JBfoods

TAPPING INTO NEW AREAS OF GROWTH

ANNUAL REPORT 2012

CONTENTS

FOUNDER'S MESSAGE

Dear Shareholders,

JB Foods Limited ("JB Foods" or the "Group"), has come a long way since we started operations in the 1980s. We have achieved a number of milestones over the years, growing from being just a processor of wet cocoa beans to dry cocoa beans to where we are today. As a major cocoa ingredient producer in Malaysia, we have built a reputable brand name - JBCOCOA - known for the quality of our products and our technical know-how in customising our products to customers' requirements.

Over the years, our production capacity of 30,000 tonnes of cocoa bean equivalent per year almost tripled to a capacity of 85,000 tonnes of cocoa bean equivalent per year. In addition to our strategically located production facility at the Port of Tanjung Pelepas, Johor, Malaysia, we have also started operations at our cocoa liquor processing facility in Gresik, Indonesia. We have also built a wide customer base and long-term relationships with customers and suppliers worldwide.

In January 2013, I stepped down as the Chairman of the Board and retired as a board member on 1 March 2013. Mr Michael Chua who has been with the Board since 4 May 2012, has been appointed as the Independent and Non-Executive Chairman with effect from 2 January 2013.

I would like to take this opportunity to extend my deepest appreciation for the invaluable contribution from our Board of Directors, our loyal and dedicated staff and management team, our valuable customers and business associates, and also our shareholders for your continued support.

It has been a very fruitful and exciting journey for me as the founder of the Group and I was very heartened to see the Group achieved another milestone with its successful listing on the Mainboard of the Singapore Exchange in 2012. The Group is well-positioned for further growth and I wish it continued success.

Tey Kan Sam @ Tey Hin Ken
Founder

Founded in the 1980s, JB Foods Limited ("JB Foods") started as a processor of wet cocoa beans to dry cocoa beans. Today, the Group is one of the major cocoa ingredient producers in Malaysia, with a production capacity of 85,000 tonnes of cocoa bean equivalent per year.

CORPORATE PROFILE

The Group's principal activities comprise the production and sale of cocoa ingredient products, namely cocoa butter, cocoa powder, cocoa liquor and cocoa cake, with cocoa butter and cocoa powder contributing approximately 90% to its revenue.

In 2003, JB Foods completed the construction of its cocoa processing plant at the Port of Tanjung Pelepas ("PTP"), a free trade zone in Johor, Malaysia. The production facility has received a number of accolades and certifications including ISO 9001:2008 certification, HACCP certification, Kosher and Pareve certification, Halal certification, UTZ certified, BRC Global Standard for Food Safety, as well as Best Cocoa Grinder Award 2010, Industry Excellence Award 2011, and a certificate of appreciation for being the finalist of the Malaysian Commodities Industry Award 2011 for Best Manufacturing Factory.

Since 23 July 2012, JB Foods has been listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

OUR PRODUCTS

Cocoa Butter
We produce natural deodorised or partially deodorised cocoa butter which is mainly used in the production of chocolates.

Cocoa Powder
We produce a wide range of cocoa powder with varying pH value, application and fat content. Cocoa powder is mostly used to make cocoa beverages and as flavourings and coatings in the manufacture of food and beverage and confectionery products.

We also have the capabilities to customise recipes for cocoa powder based on customer specifications such as producing specific taste and appearance.

Cocoa Liquor
By carefully blending the cocoa beans from different origins and through the precise control of parameters such as temperature, pressure and humidity during the alkalising and roasting process, we are able to enhance the taste, flavour and appearance of cocoa liquor. Our main customers for cocoa liquor are chocolate manufacturing companies.

Cocoa liquor can be pressed to produce cocoa butter and cocoa cake.

Cocoa Cake
We sell cocoa cake to international trade houses or cocoa powder millers to be refined into cocoa powder. However, majority of our cocoa cakes are further processed to produce cocoa powder.

All our products are manufactured under stringent food safety standards to ensure our customers receive quality cocoa ingredient products which meet or exceed their expectations. The Group also places strong emphasis on product development.

Over the years, the Group has developed and honed our ability to provide customisation of cocoa ingredient products, in particular, cocoa powder, where we have the technical know-how, proprietary methods and expertise in blending in order to produce products of high quality and in a consistent manner. This has earned us a strong reputation amongst global customers.

