of goods

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

(i) Sales of animal feed

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

(ii) Sales of animal protein

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

(iii) Sales of raw milk

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition (continued)

(a) Sales of goods (continued)

(iv) Sales of animal protein products and milk products

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

(b) Rental income

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

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

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

2.25 Taxes

(a) Current income tax

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Deferred tax

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

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

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

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

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

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

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

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

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

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

(c) Sales tax

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Share capital and share issue expenses

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

2.27 Segment reporting

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

2.28 Treasury shares

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Judgements made in applying accounting policies

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

Income taxes

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty

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

(a) Fair value of biological assets

Biological assets are measured at fair value less costs to sell. Fair value is measured based on either the market determined prices as at the end of the reporting year adjusted with reference to the species, age, growing condition, costs incurred and expected yield to reflect differences in characteristics and/or stages of growth of the biological assets; or the present value of expected net cash flows from the biological assets discounted at a current market-determined rate, when market-determined prices are unavailable. Any change in the estimates may affect the fair value of the biological assets significantly. The key assumptions applied in determination of the fair value of the Group's biological assets are described in more detail in Note 19.

(b) Impairment assessment of non-financial assets

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

(c) Defined benefit plans

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about pension obligations are disclosed in Note 28.

(d) Leases - Estimating the IBR

The Group is not able to readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (e.g. when leases are not in the subsidiary's functional currency). The Group uses existing debt borrowing rates of the respective Group's entities as its IBR. The information about the Group's leases is disclosed in Note 31.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(e) Provision for ECLs of trade receivables and contract assets

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 21.

4. REVENUE

Business segments

	Group	
	2019 US$'000	2018 US$'000
Animal Protein Indonesia	2,597,367	2,382,613
Animal Protein Other	692,023	583,120
Dairy	471,471	408,736
Consumer Food	190,711	203,332
Others	(61,116)	(44,545)
	3,890,456	3,533,256

Others include central procurement activities in Singapore and consolidation adjustments between segments.

4. REVENUE (CONTINUED)

Major products

Revenue by the major products groups by segments include the following:

	Animal Protein Indonesia US$'000	Animal Protein Other US$'000	Dairy US$'000	Consumer Food US$'000	Total US$'000
2019					
Animal feed	1,092,441	324,555	–	–	1,416,996
Animal proteins	1,401,717	334,156	–	–	1,735,873
Raw milk	–	–	321,009	–	321,009
Milk products	–	–	97,416	–	97,416
Animal protein products	–	–	–	190,061	190,061
2018					
Animal feed	984,190	280,248	–	–	1,264,438
Animal proteins	1,288,432	283,467	–	–	1,571,899
Raw milk	–	–	287,555	–	287,555
Milk products	–	–	80,890	–	80,890
Animal protein products	–	–	–	202,566	202,566

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

Judgement and methods used in estimating variable consideration

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

5. INTEREST INCOME

	Group	
	2019 US$'000	2018 US$'000
Interest income from cash deposits in bank	2,645	4,199

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. OTHER GAINS AND (LOSSES)

	Group	
	2019 US$'000	2018 US$'000
Other gains		
Gain on disposal of property, plant and equipment	32	–
Gain on fair value of derivative financial instruments	–	15,970
Gain on disposal of investment properties	430	–
Bad debts recovered from trade receivables	462	2,015
Insurance compensation	2,751	1,824
Sale of scrap	2,518	1,281
Government grant income	2,554	2,076
Rental income from investment properties	968	956
Other rental income	116	137
Others	–	1,145
	9,831	25,404
Other losses		
Loss on disposal of property, plant and equipment	–	(384)
Write-off of property, plant and equipment	(1,047)	(648)
Write-off of other financial assets	(1,452)	–
Loss on fair value of derivative financial instruments	(4,936)	–
Others	(2,069)	–
	(9,504)	(1,032)

7. MARKETING AND DISTRIBUTION COSTS

The major components include the following:

	Group	
	2019 US$'000	2018 US$'000
Advertising and promotion expense	32,708	29,528
Employee benefits expense	40,804	36,910
Freight charges	45,119	40,193
Sales commission	326	1,368
Vehicles maintenance	6,666	5,504
Freight forwarding	5,421	3,365
Travel and courier services	5,134	4,793
Rental expenses	4,822	3,204
Depreciation expenses	4,267	3,380

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. ADMINISTRATIVE EXPENSES

The major components include the following:

	Group	
	2019 US$'000	2018 US$'000
Audit fees:		
– Auditor of the Company	1,361	1,200
Non-audit fees:		
– Auditor of the Company	290	125
Employee benefits expense	176,572	170,549
Depreciation and amortisation expense	21,031	15,756
Travel expense	12,814	10,329
Rental expense	3,857	7,368
Professional expense	5,625	6,425
Security expense	2,833	5,024
Miscellaneous office expense	5,548	4,814
Maintenance expense	7,066	5,079

9. FINANCE COSTS

	Group	
	2019 US$'000	2018 US$'000
Interest expense on loans and borrowings	99,418	82,526
Interest expense on lease liabilities	7,632	–
	107,050	82,526

10. EMPLOYEE BENEFITS EXPENSE

	Group	
	2019 US$'000	2018 US$'000
Salaries and bonuses	349,358	310,886
Contributions to defined contribution plans	18,813	16,280
Defined benefits plan expenses (Note 28)	16,601	17,504
Share-based payments: Japfa Performance share plan (Note 27E)	4,799	1,466
Share-based payments: Performance share plan under a subsidiary	382	293
Share-based payments: Employee share option plan under a subsidiary (Note 27D)	943	384
Total employee benefits expense	390,896	346,813

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. INCOME TAX

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

	Group	
	2019 US$'000	2018 US$'000
Current income tax:		
Current income taxation	51,538	66,781
Under provision in respect of previous years	2,783	121
	54,321	66,902
Deferred income tax:		
Origination and reversal of temporary differences	4,265	(6,732)
Withholding tax expenses	3,863	5,214
Income tax expense recognised in statement of comprehensive income	62,449	65,384

The reconciliation of income tax below is determined by applying the Singapore corporate tax rate. The income tax in statement of comprehensive income varied from the amount determined by applying the Singapore corporate tax rate of 17% (2018: 17%) to statement of comprehensive income before income tax as a result of the following differences:

	Group	
	2019 US$'000	2018 US$'000
Profit before income tax	247,074	243,595
Share of (gain) of equity accounted joint ventures	(601)	(82)
	246,473	243,513
Income tax expense at the above rate	41,900	41,397
Effect of different tax rates in different countries	9,832	19,847
Expenses not deductible for tax purposes	18,435	10,780
Income not subject to tax	(16,957)	(15,606)
Deferred tax assets not recognised	6,744	2,366
Under provision in respect of previous years	2,783	121
Withholding tax	3,863	5,214
Utilisation of previously unrecognised tax losses	(3,764)	–
Tax incentives	(807)	(38)
Others	420	1,303
Total income tax expense	62,449	65,384
Effective tax rate	25.3%	26.9%

Relationship between tax expense and accounting profit

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

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

11. INCOME TAX (CONTINUED)

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

	Group	
	2019 US$'000	2018 US$'000
Excess of net book value over tax value of plant and equipment	1,103	(3,741)
Fair value of biological assets	2,302	211
Tax losses of subsidiaries	(2,229)	4,072
Provision of liability for employee benefits	(1,220)	(655)
Provision	(146)	(4,840)
Allowance for impairment	(573)	124
Undistributed earnings	2,211	–
Others	2,817	(1,903)
Net deferred tax expense/(credit) recognised in statement of comprehensive income	4,265	(6,732)

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

	Group	
	2019 US$'000	2018 US$'000
Re-measurement of the net defined benefits plan (Note 28)	(695)	4,493

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

	Group	
	2019 US$'000	2018 US$'000
Deferred tax assets/(liabilities) are as follows:		
Excess of net book value over tax value of plant and equipment	(9,116)	(7,560)
Fair value of biological assets	(3,810)	(1,446)
Losses of subsidiaries	2,621	956
Provision of liability for employee benefits	21,293	18,548
Provision	7,304	6,559
Undistributed earnings	(2,211)	–
Others	2,570	4,025
Total	18,651	21,082
Presented in the statement of financial position as follows:		
Deferred tax assets	28,182	23,593
Deferred tax liabilities	(9,531)	(2,511)
	18,651	21,082

11. INCOME TAX (CONTINUED)

11E. Unrecognised deferred tax

Unrecognised tax losses:

At the end of the reporting year, the Group and the Company have unutilised tax losses of approximately US$41.6 million (2018: US$68.8 million) and US$1.7 million (2018: US$Nil), respectively, that are available for offset against future taxable profits of the companies in which the losses arose, and for which no deferred tax asset was recognised due to uncertainty of their recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

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

	Group	
	2019 US$'000	2018 US$'000
Tax losses expiring in year		
2019	–	5,513
2020	1,915	6,163
2021	976	6,672
2022	5,203	10,180
2023	12,734	14,353
2024	13,000	–
	33,828	42,881

Temporary differences on undistributed earnings:

Deferred tax liability of approximately US$45.1 million (2018: US$39.8 million) has not been recognised in these financial statements for withholding taxes that would be payable on the undistributed earnings of the Group's foreign subsidiaries as the Group is able to control the timing of dividend distributions of the subsidiaries and has determined that these undistributed earnings will not be distributed in the foreseeable future.

12. EARNINGS PER SHARE

The following table illustrates the numerators and denominators used to calculate basic and diluted amount per share:

	Group	
	2019 US$'000	2018 US$'000
Numerator:		
Earnings attributable to equity holders	119,952	100,385
	Number of shares '000	'000
Denominator:		
Weighted average number of equity shares	1,860,889	1,817,280

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

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

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land US$'000	Freehold land US$'000	Buildings and site facilities US$'000	Machinery and equipment US$'000	Office furniture and fixtures US$'000	Construction in progress US$'000	Motor vehicles US$'000	Total US$'000
Cost:								
At 31 December 2017	171,801	1,440	551,355	568,215	95,132	79,087	76,436	1,543,466
Additions	31,361	416	23,431	32,409	14,812	98,848	14,112	215,389
Additions through business combination	1,116	–	2,660	2,578	71	418	86	6,929
Disposals/write-off	–	–	(2,965)	(3,275)	(1,155)	(61)	(6,851)	(14,307)
Reclassifications *	(49,906)	–	38,214	38,534	1,619	(82,180)	88	(53,631)
Foreign exchange adjustments	(10,903)	(121)	(32,132)	(33,471)	(6,012)	(8,018)	(4,160)	(94,817)
At 31 December 2018 and 1 January 2019	143,469	1,735	580,563	604,990	104,467	88,094	79,711	1,603,029
Additions	20,401	4,103	13,928	22,390	10,170	194,007	11,562	276,561
Additions through business combination	958	–	362	319	803	–	–	2,442
Disposals/write-off	–	–	(2,225)	(4,654)	(1,619)	(1,511)	(1,740)	(11,749)
Reclassifications *	(10,940)	–	85,724	66,363	11,022	(169,470)	5,934	(11,367)
Foreign exchange adjustments	5,499	(36)	11,918	13,425	3,962	3,260	2,767	40,795
At 31 December 2019	159,387	5,802	690,270	702,833	128,805	114,380	98,234	1,899,711
Accumulated depreciation:								
At 31 December 2017	33,425	–	136,210	249,428	63,328	–	50,150	532,541
Depreciation for the year	5,874	–	27,136	52,385	11,316	–	7,213	103,924
Additions through business combination	–	–	110	94	10	–	17	231
Disposals/write-off	–	–	(2,025)	(2,165)	(1,049)	–	(2,283)	(7,522)
Reclassifications *	(673)	–	(785)	(577)	22	–	97	(1,916)
Foreign exchange adjustments	(2,208)	–	(8,790)	(16,071)	(4,149)	–	(3,158)	(34,376)
At 31 December 2018 and 1 January 2019	36,418	–	151,856	283,094	69,478	–	52,036	592,882
Depreciation for the year	6,684	–	30,542	58,846	13,162	–	8,227	117,461
Additions through business combination	–	–	3	8	7	–	–	18
Disposals/write-off	–	–	(1,239)	(3,350)	(1,432)	–	(1,687)	(7,708)
Reclassifications *	(1,376)	–	47	673	(331)	–	(1)	(988)
Foreign exchange adjustments	1,569	–	4,240	7,968	2,871	–	2,082	18,730
At 31 December 2019	43,295	–	185,449	347,239	83,755	–	60,657	720,395
Net book value:								
At 31 December 2018	107,051	1,735	428,707	321,896	34,989	88,094	27,675	1,010,147
At 31 December 2019	116,092	5,802	504,821	355,594	45,050	114,380	37,577	1,179,316

* Included in the reclassifications are certain assets with carrying values reclassified from/to investment properties (Note 15) of US$0.1 million (2018: US$0.1 million), right-of-use assets of US$8.8 million (2018: US$NIL), real estate assets of US$1.7 million (2018: US$46.2 million) and other assets (Note 23) of US$NIL (2018: US$5.4 million) respectively.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Office furniture and fixtures US$'000	Motor vehicles US$'000	Total US$'000
Cost:			
At 31 December 2017	1,256	387	1,643
Additions	23	–	23
At 31 December 2018 and 1 January 2019	1,279	387	1,666
Additions	21	–	21
At 31 December 2019	1,300	387	1,687
Accumulated depreciation:			
At 31 December 2017	1,220	77	1,297
Depreciation for the year	18	77	95
At 31 December 2018 and 1 January 2019	1,238	154	1,392
Depreciation for the year	19	78	97
At 31 December 2019	1,257	232	1,489
Net book value:			
At 31 December 2018	41	233	274
At 31 December 2019	43	155	198

The Group's property, plant and equipment with carrying amount of US$174.3 million (2018: US$144.5 million) are pledged as security for banking facilities (Note 30A).

