Delfi Limited

Taking Our Brands Further

Delfi

ANNUAL
REPORT 2016

Propelling Our Growth Journey

We are now known as Delfi Limited, *but our commitment to delivering the best remains the same. We are constantly seeking new growth avenues and developing innovative ways to take our Brands to the next level. As a trusted stakeholder, you can continue to expect quality and excellence that have become synonymous with the Delfi brand.*

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OVERVIEW

REPORTS & STATEMENTS

A Different Name but the same familiar Goodness

From Petra Foods to Delfi Limited

As one of the Group's most notable brands, 'Delfi' was chosen as our new corporate name. Delfi is a Master Brand that generates strong brand impression and positive brand recall. Consumers have also grown to know and love the image of the skier associated with Delfi confections, making it an iconic part of our brand. Moving forward, we strive to combine our robust business strategy and focus on core competencies that will enrich our success story in more ways than one.

ABOUT DELFI

We are a consumer focused business where with our passion for chocolate together with Strong Brands, Innovation and Distribution are the foundations on which we have built growth and success. By investing continuously in our Brands, Innovation, and Distribution capabilities and reach, we have built a robust House of Brands and Distribution Power House in the region.

Brands

It is Delfi's aim to build and maintain the strong emotional connections with consumers through our diverse portfolio of brands and products. We pride ourselves as a brand owner that is able to bridge generations and bring people closer together.

Innovation

We understand the need to continually delight consumers by delivering value through our culture of innovation. By constantly calibrating our brands to consumer demand, we continue to grow the value of our business.

Distribution

We work closely with our retail customers to win in the market place, making sure our brands are always available and properly displayed in all channels.


Delfi
CHACHA
CHACHA
milk chocolate

Driving Excellence

The Wonderful World of Delfi Limited

Beyond product innovation and building trusted brands, Delfi's success is also the result of a highly unified and well-coordinated supply chain – from sourcing and manufacturing through to logistics and distribution.

Staying Focused

Creating value with an innovative and diverse product portfolio

We understand the need to stay relevant in order to stay ahead. To this end, the Group pays close attention to the nuances in consumer tastes and sentiments in various local markets. Our ability to evolve and respond has enabled us to retain consumer loyalty and gives us an edge to stand out in the crowded market.

Forging Forward

Building stronger ties with our consumers

At Delfi, we create brand loyalty through delectable products, strong promotions and availability across all categories. By continuously building on our product offerings and refining our branding strategies, we are confident to remain a brand of choice primed to delight generation after generation.

Chairman's Letter

> No meaningful journey is ever taken alone, and ours has benefitted from the great support of our customers, business partners and employees.

DEAR SHAREHOLDERS,

2016 has been an eventful year for us on several counts. We started the year as Petra Foods, a name that had accompanied us for some 30 over years, and closed the year as Delfi Limited. The name change was a timely move to reflect the focus on growing our core chocolate confectionery business in Southeast Asia while the name of "Delfi" was selected out of our many master brands as it is one of our key brands which can build our presence across different markets and which is broad enough to accommodate expansion into new product categories.

The other notable event for us in 2016 was the Cash Distribution to shareholders of close to US$60.0 million through the Court sanctioned Capital Reduction exercise which was effective on 14 June 2016. Distributing what was excess cash to shareholders through the Capital Reduction also allowed the Company to achieve a more efficient capital structure and effect a substantial cash distribution to be made to Shareholders.

To cap off the year, Delfi delivered a good performance this year with significantly increased profitability and EBITDA, despite the sluggish global economy. I am pleased to report that the Group has achieved a strong underlying bottom-line growth of over 80% in PATMI* in 2016. Our business model and strategy proved robust, delivering a competitive performance with underlying Own Brands sales growth and solid margin expansion. The Group also generated Free Cash Flow of US$37.7 million with the higher profitability achieved.

On the back of the robust performance, the Board will be proposing a final dividend of 0.95 US cents (1.35 Singapore cents) for 2016 bringing the full year dividends to 2.31 US cents (3.18 Singapore cents). Since our listing in 2004, the Company has returned over US$287 million to shareholders through a combination of dividends (both normal and special dividends) and the cash distribution mentioned above. In 2016 alone we would have already returned in excess of US$68 million, before the proposed 2016 final dividend. Returning capital to Shareholders

* *Excludes exceptional items*

though dividends remain a central pillar in our effort to create superior shareholder value.

For me, the other highlights of 2016 were:

Board Composition

We continue to work on upgrading both the Board and our management team. Our Directors bring complementary and relevant skills to the Board. In addition to wide global experience, these skills include expertise on finance and accounting, consumer markets, customers and marketing as well as legal experience.

On that note, I am delighted that Doreswamy Nandkishore (Nandu) has joined the Board with effect from 3 January 2017. Nandu is appointed as an independent director of our Board. He brings with him more than 35 years of global experience in branded consumer packaged goods, of which some 20 years had been spent building and growing businesses across Southeast Asia. With his appointment, the Delfi Board now has eight directors, five of which are non-executive directors (four independent and one non-independent).

Formation of a New Committee

In 2016, a new Market Sustainability & Strategy Committee (MSSC) was conceptualised with the objective of supporting the Board in identifying new market opportunities as well as market developments that would significantly affect the Group's competitiveness and sustainable development. The MSSC was officially established on 3 January 2017 and it will be responsible, together with management, for formulating the relevant strategies and developing the framework to support sustainable growth. I have asked Nandu to chair the MSSC and he will be supported by four other directors, including John, Joseph, Poh Tiong and myself.

Strategic Discussion

As with other years, the Board in 2016 held in-depth discussions with management on strategy and portfolio development with particular attention to changing market dynamics in all our markets. Despite these short-term challenges, the Board believes the growth story of our business in these markets remains intact. The Board also recognises that our organisation must always stay agile in a very dynamic marketplace in order to sustain profitable growth over the longer term.

As I have written in my previous letters to our shareholders, investing in people and in innovation is crucial in this environment. These meetings with senior managers also allowed the Directors to gain a deeper understanding of the business and helped in the wider strategy discussions.

LOOKING AHEAD

The global economy is expected to remain sluggish in 2017 with lingering uncertainties around the policies of the new US administration, oil price, commodity prices and the aftermath of China's economic slowdown. However, the sentiments in Southeast Asia have generally been upbeat, with several economies, like Indonesia and the Philippines, seeing the gradual return of consumer confidence. These are two markets which possess strong demographic potential and an expanding middle-class to support long term growth across the chocolate confectionery categories.

Hence, even though the challenging business environment may persist, the Board has full confidence in the strategy Delfi is following and in the high calibre of its executive leadership under John Chuang and his management team. This is a team that has a deep understanding of the business.

The Board further believes that our streamlined business structure will anchor our resilience against the headwinds, and the progress Delfi has made over recent years leaves it well-placed to go on delivering consistent top and bottom line growth over the longer term. Delfi will adopt market-specific strategies that focus on sales growth, channel development, competitive pricing and cost containment to improve profitability. The product portfolio will be optimised further to renew our focus on core brands and products and to introduce new categories with high growth potential.

I am confident that the management will navigate the challenges and deliver successful results. I am immensely grateful for a dedicated Board and the trust the shareholders have placed in us over the stewardship of the company. No meaningful journey is ever taken alone, and ours has benefitted from the great support of our customers, business partners and employees.

PEDRO MATA
Chairman

20 March 2017

> It is against this backdrop of a rapidly changing environment that we need to be single-mindedly focused on constantly building the resilience and the agility of our portfolio and our organisation.

DEAR SHAREHOLDERS,

Over the ages, chocolate has always been regarded as a tasty treat to reward oneself and a preferred gift for celebrating special occasions. It is often deemed an affordable luxury that is accessible by the masses. As a chocolate confectionery producer, Delfi sees itself in the business of creating delectable experiences and delivering joyful memories for our consumers.

In 2016, despite a soft global economy, demand for chocolate confectionery in Indonesia and the Regional Markets was bolstered by a recovery in consumer confidence.

These indicators bode well for Delfi, especially in comparison to 2015 when we faced more headwinds than tailwinds. In Indonesia and the Philippines – the two largest markets for chocolate confectionery in South East Asia - demand potential for quality chocolate remains strong, supported by the rapid urbanisation, rising middle-class, and a large base of young consumers in both countries. With our comprehensive categories of Own Brands from biscuits and wafers to breakfast, beverage and baking ingredients, Delfi is well positioned to capture the growth opportunities.

I am very pleased to report that for the financial year 2016, Delfi has achieved a 35.7% increase in EBITDA to US$50.6 million. PATMI* has also surged by over 80% to US$28.2 million despite continuing economic uncertainties and weakness in most of the regional currencies. These improvements were largely due to effective cost containment, improved margins, and renewed focus on core brands and products that drove higher sales of Own Brands, which rose by 4.4 % in 2016 (in constant currency terms), supported by our flagship brands, SilverQueen and Selamat. Over the last two years, we continued to reshape our portfolio to ensure that our resources are best utilised for growth.

Group revenue of US$402.1 million was achieved, reflecting increased consumer spending in the markets Delfi operates in, as well as the effectiveness of our strategy in price adjustments, product resizing, brand promotions and distribution.

* *Excludes exceptional items*

Our ability to deliver consistent results, even in these volatile and uncertain conditions, reassures me that the fundamental pillars of our business are strong and that we have developed the resilience required to compete even in the most difficult circumstances. It was especially pleasing to me that we were able to take measures necessary to respond to short-to-medium events – simplifying our organisation and further tightening our belts, for example, while at the same time continuing to invest in the long-term drivers of growth.

We generated operating cash flow of US$59.7 million in 2016 from the higher profitability, tighter working capital management and reduced capital expenditure. As at end-2016, cash balance stood at US$67.7 million, a 43.3% decrease from US$119.5 million in 2015 as a result of the Capital Reduction scheme under which the company distributed US$60.0 million to shareholders in June 2016.

The chocolate confectionery markets in Indonesia and the Philippines are highly competitive even though the number of players has not changed much. Going forward, we expect the levels of competitive activity - both from global competitors and local players - will continue to remain high.

The retail landscape has also evolved with the modern trade format growing rapidly, especially in convenience stores and growing numbers of shopping malls and supermarkets catering to the middle-class.

It is against this backdrop of a rapidly changing environment that we need to be single-mindedly focused on constantly building the resilience and the agility of our portfolio and our organisation. We have responded to the market conditions by adopting a dynamic "go-to-market" strategy. With this approach, we are basically strengthening our distribution, trade, branding and organisational capabilities to achieve growth and unlock untapped sales opportunities in all areas. Let me elaborate.

We are extending market reach by having better channel segmentation to access modern trades, especially the mini marts, and widening our distribution coverage nationwide. Trade partnerships are strengthened with the aim for Delfi products to be the first to go to market. We are enhancing brand loyalty and recall of Own Brands with more focused product innovation and packaging. Our goal is to maximise our shelf space presence with premium products that cater to local tastes and preferences, and to engage the consumer by elevating their shopping experience with visually exciting displays at the point of purchase. In short, we have many magnificent brands but if they are not strategically placed where our consumers want them, when they want them, then our growth objectives will suffer. Hence, sharpening our execution with improved distribution, customer service levels and on-shelf availability also remain urgent priorities.

The challenging operating environment is expected to persist in the markets Delfi operates in. However, we are confident that with the many positive changes we have already made, we are well placed to continue to deliver our growth objectives. We are cautiously optimistic of market performance and will stay the course with our emphasis on sales growth, channel expansion, cost containment and productivity improvement to achieve a steady growth. We will continue to reshape our portfolio to ensure that our resources will always be best utilised for growth and we will also expand into new categories that promise growth.

We will venture into new markets and extend into new categories when the right opportunities become available. Delfi-Orion Pte Ltd, our recent joint venture with South Korea's Orion Corporation, one of South Korea's largest snack and confectionery companies, is a good example of such efforts. This partnership will essentially develop and market a range of soft biscuit and cake products in Indonesia.

Over the past few years, Delfi has repositioned itself as a pure-play chocolate confectionery company. This has enabled us to become nimbler in the dynamic chocolate confectionery industry with our geographical advantage in two of Southeast Asia's largest and fastest-growing markets, strong repertoire of products in a variety of formats, and strong financial fundamentals. Going forward, we will focus on building the resilience and the agility of our portfolio and our organisation.

In closing, I would like to express my deepest appreciation to my fellow Board members, management team and staff for their valuable contributions and for believing in our mission. I would also like to thank the shareholders, business partners and customers for their faith and continued support.

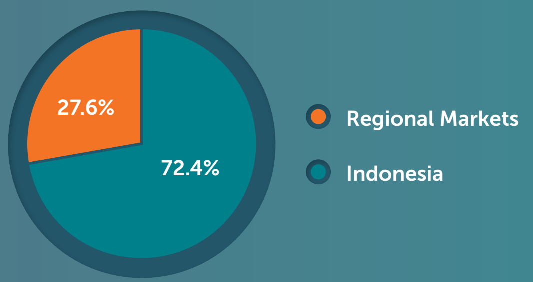
JOHN T. C. CHUANG
Chief Executive Officer

20 March 2017

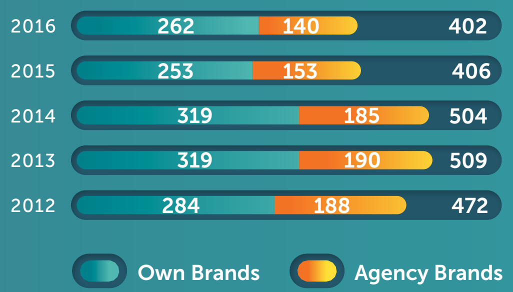
FIVE-YEAR FINANCIAL HIGHLIGHTS

2016 SHARE PRICE PERFORMANCE
(S$/Share)

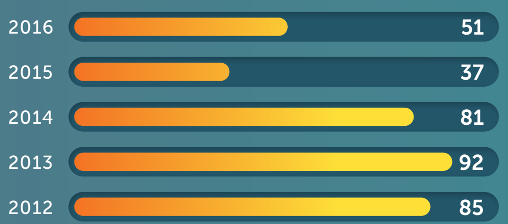
REVENUE BREAKDOWN BY GEOGRAPHY
(FY2016)



GROUP REVENUE
(US$ million)



GROUP EBITDA
(US$ million)



GROUP PATMI*
(US$ million)

* *Excludes exceptional items*

For The Year (US$ million)	**2016**	2015	2014	2013	2012
Continuing Operations					
Revenue	402.1	405.9	504.0	508.8	471.6
Gross Margin	34.80%	29.8%	31.9%	32.0%	30.9%
EBITDA	50.6	37.5	80.9	91.7	84.8
Net profit attributable to shareholders	**28.2***	**15.3***	**50.3***	**59.3**	**54.5**
Discontinued Operations (Cocoa Ingredients)					
Net loss attributable to shareholders					
– Before adjustments	-	-	-	(116.2)	(14.6)
– After adjustments**	-	-	-	(38.7)	(28.6)
Group					
Net profit attributable to shareholders					
– Before adjustments	**26.2**	(4.7)	48.8	(56.9)	39.9
– After adjustments**	**26.2**	(4.7)	48.8	20.6	25.9
At Year End (US$ million)					
Total Assets	342.3	387.6	470.5	465.9	1,219.8
Total Liabilities	(141.0)	(145.4)	(173.2)	(175.5)	(893.0)
Total Shareholders' Equity	**201.3**	**242.2**	**297.3**	**290.4**	**326.8**
Total Debt	(53.8)	(74.7)	(74.0)	(39.4)	(624.9)
Net Cash/(Debt)	14.0	44.9	97.9	157.3	(586.1)
Return on Equity (%)					
– Continuing operations	12.6	5.7	17.1	19.2	17.5
– Group	11.8	(1.8)	16.6	6.7	8.3
Net Debt to Equity (%)	NM***	NM***	NM***	NM***	179.0
Adjusted Net Debt to Equity (%) (Excluding Trade Finance & Medium Term Notes)	NM***	NM***	NM***	NM***	51.0
Per Share Data					
Dividends (US cents)	**2.31**	**2.09**	**5.77**	**6.45**	**3.97**
– Normal	2.31	1.28	4.13	4.00	3.97
– Special	-	0.81	1.64	2.45	-
Earnings/(Losses) (US cents) – Basic & Fully Diluted					
– Continuing operations	**4.3**	(0.8)	8.0	9.7	8.9
– Discontinued operations (Cocoa Ingredients)	**-**	-	-	(6.3)	(4.7)
Total	**4.3**	**(0.8)**	**8.0**	**3.4**	**4.2**
Net Tangible Assets (US cents)	**32.1**	**38.8**	**47.8**	**46.7**	**50.1**

Notes:

* *Excludes exceptional items*

** *The Adjustments in 2013 and 2012 pertain to the exceptional gain and loss (net of tax) resulting from the divestment of the Cocoa Ingredients business. There were no such adjustment in 2014, 2015 and 2016*

*** *Not meaningful as the Group is in a net cash position post divestment of the Cocoa Ingredients business*


Enjoy
Sweet Dreams
With ChaCha

BOARD OF DIRECTORS

Mr Pedro Mata-Bruckmann / 72

INDEPENDENT DIRECTOR
American

Date of first appointment as director:
12 June 2001

Date of last re-appointment:
26 April 2016

Pedro began his career at W.R. Grace & Co in 1968 where he served as President and CEO of several divisions. Through a series of promotions, in 1989, he rose to the position of Chief Executive Officer of Grace Cocoa, a division of W.R. Grace & Co. Grace Cocoa (subsequently sold to ADM and renamed ADM Cocoa) was the world's leading and premier supplier of cocoa ingredients to the confectionery, dairy, bakery and beverage industries on a global basis. After leaving W.R. Grace & Co. in 1995, Pedro established MGS Mata Global Solutions, advising companies on strategic growth and joint venturing. Between 2000 and 2012 Pedro was a senior advisor to Quad-C (a USA based private equity fund). Between 2009 and 2012 he served as CEO of Classic Party Rentals. Headquartered in Los Angeles, Classic Party Rentals (a Division of Quad C) is the leading US party and event rental company. Pedro has served in several not-for-profit organizations including Trustee and Chairman of Zamorano University and Director of TransFair USA (Fair trade organization).

Board Committee(s) Served on:

- Audit Committee (Member)
- Remuneration Committee (Member)
- Nominating Committee (Chairman)
- Risk Management Committee (Member)
- Market Sustainability and Strategy Committee (Member)

Educational & Professional Qualifications:

- Bachelor of Science & Masters of Engineering, Cornell University, Ithaca, NY, USA

Present Directorship:

- Delfi Limited (formerly known as Petra Foods Limited)
- Corporation LionCity – Development S.A.
- Mata Global Solutions
- FOMAT Medical Research SA – Ecuador
- FOMAT Medical Research, Inc – USA
- Grace Institute of New York City, New York, USA

Past Directorship over the preceding three years (from 1 January 2014 to 31 December 2016):

Nil

Mr Davinder Singh / 59

NON-INDEPENDENT DIRECTOR
Singaporean

Date of first appointment as director:
12 June 2001

Date of last re-election:
28 April 2015

Davinder was appointed as a Non-Executive Director of Delfi Limited (formerly known as Petra Foods Limited) on 12 June 2001. Davinder is the Chief Executive Officer of Drew & Napier LLC and has been a practising lawyer for over 30 years. Davinder's practice covers areas such as banking and corporate litigation, civil and commercial litigation, intellectual property, defamation, trust, tort and negligence. Davinder has also been appointed as an arbitrator and is an accredited mediator with the Singapore Mediation Centre. In 1997, Davinder was appointed as Senior Counsel.

Board Committee(s) Served on:

- Remuneration Committee (Member)
- Nominating Committee (Member)

Educational & Professional Qualifications:

- LL.B. (Honours), National University of Singapore
- Admitted to the Singapore Bar

Present Directorship:

- Delfi Limited (formerly known as Petra Foods Limited)
- Drew & Napier LLC
- Drewcorp Services Pte Ltd
- Onslow Ventures Inc.
- PSA International Pte Ltd
- Singapore Technologies Engineering Ltd
- Singapore International Arbitration Centre

Past Directorship over the preceding three years (from 1 January 2014 to 31 December 2016):

- National University of Singapore (As a member of the Board of Trustees)

BOARD OF DIRECTORS

Mr Anthony Michael Dean / 56

INDEPENDENT DIRECTOR
British

Date of first appointment as director:
06 May 2005

Date of last re-election:
28 April 2015

Mike has over 35 years of business experience in the investment and finance industries with over 25 of those years being spent in Asia. He is the co-founder of AIM-listed Myanmar Investments International Limited. Between 1990 and 2000 he was with CLSA, most latterly as Managing Director of Credit Lyonnais (Singapore) Merchant Bankers Pte Ltd, where he was responsible for both investment banking and private equity. From 2001 to 2004 he was a director of the Singapore private equity investment arm of Prudential Plc and most latterly as a Director of PPM Ventures (Singapore) Pte Ltd. Between 2004 and 2013 he was the CFO for a global shipping group, the Epic Shipping Group.

Board Committee(s) Served on:

- Audit Committee (Chairman)
- Nominating Committee (Member)
- Risk Management Committee (Chairman)

Educational & Professional Qualifications:

- Bachelor of Science in Business Studies, University of Bradford
- Fellow of the Institute of Chartered Accountants in England and Wales and Member of its Corporate Finance faculty
- Associate of the Chartered Institute of Taxation
- Member of the Singapore Institute of Directors

Present Directorship:

- Delfi Limited (formerly known as Petra Foods Limited)
- Consulsis Limited
- Myanmar Investments International Ltd
- Myanmar Investments Ltd
- MIL Management Pte Ltd
- MIL Management Co., Ltd
- MIL 2 Pte Ltd
- MIL 3 Pte Ltd

Past Directorship over the preceding three years (from 1 January 2014 to 31 December 2016):

- Epic Advisory Pte Ltd
- Apollo Towers Pte Ltd

Mr Koh Poh Tiong /70

INDEPENDENT DIRECTOR
Singaporean

Date of first appointment as director:
19 December 2011

Date of last re-election:
28 April 2015

Poh Tiong was appointed to our Board on 19 December 2011 as an Independent Director. Poh Tiong retired as CEO, Food and Beverage, of Fraser and Neave Limited in October 2011, having previously served as Chief Executive Officer of Asia Pacific Breweries Limited from 1993 to 2008. Poh Tiong is currently the Non-Executive Chairman of Yunnan Yulinquan Liquor Company and Times Publishing Ltd. He is also a Director, Advisor and Chairman of the Executive Committee of Fraser and Neave Limited, a Director at Bukit Sembawang Estates Ltd, The Great Eastern Life Assurance Company Limited, Raffles Medical Group Ltd, SATS Ltd and United Engineers Limited. He is also the Chairman of both the National Kidney Foundation and the Singapore Kindness Movement. Poh Tiong was the Non-Executive and Non-Independent Chairman and Senior Advisor of Ezra Holdings Limited and Chairman of the Agri-Food & Veterinary Authority and a Director at Wildlife Reserves Singapore Pte Ltd, Jurong Bird Park Pte Ltd and Media Corporation of Singapore Pte Ltd. Noted for his strong civic involvement and long-standing interest in sports and education, he has served on the Singapore Youth Olympic Games Organising Committee, the Singapore Sports Council, Football Association of Singapore, and on the MBA Advisory Board of the Nanyang Technological University. For his contributions to society and business, Poh Tiong was conferred both the Public Service Medal and the Service to Education Medal in 2007 as well as the Public Service Star Award in 2013. He was also named Outstanding Chief Executive of the Year at the Singapore Business Awards 1998 by DHL and The Business Times.

Board Committee(s) Served on:

- Remuneration Committee (Chairman)
- Audit Committee (Member)
- Nominating Committee (Member)
- Risk Management Committee (Member)
- Market Sustainability and Strategy Committee (Member)

Educational & Professional Qualifications:

- Bachelor of Science, University of Singapore

Present Directorship:

- Delfi Limited (formerly known as Petra Foods Limited)
- Bukit Sembawang Estates Limited
- Fraser and Neave Limited
- National Kidney Foundation
- Raffles Medical Group Ltd
- SATS Ltd
- Singapore Kindness Movement
- The Great Eastern Life Assurance Company Limited
- Times Publishing Limited
- United Engineers Limited
- Yunnan Yulinquan Liquor Company Limited

Past Directorship over the preceding three years (from 1 January 2014 to 31 December 2016):

- Ezra Holdings Limited
- Ministry of Trade & Industry – Evaluation Panel

BOARD OF DIRECTORS

Mr Doreswamy Nandkishore / 58

INDEPENDENT DIRECTOR
Indian

Date of first appointment as director:
03 January 2017

Date of last re-election:
Not applicable

Nandu has 35 years of global experience in leadership roles across a diverse set of environments across both emerging and developed global markets. Nandu was an executive board member of Nestlé S.A from 2010 to 2015, responsible, before his retirement, for Asia, Oceania and Africa, and earlier as the global CEO for Nestlé Nutrition, in charge of markets all over the world including the USA, Europe and Latam.

Nandu is currently an Executive Fellow at the London Business School.

Board Committee(s) Served on:

- Market Sustainability & Strategy Committee (Chairman)
- Remuneration Committee (Member)
- Nominating Committee (Member)

Educational & Professional Qualifications:

- Bachelor's Degree in Engineering (B-Tech), The Indian Institute of Technology
- Post Graduate in Management and Business Administration (PGDM), The Indian Institute of Management
- Intensive Business Management, IMD Lausanne

Present Directorship:

- Delfi Limited
- Blippar.com Ltd
- Tiserin Capital Management
- I & N Developmental Investments Ltd
- EZE Engineering Solutions Pte. Ltd.

Past Directorship over the preceding three years (from 1 January 2014 to 31 December 2016):

Not applicable

Mr John Chuang Tiong Choon / 68

GROUP CHIEF EXECUTIVE OFFICER
Singaporean

Date of first appointment as director:
01 November 1989

Date of last re-election:
26 April 2016

John is an Executive Director and the Chief Executive Officer of our Group. He is responsible for the overall strategic planning, management and business development of our Group. John has over 30 years of experience in the chocolate, confectionery and cocoa industry. John started his career in 1974 in our predecessor businesses in Indonesia and Singapore. From 1979 to 1983 he undertook the appointments of both Vice- Chairman of the Independence Bank of California and the President of Wardley Development Inc., California. John established the Company in 1984 and was subsequently appointed Chief Executive Officer. In 2004, Petra Foods Limited (now known as Delfi Limited), was presented the Enterprise Award by the then President of Singapore, the late S.R. Nathan. Under the Singapore Business Awards, John was awarded the title of Best CEO of 2011; and in 2012 he was recognised as Businessman of the Year. In 2015, John was one of the recipients of the SG50 Outstanding Chinese Business Pioneers Awards.

Board Committee(s) Served on:

- Executive Committee (Chairman)
- Nominating Committee (Member)
- Risk Management Committee (Member)
- Market Sustainability and Strategy Committee (Member)

Educational & Professional Qualifications:

- Bachelor of Engineering (Honours), University of Liverpool
- Masters in Business Administration, Cranfield Business School

Present Directoship:

- Delfi Limited (formerly known as Petra Foods Limited)
- Alsa Industries, Inc
- Aerodrome International Limited
- Berlian Enterprises Limited
- Ceres Sime Confectionery Sdn Bhd
- Cocoa Specialties Inc
- Delfi Marketing, Inc
- Delfi Foods, Inc
- Delfi Singapore Pte. Ltd.
- McKeeson Investments Pte Ltd
- Ceres (International) Marketing Pte Ltd
- PT Sederhana Djaja
- PT Perusahaan Industri Ceres
- PT Ceres-Meiji Indotama
- PT Nirwana Lestari
- PT General Food Industries
- Springbright Investments Limited

Past Directorship over the preceding three years (from 1 January 2014 to 31 December 2016):

- Zeballos Shipping Limited

BOARD OF DIRECTORS

Mr Joseph Chuang Tiong Liep / 65

**PRESIDENT DIRECTOR,
BRANDED CONSUMER DIVISION (INDONESIA)**
Singaporean

Date of first appointment as director:
02 March 1999

Date of last re-election:
26 April 2016

Joseph is an Executive Director and is the President Director, Branded Consumer Division of our Group. Joseph is responsible for the overall management and business development of our Branded Consumer business and has over 30 years of experience in senior management positions within the chocolate, confectionery and cocoa industry. From 1980 to 1983, he was appointed as the President of McCoa Inc., Philippines. From 1983 to 1984, Joseph worked as a Personal Assistant to the President of Allied Foods Management (Singapore). He was subsequently appointed as the Chief Operating Officer for both PT Perusahaan Industri Ceres and PT General Food Industries from 1984, and he has served in various senior executive positions within the Group.

Board Committee(s) Served on:

- Executive Committee (Member)
- Market Sustainability and Strategy Committee (Member)

Educational & Professional Qualifications:

- GCE "A" Level Certification

Present Directoship:

- Delfi Limited (formerly known as Petra Foods Limited)
- Brands of Hudsons Sdn. Bhd.
- Ceres Sime Confectionery Sdn Bhd
- Ceres Super Pte Ltd
- Delfi Marketing Sdn Bhd
- Delfi Singapore Pte. Ltd.
- Maplegold Assets Ltd
- Pavilion View Holdings Limited
- Ceres (International) Marketing Pte Ltd
- PT Ceres-Meiji Indotama
- PT Nirwana Lestari
- PT Citra Tunggal Lestari
- PT Freyabadi Indotama
- PT Perusahaan Industri Ceres
- Delfi-Orion Pte. Ltd.
- Freyabadi (Thailand) Co. Ltd

Past Directorship over the preceding three years (from 1 January 2014 to 31 December 2016):

Nil

Mr William Chuang Tiong Kie / 58

CHIEF OPERATING OFFICER,
BRANDED CONSUMER DIVISION (INDONESIA)
Singaporean

Date of first appointment as director:
31 May 2001

Date of last re-election:
29 April 2014

William is an Executive Director and is the President Joint Ventures of our Group and was appointed to our Board on 31 May 2001. Responsible for the overall business expansion of our Branded Consumer business, William has close to 30 years of experience in senior management positions within the chocolate, confectionery and cocoa industry.

Board Committee(s) Served on:

- Executive Committee (Member)

Educational & Professional Qualifications:

- Bachelor of Science, California State University, Long Beach

Present Directoship:

- Delfi Limited (formerly known as Petra Foods Limited)
- McKeeson Consultants Pte Ltd
- McKeeson Investment 1 Pte Ltd
- PT Ceres-Meiji Indotama
- PT Freyabadi Indotama
- PT General Food Industries
- Willson Holdings Limited
- Freyabadi (Thailand) Co. Ltd
- Delfi-Orion Pte. Ltd.

Past Directorship over the preceding three years (from 1 January 2014 to 31 December 2016):

Nil

SENIOR MANAGEMENT

Nancy Florensia / 58

Director, Finance for PT Perusahaan Industri Ceres

Nancy joined PT Ceres in 1991. Prior to joining our Group, Nancy had 10 years of experience in accounting and financial positions in PT Indocement, PT Henoch Jaya and the PT Kedaung Group.

Educational & Professional Qualifications:

- Master of Business Administration

Company & Group Responsibility

Nancy is responsible for all of the financial operations in PT Perusahaan Industri Ceres.

Ridwan C. Kidjo / 48

Director, Commercial for PT Perusahaan Industri Ceres

Ridwan is the Director, Commercial for PT Perusahaan Industri Ceres. Ridwan has up to 20 years of experience in diverse operational, managerial, sales and marketing roles within PT Nirwana Lestari and PT Perusahaan Industri Ceres, where he honed his skills in business development, marketing and brand development.

Educational & Professional Qualifications:

- Master of Management – Finance, Atmajaya Catholic University in Jakarta

Company & Group Responsibility

In his current role as Director, Commercial, Ridwan oversees and drives the Group's sales and marketing for the Group's proprietary brands in Indonesia.

Ferry Haryanto / 63

Director, Commercial for PT Nirwana Lestari

Before joining our group Ferry gained more than 10 years experience in sales and marketing roles with PT Guinness Indonesia, San Miguel Brewery Indonesia and PT Gunung Agung Trading from 1982 to 1995 with the latest position as Commercial Director.

Educational & Professional Qualifications:

- Master of Business Administration

Company & Group Responsibility

In his current position, Ferry is responsible for the Group's sales and marketing operations for third party Agency Brands in Indonesia.

Lim Seok Bee ("SB") / 63

Chief Operating Officer

SB joined the Group as the Director of Quality Assurance, Technology and Operations in 1991, and has over 31 years of experience in the quality assurance and quality development aspects of the cocoa and chocolate industry. Before joining Petra Foods, SB worked for Chocolate Products (M) Sdn Bhd, in roles encompassing quality control and production, and in De Zaan Far East (S) Pte Ltd as Quality Assurance and Development Manager, and Vice President (Quality Assurance and External Project Development) in 1989.

Educational & Professional Qualifications:

- University of London, Bachelor of Science (Hons)

Company & Group Responsibility

SB is responsible for the Group's Food Safety and Quality Assurance objectives and compliance policies and goals. She also heads the technological aspects and confectionary manufacturing operations.

Ben Ryan / 68

Chief Financial Officer

Ben assumed the role of CFO on 14 August 2013. Ben joined our Group in 2003. Ben worked for W.R. Grace & Co and ADM International for 23 years between 1976 and 2000 in New York, Paris, Berlin, the Netherlands, and in the United Kingdom in various executive positions in financial and information technology roles. Of those years, 15 were associated with the cocoa business.

Educational & Professional Qualifications:

- Fellow of the Institute of Chartered Accountants in Ireland
- Fellow of the Institute of Singapore Chartered Accountants

Company & Group Responsibility

As Chief Financial Officer, Ben is in charge of all of the Group's financial operations.

Amos Moses Yang / 43

Chief Marketing Officer

Amos has over 20 years of experience in Sales and Marketing. He has spent the majority of his career in the US where he held various Marketing and Sales management positions within Novartis Consumer Health, L'Oreal Paris and Philip Morris USA. Amos has extensive FMCG experience across major multinational companies.

Educational & Professional Qualifications:

- Bachelor of Science in Marketing, Seton Hall University

Company & Group Responsibility

Amos is responsible for marketing and brand development in our key markets in Indonesia, the Philippines and Southeast Asia.

David Soh Buck Leng / 58

Director, Operations, Projects & Engineering

David has deep and extensive production and manufacturing expertise and experience, honed over 30 years of work, during which he spent over 27 years in the Archer Daniel Midlands (ADM) Group and Grace Cocoa Company. He fulfilled various roles overseeing the manufacturing and production of cocoa ingredients products. Since 1993, he was the Plant Manager of ADM's manufacturing facility and operations in Singapore, he was also tasked with the responsibility of capacity expansion/ improvement projects, with the last two exceeding USD 45 million. Additionally, he was a workplace safety and food safety champion. David's industry knowledge, expertise and professionalism has equipped him well to fulfil the position of Director, Operations, Projects and Engineering.

Educational & Professional Qualifications:

- Doctor of Business Administration, University of South Australia;
- MBA, Nanyang Technological University;
- M.Sc (Mech. Engineering), National University of Singapore

Company & Group Responsibility

David assists SB, in supervising and running the Group's Operations management, technological aspects (projects and engineering) of our chocolate and confectionery manufacturing operations.

Lim Hock Thye / 57

President Director, PT Nirwana Lestari and Regional General Manager

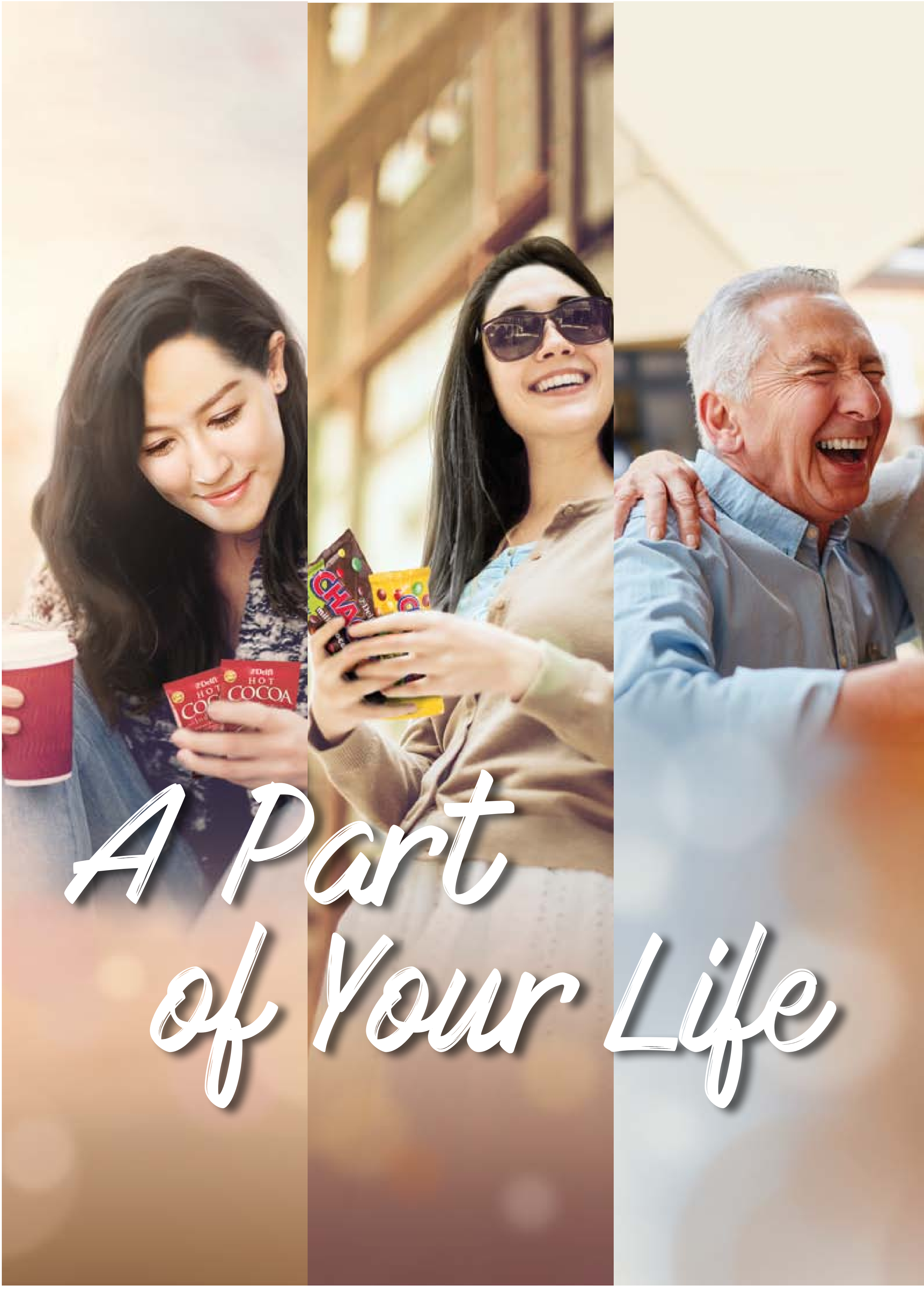
Hock Thye has over 20 years of work experience- in the cocoa and chocolate industry. He served as General Manager, Delfi Cocoa (Malaysia) Sdn Bhd from 2003 to 2013. Currently he serves the Group as President Director, PT Nirwana Lestari, and as Regional General Manager.