Our products are sold primarily under the "JBCOCOA" brand name. We have built a wide customer base and export our products worldwide to customers ranging from international trade houses to end users such as food and beverage and confectionery manufacturers. These include Theobroma B.V., ADM Cocoa, General Cocoa Company Inc., Transmar Commodity Group Ltd., Olam Europe Limited, ECOM Group, Nestlé Group, INC., AB Food & Beverages (Thailand) Ltd, Kraft Foods Manufacturing Malaysia Sdn Bhd, Mitsubishi Corporation, Hershey India Private Limited, Arcor Saic, Mars Chocolate and Lotte Shanghai Foods Co. Ltd.

Strategic Location

JB Foods' production facility situated in PTP, a strategic logistics hub within a free trade zone in Malaysia, enables the Group to reduce the travel time by road and significantly reduce land logistics costs to and from the port. The Group is also able to closely monitor its containers prior to loading onto vessels for its onward journey to other ports.

BUILDING A SUSTAINABLE FUTURE

Dear Shareholders,
On behalf of the Board of Directors, it gives me great pleasure to present you with JB Foods Limited's ("JB Foods" or the "Group") inaugural annual report for the financial year ended 31 December 2012 ("FY2012"). This report sets out what we have accomplished to date – and where we are going from here.

The year 2012 marked an important corporate milestone as we were successfully listed on the Mainboard of the Singapore Exchange. Our initial public offering ("IPO") of 100 million shares, priced at S$0.30 apiece, was over five times subscribed and we raised net proceeds of S$23.0 million.

Indeed, JB Foods has come a long way since its early days as a processor of wet cocoa beans to dry cocoa beans in the 1980s. Over the decades, the Group's status has since grown to being one of the major cocoa ingredient producers in Malaysia, which is itself the major contributor to the total grinding volume of cocoa beans in Asia Oceania region since 2005, and a net exporter of cocoa ingredient products.

A number of key factors have enabled the Group to grow to its current position today. Our production facility is strategically located in the Port of Tanjung Pelapas ("PTP"), a free trade zone in Johor, Malaysia, which significantly reduces our land logistics costs. In addition, the high quality standards of our manufacturing processes, our quality assurance programmes, as well as our ability to innovate and create customised cocoa ingredient products has undoubtedly earned us a strong reputation and loyalty amongst our customers.

CEO'S MESSAGE

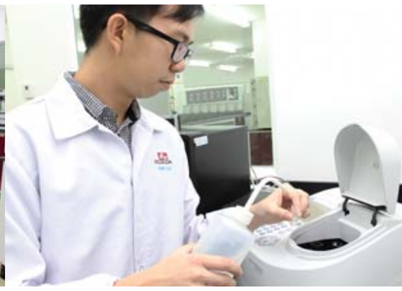
"Our mission is to maximise and leverage on the exceptional strengths that we have, so that we can win in the global marketplace, all across our Group, wherever we do business."

Clear Expansion Plans
2012 proved to be a challenging year, brought about by the lingering effects of the Eurozone crisis and slowdown in the United States. For FY2012, we recorded a revenue of RM583.1 million and a net profit of RM39.2 million, compared to RM690.6 million and RM51.0 million respectively a year ago. Although our topline and bottomline decreased compared to the previous year, we were able to maintain our gross profit margin in the double digit range. More importantly in 2012, we took concrete steps to map out clear expansion plans, and to invest in our future.

We completed the expansion of our facilities in PTP, increasing our production capacity from 60,000 tonnes to 85,000 tonnes of cocoa bean equivalent per year. This expansion is gradual and progressive, as our strategic approach is to grow our production capacity in tandem with our customers' requirements.

Our existing and potential customers are building new plants in markets such as Asia and Eastern Europe, where there is demand for cocoa ingredient products. We intend to leverage on our track record and reputation to fortify our positions in these markets. I am pleased to say that we have started to increase our exports to countries such as China, India and the Ukraine. We plan to set up representative offices in these countries to better serve our customers, if the need arises.

Besides organic growth avenues, the Group has also been granted two call options to acquire equity interest in overseas cocoa processing facilities – in Indonesia and Germany.



PT Jebe Koko has completed the contruction and commenced operations of its cocoa liquor processing facility in Gresik, some 30 km away from the Surabaya port. In Valluhn-Gallin, Germany, Kakao GmbH is constructing a cocoa butter melting, deodorising and warehouse facility which is sited 65 km from the port of Hamburg. Construction is expected to be completed in 2014. Our Audit Committee will evaluate the feasibility and benefit of exercising the two Call Options.