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

14. RIGHT-OF-USE ASSETS

Group	Land use rights US$'000	Buildings and site facilities US$'000	Machinery and equipment US$'000	Office furniture and fixtures US$'000	Transport vehicles US$'000	Total US$'000
Cost:						
On adoption of SFRS(I) 16 under modified retrospective approach at 1 January 2019	62,922	41,871	1,396	–	580	106,769
Additions	10,389	30,335	215	3	1,071	42,013
Foreign exchange adjustments	414	151	42	–	–	607
At 31 December 2019	73,725	72,357	1,653	3	1,651	149,389
Accumulated depreciation:						
At 1 January 2019	–	–	–	–	–	–
Charge for the year	4,418	13,096	572	–	457	18,543
Foreign exchange adjustments	(18)	68	8	–	1	59
At 31 December 2019	4,400	13,164	580	–	458	18,602
Net book value:						
At 31 December 2019	69,325	59,193	1,073	3	1,193	130,787

Company	Buildings and site facilities US$'000
Cost:	
On adoption of SFRS(I) 16, under modified retrospective approach at 1 January 2019	1,046
At 31 December 2019	1,046
Accumulated depreciation:	
At 1 January 2019	–
Charge for the year	502
At 31 December 2019	502
Net book value:	
At 31 December 2019	544

15. INVESTMENT PROPERTIES

Group	2019 US$'000	2018 US$'000
At cost:		
At 1 January	7,296	7,390
Additions	–	282
Disposals	(114)	–
Reclassifications (to)/from property, plant and equipment	(105)	101
Foreign exchange adjustments	305	(477)
At 31 December	7,382	7,296
Accumulated depreciation and impairment:		
At 1 January	2,040	1,893
Depreciation for the year	275	273
Disposals	(8)	–
Reclassifications to property, plant and equipment	(9)	–
Foreign exchange adjustments	90	(126)
At 31 December	2,388	2,040
Net book value:		
At 1 January	5,256	5,497
At 31 December	4,994	5,256

Group	2019 US$'000	2018 US$'000
Rental income	968	956
Direct operating expenses (including repair and maintenance) of investment properties that generated rental income during the year	959	163
Direct operating expenses (including repair and maintenance) of investment properties that did not generate rental income during the year	136	110

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

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

Investment properties are carried at cost less accumulated depreciation at the statement of financial position date. The fair value of the investment properties amounted to U$17.1 million (2018: US$16.8 million). Considering the condition of the property market, management believes that there had been no significant changes to such fair value between the valuation date and 31 December 2019.

16. INTANGIBLE ASSETS

	Group	
	2019 US$'000	2018 US$'000
Goodwill (Note 16A)	11,180	6,455
Other intangible assets (Note 16B)	5,731	5,618
	16,911	12,073

16A. GOODWILL

	Group US$'000
At 1 January 2018	5,177
Additions through business combination	1,653
Foreign exchange adjustments	(375)
At 31 December 2018 and 1 January 2019	6,455
Additions through business combination	4,416
Foreign exchange adjustments	309
At 31 December 2019	11,180

Goodwill is allocated to CGUs for the purposes of impairment testing. Each of those CGUs represents the Group's investment in a subsidiary as follows:

	2019 US$'000	2018 US$'000
Name of subsidiaries:		
PT Ciomas Adisatwa	7,998	4,843
PT Multi Makanan Permai	3,182	1,612

16. INTANGIBLE ASSETS (CONTINUED)

16A. Goodwill (continued)

The goodwill for CGUs were tested for impairment at the end of the reporting year. An impairment loss is the amount by which the carrying amount of a CGU exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs of disposal or its value in use. The recoverable amounts of the CGUs have been measured based on their value in use. The quantitative information and key assumptions about the value in use measurements using significant unobservable inputs for CGUs are consistent with those used for the measurements last performed and are analysed as follows:

	2019 US$'000	2018 US$'000
Valuation technique:	Discounted cash flow method	
Unobservable inputs:		
Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs:	11.17%	10.76%
Cash flow forecasts derived from the most recent financial budgets and plans approved by management:	5 years	5 years

Relationship of unobservable inputs to value in use:

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

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

	2019		2018	
	Increase/ (decrease)	Change in recoverable amount US$'000	Increase/ (decrease)	Change in recoverable amount US$'000
PT Ciomas Adisatwa				
Discount rate	+1%	(3,617)	+1%	(2,884)
	–1%	3,617	–1%	2,884

16. INTANGIBLE ASSETS (CONTINUED)

16B. Other intangible assets

Group	Customer relationships US$'000	Formula and technology US$'000	Non-compete fees US$'000	Trademark US$'000	Computer software US$'000	Total US$'000
At cost:						
At 1 January 2018	2,853	1,359	207	–	9,856	14,275
Additions	–	–	–	–	2,757	2,757
Write-off	–	–	(189)	–	(564)	(753)
Reclassification	–	(20)	–	–	20	–
Foreign exchange adjustments	–	(28)	(18)	–	(610)	(656)
At 31 December 2018 and 1 January 2019	2,853	1,311	–	–	11,459	15,623
Additions	–	–	–	–	1,206	1,206
Additions through business combination	–	–	–	748	–	748
Write-off	(2,853)	–	–	–	(24)	(2,877)
Foreign exchange adjustments	–	18	–	7	323	348
At 31 December 2019	–	1,329	–	755	12,964	15,048
Accumulated amortisation:						
At 1 January 2018	2,852	136	207	–	5,875	9,070
Additions	–	134	–	–	1,924	2,058
Written off	–	–	(189)	–	(499)	(688)
Reclassification	–	(9)	–	–	9	–
Foreign exchange adjustments	–	(4)	(18)	–	(413)	(435)
At 31 December 2018 and 1 January 2019	2,852	257	–	–	6,896	10,005
Additions	1	131	–	16	1,819	1,967
Written off	(2,853)	–	–	–	(24)	(2,877)
Foreign exchange adjustments	–	5	–	–	217	222
At 31 December 2019	–	393	–	16	8,908	9,317
Net book value:						
At 31 December 2018	1	1,054	–	–	4,563	5,618
At 31 December 2019	–	936	–	739	4,056	5,731

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 US$'000	2018 US$'000
Quoted equity shares at cost	117,171	116,204
Unquoted equity shares at cost	1,232,974	1,215,160
	1,350,145	1,331,364
Less: Allowance for impairment	(56,840)	(55,382)
Net carrying amount	1,293,305	1,275,982
Fair value of quoted equity shares	678,897	912,813
Analysis of above amount denominated in non-functional currencies:		
Indonesian Rupiah	115,894	115,894
Indian Rupee	4,230	4,230

	Company US$'000
Movements in cost during the year:	
At 1 January 2018	1,283,433
Additions	48,049
Capitalisation of loan to subsidiaries	7,530
Difference in value arising from issuance of consideration shares on acquisition of non-controlling interests	(7,648)
At 31 December 2018	1,331,364
Additions	18,781
At 31 December 2019	1,350,145

17A. Major subsidiaries held by the Group

Name of subsidiaries and principal activities (and independent auditor)	Country of incorporation	Effective equity held by the Group 2019 %	2018 %
Held by the Company:			
PT Japfa Comfeed Indonesia Tbk ("JCI") [b] [e] [f] Processing of materials for the manufacture/production of animal feed, engaging in breeding, poultry and other farms and engaging in domestic and international trading	Indonesia	**52.4**	52.4
Annona Pte Ltd [a] Import and export of raw materials	Singapore	**100**	100
Jupiter Foods Pte Ltd ("JFS") [a] Investment holding	Singapore	**100**	100

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

17A. Major subsidiaries held by the Group (continued)

Name of subsidiaries and principal activities (and independent auditor)	Country of incorporation	Effective equity held by the Group 2019 %	2018 %
Held by the Company: (continued)			
Japfa South-Asia Investments Pte Ltd ("JSI") [a] Investment holding	Singapore	**100**	100
Japfa Vietnam Investments Pte Ltd ("JVI") [a] Investment holding	Singapore	**100**	100
Japfa China Investments Pte Ltd ("JC") [a] Investment holding	Singapore	**100**	100
Japfa Myanmar JV Pte Ltd ("JMJV") [a] Investment holding	Singapore	**100**	100
AustAsia Investment Holdings Pte Ltd ("AIH") [a] [f] Investment holding	Singapore	**100**	100
Major subsidiaries held through JCI:			
PT Suri Tani Pemuka [b] Production of shrimp feed, shrimp farming, cold storage and shrimp hatchery	Indonesia	**52.4**	52.4
Comfeed Finance B.V. [c] Provision of treasury services	Netherlands	**52.4**	52.4
PT Ciomas Adisatwa [b] Trading, commercial farm and chicken slaughter house	Indonesia	**52.4**	52.4
PT Indojaya Agrinusa [b] [d] Animal feeds manufacturing and chicken breeding	Indonesia	**26.2**	26.2
PT Santosa Agrindo [b] Trading, beef processing unit and cattle slaughter house	Indonesia	**52.4**	52.4
PT Jakamitra Indonesia [b] Real estate	Indonesia	**52.4**	52.4
PT Multi Makanan Permai [b] Trading	Indonesia	**52.4**	52.4
Major subsidiary held through JSI:			
Japfa Comfeed India Private Ltd ("JCIPL") [b] Poultry	India	**100**	100

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

17A. Major subsidiaries held by the Group (continued)

Name of subsidiaries and principal activities (and independent auditor)	Country of incorporation	Effective equity held by the Group 2019 %	2018 %
Major subsidiary held through JFS:			
PT So Good Food [(b)] Trading	Indonesia	100	100
Major subsidiary held through JVI:			
Japfa Comfeed Vietnam Limited Company [(b)] Breeding farm and poultry	Vietnam	100	100
Major subsidiary held through JC:			
Dongying Japfa Beef Co Ltd. [(b)] Beef cattle breeding, grass forage production, import and export of beef cattle and related products	China	100	100
Major subsidiary held through JMJV:			
Japfa Comfeed Myanmar Pte Ltd ("JCM") [(b)] Poultry and feedmill business	Myanmar	99.0	99.0
Major subsidiaries held through AIH:			
PT Greenfields Indonesia [(b)] Production and sales of milk	Indonesia	100	100
Dongying AustAsia Modern Dairy Farm Co., Ltd [(b)] Production and sales of milk	China	100	100
Taian AustAsia Modern Dairy Farm Co., Ltd [(b)] Production and sales of milk	China	100	100
Dongying Xianhe AustAsia Modern Dairy Farm Co., Ltd [(b)] Production and sales of milk	China	100	100
Dongying Shenzhou AustAsia Modern Dairy Farm Co., Ltd [(b)] Production and sales of milk	China	100	100
AIH2 Pte Ltd ("AIH2") [(a)] Providing business and management consultancy services	Singapore	100	100
Major subsidiaries held through AIH2:			
Chifeng Austasia Modern Dairy Farm Co., Ltd [(b)] Production and sales of milk	China	100	100

(a) Audited by Ernst & Young LLP, Singapore.
(b) Audited by member firms of EY Global in the respective countries.
(c) Audited by firms of accountants other than member firms of EY Global.
(d) The entity is regarded as a subsidiary as the Group owns, directly or indirectly through subsidiaries, more than half of the voting power of the entity, and it is able to obtain control through potential voting rights.
(e) Listed on Jakarta stock exchange.
(f) The Group's investments in the related subsidiaries are pledged to banks to secure banking facilities.