Educational & Professional Qualifications:

- Bachelor of Commerce

Company & Group Responsibility

Hock Thye brings with him a wealth of finance, accounting and general management experience to help build the organization and improve financial controls and administration in PT Nirwana Lestari in Indonesia.


A Part
of Your Life
Delfi
HOT
COCOA


Creating Moments of Delight anytime, anywhere
At Delfi, we focus on consumers because they help to grow our business. Our team of brand builders and taste experts are constantly whipping up fun and exciting flavours to delight chocolate lovers of all ages.
Delfi
CHACHA
Selamat
Twister
TOP
CERES
Goya
SILVERQUEEN
KNICK KNACKS

BUSINESS REVIEW

TOWARDS NEW HORIZONS

Delfi's position as a leading chocolate company in South East Asia is over five decades in the making. Our strong foundation was built upon our rich heritage of leading brands, deep market knowledge and experience of the chocolate business, and expertise in the manufacturing and marketing of chocolate confectionery products.

In fact, over the years our portfolio of chocolate products has grown and now extends beyond traditional chocolate confectioneries to encompass chocolate biscuits and wafers, breakfast and baking condiments, and beverages. Chocolate remains the lifeblood of our business.

We operate two manufacturing facilities in Indonesia and the Philippines where our chocolate products are produced to serve consumers in these two markets as well as for export. These are distributed alongside a broad portfolio of reputable Agency Brands to leverage the extensive distribution networks we have built.

BRANDS, PEOPLE, OPERATIONS

Our business model works by combining three essential parts of Delfi's organisation - Brands, People and Operations - to deliver our growth objectives. Our Brands have tremendous value with continued growth through products that meet our consumers' needs. With this brand strength, our People, year after year, strive to create new consumer experiences and expand our horizons by developing winning brands and innovative products that cater to evolving tastes. They also manage our Operations: growing our production capacities to meet demand and product diversification; ensuring strong distribution capabilities supported by a comprehensive distribution network; and nurturing talent within our organisation to ensure we have the People for tomorrow.

> Our Brands have tremendous value with continued growth through products that meet our consumers' needs.

GROWING KEY MARKETS

Both Indonesia and the Philippines are fast-growing consumer markets with favourable demographics such as a large and young population, increased urbanisation and a growing middle-income group that is keen to sample new lifestyle experiences. Growth prospects are further supported by easy accessibility to the modern retail trade, especially given the pervasiveness of mini-marts and convenience stores in both countries.

The process by which we have created and grown our brands and products begins with acquiring insight into consumers' needs which varies between all our markets. Gaining this insight requires close and continuous engagement with consumers and allows us to identify future trends to gain a competitive edge. Understanding these trends is just one part of the whole process because translating it into the creation stage requires us to develop the product and to conceptualise a packaging design that will capture consumers' interest and attention.

We have continued to maintain our strong leadership position in Indonesia through our flagship brands which include "SilverQueen", "Ceres", "Selamat" and "Delfi". We are also a leading player in the Philippines, where our flagship "Goya" and "Knick Knacks" brands are household names.

Despite the soft global economy in 2016, demand for chocolate confectionery products in both markets has risen on the back of higher consumer confidence, and the continued popularity of chocolates as a snack, and as a gift on special occasions like Ramadan, Valentine's Day, the Lunar New Year and Christmas.

The ability to maintain our important position in our core markets hinges on our ability to adapt to changing demands in the highly competitive fast-moving consumer goods sector. Given the strong demographics of our main markets, we believe there is still plenty of untapped potential for long-term growth. It is therefore paramount for our operations to remain agile. Our objective is to build an organisation that can be sufficiently nimble to cope with the fast-paced changes in the retail landscape and then deliver across a large scaleable distribution network. This will allow us to maximise value from our business model and drive returns to shareholders.

CREATING TRUSTED BRANDS

Over the years, by catering to local preferences and consumer tastes, Delfi has stayed close to consumption trends, retained customer loyalty and maintained its

BUSINESS REVIEW

market leadership. We have created trusted brands that were constantly enhanced through product innovation and extensions into new categories. Today, Delfi has more than 10 Master Brands that have become the preferred choice of multiple generations of consumers who grew up enjoying them.

We know that our success is at risk if our brands and products do not remain of value and relevance to our consumers and it is for precisely that reason that Delfi is uncompromising when it comes to product quality and consumer satisfaction. Our team of brand builders and taste experts are constantly whipping up fun and exciting flavours to delight chocolate lovers of all ages. We offer a broad range of products in different formats and price points to appeal to consumers with different tastes and lifestyles. This presents our customers with an attractive range of product choices whenever they wish to purchase our chocolate products. We have a strong portfolio of brands and products to rival even those offered by the global players.

It is Delfi's aim to build and maintain the strong emotional connections with consumers through our products and brands. Their loyalty is rewarded with the positive experience of purchasing and consuming affordable, high quality chocolate products. We attract new consumers by tapping into new market opportunities in high-growth categories and as a result, our product categories have increased rapidly over the years. We now have a full range of chocolate confectionery from moulded chocolate, dragées and enrobed wafers to biscuits, breakfast, baking condiments and beverages.

> "While maintaining a global outlook in business management, the Group pays close attention to the nuances in consumer tastes and sentiments in each of our diverse local markets."

In a year which saw consumer sentiment recover from the marked slowdown the previous year, many of our leading brands (e.g. SilverQueen) have enjoyed continued growth in the double digit range. We also made the strategic choice to reshape our portfolio and address areas of underperformance to ensure that we have the correct mix of brands and products to address today's growth opportunities and that of the future.

Delfi is constantly exploring new partnerships for the expansion of our product range into adjacent categories. In 2016, we established a 50-50 joint venture with South Korea's Orion Corporation to develop, market and distribute a range of jointly branded confectionery products in Indonesia. The joint venture company is named Delfi-Orion Pte Ltd and it enables us to extend our portfolio into the soft biscuits and cakes categories and to bring Orion's flagship "Choco Pie", a chocolate-covered soft biscuit with marshmallow fillings, into our portfolio.

INTENSIFYING PRODUCT INNOVATION

As a leading chocolate confectionery manufacturer, product innovation is a key driver of Delfi's business growth. We are progressively introducing new products to our consumer base in Indonesia and the Regional Markets. Enhancements are also regularly made to the packaging and flavours to refresh and elevate the consumer's experience. Our ability to cater to local taste in the regional markets has kept us well

connected with our customers and allows us to maintain our brands at the top of consumers' minds.

In 2016, we implemented targeted market development programmes and disciplined investments to further strengthen Delfi's brand equity in the region and to broaden our customer base. Market development efforts were primarily built upon 'upward expansion' to encourage more consumers to purchase our premium brands, 'outward expansion' to drive consumption of new categories and 'downward expansion' to offer greater value-added products for lower-income consumers.

We planned to increase the consumption of chocolate among existing customers and to convert infrequent consumers of chocolate confectionery to become regular consumers of Delfi products. For branding, a more youthful and outgoing brand persona was adopted to appeal to younger consumers and to achieve "Top of Mind" brand recall. To support these outcomes, marketing communication was strengthened to emphasise the differentiating factors of our products to both consumers and distributors, and to ensure consistent brand messaging across multiple touch points in the supply chain.

ENHANCING PRODUCTION CAPACITIES

Over the years, we have steadily expanded our manufacturing assets, especially in Indonesia, to support our growth objectives. Both our factories in Indonesia and the Philippines possess the intellectual properties and skillsets to produce a variety of Own Brands chocolate confectionery products using a range of production techniques and technologies.

We embarked on a multi-year capacity improvement programme in 2014 as a long-term strategy to support growing consumer demands. The major part of the programme was to add production space to our current facility in Bandung and to invest to improve our existing production facility. This initiative has since led to several improvements, such as a reduction in production bottlenecks, increased automation, better process execution, shorter turnaround time, and cost savings. To date, we have invested a total of US$81.5 million under this programme.

Other improvements were carried out to increase productivity through the reduction of raw material wastage and to enhance workplace safety through the introduction of a LOTO system. The LOTO, or lock-out-tag-out, system is a safety procedure to ensure dangerous machinery that is shut down for maintenance is prevented from starting up again until servicing is completed.

As a responsible food manufacturer, Delfi strictly complies with regulations and food safety standards of the local markets we operate in. We regularly audit our manufacturing facilities and processes to meet international standards, including HACCP, OHSAS 18001, ISO 22000, ISO 9001, British Retailers Consortium (BRC) and FSSC 22000. Our uncompromising approach to food safety and quality has allowed us to provide retail and trade customers with full assurance and confidence in the quality of our chocolate confectionery products.

BUSINESS REVIEW

EXTENDING MARKET REACH

A key success factor in our business is our ability to maximise value across the entire supply chain, from the sourcing of the finest ingredients and product innovation to production and distribution. We ensure our products are highly visible and easily accessible to consumers by placing them at both modern trade outlets and traditional sales channels.

Chocolate confectionery products are discretionary purchases and generally considered to be affordable luxury items, hence they are often impulse purchases made by consumers. This makes winning in-store experiences at the point of sales an important factor of our marketing strategy. We are constantly finding ways to engage shoppers at different outlets, such as provision shops, mini-marts and supermarkets, to entice them to purchase our products. To stand out from aggressive competition across every category and format, we leverage our strong portfolio of Own Brands and Agency Brands to secure significant retail shelf space and maximise product placement. We will continue to work closely with our retail customers to win in the market place, making sure our brands are always available and properly displayed, in all channels, be it the supermarkets, convenience stores or even the general trade stores.

Product distribution is supported by our proven route-to-market expertise and wide distribution network. We have a multi-layered sales team comprising our distribution teams, third-party distributors and sub-distributors, to efficiently reach out to both modern and traditional trade channels throughout South East Asia.

In 2016, we expanded our distribution network further by working closely with our retail and distribution partners on joint marketing campaigns and in-store execution to enhance the availability and visibility of our products. We reviewed the distribution structure to ensure its ability to deliver our products efficiently and reliably across the trade channels in the region. As at end-2016, we have a combined pool of more than 40 primary distributors in the region.

Delfi has streamlined its operations to become a pure chocolate confectionery player. The revised structure enabled us to focus on developing our markets in Indonesia, the Philippines and Malaysia where the complementary marketing and distribution of our Own Brands together with Agency Brands have given us a strong leverage to enforce our retail presence.

Ongoing efforts to improve the supply chain and go-to-market strategy have broadened market reach and improved margins through optimised operations. The organisational structure was strengthened and the investment in new information technology has enhanced the speed-to-market for product launches as well as sales team excellence. We were able to achieve a higher level of customer service to secure sustainable growth and profitability.

NURTURING DIVERSE TALENTS FOR THE FUTURE

Our people, with their diverse background, knowledge and experience, are central to the success of our operations and accomplishments. They sustain the strong culture of teamwork and respect at the workplace and deliver outstanding products and services to the customers. Each member of the 4,000-strong Delfi family shares the same ethos and commitment to serve our customers. We strive to create a cohesive and harmonious environment with aligned values and goals, and a fair and inclusive workplace where all employees could contribute to their fullest potential.

Delfi operates in a region where every economy has its own unique demographic and economic infrastructure. It is vital to our operations to have a representative workforce who understands local consumer behaviours and is able to execute the marketing strategies successfully. Talent development is therefore an integral part of our growth strategy, and the employees are fully trained, equipped and empowered to achieve the results.

In 2016, we continued our succession planning efforts to groom a cohort of promising leaders to assume greater business responsibilities. We increased recruitment efforts and developed customised talent development programmes to build up marketing, supply chain management and manufacturing capabilities. These initiatives would lead to more fulfilling careers for our employees and inspire them to be more engaged and effective.

As we look to the future and to new horizons, our aim is to develop an agile, flexible and diverse organisation with the right values and culture in order to envisage what the consumer of tomorrow will need, identify the attractive growth opportunities and be able to respond accordingly to deliver sustainable long term growth for Delfi Limited.

“

In 2016, we expanded our distribution network further by working closely with our retail and distribution partners on joint marketing campaigns and in-store execution to enhance the availability and visibility of our products.

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Have A Delfi Day

ALL THROUGHOUT THE DAY

There's no better way to seek respite from the day than enjoying some form of confectionery. From sweets to chocolates, confectionery plays a part in our everyday lives to elevate the way we live, work and play. As a self-indulgent treat, it offers simple comfort that delights the palate. As a thoughtful gift, it brings joy to others in more ways than one. At Delfi, this is what we strive to deliver to our consumers in all our markets – turning their ordinary moments into extraordinary pleasures, all day and every day.

Breakfast

Break Time

Dessert

Snacking

NOON

Baking

Unwinding

CORPORATE SOCIAL RESPONSIBILITY

Delfi Limited's sustainability commitment is at the core of our business and embedded in all that we do. Our cocoa sustainability projects have helped the stakeholders of these programs to increase the quality of the cocoa produced; and through these programs we are creating shared value, creating social value through improvements to livelihoods of farmers and their families, the cocoa communities and the environment.

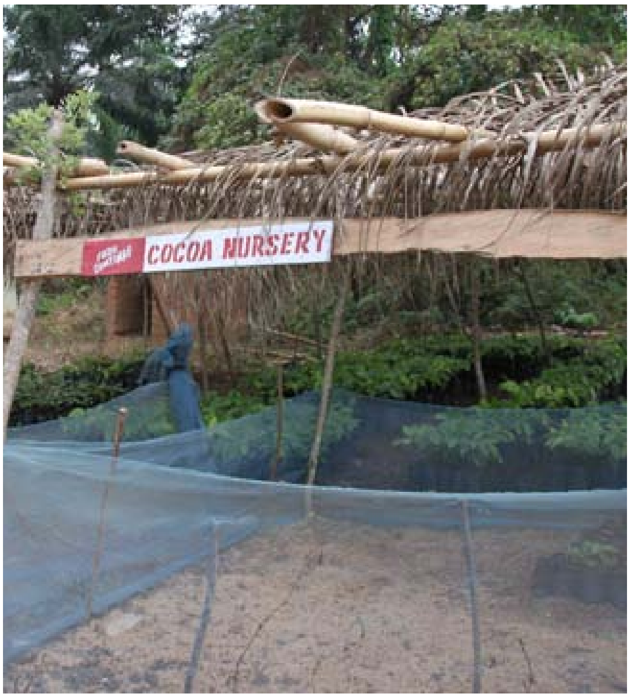
WEST AFRICA

Ivory Coast

In the Ivory Coast, our Processes Alliance for Cocoa Tracability and Sustainability (PACTS) program continues to bring improvements to the farmers who are in our programs. The Good Agricultural Practices (GAP) trainings conducted for the farmers at model farms and at the centers provide critical blended training specifically in the area of inputs, plantation management, nurseries, grafting and post harvest process. At all our 17 PACTS centers controlled post harvest processes have contributed to improved quality of the cocoa beans supplied to PACTS shareholders.

Over the years PACTS has helped farmers to rehabilitate their farms through grafting from clonal gardens established for this purpose and working together with CNRA (Ivorian National Centre for Plant Science Research). Grafting success overall averaged 68.8% and continues to improve. The first grafting took place in 2013 and first pods arrived after nine months. This has helped to increase productivity on the farms and income for the farmers.

During the year PACTS continued to work diligently with cocoa farmers and their families. In 2013 a scholarship fund was set up with the objective of helping to expand business opportunities for cocoa farmers and their families. This was initiated through the women members of PACTS cocoa farmers via scholarships to enable them to support children's education. The first scholarship fund was started in Paulybrousse and has since been expanded to other areas.



These efforts represent a step forward towards enhancing the status of women and providing access to education for the children of these cocoa communities.

Nigeria

The Kokodola Project was completed after 4 years. The Farmer Development Union (FADU) continues to work with the farmers on improvements to productivity and quality after the completion of the project.

The overall achievement of the project shows that training of GAP, Good Environmental Practices (GEP), Good Social Practices (GSP), Good Business Practices (GBP) was delivered to 8,917 farmers over 4 years. Overall performance of farmer's knowledge after training yielded 78%. The farmers were able to list GAPs which helped them to increase productivity and quality of cocoa. The farmers trained were able to maintain records which were able to show traceability of their beans.

Clonal nurseries has helped improved yields for the farmers in this program. Quality of cocoa beans from these farmers were much improved compared to standard cocoa.

Overall achievement of rehabilitated, regenerated and replanted areas over the program period was good.

"The program has been completed but Farmer Development Union (FADU) will continue to mentor and provide support to the Kokodola cocoa farmers and its communities."

Farmers were generally more interested to buy seeds from trusted and assured sources, and the percentage of farmers obtaining planting materials from Kokodola/FADU increased to 85% compared to 2014 when they used pods and seeds from their own farms.

The program has been completed but FADU will continue to mentor and provide support to the Kokodola cocoa farmers and its communities. The program has helped improved productivity and knowledge to the farmers and the shareholders of the project has helped to create shared value through this program.


Every Moment
with SilverQueen
is Pure Relaxation


Cashew
SILVER

OPERATING & FINANCIAL REVIEW

BEN RYAN
Chief Financial Officer

OVERVIEW OF THE YEAR IN REVIEW

During 2016, the Group achieved revenue of US$402.1 million which generated PATMI of US$28.2 million, an increase of 83.5% compared to the 2015 result. Exceptional Items booked in 2016 amounted to US$2.0 million (2015: US$20.0 million) and brought PATMI after exceptional items to US$26.2 million. The loss for the Group in 2015 was due mainly to the one-time exceptional charge of US$19.4 million resulting from the settlement of the dispute with Barry Callebaut in August 2015.

The Group's revenue growth achieved in 2016 can be attributed mainly to our business in Indonesia (driven by Own Brands sales) which achieved Y-o-Y sales growth of 2.1% on the back of increased consumer spending. This growth was achieved despite an increasingly challenging environment in Indonesia amidst macroeconomic uncertainties i.e. slowing economic growth and currency volatility. Although these uncertainties continue to weigh on consumer sentiment, we believe there is an improvement in the business environment compared to 2015.

(In US$ million)	FY2016	FY2015	% chg Y-o-Y	% chg Y-o-Y in Constant Exch Rates*
Indonesia	290.9	285.0	2.1%	2.2%
The Regional Markets	111.2	120.9	(8.0%)	(3.1%)
Total Revenue	**402.1**	**405.9**	**(0.9%)**	**0.6%**
Gross Profit Margin (%)	34.8%	29.8%	5.0% pt	5.0% pt
EBITDA	**50.6**	**37.5**	**35.0%**	**35.7%**
EBITDA Margin (%)	12.6%	9.2%	3.4% pt	3.4% pt
PATMI (exclude Exceptional Items)	**28.2**	**15.3**	**83.5%**	**84.3%**
PATMI (include Exceptional Items)	**26.2**	**(4.7)**	**NM**	**NM**

Note:
* *For comparative purposes only, this shows the effect of using the respective exchange rates of the regional currencies prevailing in FY2015 when translating FY2016 results.*

For the Regional Markets, the apparent weaker Y-o-Y sales performance can be attributed mainly to the cessation of our Singapore distribution business on 31 August 2015.

In order to better illustrate the Group's fundamental underlying revenue performance for the periods under review, if the results were adjusted (i) for the translational impact by using 2015's exchange rates; and (ii) to exclude the Singapore business results in 2015, our underlying 2016 revenue performance would have been as follows:

1. The Group's overall revenue growth would have been 5.5% (instead of the reported decline of 0.9%) for 2016; and

2. For the Regional Markets, revenue would have increased 6.6% (instead of the reported decline of 8.0%) for 2016.

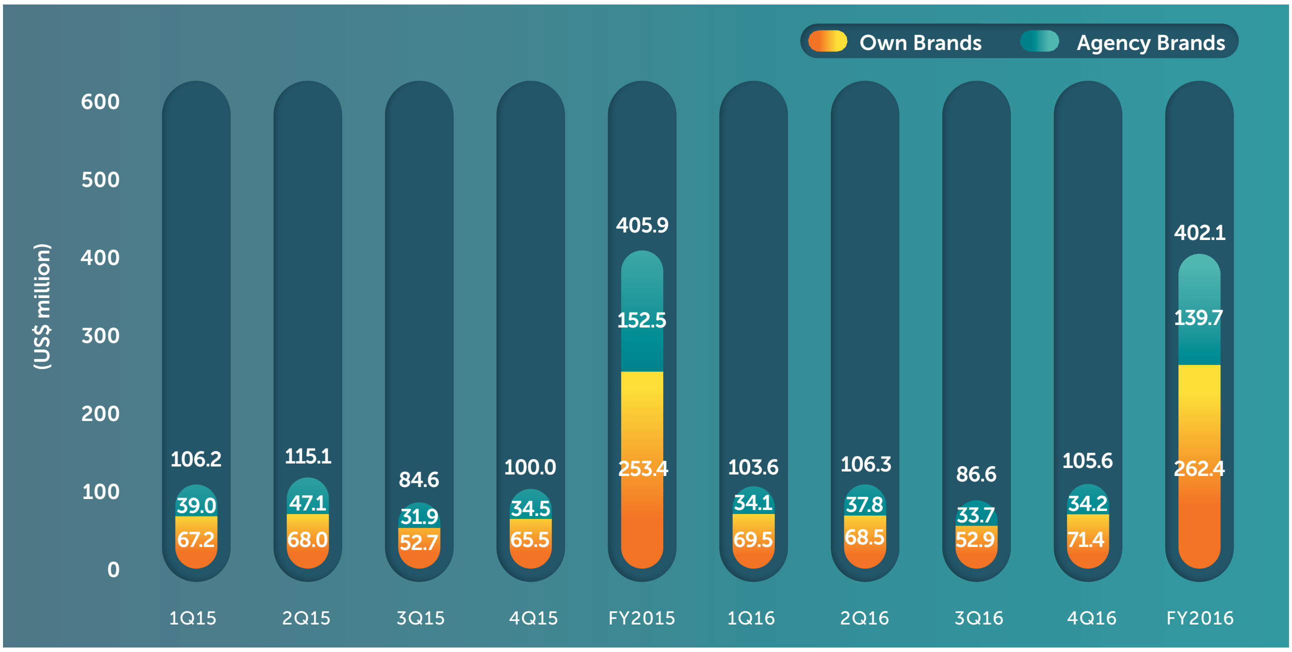
More significantly, the Group's 2016 Y-o-Y PATMI growth was mainly driven by the higher margins achieved (at the Gross Profit and EBITDA level). The Gross Profit Margin of 34.8% for 2016 is a record for the Group with the improvement attributable to (i) higher sales of premium Own Brands products achieved; (ii) the benefit of price increases and product resizing implemented in 3Q 2015 and 2Q 2016 for selected products; and (iii) our on-going cost-containment initiatives.

PERFORMANCE REVIEW OF OWN BRANDS AND AGENCY BRANDS

For 2016, Own Brands sales continued to be a major contributor to the Group's business, forming more than 60% of the Group's revenue. Our total Own Brands sales achieved Y-o-Y growth of 3.6% in 2016 (4.4% in local currency terms) with Own Brands sales in Indonesia the main growth driver.

The Own Brands growth achieved was driven primarily by higher sales of premium products (especially our core brands of "SilverQueen" and "Selamat") as we focused on driving the growth of our core brands.

OWN BRANDS & AGENCY BRANDS REVENUE PERFORMANCE (QUARTERLY AND FULL YEAR)



Note:
The quarterly sales performance may vary depending on timing of holiday festivities.

OPERATING & FINANCIAL REVIEW

For Agency Brands. Sales in local currency terms were lower by 5.6% for 2016 as a result of (i) the cessation of the Group's distribution business in Singapore on 31 August 2015, and (ii) lower Agency Brands sales achieved in Indonesia. Excluding the cessation of the Singapore distribution business, the Group's Agency Brands sales were higher by 0.6% for 2016.

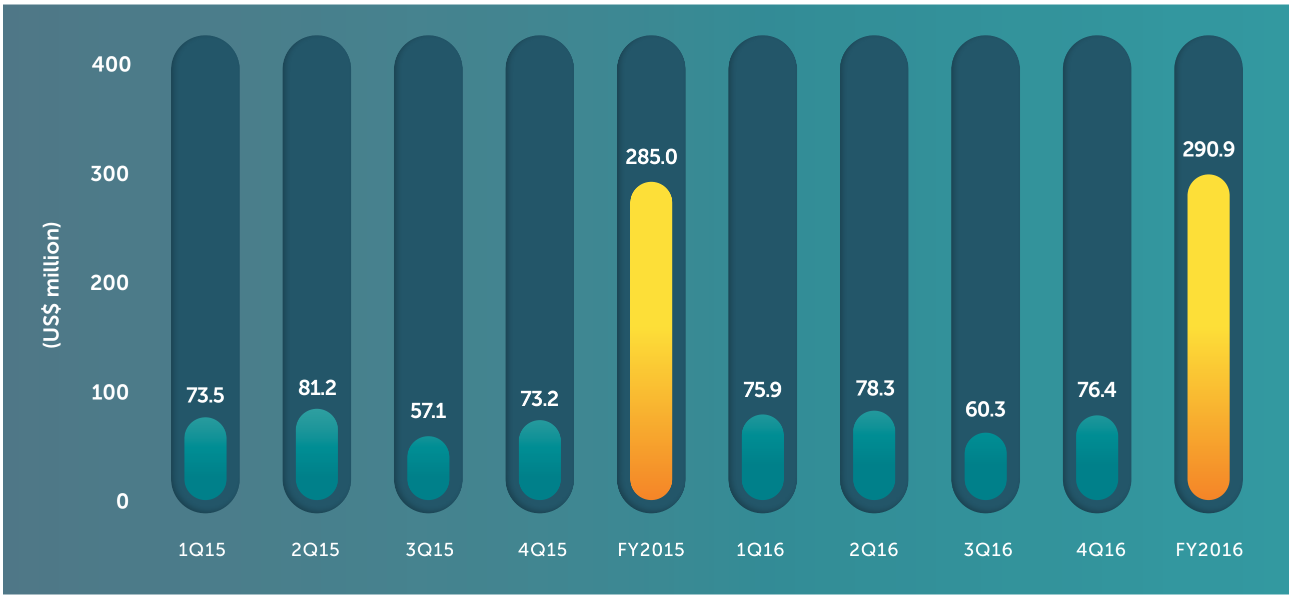
The lower Agency Brands sales in Indonesia can be attributed to the increase in customs duties for imported products from non-ASEAN countries in 2015, and changes in regulatory standards (e.g. more stringent labelling and food law regulations), which disrupted sales in 2016. Throughout 2016, our team has been working together with our Agency Brands principals to progressively resolve these issues. In addition, 4Q 2016 Agency Brands sales in Indonesia were affected by higher trade discounts implemented.

PERFORMANCE REVIEW BY MARKETS

Indonesia

The 2016 sales generated by our business in Indonesia was higher Y-o-Y by 2.1% in the Group's USD reporting currency, despite the challenging environment and intensifying competition in Indonesia.

INDONESIA'S REVENUE PERFORMANCE (QUARTERLY AND FULL YEAR)



Note:
The quarterly sales performance may vary depending on timing of holiday festivities.

The growth achieved in 2016 can be attributed mainly to higher sales of premium Own Brands products as a result of: (i) our trade customers undertaking a programme to replenish their supply chain at the beginning of the year; and (ii) increased consumer spending experienced through the year.

To position our business for long term growth, we increased our spending to build our core brands and focused on where we believe the strongest growth opportunities are. To cater to the different consumer groups, we have chocolate confectionery products that have significant market shares across multiple price points and across many product categories.

In addition, we continued investing in our sales force and in our routes-to-market capabilities to develop a more agile, flexible and faster distribution network to respond to the constantly evolving retail landscape both in Indonesia and our Regional Markets.

The Regional Markets

For our Regional Markets, revenues were lower 8.0% for 2016 in the Group's USD reporting currency. However, in local currency terms and excluding the cessation of the Singapore distribution business, 2016 revenue growth of 6.6% was achieved.

REVIEW OF PROFITABILITY

On the back of the revenue of US$402.1 million, EBITDA of US$50.6 million (higher Y-o-Y by 35.0%) and PATMI of US$26.2 million (compared to the loss of US$4.7 million for FY2015) were generated for 2016.

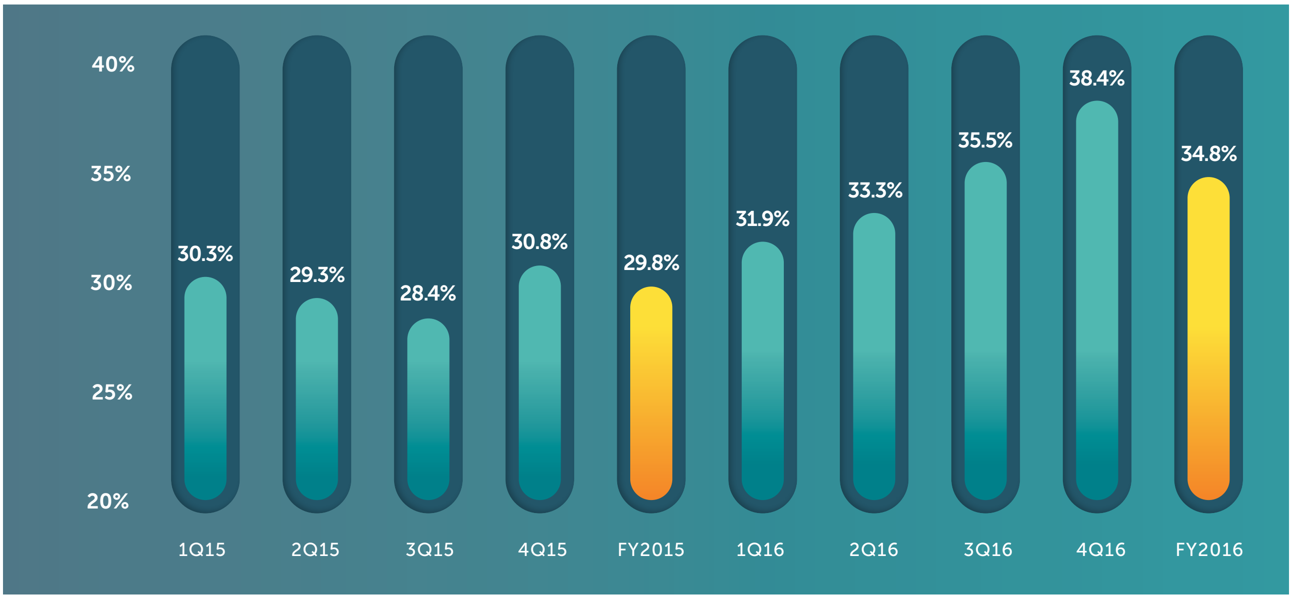
The strong profit growth can be attributed to the higher sales and margins achieved. At the Gross Profit level, 2016 margin of 34.8% (higher 5.0% points Y-o-Y) achieved can be attributed to:

i. The higher Own Brands sales achieved;

ii. The benefit of the pricing adjustment and trimming of portion size for selected products in Indonesia in 3Q 2015 and 2Q 2016; and

iii. Our on-going cost containment initiatives.

GROSS PROFIT MARGIN (QUARTERLY AND FULL YEAR)



Note:

* *It should be highlighted that quarterly margins achieved may vary depending on composition of sales mix, both within Own Brands and mix of Own Brands and Agency Brands.*

OPERATING & FINANCIAL REVIEW

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Despite the higher selling and distribution costs, the Group achieved 2016 EBITDA margin of 12.6% which was higher Y-o-Y by 3.4% points.

”

For Own Brands, our ongoing strategy to tackle higher input costs includes a combination of the following: proactive price adjustments and product right-sizing, launching of higher margin new products and cost containment initiatives. Furthermore, the strategy of buying forward our main raw material requirements in a timely manner serves to lock-in forward costs to a major extent thus providing greater cost visibility and margin stability. We will also continue to drive to achieve higher sales volume and increase efficiency and reduce costs in the supply chain.

For 2016, selling and distribution costs remained high (as a percentage of the Group's sales) as a result of continued investments in our brand building initiatives and as we strengthened our route-to-market capabilities, which we believe is necessary as we continue to strengthen our infrastructure to support the Group's long term growth. The higher costs also reflected our investments to grow our shelf space presence across all retail channels for our strategic brands and in-store promotions to generate consumer sales in Indonesia.

Despite the higher selling and distribution costs, the Group achieved 2016 EBITDA margin of 12.6% which was higher Y-o-Y by 3.4% points.

CAPITAL REDUCTION AND CASH DISTRIBUTION EXERCISE

After the Company announced that its dispute with Barry Callebaut had been amicably settled on 28 August 2015, the Board had again undertaken an extensive evaluation of the Company's business strategy and the Group's capital needs in order to achieve our long term growth objectives as a regional chocolate confectionery group. As an integral part of the process, a review of the Company's capital structure and financial position in the context of its business strategy was also undertaken.

After considering the various capital expenditure and investment opportunities available to the Group, the Board concluded that the cash reserves available to the Company and the paid-up capital were in excess of the medium term needs of the Company and the excess should be returned to Shareholders. As a simple dividend payment could not be used a Capital Reduction was chosen to achieve this.

In addition, a Capital Reduction would allow the Company to achieve a more efficient capital structure and effect a substantial cash distribution to be made to Shareholders, while enabling each Shareholder to maintain the same proportionate shareholding in the Company.

Therefore, during 2016, the Company successfully completed a Court Sanctioned Capital Reduction and a Cash Distribution to Shareholders. Essentially, we returned US$60.0 million of excess cash to Shareholders through this process.

UPDATE ON CLAIMS ASSOCIATED WITH THE DISPOSAL OF DELFI CACAU BRASIL LTDA

We refer to the announcements made on 21 October 2013, 17 December 2013, 24 February 2015 and 28 August 2015 on disputes that had earlier arisen between the Company and Barry Callebaut.

On 28 August 2015, the Company announced that it had entered into a Settlement Agreement with Barry Callebaut with regards to the dispute and the resulting arbitration that was commenced by the Company against Barry Callebaut in relation to adjustments to the closing price that had been paid by Barry Callebaut to the Company. The Company had also announced that as part of the settlement, the parties had mutually agreed to terminate the Sales and Purchase Agreement on 28 August 2015 although the parties agreed that certain environmental, tax and other warranties would continue.

On 28 August 2015, the Company also announced that the Brazil claims (which were previously announced on 24 February 2015) would continue to be contested. On 24 February 2015, the Company had announced that Barry Callebaut had notified the Company of various claims from the Brazil tax authorities against Barry Callebaut Industriae E Commercio de Producto Alimenties Ltda ("BCBI"), the BC subsidiary succeeding Delfi Cacau Brazil Ltda ("DCBR"), which Barry Callebaut purchased as part of the sale of the Cocoa Ingredients business. In the Company's announcement made on 28 August 2015, the Company also pointed out that although the settlement agreement fully settled the dispute over the closing price adjustments, Barry Callebaut remained entitled to bring any further claims that may arise under the continuing warranties.

The Company wishes to add that on 20 December 2016, it received notifications of new Brazil tax claims from Barry Callebaut, as set out below:

1. A new claim of BRL 12.8 million in connection with a tax assessment of the "Social Integration Program / Public Employee Savings Program (PIS)" and the "Contribution for the Financing of Social Security (COFINS)";

2. Two separate new claims of BRL 29.2 million and BRL 1.3 million respectively for allegedly unpaid tax duties arising from the import of cocoa beans; and

3. Two new claims of BRL 0.3 million and BRL 0.2 million respectively, for allegedly incorrect or 'over stating' credits due arising from tax assessments from prior years.

The Company also wishes to highlight that the existing claims previously announced or disclosed, were revised by the local authorities or have progressed as follows:

1. The claim of BRL 18.6 million in connection with a tax assessment of the PIS/COFINS, has been revised to BRL 23.1 million;

2. The claim of BRL 0.2 million for unpaid import tax arising from the import of a bean roaster, has been revised to BRL 1.0 million;

3. The claim of BRL 15.6 million for the restitution of taxes and import duties arising from the import of cocoa beans, has been revised to BRL 19.3 million; and

4. The unquantified claim based on a labour law complaint relating to outsourcing of activities to contract workers, has been referred on appeal to the second level judicial court. The penalty of BRL 0.5 million was notified to the Company in 2015.

OPERATING & FINANCIAL REVIEW

The quantum of the existing claims, which previously amounted to BRL 34.9 million, have been revised to BRL 43.3 million (equivalent to US$13.4 million). Taking into account all new claims and existing claims, the Company's total exposure in respect of notified tax and labour claims in Brazil as at 31 December 2016 amounted to BRL 87.0 million (equivalent to US$26.7 million).

The Company will keep the Shareholders updated of material developments in relation to the existing and new Brazil claims.

Management believes that there are grounds to resist these claims. Therefore, while reserving its rights in relation to the claims set out above, the Company has requested Barry Callebaut to defend these claims.

In assessing the relevant liabilities, Management has considered, among other factors, industry developments in the current financial year and the legal environment in Brazil, and assessed that the amounts recognised in respect of these claims are adequate as at 31 December 2016. As Management considers the disclosure of further details of these claims can be expected to prejudice seriously the Group's position in relation to the claims, further information has not been disclosed in the Group's financial statements.

CASH FLOW GENERATION AND CAPITAL EXPENDITURE

We believe our financial condition continues to be of high quality, as evidenced by our ability to generate substantial cash from operations, while we have ready access to capital markets at competitive rates. Our operating cash flow provides the primary source of cash to fund the Group's operating needs and capital expenditure.

During 2016 the Group generated operating cash flow before working capital changes of US$50.9 million which was higher Y-o-Y by US$14.8 million due to the stronger operating results in 2016. The higher operating cash flow combined with tighter working capital management resulted in the Group's net cash generated from operating activities increasing from US$43.2 million to US$59.7 million. This was sufficient to fund the Group's 2016 capital expenditure of US$16.8 million, which was lower by US$7.6 million or 31.2% Y-o-Y due to the Group's prudent investment strategy in the light of Indonesia's economic slowdown. The capital expenditure incurred was mainly for the completion of a new factory building in Indonesia and for other most critical and immediately income generating projects.