Dividends

In line with our promise to distribute at least 30.0% of the Group's net profits attributable to shareholders as dividends for FY2012, the Board of Directors has recommended a final tax-exempt dividend of 1 Singapore cent per share, to be approved at the upcoming Annual General Meeting ("AGM").

In addition to the interim dividend of 1 Singapore cent per share, the dividend to be paid out for FY2012 will total 2 Singapore cents per share.

Outlook

As we enter 2013, our business is poised for growth as we remain cautiously optimistic. We will continue to invest, for the long term, in brand building, innovation, quality and infrastructure.

We are heartened to say that in January 2013, the Group secured a strategic investment from Tee Yih Jia Food Manufacturing Pte Ltd. Indeed, this marks a strong recognition of JB Foods' business fundamentals and prospects. We firmly believe that this investment by Tee Yih Jia, itself the largest spring roll pastry manufacturer in the world, will further advance our growth plans in increasingly important markets such as Asia and Eastern Europe.

In sum, we are creating a strong, focused company that can deliver a total shareholder return that is sustainable, and we look forward to your continued support in our journey.

Acknowledgement

We would like to take this opportunity to say a special thank you to all staff for their commitment and unstinting dedication, and our business partners for their continued support and patronage.

Separately, we would also like to express our gratitude and appreciation to Mr Tey Kan Sam @ Tey Hin Ken who retired as a board member on 1 March 2013 for his invaluable contributions to the Group and wish him good health and success in his future endeavours. Mr Tey is the founder of JB Foods and has been instrumental in the growth and business expansion of the Group.

In line with corporate governance best practices for a stronger element of independence on the Board, Mr Tey had also earlier this year stepped down as Non-Independent and Non-Executive Chairman of JB Foods and Mr Chua Cheow Khoon Michael, our Lead Independent and Non-Executive Director, was appointed as the Independent and Non-Executive Chairman in his place with effect from 2 January 2013.

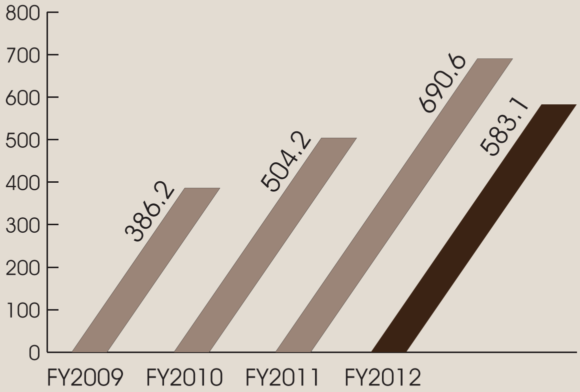
At the same time, we warmly welcome our new board member, Mr Goi Seng Hui as a Non-Independent, Non-Executive Director and Vice Chairman of JB Foods. His appointment took effect on 1 March 2013.

Going forward, the Group will spare no efforts to execute our growth plans to ensure that we continue to grow and prosper in the years ahead. We thank you for your continued support for JB Foods and look forward to meeting with you at our inaugural AGM.

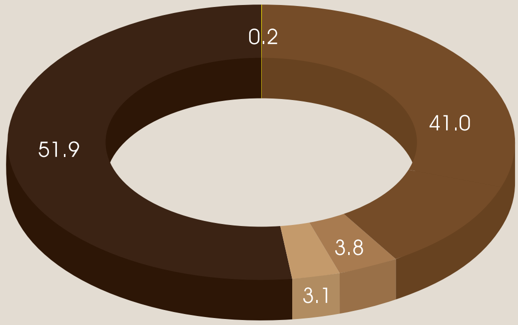
Tey How Keong
Chief Executive Officer

FINANCIAL HIGHLIGHTS

REVENUE (RM'MILLION)