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

17B. Impairment/reversal of impairment of investment in certain subsidiaries

Certain investments in subsidiaries with carrying amounts of US$105.6 million (2018: US$102.1 million) were tested for impairment at the end of the reporting year. The recoverable amounts of the assets have been measured based on the value in use method as appropriate. The value in use was measured by management and a net impairment loss of US$1.5 million (2018: US$52.0 million) was recognised during the year.

Impairment of investment in subsidiary

Jupiter Foods Pte Ltd ("Jupiter Foods") is the investment holding company of the Group's Indonesian consumer food operations which are affected by the highly competitive environment. The Company has recognised an impairment loss for its investment in Jupiter Foods amounting to US$13.1 million (2018: US$43.8 million). As a 31 December 2019, the Company's carrying value was US$79.1 million (2018: US$87.2 million).

The recoverable amount of the subsidiary has been determined based on value in use calculations which are based on 5-year cash flow projections. The weighted average cost of capital and terminal growth rate used was 13.5% and 3.5% respectively.

Reversal of impairment of investment in subsidiary

Japfa China Investments Pte Ltd ("Japfa China Investments") is the investment holding company of the Group's animal protein operations in China. The Company has recognised a reversal of impairment loss for its investment in Japfa China Investments amounting to US$11.6 million (2018 impairment loss: US$8.2 million), following the increase in beef market demand and selling price in China. As at 31 December 2019, the Company's carrying value was US$26.5million (2018: US$14.9 million).

The recoverable amount of the subsidiary has been determined based on value in use calculations which are based on 5-year cash flow projections. The weighted average cost of capital and terminal growth rate used was 8.1% and 4.5% respectively.

17C. FINANCIAL INFORMATION OF SUBSIDIARIES WITH MATERIAL NCI

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

Summarised statement of financial position

	PT Japfa Comfeed Indonesia Tbk	
	2019 US$'000	2018 US$'000
Current assets	877,054	857,386
Non-current assets	934,686	733,528
Current liabilities	505,992	476,796
Non-current liabilities	482,198	408,725

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

17C. Financial information of subsidiaries with material NCI (continued)

Summarised statement of comprehensive income and other summarised information

	PT Japfa Comfeed Indonesia Tbk	
	2019 US$'000	2018 US$'000
Revenue	2,600,215	2,383,975
Profit for the reporting year	133,318	156,008
Total comprehensive income	131,273	126,767
Operating cash flows, increase	133,012	129,003
Net cash flows, decrease	(8,705)	(41,815)

17D. Changes in equity interests in subsidiaries in 2018

PT Japfa Comfeed Indonesia Tbk ("JCI")

An interest of 0.11% in subsidiary, JCI, was acquired on 2 April 2018 for US$1.4 million in cash. This increased the equity interest from 51.00% to 51.11%. Subsequently, an additional interest of 1.32% was acquired on 8 June 2018 for US$21.3 million in cash. This further increased the equity interest from 51.11% to 52.43%.

17E. Business acquisition in 2019

PT Proteindotama Cipta Pangan ("PCP")

On 30 July 2019, the Company received official confirmation that PT Ciomas Adisatwa, a wholly owned subsidiary of JCI, together with PT Suri Tani Pemuka as second statutory shareholder, have incorporated a new subsidiary in Indonesia, namely PT Proteindotama Cipta Pangan ("PCP"). The principal activity of PCP is to operate a downstream food business in Indonesia. On 31 October 2019, PCP signed several sales and purchase agreements with third parties to acquire groups of assets that constitute retail meat store business.

The fair value of the identifiable assets and the considerations paid are as follows:

	Fair value recognised on acquisition US$'000
Property, plant and equipment	1,545
Intangible assets	748
Other assets	444
Inventories	256
Net assets	2,993
Add: Goodwill	2,925
Purchase consideration paid	5,918
Less: Cash and cash equivalents of subsidiary acquired	–
Net cash outflow on acquisition	5,918

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

17F. Acquisition of subsidiary in 2019

PT Celebes Agro Semesta ("CAS")

On 1 July 2019, the Group acquired 100% of the share capital in PT Celebes Agro Semesta ("CAS") from a related party and a private individual for a purchase consideration of US$2.7 million. From that date, the Group gained control and CAS became a subsidiary. The principal activities of CAS are trading of agriculture, trading, industry, transportation and services. The transaction was accounted for by the acquisition method of accounting.

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

	Fair value recognised on acquisition US$'000
Property, plant and equipment	879
Other assets	212
Inventories	550
Trade and other receivables	2,170
Cash and cash equivalents	60
Trade and other payables	(108)
Tax payable	(4)
Other liabilities	(2,501)
Deferred tax liability	(40)
Net assets	1,218
Add: Goodwill	1,491
Purchase consideration paid	2,709
Less: Cash and cash equivalents of subsidiary acquired	(60)
Net cash outflow on acquisition	2,649

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

17G. Acquisition of subsidiary in 2018

PT Santosa Utama Lestari ("SUL")

On 1 May 2018, the Group acquired 100% of the share capital in PT Santosa Utama Lestari ("SUL") from related parties for a purchase consideration of US$2.9 million. From that date, the Group gained control and SUL became a subsidiary. The principal activities of SUL are trading of agriculture, trading industry and corn dryer. The transaction was accounted for by the acquisition method of accounting.

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

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

18. INVESTMENTS IN JOINT VENTURES

	Group	
	2019 US$'000	2018 US$'000
Unquoted equity shares, at cost	7,940	7,940
Share of post-acquisition losses, net of dividends	(1,086)	(1,687)
Share of post-acquisition other comprehensive income	(6)	(3)
Foreign exchange adjustments	(365)	(520)
Carrying amount	6,483	5,730

The listing of and information on the joint ventures is given below:

Name of joint ventures and principal activities (and independent auditor)	Country of incorporation	Effective equity held by the Group 2019 %	2018 %
Held through JCIPL:			
Central India Poultry Breeders Private Limited [(b)] Animal feed production and poultry	India	50	50
Held through PT So Good Food:			
PT Intan Kenkomayo Indonesia ("IKI") [(a)] Production and sales of mayonnaise and dressing sauce products	Indonesia	51	51
PT Cahaya Gunung Foods ("CGF") [(a)] Production and sales of fully cooked poultry product	Indonesia	40	40

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

The joint ventures are not considered material to the Group.

18. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The summarised financial information of the joint ventures (and not the Group's share of those amounts) based on the financial statements of the joint ventures are as follows:

	2019 US$'000	2018 US$'000
Summarised statement of financial position		
Current assets	12,903	8,211
Includes:		
Cash and cash equivalents	2,820	279
Non-current assets	7,554	6,091
Current liabilities	(3,678)	(2,661)
Non-current liabilities	(3,776)	(3,375)
Non-current financial liabilities	–	(283)
Summarised statement of comprehensive income		
Revenue	20,372	15,261
Profit for the year	1,365	191
Total comprehensive income	1,357	200
Depreciation and amortisation	(903)	(519)
Interest income	44	29
Interest expense	(366)	(393)
Income tax (expense)/credit	(353)	118
Reconciliation:		
Net assets of the joint ventures	13,003	7,983
Group's share of net assets of the joint ventures	5,865	3,442
Goodwill	618	2,288
Carrying amount of the interest in the joint ventures	6,483	5,730

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19. BIOLOGICAL ASSETS

	Group	
	2019 US$'000	2018 US$'000
Breeding chickens	98,841	83,229
Breeding cattle	11,241	15,367
Breeding swine	26,441	23,223
Dairy cows	348,564	326,287
Forage and plantation	170	164
	485,257	448,270
Fattening livestock	196,042	160,810
	681,299	609,080
Presented as:		
Biological assets, current	98,841	83,229
Biological assets, non-current	386,416	365,041
Biological assets presented as Inventories (Note 24)	196,042	160,810
	681,299	609,080

Movement in biological assets:

	US$'000
At 1 January 2018	581,424
Net additions	50,385
Changes in fair value	(11,625)
Foreign exchange adjustments	(11,104)
At 31 December 2018 and 1 January 2019	609,080
Net additions	66,269
Changes in fair value	2,079
Foreign exchange adjustments	3,871
At 31 December 2019	681,299

The Group's biological assets with carrying amount of US$367.1 million (2018: US$314.0 million) are pledged as security for banking facilities (Note 30A).

20. REAL ESTATE ASSETS

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

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Non-current:				
Other receivables:				
Third parties	1,369	1,307	–	–
Joint venture	305	310	–	–
Investee company	13,151	12,947	–	–
Total	14,825	14,564	–	–
Current:				
Trade receivables:				
Third parties	219,613	187,178	–	–
Joint venture	1,644	823	–	–
Less: Allowance for impairment	(7,380)	(4,330)	–	–
	213,877	183,671	–	–
Other receivables:				
Third parties	12,004	10,736	164	327
Subsidiaries	–	–	18,866	11,629
	12,004	10,736	19,030	11,956
Total trade and other receivables, current	225,881	194,407	19,030	11,956
Total trade and other receivables	240,706	208,971	19,030	11,956
Add: Cash at banks (Note 25)	208,743	168,316	17,676	7,485
Add: Deposits to secure services (Note 23)	1,871	4,121	–	–
Total financial assets carried at amortised cost	451,320	381,408	36,706	19,441

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

Other receivables due from an investee company is an unsecured loan, amounting to US$13.2 million (2018: US$12.9 million), which bears interest ranging from 1.55% to 1.85% (2018: 1.55% to 1.81%) per annum and are repayable upon demand. These amounts are to be settled in cash.

Other receivables due from a joint venture is an unsecured loan, which has no fixed terms of repayment and bears interest at 13.25% (2018: 13.25%) per annum.

Other receivables from subsidiaries are unsecured. Other receivables from subsidiaries of US$13.4 million (2018: US$8.4 million) bear interest ranging from 4.41% to 6.83% (2018: 5.05% to 6.83%) per annum and is repayable on demand. The remaining other receivables from subsidiaries are interest free and repayable on demand.

The Group's trade receivables with carrying amount of US$128.4 million (2018: US$146.4 million) are pledged as security for banking facilities (Note 30A).