The Group generated free cash flow of US$37.7 million, compared to US$18.4 million in 2015, which was sufficient to fund the US$8.3 million that was paid out as dividends to Shareholders during the year and reduce its borrowings by US$20.9 million.

"We believe the Group's current financial position places it in a strong position to seize growth opportunities in the fast-growing regional consumer markets."

STRONG BALANCE SHEET

As at 31 December 2016, the Group maintained a cash balance of US$67.7 million which was lower Y-o-Y mainly as a result of the US$60.0 million returned to Shareholders in the Court Sanctioned Capital Reduction scheme, as explained above. This cash balance will be sufficient to support our foreseeable near term business and investment needs.

In 2016, the Group's capital expenditure totalled US$16.8 million which, as explained, was incurred mainly for the completion of a new factory building in Indonesia to support our long-term growth, and also for other critical and immediately income generating projects. On the back of this, the fixed assets in terms of property, plant and equipment increased by US$10.2 million to US$126.8 million.

Compared to the balances at end-2015, trade receivables edged up by US$5.5 million although the higher debtors balance was partially offset by lower inventories of US$4.9 million. With a tighter working capital management, the Group improved its cash conversion cycle by 19 days.

At 31 December 2016 the Company's shareholders' equity and total assets reduced by US$40.9 million and US$45.3 million respectively compared to 31 December 2015, primarily as a result of the completion of the Capital Reduction exercise, as explained above.

OPERATING & FINANCIAL REVIEW

"

Despite the current uncertainties in our markets, we believe our geographic and product portfolio positions us well for future growth.

"

Borrowings totalling US$24.7 million were repaid during the course of the year which resulted in lower borrowings of US$53.8 million at year-end compared to end-2015.

We believe the Group's current financial position places it in a strong position to seize growth opportunities in the fast-growing regional consumer markets.

OUTLOOK

It is unclear at this stage how prolonged the present economic and currency volatility in our core markets will be. As a result, we believe consumers and retailers in our markets will continue to face tough conditions with economic uncertainty likely to weigh on consumer confidence.

The Group's focus is to continuously work closely with our trade customers and partners to deliver sustainable growth by ensuring that our brands are always available, properly displayed and at the right price points. Furthermore, we will continue to invest in innovation for our Own Brands as this remains a key priority for us with our objective to reach many more consumers by developing innovative products that will address different consumer needs at different price points.

In addition to growing our sales, we will focus on driving cost efficiencies throughout our organisation and our supply chain. Through this combination of top line focus and stepped up productivity efforts, we expect, barring unforeseen circumstances, the Group's financial performance in FY2017 to be better than FY2016. We will further strengthen the Group's cash flow generation through tighter working capital management and focused capital expenditure.

To sustain profitable growth over the longer term, we are continuously taking actions to further strengthen our business to capture the significant growth opportunities and find new paths to grow. These include:

i. Ensuring our organisation is well aligned to our growth plans;

ii. Making targeted and disciplined investments to grow our key brands in our markets. Innovation remains a key part of this strategy, whether it is through product innovation in order to provide us the competitive edge or through continuous reinvention to stay relevant by creating excitement at the shelf space in order to further reinforce the position of our core brands;

iii. Implementing a multi-channel strategy to adapt to the continuously evolving retail landscape where our objectives are to further broaden and deepen our routes-to-market in order to capture the growth opportunities; and

iv. Prudently invest to build capacity and capabilities where there are clear expansion opportunities and increase our productivity and efficiency targets in our production and distribution infrastructure.

v. Seeking opportunities to grow our business through acquisitions or joint ventures that could open new opportunities in adjacent product categories or markets.

Despite the current uncertainties in our markets, we believe our geographic and product portfolio positions us well for future growth. Over the long term, the consumption environment in our regional markets will continue to be supported by the robust economies and the fast-growing middle income classes. Our position in our core markets is rooted in our undertaking that our organization must always be ready to adapt to changing times and nimble to cope with the fast-moving business environment. To add further value over the longer term to our quality earnings, we will continue to explore opportunities to enter new markets and to extend to new categories if these opportunities meet our investment criteria.

Financial Highlights of Delfi Limited

FY 31 December (US$ million)	2016	2015	% chg
Revenue	**402.1**	405.9	(0.9)
EBITDA	**50.6**	37.5	35.0
Profit before Tax	**39.2**	7.4	431.2
Net Profit/(Loss) attributable to Shareholders - Group	**26.2**	(4.7)	NM
Earnings/(Losses) per share (US cents)	**4.3**	(0.8)	NM

At Year end (US$ million)	2016	2015	% chg
Total Assets	**342.3**	387.6	(11.7)
Total Liabilities	**(141.0)**	(145.4)	(3.0)
Total Shareholders' Equity	**201.3**	242.0	(16.9)
Total Debt	**(53.8)**	(74.7)	(28.0)
Net Debt	**14.0**	44.9	(68.9)
Return on Equity			
- Group	**11.8%**	-1.8%	13.6% pt
- Branded Consumer	**12.6%**	5.7%	6.9% pt

CORPORATE INFORMATION

CORPORATE INFORMATION

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111 Somerset Road, #12-03
TripleOne Somerset
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AUDITORS
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Singapore 048424

Partner-in-charge
Mrs. Deborah Ong
(Ms. Deborah Tan Yang Sock)
since 2014

STOCK CODES
SGX: Delfi Ltd
Bloomberg: DELFI SP
Reuters: DELF.SI

COMPANY SECRETARIES
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Raymond Lam Kuo Wei

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Singapore 048583

DBS Bank Ltd
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Malaysia

PT Bank Central Asia Tbk
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Jakarta 12920, Indonesia

United Overseas Bank Limited
80 Raffles Place
UOB Plaza 1
Singapore 048624

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Marikina City 1809,
Philippines

FINANCIAL CALENDAR

Annual General Meeting	April 2017
Announcement of First Quarter Results	May 2017
Announcement of Half Year Results	August 2017
Announcement of Third Quarter Results	November 2017

CORPORATE GOVERNANCE

Integrity, excellence and commitment, are values that guide all of us at Delfi Limited as we seek to enhance the Company's development, performance and growth. These core values are therefore embedded within our concept of corporate governance and form an integral part of Delfi Limited's ethos, business, systems, processes and operations. Our mission is to delight customers with superior chocolate confectionery products and services.

The protocols and Terms of Reference that define our Board and its sub-committees, coupled with our Human Resource Manual, document and elaborate on Delfi's corporate culture as a central foundation of our modus operandi. This in turn has been instrumental in our long term growth.

We pride ourselves on having a unique corporate culture. As an organization we are imbued with the following values; (a) Responsible, committed and passionate where employees are ready and willing to go the extra mile in providing our customers with superior products and services; (b) Positive and motivated mind-set capable of motivating others; (c) Sensitivity to others; (d) Respect for the individual; and (e) Frugality.

Our annual corporate governance practices review is conducted in the recognition that these values and practices helps us create long term value for our shareholders not only because it is the right thing to do but at the same time it reduces risk and enhances returns. We are committed to upholding the Code of Corporate Governance 2012 (the "Code"). The format of our report below clearly reflects the Principles laid out in the Code.

We are confident that we have fulfilled not only the letter but more importantly the spirit of the Code. We seek to be fully compliant with the Code, and if there are any instances where we feel we may be in only partial compliance with the Code, we have clearly explained why our position remains appropriate in the circumstances.

OUR LEADERSHIP MIX

The Board of Delfi comprises a healthy well balanced mix of entrepreneurs, professionals and corporate expertise. Out of a total of eight Directors, the board of Directors ("Board") comprises three executive Directors, four non-executive independent Directors and one non-executive non-independent Director. There is a clear separation of the role of the Chief Executive Officer ("CEO") and the Chairman. One of our three executive Directors serves as CEO and Managing Director ("MD"). The Board meets regularly and is provided with timely updates and information. As and when there are urgent commercial or other corporate matters, Board meetings are convened to seek guidance from the Board or to elicit a decision. All Directors are expected to act in good faith, and to act in the interests of Delfi.

The Company recently appointed Mr. Doreswamy Nandkishore ("Nandu" or "Mr. Nandkishore") known throughout the fast moving consumer goods (FMCG) industry as Nandu, who brings with him 35 years of global experience in consumer packaged goods, across both emerging and developed global markets, including 26 years at Nestle', where he served as executive board member for Nestle', responsible for Asia, Oceania and Africa, from 2011 to 2015. He is currently an Executive Fellow at the London Business School.

The Board is supported by the Executive Committee, the Audit Committee, the Remuneration Committee, the

1 *All references to Delfi, Delfi Limited or the Company refers to Delfi Limited (formerly known as Petra Foods Limited and all its subsidiaries which is also referred to as the "Delfi Limited Group", "Delfi Group" or the "Group".*

CORPORATE GOVERNANCE

Nominating Committee, the Risk Management Committee and the Market Sustainability and Strategy Committee. The committees (with the exception of the Executive Committee) provide guidance and regularly review matters within their purview.

Our corporate governance practices are given below with specific references to the Code.

(I) BOARD MATTERS

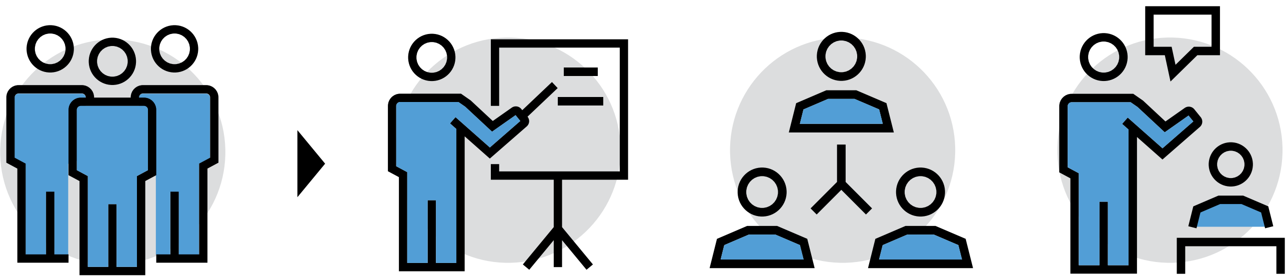
Principle 1 - The Board's Conduct of Affairs: Every Company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the long-term success of the Company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

Policy and Practice

We have broken this section of the report down into the following key topics:

1. Leading, Managing & Supervising
2. Independent Judgment
3. Delegation by the Board
4. Key Board Processes
5. Board Approval
6. Committee Responsibilities
7. Market Sustainability and Strategy Committee
8. Social Responsibility and Sustainability

1. LEADING, MANAGING & SUPERVISING



The Board takes the lead by focussing on three key areas, namely:

(A) Setting corporate strategy and direction;

(B) Ensuring that there is effective entrepreneurial leadership and management; and

(C) Supervising the proper conduct of matters.

The Board's focus on the key areas mentioned above encompasses a diverse range of issues such as, corporate planning, human resource, stakeholder matters, sustainability, capital expenditure, organisational development, risk management, business continuity, information technology, innovation and internal controls.

Each Director acts in good faith and in the best interests of the Company and contributes their own expertise, skills, knowledge and experience to the Board for the benefit of all stakeholders.

The Board has eight Directors comprising five non-executive Directors, of whom four are independent Directors. Half the Board is considered independent. The independent Directors, at the date of this report, are Mr Anthony Michael Dean ("Mike Dean"), Mr Koh Poh Tiong, Mr Nandkishore and Mr Pedro Mata-Bruckmann, who is also the Chairman of the Board. Mr Davinder Singh is deemed a non-executive non-independent Director[2]. Mr Chuang Tiong Choon ("John Chuang") is the CEO and MD. Profiles of all the Directors are found on page [xy]. The assessment of "independence" is covered in the paragraphs immediately following, and further under Principle 5 below.

2. INDEPENDENT JUDGEMENT

DUE DILLIGENCE

COMPANY'S INTEREST

INDEPENDENT JUDGEMENT

OBJECTIVE DECISIONS

DIRECTORS

All our Directors exercise due diligence and independent judgement and make decisions objectively in the best interests of the Company. The Board has also carried out its annual evaluation of the independence of each of its non-executive Directors, taking into account the relevant provisions of the Code, namely, whether the Directors are independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, the Directors' judgement. The Board has concluded that all of the four non-executive independent Directors are independent and that no one individual or one grouping exerts an undue influence on others.

In its evaluation, the Board notes that Mr Pedro Mata-Bruckmann, Mr Davinder Singh and Mr Mike Dean have been Directors for a period exceeding the nine years flagged under the Code. However, this is by no means a critical factor in determining their independence, as the other members of the Board are unanimous in their opinion that each of these Directors' professionalism, lack of conflicts of interest and high standing in their respective fields of expertise, in commerce and society, enables them to exercise strong independent judgement and act in the best interests of the Company.

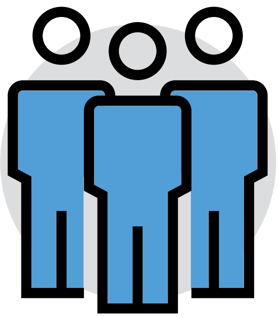
In line with the Nominating Committee's policies and procedures, each Director has the option of accepting or rejecting a Director's declaration regarding his independence. The Board would accept a Director's declaration of independence only if the Board is of the unanimous opinion that a Director is indeed independent.

The strategic policies of the Company and significant business transactions and projects are reviewed and deliberated on by the Board. The Board approves the annual budget, reviews the performance of the business and approves the release of the quarterly and full year financial results at its regular Board meetings. As part of this process, the Board reviews the financial and human resources of Delfi and assesses (a) whether changes to these are needed and (b) whether the proposed strategy can be realistically executed with such existing or planned increased resources.

2 *Mr Davinder Singh is deemed a non-executive Director. For the financial year ended 31 December 2016, Mr Davinder Singh is deemed a non-executive non-independent Director by virtue of his relationship with the Company in respect of Guidance Note 2.3 (d) and his position as Managing Director of Drew & Napier LLC and Director of DrewCorp Services Pte Ltd, which collectively rendered professional services to the Company in fees aggregating more than S$200,000.00 (in 2016). Notwithstanding that, we are confident that Mr Singh is able to exercise strong independent judgment in the best interests of the Company. The rest of the Board is unanimous and remains steadfast in its view that he has maintained a high standard of conduct, care and duty and has observed the ethical standards of his profession and is conscious of the need to disclose any conflict of interests arising from any other engagements*

CORPORATE GOVERNANCE

3. DELEGATION BY THE BOARD



The Board delegates specific responsibilities to committees namely:

- **the Audit Committee ("AC");**
- **the Nominating Committee ("NC");**
- **the Remuneration Committee ("RC");**
- **the Executive Committee ("EC");**
- **the Risk Management Committee ("RMC"); and**
- **the Market Sustainability and Strategy Committee ("MSSC").**

Information on each of the Committees is set out below. The Board accepts that while these Committees have been mandated to examine specific areas or issues, and make decisions or recommendations, ultimate authority and responsibility on all matters rests with the Board.

The composition of the Board and each committee as at the date of this report are illustrated immediately below:

	Board	AC	NC	RC	RMC	EC	MSSC#
Pedro Mata-Bruckmann	Chairman & ID	Member	Chairman	Member	Member	NA	Member
John Chuang	CEO, MD & ED	NA	Member	NA	Member	Chairman	Member
Chuang Tiong Liep	ED	NA	NA	NA	NA	Member	Member
Chuang Tiong Kie	ED	NA	NA	NA	NA	Member	NA
Mike Dean	ID	Chairman	Member	NA	Chairman	NA	NA
Davinder Singh	NE-NID	NA	Member	Member	NA	NA	NA
Koh Poh Tiong	ID	Member	Member	Chairman	Member	NA	Member
Doreswamy Nandkishore	ID	NA	Member	Member	NA	NA	Chairman

Notes:
1. CEO – Chief Executive Officer
2. ED – Executive Director
3. ID – Independent Director
4. NE-NID – Non-Executive, Non-Independent Director
5. MD – Managing Director
6. NA – Not Applicable

 # The MSSC was established on 3 January 2017.

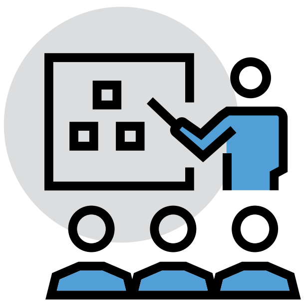
The attendance of the Board and Committees meetings during the financial year 2016 is given in the matrix below:

	Board	Audit Committee Meetings	NC Meetings	RC Meetings	RMC	Total Attendance at Meeting
Executive Directors						
John Chuang	6	4	2	NA	2	14/14
Joseph Chuang	6	NA	NA	NA	NA	6/6
William Chuang	6	NA	NA	NA	NA	6/6
Non-Executive Directors						
Pedro Mata-Bruckmann	6	4	2	3	2	17/17
Davinder Singh	6	NA	2	3	NA	11/11
Koh Poh Tiong	6	4	2	3	2	17/17
Mike Dean	6	4	2	NA	2	14/14
Doreswamy Nandkishore#	NA	NA	NA	NA	NA	NA
No. of meetings held	**6**	**4**	**2**	**3**	**2**	**17**

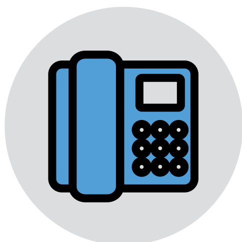
Note:

 # Doreswamy Nandkishore was appointed to the Board on 3 January 2017, and to the RC and NC on 22 February 2017.

4. KEY BOARD PROCESSES



Board Meetings:



Telephonic and video-conferencing, enables the Board to provide direction, guidance and advice to Management quickly and sometimes at short notice.

The Company conducts regular Board meetings. Directors who are not able to be physically present attend and participate through telephonic or video-conferencing, enabling the Board to provide direction, guidance and advice to Management quickly and sometimes at short notice (as and when the need arises), in the best interests of the Company and our businesses. Attendance at Board meetings via audio and visual means are provided for in our Constitution.

The Board's responsiveness has allowed the Management of Delfi to manage business and corporate matters effectively in an increasingly competitive business environment. Individual Directors make themselves available and accessible to Management for discussion and consultation outside the formal framework of Board, Committee and Management meetings. The majority of the non-executive Directors are resident in Singapore.

CORPORATE GOVERNANCE

The Board is regularly provided with information and updates on the Company's policies and procedures relating to issues pertaining to governance, disclosure of interests in securities and restrictions on disclosure of price sensitive information, changes in reporting standards and issues which have a direct impact on financial statements, so as to enable them to properly discharge their duties and responsibilities as Board members or committee members.

The Company conducts a programme to familiarise new directors with its business, operations and governance practices. The programme is conducted by the CEO and his key executives. The programme allows the new director to get acquainted with key executives and Management, to help pave the way for board interaction and direct access to Management.

The programme would typically involve at least one or two meetings where the new director has the opportunity to interact with and get to know fellow members of the Board and key executives. In addition, the key executives would conduct formal sessions where the new director would be briefed on the current status of the Company's business.

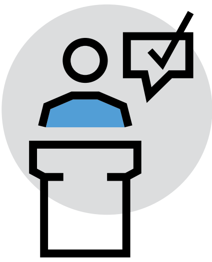
There were no persons who were directors for the first time during the financial year.

The Board is conscious that our staff are individuals and as an organisation, do not live or work in isolation. As such, the Board emphasises the need for Delfi to live up to its corporate and social responsibilities. This is important to us and we have embedded these values in our code of conduct as well as our Best Practices manual, which the Company and staff are committed to upholding. Everyone is urged to promote a conducive, healthy and safe work environment, as well as to be socially and environmentally conscious.

The Board endorses the maxim that awareness and being engaged in relevant and current issues help us in knowing and embracing what is right and what needs to be done, and helps us to assess and decide how we can respond appropriately and within our means as good corporate citizens.

We recognise that the future of our branded consumer and chocolate products will be affected by developments in the drive to make cocoa a fully sustainable industry. Delfi's initiatives and programs launched in cooperation with other industry players and other bodies undertaken for several years now, seek to improve product quality, the livelihoods of farmers and industry sustainability. Our programs and initiatives are highlighted in page 40.

5. BOARD APPROVAL



The Board has given Management clear direction through prescribed written guidelines, that the following matters should be reserved for the Board's decision, namely:

(a) appointment of Directors or Company secretary; (b) removal of CEO or MD; (c) establishing committees; (d) entering into leases, tenders and/or contracts not in the ordinary course of business; (e) approval of material acquisitions or disposals; (f) approving the annual business plan and/or budget; (g) approving capital expenditure which is not budgeted in or in excess of that budgeted in the approved annual business plan and such amount or excess amount is in excess of US$3,000,000; (h) accepting bank facilities that are in excess of US$20,000,000; (i) accept loans or approve guarantees that are in excess of US$20,000,000 for the purpose of financing projects (j) approving announcements in relation to the Company's financial results or announcements that are price sensitive; (k) initiate or settle litigation involving amounts in excess of US$1 million; (l) allot new shares or debentures of any class; (m) reduce capital; and (n) declare dividends and/or other returns to shareholders.

Letters of appointment have been issued to each of the non-executive Directors, setting out their duties and responsibilities.

6. COMMITTEE RESPONSIBILITIES

On the understanding that the Committees under the Board may revise and/or supplement their responsibilities, the responsibilities of the Committees are to:

(I) Work with the Board, CEO and executive management to oversee the priorities and objectives set out in their respective Terms of Reference, for business, development, sustainability and growth, in the Company's best interests.

(II) Review opportunities, risks and threats of the market sustainability and/or market strategies as identified by the Company's assessment, and the potential impact of any emerging or evolving competitive product, technology, market trends or other competitive developments, activities or threats.

(III) Provide feedback, advice and/or input to the Board, CEO and executive management.

(IV) Oversee, review and/or make any recommendations to the Board or any committee, on any business, corporate, market sustainability or strategic decisions regarding the entry into or introduction of any new lines of business or products; and/or any potential exit from any line of business or product.

The Committees may draw upon the expertise of executive management and corporate staff as and when needed; or where the need arises, work with external advisors and professional consultants to assist the Committees.

7. MARKET SUSTAINABILITY AND STRATEGY COMMITTEE

We formed the Market Sustainability and Strategy Committee ('MSSC') on 3rd January 2017 and its charter requires it to be composed of at least three directors or more, with a majority or at least half of whom shall be independent directors. The MSSC is chaired by Nandu, and Pedro Mata-Bruckmann, Koh Poh Tiong, John Chuang and Joseph Chuang are members. The Mandate of the MSSC is as follows:

CORPORATE GOVERNANCE

(A) Promoting, developing and advancing market strategies and/or initiatives for market development, sustainability and growth. For the purpose of the MSSC Charter, 'sustainability' shall mean and be deemed to include, sustainability in respect of the business, people, corporate culture, environment and social responsibility; and

(B) Fostering ideas and the understanding, application and use of market knowledge and market development initiatives; and

(C) Encouraging and nurturing network development and market development regionally and globally in the furtherance and advancement of the Company's interests; and

(D) Benchmarking the priorities and responsibilities outlined in (A) to (C) (above).

(E) The Chairman or CEO, or the Board may in their discretion assign the Committee to assist in reviewing and/or advising on any tie-up, venture, acquisition or divestment as the case may be.

The Committee may from time to time, raise any issue and/or matter, or make any recommendations that have an impact on or address the Company's market strategy or strategic market initiatives.

8. SOCIAL RESPONSIBILITY AND SUSTAINABILITY

At Delfi, we are committed to championing our corporate social responsibility and sustainability mission, through which we seek to achieve the following, (a) embrace the needs of the community, (b) care for the environment and (c) act in the interests of our stakeholders.

We acknowledge and recognise that our business has an impact on the social and environmental framework, in particular people's working conditions, the environment both locally (in each country we operate or do business in) and globally. We believe that we can be a good business partner, and this is a pre-condition to our future growth, which we intend to achieve by partnering businesses, suppliers, service providers and individuals who share the same vision, mission and approach.

In this vein, we would constantly and persistently be challenging ourselves and our partners with our guiding principles, and demanding that we act collectively in the best interests of (i) workers, (ii) children, and (iii) the environment, and consistently assessing whether or not we are doing enough to soothe the environment in which we live and operate in.

The Company impresses on all its partners, suppliers, stakeholders and staff, to comply with and uphold the 'Prescribed Standards, Requirements and Practices for the Environment, Social and Working Conditions, Purchasing Products, Materials and Services' Manual (which we refer to as our "Best Practices"), which seeks to ensure that our policies and activities:

(a) protects and soothes the environment from air, noise, water and ground pollution;

(b) protects and soothes the environment from the handling and/or use of chemicals needed in the production of our confectionery products;

(c) protects the environment from any hazardous waste;

(d) protects the environment from fire, whilst also ensuring that the safety and well-being of workers and the community are preserved;

(e) enhances the safety and well-being of workers and the community so that they have better working and living conditions.

In the Company's quest to be socially responsible and for sustainability, we have special regard for the health, safety and well-being of workers. All our partners, suppliers, stakeholders and staff, are urged to comply with the Company's policies, activities and initiatives to uphold and improve, (i) health and safety training, (ii) use of safety equipment and devices, (iii) safety policies and guidelines, (iv) avoidance of hazards, (v) use of personal protection equipment (PPE), (vi) use of first aid equipment, (vii) application of first aid training, (viii) preservation of air quality, (ix) monitoring of temperature, (x) workplace noise and conditions, (xi) lighting conditions, (xii) availability of potable water, (xiii) hygiene, (xiv) food, and (xv) health safety.

As an ethical employer and partner, in addition to compliance with applicable laws and regulations, we require all our companies, businesses and staff within the Group, to uphold and enforce a fair wage policy. We uphold a 'no child labour' policy in line with and in support of the United Nations Convention on the Rights of the Child, and reject outright any form of forced labour, bonded labour and discrimination. We prescribe these ethical practices (outlined in our Best Practices Manual) a copy of which is extended to all our partners, suppliers and service providers, and as part of our processes, and we would request their written agreement to accept and uphold the same.

We remain steadfast in our two pronged approach to contributing to corporate social responsibility, at an international level and within our local spheres of influence. We engage with ethical, environmental and social responsibility issues that affect our industry at an international strategic level. We contribute our views, insights and involve ourselves in targeted initiatives that allow us to add value. Our actions and initiatives at a local level are focused on three main areas, namely:

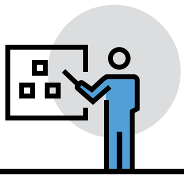
Objective	Initiatives
Food Safety Initiatives	Use of technology, systems and processes to enhance food safety.
	Accurate and responsible labelling of our products to facilitate informed consumption habits.
Practices to preserve the environment.	Water recycling and waste water purification in our manufacturing plants. Recycling of paper and other materials in our plants and offices. Use of filters to eliminate or limit the escape of odours into the community at large. Monitoring smoke and dust emissions.
Community Support Initiatives.	Financial support for education and school endowment funds. Financial support for destitute and poor patients in need of dialysis. Drainage improvement projects to alleviate flooding. Sponsorship and support for fund raising for charities, education and youth. Sponsorship for public service publications. Sales of surplus materials gratis or at 'peppercorn' prices to help foster local trade.

Since September 2013, the Company collaborated with the Singapore Management University (SMU) to launch a bursary award, currently known as the Delfi Limited Bursary. The Bursary is awarded to 3 students annually to help them in the payment of college fees and living expenses. The Delfi Group believes that no person should be left behind for want of financial means, to benefit from a good education. The Bursary is our way of doing what we can to help nurture the next generation of ethical leaders and empowering exceptional students to strive for excellence.

CORPORATE GOVERNANCE

Principle 2 - Board Composition and Guidance: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders[2]. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Policy and Practice



Guidance from the Board

The non-executive directors have been specifically assembled to ensure that collectively they not only have an in-depth range of expertise in business, commerce, finance and law to be able to challenge Management but that they are also independent from the Chuang family which owns 50%+ of the Company's shares.

As a result, it is well able to professionally challenge Management and the "10% shareholder". This challenge is conducted in an harmonious and professional atmosphere and provides for informative discussions and a lively exchange of ideas. This in turn has assisted Management in the performance of its role and function.

The Board is supported by key committees to provide proper oversight of the Board itself and Management. The AC, MSSC, NC, RC and RMC are each chaired by independent Directors. Committees or sub-committees may be formed from time to time to address specific areas as and when the need arises. Leadership of the committees is based on the notion of fair distribution of responsibilities and to draw on the relevant experiences of the Directors.

Board Independence

An independent Director is one who is both a) independent from management and business relationships with the Company and b) independent from any substantial shareholder. Based on this definition, half the Board is considered independent. The Board places great emphasis on ensuring that each and every one of our four independent Directors are truly independent, in substance and not just form. See further details on this under Principle 5 below. As a result, the Board is of the opinion that there is a proven framework for ensuring that Management is able to exercise entrepreneurial drive within the context of a constructively challenged supervisory environment to ensure that overall strategy is both sound and realistically achievable.

In parallel with this, potential conflicts of interest, in respect of the majority shareholder group and also Management, are identified and appropriately managed.

Directors Meeting without Management

The non-executive Directors regularly meet and communicate on diverse issues of their choice, without the presence of the executive Directors and/or Management.

Principle 3 - Chairman and Chief Executive Officer: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.

Policy and Practice

Mr Pedro Mata-Bruckmann is the Chairman of the Board. There is a clear separation of his roles and responsibilities as Chairman and Mr John Chuang, the CEO.

The Chairman acts independently in the best interests of the Company and its shareholders. The Chairman helps ensure that there is mentorship, unity of purpose within the Board and that the Board engages in productive discussions on strategic, tactical, business, financial and planning issues. The Chairman often takes the lead in discussions on strategy, facilitating a lively exchange of ideas at the Board, open constructive debate, eliciting the contribution of Directors, encouraging constructive relations between Board and Management and effective communication with shareholders.

The Chairman and CEO jointly oversee the observance of high standards in corporate governance and compliance with the Code.

The CEO and MD, Mr John Chuang drives the Company's businesses with full executive responsibility over the business executive decisions of the Company.

The CEO makes sure that the information that is shared with the Board is timely, appropriate and of the requisite quality so that the Board can discharge its duties and responsibilities effectively.

2 *The term "10% shareholder" shall refer to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the Company.*

As the Chairman Mr. Pedro Mata-Bruckmann, is an independent Director, and whose role and function is distinct and separate from the CEO, there is no need for a lead independent director.

Principle 4 - Board Membership: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

Policy and Practice

Nominations for and appointment of Directors are within the rights of the shareholders. Every Director in the Company will be due for re-election at least once every three years. The Company's Constitution requires one-third of the Directors to retire and submit themselves for re-election by the shareholders at every annual general meeting ("AGM").

The NC oversees the nomination of Directors for election or re-election. The NC seeks to balance Board renewal, which brings in fresh insights with maintenance of knowledge and experience of the Company's operations, both of which are good for the Company. The NC strives to ensure that the Board and its committees comprise individuals who are best able to discharge their duties and responsibilities as Directors with regard to the highest standards of corporate governance. The NC also reviews candidates for senior management positions for Delfi. The terms of reference for the NC (including its framework for considering and determining if a Director is independent) are set out under Principle 5, below.

Delfi adopts a comprehensive and detailed process in the selection of new Directors. Candidates are first sourced externally through an extensive network of contacts and discreet searches, and identified based on the needs of the Company. Once the NC Chairman, the CEO, the Chairman of the Board and the other NC members have interviewed the candidates, the candidates are further shortlisted for the NC's formal consideration for appointment to the Board. The NC complies with the following criteria when reviewing a nomination for a proposed Board appointment:

(a) a determination of the candidate's independence;

(b) whether the candidate is a fit and proper person taking into account the Company's guidelines and his/her track record, age, experience and capabilities and such other relevant experience as may be determined by the NC; and

(c) whether his/her appointment will result in any non-compliance for the Board and its Board committees.

The Company's guidelines on a fit and proper person broadly take into account the candidate's expertise, skills, experience and diversity that will best complement the effectiveness of the Board. In its assessment and evaluation of candidates for the Board, the NC and the Board will have regard to internationally accepted criteria, which includes, (a) integrity and honesty, (b) sound business acumen and judgment, (c) appropriate or unique expertise or professional qualifications, (d) relevant experience, (e) fulfilling and meeting the legal requirements of serving on the Board, (f) the willingness and ability to attend to Board matters and Committee meetings, as and when these arise; and (g) financial soundness.

Delfi strives to achieve an appropriately balanced mix of talent on the Board, principally through combining directors with diverse but complimentary backgrounds and experiences, but also through gender and racial diversity. Our current Board consists of independent Directors who table a solid balance of commercial, legal and financial competencies and skillsets. The Board is chaired by Pedro Mata-Bruckmann, who has extensive experience across the various industries in which Delfi operates. In addition, Poh Tiong and Nandu bring with them industry and commercial knowledge from a global perspective. Davinder Singh provides us significant legal expertise and Mike Dean has a strong financial background stemming from his experiences as both a financier and a CFO. The current composition of the board brings together directors with the right qualifications and experience to support Delfi in forging and achieving its strategic direction.

The NC oversees the induction, orientation and training for any new and existing Directors.

There are no alternate directors on the Board.

Principle 5 - Board Performance: There should be a formal annual assessment of the effectiveness of the Board as a whole, of each board committee and the contribution by each Director to the effectiveness of the Board.

Policy and Practice

The NC was originally established on 13 July 2004 when its original charter was adopted by the Board. During the year the NC comprised Mr John Chuang, Mr Pedro Mata-Bruckmann, Mr Davinder Singh, Mr Mike Dean and Mr Koh Poh Tiong. Mr Pedro Mata-Bruckmann has been Chairman of the NC since 6 May 2015. Mr Nandkishore joined the NC on 22 Feb 2017.

The NC applies objective performance criteria when it assesses the performance and contributions of individual Directors, the committees of the Board and the Board. This process has been endorsed by the Board as an effective means of self-assessment and evaluation.

CORPORATE GOVERNANCE

The terms of reference for the NC are as follows:

(i) To establish the criteria and desirable attributes of new appointees to the Board and to make recommendations to the Board on all Board appointments.

(ii) To consider and make recommendations on all nominations of Directors (including the independent Directors) for re-election having regard to the Director's past contributions and performance.

(iii) To determine annually whether or not a Director is independent, bearing in mind the salient factors set out in the Code (as may from time to time be amended or supplemented) for determining independence as well as all other relevant circumstances and facts.

(iv) To assess each Director's contribution and performance and this may involve the following matters:

- Attendance;
- Preparedness;
- Participation; and
- Candour.

(v) To recommend to the Board objective performance criteria for the purpose of evaluating the Board's performance as a whole and to implement performance evaluation established by the Board. The performance criteria was refreshed in 2013, and this is reviewed annually, to ensure that the criteria is relevant and effective.

(vi) To evaluate the Board's performance as a whole.

Board Evaluation Process & Performance Criteria

Under the mentorship of the Chairman and the guidance of the NC, the Board conducts regular self-assessments at the individual and collective levels, to establish if a Director is contributing effectively, applying the following criteria:

1. Contribution towards development of Company strategy
2. Constructive discussion/interaction among Directors
3. Board's response to urgent matters/issues
4. Profitability *
5. Return on Investments/Sales *
6. Attendance at Board meetings and Committee meetings
7. Number of meetings held in a year
8. Understanding the macro-environment (countries & sector)
9. Understanding & monitoring risks
10. Compliance & governance
11. Board/Management succession planning
12. Communication between Directors and Management

The criteria mentioned above, are tabulated in performance assessment forms, which require each Director to assess his peers individually, as well as the performance of each Committee. In its annual review, the NC also seeks to assess and ensure the effectiveness of the criteria and performance assessment.

Executive Management is not involved in the performance assessment, which is administered on a confidential basis by the external Company Secretary. The results and data collated from the input and performance assessments from Directors, are consolidated and shared first with the Chairman by the external Company Secretary, prior to the results being tabulated for review and discussion at the NC meeting and the Board meeting.

The NC reviews the Board's composition to maintain a mix of talent, expertise, knowledge and experience. Where possible gender and racial diversity are also sought. The NC aims to ensure that the Directors have a good mix of backgrounds so that different insights can be brought to the Board deliberations.

We have adopted an approach of building and managing checks and balances in our compliance and governance framework. Primary responsibility for driving compliance and governance rests with the CEO, CFO, and General Counsel who focus on and drive compliance and governance individually and collectively.

Continuous Review of Directors' Independence

Whilst each non-executive Director is required to reflect on and sign a declaration of independence based on the substantive requirements of the Code, the NC makes it a point to review the declarations, to satisfy itself that the substantive principles in the Code on independence are indeed fulfilled, and the NC asks each independent Director to confirm in writing that they consider each of the other independent Directors to be acting independently.

The NC and the Board are of the view that service of an independent Director beyond a nine-year term is not necessarily a critical factor in determining independence. Our independent Directors' professionalism and high standing in the commercial sector and civil society, enable them to exercise strong independent judgment in the best interests of the Company. It follows that the Board is confident and remains steadfast in its view that our non-executive Directors have maintained a high standard of conduct, care and duty and have observed the ethical standards and independence, and all our non-executive Directors are conscious of the need to disclose any conflict of interests arising from any other engagements or interests. The directorships held by the non-executive Directors for the past 3 years are disclosed at pages 18 to 25.

- *Criteria 4 and 5 above, do not apply to the non-executive Directors.*

Limitation on Directorships

In consultation with the NC, the Board has prescribed that non-executive Directors may not hold more than 7 Directorships in other public listed companies.

There is no magic in the self-imposed limitation of 7 Directorships, and the limit chosen by the Board is influenced by international practices and conventions, where it appeared that a person's involvement in anything more than 7 (or more) other active directorships could possibly impose some measure of strain on the individual, as well as his or her ability to attend board and committee meetings.

The performance of the non-executive Directors is assessed by reference to their contributions at the Board, committee and individual level.

The performance of the executive Directors is assessed not only on the basis of short term financial indicators, which while relevant, are not always indicative of long term growth, but also on the basis of people development or value creation within the Company. The performance of executive Directors is assessed also by reference to factors such as long term vision, strategic focus on shareholder value and risk management.

It is an established practice that each member of the Board and NC abstains from voting on any resolutions in respect of the assessment of his/her performance or re-nomination as a Director.

Principle 6 - Access to information: In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Policy and Practice

Adequate and Timely Information

The Board has full and free access to Management, the Company Secretaries and information in the Company. Management understands the importance of responding to Directors' requests for information. The Board takes independent advice at the Company's expense if necessary to enable it to better discharge its responsibilities and duties.