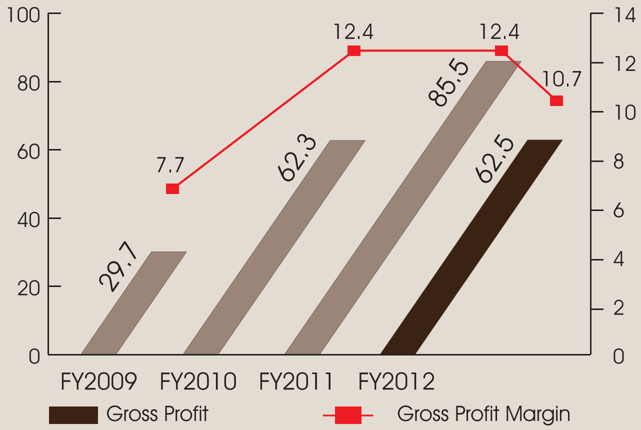


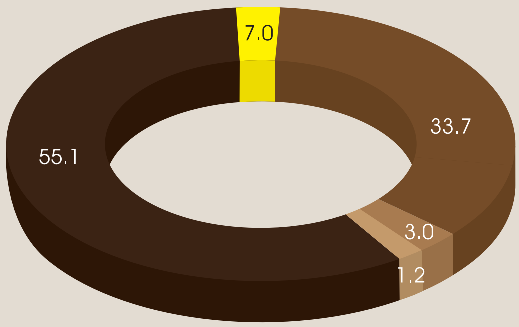
REVENUE ANALYSIS BY PRODUCT (%)



FY2011

GROSS PROFIT (RM'MILLION)
GROSS PROFIT MARGIN (%)

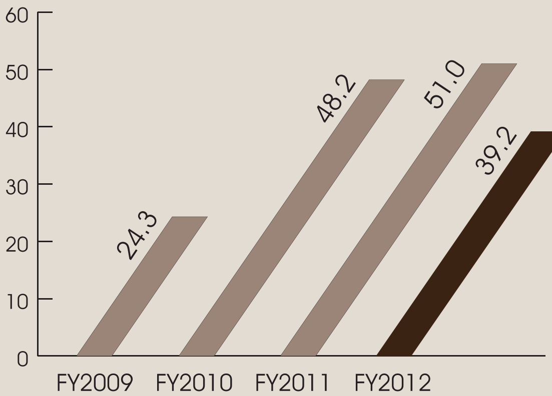




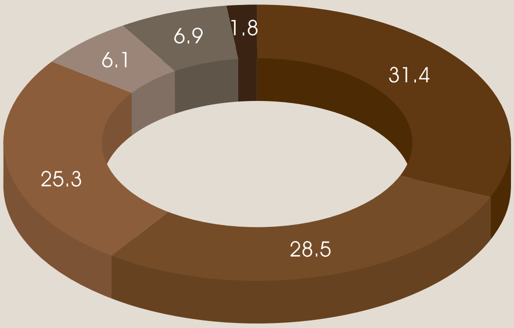
FY2012

Cocoa Butter
Cocoa Cake
Cocoa Liquor
Others
Cocoa Powder

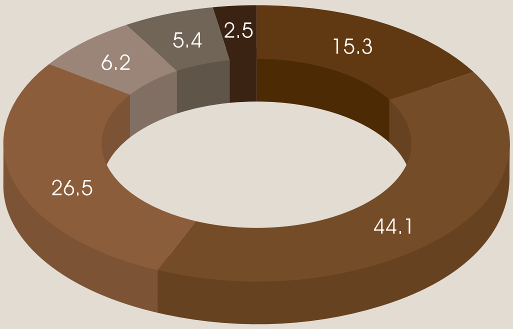
NET PROFIT (RM'MILLION)



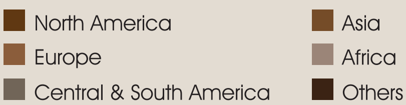
REVENUE ANALYSIS BY GEOGRAPHICAL REGION (%)



FY2011



FY2012



FINANCIAL SUMMARY

Financial Highlights

(RM'000)	FY2012	FY2011
Revenue	**583,100**	690,623
Gross Profit	**62,500**	85,520
Profit before income tax	**43,590**	67,098
Total comprehensive income attributable to owners of the parent	**39,158**	51,025

Balance Sheet

(RM'000)	FY2012	FY2011
Total assets	**430,899**	325,804
Total liabilities	**241,034**	226,042
Total equity	**189,865**	99,762
Net debt	**175,261**	155,625
Cash and cash equivalents	**51,062**	48,630

Financial Ratios

	FY2012	FY2011
Earnings per share[1] (sen)	**14.98**	19.52
Net asset value per share[2] (sen)	**47.47**	24.94
Return on equity (%)	**20.6**	51.1
Gearing ratio (%)	**48.0**	60.9

(1) Based on weighted average number of shares of 261,431,684

(2) Based on post-IPO shares capital of 400,000,000 shares

AVAILABILITY, RELIABILITY & VALUED PARTNERS

For the financial year ended 31 December 2012 ("FY2012"), JB Foods reported earnings of RM39.2 million and sales of RM583.1 million. In comparison, the Group recorded earnings of RM51.0 million and sales of RM690.6 million a year ago.