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

Expected credit losses

The movement in allowance for ECL of trade receivables computed based on lifetime ECL as at 31 December 2019 are as follows:

	Group	
	2019 US$'000	2018 US$'000
At beginning of the year	4,330	4,469
Charged to statement of comprehensive income included in administrative expenses	4,167	1,536
Bad debts written-off	(1,348)	(1,369)
Foreign exchange adjustments	231	(306)
At end of the year	7,380	4,330

Summarised below is the information about the credit risk exposure on the Group's trade receivables grouped by age past due:

	2019		2018	
Group	Gross carrying amount US$	Loss allowance provision US$	Gross carrying amount US$	Loss allowance provision US$
Not past due	155,382	–	135,123	–
Less than 60 days	45,376	95	37,420	163
61 to 90 days	3,337	39	2,883	22
91 to 120 days	2,157	666	2,190	681
Over 120 days	15,005	6,580	10,385	3,464
Total	221,257	7,380	188,001	4,330

22. OTHER FINANCIAL ASSETS

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Unquoted investments (Note 22A)	8,113	15,303	2,404	2,404
Derivative financial assets (Note 22B)	13,174	17,586	–	–
	21,287	32,889	2,404	2,404
Presented as:				
Other financial assets, current	2,488	2,488	2,404	2,404
Other financial assets, non-current	18,799	30,401	–	–
	21,287	32,889	2,404	2,404

22. OTHER FINANCIAL ASSETS (CONTINUED)

22A. Unquoted investments

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Unquoted equity shares, at fair value	8,113	15,303	2,404	2,404

Unquoted equity shares, at fair value, represent total financial assets carried at fair value through other comprehensive income

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

22B. Derivative financial instruments

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Interest rate swap contracts	(2,742)	1,799	(2,766)	(303)
Foreign currency forward and option contracts	9,085	6,550	–	–
	6,343	8,349	(2,766)	(303)

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Presented as:				
Derivative financial assets (Note 22)	13,174	17,586	–	–
Derivative financial liabilities (Note 32)	(6,831)	(9,237)	(2,766)	(303)
	6,343	8,349	(2,766)	(303)

	Group			
	2019		2018	
	Notional amount US$'000	Assets/ (liabilities) US$'000	Notional amount US$'000	Assets/ (liabilities) US$'000
Foreign currency forward and option contracts	518,435	9,085	539,954	6,550
Interest rate swap contracts	346,833	(2,742)	298,353	1,799
		6,343		8,349

	Company			
	2019		2018	
	Notional amount US$'000	Assets/ (liabilities) US$'000	Notional amount US$'000	Assets/ (liabilities) US$'000
Interest rate swap contracts	253,000	(2,766)	180,000	(303)

22. OTHER FINANCIAL ASSETS (CONTINUED)

22B. Derivative financial instruments (continued)

Foreign currency forward and option contracts

Forward currency contracts are used to hedge foreign currency risk arising from the Group's bank loans and bonds denominated in USD for which firm commitments existed at the reporting year end.

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique includes forward pricing model, using present value calculations. The model incorporates various inputs including the credit quality of counterparties, foreign exchange spot and forward rates (Level 2).

Interest rate swap contracts

In 2016, the Group entered into interest rate swap contracts used to hedge interest rate risk arising from floating rate USD long-term bank loans. The interest rate swap received floating interest rate equal to 3-month LIBOR per annum and pays a fixed rate of 1.685% per annum. The interest rate swap will mature on 14 September 2021.

In 2018, the Company entered into interest rate swap contracts used to hedge interest rate risk arising from floating rate USD long-term bank loans. The interest rate swap received floating interest rate equal to 3-month LIBOR per annum and pays a fixed rate of 2.71% per annum for Cooperative Rabobank U.A, 2.705% per annum for Credit Suisse AG and 2.66% per annum for DBS. The interest rate swaps will mature on 29 January 2029.

Interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique includes swap model using present value calculations. The model incorporates various inputs including interest rate curves and forward rate curves (Level 2).

23. OTHER ASSETS

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Non-current:				
Deposits to secure services	1,871	4,121	–	–
Deferred charges	3,026	5,209	–	–
Land use rights	–	12,647	–	–
Advances	35,011	29,390	–	–
Tax recoverable	39,037	30,669	–	–
Others	21	16	–	–
	78,966	82,052	–	–
Current:				
Advances *	34,063	50,897	4	3
Prepayments	19,381	23,763	2,020	3,691
	53,444	74,660	2,024	3,694

The land use rights in prior year referred to land owned by third parties rented by the Group for its business in Indonesia, China, Vietnam and Myanmar. As disclosed in Note 2.2, the Group adopted SFRS(I) 16 Leases, which is effective for annual periods beginning on or after 1 January 2019 using the modified retrospective approach. Accordingly, the land use rights were reclassified to right-of-use assets on 1 January 2019 as part of the addition under modified retrospective approach.

* Included in the advances are advances to suppliers of US$27.5 million (2018: 43.1 million), advances to staff of US$0.4 million (2018: US$0.6 million) and others of US$6.2 million (2018: US$7.2 million).

24. INVENTORIES

	Group	
	2019 US$'000	2018 US$'000
Finished goods	96,825	80,756
Work in process	10,143	3,323
Raw materials	432,980	467,761
Consumables	58,762	51,346
	598,710	603,186
Biological assets presented under inventories (Note 19)	196,042	160,810
	794,752	763,996

The cost of inventories recognised as an expense in cost of sales were US$3.0 billion (2018: US$2.7 billion). This includes an inventory write down of US$0.8 million in 2019 (2018 reversal of write-down of inventory of US$2.6 million).

The Group's inventories with carrying amount of US$134.5 million (2018: US$138.8 million) are pledged as security for banking facilities (Note 30A).

25. CASH AT BANKS

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Cash and bank balances	173,378	153,148	17,676	7,485
Short term bank deposits	31,921	11,066	–	–
Cash pledged for bank facilities	3,444	4,102	–	–
	208,743	168,316	17,676	7,485

The short term bank deposits bear interest ranging from 4.75% to 7.30% (2018: 4.30% to 6.90%) per annum.

25A. Cash and cash equivalents in the consolidated statement of cash flows

	Group	
	2019 US$'000	2018 US$'000
Amount as shown above	208,743	168,316
Cash pledged for bank facilities (Note 30A)	(3,444)	(4,102)
Cash and cash equivalents in consolidated statement of cash flows	205,299	164,214

25B. Non-cash transactions

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

	Group	
	2019 US$'000	2018 US$'000
Additions of property, plant and equipment (Note 13)	276,561	215,389
Less: Net movements in liability for purchase of property, plant and equipment and construction cost payables (Note 29)	627	6,055
Purchase of property, plant and equipment in consolidated statement of cash flows	277,188	221,444

26. SHARE CAPITAL AND TREASURY SHARES

26A. Share capital

	Group and Company			
	2019		2018	
	Number of shares issued '000	Share capital US$'000	Number of shares issued '000	Share capital US$'000
Issued and fully paid ordinary shares:				
At 1 January	1,859,525	980,946	1,769,525	940,842
Issue of shares	–	–	90,000	40,104
Issue of shares under Performance Share Plan (Note 27E)	21,564	12,232	–	–
At 31 December	1,881,089	993,178	1,859,525	980,946

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

26B. Treasury shares

	Group and Company			
	2019		2018	
	Number of shares '000	Amount US$'000	Number of shares '000	Amount US$'000
At 1 January	14,071	5,926	11,114	4,759
Acquired of shares	3,680	1,694	3,031	1,198
Reissue of shares under Performance Share Plan (Note 27E)	–	–	(74)	(31)
At 31 December	17,751	7,620	14,071	5,926

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

The Company acquired 3,679,500 (2018: 3,031,400) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was US$1.7 million (2018: US$1.2 million) and this was presented as a component within shareholders' equity.

27. OTHER RESERVES

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
General reserve (Note 27A)	19,139	19,139	–	–
Capital reserve (Note 27B)	(502,542)	(502,369)	(7,648)	(7,648)
Statutory reserve (Note 27C)	37,305	28,174	–	–
Share option reserve (Note 27D)	3,452	2,509	–	–
Performance share reserve (Note 27E)	3,249	1,461	3,249	1,461
Fair value reserve (Note 27F)	(6,107)	–	–	–
Equity reserve (Note 27G)	(9,226)	(5)	(9,226)	(5)
	(454,730)	(451,091)	(13,625)	(6,192)
Translation reserve (Note 27H)	(213,975)	(226,263)	–	–
Total	(668,705)	(677,354)	(13,625)	(6,192)

27A. General reserve

The general reserve relates mainly to revaluation surplus attributed to the initial interest held in PT Japfa Comfeed Indonesia Tbk.

27B. Capital reserve

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
At 1 January	(502,369)	(502,369)	(7,648)	–
Reserve arising from changes in non-controlling interests without change in control	(173)	–	–	–
Difference in value arising from issuance of consideration shares	–	–	–	(7,648)
At 31 December	(502,542)	(502,369)	(7,648)	(7,648)

The capital reserve arises from the acquisitions or disposals of non-controlling interests in subsidiaries without change in control and from the effects of business combination between entities under common control.

In accounting for common control business acquisition, financial statement items of the combining entities for the reporting period in which the common control combination occurs, and for the comparative periods disclosed, are included in the consolidated financial statements of the Group as if the combination had occurred from the date when the combining entities first came under the control of the controlling party or parties. The share capital of the combining entities has been reclassified to capital reserve in the consolidated financial statements of the Group.

27. OTHER RESERVES (CONTINUED)

27C. Statutory reserve

	Group	
	2019 US$'000	2018 US$'000
At 1 January	28,174	21,280
Transfer from retained earnings	9,131	6,894
At 31 December	37,305	28,174

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

27D. Share option reserve

	Group	
	2019 US$'000	2018 US$'000
At 1 January	2,509	2,125
Expenses arising from share option plan	943	384
At 31 December	3,452	2,509

The share option plan is of one of the subsidiaries, AustAsia Investment Holdings Pte Ltd ("AIH"). Under this plan, share options are granted to employees of the PRC and Singapore subsidiaries of AIH with four years' service. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest if and when AIH's initial public offering is completed and the employees fulfil continuous employment of four years. The share options granted will not vest if the initial public offering is not completed.

The total number of share options granted under the plan should not exceed 2% of the total number of shares issued by AIH before the date of grant.

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. There are no cash settlement alternatives.

Share Option Plan

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

	Group	
	2019 US$'000	2018 US$'000
Expense arising from equity-settled share–based payment transactions	943	384

There were no cancellations or modifications to the awards in 2018 and 2019.

27. OTHER RESERVES (CONTINUED)

27D. Share option reserve

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

	2019		2018	
	Number	WAEP US$/share	Number	WAEP US$/share
Outstanding at 1 January and 31 December	4,339,230	1.42	4,339,230	1.42

27E. PERFORMANCE SHARE RESERVE

	Group and Company	
	2019 US$'000	2018 US$'000
At 1 January	1,461	21
Value of employee service pursuant to performance share plan	4,799	1,466
Issue of shares under Performance Share Plan	(3,011)	(26)
At 31 December	3,249	1,461

Japfa Performance Share Plan

The Company has a share scheme known as the "Japfa Performance Share Plan" (the "Japfa PSP"). The Japfa PSP, which forms an integral component of its compensation plan, is designed to foster an ownership culture within the Group which aligns the interests of the participants with interests of the shareholders of the Company. It provides an opportunity to motivate participants to achieve the Group's key financial and operational goals and makes total employee remuneration sufficiently competitive to recruit and retain staff having skills that are commensurate with the Group's ambition.

Under the rules of the Japfa PSP, the directors and employees of the Group who have attained the age of 21 years and hold such rank as may be designated by the remuneration committee of the Company from time to time are eligible to participate in the Japfa PSP. Controlling shareholders or their associates are also eligible to participate in the Japfa PSP subject to the approval of independent shareholders in the form of separate resolutions for each participant and each award granted.

The remuneration committee administers the Japfa PSP in accordance with the rules of the Japfa PSP. The number of shares to be offered to a participant shall be determined at the discretion of the remuneration committee who shall take into account criteria such as the rank, performance, seniority, potential for future development and length of service of the participant provided that:

(a) the total number of shares which may be offered during the entire operation of the Japfa PSP (including adjustments under the rules) shall not exceed 15% of the shares of the total number of issued shares of the Company (excluding shares held by the Company as treasury shares);

(b) the aggregate number of shares which may be offered to participants who are controlling shareholders and their associates during the entire operation of the Japfa PSP (including adjustments under the rules) shall not exceed 25% of the shares in respect of which the Company may grant under the Japfa PSP; and

(c) the number of shares which may be offered to each participant who is a controlling shareholder or his associate during the entire operation of the Japfa PSP shall not exceed 10% of the shares in respect of which the Company may grant under the Japfa PSP.

27. OTHER RESERVES (CONTINUED)

27E. Performance share reserve (continued)

Japfa Performance Share Plan (continued)

The Japfa PSP shall continue to be in force at the discretion of the remuneration committee, subject to a maximum period of 10 years commencing on 23 July 2014, provided always that the Japfa PSP may continue beyond the above stipulated period with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Conditional share awards granted under Japfa PSP on 21 December 2017

On 1 March 2018, the Company announced that the number of conditional share awards granted under Japfa Ltd Performance Share Plan (previously announced on 21 December 2017) had been reduced from 21,650,000 ordinary shares to 21,275,000 ordinary shares.