The Board is furnished with timely, comprehensive and relevant information on matters which require its attention and decision. This is done in response to specific requests, by way of regular updates and at Board and Committee meetings.

To give Directors enough time to prepare for Board and Committee meetings, the agenda and Board papers including background, supporting materials, copies of disclosure documents, budget forecasts, and financial statements are as a general rule sent to them 7 days in advance. The documents are sent to them securely.

Material variances between projections and/or budget and actual results are disclosed and explained to Directors. The Board is always kept updated of any significant developments on projects, business initiatives, industry developments, regulatory updates and press or analyst's commentaries. The Directors have the names and contact details of the key and senior members of the Company's Management to facilitate direct and swift access to Management.

Independent Professional Advice

It is an annual practice for members of the AC to meet the external and internal auditors at least once a year without the presence of the CEO and other members of the Management team to ensure that there is a free and uninhibited flow of information relevant to the AC's tasks in the Company's best interests.

Mr Raymond Lam Kuo Wei, and Ms. Evelyn Chuang serve as Joint Company Secretaries to the Company. The Board has full and free access to both the Joint Company Secretaries for information, advice and consultation and the appointment or removal of the Company Secretaries is a matter for consideration and approval of the Board as a whole. The Company Secretaries attend all Board and Committee meetings, and help oversee compliance as well as follow up on matters arising from Board and Committee meetings.

(II) REMUNERATION MATTERS

Principle 7 - Procedures for Developing Remuneration Policies: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

CORPORATE GOVERNANCE

Principle 8 - Level and Mix of Remuneration: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.

Policy and Practice for Principles 7 and 8

The RC which has oversight of procedures for developing remuneration policies and the level and mix of remuneration, was established on 6 July 2001.

The RC has been chaired by Mr Koh Poh Tiong since 15 January 2014 and currently also comprises Mr Pedro Mata-Bruckmann, Mr Nandkishore and Mr Davinder Singh being three independent Directors and one non-executive non-independent Director.

The terms of reference for the RC are:

(i) Oversee the development of talent, expertise and leadership in the Company;

(ii) Oversee the development and management of appropriate compensation policies and practices, including (but not limited to) a compensation structure & programme for Directors, senior management and staff to attract, retain and motivate talent;

(iii) Ensure that the Company has competitive compensation packages, programmes and schemes with a view to building long term sustainable growth and returns for shareholders;

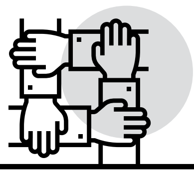
(iv) Administer share option scheme and share incentive plan if any (collectively "the Schemes") and to decide on all options, grants, awards, rewards and allocation under the Schemes; and

(v) Refer all matters concerning, related to or in any way connected to the above terms of reference, for the Board's written approval.

The RC has access to expert professional advice on human resource matters and it takes into consideration industry practices and norms in determining compensation. The Kornferry HayGroup has advised Management and the RC on human resource and remuneration matters. Delfi's relationship with Kornferry HayGroup is purely on an arm's length professional basis. The RC oversees the remuneration policies of the senior management and strives to ensure that the Board and Management have the leadership and expertise needed to sustain and grow the Company's business. The RC sets incentive compensation targets for key executives and senior management.

The RC reviews the remuneration of each Director. In the case of Directors, key executives and senior management, it makes recommendations to the Board for approval. The CEO, Mr John Chuang works closely with the RC and attends the RC meetings as an advisor. He gives his views on human resource, compensation issues, performance measures and policies. Mr John Chuang is always excluded from RC discussions on his own remuneration.

Each member of the RC abstains from voting on any resolution in respect of his/her remuneration.



Company's Philosophy on Culture and Talent

The Company's Human Resource Manual sets out the Group's philosophy directed at attracting, retaining and motivating talent needed to achieve its vision and mission. The Group is on the constant lookout for staff, who (a) are highly qualified and who best fit the organization, corporate culture and performance orientation, (b) possess superior performance and high potential, (c) have a strong sense of responsibility, loyalty, and commitment, and (d) have a desire to reach their fullest potential to enjoy high job satisfaction, as the Group seeks to nurture, groom and reward staff of the right calibre and potential. The executives and staff we attract and retain, would have an impact on our succession plan, and the strength of our leadership.

Performance Based Compensation

The Company adopts a remuneration policy that is performance based for staff, comprising a fixed component and a variable component. The fixed component is in the form of a base salary and benefits. The variable component is in the form of a variable bonus that is linked to the Company's and individual performance. The RC endorses the bonus for distribution to key executives and Directors based on individual performance, and presents its recommendations to the Board for approval. In determining remuneration and bonus awards, Management makes recommendations to the RC, having regard to key performance indicators, such as, (a) sales & profit targets, (b) strategic requirements and goals of the Company, (c) investment in future growth, and ultimately (d) the individual executive's contribution to these objectives.

In this direction, the Group rewards staff with excellent performance, who have fulfilled their obligations and met their performance targets; contributed to the growth and development of the organization and corporate culture; and in some cases, contributed to their division and organization in ways that have exceeded what was expected of them.

Pay for performance is thus emphasised by linking the total compensation to the achievement of corporate and individual performance objectives, taking into account relevant comparative compensation in the market to maintain competitiveness.

The Board is of the view that as the Group pays variable compensation through bonuses on the actual results of the Company (and not on possible future results) as well as the performance and results that have actually been delivered by its executive Directors and key executives, "claw back" provisions in employment contracts may not be relevant or appropriate.

While staff may be rewarded for having met their profit, sales or project targets, it is a considered policy to motivate managers and staff in performing and fulfilling their strategic goals, their commitment to investing in future growth, and resource and organisational development, and meeting and exceeding these key performance indicators (KPIs) could have significant positive impact on their variable compensation. On the contrary, if they are proven to neglect or fall short of these key performance indicators (KPIs), their variable compensation may be adversely impacted. These performance measures intensify the link between performance and the long term growth of the Company. Managers and staff who meet their KPIs in furtherance of the Company's best interests would be justly and reasonably rewarded.

There are no restrictions on the non-executive Directors holding shares in the Company, provided that the shares are not transacted during the no-dealing periods as prescribed by the Singapore Exchange Securities Trading Limited "SGX-ST" rules and where they are in possession of price sensitive information. Nevertheless, the non-executive Directors are encouraged to hold shares in the Company, to better align their interests with shareholders.

The Share Option Scheme and Share Incentive Plan ("Schemes") had expired at the end of September 2014 and were not tabled at the AGM held on 26 April 2015 for shareholders' approval. Accordingly, the Schemes were not implemented and no awards were made under the Schemes in year 2016.

Principle 9 - Disclosure on Remuneration: Every Company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

Policy and Practice

Non-executive Directors' Fees

The non-executive Directors' fees are determined in accordance with a framework of fees reflecting their contribution to the Company through membership of the Board, Chairmanship of the Board and the fees attributed to their chairing and being members of specific Committees as set out at page 179. The overall level of these fees is set through periodic benchmarking exercises conducted with the assistance of independent consultants.

Executive Director's and Key Executive's Remuneration

The executive Directors do not receive Directors' fees.

A breakdown (in percentage terms) showing the level and mix of each key executive's and executive Director's remuneration paid and payable for 2016 is set out in pages 178 to 180.

The remuneration (in incremental bands of S$50,000) of employee(s) who is/are immediate family member(s) of a Director or CEO is also set out in page 180.

The remuneration of our executive Directors and key executives are set out in incremental bands of S$250,000. We are of the view that this level of disclosure in incremental bands is both sufficient and adequate, because any further disclosure could be detrimental to the Group's interests, as it may lead to poaching of key executives, or the revelation of the Group's trade practices or tactics to competitors, in what is a highly competitive industry.

(III) ACCOUNTABILITY AND AUDIT

Principle 10 – Accountability: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

Policy and Practice

The Board strives in its communications with shareholders to give them an objective, balanced and clear assessment of the Company's results. Our view is that regular communication with shareholders enhances the Company's transparency.

All shareholders of the Company receive the annual report and a notice of the AGM and the notice is advertised in the main Singapore newspapers.

CORPORATE GOVERNANCE

The Company conveys its financial performance, position and outlook on a quarterly basis via announcements to the SGX-ST and subsequently through the Company's website. Additional disclosures, when required, are also made through the same communication channels.

In accordance with applicable regulations, all financial results comprising financial performance, position and prospects as well as price sensitive information are firstly released through SGXNET and then subsequently through various media including press releases and/or the Company's website at *http://www.delfilimited.com.* We hold briefing sessions with the investment community following the announcement of financial results and the Company's investor relations team meets with key investors regularly and answers queries from shareholders.

Communications with shareholders are overseen by the Investor Relations and Corporate Communications Department, headed by the Group Chief Financial Officer. This Department communicates with investors on a regular basis and attends to their queries.

Principle 11 - Risk Management and Internal Controls: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Policy and Practice

The Board and the Management of the Delfi Group are committed to maintaining throughout the Company a culture of risk awareness.

The Board retains the responsibility for determining the type and level of business risks that the Group undertakes on an integrated basis to achieve its business strategy.

Management is responsible for the design, execution and reporting of the Delfi Risk Management Program. Additionally, Management is responsible to propose to the Board medium and long term strategic plans with appropriate risk and reward analysis, annual plans and updates on both the strategies and the associated risk levels. The Board's responsibility is to accept, modify or reject the plans proposed by the Management.

Management is responsible to report to the board on significant progress or deviations of the plans, and to report on events that represent new risks to the Company.

The Board:

a. Is responsible for ensuring that the proper risk management is in place.
b. Will provide the necessary support to Management to perform its duties.
c. Will satisfy itself that Management is executing the agreed plans and properly reporting to the Board.
d. Will satisfy itself that Management is operating within the framework of the approved strategies and risk tolerance levels.

In discharging this responsibility, the Board continually monitors the threat and impact of risks to the Company's business and in parallel assesses the Company's internal systems and procedures that monitor, control and mitigate these risks.

The Board has determined areas where it takes a zero tolerance to risk and those areas of less materiality where risk management may be flexed to reflect the lessened likely occurrence of the risk or its likely impact.

Based on this assessment, the Board has determined a three level approach to risk management:

1. Risks whose responsibility falls to Management to manage and to report to the Board on an exceptions basis;
2. Risks whose responsibility falls to Management to manage but which must be reported on periodically to the Board; and
3. Risks where specialist input is required in the assessment and/or management as required. This latter group may involve third parties, for example in areas such as food health and safety, IT or insurance. It may also include delegation to the AC, RC, RMC or NC.

Risk Management

To assist the Board in its supervision of risk management the RMC was established on 15 January 2014 under a written charter. During 2016 the RMC was chaired by Mr Mike Dean and also includes Mr Pedro Mata-Bruckmann, Mr John Chuang and Mr Koh Poh Tiong.

The RMC works closely with Management to review the Delfi Risk Management Program and ensure that it is brought to the Board for periodic assessment as to its appropriateness and adequacy. In this regard the RMC and the Board periodically undertakes an enterprise wide assessment of the universe of risks that the Delfi Group faces together with the mitigating factors and risk management policies already in place and thereby determines the net residual risk the Delfi Group faces. From this the RMC agrees with the Board and Management a range of the specific risks that Management needs to address and to report back to the full Board at regular intervals to ensure that the Board is kept closely in touch with the risks, the mitigating factors and risk management policies and the net residual risk. Since the RMC's creation, Management has adhered to this schedule of presentations to the Board. The Board believes that risk management is a serious obligation entrusted to the Board and as such the specific review of risk and risk management should not be delegated to a sub-committee. Rather, Management presents each risk and the associated risk management to the full Board so that all of the skills and experience our Directors possess are brought to bear in evaluating and managing this critical process.

In addition to formal meetings, Management keeps the RMC and the Board informed on developments in the industry and the Group's operations which may have an impact on the Group's risk profile.

The terms of reference for the RMC are to:

(a) Assist the Board in overseeing the Company's risk management framework, policies and initiatives;

(b) Represent the Board in working closely with Management in fostering a culture of risk awareness and consciousness, throughout the Company;

(c) Work closely with Management in the Company, to ensure that proper management is in place;

(d) Through the RMC, the Board will satisfy itself that Management in the Company is executing the agreed-upon plans and reporting the progress to the Board, regularly and properly; and

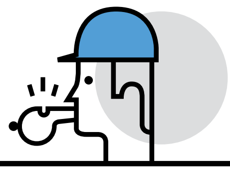
(e) Ensure that Management is operating within the framework of approved strategies and initiatives in keeping with the risk tolerance levels.

Economic and financial conditions result in challenging trading conditions or economic uncertainty. Our results may be affected by the impact of economic conditions on consumer confidence and buying habits. Our business model comprising wholesale and distribution, along with our regional footprint provides for counter economic protection.

Regular reviews through customer research, review of competitor activity, together with forecasting disciplines, are in place to assess current market conditions and to ensure that any issues are dealt with in a timely fashion. Our Sales and Wholesales team manages closely credit terms and use of insurance and/or bank guarantees with trading partners to balance their ability to purchase goods with managing the risk of bad debts. Our Treasury also monitors the stability of financial institutions that hold our deposits and investments are spread over a number of institutions to mitigate the inherent risks and ensure competitive terms.

The Board is of the opinion that the risk management framework and the internal controls (including information technology controls) and systems maintained by Management provide reasonable but not absolute safeguards against material loss and/or financial misstatements. The Board further acknowledges that no cost effective internal control framework will provide an infallible system to serve as an absolute safeguard against all risks, losses, financial misstatements, errors, poor judgment in decision making, human error, losses, fraud or other irregularities. The system is designed to manage rather than to totally eliminate such risks.

Shortly after its listing in 2004, Delfi implemented a Code of Conduct which provides a framework for ethical decision making and good conduct. The code contains important core values and principles of the Company's professional conduct and governance, and applies to the Delfi Limited Group of Companies comprising all its subsidiaries and associated companies in the ASEAN region. The Board of Directors, management and staff are dedicated to upholding the code. In addition, Delfi maintains an Ethics Committee, to which matters of ethical concern or complaint may be surfaced so that such matters may be dealt with objectively, and subject to investigation, disciplinary action or legal process if justified and necessary.



Whistle Blower Protection Mechanism and Policy

The Company's whistle blowing mechanism and policy, is an integral part of its Code of Conduct and Human Resource Manual. The policy seeks to encourage reporting in good faith, of matters which may comprise misdemeanours, misconduct, fraud, corruption, illegal acts, acts of default or other transgressions ("Reportable Conduct"). The mechanism and policy seeks to provide for reporting of Reportable Conduct in confidence that employees or other persons who file such reports are treated fairly and shielded from any reprisal.

The Board, with the concurrence of the AC, is of the opinion that the Company's risk management framework and internal controls are adequate and effective given the financial, operational, compliance and information technology risks that Delfi faces.

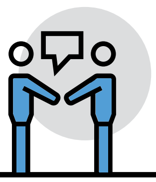
CORPORATE GOVERNANCE

As required under the Code, the Board has been assured by the Group's CEO and CFO:

- that the Company's financial records have been properly maintained and the financial statements give a true and fair view of its operations and finances; and

- that the Company's risk management and internal control systems have both been appropriately established and also tested to ensure that they are effective.

The Board is of the view that Delfi's risk identification and management framework are sufficient and adequate.



Principle 12 - Audit Committee: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

Policy and Practice

The AC was formed on 6 July 2001 under a written charter ("AC Charter"). During 2016 the members of the AC were Mr Mike Dean (Chairman), Mr Pedro Mata-Bruckmann and Mr Koh Poh Tiong. The AC Chairman and all the members of the AC are independent. None of the members of the AC was a former partner or Director of the External Auditors, PricewaterhouseCoopers LLP ("PwC" and/or External Auditors").

With strong educational and professional qualifications in finance, and more than 35 years' experience in the finance and investment industries, Mike Dean is eminently qualified to serve as the Company's AC Chairman. On the AC bench with him are Pedro Mata-Bruckmann and Koh Poh Tiong. Pedro's strong global cocoa, chocolate and multinational company experience of more than 48 years, plus Poh Tiong's unique blend of private and public sector work of over 45 years, forges the AC as a formidable tribunal of expertise.

The AC Charter is periodically reviewed and updated to ensure that evolutions in those financial and business risks and corporate governance matters delegated to it are properly identified and managed.

The present AC Charter defines the AC's duties as follows:

1. Statutory Duties

1.1 To review:

(a) with the statutory auditors of the Company (the "External Auditors"), the audit plan;

(b) with the External Auditors, their evaluation of the system of internal accounting controls;

(c) with the External Auditors, their audit report;

(d) the assistance given by Delfi's officers to the External Auditors;

(e) the scope and results of the internal audit procedures; and

(f) the financial statements of Delfi and thereafter to submit the same to the Directors of Delfi for approval.

2. Internal Controls

2.1 To review and report to the Board at least annually on the adequacy and effectiveness of the internal financial controls, operational and compliance controls and information technology controls and those areas of the risk management policies and systems that are delegated to it by the Board (collectively "Internal Controls").

2.2 To commission an independent audit on Internal Controls for its assurance or where it is not satisfied with the systems of internal control.

3. Internal & External Audit

3.1 To review at least annually the adequacy and effectiveness of Delfi's' internal audit function.

3.2 To hire, remove, evaluate and compensate internal auditors (the "Internal Auditors"). These may be employees of the Company and/or a suitably qualified independent firm of auditors.

3.3 To ensure that the internal audit function is adequately resourced and has appropriate standing within Delfi.

3.4 To review and approve the audit plans of the Internal Auditors in ensuring that audit resources are allocated according to the key business and financial risk areas, focusing on optimum coverage of the risks.

3.5 To review the Internal Auditors' evaluation of the system of internal accounting controls.

3.6 To review the reports of the Internal Auditors and consider the effectiveness of responses / actions taken by Management on the audit recommendations and observations.

3.7 To review the scope, results and cost effectiveness of the external audit, and the independence and objectivity of the External Auditors and the non-audit services provided by the External Auditors.

3.8 To recommend to the Board on the proposals to shareholders regarding the appointment, reappointment, termination, terms of engagement and remuneration of the External Auditors.

3.9 To meet with the Internal and External Auditors, in each case, without the presence of Management annually.

3.10 Review the audit representation letters given by Management to the External Auditors before consideration by the Board.

3.11 Review the content of the External Auditor's Management letter to assess whether it is based on a good understanding of the Company's business and monitor the responsiveness of Management to the recommendations made (or the reasons why they have not been acted upon).

4. Financial Reporting

4.1 To review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance.

4.2 To keep abreast of changes to accounting standards and issues which have a direct impact on the financial statements.

4.3 Together with the External Auditors review the relevance and consistency of the accounting standards used by the Company.

4.4 To review the Company's financial results, including annual financial statements and financial announcements to shareholders and the Singapore Exchange Securities Trading Limited prior to their submission to the Board.

4.5 The Board has delegated its authority to the Audit Committee to review and recommend to the Board the release of the quarterly and full year financial results.

5. Interested Person Transactions

5.1 To review interested person transactions ("IPTs").

5.2 To consider whether the IPTs are on normal commercial terms and not prejudicial to the interests of the Company or its minority shareholders.

5.3 To consider the need for a general mandate for IPTs.

5.4 To recommend the appointment of an independent financial adviser ("IFA") and its fees in respect of IPTs and any other transaction, matter or any other corporate action taken by the Company where such IFA is required.

The AC has reviewed the internal audit team and function, and it is satisfied that the internal audit function is adequately resourced and has appropriate standing within Delfi.

6. Whistle blowing

6.1 To review with the External Auditors and the Internal Auditors and report to the Board, findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of Internal Controls or infringement of any law, rule or regulation applicable to the Company or its subsidiaries which has or is likely to have a material impact on the Group's operating results and/or financial position.

6.2 To review the arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that there is independent investigation of such matters and appropriate follow up actions.

The AC Charter sets out its functions and responsibilities in greater detail. The AC agrees and reviews its key performance metrics with the NC, with respect to how it discharges its role and responsibilities.

The second edition of the "Guidelines for Audit Committees in Singapore" was issued on 19 August 2014. The AC has reviewed its Charter and practises in the light of this and has satisfied itself that it is following the best practices espoused by this guideline.

The AC meets regularly. In addition, as and where necessary, it holds informal discussions and meetings with Management. The AC has full discretion to invite any Director, executive officer, staff, professional, consultant or any other person to attend its meetings. Access to and the full co-operation of the Company's Management has been accorded to the AC. In practise, all AC meetings will be attended by the Group's CFO and CEO so that they are better able to give a complete account of the issues being reviewed and answer questions from the AC members. However, where there are matters of potential sensitivity, Management will be asked to excuse themselves from the meeting so that the AC may discuss matters openly.

In addition, both the External and Internal Auditors have unrestricted access to the AC and at least once each year meet the AC without Management being present to discuss matters concerning the Company in addition to periodic informal meetings with the AC Chairman. The AC has kept abreast of accounting standards and issues

CORPORATE GOVERNANCE

that could potentially impact financial reporting, through in-house training, briefing sessions, and regular updates and advice from its Internal and External Auditors.

KPMG LLP ("KPMG") was the appointed Internal Auditor for 2016 and helps the AC in its objective of being continuously vigilant and transparent, by fulfilling the role of Internal Auditors. (Please also see Principle 13 below). Delfi understands the need for continuing vigilance and transparency so that corporate governance principles are upheld.

The AC has full authority to investigate or look into any matter in its reasonable discretion and in the Company's best interests, and engage any resources as it may reasonably require to discharge its functions properly.

The Company has reviewed the suitability of the External Auditors for their role by assessing a wide range of factors including the quality of their work, their expertise and resources for a job involving the size and complexity of the Company's operations, and their own quality control procedures.

Key Audit Matters

On a quarterly basis, the AC receives and reviews in detail the Group's consolidated management accounts, together with supporting analyses and papers prepared by Management. During the review process, the AC identifies the critical accounting estimates and judgments for the Group, which will be assessed against the key audit matters identified by PwC during the audit of the annual financial statements. The AC also considered, with input from PwC and other subject matter experts, the appropriateness of the critical accounting estimates and judgments made in preparing the annual financial statements.

In particular, the AC reviewed the following matters which it considers to be "key audit matters" in accordance with the definition provided in the Singapore Standards of Auditing 701(13), on Communicating Key Audit Matters in the Independent Auditor's Report, during its review of the annual financial statements for the year ended 31 December 2016.

1. Claims associated with the disposal of Delfi Cacau Brasil Ltda
   Refer to Notes 3(i) and 35(b) to the financial statements.

The Company has been notified of tax claims and a labour claim relating from Barry Callebaut. This comprised nine claims made by the Brasil authorities against Barry Callebaut Industriae E. Commercio de Producto Alimenties Ltda ("BCBI"), the BC Company succeeding Delfi Cacau Brasil Ltda, a divested Brasil subsidiary. In accordance with FRS 37 (on Provisions, Contingent Liabilities and Contingent Assets), the Group should ensure that an appropriate provision is recognised for the relevant liabilities in respect of these claims.

The AC received and reviewed an update of these notified claims prepared by the Group General Counsel and CFO, and duly noted the Company's position that while reserving its rights in relation to these claims, the Company has requested Barry Callebaut to defend these claims, as Management believes that there are grounds to resist these claims. The AC also considered the work performed by PwC which included, inter alia, seeking input from their tax specialists in evaluating Management's assessment of the claims and the adequacy of the amounts recognised in respect of these claims. The AC is satisfied that the amounts recognised and disclosures in respect of these claims as set out in pages 83 and 111 are appropriate. As Management considers the disclosure of further details of these claims can be expected to seriously prejudice the Group's position in relation to these claims, further information has not been disclosed in these financial statements.

2. Assessment of impairment of Brands
   Refer to Notes 3(ii), 22 and 23 to the financial statements.

The Group has three acquired Brands with indefinite useful life. In accordance with FRS 36 *Impairment of Assets*, each of these brands are tested annually for impairment, as well as when there is any indication that the carrying amounts may not be recoverable.

The AC considered whether impairment was required for each of these brands. The AC reviewed the valuation methodology, the basis for key assumptions (royalty rates, long-term growth rates and discount rates) applied by Management and the key drivers of the expected future sales of the branded products for each brand, in determining the reasonable recoverable amount of each Brand. The AC has challenged Management and is satisfied that these are appropriate. The AC has also understood the sensitivity analyses used by Management in their review of brand impairment. In addition, the business plans detailing Management's expectations of future sales of the branded products are considered and approved by the Board of Directors. The AC concurred with Management's conclusion that no impairment was required.

The AC also reviewed the adequacy of the disclosures in respect of these Brands in Notes 22 and 23, and in particular the sensitivity analyses as disclosed in Note 3(ii) on page 84.

3. Assessment of deferred tax liabilities on the temporary differences associated with overseas subsidiaries of the Group.
   Refer to Notes 3(iii) and 8(b) to the financial statements.

In accordance with FRS 12 *Income Taxes*, deferred tax liabilities are required to be recognised for all taxable, temporary differences associated with investments in subsidiaries (e.g. undistributed profits) except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities arise where the expected distribution of profits from the Indonesian subsidiaries to the Company would result in additional withholding tax payable. Since the holding company is able to control the timing of distributions from its subsidiaries and there is no current intention of distributing the unremitted earnings of the overseas subsidiaries in the foreseeable future, Management has assessed that deferred income tax liabilities do not arise on these unremitted earnings. In reviewing the key judgement made by Management in assessing the extent to which the Indonesian subsidiaries are expected to remit their unremitted earnings to the Company in the foreseeable future, the AC considered the Company's available cash position, capital expenditure plans, investment plans and retained earnings as well as its ability to generate sufficient profits to meet the Group's dividend distributions. The AC is satisfied that the judgement made by Management is reasonable.

The AC also reviewed the adequacy of the disclosures (in Note 8(b)) made in relation to deferred tax liabilities arising from the withholding taxes that would be payable on the earnings of the overseas subsidiaries if they were remitted to the Company.

Other than the key audit matters described above, the AC reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016, as well as the Independent Auditor's Report thereon prior to their submission to the Board of Directors for approval. During the course of the review there were a number of other matters that were subject to a similar level of scrutiny by the AC but, in concurrence with the external auditor, these were not so significant as to be classified as "key audit matters".

Interested Person Transactions

The Company renewed the Shareholders' Mandate for it to enter into certain categories of transactions with specified classes of the Company's Interested Persons. Each quarter the AC received and reviewed a report on all interested person transactions prepared by the Management. In addition, all interested person transactions conducted during the financial year were reviewed and reported to the Audit Committee by the Internal Auditors (KPMG) in accordance with the pre-agreed set of procedures.

Internal Audit and Compliance

Prior to the start of the financial year, the AC reviewed and approved the annual Internal Audit plan with the Internal Auditors, KPMG. Thereafter the AC regularly met with the Internal Auditors and received regular updates from the Internal Auditors on their progress in meeting the plan objectives. The AC discussed the result of the Internal Auditors' audit findings and their evaluation of the Company's system of internal accounting controls together with responses from Management. Each quarter, the AC also reviewed progress by Management in addressing the issues identified by the Internal Auditors. The Internal Audit plan set out at the beginning of the year was achieved.

External Audit and Auditor Independence

PwC has been the Company's auditors since 2001. The Group audit partner is rotated on a five-yearly basis. The current Group audit partner, Mrs Deborah Ong (Ms Deborah Tan Yang Sok), has been in place since the audit for the year ended 31 December 2014.

During the year, the AC approved the scope of the audit plans to be undertaken by PwC. The AC discussed the results of the audit with PwC and considered the extent to which the audit plan had been met, the robustness and perceptiveness of work performed on key accounting and audit judgements and the content of its audit reports. On this basis, the AC assessed and concluded that PwC has fulfilled its responsibilities as external auditor.

Based on the above, the AC is pleased to recommended to the Board that PricewaterhouseCoopers LLP be re-appointed as the independent auditor of the Company at the next Annual General Meeting. The Board has concurred with this and accordingly a motion to this effect will be tabled at the forthcoming Annual General Meeting.

External Auditors Fees

The fees paid to the External Auditors are disclosed in page 184. There were also non-audit services provided by the External Auditors, and the non-audit fees are disclosed in page 184.

AC has also performed an annual review of non-audit services provided by PwC to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the independent auditor. PwC has also provided a report confirming that it believes it remained independent

CORPORATE GOVERNANCE

throughout the year, within the meaning of the regulations on this matter. The AC is satisfied that the nature and extent of the services provided will not prejudice the professionalism, independence and objectivity of the External Auditors.

The Company conforms with the rules relating to appointment of External Auditors as set out in Rules 712, 715 and 716 of the Listing Manual.

Principle 13 - Internal Audit: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

Policy and Practice

With the concurrence of the AC, the Board is of the opinion that Delfi's internal controls are adequate and appropriate given the financial, operational and compliance risks that face the Company.

The Board recognises that it has overall responsibility to ensure accurate financial reporting for the Company and for the Company's overall internal control framework, including financial, operational and compliance controls, risk management policies and systems needed to safeguard the shareholders' investments and assets of the Company.

The Internal and External Auditors together with Management, assist the AC in its review of the adequacy of the internal controls, through regular evaluation of the Company's internal controls, financial and accounting policies and risk management policies and procedures. Among other things, the aim is to ensure that the internal controls are adequate.

KPMG, who have been the Company's Internal Auditors since 2010, worked closely with the AC and the Company to closely monitor the internal audit framework. The Internal Auditors report directly to the AC on audit matters and to the Group CFO on administrative matters; and they have unfettered access to documents, records, properties and staff of the Company. Management is of the view that the Internal Auditors meet and exceed the international standards for the professional practice of the Institute of Internal Auditors Singapore internal auditing (Standards) (the "IIA" standards).

The Board is of the opinion that, the internal controls (including information technology controls) and systems maintained by Management provide reasonable but not absolute safeguards against material loss and/or financial misstatements. The Board further acknowledges that no cost effective internal control framework will provide an infallible system to serve as an absolute safeguard against all losses, financial misstatements, errors, poor judgment in decision making, human error, losses, fraud or other irregularities. The system is designed to manage rather than to totally eliminate such risks.

As Delfi operates internationally, it could be affected by a number of risks, including industry and/or the country risks, as well as risks that may generally arise from, inter alia, the use and application of cocoa ingredients, and/or the production, use and consumption of chocolate and other confectionery products, availability of talent, business risks, market risks, a downturn in the economy and political factors such as instability or anarchy in any country that Delfi operates in.

There may also be additional risks not presently known to the industry or the Company, or that the Company may, with the information presently available, currently deem immaterial, which could affect its business and operations. New and/or other risks may well emerge due to environmental, economic, technological, biological and/or other developments.

While the Board and the AC have made every reasonable effort to place a robust and effective system of internal controls to address financial, operational and compliance risks and to prevent, manage and/or buffer risks, should some risks develop into actual events, the business, results of operations, financial condition and prospects of Delfi could be materially and/or adversely affected.

In accordance with good corporate practice, the AC periodically reviews the appointment of its Internal Auditor. The most recent review took place in late 2016 and for 2017 the Company's Internal Auditor will be Ernst and Young LLP.

(IV) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14 - Shareholder Rights: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company respects and upholds shareholders' rights, and tenders its communication with shareholders and investors with care and diligence in an open and non-discriminatory way, so that timely, regular and relevant information regarding the Group's performance, progress and prospects, helps shareholders and investors in their investment decisions. The Board recognises and exercises its overall responsibility to shareholders, by ensuring accurate financial reporting for Delfi and for the Company's overall internal control framework, including financial, operational and compliance controls, risk management policies and through systems needed to safeguard the shareholders' investments and assets of Delfi. The Company's Constitution was amended to provide for the attendance by nominees of shareholders' at general meetings.

The Company makes timely and relevant disclosures of material information to the SGX, and these filings are also then posted on the Company's website to allow shareholders, investors and members of the public to keep abreast of developments in the Company's business and corporate activities.

We encourage and facilitate shareholder engagement and participation through our meetings and briefings referred to in Principle 15 (below).

Principle 15 - Communication with Shareholders: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Policy and Practice

The Company conveys its financial performance, position and outlook on a quarterly basis via announcements to the SGX-ST and subsequently through the Company's website. Regular communication with shareholders enhances the Company's transparency. We also hold briefing sessions with the investment community when financial results are announced.

The Company's Investor Relations and Corporate Communications Department meets with key investors regularly and answers queries from shareholders. Where constructive and practicable, feedback received from our shareholders is addressed in the preparation of our annual and quarterly reports. It is the Company's policy to answer queries and emails requesting information within our targeted 3 to 5 business days.

Our Investor Relations (IR) representative may be contacted through the details listed at page 52.

In accordance with applicable regulations, all financial results comprising financial performance, position and prospects as well as price sensitive information are initially released through SGXNET and then subsequently through various media including press releases, and/or the Company's website at *http://www.delfilimited.com.*

The Company has clear Board approved policies and guidelines for dealings in securities of the Company by Directors and officers, in conformity with the rules relating to dealings in securities in Rule 1207(19) of the Listing Manual. The Company prohibits selected employees from trading in its securities for a period commencing 1 month before the announcement of full year financial results and two weeks from the release of quarterly financial results; and consistently reminds Directors, officers and staff of the need to avoid trading in its securities on short term considerations, as well as to observe laws and regulations on trading in shares, including (but not limited to) insider trading laws.

The Company's dividend policy is integral to Delfi's investment story. We seek to distribute a sensible portion of the Company's cash profit each year taking into account numerous factors including the prevailing economic conditions and prospects in the markets in which we operate, anticipated capital expenditure, likely acquisition opportunities, the availability and cost of borrowings and the need to reward shareholders for their investment in the Company.

Principle 16 - Conduct of Shareholder Meetings: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

Policy and Practice

The majority of our Directors including our Chairman and CEO always attend our AGM. Our Directors always endeavour to attend the AGM and shareholders are given the opportunity to share their thoughts and ideas or ask questions relating to matters which are the subject of the resolutions to be passed.

An independent external party is appointed as scrutineer for the electronic poll voting process. It is the role of the scrutineer to review the proxies and the electronic poll voting system, as well as attend to the proxy verification process, to ensure that the poll voting information is compiled correctly. All of the Company's resolutions are voted on via a poll as this assures shareholders of better transparency. Electronic poll voting devices are used to register the votes of shareholders.

At the AGM, the voting results for each resolution are disclosed to shareholders. When voting for a resolution has concluded, the poll voting results including the number and percentage of votes cast (both for and against the resolution in question) are immediately made known to shareholders. The poll voting and proxy voting results are promptly filed with the SGX.

The Company's Constitution provides for shareholders to participate and vote at general meetings, and shareholders are encouraged to do so. As a matter of good order, we will continue to propose and table separate resolutions in respect of each issue referred to shareholders for approval at general meetings.

Our lawyers, auditors and consultants make it a point to attend our general meetings.

As a matter of policy and practice, minutes of general meetings including comments from shareholders, on all or any issues on the agenda, and responses from the Board and Management, are always available to shareholders upon request.

FINANCIAL STATEMENTS

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DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2016 and the balance sheet of the Company as at 31 December 2016.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 88 to 160 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

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

DIRECTORS

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

Pedro Mata-Bruckmann (Chairman)
Chuang Tiong Choon
Chuang Tiong Liep
Chuang Tiong Kie
Anthony Michael Dean
Davinder Singh
Koh Poh Tiong
Doreswamy Nandkishore (appointed on 3 January 2017)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations (other than wholly-owned subsidiaries), except as follows:

	Holdings registered in the name of a director or nominee		Holdings in which a director is deemed to have an interest	
	At 31.12.2016	At 1.1.2016	**At 31.12.2016**	At 1.1.2016
The Company				
(No. of ordinary shares)				
Pedro Mata-Bruckmann	**177,000**	177,000	**–**	–
Chuang Tiong Choon	**604,800**	384,000	**313,360,400**	312,327,000
Chuang Tiong Liep	**290,800**	70,000	**309,041,000**	308,741,000
Chuang Tiong Kie	**630,800**	110,000	**–**	–
Anthony Michael Dean	**50,000**	50,000	**–**	–
Davinder Singh	**100,000**	100,000	**–**	–
Koh Poh Tiong	**–**	–	**–**	–
Cocoa Specialities, Inc.				
(Ordinary shares of Pesos 100 each)				
Chuang Tiong Choon	**1**	1	**–**	–
Delfi Foods, Inc.				
(Ordinary shares of Peso 1 each)				
Chuang Tiong Choon	**1**	1	**–**	–
Delfi Marketing, Inc.				
(Ordinary shares of Pesos 100 each)				
Chuang Tiong Choon	**1**	1	**–**	–
Chuang Tiong Liep	**1**	1	**–**	–
Springbright Investments Limited				
(Ordinary shares of US$1 each)				
Chuang Tiong Choon	**–**	–	**51**	51
Chuang Tiong Liep	**–**	–	**30**	30
Chuang Tiong Kie	**–**	–	**19**	19
Berlian Enterprises Limited				
(Ordinary shares of US$1 each)				
Chuang Tiong Choon	**–**	–	**51**	51
Chuang Tiong Liep	**–**	–	**30**	30
Chuang Tiong Kie	**–**	–	**19**	19

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

(a) (continued)

	Holdings registered in the name of a director or nominee		Holdings in which a director is deemed to have an interest	
	At 31.12.2016	At 1.1.2016	**At 31.12.2016**	At 1.1.2016
Aerodrome International Limited *				
(Ordinary shares of US$1 each)				
Chuang Tiong Choon	**–**	–	**10**	10
Ceres Super Pte Ltd				
(Ordinary shares of S$1 each)				
Chuang Tiong Choon	**–**	–	**900,000**	900,000
Chuang Tiong Liep	**–**	–	**900,000**	900,000

* Aerodrome International Limited ("AIL") is held by Johnsonville Assets Limited ("JAL") (70%) and Johnsonville Holdings Limited ("JHL") (30%). Credit Suisse Trust Limited ("CST") is a Singapore registered public trust company. CST's deemed interest arises from its 100% shareholding in AIL as the trustee of JAL and JHL. Mdm Lim Mee Len (wife of Mr Chuang Tiong Choon) is the beneficiary of Johnsonville Assets Trust of which CST has been appointed as the trustee. Mdm Lim Mee Len and Mr Chuang Tiong Choon are beneficiaries of Johnsonville Holdings Trust of which CST has been appointed as the trustee.

(b) Chuang Tiong Choon and Chuang Tiong Liep who by virtue of their interest of not less than 20% of the issued capital of the Company, are deemed to have interests in the whole of the share capital of the Company's wholly-owned subsidiaries.