OPERATIONS & FINANCIAL REVIEW

Despite higher sales quantity during the year, the Group's revenue was lower largely due to lower cocoa bean terminal prices quoted on the futures market by either the InterContinental Exchange ("ICE") in New York or the NYSE Euronext ("NYSE Liffe") in London, which resulted in lower average selling prices of its cocoa ingredient products.

Gross profit for the year declined 26.9% to RM62.5 million from RM85.5 million a year ago, while margins fell 1.7 percentage points year-on-year to 10.7% from 12.4%, mainly due to lower average selling prices of cocoa ingredient products.

Costs incurred by the Group were marginally higher in FY2012 compared to the previous year. Administrative expenses rose 5.0% to RM9.7 million due to increase in professional fees, while finance costs increased 22.0% to RM3.3 million to support higher working capital requirement for higher inventory and drawdown of bridging loan to finance the Group's expansion in the Port of Tanjung Pelepas ("PTP"). The expansion was related to the construction of a new factory and warehouse at PTP, as well the acquisition of production equipment and machinery for the new factory.

The impact of these higher costs were mitigated by a 40.6% drop in other charges to RM2.1 million in FY2012 from a reduction in fair value loss on derivative financial instruments which was partially offset by an increase in the listing expenses incurred during the year.

Statements of Financial Position

	Group		
	FY2012 RM'000	FY2011 RM'000	Change %
ASSETS			
Non-Current Assets			
Intangible asset	5	-	n.m.
Property, plant and equipment	106,702	81,766	30.5
Prepaid lease payments	5,852	6,251	(6.4)
Total Non-Current Assets	**112,559**	**88,017**	**27.9**
Current Assets			
Inventories	169,733	138,469	22.6
Trade and other receivables	93,149	50,622	84.0
Prepayments	101	66	53.0
Current income tax recoverable	4,295	-	n.m.
Cash and cash equivalents	51,062	48,630	5.0
Total Current Assets	**318,340**	**237,787**	**33.9**
Total Assets	**430,899**	**325,804**	**32.3**
LIABILITIES			
Current Liabilities			
Trade and other payables	54,519	62,045	(12.1)
Derivative financial instruments	2	368	n.m.
Bank borrowings	171,804	142,179	20.8
Finance lease payable	-	31	n.m.
Current income tax payable	17	9,759	n.m.
Total Current Liabilities	**226,342**	**214,382**	**5.6**
Non-Current Liability			
Deferred Tax Liabilities	14,692	11,660	26.0
Total Non-Current Liability	**14,692**	**11,660**	**26.0**
Total Liabilities	**241,034**	**226,042**	**6.6**
Net Assets	**189,865**	**99,762**	**90.3**
CAPITAL AND RESERVES			
Share capital	160,717	27,500	n.m.
Other reserves	(72,265)	-	n.m.
Retained earnings	101,413	72,262	40.3
Total Equity Attributable to Owners of the Parent	**189,865**	**99,762**	**90.3**

Balance Sheet

The Group maintained a healthy and strong financial position during the year. Total assets swelled to RM430.9 million in FY2012 from RM325.8 million previously. Non-current assets increased by RM24.6 million to RM112.6 million due to the capital expenditure incurred for the expansion of production capacity. Current assets increased by RM80.5 million to RM318.3 million, mainly attributable to an increase in inventories of RM31.3 million, trade and other receivables of RM42.5 million, and cash and cash equivalents of RM2.4 million. The increase in inventories was to meet anticipated demand, whilst the increase in trade and other receivables was from higher sales achieved in the fourth quarter of FY2012.

Total liabilities of the Group increased to RM241.0 million from RM226.0 million of the preceding year. This was mainly due to an increase in bank borrowings, partially offset by a decrease in trade and other payables, and decrease in current tax liabilities.

The Group's equity attributable to the owners of the Company increased to RM189.9 million in FY2012 from 99.8 million in FY2011, largely due to net profit generated and the issuance of new shares in the fourth quarter of FY2012.

Cash Flows

Statement of Cash Flows

RM'000	FY2012	FY2011
Net cash from operating activities before working capital changes	52,188	78,751
Net cash generated (used in)/ from operating activities	(22,703)	20,686
Net cash used in investing activities	(32,558)	(22,291)
Net cash from financing activities	56,933	24,658
Net change in cash and cash equivalents	1,672	23,053
Cash at end of the year*	50,772	48,630

**Less bank overdraft of RM290,000 in FY2012*

For the year under review, the Group generated net cash from operating activities before working capital changes of RM52.2 million versus RM78.8 million of the previous year. The net cash used in operating activities of RM22.7 million was due to a decrease in trade and other payables of RM14.0 million, partially offset by an increase in inventories of RM31.3 million and an increase in trade and other receivables of RM42.2 million. The Group also paid income tax of RM15.4 million.