Details of shares granted are as follows:

	No. of shares granted
Directors of the Company:	
Tan Yong Nang	10,000,000
Kevin John Monteiro	1,000,000
Employees of the Company and subsidiaries	10,275,000
	21,275,000

The ordinary shares which are the subject of the awards granted on 21 December 2017 above will only vest on the achievement of pre-determined conditions within a two-year period from the date of grant. No awards will vest if the pre-determined conditions are not met within the period. The fair value of awards granted are determined using Monte Carlo Simulation Model and the expense are recognised over the vesting period.

On 28 February 2019, the Company announced that the performance condition of the share awards granted on 21 December 2017 has been achieved, and 21,275,000 shares has been issued to the executive directors and employees of the Group.

Share awards granted under Japfa PSP on 1 March 2018

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

Details of shares granted are as follows:

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

The treasury shares reissued rank pari passu in all respects with the existing shares of the Company.

27. OTHER RESERVES (CONTINUED)

27E. Performance share reserve (continued)

Japfa Performance Share Plan (continued)

Conditional share awards granted under Japfa PSP on 27 December 2018

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

Details of shares granted are as follows:

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

The ordinary shares which are the subject of the awards granted on 27 December 2018 above will only vest on the achievement of pre-determined conditions within a two-year period from the date of grant. No award will vest if the pre-determined conditions are not met within the period. The fair value of awards granted are determined using Monte Carlo Simulation Model and the expense are recognised over the vesting period.

Share awards granted under Japfa PSP on 28 February 2019

On 28 February 2019, pursuant to Japfa PSP, the Company granted and issued 288,900 new shares to the employees of the Group for their performance.

Details of shares granted are as follows:

	No. of shares granted
Employees of the Company and its subsidiaries	288,900

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

27. OTHER RESERVES (CONTINUED)

27F. Fair value reserve'

	Group	
	2019 US$'000	2018 US$'000
At 1 January	–	–
Changes in fair value recognised in other comprehensive income	(6,107)	–
At 31 December	(6,107)	–

Fair value reserve represents the present value changes recognized for the Group's equity investment for which the Group has elected to present the value changes in other comprehensive income.

27G. Equity reserve

The equity reserve relates mainly to difference in value arising from issuance of shares by the Company under performance share plan.

27H. Translation reserve

	Group	
	2019 US$'000	2018 US$'000
At 1 January	(226,263)	(167,840)
Exchange differences on translating foreign operations	12,288	(58,423)
At 31 December	(213,975)	(226,263)

The translation reserve represents exchange differences arising from the translation of financial statements of foreign operations whose functional currencies are different from presentation currency of the Group.

28. DEFINED BENEFIT PLAN LIABILITIES

	Group	
	2019 US$'000	2018 US$'000
Present value of unfunded defined benefit	119,071	105,851
Fair value of plan assets	(20,295)	(20,465)
Defined benefit plan liabilities	98,776	85,386

Defined benefit plan:

The Group operates a defined benefit plan for qualifying employees of its subsidiaries in Indonesia, in accordance with Indonesian Labour Laws. Amounts are determined based on years of service and salaries of the employees at the time of the pension.

The cost of providing defined benefit plan liabilities was calculated based on actuarial valuations performed by PT Dayamandiri Dharmakonsilindo, an independent actuary. The principal actuarial assumptions used for the purpose of the actuarial valuation at 31 December 2019 and 2018 were as follows:

	2019	2018
Discount rate:	7.75% – 8.00%	8.25% – 8.70%
Withdrawal/resignation rate:	10% at age of 25 and decreasing linearly to 0% at age 45 and thereafter	10% at age of 25 and decreasing linearly to 0% at age 45 and thereafter
Expected rate of salary increases:	7.00% – 10.00%%	9.00%
Expected rate of mortality rate:	Based on Indonesian Mortality Table (TMI-III) – 2011	Based on Indonesian Mortality Table (TMI-III) – 2011

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

	Group	
	2019 US$'000	2018 US$'000
At 1 January	85,386	105,880
Net benefit expense recognised in statement of comprehensive income (Note 10)	16,601	17,504
Re-measurement loss/(gain) included in other comprehensive income	2,978	(18,197)
Payments for the year	(2,969)	(525)
Contributions to plan made	(7,075)	(12,599)
Foreign exchange adjustments	3,855	(6,811)
Others	–	134
At 31 December	98,776	85,386

28. DEFINED BENEFIT PLAN LIABILITIES (CONTINUED)

Defined benefit plan: (continued)

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

	Group	
	2019 US$'000	2018 US$'000
Service costs	9,114	9,838
Past service costs and gain from settlements	(1,693)	485
Interest cost	7,330	7,302
Excess benefit paid by Indonesian subsidiaries to employees	1,763	(151)
Immediate adjustment	44	30
Actuarial losses arising from changes in actuarial assumptions	43	–
	16,601	17,504

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

	Group	
	2019 US$'000	2018 US$'000
Re-measurement loss/(gain) as above	2,978	(18,197)
Income tax effect	(695)	4,493
Re-measurement of the net defined benefits plan, net of tax	2,283	(13,704)

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

	Group	
	2019 US$'000	2018 US$'000
At 1 January	20,465	12,350
Interest income	1,517	1,214
Return on plan assets (excluding amounts included in net interest expense)	(79)	30
Contributions from the employer	6,838	12,516
Benefits paid	(9,325)	(4,815)
Foreign exchange adjustments	879	(830)
At 31 December	20,295	20,465

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

	2019		2018	
Group	Increase/ (decrease)	Change in present value of defined benefit plan liabilities US$'000	Increase/ (decrease)	Change in present value of defined benefit plan liabilities US$'000
Discount rate	+1%	(8,133)	+1%	(7,894)
	–1%	10,628	–1%	9,064
Salary increase rate	+1%	10,571	+1%	8,986
	–1%	(8,273)	–1%	(7,945)

29. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Trade payables:				
Third parties	232,652	239,562	6	6
Joint venture	321	686	–	–
	232,973	240,248	6	6
Other payables:				
Third parties and accrued expenses	147,513	138,797	8,142	11,091
Construction cost payables	7,849	8,226	–	–
Payable for purchase of plant and equipment	2,016	1,930	–	–
	157,378	148,953	8,142	11,091
Total trade and other payable	390,351	389,201	8,148	11,097
Add:				
– Loans and borrowings (Note 30)	1,376,918	1,217,290	332,168	276,893
Total financial liabilities carried at amortised cost	1,767,269	1,606,491	340,316	287,990
Presented as:				
Trade and other payables, current	389,871	388,843	8,148	11,097
Trade and other payables, non-current	480	358	–	–
	390,351	389,201	8,148	11,097

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

Construction cost payables pertain to progressive billings from suppliers for the construction of building offices, infrastructure and cowsheds.

30. LOANS AND BORROWINGS

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Non-current:				
Floating interest rate financial instruments:				
Bank loans (Note 30A)	465,061	453,725	252,768	252,768
Fixed interest rate financial instruments:				
Bonds payable (Note 30C)	328,308	323,475	–	–
Non-current, total	793,369	777,200	252,768	252,768
Current:				
Floating interest rate financial instruments:				
Bank loans (Note 30A)	583,549	381,617	79,400	24,125
Fixed interest rate financial instruments:				
Bonds payable (Note 30B)	–	58,473	–	–
Current, total	583,549	440,090	79,400	24,125
Total	1,376,918	1,217,290	332,168	276,893

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Range of floating interest rates per annum:				
Bank loans	2.53 – 10.10	2.45 – 11.90	4.41 – 5.41	4.93 – 5.05
Range of fixed interest rates per annum:				
Bonds payable	5.50 – 9.75	5.50 – 9.75	–	–

30A. Bank loans

The bank loans are secured by property, plant and equipment, share certificates of certain subsidiaries, cash and cash equivalents, trade receivables, inventories, biological assets, assessment of insurance policies and covered corporate guarantees of the Company and its subsidiaries.

The loans are for working capital purposes and repayment of restructured debts. The loan agreements generally include covenants that require the maintenance of certain financial ratios. Any non-compliance with these covenants will result in these loans becoming repayable upon service of notice of default of the lenders.

The fair value (Level 2) of bank loans (secured) totalling US$1,048.6 million (2018: US$772.3 million) that bear floating rates of interest is a reasonable approximation of the carrying amount due to their short-term nature or that they are floating rate instruments that are frequently re-priced to market interest rates.

30. LOANS AND BORROWINGS (CONTINUED)

30B. Bonds payable

	Group	
	2019 US$'000	2018 US$'000
Bonds payable A	71,937	69,056
Bonds payable B	250,000	250,000
Bonds payable C	10,790	69,056
Less: Unamortised transaction costs	(4,419)	(6,164)
	328,308	381,948

Effective interest rates per annum:

Bonds payable A	9.77	9.77
Bonds payable B	6.19 – 6.29	6.19 – 6.29
Bonds payable C	10.19	9.68 – 10.19

The fair values of bonds payables are as follows:

		Group	
	Level	2019 US$'000	2018 US$'000
Bonds payable A	1	71,675	68,712
Bonds payable B	1	245,925	244,520
Bonds payable C	1	10,708	68,716
Fair value at end of the year		328,308	381,948

Bonds payable A

In April 2017, JCI, a subsidiary, issued bonds denominated in Indonesia Rupiah ("IDR") with a nominal value of IDR1,000.0 billion. The bonds have terms of 5 years until 21 April, 2022. Interest rate is fixed at 9.6% per annum payable quarterly. The subsidiary has an option to redeem the bonds partially or in full, after a year from the issuance date.

Bonds payable B

In March 2017, JCI, a subsidiary, issued 5.5% Senior Notes due 2022 with aggregate principal amount of US$150.0 million, and interest is payable every six months up to 31 March, 2022. The Notes are listed on the Singapore Exchange Securities Trading Limited. In June 2017, the subsidiary issued additional 5.5% Senior Notes due 2022 with aggregate principal amount of US$100.0 million, and interest is payable every six months up to 31 March, 2022, total 5.5% Senior Notes due 2022 become US$250.0 million.

30. LOANS AND BORROWINGS (CONTINUED)

30B. Bonds payable (continued)

Bonds payable C

In December 2016, the subsidiary, JCI issued bonds denominated in IDR with a nominal value of IDR850.0 billion and IDR150.0 billion bonds respectively (total nominal value of IDR1,000.0 billion) listed on the Indonesia Stock Exchange. The nominal value of IDR850.0 billion bond is repayable in December 2019 with a fixed interest rate of 9.25% per annum payable quarterly. The nominal value of IDR150.0 billion bond is repayable in December 2021 with a fixed interest rate of 9.75% per annum payable quarterly. JCI has an option to redeem the bonds, partially or in full, after a year from the issuance date.

The nominal value of IDR850.0 billion bond due in December 2019 has been fully repaid in November 2019.

A reconciliation of liabilities arising from financing activities is as follows:

			Non-cash changes			
	Opening balance US$'000	Cash flows US$'000	Amortisation US$'000	Addition through business combination US$'000	Foreign exchange movement US$'000	Closing balance US$'000
2019						
Bank loans	835,342	209,158	(4,396)	–	8,506	1,048,610
Bonds payable	381,948	(61,147)	2,060	–	5,447	328,308
Total	1,217,290	148,011	(2,336)	–	13,953	1,376,918
2018						
Bank loans	555,094	271,715	736	8,895	(1,098)	835,342
Bonds payable	389,098	–	1,839	–	(8,989)	381,948
Total	944,192	271,715	2,575	8,895	(10,087)	1,217,290

31. LEASE LIABILITIES

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Present value:				
Amounts due for settlement within 12 months	14,224	119	519	–
Amounts due for settlement after 12 months	91,295	217	30	–
	105,519	336	549	–
Maturity analysis (gross amount):				
Not later than 1 year	21,966	141	532	–
Later than 1 year and not later than 5 years	59,060	232	30	
Later than 5 years	111,703	–	–	–
	192,729	373	562	–

The group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored with the Group's treasury function.

The Group had recognised the total expense relating to leases for the financial year ended 31 December 2019 as follows:

	US$'000
Depreciation expense on right-of-assets (Note 14)	18,543
Interest expense on lease liabilities	7,632
Expenses relating to short-term leases	14,449
Expenses relating to leases of low value assets	598
Expenses relating to variable lease contracts	491

The Group had total cash outflows for leases of US$47.1 million for the financial year ended 31 December 2019.