(c) The directors' interests in the shares of the Company as at 21 January 2017 were the same as those as at 31 December 2016 for all the directors.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

SHARE OPTIONS

Share-based incentive schemes

The Delfi Employees Share Option Scheme and the Delfi Share Incentive Plan (collectively, the "Schemes") had expired at the end of September 2014 and were not tabled at the Annual General Meeting held on 26 April 2016 for shareholders' approval. Accordingly, the Schemes were not implemented and no awards were made under the Schemes in year 2016.

As the Schemes had not been adopted and activated through shareholders approval, there were no options granted during the financial year to subscribe for unissued shares of the Company or any subsidiary. There were also no awards under the Share Incentive Plan during the financial year. There were no unissued shares of the Company under option at the end of the financial year.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

AUDIT COMMITTEE

The members of the Audit Committee ("AC") at the end of the financial year were:

Anthony Michael Dean (Chairman)
Pedro Mata-Bruckmann
Koh Poh Tiong

All AC members, including the Chairman, were independent directors. The AC performed its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap 50, the SGX-ST Listing Manual, Code of Corporate Governance 2012 and Guidebook for Audit Committees in Singapore 2014.

The key responsibilities of the AC are to assist the Board in fulfilling its statutory and other responsibilities relating to the integrity of the financial statements, monitoring of the system of internal controls and the independence of the external auditors.

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

INTERNAL AND EXTERNAL AUDIT

The AC has reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It has met the Company's internal and independent auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls.

The AC also held discussions with the internal and external auditors and is satisfied that the processes put in place by management provide reasonable assurance on mitigation of fraud risk exposure to the Group.

FINANCIAL REPORTING

The AC has reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016, as well as the Independent Auditor's Report thereon prior to its submission to the Board of Directors for approval. AC has also reviewed key audit matters set out in the Independent Auditors' report from page 83 to 85 and included its commentary in the Group's Corporate Governance Report.

INTERESTED PERSON TRANSACTIONS

The Company renewed its Shareholders' Mandate for it to enter into certain categories of transactions with specified classes of the Company's Interested Persons. The Audit Committee has also reviewed the interested person transactions of the Group during the financial year in accordance with established procedures.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

EXTERNAL AUDIT AND AUDITOR INDEPENDENCE

The Audit Committee has nominated PricewaterhouseCoopers LLP ("PwC") for re-appointment as the independent auditor of the Company at the forthcoming Annual General Meeting. The Audit Committee has conducted an annual review of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the independent auditor.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712, 715 and 716 of the Listing Manual of the SGX-ST.

Based on the above, the Board concurred with AC's recommendation. Accordingly, the Board has nominated PwC for re-appointment as the independent auditor of the Company at the forthcoming Annual General Meeting.

INDEPENDENT AUDITOR

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

On behalf of the directors

CHUANG TIONG CHOON
Director

CHUANG TIONG KIE
Director

20 March 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DELFI LIMITED (FORMERLY KNOWN AS PETRA FOODS LIMITED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying consolidated financial statements of Delfi Limited (formerly known as Petra Foods Limited) (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated income statement of the Group for the year ended 31 December 2016;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the balance sheets of the Group and of the Company as at 31 December 2016;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended, and
- the notes to the financial statements, including a summary of significant accounting policies.

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

Independence

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DELFI LIMITED (FORMERLY KNOWN AS PETRA FOODS LIMITED)

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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 for the financial year ended 31 December 2016. 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Claims associated with the disposal of Delfi Cacau Brasil Ltda *Refer to Notes 3(i) and 35(b) to the financial statements.* As explained in Note 3(i) to the financial statements, the Company is liable for claims notified by Barry Callebaut ("BC"). This comprised nine claims made by the Brazil authorities against Barry Callebaut Industriae E Commercio de Productos Alimenties Ltda ("BCBI"), the BC company succeeding Delfi Cacau Brasil Ltda, a divested Brazil subsidiary. The Company's total exposure in respect of these notified claims as at 31 December 2016 amounted to BRL 87,002,187 (US$26,729,000). We focused on this area due to the high level of management judgement associated with determining the need for, and magnitude of, the provisions for liabilities associated with these claims.	We evaluated the reasonableness of management's assessment of the outcome of these claims and the adequacy of the amounts recognised in respect of these claims. We involved our own tax specialists in Brazil to assist us in the evaluation of management's assessment. We also considered the adequacy of the Group's disclosures (in Note 3(i) and Note 35(b)) made in relation to the amounts recognised in respect of these claims. Based on the audit procedures performed, the position taken by management is consistent with our evaluation.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DELFI LIMITED (FORMERLY KNOWN AS PETRA FOODS LIMITED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of impairment of brands *Refer to Notes 3(ii), 22 and 23 to the financial statements.* The Group has three acquired brands with indefinite useful life, with a total carrying value of **US$4.1 million** as at 31 December 2016. The assessment of impairment was an area of focus because the assessment of the recoverable amounts of the brands with indefinite useful lives involves significant judgements about the expected future sales of the branded products, royalty rates, expected long term growth rates and the appropriate discount rates applied to the future cash flow forecasts.	We verified the expected future sales of the branded products to internal forecasts and strategic plans that were approved by senior management and the Board of Directors. We also compared the actual sales of the branded products for 2016 with the forecast figures included in the prior year to consider whether the assumptions included in the forecast, with hindsight, had been realistic. We involved our valuation specialists to evaluate the valuation methodology and management's assumptions applied as follows: • Royalty rates – we assessed them against rates charged by comparable organisations; • Long-term growth rates – we compared them against economic and industry forecasts; and • Discount rates – we assessed the weighted average cost of capital for the Group against comparable organisations, as well as considering territory specific factors. We evaluated management's sensitivity calculations over the Group's individual brands to assess the impact on the recoverable amount for each brand. We also considered the adequacy of the Group's disclosures (in Notes 3(ii), 22 and 23) made in relation to brands with indefinite useful lives. Based on the audit procedures performed, we found management's assessment to be consistent with the results of our procedures.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DELFI LIMITED (FORMERLY KNOWN AS PETRA FOODS LIMITED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of deferred tax liabilities on the temporary differences associated with overseas subsidiaries of the Group *Refer to Notes 3(iii) and 8(b) to the financial statements.* Deferred tax liabilities arise where the distribution of profits from an overseas subsidiary would result in additional tax being payable, the most significant of which relates to withholding tax payable in Indonesia for dividends paid to a foreign shareholder. We focused on this area due to the size of the potential exposure of the Group to Indonesian withholding tax liabilities of **US$15.7 million** as at 31 December 2016, and the judgement involved in assessing whether the retained earnings of the Indonesian subsidiaries will be distributed to the Company in the foreseeable future.	We evaluated the reasonableness of management's judgement that the retained earnings of the Indonesia subsidiaries will not be distributed to the Company in the foreseeable future. In this regard, we reviewed internal forecasts and strategic plans that were approved by senior management and Board of Directors. We found no exceptions from these procedures. We compared the total dividends declared by the significant Indonesian subsidiaries to the Company in the current financial year against their current year profits, and noted that the dividends declared were not in excess of the current year profits. We also considered the adequacy of the Group's disclosures (in Note 3(iii) and Note 8(b)) made in relation to deferred tax liabilities arising from the withholding taxes that will be payable on the earnings of the overseas subsidiaries if remitted to the Company.

Other Information

Management is responsible for the other information. The other information comprises the following sections of the annual report, which we obtained prior to the date of this auditor's report, and excludes the financial statements and our auditor's report thereon:

- Chairman's letter
- CEO's letter
- Five-year financial highlights
- Board of directors
- Senior management
- Business review
- Corporate social responsibility
- Operating & financial review
- Corporate governance report
- Directors' statement
- Shareholding statistics
- Shareholder's mandate
- General information relating to Chapter 9 of the listing manual
- Disclosure under SGX-ST listing manual requirements
- Notice of Annual General Meeting / Proxy form

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DELFI LIMITED (FORMERLY KNOWN AS PETRA FOODS LIMITED)

Other Information (continued)

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DELFI LIMITED (FORMERLY KNOWN AS PETRA FOODS LIMITED)

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

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

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

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

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

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

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

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 Mrs. Deborah Ong (Ms. Deborah Tan Yang Sock).

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 20 March 2017

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	The Group 2016 US$'000	2015 US$'000
Revenue	4	**402,083**	405,862
Cost of sales		**(262,352)**	(285,052)
Gross profit		**139,731**	120,810
Other operating income	4	**4,549**	4,906
Expenses			
Selling and distribution costs		**(78,756)**	(72,641)
Administrative expenses		**(19,462)**	(19,330)
Finance costs	6	**(4,088)**	(4,219)
Other operating expenses		**(473)**	(2,138)
Exceptional items	10	**(2,000)**	(20,066)
Share of results of associated companies	19(a)	**(266)**	64
Profit before income tax		**39,235**	7,386
Income tax expense	8	**(13,082)**	(12,126)
Total profit/(loss)		**26,153**	(4,740)
Profit/(loss) attributable to:			
Equity holders of the Company		**26,156**	(4,726)
Non-controlling interest		**(3)**	(14)
		26,153	(4,740)
Earnings/(Losses) per ordinary share [1] (expressed in US cents per share)			
Basic and Diluted	11	**4.28**	(0.77)

Note:

[1] Diluted earnings per share for financial years 2016 and 2015 are the same as basic earnings per share as there were no potentially dilutive ordinary shares.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	The Group	
	2016	2015
	US$'000	US$'000
Profit/(loss) for the year	**26,153**	(4,740)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss:		
Foreign currency translation reserve		
– Currency translation differences arising from consolidation	**1,835**	(16,398)
Items that will not be reclassified to profit or loss:		
Defined pension benefits obligation		
– Remeasurements of defined pension benefits obligation (Note 29(a))	**(753)**	160
– Tax on remeasurements (Note 8(b))	**185**	(43)
– Share of other comprehensive income of associated companies	**8**	51
	(560)	168
Other comprehensive income/(loss), net of tax	**1,275**	(16,230)
Total comprehensive income/(loss) for the year	**27,428**	(20,970)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**27,434**	(20,947)
Non-controlling interest	**(6)**	(23)
	27,428	(20,970)

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

BALANCE SHEETS

AS AT 31 DECEMBER 2016

	Note	The Group 2016 US$'000	The Group 2015 US$'000	The Company 2016 US$'000	The Company 2015 US$'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**67,737**	119,547	**60,030**	111,654
Derivative assets	16	**4**	–	**–**	–
Trade receivables	13	**61,756**	56,280	**1,337**	1,254
Loan to subsidiary	14	**–**	–	**700**	–
Inventories	15	**54,685**	59,592	**–**	–
Tax recoverable		**5,792**	7,631	**–**	–
Other current assets	17	**12,697**	13,437	**888**	3,088
		202,671	256,487	**62,955**	115,996
Non-current assets					
Investments in subsidiaries	18	**–**	–	**35,935**	35,935
Investments in associated companies and joint ventures	19	**2,769**	2,947	**3,000**	3,000
Loans to associated company and joint venture	20	**932**	1,382	**–**	–
Property, plant and equipment	21	**126,768**	116,604	**905**	728
Intangible assets	22	**5,243**	4,810	**5,167**	4,613
Deferred income tax assets	8(b)	**775**	342	**–**	–
Other non-current assets	24	**3,173**	5,021	**–**	–
		139,660	131,106	**45,007**	44,276
Total assets		**342,331**	387,593	**107,962**	160,272
LIABILITIES					
Current liabilities					
Trade payables	25	**34,689**	25,925	**332**	800
Other payables	26	**37,820**	30,205	**4,086**	2,741
Current income tax liabilities		**1,382**	489	**–**	129
Derivative liabilities	16	**91**	24	**91**	–
Borrowings	27	**44,197**	59,453	**95**	90
		118,179	116,096	**4,604**	3,760
Non-current liabilities					
Borrowings	27	**9,578**	15,199	**190**	246
Deferred income tax liabilities	8(b)	**1,628**	4,447	**–**	–
Provisions for other liabilities and charges	29	**11,654**	9,697	**–**	–
		22,860	29,343	**190**	246
Total liabilities		**141,039**	145,439	**4,794**	4,006
NET ASSETS		**201,292**	242,154	**103,168**	156,266
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	30	**95,936**	155,951	**95,936**	155,951
Foreign currency translation reserve	31(a)	**(60,228)**	(62,066)	**–**	–
Other reserves	31(b)	**1,760**	2,245	**–**	–
Retained earnings	32	**163,710**	145,904	**7,232**	315
		201,178	242,034	**103,168**	156,266
Non-controlling interest		**114**	120	**–**	–
TOTAL EQUITY		**201,292**	242,154	**103,168**	156,266

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Attributable to equity holders of the Company							
	Note	Share capital US$'000	Foreign currency translation reserve US$'000	General reserve US$'000	Defined pension benefits obligation US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interest US$'000	Total equity US$'000
The Group									
Balance at 1 January 2016		**155,951**	**(62,066)**	**2,147**	**98**	**145,904**	**242,034**	**120**	**242,154**
Profit for the year		–	–	–	–	26,156	26,156	(3)	26,153
Other comprehensive income/(loss) for the year		–	1,838	–	(560)	–	1,278	(3)	1,275
Total comprehensive income/ (loss) for the year		**–**	**1,838**	**–**	**(560)**	**26,156**	**27,434**	**(6)**	**27,428**
Transfer to general reserve	32(a)	–	–	75	–	(75)	–	–	–
Capital reduction	30	(60,015)	–	–	–	–	(60,015)	–	(60,015)
Interim dividend relating to 2016 paid	33	–	–	–	–	(8,275)	(8,275)	–	(8,275)
Total transactions with owners, recognised directly in equity		**(60,015)**	**–**	**75**	**–**	**(8,350)**	**(68,290)**	**–**	**(68,290)**
Balance at 31 December 2016		**95,936**	**(60,228)**	**2,222**	**(462)**	**163,710**	**201,178**	**114**	**201,292**
Balance at 1 January 2015		**155,951**	**(45,677)**	**2,072**	**(70)**	**184,907**	**297,183**	**143**	**297,326**
Loss for the year		–	–	–	–	(4,726)	(4,726)	(14)	(4,740)
Other comprehensive (loss)/ income for the year		–	(16,389)	–	168	–	(16,221)	(9)	(16,230)
Total comprehensive (loss)/ income for the year		**–**	**(16,389)**	**–**	**168**	**(4,726)**	**(20,947)**	**(23)**	**(20,970)**
Transfer to general reserve	32(a)	–	–	75	–	(75)	–	–	–
Final and special dividend relating to 2014 paid	33	–	–	–	–	(21,757)	(21,757)	–	(21,757)
Interim and special dividend relating to 2015 paid	33	–	–	–	–	(12,445)	(12,445)	–	(12,445)
Total transactions with owners, recognised directly in equity		**–**	**–**	**75**	**–**	**(34,277)**	**(34,202)**	**–**	**(34,202)**
Balance at 31 December 2015		**155,951**	**(62,066)**	**2,147**	**98**	**145,904**	**242,034**	**120**	**242,154**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 US$'000	2015 US$'000
Cash flows from operating activities			
Total profit/(loss)		**26,153**	(4,740)
Adjustments:			
Income tax expense	8(a)	**13,082**	12,126
Depreciation and amortisation		**9,177**	7,584
Property, plant and equipment written off		**73**	124
Impairment loss on brands		**–**	265
Gain on disposal of property, plant and equipment		**(104)**	(1,470)
Exceptional items	10	**2,000**	20,066
Interest income		**(3,918)**	(2,053)
Interest expense		**4,088**	4,219
Fair value loss on derivatives		**63**	64
Share of results of associated companies		**266**	(64)
Operating cash flow before working capital changes		**50,880**	36,121
Changes in working capital			
Inventories		**4,907**	13,158
Trade and other receivables		**(2,889)**	27,893
Trade and other payables		**16,293**	(16,246)
Cash generated from operations		**69,191**	60,926
Interest received		**3,918**	2,053
Income tax paid		**(13,454)**	(19,731)
Net cash provided by operating activities		**59,655**	43,248
Cash flows from investing activities			
Purchases of property, plant and equipment		**(16,674)**	(23,479)
Payments for patents and trademarks		**(691)**	(341)
Payment for final settlement of dispute	10	**–**	(38,800)
Proceeds from disposal of property, plant and equipment		**315**	1,530
Net cash used in investing activities		**(17,050)**	(61,090)
Cash flows from financing activities			
Capital reduction	30	**(60,015)**	–
Proceeds from bank borrowings		**–**	22,836
Proceeds from/(repayment of) trade finance		**114**	(4,613)
Repayment of bank borrowings		**(22,044)**	(7,113)
Repayment of lease liabilities		**(2,802)**	(5,200)
Interest paid		**(4,088)**	(4,232)
Dividends paid to equity holders of the Company		**(8,275)**	(34,202)
Net cash used in financing activities		**(97,110)**	(32,524)
Net decrease in cash and cash equivalents		**(54,505)**	(50,366)
Cash and cash equivalents			
Beginning of financial year	12	**100,550**	149,212
Effects of currency translation on cash and cash equivalents		**(810)**	1,704
End of financial year	12	**45,235**	100,550

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Reconciliation of liabilities arising from financing activities

	2015 US$'000	Cash flows US$'000	Non-cash changes US$'000 Additions	US$'000 Foreign exchange movement	2016 US$'000
Bank borrowings	45,894	(22,044)	–	238	**24,088**
Lease liabilities	3,961	(2,802)	148	(36)	**1,271**
Trade finance	5,800	114	–	–	**5,914**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

1. GENERAL INFORMATION

Delfi Limited (formerly known as Petra Foods Limited) (the "Company") is incorporated and domiciled in Singapore and is publicly traded on the Singapore Exchange Securities Trading Limited. The address of its registered office is 111 Somerset Road, #12-03 TripleOne Somerset, Singapore 238164.

The principal activities of the Company are the marketing and distribution of chocolate, chocolate confectionery, consumer products and investment holding. The principal activities of each of the subsidiaries are set out in Note 18.

With effect from 9 May 2016, the name of the Company was changed from Petra Foods Limited to Delfi Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of critical accounting estimates and assumptions. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made, as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

The Group has early adopted the amendments to FRS 7 Statement of cash flows (Disclosure initiative) on 1 January 2016. The amendment is applicable for annual periods beginning on or after 1 January 2017. It sets out the required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) the fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to Note 2.13(a) for the accounting policy on goodwill subsequent to initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Group accounting (continued)

(a) Subsidiaries (continued)

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.11 for the Company's accounting policy on investments in subsidiaries.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

(c) Associated companies and joint ventures

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Group accounting (continued)

(c) Associated companies and joint ventures (continued)

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint ventures' post-acquisition profits or losses of the investee in the Group's profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to Note 2.11 for the Company's accounting policy on investments in associated companies and joint ventures.

2.3 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in United States Dollars, which is the Company's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Currency translation (continued)

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment in the foreign operation are repaid, a proportionate share of the accumulated currency translation difference is reclassified to profit or loss, as part of the gain or loss on disposal.

All foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other operating income" or "Other operating expenses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair value measurements are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in the other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Revenue and other operating income recognition

Revenue comprises the invoiced amount, at fair value, for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue are presented net of value added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue and other operating income when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer and collectability of the related receivables is reasonably assured.

(b) Interest income

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

2.5 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

2.6 Exceptional items

Exceptional items are items of income and expense of such size, nature or incidence that their disclosure is relevant to explain the performance of the Group for the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred income tax on temporary differences arising from the fair value gains and losses on cash flow hedges are charged or credited directly to equity in the same period the temporary differences arise. Deferred income tax arising from a business combination is adjusted against goodwill on acquisition.

2.8 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value, net of bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables comprise cash and cash equivalents, trade receivables, other receivables, deposits, loans to associated company and joint venture and loans to subsidiaries.

Loans and receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less accumulated impairment losses. An allowance for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loans and receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in profit or loss.

2.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs incurred in bringing each product to its present location and condition. Inventories comprise manufactured and purchased inventories.

The cost of manufactured inventories includes raw material cost, direct labour cost and production overheads based on the normal level of activity but excludes borrowing costs. The raw material cost, which comprises primarily cocoa ingredients, milk, sugar and packaging materials, includes their purchase price, inward shipping costs and import duties and charges. Direct labour cost comprises primarily manufacturing staff cost. Production overheads comprise primarily utilities charges, rental costs, depreciation of plant and machinery and indirect costs relating to the manufacturing of the inventories.

Work-in-progress inventories include direct material cost and direct labour cost incurred to the date of the financial statements. The amount also includes an allocated amount of production overheads by applying an overhead rate to the estimated stage of completion.

The cost of goods purchased includes their purchase price, inward shipping costs and import duties and charges.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.11 Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures are stated at cost less accumulated impairment losses (Note 2.14(c)) in the Company's balance sheet. On disposal of investments in subsidiaries, associated companies and joint ventures, the differences between disposal proceeds and the carrying amount of the investments are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (Note 2.14(c)).

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.5 on borrowing costs). The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring the assets or using the assets for purposes other than to produce inventories.

(b) Depreciation

Construction work-in-progress are not depreciated.

Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	Useful lives
Leasehold land	Lease term of 30 years
Buildings and improvements	10 – 30 years
Machinery and equipment	10 – 15 years
Motor vehicles	5 years
Office equipment	5 – 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Intangible assets

(a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognized separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisition of joint ventures and associated companies represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets acquired and contingent liabilities of the acquired joint ventures, associated companies or subsidiaries at the date of acquisition. Goodwill on associated companies and joint ventures is included in the carrying amount of the investments.

Goodwill is recognised separately as an intangible asset and carried at cost less accumulated impairment losses (Note 2.14(a)).

Negative goodwill represents the excess of the fair value of the identifiable net assets of subsidiaries or associated companies or joint ventures when acquired over the cost of acquisition. Negative goodwill is recognised immediately in profit or loss.

Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Brands, patents and trademarks

Brands acquired as part of business combinations are recognised when they arise from contractual or other legal rights, or are separable.

Such brands are recognised at their fair values at the acquisition date and subsequently carried at cost (i.e. the fair values at initial recognition) less accumulated amortisation and accumulated impairment losses.

Brands that are regarded as having indefinite useful lives are not amortised and are subsequently tested for impairment annually (Note 2.14(b)).

Brands that are regarded as having limited useful lives are stated at cost less accumulated amortisation and accumulated impairment losses (Note 2.14(c)). Amortisation is calculated using the straight-line method to allocate the cost of brands over their estimated useful lives of 5 years.

Patents and trademarks are stated at cost less accumulated amortisation and accumulated impairment losses (Note 2.14(c)). Amortisation is calculated using the straight-line method to allocate the cost of patents and trademarks over their estimated useful lives of up to 5 years.

The useful lives of brands, patents and trademarks are assessed at each balance sheet date and adjustments are included in profit or loss in the financial year in which the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Intangible assets (continued)

(c) Acquired computer software licences

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the assets for its intended use. Costs associated with maintaining the computer software are expensed when incurred.

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

2.14 Impairment of non-financial assets

(a) Goodwill

Goodwill is tested for impairment annually, and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies of the business combination.

An impairment loss is recognised in profit or loss when the carrying amount of the CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of the CGU is the higher of the CGU's fair value less costs to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Brands with indefinite useful lives

Brands that are regarded as having indefinite useful lives are tested annually for impairment, as well as when there is any indication that the carrying amounts may not be recoverable.

An impairment loss is recognised in profit or loss when the carrying amount of the acquired brand exceeds the recoverable amount of the acquired brand. The recoverable amount of the brand is the higher of a brand's fair value less costs to sell and value-in-use.

An impairment loss on brand is recognised as an expense and is reversed if, and only if, there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the brand's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Impairment of non-financial assets (continued)

(c) Other intangible assets
Property, plant and equipment
Investments in subsidiaries, associated companies and joint ventures

Other intangible assets, property, plant and equipment and investments in subsidiaries, associated companies and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less costs to sell and value-in-use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from the other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for these assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for these assets is recognised in profit or loss.

2.15 Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

At the inception of a hedge relationship, the Group formally designates and documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Where the derivative qualifies for hedge accounting, recognition of any resultant gain or loss is based on the nature of the item being hedged. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

Cash flow hedges refer to hedges against exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Derivative financial instruments and hedging activities (continued)

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Upon discontinuation of hedge accounting, any cumulative gains or losses on the hedging instrument that remain recognised in the cash flow hedge reserve from the period when the hedge was effective should remain in equity and are transferred to profit or loss in the periods when the forecast transactions are recognised in profit or loss. If the forecast transaction is no longer expected to occur, the net cumulative gain or loss is immediately recognised in profit or loss.

Derivatives that are not designated or do not qualify for hedge accounting are categorised as financial assets at fair value through profit or loss. Fair value changes on these derivatives were recognised within other operating income or other operating expenses.

2.16 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

2.18 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair value plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee shall be carried at the expected amount payable to the bank in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are also presented as current liabilities when the Group has the intention to repay the borrowings within 12 months after the balance sheet date.

2.20 Leases

Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee compensation

(a) Defined benefit plans

Defined benefit plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related post-employment benefit obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise.

Past service costs are recognised immediately in profit or loss.

(b) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis.

The Group's obligation, in regard to the defined contribution plans, is limited to the amount it contributes to the fund. The Group's contributions to defined contribution plans are recognised in the financial year to which they relate.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(d) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.23 Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved for payment by the shareholders.

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the Executive Committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.25 Fair value estimation of financial assets and liabilities

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values.

The fair values of borrowings carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial liabilities.

2.26 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to expenses are deducted against the related expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom exactly equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Claims associated with the disposal of Delfi Cacau Brasil Ltda

Barry Callebaut acquired Delfi Cacau Brazil Ltda ("DCBR"), a subsidiary of the Company, as part of the sale of the Cocoa Ingredients business on 30 June 2013. On 2 June 2014, Barry Callebaut restructured and merged DCBR into a new entity, Barry Callebaut Industriae E Commercio de Producto Alimenties Ltda ("BCBI").

In 2015, the Company entered into a settlement agreement with Barry Callebaut with regards to the dispute and the resulting arbitration that had been commenced by the Company against Barry Callebaut in relation to adjustments to the closing price that had been paid by Barry Callebaut to the Company (Note 10). As part of the settlement, the parties had mutually agreed to terminate the Sales and Purchase Agreement on 28 August 2015, although the parties agreed that certain environmental, tax and other warranties would continue. Barry Callebaut remained entitled to bring any further claims that may arise under the continuing warranties.

In 2015, Barry Callebaut had notified the Company of various tax claims and a labour claim against BCBI, in relation to the activities of DCBR.

During the financial year ended 31 December 2016, these existing claims were revised by the local authorities or have progressed as follows:

(1) The claim of BRL 18,588,594 in connection with a tax assessment of the "Social Integration Program / Public Employee Savings Program (PIS)" and the "Contribution for the Financing of Social Security (COFINS)", was revised to BRL 23,063,648;

(2) The claim of BRL 227,440 for unpaid import tax arising from the import of a bean roaster, has been revised to BRL 953,992;

(3) The claim of BRL 15,643,285 for the restitution of taxes and import duties arising from the import of cocoa beans, has been revised to BRL 19,331,972; and

(4) The unquantified claim based on a labour law complaint relating to outsourcing of activities to contract workers has been referred on appeal to the second level judicial court. The penalty of BRL 500,000 was notified to the Company in 2015.

The quantum of the existing claims, which previously amounted to BRL 34,959,319 (US$8,900,000), have been revised to BRL 43,349,612 (US$13,318,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

(i) Claims associated with the disposal of Delfi Cacau Brasil Ltda (continued)

On 20 December 2016, the Company received notifications of new Brazil tax claims from Barry Callebaut, as set out below:

(1) A new claim of BRL 12,751,426 in connection with a tax assessment of the "PIS/COFINS";

(2) 2 separate claims of BRL 29,177,666 and BRL 1,270,319 respectively for allegedly unpaid tax duties arising from the import of cocoa beans; and

(3) 2 new claims of BRL 297,830 and BRL 155,334 respectively, for allegedly incorrect or overstating credits due arising from tax assessments from prior years.

Taking into account all new claims and existing claims, the Company's total exposure in respect of notified tax and labour claims in Brazil as at balance sheet date amounted to BRL 87,002,187 (US$26,729,000) [2015: BRL 34,959,319 (US$8,828,000)].

While reserving its rights in relation to the claims set out above, the Company has requested Barry Callebaut to defend these claims. Management believes that there are grounds to resist these claims.

In assessing the relevant liabilities, management has considered, among other factors, industry developments in the current financial year and the legal environment in Brazil, and assessed that the amounts recognised in respect of these claims are adequate as at 31 December 2016. As management considers the disclosure of further details of these claims can be expected to prejudice seriously the Group's position in relation to the claims, further information has not been disclosed in these financial statements.

(ii) Estimated impairment of brands

Brands with indefinite useful lives are tested for impairment annually, in accordance with the accounting policy stated in Note 2.14. As at 31 December 2016, the carrying amounts of brands with indefinite useful lives was US$4,141,000 (2015: US$4,226,000).

Impairment tests are conducted annually to assess the brands with indefinite useful lives and ensure that these brands are not carried below their recoverable amounts. The recoverable amount of the brands has been determined based on Royalty Relief Approach. Estimating the recoverable amounts requires the Group to forecast future cash flows based on expected future sales of the branded products, royalty rates, expected long term growth rates and the appropriate discount rates applied to the future cash flow forecasts (Note 23).

In 2015, there was an impairment charge of US$265,000 for one of the brands, which reduced the carrying amount of brands to US$4,226,000.

If management's estimated royalty rate of the brands at 31 December 2016 was lowered by 1% (2015: 1%), the recoverable amount of these brands would be reduced by US$5,051,000 (2015: US$5,147,000) and the carrying amount of one of the brands will be reduced by US$345,000 (2015: US$371,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

(ii) Estimated impairment of brands (continued)

If management's estimated pre-tax discount rate of the brands at 31 December 2016 was increased by 1% (2015: 1%), the recoverable amount of these brands would be reduced by US$1,453,000 (2015: US$1,416,000) and the carrying amount of one of the brands will be reduced by US$172,000 (2015: US$194,000).

If management's estimated long term growth rate of the brands at 31 December 2016 was lowered by 1% (2015: 1%), the recoverable amount of these brands would be reduced by US$1,098,000 (2015: US$1,057,000) and the carrying amount of one of the brands will be reduced by US$127,000 (2015: US$149,000).

(iii) Income taxes

Deferred tax liabilities on temporary differences associated with overseas subsidiaries of the Group

As disclosed in Note 8(b), deferred income tax liabilities on the unremitted earnings of the Group's overseas subsidiaries had not been recognised. Judgement is required by management in the assessment of whether the overseas subsidiaries are expected to distribute profits to the Company in the foreseeable future out of retained earnings.

The Company has determined that these unremitted earnings, net of non-distributable retained earnings, amounted to US$158.5 million (2015: US$141.5 million) at the balance sheet date.

Deferred income tax liabilities of the Group of US$15.7 million (2015: US$14.0 million) have not been recognised for the withholding taxes that will be payable on the earnings of the overseas subsidiaries if remitted to the holding company, as the holding company is able to control the timing of such remittance and there is no current intention of remitting the unremitted earnings of the overseas subsidiaries to the holding company in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. REVENUE AND OTHER OPERATING INCOME

	The Group	
	2016	2015
	US$'000	US$'000
Sale of goods	**402,083**	405,862
Other operating income:		
– Interest income	**3,918**	2,053
– Gain on disposal of property, plant and equipment	**104**	1,470
– Miscellaneous income	**527**	1,383
Total other operating income	**4,549**	4,906

Miscellaneous income comprised mainly sales of scrap.

In 2016, interest income included US$2.6 million (IDR34.5 billion) received by PT General Foods Industries ("GFI"), a wholly owned subsidiary of the Company, from the Director General of Taxation ("DGT") in Indonesia. This related to rulings in 2012 and 2014 by the Indonesian Tax court and Supreme Court in favour of GFI in its appeal against the DGT's imposition of an additional tax assessment in 2009 amounting to IDR 72.5 billion (US$7,238,000) pertaining to the issue of transfer pricing. In 2012, DGT refunded the IDR 72.5 billion to GFI but based on Indonesian tax regulation, the DGT must in addition pay interest for the period the amount was withheld.

5. EMPLOYEE COMPENSATION

	The Group	
	2016	2015
	US$'000	US$'000
Wages and salaries	**34,111**	35,183
Employer's contribution to defined contribution plans	**996**	1,062
Defined benefit plans (Note 29)	**1,859**	1,592
	36,966	37,837
Less: Government grant	**(9)**	(4)
	36,957	37,833

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. FINANCE COSTS

	The Group	
	2016	2015
	US$'000	US$'000
Interest expense:		
– Bank borrowings and overdrafts	**4,674**	4,992
– Trade finance	**258**	245
– Finance lease liabilities	**109**	198
	5,041	5,435
Less: Borrowing costs capitalised as cost of property, plant and equipment (Note 21)	**(953)**	(1,216)
	4,088	4,219

7. EXPENSES BY NATURE

The following items have been included in arriving at profit before tax:

	The Group	
	2016	2015
	US$'000	US$'000
Advertising and promotion	**44,427**	40,681
Amortisation of intangible assets (Note 22(d))	**163**	160
Impairment loss on brands (Note 22(a))	**–**	265
Cost of inventories recognised as an expense	**224,253**	245,912
Depreciation of property, plant and equipment (Note 21)	**9,014**	7,424
Employee compensation (Note 5)	**36,957**	37,833
Foreign exchange loss – net	**124**	1,051
Inventories written off	**3,051**	1,907
Allowance made for inventory obsolescence	**1,915**	1,418
Impairment loss on trade receivables	**77**	152
Impairment loss on loan to joint venture (Note 20)	**–**	285
Logistics and insurance	**13,796**	15,153
Professional fees	**1,117**	1,451
Rentals on operating leases	**1,775**	2,551
Travelling expenses	**1,912**	2,008

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. INCOME TAXES

(a) Income tax expense

	The Group 2016 US$'000	The Group 2015 US$'000
Tax expense attributable to profit is made up of:		
Profit for the financial year:		
Current income tax		
– Foreign	**15,417**	11,129
Deferred income tax (Note 8(b))	**(3,249)**	578
	12,168	11,707
Under provision in prior financial years:		
– Current income tax	**914**	419
Total income tax expense	**13,082**	12,126

The tax liabilities of the Company and its subsidiaries have been measured based on the corporate tax rate and tax laws prevailing at balance sheet date.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	The Group 2016 US$'000	The Group 2015 US$'000
Profit before tax	**39,235**	7,386
Share of results of associated companies, net of tax	**266**	(64)
Profit before tax and share of results of associated companies	**39,501**	7,322
Tax calculated at a tax rate of 17% (2015: 17%)	**6,715**	1,245
Effects of:		
– Different tax rates in other countries	**3,588**	2,518
– Income not subject to tax	**(49)**	(56)
– Tax incentive	**(2,579)**	–
– Expenses not deductible for tax purposes	**1,066**	3,803
– Withholding tax on dividends and royalties paid by foreign subsidiaries	**3,090**	4,004
– Deferred tax assets not recognised	**476**	633
– Utilisation of previously unrecognised tax losses and capital allowances	**(139)**	(440)
– Under provision in prior financial years	**914**	419
Tax charge	**13,082**	12,126

In 2016, an Indonesian subsidiary of the Group obtained a tax benefit of IDR 34.4 billion (US$2,576,000) through a new regulation relating to fixed assets revaluation for 2015 and 2016 income tax submissions. The new regulation was issued as part of the Indonesian Government's fifth stimulus package, and was effective from 20 October 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. INCOME TAXES (continued)

(b) Deferred income taxes

Deferred income tax assets and deferred income tax liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown in the balance sheets as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Deferred income tax assets				
– To be recovered within 1 year	**–**	–	**–**	–
– To be recovered after 1 year	**(775)**	(342)	**–**	–
	(775)	(342)	**–**	–
Deferred income tax liabilities				
– To be recovered within 1 year	**–**	–	**–**	–
– To be recovered after 1 year	**1,628**	4,447	**–**	–
	1,628	4,447	**–**	–

The movement in deferred income tax account is as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Beginning of financial year	**4,105**	3,922	**–**	–
Tax (credited)/charged to:				
– Profit or loss	**(3,249)**	578	**–**	–
– Other comprehensive income[1]	**(185)**	43	**–**	–
Currency translation differences	**182**	(438)	**–**	–
End of financial year	**853**	4,105	**–**	–

Note:

[1] This relates to tax (credit)/charge on remeasurements of defined pension benefits obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. INCOME TAXES (continued)

(b) Deferred income taxes (continued)

Deferred income tax assets are recognised for capital allowances and tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. In 2016, one of the Group's subsidiaries in Indonesia recognised a deferred tax asset of US$2,576,000 under a special fixed asset tax revaluation regulation (Note 8(a)). Under the regulation, the subsidiary increased its tax depreciable values of certain categories of property, plant and equipment, thereby reducing future tax payments.

The Group has unrecognised capital allowances of US$1,448,000 (2015: US$2,021,000) and unrecognised tax losses of US$87,205,000 (2015: US$87,671,000) at the balance sheet date, which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements in the respective countries of incorporation of those companies with unrecognised capital allowances and tax losses. The Company has unrecognised capital allowances of US$Nil (2015: US$507,000) and unrecognised tax losses of US$80,329,000 (2015: US$79,075,000) at the balance sheet date, which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements in Singapore.

These capital allowances and tax losses do not have any expiry dates, except for tax losses of US$90,000 (2015: US$849,000) incurred by certain subsidiaries which will expire in 2017.

Deferred income tax liabilities of the Group of US$15.7 million (2015: US$14.0 million) have not been recognised for the withholding taxes that will be payable on the earnings of the overseas subsidiaries if remitted to the holding company, as the holding company is able to control the timing of such remittance and there is no current intention of remitting the unremitted earnings of the overseas subsidiaries to the holding company in the foreseeable future. The Company has determined that these unremitted earnings, net of non-distributable retained earnings (Note 32(a)), amounted to US$158.5 million (2015: US$141.5 million) at the balance sheet date.