The higher net cash used in investing activities of RM32.6 million was for the development costs of the new factory and warehouse facilities at PTP and the purchase of new equipment and machineries. Net cash from financing activities of RM56.9 million was the receipt of IPO proceeds and increase in utilisation of trade finance facilities, offset by dividend payment, net repayment of term loan and bridging loans, listing expenses and interest payment.

As a result of the above cash flow movements, the Group achieved a net increase in cash and cash equivalents of RM2.1 million to RM50.8 million with positive effects of exchange rate changes amounting to RM0.5 million.

BOARD OF DIRECTORS

Chua Cheow Khoon Michael
Independent and Non-Executive Chairman

Mr Chua was appointed to the Board on 4 May 2012 as Lead Independent and Non-Executive Director. With effect from 2 January 2013, he was appointed as Independent and Non-Executive Chairman. Mr Chua was the chief investment officer of Sapphire Corporation Limited and has more than 30 years of experience in financial and management accounting, corporate finance and general management.

Mr Chua has held senior positions in multinational companies including Reckitts & Colman Singapore Pte Ltd, the Singapore Technologies, Sembcorp group of companies and Delifrance Singapore Pte Ltd. He is also an independent director of Cogent Holdings Limited and lead independent director of Cedar Strategic Holdings Ltd (formerly known as China Titanium Ltd), companies listed on the Mainboard and the Catalist Board of the SGX-ST respectively.

Mr Chua graduated with a Bachelor of Business from the Charles Sturt University (Mitchell College of Advanced Education), Australia in 1977 and is a Fellow of CPA Australia.

Goi Seng Hui
Non-Independent, Non-Executive Director and Vice Chairman

Mr Goi was appointed to the Board on 1 March 2013 as Non-Independent, Non-Executive Director and Vice Chairman. He is the Executive Chairman of Tee Yih Jia Group (a global food and beverage group with operations in Singapore, Malaysia, USA, Europe and China), and Yangzhou Junhe Real Estate Group (a growing property development company in China). Apart from these core businesses, Mr Goi has investments across a range of listed and private entities in numerous industries, such as food and beverage, consumer essentials, recycling, distribution and logistics. Mr Goi also serves on the board of four other Mainboard-listed companies – as Chairman of GSH Corporation Limited, Vice Chairman of Super Group Limited, Vice Chairman of Etika International Holdings Ltd, and Director of Tung Lok Restaurants (2000) Ltd.

Mr Goi is also Enterprise 50 Club's Honorary Past President and Vice Chairman of IE Singapore's "Network China" Steering Committee, Regional Representative for Fuzhou City and Fujian Province, council member of the Singapore-Zhejiang Economic & Trade Council, as well as Senior Consultant to Su-Tong Science & Technology Park. He is currently the Honorary Chairman for the International Federation of Fuqing Association, and a member of the Singapore University of Technology and Design (SUTD) Board of Trustee, and Chairman of Dunman High School Advisory Committee and Ulu Pandan Citizens Consultative Committee.

Goh Lee Beng
Executive Director

Mdm Goh oversees the trading and logistics department of the Group, which monitors world cocoa trends, cocoa trading, sourcing of cocoa beans and marketing of cocoa butter. She was appointed to the Board on 4 May 2012.

Upon graduation, Mdm Goh joined Guan Chong Cocoa Manufacturer Shd Bhd in November 1989 as an executive and was responsible for logistics, operations and inventory management. She joined JB Cocoa Shd Bhd in January 2003 and was appointed as its Executive Director in August 2003.

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

Tey How Keong
Chief Executive Officer

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

Mr Tey has over 20 years of experience in cocoa business. He started his career in the cocoa business in November 1988 as sales manager of JB Cocoa Group Sdn Bhd. In August 1989, he was appointed as a director of Guan Chong Cocoa Manufacturer Sdn Bhd and played an active role in setting up its cocoa processing plant in Pasir Gudang, and remained as a director until October 2003.

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

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

BOARD OF DIRECTORS

Yessa Matindas Tuegeh
Non-Independent and Non-Executive Director

Mr Tuegeh was appointed to the Board on 4 May 2012 and is the representative director of ECOM AgroIndustrial Corp Limited on the Board.