At 31 December 2019, the Group is committed to U$0.9 million for short-term leases.

The Group has several lease contracts that include extension options which are expected not to be exercised amounted to US$15.1 million.

32. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Other financial liabilities, non-current	4,625	304	2,766	303
Other financial liabilities, current	2,206	8,933	–	–
Derivative financial liabilities (Note 22B)	6,831	9,237	2,766	303

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. OTHER LIABILITIES

	Group	
	2019 US$'000	2018 US$'000
Advances received	13,008	13,319
Deferred government grants (Note 33A)	3,221	3,659
Others	570	471
	16,799	17,449
Presented as:		
Other liabilities, current	13,600	14,044
Other liabilities, non-current	3,199	3,405
	16,799	17,449

33A. Deferred government grants

	Group	
	2019 US$'000	2018 US$'000
At 1 January	3,659	3,895
Received during the year	2,184	1,943
Released during the year	(2,565)	(1,927)
Foreign exchange adjustments	(57)	(252)
At 31 December	3,221	3,659

Government grants have been received for the construction of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

34. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

34A. Transaction with the related parties

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year.

	Group	
	2019 US$'000	2018 US$'000
Revenue	761	671
Purchases of goods	16,905	9,399
Rendering of services expense	26	922
Insurance expense	2,063	1,565
Rental of premises	1,940	1,366
Rental of boat	170	298
Purchase or construction of property, plant and equipment	698	75
Consideration paid for shares acquisition	2,709	2,915
Others	347	328

Related companies

The related parties are either the joint ventures entities or companies associated with the Executive Deputy Chairman, Mr Handojo Santosa @ Kang Kiem Han and the Non-Executive Director, Mr Hendrick Kolonas.

34. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

34B. Compensation of key management personnel of the Group

	Group	
	2019 US$'000	2018 US$'000
Salaries and other short-term employee benefits	17,070	16,235
Central Provident Fund contributions	64	58
Share-based payments: Performance share plan	4,199	1,273
	21,333	17,566
Comprise amounts paid to:		
Directors of the Company	15,782	13,237
Other key management personnel	5,551	4,329
	21,333	17,566

Directors' interests in performance share plan

Please see Note 27E for the disclosure of shares granted to the Company's executive directors under the Japfa Performance Share Plan ("Japfa PSP").

35. CAPITAL COMMITMENTS

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2019 US$'000	2018 US$'000
Construction costs	24,034	2,624
Purchase of property, plant and equipment	22,329	1,875

36. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of assets/liabilities measured at fair value at the end of the financial year:

	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) US$'000	Significant observable inputs other than quoted prices (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
2019				
Assets/(liabilities) measured at fair value				
Financial assets/(liabilities):				
Equity securities at FVOCI (Note 22A)				
Unquoted equity securities	–	–	8,113	8,113
Derivatives (Note 22B)				
Foreign currency forward and option contracts	–	9,085	–	9,085
Interest rate swap contracts	–	(2,742)	–	(2,742)
Financial assets as at 31 December 2019	–	6,343	8,113	14,456
Non-financial assets:				
Biological assets (Note 19)	–	–	681,299	681,299
Non-financial assets as at 31 December 2019	–	–	681,299	681,299
2018				
Assets measured at fair value				
Financial assets:				
Equity securities at FVOCI (Note 22A)				
Unquoted equity securities	–	–	15,303	15,303
Derivatives (Note 22B)				
Foreign currency forward and option contracts	–	6,550	–	6,550
Interest rate swap contracts	–	1,799	–	1,799
Financial assets as at 31 December 2019	–	8,349	15,303	23,652
Non-financial assets:				
Biological assets (Note 19)	–	–	609,080	609,080
Non-financial assets as at 31 December 2018	–	–	609,080	609,080

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Foreign currency forward and option contracts and interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

(d) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value 2019 US$'000	Fair value 2018 US$'000	Valuation techniques	Significant unobservable inputs	Range 2019	Range 2018
Productive breeding cattle	6,384	10,930	Market comparable approach	Market-transacted prices determined based on price per head and their weight	US$923 to US3,387 per head	US$883 to US$2,030 per head
Productive breeding swine	19,875	16,254	Market comparable approach	Market-transacted prices determined based on price per head and their weight	US$523 to US$3,406 per head	US$336 to US$1,054 per head
Biological assets – Heifers and calves	84,647	90,499	Market transactions	Market selling price and feed cost	–	–
Breeding chickens and fattening livestock	294,883	244,039	Replacement cost approach	Feed cost	–	–
Milkable cows	263,917	235,789	Income approach	Culling rate	10% to 100% depending on lactation period	10% to 100% depending on lactation period

In financial year 2019, the Group's biological assets namely dairy cows was independently valued by Jones Lang LaSalle Sallmanns Limited ("JLL"), firms of independent qualified professional valuers, who have appropriate qualifications and recent experiences in valuation of biological assets.

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(d) Level 3 fair value measurements (continued)

(i) Information about significant unobservable inputs used in Level 3 fair value measurements (continued)

Equity Securities at FVOCI

Unquoted equity securities were valued based on the net assets value of the group by recognising the share of profit/losses and discounted cash flow of the investees.

Biological assets

Productive breeding cattle, productive breeding swine, and heifers and calves:

The fair value less costs to sell the productive breeding swine and cattle and heifers and calves are determined with reference to the market-determined prices (either derived from sales invoices or from comparable market transactions) of items with similar age, breed and genetic merit, if the market-determined prices are available.

An increase in the estimated market selling price used would result to a higher percentage of increase in the fair value measurement of productive breeding cattle, productive breeding swine and heifers and calves.

Productive breeding chickens and fattening livestock:

The fair value of the productive breeding chickens and fattening livestock are determined with reference to the current replacement cost approach. It is regarded to approximate the carrying amount of biological assets stated at cost less accumulated amortisation and impairment losses.

Milkable cows:

Due to the fact that the market-determined prices of milkable cows are not available, JLL has applied the discounted cash flow approach to calculate the fair value less costs to sell of these items.

A significant increase or decrease in the culling rate based on management's assumptions would result in a significantly lower or higher fair value measurement.

The principal valuation assumptions adopted in applying the discounted cash flow approach are as follows:

- The culling rates adopted are based on the estimated culling rate of the livestock in the forecasted years due to natural or unnatural factors. The culling rates adopted in the PRC are 15%, 20%, 30%, 50%, 60% and 100% (2018: 15%, 20%, 30%, 50%, 60% and 100%) in the first to the sixth lactation cycles.
- The culling rates adopted in Indonesia are 10%, 15%, 25%, 35%, 45%, 60% and 100% (2018: 10%, 15%, 25%, 35%, 45%, 60% and 100%) in the first to the seventh lactation cycles.
- The natural birth rate is determined based on the estimated natural birth rate of the livestock in the forecasted years.
- The discount rate represents the pre-tax discount rate related to the specific risks of the relevant assets group. The discount rates used are 13.0% in PRC and 17.7% in Indonesia (2018: 13.0% in PRC and 17.3% in Indonesia).

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(d) Level 3 fair value measurements (continued)

(i) Information about significant unobservable inputs used in Level 3 fair value measurements (continued)

- The expected average prices of milk are estimated after taking into account certain percentage growth, future demand and inflation. The expected average prices are US$0.55 per liter (2018: US$0.56 per liter) in the PRC and US$0.44 per liter (2018: US$0.44 per liter) in Indonesia.
- The inflation rate of raw materials is determined based on the estimated inflation index in the raw material sourcing locations in the forecasted years.
- The average milk yield of each cow per day ranges from 30.0kg to 43.6kg (2018: 27.0kg to 36.9kg) in the PRC and 21.8kg to 28.4kg (2018: 24.8kg to 29.1kg) in Indonesia during the projected period of six lactation cycles.
- The price of female calve at about 14 months is based on the most recent transacted market price. The price of a female calve is US$2,768 (2018: US$2,908) in PRC and US$1,929 (2018: US$2,057) in Indonesia.

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

	Group			
	2019		2018	
	Increase/ (decrease)	Change in present value of biological assets US$'000	Increase/ (decrease)	Change in present value of biological assets US$'000
Discount rate	+1%	(3,867)	+1%	(3,505)
	–1%	4,174	–1%	3,606
Price of productive swine	+1%	199	+1%	163
	–1%	(199)	–1%	(163)
Price of productive cattle	+1%	64	+1%	109
	–1%	(64)	–1%	(109)
Milk price	+1%	5,601	+1%	4,856
	–1%	(5,601)	–1%	(4,856)
Feed cost for mature animals	+1%	(2,877)	+1%	(2,506)
	–1%	2,877	–1%	2,506
Price of female calve at about 14-month age	+1%	778	+1%	708
	–1%	(778)	–1%	(708)

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(d) Level 3 fair value measurements (continued)

(ii) Movements in Level 3 assets and liabilities measured at fair value

The reconciliation for assets measured at fair value based on significant unobservable inputs (Level 3) is as shown in Note 19.

Total loss for the year included in	Fair value measurements using significant unobservable inputs (Level 3) US$'000
Statement of comprehensive income:	
2019	
– Changes in fair value of biological assets	(3,916)
2018	
– Changes in fair value of biological assets	(13,062)

(iii) Valuation policies and procedures

The Company revalues its biological assets portfolio on an annual basis. The fair value is determined by external, independent valuers which have appropriate recognised professional qualifications and experience in the valuation of biological assets. Management reviews the appropriateness of the valuation methodologies and assumptions adopted, and the reliability of the inputs used in the valuations.

(e) Trade and other receivables, cash at banks, trade and other payables, loans and borrowings

The carrying amount of these financial assets and financial liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. SEGMENT INFORMATION

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by SFRS(I) 8 Operating Segments. This disclosure standard has no impact on the reported performance or financial position of the reporting entity.

For management purposes, the Group is organised into the following major strategic operating segments that offer different products and services: (1) animal protein, (2) dairy, (3) consumer food and (4) others. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

Two or more operating segments may be aggregated into a single operating segment if in the judgement of management, the segments have similar economic characteristics and the segments are similar in some aspects such as the nature of the products and services; production processes; type or class of customer; distribution methods.

The segments and types of products and services are as follows:

The animal protein segment includes production of multiple high-quality animal proteins, including poultry, swine, beef and aquaculture as well as high-quality animal feed, across the Group's target markets as follows:

- Animal Protein – PT Japfa Tbk refers to the animal protein operations of its public listed subsidiary in Indonesia, JCI; and

- Animal Protein Other refers to the animal protein operations in Vietnam, India, Myanmar and China.

The dairy segment includes production of premium raw milk in China and Indonesia and premium downstream milk products such as premium fresh milk, premium UHT milk and premium cheeses to consumers in Indonesia and other countries in Asia.

The consumer food segment uses the animal protein products that are produced in-house as raw materials for downstream consumer food segment.

Others include corporate office, central purchasing office and consolidation adjustments which are not directly attributable to a particular business segment above.

Inter-segment sales are measured on the basis that the entity actually uses to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the significant accounting policies.