The movement in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year is as follows:

The Group

Deferred income tax liabilities

	Accelerated tax depreciation US$'000	Other taxable temporary differences US$'000	Total US$'000
2016			
Beginning of financial year	**8,567**	**983**	**9,550**
Credited to profit or loss	**(2,688)**	**(408)**	**(3,096)**
Currency translation differences	**206**	**–**	**206**
End of financial year	**6,085**	**575**	**6,660**
2015			
Beginning of financial year	9,947	819	10,766
(Credited)/charged to profit or loss	(430)	164	(266)
Currency translation differences	(950)	–	(950)
End of financial year	8,567	983	9,550

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. INCOME TAXES (continued)

(b) Deferred income taxes (continued)

Deferred income tax assets

	Provisions US$'000	Unutilised tax losses and tax allowances US$'000	Unrealised exchange losses US$'000	Total US$'000
2016				
Beginning of financial year	**(5,448)**	**7**	**(4)**	**(5,445)**
(Credited)/charged to:				
– Profit or loss	**(150)**	**(4)**	**1**	**(153)**
– Other comprehensive income[1]	**(185)**	**–**	**–**	**(185)**
Currency translation differences	**(24)**	**–**	**–**	**(24)**
End of financial year	**(5,807)**	**3**	**(3)**	**(5,807)**
2015				
Beginning of financial year	(6,862)	5	13	(6,844)
(Credited)/charged to:				
– Profit or loss	858	3	(17)	844
– Other comprehensive income[1]	43	–	–	43
Currency translation differences	513	(1)	–	512
End of financial year	(5,448)	7	(4)	(5,445)

Note:

[1] This relates to tax (credit)/charge on remeasurements of defined pension benefits obligation.

The Company

The Company had no deferred tax assets or liabilities recognised at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION ("EBITDA")

EBITDA is a measure of profit determined by the management as follows:

	The Group	
	2016	2015
	US$'000	US$'000
Profit before tax	**39,235**	7,386
Adjustments for:		
Interest expense (Note 6)	**4,088**	4,219
Interest income (Note 4)	**(3,918)**	(2,053)
Depreciation of property, plant and equipment (Note 21)	**9,014**	7,424
Amortisation of intangible assets (Note 22(d))	**163**	160
Impairment loss on brands (Note 22(a))	**–**	265
Exceptional items (Note 10)	**2,000**	20,066
EBITDA	**50,582**	37,467

10. EXCEPTIONAL ITEMS

In 2016, the Group recognised an exceptional charge of US$2.0 million pertaining to ongoing claims associated with the disposal of DCBR (Note 3(i)).

In 2015, exceptional items mainly comprised a one-time charge of US$19,400,000 from the full and final settlement reached with Barry Callebaut and professional fees incurred by the Company pertaining to the resolution of the dispute and on-going Brazil tax claims.

11. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2016	2015
Net profit/(loss) attributable to equity holders of the Company (US$'000)	**26,156**	(4,726)
Weighted average number of ordinary shares ('000)	**611,157**	611,157
Basic earnings/(loss) per share (US cents)	**4.28**	(0.77)

(b) Diluted earnings per share

Diluted earnings per share for financial years 2016 and 2015 are the same as basic earnings per share as there were no potentially dilutive ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and on hand	**10,329**	10,900	**5,030**	6,654
Short-term bank deposits	**57,408**	108,647	**55,000**	105,000
	67,737	119,547	**60,030**	111,654

For the purpose of presenting the consolidated statement of cash flows, the cash and cash equivalents comprise the following:

	The Group	
	2016	2015
	US$'000	US$'000
Cash and bank balances (as above)	**67,737**	119,547
Less: Bank overdrafts (Note 27)	**(22,502)**	(18,997)
Cash and cash equivalents per consolidated statement of cash flows	**45,235**	100,550

13. TRADE RECEIVABLES

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables				
– Third parties	**62,061**	56,627	**–**	706
– Subsidiaries	**–**	–	**1,337**	548
– Associated company	**15**	7	**–**	–
– Related parties	**93**	11	**–**	–
	62,169	56,645	**1,337**	1,254
Less: Allowance for impairment of receivables – third parties	**(413)**	(365)	**–**	–
	61,756	56,280	**1,337**	1,254

Related parties represent corporations in which certain directors have substantial financial interests.

14. LOAN TO SUBSIDIARY

The loan to a subsidiary is unsecured and repayable upon demand. The loan bears interest at variable rate and the effective interest rate as at balance sheet date is 1.95% per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15 INVENTORIES

	The Group 2016 US$'000	The Group 2015 US$'000
Raw materials	**8,508**	12,134
Work-in-progress	**850**	711
Finished goods	**39,099**	39,611
Packaging materials and others	**6,228**	7,136
	54,685	59,592

16. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative assets or derivative liabilities represent the fair values on the following outstanding derivatives.

	The Group Fair values		The Company Fair values	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
2016				
Not designated for hedge accounting				
Foreign exchange forwards	**4**	**–**	**–**	**–**
Non-deliverable forwards	**–**	**91**	**–**	**91**
2015				
Not designated for hedge accounting				
Foreign exchange forwards	–	24	–	–

The notional amounts of the Group's and the Company's foreign exchange forwards denominated in the following currencies are as follows:

	The Group 2016 US$'000	The Group 2015 US$'000	The Company 2016 US$'000	The Company 2015 US$'000
Euro				
– Long	**73**	197	**–**	–
GBP				
– Long	**798**	–	**798**	–
USD				
– Long	**979**	83	**–**	–
SGD				
– Long	**–**	23	**–**	–
THB				
– Long	**–**	545	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. OTHER CURRENT ASSETS

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Other receivables				
– Third parties	**9,702**	10,058	**533**	536
– Subsidiaries (non-trade)	**–**	–	**242**	2,310
– Associated companies (non-trade)	**253**	129	**–**	–
– Joint ventures (non-trade)	**21**	–	**21**	–
– Related parties (non-trade)	**10**	1	**–**	–
	9,986	10,188	**796**	2,846
Less: Allowance for impairment of receivables – third parties	**–**	(4)	**(87)**	–
	9,986	10,184	**709**	2,846
Deposits	**1,560**	1,578	**28**	42
Prepayments	**1,151**	1,675	**151**	200
	12,697	13,437	**888**	3,088

Other non-trade receivables due from subsidiaries, associated companies and related parties are unsecured, interest free and repayable upon demand.

As at 31 December 2016, US$1,235,000 of a loan to a distributor of a subsidiary was classified as other receivables as the distributor expects to settle the loan upon completion of the sale of certain properties pledged under the loan by 30 June 2017 (Note 24).

18. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2016	2015
	US$'000	US$'000
Equity investments, at cost		
At 1 January	**42,914**	40,360
Additions (Note (a))	**–**	3,030
Transfer to subsidiary (Note (b))	**–**	(476)
At 31 December	**42,914**	42,914
Accumulated impairment		
At 1 January	**6,979**	7,418
Impairment charge (Note (c))	**–**	37
Transfer to subsidiary (Note (b))	**–**	(476)
At 31 December	**6,979**	6,979
End of financial year	**35,935**	35,935

(a) On 23 January 2015, the Company increased its investment in Delfi Marketing, Inc. ("DMI"), a wholly owned subsidiary in the Philippines, by PHP 135,000,000 or US$3.03 million by subscribing for an additional 1.35 million ordinary shares with a par value of PHP 100 in the share capital of DMI. The consideration was paid in cash and funded through the Company's internal resources.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. INVESTMENTS IN SUBSIDIARIES (continued)

(b) On 23 December 2015, the Company transferred its entire shareholdings in Petra-SPT Marketing Pte Ltd ("Petra-SPT"), a wholly-owned subsidiary of the Company, to PT Perusahaan Industri Ceres ("PT Ceres") for a consideration of S$1 (0.71 US cents).

(c) In 2015, an impairment loss of US$37,000 was recognised for a certain subsidiary of the Company as a result of its recoverable amount being estimated to be less than its carrying amount, which mainly arose from cumulative losses incurred by the subsidiary.

The list of subsidiaries in the Group is as follows:

Name of subsidiary/ Country of incorporation	Principal activities	Country of business	Equity holding 2016 %	2015 %
Held by the Company				
McKeeson Consultants Private Limited^ (Singapore)	Management consultants	Singapore	**100**	100
PT Perusahaan Industri Ceres*# (Indonesia)	Investment holding, manufacturing and marketing of consumer confectionery	Indonesia	**99.988**	99.988
PT General Food Industries* (Indonesia)	Marketing and distribution of consumer confectionery	Indonesia	**99.936**	99.936
PT Nirwana Lestari*# (Indonesia)	Marketing and distribution of chocolate confections and other consumer products	Indonesia	**99.862**	99.862
Ceres Sime Confectionery Sdn Bhd∞ (Malaysia)	Investment holding	Malaysia	**100**	100
Cocoa Specialities, Inc.* (Philippines)	Administrative services	Philippines	**100**	100
Delfi Chocolate Manufacturing S.A.* (Switzerland)	Administrative services	Switzerland	**100**	100
Delfi Cocoa Investments SA+ (Switzerland)	Investment holding	Switzerland	**100**	100
Delfi Singapore Pte Ltd^ (Singapore)	Dormant(1)	Singapore	**100**	100
Ceres Super Pte Ltd@ (Singapore)	Marketing and distribution of instant 3-in-1 coffeemix products and other convenience beverages	Singapore	**60**	60
Delfi Marketing Sdn Bhd* (Malaysia)	Marketing and distribution of healthcare and other consumer products	Malaysia	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary/ Country of incorporation	Principal activities	Country of business	Equity holding 2016 %	Equity holding 2015 %
Held by the Company (continued)				
Delfi Foods, Inc.* (Philippines)	Manufacturing of finished chocolate confectionery products	Philippines	**100**	100
Delfi Marketing, Inc.* (Philippines)	Marketing and distribution of chocolate confections and other consumer products	Philippines	**100**	100
Held by Ceres Sime Confectionery Sdn Bhd				
Brands of Hudsons Sdn Bhd∞ (Malaysia)	Marketing of consumer confectionery	Malaysia	**100**	100
Held by McKeeson Consultants Private Limited				
PT Perusahaan Industri Ceres*# (Indonesia)	Investment holding, manufacturing and marketing of consumer confectionery	Indonesia	**0.012**	0.012
PT General Food Industries* (Indonesia)	Marketing and distribution of consumer confectionery	Indonesia	**0.064**	0.064
PT Nirwana Lestari*# (Indonesia)	Marketing and distribution of chocolate confections and other food products	Indonesia	**0.138**	0.138
Delfi Cocoa Ecuador SA+ (Ecuador)	Dormant	Ecuador	**0.004**	0.004
Held by Delfi Cocoa Investments SA				
Delfi Cocoa Ecuador SA+ (Ecuador)	Dormant	Ecuador	**99.996**	99.996
Held by PT Perusahaan Industri Ceres				
Ceres (International) Marketing Pte Ltd *(formerly known as Petra-SPT Marketing Pte Ltd)*^ (Singapore)	Marketing of consumer confectionery	Singapore	**100**	100

^ Audited by PricewaterhouseCoopers LLP, Singapore.
* Audited by PricewaterhouseCoopers member firms outside Singapore.
@ Audited by RSM Chio Lim, Singapore
∞ Audited by Grant Thornton, Malaysia.
+ Not required to be audited by law in country of incorporation.
# Significant subsidiaries of the Group under the SGX-ST Listing Manual.

Notes:

(1) Delfi Singapore Pte Ltd ceased its distribution business in Singapore on 31 August 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

(a) Investments in associated companies

	The Company 2016 US$'000	2015 US$'000
Equity investment, at cost	**3,000**	3,000

The details of the associated companies are as follows:

Name of company	Place of business/ country of incorporation	Principal activities	Equity holding 2016 %	2015 %
Held by the Company				
PT Ceres - Meiji Indotama *#	Indonesia	Manufacturing and marketing of snacks and food products	**40**	40
Held by Delfi Foods, Inc.				
Alsa Industries, Inc.*	Philippines	Leasing of property	**40**	40

* Audited by PricewaterhouseCoopers member firms outside Singapore.
[#] The Group's effective interest is 50%, including 10% held by PT Perusahaan Industri Ceres.

Set out below are the summarised financial information for PT Ceres – Meiji Indotama which, in the opinion of the directors, is material to the Group.

Summarised balance sheet

	PT Ceres – Meiji Indotama 2016 US$'000	2015 US$'000
Current assets	**2,425**	3,943
Includes:		
– Cash and cash equivalents	**445**	991
Current liabilities	**(3,050)**	(3,329)
Includes:		
– Financial liabilities (excluding trade payables)	**2,513**	(2,442)
Non-current assets	**7,158**	7,594
Non-current liabilities	**(995)**	(2,315)
Includes:		
– Financial liabilities	**(901)**	(2,205)
– Other liabilities	**(94)**	(110)
Net assets	**5,538**	5,893

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

(a) Investments in associated companies (continued)

Summarised statement of comprehensive income

	PT Ceres – Meiji Indotama	
	2016	2015
	US$'000	US$'000
Revenue	**8,816**	16,629
Interest income	**3**	3
Expenses		
Includes:		
– Depreciation and amortisation	**(740)**	(764)
– Interest expense	**(26)**	(39)
(Loss)/Profit before income tax	**(541)**	447
Income tax credit/(expense)	**10**	(319)
Net (loss)/profit	**(531)**	128
Other comprehensive income	**15**	103
Total comprehensive (loss)/income	**(516)**	231

The information above reflects the amounts presented in the financial statements of the associate (and not the Group's share of those amounts).

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in associated companies, is as follows:

	PT Ceres – Meiji Indotama	
	2016	2015
	US$'000	US$'000
Net assets		
At 1 January	**5,893**	6,290
(Loss)/Profit for the year	**(531)**	128
Other comprehensive income	**15**	103
Currency translation difference	**161**	(628)
At 31 December	**5,538**	5,893
Effective interest in associated company (50%)	**2,769**	2,947
Carrying value of Group's interest in associated companies	**2,769**	2,947

The Group's investment in Alsa Industries, Inc. was fully impaired as at 31 December 2016 and 2015.

In 2016, the Group has not recognised its cumulative share of the associated company's profits of US$26,000 (2015: US$46,000) as it is insignificant to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

(b) Investment in joint ventures

	The Company	
	2016	2015
	US$'000	US$'000
Equity investment, at cost	**405**	405
Allowance for impairment	**(405)**	(405)
End of financial year	**–**	–

On 11 May 2016, the Company announced its joint venture ("JV") with South Korea's Orion Corporation (''Orion"). As part of the JV, the Company and Orion have established Delfi-Orion Pte. Ltd. ("Delfi-Orion"), a company incorporated in Singapore with an issued and paid-up capital of US$2 of 2 ordinary shares where the Company and Orion each hold 1 ordinary share (Initial Subscription).

Delfi-Orion will develop, market and sell a range of joint branded confectionery products in Indonesia. The Initial Subscription by the Company in Delfi-Orion was paid in cash and funded through the Company's internal resources. Both partners will have equal stakes in the JV which is expected to have a total initial capital commitment of up to US$3.0 million.

The details of the joint ventures are as follows:

Name of company	Principal activities	Country of incorporation	Equity holding	
			2016	2015
			%	%
Held by the Company				
PACTS SA[1]	Supply of high quality fermented cocoa beans	Switzerland	**33.33**	33.33
Delfi-Orion Pte Ltd[2]	Development, marketing and sale of a range of branded confectionery products	Singapore	**50.0**	–

Notes

[1] Deemed to be a joint venture as the Group shares control of the entity with two other joint venture partners.

[2] Delfi-Orion is a joint venture as all board matters relating to the Company requires unanimous consent from both parties

The Group has not recognised its share of losses of US$3,000 (2015: US$121,000) because the Group's share of losses exceeded its interest in these entities and the Group has no obligation in respect of those losses. As at 31 December 2016, the Group's cumulative share of unrecognised losses with respect to these entities amounted to US$245,000 (2015: US$242,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. LOANS TO ASSOCIATED COMPANY AND JOINT VENTURE

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Loan to associated company	**932**	1,382	**–**	–
Loan to joint venture	**285**	285	**285**	285
	1,217	1,667	**285**	285
Less: Allowance for impairment of loan to joint venture	**(285)**	(285)	**(285)**	(285)
	932	1,382	**–**	–

The loan to an associated company is unsecured and not expected to be repaid within the next 12 months. The loan bears interest at 3.555% (2015: 4.023%) per annum.

The loan to a joint venture is unsecured and not expected to be repaid within the next 12 months. The loan bears interest at 1.682% (2015: 2.036%) per annum. In 2015, an impairment loss of US$285,000 on the loan was recognised as a result of cumulative losses incurred by the joint venture.

The carrying amounts approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land US$'000	Buildings and improvements US$'000	Machinery and equipment US$'000	Motor vehicles US$'000	Office equipment US$'000	Construction in progress US$'000	Total US$'000
The Group							
Cost							
At 1 January 2016	3,805	15,968	66,232	5,469	15,196	67,164	173,834
Currency translation differences	102	(37)	1,030	98	154	2,066	3,413
Additions	–	484	160	498	605	15,074	16,821
Disposals/written off	–	(535)	(521)	(514)	(1,074)	–	(2,644)
Reclassification	–	34,391	25,372	–	1,781	(61,544)	–
At 31 December 2016	3,907	50,271	92,273	5,551	16,662	22,760	191,424
Accumulated depreciation							
At 1 January 2016	790	7,360	32,627	3,988	12,465	–	57,230
Currency translation differences	14	47	507	75	128	–	771
Disposals/written off	–	(501)	(366)	(459)	(1,033)	–	(2,359)
Depreciation charge (Note 7)	117	1,620	5,387	632	1,258	–	9,014
At 31 December 2016	921	8,526	38,155	4,236	12,818	–	64,656
Net book value							
At 31 December 2016	**2,986**	**41,745**	**54,118**	**1,315**	**3,844**	**22,760**	**126,768**
Cost							
At 1 January 2015	4,221	17,695	70,494	6,120	15,866	54,448	168,844
Currency translation differences	(416)	(1,511)	(6,840)	(498)	(1,312)	(6,035)	(16,612)
Additions	–	208	743	404	321	22,762	24,438
Disposals/written off	–	(885)	(910)	(559)	(482)	–	(2,836)
Reclassification	–	461	2,745	2	803	(4,011)	–
At 31 December 2015	3,805	15,968	66,232	5,469	15,196	67,164	173,834
Accumulated depreciation							
At 1 January 2015	732	7,790	32,307	4,067	12,810	–	57,706
Currency translation differences	(59)	(628)	(3,185)	(354)	(1,022)	–	(5,248)
Disposals/written off	–	(761)	(910)	(502)	(479)	–	(2,652)
Depreciation charge (Note 7)	117	959	4,415	777	1,156	–	7,424
At 31 December 2015	790	7,360	32,627	3,988	12,465	–	57,230
Net book value							
At 31 December 2015	**3,015**	**8,608**	**33,605**	**1,481**	**2,731**	**67,164**	**116,604**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings and improvements US$'000	Motor vehicles US$'000	Office equipment US$'000	Total US$'000
The Company				
Cost				
At 1 January 2016	534	869	3,745	5,148
Additions	360	215	75	650
Disposals	(534)	(279)	(168)	(981)
At 31 December 2016	360	805	3,652	4,817
Accumulated depreciation				
At 1 January 2016	497	498	3,425	4,420
Disposals	(502)	(224)	(126)	(852)
Depreciation charge	85	129	130	344
At 31 December 2016	80	403	3,429	3,912
Net book value				
At 31 December 2016	**280**	**402**	**223**	**905**
Cost				
At 1 January 2015	534	1,203	3,715	5,452
Additions	-	-	32	32
Disposals	-	(334)	(2)	(336)
At 31 December 2015	534	869	3,745	5,148
Accumulated depreciation				
At 1 January 2015	345	604	3,200	4,149
Disposals	-	(284)	(2)	(286)
Depreciation charge	152	178	227	557
At 31 December 2015	497	498	3,425	4,420
Net book value				
At 31 December 2015	**37**	**371**	**320**	**728**

(a) In 2016, the additions of property, plant and equipment under finance leases (where the Group is the lessee) amounted to US$148,000 (2015: US$959,000).

(b) The carrying amount of property, plant and equipment of the Group and the Company held under finance leases at 31 December 2016 amounted to US$13,648,000 (2015: US$17,910,000) and US$411,000 (2015: US$372,000) respectively.

(c) Bank borrowings are secured on property, plant and equipment and buildings of the Group with a carrying value of US$3,360,000 (2015: US$3,901,000) (Note 27(a)).

(d) The borrowing cost capitalised as cost of property, plant and equipment during the year ended 31 December 2016 amounted to US$953,000 (2015: US$1,216,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. INTANGIBLE ASSETS

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Brands (Note (a))	**4,141**	4,226	**4,351**	4,351
Patents and trademarks (Note (b))	**265**	305	**–**	–
Computer software licences (Note (c))	**837**	279	**816**	262
	5,243	4,810	**5,167**	4,613

(a) Brands

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Net book value				
Beginning of financial year	**4,226**	4,491	**4,351**	4,616
Currency translation difference	**(85)**	–	**–**	–
Impairment charge (Note 7)	**–**	(265)	**–**	(265)
End of financial year	**4,141**	4,226	**4,351**	4,351
End of financial year				
Cost	**4,526**	4,611	**4,616**	4,616
Accumulated amortisation and impairment loss	**(385)**	(385)	**(265)**	(265)
Net book value	**4,141**	4,226	**4,351**	4,351

Brands that are regarded as having indefinite useful lives are not amortised and are tested for impairment annually (Note 2.14(b)). These brands have a long heritage and are protected in all of the markets where they are sold by trademarks, which are renewed indefinitely without involvement of significant cost.

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000

(b) Patents and trademarks

	The Group		The Company	
	2016	2015	**2016**	2015
Net book value				
Beginning of financial year	**305**	207	**–**	–
Additions	**91**	220	**–**	–
Currency translation difference	**(9)**	(2)	**–**	–
Amortisation	**(122)**	(120)	**–**	–
End of financial year	**265**	305	**–**	–
End of financial year				
Cost	**1,656**	1,618	**–**	–
Accumulated amortisation	**(1,391)**	(1,313)	**–**	–
Net book value	**265**	305	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. INTANGIBLE ASSETS (continued)

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
(c) Computer software licences				
Net book value				
Beginning of financial year	**279**	199	**262**	177
Additions	**600**	121	**590**	121
Currency translation difference	**(1)**	(1)	**–**	–
Amortisation	**(41)**	(40)	**(36)**	(36)
End of financial year	**837**	279	**816**	262

(d) Amortisation expense included in other operating expenses is analysed as follows:

	The Group	
	2016	2015
	US$'000	US$'000
Patents and trademarks	**122**	120
Computer software licences	**41**	40
Total (Note 7)	**163**	160

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. IMPAIRMENT TESTS

Brands

The carrying values of brands that are regarded as having indefinite useful lives are as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Carrying amount of brands	**4,141**	4,226	**4,351**	4,351

The recoverable amounts of the brands are determined based on value-in-use using the Royalty Relief Approach.

Key assumptions used for the Royalty Relief Approach:

	2016	2015
	%	%
Royalty rates	**2.1 to 4.1**	2.1 to 4.1
Growth rate[1]	**3.0**	3.0
Discount rate[2]	**9.7 to 10.7**	10.0 to 11.0

Notes:

(1) Weighted average growth rate used to extrapolate cash flows beyond the budget period

(2) Based on weighted average cost of capital, adjusted for country risk premium and brand risk premium

Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a four year period. Management determined a royalty rate for each brand based on a benchmarking study of royalty agreements in the confectionery and food processing sector by an independent valuer. The weighted average growth rates used are consistent with the forecasts included in industry reports relevant to the brands. The discount rates used is based on weighted average cost of capital (WACC), which is calculated based on publicly available market data and is pre-tax and reflect specific risks relating to the principal countries of the brands.

In 2015, an impairment charge of US$265,000 (Note 22(a)) on one of its brands was included within other operating expenses in the consolidated income statement. The impairment charge arose from lower sales forecasts compounded by the significant weakening of the Malaysian Ringgit against USD.

The sensitivity to changes in assumptions is disclosed in Note 3(ii).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. OTHER NON-CURRENT ASSETS

	The Group	
	2016	2015
	US$'000	US$'000
Loan to third party	**968**	2,755
Deposits	**18**	19
Prepayments	**45**	39
Guarantee deposits	**4**	9
Tax recoverable	**2,138**	2,199
	3,173	5,021

In 2015, a subsidiary in Indonesia converted US$2,755,000 due from one of its distributors into a 4-year loan. The loan carried a variable interest rate based on similar rates which were charged by the subsidiary's principal banker. The loan was fully secured by land and buildings at total market valuation of US$2,771,000 (as valued by an accredited appraiser in Indonesia) being pledged as security by the distributor. As at 31 December 2015, the effective interest rate of the loan was 9.25% per annum.

In 2016, the distributor repaid US$552,000 of the loan with the proceeds from the sale of one of the pledged assets. As of 31 December 2016, the remaining loan of US$2,203,000 was restructured as follows:

(i) US$968,000 has been converted into a 3-year interest-free loan due on 25 November 2019; and

(ii) US$1,235,000 is expected to be fully repaid by the distributor in 2017 upon completion of the sale of certain properties pledged under the loan (Note 17).

The remaining loan amounts set out above are fully secured by land and buildings at a total market valuation of US$2,210,000 (as valued by an accredited appraiser in Indonesia).

The carrying amounts of these non-current assets approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

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25. TRADE PAYABLES

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Trade payables:				
– Third parties	**31,339**	22,437	**–**	299
– Subsidiaries	**–**	–	**332**	501
– Associated companies	**1,151**	1,874	**–**	–
– Related parties	**2,199**	1,614	**–**	–
	34,689	25,925	**332**	800

Related parties represent corporations in which certain directors have substantial financial interests.

26. OTHER PAYABLES

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Other payables:				
– Third parties	**16,282**	12,514	**215**	402
– Subsidiaries	**–**	–	**613**	584
– Associated companies	**–**	144	**–**	–
– Joint venture	**8**	66	**8**	66
	16,290	12,724	**836**	1,052
Accrued operating expenses	**21,530**	17,481	**3,250**	1,689
	37,820	30,205	**4,086**	2,741

Other non-trade payables due to subsidiaries, associated companies and joint venture are unsecured, interest free and repayable upon demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. BORROWINGS

	The Group		The Company	
	2016 US$'000	2015 US$'000	**2016 US$'000**	2015 US$'000
Current				
Secured				
Bank borrowings	**4,035**	4,729	**–**	–
Finance lease liabilities (Note 28)	**813**	2,721	**95**	90
Trade finance	**5,914**	5,800	**–**	–
	10,762	13,250	**95**	90
Unsecured				
Bank overdrafts	**22,502**	18,997	**–**	–
Bank borrowings	**10,933**	27,206	**–**	–
	33,435	46,203	**–**	–
Total borrowings (current)	**44,197**	59,453	**95**	90
Non-current				
Secured				
Finance lease liabilities (Note 28)	**458**	1,240	**190**	246
Unsecured				
Bank borrowings	**9,120**	13,959	**–**	–
Total borrowings (non-current)	**9,578**	15,199	**190**	246
Total borrowings	**53,775**	74,652	**285**	336

The exposure of borrowings of the Group and of the Company to interest rate changes based on the contractual repricing dates at the balance sheet date is as follows:

	The Group		The Company	
	2016 US$'000	2015 US$'000	**2016 US$'000**	2015 US$'000
6 months or less	**43,016**	58,934	**–**	–
6 – 12 months	**9,947**	14,506	**–**	–
1 – 5 years	**812**	1,212	**285**	336
	53,775	74,652	**285**	336

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. BORROWINGS (continued)

(a) Security granted

Bank borrowings of one of the subsidiaries are secured by property, plant and equipment (Note 21). Finance lease liabilities of the Group are secured by the rights to the leased property, plant and equipment (Note 21), which would revert to the lessor in the event of default by the Group.

(b) Maturity of non-current borrowings

The non-current borrowings (excluding finance lease liabilities (Note 28)) have the following maturity:

	The Group	
	2016	2015
	US$'000	US$'000
Between one to two years	**9,120**	10,152
Between two to five years	**–**	3,807
	9,120	13,959

(c) Carrying amounts and fair value

The carrying amounts of borrowings approximate their fair value as the borrowings bear interest at variable rates.

28. FINANCE LEASE LIABILITIES

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Minimum lease payments due:				
– Not later than one year	**852**	2,820	**105**	101
– Between one to five years	**479**	1,292	**200**	258
	1,331	4,112	**305**	359
Less: Future finance charges	**(60)**	(151)	**(20)**	(23)
Present value of finance lease liabilities	**1,271**	3,961	**285**	336

The present values of finance lease liabilities are analysed as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Not later than one year	**813**	2,721	**95**	90
Between one to five years	**458**	1,240	**190**	246
	1,271	3,961	**285**	336

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Non-current

	The Group	
	2016	2015
	US$'000	US$'000
Employee post-employment defined benefit obligation	**11,163**	9,069
Others	**491**	628
	11,654	9,697

Employee post-employment defined benefit obligation

The Group operates defined benefit plans for severance and service benefits required under the labour laws in Indonesia and the Philippines. These defined benefit plans are unfunded and are devised based on local market conditions and practices. All valuations were performed by independent actuaries at the end of each financial year using the projected unit credit method (Note 2.21(a)) and the Group reviews the assumptions used with its independent actuaries.

The amounts recognised in profit or loss are as follows:

	The Group	
	2016	2015
	US$'000	US$'000
Current service cost	**974**	938
Interest cost	**774**	622
	1,748	1,560
Actuarial loss/(gain) recognised during the year	**15**	(21)
Benefits paid	**–**	5
Provision for termination benefits	**96**	48
Total, included in employee benefits expenses (Note 5)	**1,859**	1,592

The amounts recognised in other comprehensive income are as follows:

	The Group	
	2016	2015
	US$'000	US$'000
Remeasurements of defined benefit obligation:		
– Actuarial loss on experience adjustments	**136**	424
– Actuarial loss/(gain) on changes in actuarial assumptions	**617**	(584)
	753	(160)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (continued)

Employee post-employment defined benefit obligation (continued)

The movement in the defined benefit obligation recognised in the balance sheet is as follows:

	The Group	
	2016	2015
	US$'000	US$'000
Beginning of financial year	**9,069**	8,839
Total, included in employee benefits expenses (Note 5)	**1,859**	1,592
Benefits paid	**(662)**	(336)
Actuarial loss/(gain) recognised in other comprehensive income	**753**	(160)
Currency translation differences	**144**	(866)
End of financial year	**11,163**	9,069

The amounts recognised in the balance sheet are determined as follows:

	The Group	
	2016	2015
	US$'000	US$'000
Present value of unfunded obligations	**11,163**	9,069

The valuation of defined benefit liabilities involves the use of appropriate assumptions such as discount rates, future salary increases, mortality rates, disability rates, retirement assumption rates and resignation rates. In determining the appropriate discount rates, management considers the market yields on government bonds in the respective countries. The mortality rates, disability rates and retirement assumption rates are based on country-specific mortality tables and labour laws of Indonesia and the Philippines. Future salary increases and resignation rates are projected based on historical information which are also objective and easily observed.

The significant actuarial assumptions used were as follows:

	The Group	
	2016	2015
	%	%
Discount rates (per annum)	**5.1 to 8.6**	5.1 to 9.2
Future salary increase (per annum)	**7.0**	7.0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (continued)

Employee post-employment defined benefit obligation (continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Increase/(decrease) in defined benefit obligation					
	Change in assumption		Increase in assumption		Decrease in assumption	
	2016	2015	**2016**	2015	**2016**	2015
	%	%	**US$'000**	US$'000	**US$'000**	US$'000
Discount rate	**0.5**	0.5	**(506)**	(421)	**584**	486
Future salary increases	**0.5**	0.5	**571**	478	**(503)**	(421)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

30. SHARE CAPITAL

	The Group and the Company Issued share capital	
	Number of shares '000	Share Capital US$'000
2016		
Beginning of financial year	611,157	155,951
Capital reduction	–	(60,015)
End of financial year	**611,157**	**95,936**
2015		
Beginning and end of financial year	611,157	155,951

All issued shares are fully paid. There is no par value for these ordinary shares.

In June 2016, the Company's proposed capital reduction exercise (the "Capital Reduction") pursuant to Section 78G of the Companies Act (Chapter 50 of Singapore) was approved by the High Court of Singapore. Pursuant to the Capital Reduction, the Company made a cash distribution of 9.82 US cents (or 13.32 Singapore cents) for each issued and fully paid up ordinary share held by shareholders on 23 June 2016.

As a result, the Company's issued and paid up share capital was reduced by US$60,015,000 as at 31 December 2016. The Capital Reduction exercise had no impact on the number of shares held by shareholders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. RESERVES

(a) Foreign currency translation reserve

	The Group	
	2016	2015
	US$'000	US$'000
Beginning of financial year	**(62,066)**	(45,677)
Net currency translation differences of financial statements of foreign subsidiaries, associated companies and joint ventures	**1,835**	(16,398)
Less: Non-controlling interest	**3**	9
	1,838	(16,389)
End of financial year	**(60,228)**	(62,066)

(b) Other reserves

Other reserves comprise general reserve (Note 32(a)) and defined pension benefits obligations (Note 29(a)).

32. RETAINED EARNINGS

(a) Subsidiaries in Indonesia are required under their local laws to set aside an amount from their net profit to a general reserve until this reserve accumulates to amounts of 20% of their fully paid capital. Such reserves are not distributable.

Retained earnings of the Group and the Company are distributable except for retained earnings of subsidiaries in Indonesia amounting to US$1,401,000 (2015: US$1,476,000) which are included in the Group's retained earnings.

Management has no current intention of remitting the distributable retained earnings as disclosed in Note 8(b).

(b) Movement in retained earnings for the Company is as follows:

	The Company	
	2016	2015
	US$'000	US$'000
Beginning of financial year	**315**	33,639
Profit for the year	**15,192**	878
Dividends paid (Note 33)	**(8,275)**	(34,202)
End of financial year	**7,232**	315

Movement in retained earnings for the Group is shown in the Consolidated Statement of Changes in Equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. DIVIDENDS

	The Group	
	2016	2015
	US$'000	US$'000
Declared and paid during the year		
Final dividend for 2015: Nil (2014: 1.92 US cents or 2.58 Singapore cents) per share	**–**	11,734
Special dividend for 2015: Nil (2014: 1.64 US cents or 2.19 Singapore cents) per share	**–**	10,023
Interim dividend for 2016: 1.36 US cents or 1.83 Singapore cents (2015: 1.28 US cents or 1.75 Singapore cents) per share	**8,275**	7,615
Special dividend for 2016: Nil (2015: 0.81 US cents or 1.11 Singapore cents)	**–**	4,830
	8,275	34,202

At the forthcoming Annual General Meeting on 26 April 2017, a final dividend of 0.95 US cents or 1.35 Singapore cents per share amounting to a total of US$5.8 million will be recommended. The financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

34. IMMEDIATE AND ULTIMATE HOLDING CORPORATIONS

The Company's immediate holding corporation is Aerodrome International Limited, a corporation that is incorporated in the British Virgin Islands. The Company's ultimate holding corporation is Credit Suisse Trust Limited ("CST"), incorporated in Singapore, in its capacity as trustee of Johnsonville Assets Limited and Johnsonville Holdings Limited. Mdm Lim Mee Len (wife of Mr Chuang Tiong Choon) is the beneficiary of Johnsonville Assets Trust of which CST has been appointed as the trustee. Mdm Lim Mee Len and Mr Chuang Tiong Choon are beneficiaries of Johnsonville Holdings Trust of which CST has been appointed as the trustee.

35. CONTINGENT LIABILITIES

(a) As at the balance sheet date, the Company has issued corporate guarantees to banks for its subsidiaries' and one of associated company's bank borrowings as follows:

	The Company	
	2016	2015
	US$'000	US$'000
Corporate guarantees	**7,602**	11,513

(b) The Company was notified by Barry Callebaut of various claims under the continuing warranties, the details of which are set out in Note 3(i). In the event of an unfavourable outcome of any of these claims, and subject to the reservation of rights referred to in Note 3(i), the Company may have to pay and recognise additional liabilities and associated legal costs to Barry Callebaut.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

36. COMMITMENTS FOR EXPENDITURE

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Expenditure for property, plant and equipment				
– Approved and contracted for	**4,460**	11,026	**–**	238

(b) Operating lease commitments

The Group and the Company lease various warehouses and office premises under operating lease agreements. The leases have varying terms and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Not later than one year	**2,302**	1,336	**899**	703
Between one and five years	**2,115**	2,267	**1,009**	1,951
	4,417	3,603	**1,908**	2,654

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL RISK MANAGEMENT

Overview

The Group's activities expose it to a variety of financial risks, market risks (including currency risk, price risk and interest rate risk), commodity price risk, credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses derivative financial instruments, such as foreign exchange forwards, non-deliverable forwards and foreign currency borrowings, strictly for risk management.

Financial risk management is an integral part of the way the Group is managed. The Board provides written principles for overall risk management as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and the use of derivative and non-derivative financial instruments. Risk management is executed jointly by a central Treasury department ("Group Treasury") and the Group's operating entities in accordance with the established policies and guidelines under close supervision by the Risk Management Committee and senior management. The Group Treasury identifies and evaluates certain financial risks in close co-operation with the Group's operating entities.

(a) Market risk

(i) Currency risk

The Group has transactional currency exposures arising from sales, purchases and operating costs by operating units in currencies other than the respective functional currencies of Group entities, primarily, Indonesian Rupiah ("IDR"), Philippine Pesos ("PHP") and Malaysian Ringgit ("MYR"). The foreign currencies in which these transactions are denominated are mainly the United States Dollar ("USD"), Singapore Dollar ("SGD") and EURO ("EUR").

The operating entities' revenue, financing and a majority of its costs and operating expenditures are denominated in the functional currency in the locations they operate. A majority of the Group's raw material purchases and imports of agency brands are denominated in currencies that are not the entity's functional currency. The Group engages in risk management activities to minimise the impact of volatility of these foreign currencies on the Group's performance. Active management of currency exposures involves an ongoing assessment of the movement of the foreign exchange rate on the Group's profitability and determining the most efficient methods of minimising these risks with the objective of reducing the overall impact of currency risks to the business.