Mr Tuegeh started his career in September 1997 with PT Cahaya Kalbar TBK, a manufacturer of specialty fats and cocoa products. After leaving PT Cahaya Kalbar TBK in November 2002, he joined ECOM AgroIndustrial Asia Pte. Ltd. as a senior trader, where his responsibilities included trading cocoa products and futures. Currently he holds the position of cocoa director for managing the group's cocoa operations in Asia.

Mr Tuegeh graduated with a Bachelor of Science and Business Administration from Washington University, Missouri, USA in 1997 and obtained a Master of Business Administration from the Graduate School of Business of The University of Chicago in 2004.

Leow Wee Kia Clement
Independent and Non-Executive Director

Mr Leow was appointed to the Board on 4 May 2012. He is currently a partner and head of corporate finance at Partners Capital (Singapore) Pte Ltd, a firm specialising in corporate finance activities, where he is involved in the management of the origination and execution of initial public offerings, mergers and acquisition, advisory transactions as well as other fund raising activities, and has over 13 years of corporate finance experience. Mr Leow has also been appointed to the Institute of Banking and Finance, Financial Industry Competency Standards Corporate Finance Working Group, which provides guidance and sets the competency standards in the corporate finance industry in Singapore.

Mr Leow worked as an investment banking officer at Keppel Capital Holdings between October 1999 to December 2000, before he joined PricewaterhouseCoopers Corporate Finance Pte Ltd as a senior associate from January 2001 to December 2002. From January 2003 to March 2005, he joined Daiwa Securities SMBC Limited as an assistant vice president of corporate finance. He subsequently joined KBC Bank NV as an associate director of merchant banking until October 2006. Thereafter, he was a managing director of corporate finance at Phillip Securities Pte Ltd from November 2006 to May 2009, before leaving to join Partners Capital (Singapore) Pte Ltd in June 2009.

Mr Leow graduated from Cornell University, United States with a Bachelor of Science in Applied Economics in 1994. He was awarded a Master of Business Administration in 2011 from the University of Oxford, United Kingdom, and was also conferred a Postgraduate Diploma in Financial Strategy in 2009 by the University of Oxford, United Kingdom. He also completed the Governance as Leadership Program at Harvard Kennedy School, United States in 2010. He is presently an independent non-executive director at Mann Seng Metal International Limited and Overseas Education Limited, listed on the Catalist board and the Mainboard of the Singapore Exchange respectively, and has also served as a member of the Singapore Institute of Directors since April 2009. He has also been awarded the Singapore Armed Forces Good Service Medal in 2007.


JB COCOA

EXECUTIVE OFFICERS

Low Kim Poh
Chief Financial Officer

Mr Low has been a chartered accountant of the Malaysian Institute of Accountants since 2002 after he completed his Association of Chartered Certified Accountant (ACCA) course in 2001. He started his career in March 1994 as an audit trainee at SQ Associates. He has worked as a senior business advisor and accounting role with various companies including South Pacific Corporate Advisory Sdn Bhd, Micro Nutrition Sdn Bhd, Eonchem Engineering Sdn Bhd and Eonlipids Sdn Bhd.

In August 2003, Mr Low joined JB Cocoa Shd Bhd as its financial accountant where he oversaw the accounts, finance and human resource functions. He left in June 2004 to establish Kplow & Co, a company providing accounting services until December 2004. In January 2005, he joined GCG (JB) Sdn Bhd as its business compliance manager where he was involved in internal audit of the accounting and operations departments for the company's businesses in Southeast Asia, before returning to JB Cocoa Shd Bhd in April 2006 as its Group Accountant, where he has been responsible for all financial and accounting related matters of the Group. He is also involved in foreign currency management and conducts feasibility studies and investment appraisal for all the Group's projects.

Ong Kim Teck
Operations Manager

Mr Ong leads and monitors the overall production, factory maintenance, electrical, electronics and information technology matters in the processing facility.

Upon graduation, Mr Ong joined Golsta Synergy Berhad as a mechanical engineer in September 1997 and was involved in equipment design and managing engineering projects. In April 2002, he joined JB Cocoa Shd Bhd as project manager, during which he oversaw the construction of the processing facility in Port of Tanjung Pelepas, including monitoring the installation of the equipment and maintenance issues at the processing facility. In July 2004, he was appointed as the factory manager and subsequently in April 2011, he was promoted to Operations Manager of the Group.