The management reporting system evaluates performances based on operating statement of comprehensive income and is measured in the same way as operating statement of comprehensive income in the consolidated financial statements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. SEGMENT INFORMATION (CONTINUED)

	Animal Protein – PT Japfa Tbk US$'000	Animal Protein Other US$'000	Total Animal Protein US$'000	Dairy US$'000	Consumer Food US$'000	Others US$'000	Group US$'000
2019							
Revenue by segment							
External revenue	2,554,924	681,356	3,236,280	459,110	190,061	5,005	3,890,456
Inter-segment revenue	42,443	10,667	53,110	12,361	650	(66,121)	–
Total revenue	2,597,367	692,023	3,289,390	471,471	190,711	(61,116)	3,890,456
Operating profit	219,012	39,609	258,621	89,164	(5,735)	(3,009)	339,041
Interest income	895	1,314	2,209	337	55	44	2,645
Finance costs	(52,811)	(11,760)	(64,571)	(18,195)	(4,621)	(19,663)	(107,050)
Foreign exchange adjustments gain/(loss)	11,690	1,001	12,691	(3,092)	(254)	86	9,431
(Loss)/gain from changes in fair value of biological assets	(147)	13,150	13,003	(10,924)	–	–	2,079
Share of loss of equity-accounted joint ventures	–	(124)	(124)	–	725	–	601
Others	(2,764)	472	(2,292)	3,812	1,140	(2,333)	327
Profit/(loss) before income tax	175,875	43,662	219,537	61,102	(8,690)	(24,875)	247,074
Income tax expense	(48,827)	(1,637)	(50,464)	(5,817)	(829)	(5,339)	(62,449)
Profit/(loss), net of income tax	127,048	42,025	169,073	55,285	(9,519)	(30,214)	184,625
2018							
Revenue by segment							
External revenue	2,337,679	580,416	2,918,095	397,303	202,566	15,292	3,533,256
Inter-segment revenue	44,934	2,704	47,630	11,433	766	(59,837)	–
Total revenue	2,382,613	583,120	2,965,733	408,736	203,332	(44,545)	3,533,256
Operating profit	256,043	33,116	289,159	71,842	(16,632)	(2,597)	341,772
Interest income	2,763	990	3,753	355	8	83	4,199
Finance costs	(38,380)	(7,427)	(45,807)	(16,197)	(5,355)	(15,167)	(82,526)
Foreign exchange adjustments (loss)/gain	(23,421)	(3,106)	(26,527)	(7,562)	1,674	(264)	(32,679)
(Loss)/gain from changes in fair value of biological assets	(2,757)	4,478	1,721	(13,346)	–	–	(11,625)
Share of loss of equity-accounted joint ventures	–	(23)	(23)	–	105	–	82
Others	16,361	(91)	16,270	7,437	880	(215)	24,372
Profit/(loss) before income tax	210,609	27,937	238,546	42,529	(19,320)	(18,160)	243,595
Income tax expense	(54,601)	(4,638)	(59,239)	(465)	(138)	(5,542)	(65,384)
Profit/(loss), net of income tax	156,008	23,299	179,307	42,064	(19,458)	(23,702)	178,211

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. SEGMENT INFORMATION (CONTINUED)

	Animal Protein – PT Japfa Tbk US$'000	Animal Protein – Other US$'000	Total Animal Protein US$'000	Dairy US$'000	Consumer Food US$'000	Others US$'000	Group US$'000
Assets and reconciliations							
2019							
Segment assets	1,735,399	519,654	2,255,053	910,558	102,233	(2,221)	3,265,623
Unallocated assets	36,562	4,862	41,424	1,704	887	795	44,810
Total Group assets	1,771,961	524,516	2,296,477	912,262	103,120	(1,426)	3,310,433
2018							
Segment assets	1,531,741	367,961	1,899,702	833,175	115,623	5,997	2,854,497
Unallocated assets	26,765	3,892	30,657	2,951	1,165	(2)	34,771
Total Group assets	1,558,506	371,853	1,930,359	836,126	116,788	5,995	2,889,268
Liabilities and reconciliations							
31.12.2019							
Segment liabilities	977,454	305,070	1,282,524	369,567	80,967	262,136	1,995,194
Unallocated liabilities	10,775	5,187	15,962	3,996	909	7,682	28,549
Total Group liabilities	988,229	310,257	1,298,486	373,563	81,876	269,818	2,023,743
31.12.2018							
Segment liabilities	853,732	202,752	1,056,484	342,667	92,331	227,409	1,718,891
Unallocated liabilities	31,789	2,566	34,355	604	768	4,265	39,992
Total Group liabilities	885,521	205,318	1,090,839	343,271	93,099	231,674	1,758,883

Unallocated liabilities comprise mainly tax payable and deferred tax liabilities.

Other material items and reconciliations

	Animal Protein – PT Japfa Tbk US$'000	Animal Protein – Other US$'000	Total Animal Protein US$'000	Dairy US$'000	Consumer Food US$'000	Others US$'000	Group US$'000
31.12.2019							
Capital expenditure	221,373	69,382	290,755	26,536	2,458	31	319,780
Depreciation and amortisation	72,192	23,930	96,122	32,900	8,578	646	138,246
31.12.2018							
Capital expenditure	153,763	26,602	180,365	33,890	4,102	70	218,427
Depreciation and amortisation	59,989	10,460	70,449	27,895	7,771	140	106,255

37. SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	2019 US$'000	2018 US$'000
Revenue		
Singapore	11,077	5,977
Indonesia	2,810,692	2,569,635
Vietnam	447,754	393,658
China	378,815	348,574
India	131,529	98,351
Myanmar	81,804	81,722
Others	28,785	35,339
	3,890,456	3,533,256

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

	Group	
	2019 US$'000	2018 US$'000
Non-current assets		
Singapore	24,512	29,802
Indonesia	1,027,389	826,999
Vietnam	166,623	100,772
China	599,908	557,238
India	22,456	19,932
Myanmar	51,144	43,831
Bangladesh	6,070	5
	1,898,102	1,578,579

The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any deferred tax.

Information about a major customer

There are no customers with revenue transactions of over 10% of the Group revenue in 2019 and 2018.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The Group's principal financial assets comprise cash at banks, trade receivables, other receivables, and other non-current assets. The Group has various other financial liabilities such as interest-bearing loans and borrowings and trade payables.

The key financial risks include interest rate risk, foreign currency risk, credit risk, liquidity risk, and commodity price risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks during the financial year.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Interest rate risk

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

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

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

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Financial liabilities:				
Fixed rates	434,307	483,574	549	–
Floating rates	1,049,790	735,710	332,168	276,893
	1,484,097	1,219,284	332,717	276,893
Financial assets:				
Fixed rates	40,288	11,054	5,275	4,275
Floating rates	50	12	8,100	4,100
	40,338	11,066	13,375	8,375

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

The floating rate debt obligations are with interest rates that are re-set at regular intervals. The interest rates are disclosed in the respective notes. When considered appropriate, in order to manage the interest rate risk, interest rate swaps are entered into to mitigate the fair value risk relating to fixed-interest assets or liabilities and the cash flow risk related to variable interest rate assets and liabilities. Note 22B disclosed the interest rate hedging activities in place at the end of the reporting year.

Sensitivity analysis:

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
A hypothetical increase in interest rates by 100 basis points would decrease profit before tax by	(10,497)	(7,357)	(3,241)	(2,728)

The analysis has been performed separately for fixed interest rate and floating interest rate over a year for financial instruments. The impact of a change in interest rates on fixed interest rate financial instruments has been assessed in terms of changing of their fair value. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on statement of comprehensive income. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

Foreign currency risk

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

Therefore, the fluctuations in the exchange rate could affect the Group's operation results. The Group entered into forward currency contracts to hedge foreign currency risk arising from the Group's bank loans denominated in USD as disclosed in Note 22B.

At 31 December 2019, based on a sensitivity simulation, had the exchange rate of respective functional currencies of the Group entities against the US Dollar depreciated/appreciated by 10%, with all other variables held constant, profit before income tax expense on 31 December 2019 and 31 December 2018 would have been US$26.2 million and US$24.6 million higher/lower respectively, mainly as a result of foreign exchange gains/losses on the translation of cash and cash equivalents, trade receivables, other receivables, trade payables and loan and borrowings denominated in US Dollar.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

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

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

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

	Group	
	2019 US$'000	2018 US$'000
Top 1 customer	17,991	10,338
Top 2 customers	26,390	19,003
Top 3 customers	29,427	20,829

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21 (Trade and other receivables).

Liquidity risk

The Group and the Company aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group and the Company finances its working capital requirements through external bank and other borrowings as set out in Note 30.

The following table analyses the non-derivative financial liabilities at the end of the reporting year by remaining contractual maturity (contractual and undiscounted cash flows):

Group	Less than 1 year US$'000	2 – 5 years US$'000	After 5 years US$'000	Total US$'000
31.12.2019				
Gross borrowing commitments	613,864	870,477	–	1,484,341
Gross lease commitments	21,966	59,060	111,703	192,729
Trade and other payables	389,867	244	–	390,111
	1,025,697	929,781	111,703	2,067,181
31.12.2018				
Gross borrowing commitments	455,751	851,547	874	1,308,172
Gross lease commitments	141	232	–	373
Trade and other payables	388,089	234	–	388,323
	843,981	852,013	874	1,696,868

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Company	Less than 1 year US$'000	2 – 5 years US$'000	Total US$'000
31.12.2019			
Gross borrowing commitments	366,845	–	366,845
Gross lease commitments	532	30	562
Trade and other payables	8,148	–	8,148
Financial guarantee contracts – in favour of subsidiaries	397,622	–	397,622
	773,147	30	773,177
31.12.2018			
Gross borrowing commitments	25,333	290,534	315,867
Gross lease commitments	–	–	–
Trade and other payables	11,097	–	11,097
Financial guarantee contracts – in favour of subsidiaries	306,986	–	306,986
	343,416	290,534	633,950

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

Financial guarantee contracts – For issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. At the end of the reporting year no claims on the financial guarantees are expected to be payable.

The following table analyses the derivative financial liabilities at the end of the reporting year by remaining contractual maturity (contractual and undiscounted cash flows):

Group	Less than 1 year	
	2019 US$'000	2018 US$'000
Foreign currency forward and option contracts	9,085	6,550

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statements of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

Commodity risks

Commodity price risk is the risk of fluctuations in the price of raw material used in feed production such as corn and soybean meal, which are commodities. The Group is generally able to pass through raw material cost increases into its feed selling prices, which mitigates the commodity price risk.

In addition, the Group continuously reviews the optimal inventory level and enters into purchase agreements with reference to cost prices, the production plan and materials requirements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

In order to maintain its listing on the Singapore Stock Exchange, the Company has to have share capital with a free float of at least 10% of its shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

The objectives when managing capital are to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity.

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt/adjusted capital (as shown below). Net debt is calculated as total loans and borrowings less cash at banks.

	Group	
	2019 US$'000	2018 US$'000
Net debt:		
All current and non-current loans and borrowings	1,482,437	1,217,626
Less: Cash at banks	(208,743)	(168,316)
Net debt	1,273,694	1,049,310
Total equity	1,286,690	1,130,385
Debt-to-adjusted capital ratio	1.0 times	0.9 times

39. DIVIDENDS

	Group	
	2019 US$'000	2018 US$'000
Declared and paid during the financial year		
Dividends on ordinary shares:		
Final tax exempt (1-tier) dividend of 2.0 (2017: 0.5) Singapore cents per share paid for reporting year ended 31 December 2018	27,286	6,545

On 29 February 2020, the directors of the Company recommended that a tax-exempt one-tier final dividend of 1.0 Singapore cent per ordinary share, amounting to a total of S$20,497,000 (equivalent to US$15,214,000) be paid for the reporting year ended 31 December 2019. The dividend is subject to approval by shareholders at the forthcoming Annual General Meeting and hence the proposed dividend has not been accrued as a liability in these financial statements.

40. CONTINGENT LIABILITIES

40A. Corporate guarantees

	Group		Company	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Corporate guarantees in favour of subsidiaries	–	–	397,622	306,986

40B. Financial Support

The Company has agreed to provide financial support to a subsidiary having current liabilities in excess of its current assets by US$7,258,000 (2018: US$15,662,000).

40C. Other legal matters

(a) KPPU actions

(i) Beef

As has been disclosed by the Company since its Annual Report 2016, the Business Competition Supervisory Commission ("KPPU") of Indonesia imposed administrative fines in 2016 on 32 beef companies (including the Company's beef cattle subsidiaries, PT Austasia Stockfeed ("ASF") and PT Santosa Agrindo ("SA") for breach of anti-trust rules relating to the sale of imported beef cattle. The fines applicable to ASF and SA amounted in aggregate to approximately Rp14 billion (approximately US$1.0 million). As the decision of KPPU has been upheld by the Supreme Court as the highest court in Indonesia, and no civil review (the Indonesian equivalent of judicial review) has been filed within the allotted time, the case is now closed in favour of the KPPU and ASF and SA have been paying the said fines in accordance with the schedule.

(ii) Poultry

As has been disclosed by the Company since its Annual Report 2016, the KPPU in 2016 imposed an administrative fine against 12 poultry companies (including the Company's subsidiaries PT Japfa Comfeed Indonesia Tbk ("JCI") for breach of anti-trust laws in respect of the Production Arrangement/Control of Day-Old Chicken Parent Stock in Indonesia. The fine payable by JCI was approximately IDR25 billion (approximately US$1.9 million). In 2019, the Supreme Court confirmed the decision of the West Jakarta District Court against the KPPU and denied the KPPU's attempt to subject this decision to civil review. The case is therefore closed in favour of the 12 poultry companies (including JCI).