The Group Treasury assists the operating entities in monitoring the foreign exchange exposure on a net basis by monitoring their receipts and payments in each individual foreign currency, and in using foreign exchange forward contracts to manage certain currency exposures arising from transactions that are denominated in foreign currencies. It is the Group's policy not to enter a forward contract until a firm commitment is in place. Such contracts allow the Group to sell or buy currencies at pre-determined forward rates.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investments in Indonesia, Malaysia, the Philippines and Singapore are managed primarily through borrowings denominated in the relevant foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows:

	USD US$'000	GBP US$'000	SGD US$'000	EUR US$'000	Others US$'000	Total US$'000
At 31 December 2016						
Financial assets	**66,140**	**10**	**2,160**	**85**	**94,209**	**162,604**
Financial liabilities	**(14,286)**	**(726)**	**(4,904)**	**(1,066)**	**(122,971)**	**(143,953)**
Net financial assets/(liabilities)	**51,854**	**(716)**	**(2,744)**	**(981)**	**(28,762)**	**18,651**
Adjust: Net financial (assets)/ liabilities denominated in functional currency	**(58,826)**	**–**	**1,921**	**–**	**27,880**	**(29,025)**
Currency exposure of financial liabilities net of those denominated in the respective entities' functional currencies	**(6,972)**	**(716)**	**(823)**	**(981)**	**(882)**	**(10,374)**
Firm commitments in foreign currencies	**(233)**	**–**	**154**	**(143)**	**(51)**	**(273)**
Derivative financial instruments						
Foreign exchange forwards	**979**	**798**	**–**	**73**	**–**	**1,850**
Currency Exposure	**(6,226)**	**82**	**(669)**	**(1,051)**	**(933)**	**(8,797)**
At 31 December 2015						
Financial assets	117,459	8	1,588	217	89,088	208,360
Financial liabilities	(14,673)	(177)	(7,435)	(608)	(125,796)	(148,689)
Net financial assets/(liabilities)	102,786	(169)	(5,847)	(391)	(36,708)	59,671
Adjust: Net financial (assets)/ liabilities denominated in functional currency	(114,095)	–	3,683	–	35,268	(75,144)
Currency exposure of financial liabilities net of those denominated in the respective entities' functional currencies	(11,309)	(169)	(2,164)	(391)	(1,440)	(15,473)
Firm commitments in foreign currencies	(600)	–	(632)	(1,270)	(103)	(2,605)
Derivative financial instruments						
Foreign exchange forwards	83	–	23	197	545	848
Currency Exposure	(11,826)	(169)	(2,773)	(1,464)	(998)	(17,230)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows:

	USD US$'000	SGD US$'000	GBP US$'000	Others US$'000	Total US$'000
At 31 December 2016					
Financial assets	**62,237**	**306**	**9**	**76**	**62,628**
Financial liabilities	**(2,777)**	**(1,891)**	**–**	**(14)**	**(4,682)**
Net financial assets/(liabilities)	**59,460**	**(1,585)**	**9**	**62**	**57,946**
Adjust: Net financial assets denominated in functional currency	**(59,460)**	**–**	**–**	**–**	**(59,460)**
Currency exposure of financial (liabilities)/assets net of those denominated in functional currency	**–**	**(1,585)**	**9**	**62**	**(1,514)**
Firm commitments in foreign currencies	**–**	**(18)**	**–**	**–**	**(18)**
Derivative financial instruments					
Foreign exchange forwards	**–**	**–**	**798**	**–**	**798**
Currency Exposure	**–**	**(1,603)**	**807**	**62**	**(734)**
At 31 December 2015					
Financial assets	114,911	752	5	116	115,784
Financial liabilities	(825)	(2,860)	(18)	(154)	(3,857)
Net financial assets/(liabilities)	114,086	(2,108)	(13)	(38)	111,927
Adjust: Net financial assets denominated in functional currency	(114,086)	–	–	–	(114,086)
Currency exposure of financial assets/(liabilities) net of those denominated in functional currency	–	(2,108)	(13)	(38)	(2,159)
Firm commitments in foreign currencies	–	28	–	(266)	(238)
Currency Exposure	–	(2,080)	(13)	(304)	(2,397)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis to foreign exchange movement

Assuming that all other variables, in particular interest rates, remain constant, a change of the United States Dollar against the following currencies at the balance sheet date will increase/(decrease) profit after tax by the amounts shown below:

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
USD against SGD				
– strengthened 5% (2015: 1%)	**66**	27	**66**	17
– weakened 5% (2015: 1%)	**(66)**	(27)	**(66)**	(17)
USD against IDR				
– strengthened 5% (2015: 5%)	**(111)**	(342)	**–**	–
– weakened 5% (2015: 5%)	**111**	342	**–**	–
USD against MYR				
– strengthened 5% (2015: 2%)	**(85)**	16	**–**	2
– weakened 5% (2015: 2%)	**85**	(16)	**–**	(2)
USD against PHP				
– strengthened 5% (2015: 2%)	**(43)**	(8)	**–**	–
– weakened 5% (2015: 2%)	**43**	8	**–**	–

(ii) Price risk

The Group's business operations are exposed to fluctuations in the prices of its raw materials, especially cocoa ingredients, milk, sugar and packaging materials.

The Group monitors its exposure to raw material prices as an integral part of its overall risk management process and seeks to mitigate the exposure by buying forward its main raw material requirements based on forecasted sales. Purchase contracts for key raw materials are entered into up to 18 months ahead of the actual production date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to interest rate risks arise primarily from its short-term bank deposits and debt obligations. The short-term bank deposits and borrowings are mainly at variable rates and these expose the Group and the Company to cash flow interest rate risks.

The net impact of the interest rate risks as at 31 December 2016 and 2015 is considered insignificant. Consequently, no sensitivity analysis is prepared by the Group and Company.

(b) Credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's and the Company's major classes of financial assets are bank deposits (Note 12), trade and other receivables (Notes 13 and 17), and loan to third party (Note 24).

For trade and other receivables, and loan to third party, the Group adopts the policy of dealing only with customers and other counterparties of appropriate credit history and where possible, the Group has obtained sufficient security to mitigate credit risk.

The credit exposure and credit terms granted to our customers are continuously monitored at the entity level by the respective management and at the Group level by the Group Treasury.

For derivatives and bank deposits, the Group and the Company only transact with high credit quality financial institutions. The Group limits the amount of credit exposure to any financial institution.

As the Group and the Company do not hold any collateral except for the loan to third party which is secured as disclosed in Note 24, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	The Company	
	2016	2015
	US$'000	US$'000
Corporate guarantees provided to banks on subsidiaries' and associated company's loans	**7,602**	11,513

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers of the Group and the Company.

The credit risk for trade receivables based on the information provided to key management is as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
By geographical areas				
Indonesia	**40,356**	34,626	**1,243**	477
Singapore	**140**	269	**–**	247
Philippines	**8,314**	9,387	**94**	42
Thailand	**200**	361	**–**	361
Malaysia	**12,699**	11,538	**–**	28
China	**12**	17	**–**	17
Other countries in Asia	**35**	82	**–**	82
	61,756	56,280	**1,337**	1,254
By types of customers				
Subsidiaries	**–**	–	**1,337**	548
Related parties, associated companies and joint venture	**108**	18	**–**	–
Non-related parties:				
– International food and beverage companies	**–**	46	**–**	44
– Retail chains	**18,851**	25,601	**–**	–
– Wholesalers and distributors	**36,710**	25,677	**–**	662
– Others	**6,087**	4,938	**–**	–
	61,756	56,280	**1,337**	1,254

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings assigned by international credit-rating agencies. Trade and other receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

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

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Past due less than 1 month	**16,135**	16,986	**–**	18
Past due 1 to 3 months	**5,472**	6,054	**–**	–
Past due 3 to 6 months	**1,488**	2,068	**–**	–
Past due over 6 months	**25**	371	**–**	–
	23,120	25,479	**–**	18

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Gross amount	**413**	365	**–**	–
Less: Allowance for impairment	**(413)**	(365)	**–**	–
	–	–	**–**	–
Beginning of financial year	**365**	248	**–**	–
Currency translation difference	**(26)**	(35)	**–**	–
Allowance made	**77**	152	**–**	–
Allowance utilised	**(3)**	–	**–**	–
End of financial year	**413**	365	**–**	–

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulty and have defaulted on payments. These receivables are not secured by collateral or credit enhancement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. Prudent liquidity risk management includes maintaining sufficient cash and having an adequate amount of committed credit facilities to meet the forecast net cash requirement of the Group's operations.

The table below analyses the Group's and Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000	Total US$'000
The Group					
At 31 December 2016					
Trade and other payables	**(72,482)**	**–**	**–**	**–**	**(72,482)**
Provisions for other liabilities and charges	**–**	**(319)**	**–**	**(11,335)**	**(11,654)**
Borrowings	**(45,722)**	**(6,220)**	**(4,175)**	**–**	**(56,117)**
	(118,204)	**(6,539)**	**(4,175)**	**(11,335)**	**(140,253)**
At 31 December 2015					
Trade and other payables	(56,045)	–	–	–	(56,045)
Provisions for other liabilities and charges	–	(313)	–	(9,383)	(9,696)
Borrowings	(65,787)	(12,498)	(1,485)	–	(79,770)
	(121,832)	(12,811)	(1,485)	(9,383)	(145,511)
The Company					
At 31 December 2016					
Trade and other payables	**(4,418)**	**–**	**–**	**–**	**(4,418)**
Borrowings	**(105)**	**(96)**	**(104)**	**–**	**(305)**
	(4,523)	**(96)**	**(104)**	**–**	**(4,723)**
At 31 December 2015					
Trade and other payables	(3,541)	–	–	–	(3,541)
Borrowings	(101)	(101)	(157)	–	(359)
	(3,642)	(101)	(157)	–	(3,900)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's and the Company's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000	Total US$'000
The Group					
At 31 December 2016					
Net-settled non-deliverable forwards	**(91)**	**–**	**–**	**–**	**(91)**
Gross-settled foreign exchange forwards					
– Payments	**(797)**	**–**	**–**	**–**	**(797)**
– Receipts	**801**	**–**	**–**	**–**	**801**
	(87)	**–**	**–**	**–**	**(87)**
At 31 December 2015					
Gross-settled foreign exchange forwards					
– Payments	(1,439)	–	–	–	(1,439)
– Receipts	1,415	–	–	–	1,415
	(24)	–	–	–	(24)
The Company					
At 31 December 2016					
Net-settled non-deliverable forwards	**(91)**	**–**	**–**	**–**	**(91)**
At 31 December 2015					
Net-settled non-deliverable forwards	–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk

The Group's objectives when managing capital are to minimise the overall cost of capital and to achieve an optimal capital structure so as to maximise shareholder value. In 2016, the Company made a cash distribution of US$60,015,000 to its shareholders pursuant to the Capital Reduction exercise undertaken (Note 30) in order to achieve a more efficient capital structure. The Group leverages on its credit profile and business standing in broadening its financing options to include the capital markets. In January 2014, the Company announced that it has established a US$500 million Multicurrency Medium Term Note ("MTN") programme and terminated the previous S$300 million Multicurrency MTN programme. The Multicurrency MTN programme enables the Group to reduce dependence on bank financing; provide flexibility and currency-matched financing of short and long term assets and reduce effective interest cost over the longer term. As at 31 December 2016, there was no draw down of the MTN (2015: Nil).

Management monitors capital based on the Group's gearing ratio. The Group and the Company are required by the banks to maintain a gearing ratio of not exceeding 300% (2015: 300%). The gearing ratio is calculated as net debt divided by the Group's total equity. Net debt is calculated as borrowings less cash and cash equivalents. As of 31 December 2016, the Group is in a net cash position of US$13,962,000 (2015: US$44,895,000).

The Group and the Company are also required by the banks to maintain a current ratio (current assets divided by current liabilities) of more than 100% (2015: 100%).

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2016 and 2015.

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2);

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value measurements (continued)

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
The Group				
At 31 December 2016				
Assets				
Derivative assets				
– Foreign exchange forwards	**–**	**4**	**–**	**4**
Liabilities				
Derivative liabilities				
– Non-deliverable forwards	**–**	**91**	**–**	**91**
At 31 December 2015				
Liabilities				
Derivative liabilities				
– Foreign exchange forwards	–	24	–	24
The Company				
At 31 December 2016				
Liabilities				
Derivative liabilities				
– Non-deliverable forwards	**–**	**91**	**–**	**91**
At 31 December 2015				
Liabilities				
Derivative liabilities				
– Non-deliverable forwards	–	–	–	–

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of foreign exchange and non-deliverable forward contracts are determined using forward exchange rates at the balance sheet date. These instruments are included in Level 2. There are no financial instruments classified as Level 3 as the Group has not applied valuation techniques that are based on significant unobservable inputs.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amounts of borrowings approximate their fair values (Note 27(c)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category

The carrying amounts of the different categories of financial instruments are as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Loans and receivables	**139,413**	190,675	**62,628**	115,784
Financial assets at fair value through profit or loss	**4**	–	**–**	–
Financial liabilities at fair value through profit or loss	**91**	24	**91**	–
Financial liabilities at amortised cost	**126,287**	130,312	**4,682**	3,857

38. RELATED PARTY TRANSACTIONS

In addition to other related party information included elsewhere in the financial statements, the following related party transactions took place between the Group and related parties during the financial year:

(a) Sales and purchases of goods and services

	The Group	
	2016	2015
	US$'000	US$'000
Revenue:		
Sales to related parties	**558**	179
Interest income from associated companies	**35**	76
Service income from associated companies	**5**	106
Service income from related parties	**54**	31
Expenditure:		
Purchases from associated companies	**8,078**	15,223
Purchases from related parties	**15,189**	13,704
Rental payable to associated companies	**71**	74
Rental payable to related parties	**36**	31
Professional fee payable to a related party	**161**	380
Directors' fees	**355**	406

Related parties represent corporations in which certain directors have substantial financial interests. The related party transactions between the Group and related parties were conducted at arm's length and on normal commercial terms.

Outstanding balances at 31 December 2016, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 13, 17, 25 and 26.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	The Group 2016 US$'000	The Group 2015 US$'000
Salaries and other short-term employee benefits	**5,233**	5,958
Post-employment benefits – contribution to CPF	**70**	32
	5,303	5,990

Included above is total compensation to directors of the Company amounting to US$2,113,000 (2015: US$2,338,000).

39. SEGMENT INFORMATION

The Group engages in the manufacture and marketing of chocolate confectionery products under a variety of brands and distribution of a wide range of food and other consumer products, including agency brands.

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions. The Executive Committee comprises the Executive Directors. The Executive Committee manages and monitors its Branded Consumer business based on its two geographical segments, namely Indonesia and Regional Markets (which comprise the Philippines, Malaysia and Singapore).

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 December 2016 is as follows:

	Indonesia US$'000	Regional Markets US$'000	Total US$'000
Sales:			
– Total segment sales	**300,402**	**111,184**	**411,586**
– Inter-segment sales	**(9,468)**	**(35)**	**(9,503)**
Sales to external parties	**290,934**	**111,149**	**402,083**
EBITDA	**51,603**	**(1,021)**	**50,582**
Interest income			**3,918**
Finance costs			**(4,088)**
Share of results of associated companies			**(266)**
Income tax expense			**(13,082)**
Other segment information			
Depreciation and amortisation	**(8,350)**	**(827)**	**(9,177)**
Capital expenditure on property, plant and equipment	**15,635**	**1,186**	**16,821**
Sales are analysed as:			
– Own Brands	**217,256**	**45,102**	**262,358**
– Agency Brands	**73,678**	**66,047**	**139,725**
	290,934	**111,149**	**402,083**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

39. SEGMENT INFORMATION (continued)

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 December 2015 is as follows:

	Indonesia US$'000	Regional Markets US$'000	Total US$'000
Sales:			
– Total segment sales	294,209	120,962	415,171
– Inter-segment sales	(9,221)	(88)	(9,309)
Sales to external parties	284,988	120,874	405,862
EBITDA	37,789	(322)	37,467
Interest income			2,053
Finance costs			(4,219)
Share of results of associated companies			64
Income tax expense			(12,126)
Other segment information			
Depreciation and amortisation	6,482	1,102	7,584
Capital expenditure on property, plant and equipment	23,397	1,041	24,438
Sales are analysed as:			
– Own Brands	205,397	47,933	253,330
– Agency Brands	79,591	72,941	152,532
	284,988	120,874	405,862

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Committee is measured in a manner consistent with that in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

39. SEGMENT INFORMATION (continued)

(a) Reconciliation of segment profits

The Executive Committee assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation ("EBITDA") for its operations. This measurement basis excludes the effect of expenditure from the operating segments that are not expected to recur regularly in every period which are separately analysed. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Group Treasury, which manages the cash position of the Group.

A reconciliation of EBITDA to profit before tax is set out below:

	The Group	
	2016	2015
	US$'000	US$'000
EBITDA	**50,582**	37,467
Adjustments for:		
Interest expense (Note 6)	**(4,088)**	(4,219)
Interest income (Note 4)	**3,918**	2,053
Depreciation of property, plant and equipment (Note 21)	**(9,014)**	(7,424)
Amortisation of intangible assets (Note 22(d))	**(163)**	(160)
Impairment loss on brands (Note 22(a))	**–**	(265)
Exceptional items (Note 10)	**(2,000)**	(20,066)
Profit before tax	**39,235**	7,386

(b) Geographical information

Sales are based on the country in which the customer is located. Non-current assets are shown by the country where the assets are located.

	Revenue		Non-current assets	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Indonesia	**290,934**	284,992	**122,338**	113,779
Regional Markets:				
– Philippines	**49,283**	52,136	**7,893**	9,500
– Malaysia	**56,956**	56,890	**464**	461
– Singapore	**584**	8,006	**8,190**	7,024
– Other countries	**4,326**	3,838	**–**	–
	402,083	405,862	**138,885**	130,764

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

40. EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 16 March 2017, the Company and its subsidiary, PT Perusahaan Industri Ceres ("Ceres") entered into a conditional sale and purchase agreement with Meiji Co., Ltd (the "Purchaser") and Meiji Seika (Singapore) Pte. Ltd for the sale of PT Ceres - Meiji Indotama ("CMI"), an associated company. The Company and Ceres will sell their respective shareholdings - a combined total of 3,750,000 ordinary shares which represents 50% of the total number of issued shares in CMI to the Purchasers for a total consideration of US$8.3 million, to be paid in cash upon completion of the transaction. The transaction is expected to be completed in the second quarter of 2017.

41. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2017 or later periods and which the Group has not early adopted:

- **FRS 115** *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018)

  This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

  - Step 1: Identify the contract(s) with a customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contract
  - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

  FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

  Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

  - Rights of return – FRS 115 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation

  At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessment of the impact over the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

41. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

- **FRS 109** *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018)

  The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39.

  For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedge ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required, similar to that currently prepared under FRS 39.

  This standard is not expected to have any significant impact on the financial statements of the Group.

- **FRS 116** *Leases* (effective for annual periods beginning on or after 1 January 2019)

  FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

  The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $4,417,000 (Note 36(b)). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

  Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

42. COMPARATIVES

Certain comparative figures for creditable withholding tax balances of US$2,199,000 were classified from current tax recoverable to non-current within other non-current assets, in order to conform to current year's presentation. The reclassification does not have a material impact on the financial position of the Group and the Company for the year ended 31 December 2015.

43. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Delfi Limited on 20 March 2017.

APPENDIX (SHAREHOLDERS' MANDATE)

This Appendix is circulated to Shareholders of Delfi Limited together with the Company's annual report. Its purpose is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval to renew the Shareholders' Mandate to be tabled at the Annual General Meeting to be held on 26 April 2017 at 2:00 p.m. at Ballroom 3, Lower Lobby, The Fullerton Hotel, 1 Fullerton Square, Singapore 049178.

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report.

The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any of the statements made, reports contained/referred to, or opinions expressed, in this Appendix.

DELFI LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number: 198403096C

**APPENDIX IN RELATION TO
THE PROPOSED RENEWAL OF
THE SHAREHOLDERS' MANDATE FOR
INTERESTED PERSON TRANSACTIONS**

APPENDIX (SHAREHOLDERS' MANDATE)

DEFINITIONS

In this appendix (***Appendix***), the following definitions apply throughout unless otherwise stated:

AGM	:	The annual general meeting of the Company to be convened on 26 April 2017, notice of which is set out in the Annual Report 2016 despatched together with this Appendix;
Audit Committee	:	An audit committee of the Company comprising Mr Anthony Michael Dean (Chairman), Mr Pedro Mata-Bruckmann and Mr Koh Poh Tiong;
CDP	:	The Central Depository (Pte) Limited;
Company	:	Delfi Limited;
Companies Act	:	Companies Act, Chapter 50 of Singapore;
Directors	:	The directors of the Company as at the date of this Appendix;
Executive Directors	:	The executive directors as at the date of this Appendix, unless otherwise stated;
Group	:	The Company and its subsidiaries;
Independent Director(s)	:	The independent director(s) of the Company as at the date of this Appendix unless otherwise stated;
Interested Person	:	A director, chief executive officer or controlling shareholder of the Company or an associate of any of such director, chief executive officer or controlling shareholder;
Interested Person Transaction	:	A transaction proposed to be entered into between the Group and any Interested Person;
John Chuang	:	Chuang Tiong Choon also known as Ma Wei Lin
Joseph Chuang	:	Chuang Tiong Liep also known as Chit Ko Ko
Latest Practicable Date	:	The latest practicable date prior to the printing of this Appendix, being 13 March 2017;
Listing Manual	:	The listing manual of the SGX-ST;
Rp or Rupiah	:	Indonesian Rupiah;
Securities Account	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account;
SGX-ST	:	Singapore Exchange Securities Trading Limited;

APPENDIX (SHAREHOLDERS' MANDATE)

DEFINITIONS (continued)

Shareholders	:	Registered holders of Shares, except that where the registered holder is CDP, the term Shareholders shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares;
Shares	:	Ordinary shares in the capital of the Company;
Substantial Shareholder	:	A person who has an interest in Shares which is 5% or more of the total votes attached to all the voting ;
S$	:	Singapore dollars;
US$ and cents	:	United States dollars and cents, respectively;
William Chuang	:	Chuang Tiong Kie also known as Maung Lu Win; and
% or per cent.	:	Per centum or percentage.

The terms ***Depositor*** and ***Depository Register*** shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Listing Manual or any modification thereof and not otherwise defined in this Appendix shall have the same meaning assigned to it under the Companies Act, the Listing Manual or any modification thereof, as the case may be.

Any reference to a time of day in this Appendix is made by reference to Singapore time unless otherwise stated.

APPENDIX (SHAREHOLDERS' MANDATE)

1. INTRODUCTION

The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval at the AGM to renew the general mandate (***Shareholders' Mandate***) that will enable the Group to enter into transactions with the Interested Persons in compliance with Chapter 9 of the Listing Manual.

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries or associated companies propose to enter into with an interested person of the listed company. An ***interested person*** is defined as a director, chief executive officer or controlling shareholder of the listed company or an associate of any such director, chief executive officer or controlling shareholder.

Chapter 9 of the Listing Manual allows a listed company to seek a Shareholders' Mandate for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations, which may be carried out with the listed company's ***interested persons***.

The Shareholders' Mandate was approved at the annual general meeting of the Company held on 26 April 2016 and will be effective until the next annual general meeting is held or required by law to be held, whichever is the earlier. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the AGM to be held on 26 April 2017, to take effect until the next annual general meeting of the Company.

General information relating to Chapter 9 of the Listing Manual, including the meanings of terms such as ***interested person, associate, associated company*** and ***controlling shareholder***, are set out in the Annexure of this Appendix.

2. THE RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

2.1 Classes of Interested Persons

The Shareholders' Mandate will apply to the Group's interested person transactions including PT Tri Keeson Utama, PT Fajar Mataram Sedayu, PT Freyabadi Indotama and PT Sederhana Djaja and each of their associates. Please refer to the section "Potential Conflicts of Interest" in the Company's prospectus dated 28 October 2004 for more details.

Transactions with Interested Persons which do not fall within the ambit of the proposed Shareholders' Mandate will be subject to the provisions of Chapter 9 and/or other applicable provisions of the Listing Manual.

APPENDIX (SHAREHOLDERS' MANDATE)

2. THE RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (continued)

2.1 Classes of Interested Persons (continued)

Scope of Interested Person Transactions

The interested person transactions with the Interested Persons which will be covered by the Shareholders' Mandate are the following:-

(a) Transactions with PT Tri Keeson Utama

By virtue of their aggregate interest in 99.9% of the shareholding in PT Sederhana Djaja, the Executive Directors, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang are deemed to be interested in 100.0% of the issued share capital of PT Tri Keeson Utama held by PT Sederhana Djaja. Accordingly, transactions between the Group and PT Tri Keeson Utama are deemed to be interested person transactions.

PT Tri Keeson Utama is principally engaged in the business of mixing and blending cocoa cakes and cocoa powder. The Company and/or its subsidiary, PT General Food Industries, has been selling cocoa products such as cocoa powder and cocoa cakes to PT Tri Keeson Utama. The value of the Company's sales to PT Tri Keeson Utama for the period from 1 January 2016 up to the Latest Practicable Date are as set out below:-

	For the period from 1 January 2016 up to the Latest Practicable Date
Value of sales to PT Tri Keeson Utama (US$'000)	Nil

These transactions were entered into on a willing buyer and willing seller basis. The provision of cocoa products to PT Tri Keeson Utama is a recurrent interested person transaction.

Following the completion of the divestment of Cocoa Ingredients Division on 30 June 2013, sales of cocoa ingredients or products to PT Tri Keeson Utama has ceased. However, the Company may continue to provide some products to PT Tri Keeson Utama.

APPENDIX (SHAREHOLDERS' MANDATE)

2. THE RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (continued)

2.1 Classes of Interested Persons (continued)

(b) Transactions with PT Fajar Mataram Sedayu

By virtue of their indirect interest in 99.9% of the shareholding in PT Sederhana Djaja, the Executive Directors, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang are deemed to be interested in 51.0% of the issued share capital of PT Fajar Mataram Sedayu. The Company's Executive Officer, Mr Pontjo Susanto Widjaja, has an interest of 5.0% in PT Fajar Mataram Sedayu. The remaining shareholding interest in PT Fajar Mataram Sedayu is held by unrelated third parties. Accordingly, transactions between the Group and PT Fajar Mataram Sedayu are deemed to be interested person transactions.

PT Fajar Mataram Sedayu is principally engaged in the manufacture and sale of compound chocolate rice primarily for industrial use, as well as the manufacture and sale of consumer chocolate targeted at the lower segment of the Indonesian consumer chocolate market.

(i) Sale of materials by the Group to PT Fajar Mataram Sedayu

The Company's subsidiaries, PT Perusahaan Industri Ceres and PT General Food Industries, have been undertaking the sale of products such as cocoa liquor, cocoa butter and vegetable fats to PT Fajar Mataram Sedayu. The value of the Company's sales to PT Fajar Mataram Sedayu for the period from 1 January 2016 up to the Latest Practicable Date are as set out below:-

	For the period from 1 January 2016 up to the Latest Practicable Date
Value of sales to PT Fajar Mataram Sedayu (US$'000)	Nil

These transactions were entered into on a willing buyer and willing seller basis. The provision of products such as cocoa liquor, cocoa butter and vegetable fats to PT Fajar Mataram Sedayu is a recurrent interested person transaction.

Following the completion of the divestment of Cocoa Ingredients Division on 30 June 2013, sales of cocoa ingredients or products to PT Fajar Mataram Sedayu has ceased. However, the Company may continue to provide some of the Company's products to PT Fajar Mataram Sedayu.

(ii) Purchase of goods from PT Fajar Mataram Sedayu

The Company's subsidiary, PT Nirwana Lestari, has been undertaking the purchase of products from PT Fajar Mataram Sedayu, for distribution in Bali, Indonesia. PT Nirwana Lestari intends to continue purchasing such products from PT Fajar Mataram Sedayu. The quantum of the Company's purchases from PT Fajar Mataram Sedayu for the period 1 January 2016 to the Latest Practicable Date are set out below:-

	For the period from 1 January 2016 up to the Latest Practicable Date
Value of purchases from PT Fajar Mataram Sedayu (US$'000)	652

APPENDIX (SHAREHOLDERS' MANDATE)

2. THE RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (continued)

2.1 Classes of Interested Persons (continued)

(c) Transactions with PT Freyabadi Indotama

By virtue of their aggregate interest in 100.0% of the shareholding in Berlian Enterprises Limited, the Executive Directors, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang are deemed to be interested in 49.0% of the issued share capital of PT Freyabadi Indotama held in aggregate by McKeeson Investments Pte Ltd and PT Sederhana Djaja. Accordingly, transactions between the Group and PT Freyabadi Indotama are deemed to be interested person transactions.

PT Freyabadi Indotama is a joint venture entity, in which Fuji Oil Ltd, an unrelated third party, McKeeson Investments Pte Ltd and PT Sederhana Djaja own 51.0%, 30.0% and 19.0% of its issued share capital respectively. PT Freyabadi Indotama is principally engaged in the manufacture and sale of industrial chocolate.

(i) Sale of materials by the Group to PT Freyabadi Indotama

The Company's subsidiaries, PT Perusahaan Industri Ceres and PT General Food Industries have been undertaking the sale of products such as cocoa powder, cocoa butter, chocolate rice, cocoa liquor and other products to PT Freyabadi Indotama. The value of the Company's sales to PT Freyabadi Indotama for the period from 1 January 2016 up to the Latest Practicable Date are set out below:-

	For the period from 1 January 2016 up to the Latest Practicable Date
Revenue received from PT Freyabadi Indotama (US$'000)	558

These transactions were entered into on a willing buyer and willing seller basis. The provision of products such as cocoa powder, cocoa butter, chocolate rice, cocoa liquor and other products to PT Freyabadi Indotama is a recurrent interested person transaction. The Company intends to continue providing the Company's products to PT Freyabadi Indotama.

(ii) Purchase of products from PT Freyabadi Indotama

The Company's subsidiaries, PT Nirwana Lestari, PT Perusahaan Industri Ceres and associated company, PT Ceres Meiji Indotama, have been undertaking the purchase of chocolate coating and plastic packaging products from PT Freyabadi Indotama. The value of the Company's purchases from PT Freyabadi Indotama for the period from 1 January 2016 up to the Latest Practicable Date are as set out below:-

	For the period from 1 January 2016 up to the Latest Practicable Date
Purchases from PT Freyabadi Indotama (US$'000)	15,651

These transactions were entered into on a willing buyer and willing seller basis. The purchase of chocolate coating and plastic packaging products from PT Freyabadi Indotama is a recurrent interested person transaction. The Company intends to continue purchasing such products from PT Freyabadi Indotama.

APPENDIX (SHAREHOLDERS' MANDATE)

2. THE RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (continued)

2.1 Classes of Interested Persons (continued)

(d) Transactions with PT Sederhana Djaja

By virtue of their aggregate interest in 100.0% of the shareholding in Berlian Enterprises Limited, the Executive Directors, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang are deemed to be interested in 99.9% of the issued share capital of PT Sederhana Djaja held by McKeeson Investments Pte Ltd. Accordingly, transactions between the Group and PT Sederhana Djaja are deemed to be interested person transactions.

PT Sederhana Djaja is an investment holding company. The Group has entered into various lease agreements with PT Sederhana Djaja in relation to the properties described below. Please refer to "Appendix B – Properties and Fixed Assets" in the Company's Prospectus dated 28 October 2004 for more details.

Name of property	Land area (sq m)	Present annual rental (Rp)	US$
Four Seasons Apartment Jakarta, Indonesia	200	420,000,000	35,398[1]

Notes:

[1] The conversion of Indonesian Rupiah into US Dollars is based on the weighted average exchange rate of Rp11,865 per US Dollar as at the Latest Practicable Date.

The total annual rental paid by the Group to PT Sederhana Djaja for the period from 1 January 2016 up to the Latest Practicable Date are as set out below:-

	For the period from 1 January 2016 up to the Latest Practicable Date
Total annual rental paid to PT Sederhana Djaja (US$'000)	36

These transactions were entered into on a willing buyer and willing seller basis. The Company intends to continue with the lease of these properties from PT Sederhana Djaja.

APPENDIX (SHAREHOLDERS' MANDATE)

2. THE RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (continued)

2.2 Rationale for and Benefits of the Shareholders' Mandate

Shareholders' Mandate

In the ordinary course of the Group's business activities, the Group and the Interested Persons may enter into transactions with each other from time to time. Further, it is likely that such transactions will occur with some degree of frequency and could arise at any time.

The Directors are of the view that it will be beneficial to the Group to transact or continue to transact with the Interested Persons, especially since the transactions are to be entered into on normal commercial terms.

Due to the time-sensitive nature of commercial transactions, the Company is seeking Shareholders' approval pursuant to Chapter 9 of the Listing Manual for the renewal of the Shareholders' Mandate to enable the Group to enter into transactions with the Interested Persons, provided that such transactions are entered into in the Group's ordinary course of business, are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The Shareholders' Mandate is intended to enhance the Group's ability to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for the Company to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the Group into such transactions. This will substantially reduce administrative time and expenses associated with the making of such announcements or the convening of general meetings from time to time, and allow resources to be focused towards other corporate and business opportunities.

The Shareholders' Mandate will not cover any transactions between the Group and the Interested Persons which have a value below S$100,000 as the threshold and aggregation requirements under Chapter 9 of the Listing Manual do not apply to such transactions. In addition, the transactions will not include the purchase or sale of assets, undertakings or businesses that are not in the Group's ordinary course of business.

If approved at the AGM, the Shareholders' Mandate will take effect from the date of the passing of the resolution to be proposed at the AGM and will continue to be in force until the next annual general meeting is held, or required by law to be held, whichever is the earlier. The Company will seek the approval of Shareholders for the renewal of the Shareholders' Mandate annually.

Pursuant to Rule 920(1)(a) of the Listing Manual, the Company is required to:-

(a) disclose the Shareholders' Mandate in the Company's annual report, giving details of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year under review, (in the form set out in Rule 907 of the Listing Manual); and

(b) announce the aggregate value of transactions conducted pursuant to the Shareholders' Mandate for the financial periods which it is required to report on within the time period required for the announcement of the financial results of the Group (in the form set out in Rule 907 of the Listing Manual).

APPENDIX (SHAREHOLDERS' MANDATE)

2. THE RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (continued)

2.3 Review Procedures for Interested Person Transactions

The Company has established the following guidelines and procedures to ensure that all Interested Person Transactions are made on the Company's normal commercial terms and are consistent with the Group's usual business practices and policies, which are generally no more favourable to the Interested Person than those extended to unrelated third parties:-

(a) All Interested Person Transactions will be documented and submitted periodically to the Audit Committee for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the Company. In the event that a member of the Audit Committee is deemed to have an interest in an Interested Person Transaction, he will abstain from reviewing that particular transaction. The Audit Committee will include the review of Interested Person Transactions as part of the standard procedures during the Audit Committee's examination of the adequacy of the Group's internal controls.

(b) In respect of any purchase of products or procurement of services from Interested Persons, quotes received from at least two unrelated third parties in respect of the same or substantially the same types of transactions are to be used as a comparison wherever possible. The Audit Committee will review these comparables, taking into account pertinent factors, including but not limited to:

(i) whether the pricing is in accordance with the Company's usual business practice and policies;

(ii) quality of the products offered;

(iii) delivery time;

(iv) track record; and

(v) whether the terms are no more favourable to the Interested Persons than those extended by unrelated third parties.

In cases where it is not possible to obtain comparables from other unrelated third parties, the Company may enter into the transaction with the Interested Person provided that the price and terms received from the Interested Person are no less favourable than those extended by the Interested Person to the unrelated third parties, taking into account all pertinent factors including, but not limited to business practices, industry norms, volume, quality, delivery time and track record.

(c) In respect of any sale of products to Interested Persons, the Audit Committee will review the terms of the sale to ensure that they are not prejudicial to the interest of the Shareholders, taking into account pertinent factors, including but not limited to whether transactions with Interested Persons have been carried out at the prevailing market rates or prices on terms which are no more favourable to the Interested Person than the usual commercial terms extended to unrelated third parties.

Where the prevailing market rates or prices are not available due to the nature of the product to be sold, the Company may enter into the transaction with the Interested Person provided that the pricing policies are consistent with the usual margin obtained by the Group for the same or substantially similar type of transaction with unrelated third parties. In determining the transaction price payable by Interested Persons for such products, factors such as, but not limited to, quantity, volume, consumption, customer requirements, specifications and duration of contract will be taken into account.

APPENDIX (SHAREHOLDERS' MANDATE)

2. THE RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (continued)

2.3 Review Procedures for Interested Person Transactions (continued)

The Group will implement the following procedures for the identification of interested persons and the recording of all the Company's interested person transactions:

(a) At or about the fifteenth day of each month, the heads of the various departments are required to submit details of all Interested Person Transactions entered into during the previous month to the Chief Financial Officer, such as the actual value of the transactions. A "nil" return is expected if there are no Interested Person Transactions for the month;

(b) the Chief Financial Officer will maintain a register of interested person transactions carried out with Interested Persons; and

(c) following the review of the list by the Chief Financial Officer, the list will be submitted to the Company's Chief Executive Officer for approval prior to the submission to the Audit Committee for review and approval.

The Directors will ensure that all disclosure requirements on the Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with. In addition, such transactions will be subject to Shareholders' approval if required by the Listing Manual. The Company will disclose in its Annual Report the aggregate value of the Interested Person Transactions conducted during the financial year.

The Company will maintain a register of transactions carried out with the Interested Persons pursuant to the Shareholders' Mandate (recording the basis, including the quotations obtained to support such basis, on which they were entered into), and the Company's internal audit plan will incorporate a review of all transactions entered into in the relevant financial year pursuant to the Shareholders' Mandate.

The Audit Committee shall review these internal audit reports on the Interested Person Transactions annually to ascertain that the established review procedures to monitor the Interested Person Transactions have been complied with.

If, during these periodic reviews by the Audit Committee, the Audit Committee is of the view that the review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the Group are conducted, the Company will revert to Shareholders for a fresh mandate based on new guidelines and review procedures to ensure that Interested Person Transactions will be conducted at arm's length, on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

APPENDIX (SHAREHOLDERS' MANDATE)

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and the substantial Shareholders in Shares as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Substantial Shareholders				
Lim Mee Len	900,000	0.15	312,460,400[1]	51.13
John Chuang	220,800	0.036	313,744,400[2]	51.34
Credit Suisse Trust Limited (***CST***)	–	–	311,607,000[3]	50.99
Commonwealth Bank of Australia	–	–	32,136,400[4]	5.26
Colonial Holding Company Limited (***CHCL***)	–	–	32,136,400[4]	5.26
Commonwealth Insurance Holdings Limited (***CIHL***)	–	–	32,136,400[4]	5.26
Colonial First State Group Limited (***CFSGL***)	–	–	32,136,400[4]	5.26
Johnsonville Assets Limited (***JAL***)	–	–	311,607,000[5]	50.99
Johnsonville Holdings Limited (***JHL***)	–	–	311,607,000[6]	50.99
Aerodrome International Limited (***Aerodrome***)	–	–	311,607,000[7]	50.99
Joseph Chuang	270,800	0.044	309,761,000[8]	50.52
Maplegold Assets Limited (***Maplegold***)	–	–	308,741,000[9]	50.52
Berlian Enterprises Limited (***Berlian***)	–	–	308,741,000[10]	50.52
Springbright Investments Limited (***Springbright***)	–	–	291,964,000[11]	47.77
Aberdeen Global	–	–	37,787,500[12]	6.18
Aberdeen Asset Management PLC (***AAMPLC***)	–	–	71,658,600[13]	11.73
Aberdeen Asset Management Asia Limited (***AAMAL***)	–	–	69,638,600[14]	11.39
Aberdeen International Fund Managers Limited (***AIFML***)			37,787,500[15]	6.18
Aberdeen Asset Managers Limited (***AAMLTD***)			37,041,500[16]	6.06
Director				
Pedro Mata-Bruckmann	–	–	177,000[17]	0.03
John Chuang	220,800	0.036	313,744,400[2]	51.34
Joseph Chuang	270,800	0.044	309,061,000[8]	50.52
William Chuang	630,800	0.10	–	–
Anthony Michael Dean	–	–	50,000[17]	0.008
Davinder Singh	100,000	0.016	–	–
Doreswamy Nandkishore	22,000	0.0036	–	–

Notes:

(1) Lim Mee Len (wife of Mr John Chuang) is deemed to be interested in the Shares held (directly and indirectly) by Aerodrome, Berlian, Springbright, McKeeson Investments Pte Ltd (***McKeeson***) and Honeychurch International Limited (***Honeychurch***). Mdm Lim's interests arise as she is the beneficiary of the Johnsonville Asset Trust (***JAT***) and Johnsonville Holdings Trust (***JHT***) of which CST has been appointed as the trustee. CST owns 100% of JAL and JHL, which in turns own (70%) and (30%) of the issued and paid-up share capital of Aerodrome. Accordingly, she is deemed to be interested in all the shares held (directly and indirectly) by Aerodrome and Honeychurch.

(2) Mr John Chuang is deemed to be interested in all the shares held (directly and indirectly) by his wife, Mdm Lim Mee Len, including his shares which are held by his nominees, United Overseas Bank Nominees Pte Ltd and DBS Nominees Pte Ltd. He is also one of the beneficiaries of JHL.

(3) CST is a Singapore registered public trust company and deemed interest arises from its 100% shareholding in JAL and JHL. Accordingly, CST is deemed to be interested in all the shares held (directly and indirectly) by Aerodrome.

(4) Commonwealth Bank of Australia (***CBA***) is the ultimate parent company of CHCL, CFSGL and CIHL. Accordingly, CBA is deemed to be interested in all the shares held (directly and indirectly) by each of CHCL, CFSGL and CIHL.

APPENDIX (SHAREHOLDERS' MANDATE)

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS (continued)

(5) JAL has a 70% shareholding in Aerodrome. Accordingly, JAL is deemed to be interested in all the shares held (directly and indirectly) by Aerodrome.

(6) JHL has a 30% shareholding in Aerodrome. Accordingly, JHL is deemed to be interested in all the shares held (directly and indirectly) by Aerodrome.

(7) Aerodrome is the holding company of Berlian. Accordingly, Aerodrome is deemed to be interested in all the shares held (directly and indirectly) by Berlian.

(8) Mr Joseph Chuang is the sole shareholder of Maplegold. Accordingly, he is deemed to be interested in all the shares held (directly and indirectly) by Maplegold, including the shares held (directly and indirectly) by his wife, Mdm Cheah Leong Teen and his shares which are held by his nominee, Citibank Nominees Singapore Private Limited.

(9) Maplegold has a 30% shareholding in Berlian. Accordingly, Maplegold is deemed to be interested in all the shares held (directly and indirectly) by Berlian.

(10) Berlian is the sole shareholder of McKeeson and Springbright. Accordingly, Berlian is deemed to be interested in all the shares held (directly and indirectly) by McKeeson and Springbright. In addition, Berlian's shares in the Company are held by its nominee, Citibank Nominees Singapore Private Limited.

(11) Springbright's shares in the Company are held by its nominee, Raffles Nominees (Pte) Ltd.

(12) Aberdeen Global's shares in the Company are held by Custodian. Aberdeen Global has appointed AIMFL as Investment Manager, and AAMLTD, Aberdeen Asset Management Inc. and AAMAL as Investment Advisers.

(13) AAMPLC manages assets for both institutional and private investors. AAMPLC and its subsidiaries (together the "Group") is able to exercise or control the exercise of 11.1108% of the total votes attached to the shares in the Company, with the remaining retained by clients of Aberdeen.

(14) AAMAL is a wholly-owned subsidiary of AAMPLC, and acts as an investment manager for various clients/funds. AAMAL is able to exercise or control the exercise of 10.7803% of the total votes attached to the shares in the Company with the remaining retained by clients of Aberdeen.

(15) AIFML is a wholly-owned subsidiary of AAMPLC and acts as an investment manager for various clients/funds. AIFML is an investment manager for Aberdeen Global and is able to exercise or control the exercise of 6.1829% of the total votes attached to the shares in the Company with the remaining retained by clients of Aberdeen.

(16) AAMLTD acts as an investment manager for various clients/funds. AAMLTD is able to exercise or control the exercise of 5.5101% of the total votes attached to the shares in the Company with the remaining retained by clients of Aberdeen.

(17) Mr Pedro Mata-Bruckmann's and, Mr Anthony Michael Dean's shares in the Company are held by their nominees, Merrill Lynch (Singapore) Pte Ltd and DBS Nominees Pte Ltd respectively.

4. AUDIT COMMITTEE'S STATEMENT

The Audit Committee has reviewed the terms of the Shareholders' Mandate subject to the renewal. Having considered, inter alia, the scope, the guidelines on review procedures, the rationale and the benefits of the Shareholders' Mandate, the Audit Committee confirms that (a) the review procedures for determining the prices of Interested Person Transactions have not changed since approval for the Shareholders' Mandate was last given; and (b) the review procedures set out in paragraph 2.4 of this Appendix are sufficient to ensure that the Interested Person Transactions will be transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

If, during the periodic reviews by the Audit Committee, it is of the view that the established review procedures are no longer appropriate or adequate to ensure that the Interested Person Transactions will be transacted on normal commercial terms and will not be prejudicial to the interests of the Company and minority Shareholders, the Company will seek a fresh mandate from Shareholders based on new review procedures.

5. DIRECTORS' RECOMMENDATIONS

The Independent Directors are of the opinion that the entry into of the Interested Person Transactions by the Group in the ordinary course of its business will enhance the efficiency of the Group and is in the best interests of the Company. For the reasons set out in paragraph 2.3 of this Appendix, the Independent Directors recommend that Shareholders vote in favour of Resolution 11, being the Ordinary Resolution relating to the proposed renewal of the Shareholders' Mandate at the forthcoming AGM.

APPENDIX (SHAREHOLDERS' MANDATE)

6. ANNUAL GENERAL MEETING

The AGM, notice of which is set out in the Annual Report 2016 of the Company, will be held on 26 April 2017 at Ballroom 3, Lower Lobby, The Fullerton Hotel, 1 Fullerton Square, Singapore 049178 at 2:00 p.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolution relating to the renewal of the Shareholders' Mandate at the AGM as set out in the Notice of AGM.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the Proxy Form attached to the Notice of AGM in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Company Company's share registrar, M&C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902 not later than 48 hours before the time fixed for the AGM. Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the AGM if he so wishes.

8. INSPECTION OF DOCUMENTS

Copies of the audited financial statements of the Company for the last two financial years ended 31 December 2015 and 2016 are available for inspection at the registered office of the Company at 111 Somerset Road, #12-03, TripleOne Somerset Singapore 238164, during normal business hours from the date of this Appendix up to the date of the AGM.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Appendix are fair and accurate and that there are no material facts the omission of which would make any statement in this Appendix misleading.

ANNEXURE

GENERAL INFORMATION RELATING TO
CHAPTER 9 OF THE LISTING MANUAL

SCOPE

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries (which are not listed on the SGX-ST or an approved stock exchange) or associated companies (which are not listed on the SGX-ST or an approved stock exchange, provided that the listed group, or the listed group and its interested person(s) has control over) proposes to enter into with a counter-party which is an interested person of the listed company.

DEFINITIONS

An ***interested person*** means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

An ***associate*** includes an immediate family member (that is, the spouse, child, adopted child, stepchild, sibling or parent) of such director, chief executive officer , substantial shareholder or controlling shareholder (being an individual), and any company in which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family has an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more.

An ***associated company*** means a company in which at least 20% but not more than 50% of its shares are held by the listed company or the group.

A ***controlling shareholder*** means a person who holds (directly or indirectly) 15% or more of the total number of all voting shares in the listed company or one who in fact exercises control over the listed company.

GENERAL REQUIREMENTS

Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and are hence excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement or, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated NTA), are reached or exceeded. In particular, shareholders' approval is required where:

(a) the value of such transaction when aggregated with the value of all other transactions previously entered into with the same interested person in the same financial year of the listed company is equal to or exceeds 5% of the latest audited consolidated NTA of the listed company; or

(b) the value of such transaction is equal to or exceeds 5% of the latest audited consolidated NTA of the listed company.

ANNEXURE

GENERAL INFORMATION RELATING TO
CHAPTER 9 OF THE LISTING MANUAL

Immediate announcement of a transaction is required where:

(a) the value of such transaction when aggregated with the value of all other transactions previously entered into with the same interested person in the same financial year of the listed company is equal to or exceeds 3% of the latest audited consolidated NTA of the listed company; or

(b) the value of such transaction is equal to or exceeds 3% of the latest audited consolidated NTA of the listed company.

GENERAL MANDATE

A listed company may seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.

DISCLOSURE UNDER SGX-ST LISTING MANUAL REQUIREMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL

(a) Corporate information

Company Secretaries
Chuang Yok Hoa, ACIS
Raymond Lam Kuo Wei

Registered Office
111 Somerset Road #12-03
TripleOne Somerset
Singapore 238164
Tel: (65) 6477 5600 Fax: (65) 6887 5181
Email address: enquiry@delfilimited.com

Registrar and Share Transfer Office
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

Auditor
PricewaterhouseCoopers LLP
8 Cross Street #17-00
PWC Building
Singapore 048424
Mrs. Deborah Ong (Ms. Deborah Tan Yang Sock)
Partner-in-charge (since the financial year ended 31 December 2014)

(b) Material contracts

Chuang Tiong Choon, Chuang Tiong Liep and Chuang Tiong Kie, who are the Company's executive directors, are deemed to have an aggregate interest of 49.0% in the issued share capital of PT Freyabadi Indotama ("Freyabadi") held in aggregate by McKeeson Investments Pte Ltd and PT Sederhana Djaja by virtue of their aggregate interest in 100% of the shareholding in Berlian Enterprises. Chuang Tiong Kie is also the President Director of Freyabadi.

By virtue of their aggregate interest in 99.9% of the shareholding in PT Sederhana Djaja, Chuang Tiong Choon, Chuang Tiong Liep and Chuang Tiong Kie who are the Company's executive directors, are deemed to be interested in 100% of the issued share capital of PT Tri Keeson Utama ("TKU") held by PT Sederhana Djaja.

(i) Call Option Agreement

On 22 September 2004, the Company entered into a call option agreement with PT Sederhana Djaja and McKeeson Investments Pte Ltd (collectively, the "Grantors") pursuant to which the Grantors granted to the Company the right to require the Grantors to sell to the Company ordinary shares, representing 49%, 100% and 51% of the issued and paid-up share capital of Freyabadi, TKU and PT Fajar Mataram Sedayu ("FMS") respectively.

DISCLOSURE UNDER SGX-ST LISTING MANUAL REQUIREMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL (continued)

(b) Material contracts (continued)

(ii) Deed of Undertaking

On 22 September 2004, each of Chuang Tiong Choon, Chuang Tiong Liep and Chuang Tiong Kie (the "Covenantors") entered into a deed of undertaking with the Company to undertake and agree to dispose of their respective shareholding interests in Freyabadi, TKU and FMS in the event that the Audit Committee determines that a potential conflict of interest may arise between the Group, Freyabadi and TKU and between the Group and FMS; and the Group's acquisition of each Covenantor's shareholding interests in Freyabadi, TKU and FMS is not in the Group's commercial interest.

(c) (i) Directors' remuneration

A breakdown showing the level and mix of each executive director's remuneration (including salary, bonus, directors' fees and benefits-in-kind) paid and payable for financial years 2015 and 2016 are as follows:

2016	Basic Salary (%)	Variable or Bonuses (%)	Benefits in Kind (%)	Total (%)
S$1,500,000 to S$1,749,999				
– Chuang Tiong Choon	**59**	**33**	**8**	**100**
S$750,000 to S$999,999				
– Chuang Tiong Liep	**55**	**36**	**9**	**100**
S$500,000 to S$749,999				
– Chuang Tiong Kie	**66**	**28**	**6**	**100**

2015	Basic Salary (%)	Variable or Bonuses (%)	Benefits In Kind (%)	Total (%)
S$1,750,000 to S$1,999,999				
– Chuang Tiong Choon	49	43	8	100
S$750,000 to S$999,999				
– Chuang Tiong Liep	52	47	1	100
S$250,000 to S$499,999				
– Chuang Tiong Kie	65	26	9	100

DISCLOSURE UNDER SGX-ST LISTING MANUAL REQUIREMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL (continued)

(c) (i) **Directors' remuneration** (continued)

The remuneration of its non-executive directors for financial years 2015 and 2016 are as follows:

	FY2016 S$	FY2015 S$	Fee (%)	Total (%)
Pedro Mata-Bruckmann	**172,065**	152,285	100	100
Anthony Michael Dean	**140,918**	138,327	100	100
Davinder Singh	**69,822**	68,538	100	100
Josephine Price (resigned on 29 April 2015)	**–**	85,155	100	100
Koh Poh Tiong	**97,281**	97,166	100	100
Total	**480,086**	541,471		

(ii) **Executive Officers' remuneration**

	2016			
	Basic Salary (%)	Variable or Bonuses (%)	Benefits in Kind (%)	Total (%)
S$750,000 to S$999,999				
Lim Seok Bee	**62**	**26**	**12**	**100**
S$500,000 to S$749,999				
Nancy Florencia	**63**	**36**	**1**	**100**
Francis Benedict Ryan	**72**	**13**	**15**	**100**
Amos Moses Yang	**58**	**9**	**33**	**100**
Ridwan C. Kidjo	**64**	**35**	**1**	**100**
S$250,000 to S$499,999				
Ferry Haryanto	**81**	**18**	**1**	**100**
Soh Buck Leng David	**71**	**18**	**11**	**100**
Lim Hock Thye	**74**	**16**	**10**	**100**

DISCLOSURE UNDER SGX-ST LISTING MANUAL REQUIREMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL (continued)

(c) (ii) **Executive Officers' remuneration** (continued)

2015	Basic Salary (%)	Variable or Bonuses (%)	Benefits in Kind (%)	Total (%)
S$750,000 to S$999,999				
Lim Seok Bee	52	42	6	100
Nancy Florencia	54	45	1	100
S$500,000 to S$749,999				
Francis Benedict Ryan	66	20	14	100
Amos Moses Yang	49	15	36	100
Ridwan C. Kidjo	57	42	1	100
S$250,000 to S$499,999				
Ferry Haryanto	69	30	1	100
Soh Buck Leng David	59	28	13	100
Chris Oo Hoe Hee[(1)]	42	42	16	100
Lim Hock Thye	75	14	11	100

Notes:
(1) Chris Oo Hoe Hee resigned and ceased to be Regional General Manager of the Company on 13 May 2015.
* The total remuneration paid to the top five key officers was US$2,369,000 (2015: US$2,494,000).

(iii) **Remuneration of employees who are immediate family members of a director or the CEO and whose salary exceeds S$50,000 per year are as follows:**

S$150,000 to S$199,999		
David Chuang Koong Wey	Business Development Manager	Son of Mr Chuang Tiong Choon
S$50,001 to S$99,999		
Chuang Yok Hoa	Company Secretary	Sister of Mr Chuang Tiong Choon
Chuang Koong Yi	Project Executive	Son of Mr Chuang Tiong Liep

DISCLOSURE UNDER SGX-ST LISTING MANUAL REQUIREMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL (continued)

(d) Properties of the Group

Held by	Location	Land Area (sq m)	Tenure	Existing use
	Leasehold Land and Buildings			
PT Perusahaan Industri Ceres	Village: Pasawahan, Sub district: Dayeuh Kolot, No. 92 Regency: Bandung, Province: West Java Indonesia	4,378	30 years from February 2003	Chocolate factory, warehouse, office
	Village: Pasawahan, Sub district: Dayeuh Kolot, No. 92 Regency: Bandung, Province: West Java Indonesia	24,185	30 years from September 2004	Chocolate factory, warehouse, office
	Village: Pasawahan, Sub district: Dayeuh Kolot, No. 88 Regency: Bandung, Province: West Java Indonesia	3,840	30 years from November 2008	Chocolate factory, warehouse
	Village: Pasawahan, Sub district: Dayeuh Kolot, No. 94 Regency: Bandung, Province: West Java Indonesia	14,610	30 years from March 2009	Chocolate factory, warehouse, office
	Village: Pasawahan, Sub district: Dayeuh Kolot, No. 86 Regency: Bandung, Province: West Java Indonesia	15,750	30 years from March 2009	Chocolate factory, warehouse
	Village: Pasawahan, Sub district: Dayeuh Kolot, No. 90 Regency: Bandung, Province: West Java Indonesia	9,900	30 years from March 2009	Chocolate factory, warehouse
	Desa Wanakerta, Kecamatan Telukjambe Barat, Kabupaten Karawang	281,978	Registration in progress	For future expansion

DISCLOSURE UNDER SGX-ST LISTING MANUAL REQUIREMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL (continued)

(d) Properties of the Group (continued)

Held by	Location	Land Area (sq m)	Tenure	Existing use
	Leasehold Land and Buildings			
PT Nirwana Lestari	Village: Bojong Menteng Sub District: East Bekasi, Jln Raya Narogong, Km 7 Regency: Bekasi Province: West Java Indonesia	19,450	20 years from December 2008	Office, warehouse
	Denpasar, Bali 80116 Jl. Cargo Permai I no.188	1,515	17 years from May 2005	Warehouse
	Denpasar, Bali 80116 Jl. Cargo Permai I no.188 (Agreement No. 108)	1,260	20 years from September 2011	Office, warehouse
	Denpasar, Bali 80116 Jl. Cargo Permai I no.188 (Agreement No. 15)	2,800	20 years from September 2011	Office, warehouse
Delfi Foods, Inc.	Barangay Parang, Marikina City, Metro Manila, Philippines	25,296	Freehold	Factory, warehouse and office building

DISCLOSURE UNDER SGX-ST LISTING MANUAL REQUIREMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL (continued)

(e) Interested person transactions and conflicts of interest ("IPT")

Pursuant to Rule 920(1) of the Listing Manual, the Company has obtained a Shareholders' Mandate for it to enter into certain categories of interested person transactions with PT Tri Keeson Utama, PT Fajar Mataram Sedayu, PT Freyabadi Indotama and PT Sederhana Djaja and each of their associates. Transactions with interested persons which do not fall within the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual of the SGX-ST.

As at 31 December 2016, the total IPT of US$16.9 million (2015: US$16.4 million) was recorded, as shown below.

Name of interested person	[1] Aggregate value of all interested person transactions during the financial year under review (excluding transactions conducted under shareholders' mandate pursuant to Rule 920) 2016 US$'000	[1] Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 2016 US$'000
PT Freyabadi Indotama		
– Sales of goods	**14**	**558**
– Purchase of products	**–**	**15,651**
– IT services	**54**	**–**
	68	**16,209**
PT Fajar Mataram Sedayu		
– Purchase of goods	**–**	**652**
PT Sederhana Djaja		
– Lease of properties	**–**	**36**
	68	**16,897**

Note:
[1] Includes transactions less than S$100,000

DISCLOSURE UNDER SGX-ST LISTING MANUAL REQUIREMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL (continued)

(f) Auditors' fees

	The Group	
	2016	2015
	US$'000	US$'000
Auditor's remuneration paid/payable to:		
– Auditor of the Company	**178**	206
– Other auditors*	**162**	164
Other fees paid/payable to:		
– Auditor of the Company	**51**	20
– Other auditors*	**4**	3
	395	393

* Includes the network of member firms of PricewaterhouseCoopers International Limited (PwCIL)

(g) Appointment of auditors

The Group has complied with Rules 712 and 716 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditor.

(h) Compliance with Rule 716 of the Listing Rules of SGX-ST

Both Audit Committee and Board are satisfied that the appointment of different auditors of its subsidiaries would not compromise the standard and effectiveness of the audit of the Company. Accordingly, the Company is in compliance with Rule 716 of the Listing Rules of the SGX-ST.

(i) Review of the provision of non-audit services by the auditors

The Audit Committee has undertaken a review of non-audit services provided by the auditor, and in the opinion of the Audit Committee, the provision of these non-audit services would not affect their independence.

(j) Internal controls

Please refer to information disclosed in the Corporate Governance Report.

SHAREHOLDINGS STATISTICS

AS AT 13 MARCH 2017

Total number of ordinary shares	:	611,157,000
Total number of voting shares	:	611,157,000
Total issued and paid-up capital	:	S$247,805,757.00
Total number of treasury shares held	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	19	4.30	188	0.00
100 – 1,000	101	22.85	70,318	0.01
1,001 – 10,000	221	50.00	937,512	0.15
10,001 – 1,000,000	90	20.36	7,767,951	1.27
1,000,001 and above	11	2.49	602,381,031	98.57
	442	100.00	611,157,000	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	Raffles Nominees (Pte) Ltd	340,936,600	55.79
2	Citibank Nominees Singapore Pte Ltd	115,356,229	18.88
3	BNP Paribas Securities Services	46,487,565	7.61
4	DBS Nominees Pte Ltd	40,880,083	6.69
5	HSBC (Singapore) Nominees Pte Ltd	21,867,400	3.58
6	DBSN Services Pte Ltd	19,568,700	3.20
7	Mckeeson Investments Pte Ltd	6,000,000	0.98
8	Morgan Stanley Asia (S) Securities Pte Ltd	5,152,054	0.84
9	UOB Kay Hian Pte Ltd	3,010,000	0.49
10	Chuang Mying Hwa	1,873,000	0.31
11	United Overseas Bank Nominees Pte Ltd	1,249,400	0.20
12	Lim Mee Len	900,000	0.15
13	Chuang Yok Hoa	896,200	0.15
14	Chuang Tiong Kie	630,800	0.10
15	Nancy Florencia Tjie	318,000	0.05
16	Cheah Leong Teen	300,000	0.05
17	Chuang Tiong Liep	270,800	0.04
18	Chuang Tiong Choon	220,800	0.04
19	Herawan Sutisna	210,000	0.03
20	DBS Vickers Securities (S) Pte Ltd	190,000	0.03
		606,317,631	99.21

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company, approximately 30.53 % of the Company's shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. Therefore the Company has complied with Rule 723 of the Listing Manual.

SHAREHOLDINGS STATISTICS

AS AT 13 MARCH 2017

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed Interest	%
Lim Mee Len	900,000	0.15	312,460,400[(1)]	51.13
John Chuang	220,800	0.036	313,744,400[(2)]	51.34
Credit Suisse Trust Limited (***CST***)	–	–	311,607,000[(3)]	50.99
Commonwealth Bank of Australia	–	–	32,136,400[(4)]	5.26
Colonial Holding Company Limited (***CHCL***)	–	–	32,136,400[(4)]	5.26
Commonwealth Insurance Holdings Limited (***CIHL***)	–	–	32,136,400[(4)]	5.26
Colonial First State Group Limited (***CFSGL***)	–	–	32,136,400[(4)]	5.26
Johnsonville Assets Limited (***JAL***)	–	–	311,607,000[(5)]	50.99
Johnsonville Holdings Limited (***JHL***)	–	–	311,607,000[(6)]	50.99
Aerodrome International Limited (***Aerodrome***)	–	–	311,607,000[(7)]	50.99
Joseph Chuang	270,800	0.044	309,061,000[(8)]	50.52
Maplegold Assets Limited (***Maplegold***)	–	–	308,741,000[(9)]	50.52
Berlian Enterprises Limited (***Berlian***)	–	–	308,741,000[(10)]	50.52
Springbright Investments Limited (***Springbright***)	–	–	291,964,000[(11)]	47.77
Aberdeen Global	–	–	37,787,500[(12)]	6.18
Aberdeen Asset Management PLC (***AAMPLC***)	–	–	71,658,600[(13)]	11.73
Aberdeen Asset Management Asia Limited (***AAMAL***)	–	–	69,638,600[(14)]	11.39
Aberdeen International Fund Managers Limited (***AIFML***)			37,787,500[(15)]	6.18
Aberdeen Asset Managers Limited (***AAMLTD***)			37,041,500[(16)]	6.06

Notes:

(1) Lim Mee Len (wife of Mr John Chuang) is deemed to be interested in the Shares held (directly and indirectly) by Aerodrome, Berlian, Springbright, McKeeson Investments Pte Ltd (***McKeeson***) and Honeychurch International Limited (***Honeychurch***). Mdm Lim's interests arise as she is the beneficiary of the Johnsonville Asset Trust (***JAT***) and Johnsonville Holdings Trust (***JHT***) of which CST has been appointed as the trustee. CST owns 100% of JAL and JHL, which in turns own (70%) and (30%) of the issued and paid-up share capital of Aerodrome. Accordingly, she is deemed to be interested in all the shares held (directly and indirectly) by Aerodrome and Honeychurch.

(2) Mr John Chuang is deemed to be interested in all the shares held (directly and indirectly) by his wife, Mdm Lim Mee Len, including his shares which are held by his nominees, United Overseas Bank Nominees Pte Ltd and DBS Nominees Pte Ltd. He is also one of the beneficiaries of JHL.

(3) CST is a Singapore registered public trust company and deemed interest arises from its 100% shareholding in JAL and JHL. Accordingly, CST is deemed to be interested in all the shares held (directly and indirectly) by Aerodrome.

(4) Commonwealth Bank of Australia (***CBA***) is the ultimate parent company of CHCL, CFSGL and CIHL. Accordingly, CBA is deemed to be interested in all the shares held (directly and indirectly) by each of CHCL, CFSGL and CIHL.

(5) JAL has a 70% shareholding in Aerodrome. Accordingly, JAL is deemed to be interested in all the shares held (directly and indirectly) by Aerodrome.

(6) JHL has a 30% shareholding in Aerodrome. Accordingly, JHL is deemed to be interested in all the shares held (directly and indirectly) by Aerodrome.

(7) Aerodrome is the holding company of Berlian. Accordingly, Aerodrome is deemed to be interested in all the shares held (directly and indirectly) by Berlian.

(8) Mr Joseph Chuang is the sole shareholder of Maplegold. Accordingly, he is deemed to be interested in all the shares held (directly and indirectly) by Maplegold, including the shares held (directly and indirectly) by his wife, Cheah Leong Teen and his shares which are held by his nominee, Citibank Nominees Singapore Private Limited.

(9) Maplegold has a 30% shareholding in Berlian. Accordingly, Maplegold is deemed to be interested in all the shares held (directly and indirectly) by Berlian.

(10) Berlian is the sole shareholder of McKeeson and Springbright. Accordingly, Berlian is deemed to be interested in all the shares held (directly and indirectly) by McKeeson and Springbright. In addition, Berlian's shares in the Company are held by its nominee, Citibank Nominees Singapore Private Limited.

(11) Springbright's shares in the Company are held by its nominee, Raffles Nominees (Pte) Ltd.

(12) Aberdeen Global's shares in the Company are held by Custodian. Aberdeen Global has appointed AIMFL as Investment Manager, and AAMLTD, Aberdeen Asset Management Inc. and AAMAL as Investment Advisers.

(13) AAMPLC manages assets for both institutional and private investors. AAMPLC and its subsidiaries (together the "Group") is able to exercise or control the exercise of 11.1108% of the total votes attached to the shares in the Company, with the remaining retained by clients of Aberdeen.

(14) AAMAL is a wholly-owned subsidiary of AAMPLC, and act as an investment manager for various clients/funds. AAMAL is able to exercise or control the exercise of 10.7803% of the total votes attached to the shares in the Company with the remaining retained by clients of Aberdeen.

(15) AIFML is a wholly-owned subsidiary of AMPLC and acts as an investment manager for various clients/funds. AIFML is an investment manager for AG and is able to exercise or control the exercise of 6.1829% of the total votes attached to the shares in the Company with the remaining retained by clients of Aberdeen.

(16) AAMLTD acts as an investment manager for various clients/funds. AAMLTD is able to exercise or control the exercise of 5.5101% of the total votes attached to the shares in the Company with the remaining retained by clients of Aberdeen.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **DELFI LIMITED** (***Company***) will be held at **Ballroom 3, Lower Lobby, The Fullerton Hotel, 1 Fullerton Square, Singapore 049178**, on Wednesday, 26 April 2017 at 2:00 p.m. for the following purposes:

A. AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2016, together with the auditors' report thereon. **(Resolution 1)**

2. To declare a final dividend of 1.35 Singapore cents per ordinary share for the financial year ended 31 December 2016. **(Resolution 2)**

3. To re-elect the following Directors who will be retiring under Regulation 104 of the Constitution of the Company and who, being eligible, offer themselves for re-election as Directors of the Company:

   (a) Mr Chuang Tiong Kie **(Resolution 3)**

   (b) Mr Anthony Michael Dean **(Resolution 4)**

   (c) Mr Koh Poh Tiong **(Resolution 5)**

   (See explanatory notes)

4. To re-elect Mr Doreswamy Nandkishore, who will be retiring under Regulation 108 of the Constitution of the Company, and who being eligible, offers himself for re-election as a Director of the Company **(Resolution 6)**

   (See explanatory notes)

5. To approve Directors' fees of US$472,800 payable by the Company for the financial year ending 31 December 2017 (2016: US$354,740). **(Resolution 7)**

6. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration. **(Resolution 8)**

B. TO TRANSACT ANY OTHER ORDINARY BUSINESS THAT MAY PROPERLY BE TRANSACTED AT AN ANNUAL GENERAL MEETING.

C. AS SPECIAL BUSINESS

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

NOTICE OF ANNUAL GENERAL MEETING

7. **Share Issue Mandate** **(Resolution 9)**

That, under section 161 of the Companies Act, Chapter 50 (***Act***) and the Listing Manual of the Singapore Exchange Securities Trading Limited (***SGX-ST***), authority be given to the Directors of the Company to:-

(a) (i) issue shares in the Company (***Shares***) whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements, or options (collectively, ***Instruments***) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Shares under any Instrument made or granted by the Directors while this Resolution was in force,

provided that:-

(1) the aggregate number of Shares to be issued under this Resolution (including Shares to be issued under the Instruments, made or granted under this Resolution) does not exceed 50 per cent of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares under the Instruments made or granted under this Resolution) does not exceed 20 per cent of the Company's total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares shall be calculated based on the total number of issued Shares excluding treasury shares, if any, at the time of the passing of this Resolution, after adjusting for:-

(a) new Shares arising from the conversion or exercise of convertible securities;

(b) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

NOTICE OF ANNUAL GENERAL MEETING

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Act, the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

8. **Authority to allot and issue new ordinary shares under the Delfi Limited Scrip Dividend Scheme** **(Resolution 10)**

That under section 161 of the Act, authority be given to the Directors to allot and issue from time to time such number of new ordinary shares in the capital of the Company as may be required to be allotted and issued under the Delfi Limited Scrip Dividend Scheme.

9. **The Proposed Renewal of the Mandate for Interested Person Transactions** **(Resolution 11)**

That:-

(a) approval be given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and its associated companies which are entities at risk as defined in Chapter 9 of the Listing Manual of the SGX-ST, or any of them, to enter into any of the transactions falling within the types of interested person transactions, particulars of which are set out in the Annual Report of the Company for the financial year ended 31 December 2016 (***Appendix***) with any person who falls within the class of interested persons described in the Appendix, provided that such transactions are made at arm's length and on normal commercial terms, will not be prejudicial to the interests of the Company and its minority shareholders, and will be subject to the review procedures for interested person transactions as set out in the Appendix;

(b) the approval given in sub-paragraph (a) above (***IPT Mandate***) shall, unless revoked or varied by the Company in general meeting, continue in force until the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier; and

(c) the Directors be authorised to do all such acts and things (including, without limitation, executing all such documents as may be required) as they may consider expedient or necessary in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

By Order of the Board of Directors

Chuang Yok Hoa / Raymond Lam
Company Secretaries

Singapore, 10 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Notes:

(1) A member of the Company entitled to attend and vote at the above meeting may appoint not more than two proxies to attend and vote on his behalf.

(2) A member who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than two proxies to attend and vote at the AGM instead of such member, but each such proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

A "relevant intermediary" means:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(b) a person holding a capital markets services licence to provide custodial services for securities under the SFA Securities Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

(3) A proxy need not be a member of the Company and where there is more than one proxy, the proportion (expressed as a percentage of the whole) of his shareholding to be represented by each proxy must be stated.

(4) The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time appointed for holding the meeting.

Personal Data Privacy

By submitting an instrument appointing a proxy and/or representative to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives relating to the Annual General Meeting (including any adjournment thereof); and

(ii) warrants that where the member discloses the personal data of the member's proxy and/or representative to the Company (or its agents), the member has obtained all necessary consents to do so, and that the Company (or its agents) may collect, use and disclose such personal data for the purposes above.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES & STATEMENT UNDER REGULATION 64 OF THE COMPANY'S CONSTITUTION.

Resolution 3:
If re-elected, Mr Chuang Tiong Kie, an Executive Director, shall remain as a member of the Executive Committee of the Company.

Resolution 4:
If re-elected, Mr Anthony Michael Dean, an Independent and Non-Executive Director, shall remain as Chairman of Audit Committee, a member of the Nominating Committee (***NC***) and Risk Management Committee (***RMC***), of the Company, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Resolution 5:
If re-elected, Mr Koh Poh Tiong, an Independent and Non-Executive Director, shall remain as Chairman of Remuneration Committee (***RC***), a member of the NC, RMC and Market Sustainability and Strategy Committee (***MSSC***), of the Company, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Resolution 6:
If re-elected, Mr Doreswamy Nandkishore, an Independent and Non-Executive Director, shall remain as Chairman of MSSC, and a member of NC and RC, of the Company.

Resolution 9:
The proposed Resolution 9, if passed, will empower the directors, from the date of the Annual General Meeting until the next annual general meeting of the Company, to issue Shares and/or Instruments up to an aggregate number not exceeding 50 per cent of the total number of issued Shares excluding treasury shares, with a sub-limit of 20 per cent for Shares issued other than on a pro rata basis to Shareholders.

Resolution 10:
The proposed Resolution 10, if passed, will empower the directors to allot and issue shares in the Company under the Delfi Limited Scrip Dividend Scheme to members who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount of that qualifying dividend.

Resolution 11:
The proposed Resolution 11, if passed, will renew the IPT Mandate (which was last renewed at the annual general meeting of the Company held on 26 April 2016) to facilitate the Company, its subsidiaries and associated companies which are entities at risk as defined in Chapter 9 of the Listing Manual of the SGX-ST, to enter into Interested Persons Transactions, the details of which are set out in the Annual Report. The authority under the renewed IPT Mandate will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting is required by law to be held, whichever is the earlier.

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DELFI LIMITED

Registration No. 198403096C
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT

1. For investors who have used their CPF monies to buy the Company's shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR THEIR INFORMATION ONLY.
2. This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the Shareholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2017.
4. A relevant intermediary may appoint more than two proxies to attend the AGM and vote (please see Note 3 for the definition of "relevant intermediary").

PLEASE READ THE NOTES TO THE PROXY FORM.

I/We ______________________________ (NRIC / Passport No.) ______________________

of ____

(Address) being a member/members of Delfi Limited (***Company***), hereby appoint:-

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

And/or (delete as appropriate)

or failing whom, Chairman of the Meeting, as my/our proxy/proxies to attend and vote for me/us on my/our behalf, at the annual general meeting of the Company (***AGM***) to be held at Ballroom 3, Lower Lobby, The Fullerton Hotel, 1 Fullerton Square, Singapore 049178 on Wednesday, 26 April 2017 at 2:00 p.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the AGM and at any adjournment thereof.

(If you wish to exercise all your votes "For" or "Against", please tick with " ✓ " within the box provided. Alternatively, please indicate the number of votes "For" or "Against" each resolution.)

No.	Resolutions	For	Against
	Ordinary Business		
1.	To receive and adopt Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016, together with the auditors' report thereon.		
2.	To declare a final dividend.		
3.	To re-elect Mr Chuang Tiong Kie as a Director.		
4.	To re-elect Mr Anthony Michael Dean as a Director.		
5.	To re-elect Mr Koh Poh Tiong as a Director.		
6.	To re-elect Mr Doreswamy Nandkishore as a Director.		
7.	To approve Directors' fees for the financial year ending 31 December 2017.		
8.	To re-appoint PricewaterhouseCoopers LLP as auditors and to authorize the Directors to fix their remuneration.		
	Special Business		
9.	To authorise Directors to issue shares and/or Instruments under Section 161 of the Companies Act, Chapter 50.		
10.	To authorise Directors to issue new ordinary shares under the Delfi Limited Scrip Dividend Scheme.		
11.	To renew the Mandate for Interested Person Transactions.		

Dated this ____________________ day of ________________ 2017

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	
Total	

____
Signature(s) of member(s)/Common Seal

IMPORTANT – PLEASE READ NOTES OVERLEAF

Notes:

1. A member should insert the total number of ordinary shares in the capital of the Company (***Shares***) held. If the member has Shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap 289 (***SFA***)), he should insert that number of Shares. If the member has Shares registered in his name in the Register of Members, he should insert that number of Shares. If a member has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members, he should insert the aggregate number of Shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the Shares held by the member.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.

3. A member who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than two proxies to attend and vote at the AGM instead of such member, but each such proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   A "relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the SFA and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, M&C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time appointed for the AGM.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act (Cap. 50).

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument appointing a proxy or proxies.

9. In the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

10. Completion and return of this Proxy Form appointing a proxy or proxies shall not preclude a member from attending and voting in person at the Annual General Meeting. In such an event, the Proxy Form will be deemed to be revoked.

Personal Data Privacy

By submitting an instrument appointing a proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.

Some of the information in this report constitute "forward looking statements" which reflect Delfi's current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which may be outside Delfi's control. You are urged to view all forward looking statements with caution. For updated information, please contact our Corporate Office.

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