(b) Civil suit in respect of alleged pollution of Lake Toba

As has been disclosed by the Company since its Annual Report 2017, Yayasan Pecinta Danau Toba ("YPDT") filed a suit against 4 governmental authorities, and two tilapia farming companies (including the Company's subsidiary, PT Suri Tani Pemuka ("STP") for pollution of Lake Toba. The amount claimed against STP was approximately IDR114.2 trillion (approximately US$8.4 billion). This suit has been rejected by the district court for lack of jurisdiction. As the YPDT did not file an appeal within the allotted time, this case is now closed.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

41. EVENTS AFTER THE END OF THE REPORTING YEAR

On 18 December 2019, the Company announced the 1-for-10 renounceable non-underwritten rights issue at an issue price of S$0.50 for each rights share. The rights issue completed on 31 January 2020 and was oversubscribed by 34.05%. Following the issuance of the 186,333,829 right shares on 10 February 2020, the total number of issued shares (excluding treasury shares) had increased from 1,863,338,291 to 2,049,672,120 shares.

On 12 February 2020, the Company announced that its wholly owned India subsidiary, Japfa Comfeed India Private Ltd, has on 12 February 2020, entered into a Share Purchase Agreement to dispose its entire (50%) shareholding in Central India Poultry Breeders Pvt Ltd by selling 14,499,553 to its Joint Venture Partner, Aviagen International Holdings Ltd and 500 shares to M/s. Aviagen International Finance Four Limited for a total cash consideration of US$2,280,000. The transaction was closed on 24 February 2020.

On 29 February 2020, the Company announced that it has granted a share awards of 4,362,500 shares under the Japfa Performance Share Plan to the executive directors and employees of the Group. The share awards of 4,362,500 shares is based on 100% of the grant, and the number of shares awarded on the vesting date could range from 0% to 200%, depending on the level of achievement against pre-set performance conditions.

42. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 17 March 2020.

Statistics of Shareholdings

AS AT 04 MARCH 2020

Issued and Paid-up Share Capital	:	SGD 1,355,613,621
Number of issued shares	:	2,067,423,320
Treasury Shares	:	17,751,200
Issued shares less treasury	:	2,049,672,120
Class of Shares	:	ordinary shares
Voting Rights	:	one vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Shareholders	%	No. of Shares	%
1 – 99	3	0.12	150	0.00
100 – 1,000	370	14.78	341,400	0.02
1,001 – 10,000	1,044	41.69	5,805,500	0.28
10,001 – 1,000,000	1,070	42.73	52,116,405	2.54
1,000,001 and above	17	0.68	1,991,408,665	97.16
Total	**2,504**	**100.00**	**2,049,672,120**	**100.00**

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 4 March 2020, approximately 18.83% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	RAFFLES NOMINEES (PTE.) LIMITED	1,318,019,182	64.30
2	CITIBANK NOMINEES SINGAPORE PTE LTD	451,867,011	22.05
3	RHB SECURITIES SINGAPORE PTE. LTD.	96,439,400	4.71
4	DBS NOMINEES (PRIVATE) LIMITED	35,601,227	1.74
5	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	20,628,500	1.01
6	DBSN SERVICES PTE. LTD.	14,472,181	0.71
7	HSBC (SINGAPORE) NOMINEES PTE LTD	11,417,260	0.56
8	BPSS NOMINEES SINGAPORE (PTE.) LTD.	10,744,490	0.52
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	7,381,860	0.36
10	DB NOMINEES (SINGAPORE) PTE LTD	5,937,900	0.29
11	UOB KAY HIAN PRIVATE LIMITED	4,002,950	0.20
12	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,941,600	0.19
13	OCBC SECURITIES PRIVATE LIMITED	2,854,650	0.14
14	PHILLIP SECURITIES PTE LTD	2,698,820	0.13
15	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,651,634	0.13
16	GOH GEOK KHIM	1,650,000	0.08
17	TANDIP SINGH WASAN	1,100,000	0.05
18	ASDEW ACQUISITIONS PTE LTD	794,000	0.04
19	BENJAMIN JOHN WILKES	700,000	0.03
20	LIM HAN TUA	700,000	0.03
	Total	**1,993,602,665**	**97.27**

Statistics of Shareholdings

AS AT 04 MARCH 2020

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as recorded in the Register of Substantial Shareholders as at 4 March 2020

	No of Shares			
Substantial Shareholders	Direct interest	Indirect interest	Total interest	%
Handojo Santosa @ Kang Kiem Han[1]	–	1,250,500,805	1,250,500,805	61.01
Rangi Management Limited[1][2][4]	1,061,976,500	–	1,061,976,500	51.81
Fusion Investment Holdings Limited[2][3]	–	1,061,976,500	1,061,976,500	51.81
Tasburgh Limited[1][3][4]	106,714,375	–	106,714,375	5.21
Morze International Limited[5]	310,779,793	–	310,779,793	15.16
Highvern Trustees Limited[3][4][5][6]	–	1,479,470,668	1,479,470,668	72.18
MNM Holdings Limited[6]	–	1,479,470,668	1,479,470,668	72.18
Martin John Hall[6]	–	1,479,470,668	1,479,470,668	72.18
Naomi Julia Rive[6]	–	1,479,470,668	1,479,470,668	72.18
Scuderia Trust[4]	–	1,168,690,875	1,168,690,875	57.02
Capital Two Trust[5]	–	310,779,793	310,779,793	15.16
Rachel Anastasia Kolonas[5][7]	–	310,779,793	310,779,793	15.16
Farida Gustimego Santosa[1][4][8]	–	1,169,500,805	1,169,500,805	57.06
Renaldo Santosa[4][9]	–	1,170,311,175	1,170,311,175	57.10
Gabriella Santosa[4][11]	–	1,168,842,675	1,168,842,675	57.03

(1) Mr Handojo Santosa @ Kang Kiem Han is the settlor of the Scuderia Trust. Under the terms of the Scuderia Trust, he is entitled, as an investment power holder, to direct the trustee of the Scuderia Trust to procure to the best of its ability that the directors of Fusion Investment Holdings Limited and Tasburgh Limited act in accordance with his instructions in relation to the investments of the Scuderia Trust. See Note (6) below. As the sole shareholder of Rangi Management Limited, Fusion Investment Holdings Limited is entitled to determine the composition of the board of directors of Rangi Management Limited. Accordingly, Mr Handojo Santosa @ Kang Kiem Han can control the exercise of the rights of the shares held by Fusion Investment Holdings Limited in Rangi Management Limited and through the board of directors appointed by Fusion Investment Holdings Limited, control the exercise of the rights of the Shares held by Rangi Management Limited under the Scuderia Trust. By virtue of Section 4 of the SFA, Mr Handojo Santosa @ Kang Kiem Han is deemed to have an interest in the Shares held by Rangi Management Limited and Tasburgh Limited. Tallowe Services Inc holds 81,000,000 Shares. The Shares of Tallowe Services Inc are held by Magnus Nominees Limited and Fidelis Nominees Limited as bare trustees for Mr Handojo Santosa @ Kang Kiem Han. By virtue of Section 4 of the SFA, Mr Handojo Santosa @ Kang Kiem Han is also deemed to have an interest in the Shares held by Tallowe Services Inc. In addition, Mr Handojo Santosa @ Kang Kiem Han is also deemed to have an interest in 809,930 Shares held in a joint account with his wife (through their client account with a financial institution).

(2) Fusion Investment Holdings Limited holds the entire issued and paid-up capital of Rangi Management Limited. By virtue of Section 4 of the SFA, Fusion Investment Holdings Limited is deemed to have an interest in the Shares held by Rangi Management Limited.

(3) The shares in each of Fusion Investment Holdings Limited, Tasburgh Limited and Morze International Limited are collectively held by Magnus Nominees Limited and Fidelis Nominees Limited as bare trustees on trust for their sole shareholder, Highvern Trustees Limited, as trustee of the Scuderia Trust and the Capital Two Trust. By virtue of Section 4 of the SFA, Highvern Trustees Limited is deemed to have an interest in the Shares held by Rangi Management Limited, Tasburgh Limited and Morze International Limited. Highvern Trustees Limited is a professional trustee and is wholly-owned by MNM Holdings Limited.

(4) Highvern Trustees Limited is the trustee of the Scuderia Trust which is a reserved power discretionary trust. The Shares held by Rangi Management Limited and Tasburgh Limited are assets of the Scuderia Trust. The settlor of Scuderia Trust is Handojo Santosa. The beneficiaries of the Scuderia Trust are Handojo Santosa's spouse (Farida Gustimego Santosa), children (Renaldo Santosa, Gabriella Santosa, Mikael Santosa and Raffaela Santosa) and remoter issue. Pursuant to Section 4 of the SFA, the beneficiaries of the Scuderia Trust are deemed to have an interest in the Shares held by Rangi Management Limited and Tasburgh Limited.

(5) Highvern Trustees Limited is the trustee of the Capital Two Trust which is a reserved power discretionary trust. The Shares held by Morze International Limited are assets of the Capital Two Trust. The settlor of Capital Two Trust is Ms. Rachel Anastasia Kolonas. The beneficiaries of the Capital Two Trust are Rachel Anastasia Kolonas, her issue and remoter issue and Tati Santosa. Pursuant to Section 4 of the SFA, the beneficiaries of the Capital Two Trust are deemed to have an interest in the Shares held by Morze International Limited.

(6) MNM Holdings Limited is the holding company of Highvern Trustees Limited, which holds a direct interest in the shares of Japfa Ltd as trustee of Scuderia Trust and Capital Two Trust. MNM Holdings limited is wholly owned by Martin John Hall and Naomi Julia Rive in equal shareholding proportions. By virtue of Section 4 of the SFA, each of MNM Holdings Limited, Martin John Hall and Naomi Julia Rive and is deemed to be indirectly interested in the Shares that Highvern Trustees Limited is interested in.

(7) Ms. Rachel Anastasia Kolonas is the settlor of the Capital Two Trust. Under the terms of the Capital Two Trust, she is entitled, as an investment power holder, to direct the trustee of the Capital Two Trust to procure to the best of its ability that the directors of Morze International Limited act in accordance with her instructions in relation to the investments of the Capital Two Trust. Accordingly she can control the exercise of the rights of the Shares held under the Capital Two Trust. By virtue of Section 4 of the SFA, Ms. Rachel Anastasia Kolonas is deemed to have an interest in the Shares held by Morze International Limited.

(8) Mdm Farida Gustimego Santosa is a beneficiary under the Scuderia Trust. See Note (4) above. Mdm Farida Gustimego Santosa is also deemed to have an interest in 809,930 Shares held in a joint account with her husband (through their client account with a financial institution).

(9) Mr Renaldo Santosa is a beneficiary under the Scuderia Trust. See Note (4) above. Mr Renaldo Santosa additionally holds 1,620,300 Shares through his client account with financial institutions.

(10) Ms Gabriella Santosa is a beneficiary under the Scuderia Trust. See Note (4) above. Ms Gabriella Santosa additionally holds 151,800 Shares through her client account with a financial institution.

Important Notice
Covid-19 Impact on Annual General Meeting 2020

Please note that due to Covid-19 related issues arising from mass gatherings such as our Annual General Meeting ("AGM"), the Company is adopting the latest guidelines provided by the Multi-Ministry Task Force on 24 March 2020[1], and deferring the convening of the AGM. The Notice of the AGM will be sent to Shareholders separately once the date of the AGM has been determined.

Shareholders will receive due Notice of the proposed date of the AGM. Updates relating to the AGM and procedures for participation resulting from the Covid-19 situation will be included with the said Notice.

1 Published on the Ministry of Health of Singapore website: https://www.moh.gov.sg

This page has been intentionally left blank.

This page has been intentionally left blank.

This page has been intentionally left blank.



This annual report is printed on environmentally-friendly paper.



JAPFA LTD
391B Orchard Road, #18-08
Ngee Ann City, Tower B
Singapore 238874
Tel : (65) 6735 0031
Fax : (65) 6735 4465
(Company Registration Number: 200819599W)

www.japfa.com