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

Ho Kek Sian
Quality Assurance and Development Manager

Mr Ho spearheads product development and customisation of cocoa ingredient and works closely with the sales and marketing, operations, quality assurance and development departments. He joined JB Cocoa Shd Bhd as its process control engineer in February 2003 and in May 2004, he joined Supervitamins Sdn. Bhd. as a research and development engineer where he was involved in various research and development projects such as the pilot trial of producing palm fatty acid methyl ester or biodiesel and research on producing higher concentration of natural tocotrienols and tocopherol concentrate. Following which, he was with Foster Wheeler Asia Pacific Pte. Ltd. as its pharmaceutical project engineer and ADM Cocoa Pte. Ltd. as its production engineer. In December 2010, Mr Ho re-joined JB Cocoa Shd Bhd as its Quality Assurance and Development Manager.

Mr Ho graduated with a Bachelor of Engineering (Chemical — Bioprocess) from the University of Technology, Malaysia in 2000. He subsequently obtained a Master of Engineering from the University of Technology, Malaysia in 2003. In 2005, he became a graduate member of the Board of Engineers, Malaysia.

Saw Poh Chin
Sales and Marketing Manager

Ms Saw has over 10 years of experience in the cocoa business. She manages and markets the Group's products to international markets, and assists in product development activities.

Ms Saw started her career with Guan Chong Cocoa Manufacturer Shd Bhd in February 2000 as a research and development chemist before joining JB Cocoa Shd Bhd in June 2002 as its quality and research and development manager. In December 2004, she was reassigned as the technical support manager and reassigned as technical sales manager in January 2007. In September 2010, she was re-designated as the Sales and Marketing Manager of the Group.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chua Cheow Khoon Michael
Independent and Non-Executive Chairman

Goi Seng Hui
Non-Independent, Non-Executive Director and Vice Chairman

Tey How Keong
Chief Executive Officer

Goh Lee Beng
Executive Director

Yessa Matindas Tuegeh
Non-Independent and Non-Executive Director

Leow Wee Kia Clement
Independent and Non-Executive Director

REGISTERED OFFICE

80 Robinson Road
#02-00 Singapore 068898
www.jbfoods.com.sg

AUDIT COMMITTEE

Chua Cheow Khoon Michael (Chairman)
Leow Wee Kia Clement
Yessa Matindas Tuegeh

REMUNERATION COMMITTEE

Leow Wee Kia Clement (Chairman)
Chua Cheow Khoon Michael
Yessa Matindas Tuegeh

NOMINATING COMMITTEE

Leow Wee Kia Clement (Chairman)
Chua Cheow Khoon Michael
Tey How Keong

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

JOINT COMPANY SECRETARIES

Lee Wei Hsiung, ACIS
Chwee Chong Foon, ACIS

INDEPENDENT AUDITORS

BDO LLP
Public Accountants and Certified Public Accountants
21 Merchant Road
#05-01 Royal Merukh S.E.A. Building
Singapore 058267

Partner-in-charge: Leong Hon Mun Peter
(Appointed since financial year ended 31 December 2012)

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

As required by the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST"), the following report describes the Company's corporate governance processes and structures that were in place throughout the financial year, with specific reference made to the principles and guidelines of the Code of Corporate Governance 2005 (the "Code"). The Company intends to adopt, where applicable and appropriate, the recommendation of the Code of Corporate Governance 2012 in its financial year commencing 1 January 2013.

Principle 1: The Board's Conduct of its Affairs

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

The Board's principal functions include:

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

b) supervising and approving strategic direction of the Group;

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

d) approving the annual budgets and major funding proposals;

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

f) convening of shareholders' meetings; and

g) assuming responsibility for corporate governance.

To facilitate effective management and support the Board in its duties, certain functions of the Board have been delegated to various Board Committees, namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") which have been constituted with clear defined terms of reference. Matters which are delegated to Board Committees for more detailed appraisals are reported to and monitored by the Board. In addition, in order to strengthen the independence of the Board, the Company has appointed Mr Chua Cheow Khoon Michael as its Non-Executive Chairman and Lead Independent Director.

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

Newly appointed Directors will be given appropriate briefings by the Management on the business activities of the Group, its strategic directions and the Company's corporate governance policies and practices, among other matters, their roles, obligations, duties and responsibilities as members of the Board prior to their appointments.

The Company was admitted to the Official List of SGX-ST on 23 July 2012. The attendance of the Directors at meetings of the Board and Board Committees held during the financial year ended 31 December 2012 ("FY2012") are as follows:

	BOARD		AUDIT COMMITTEE		REMUNERATION COMMITTEE		NOMINATING COMMITTEE	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Chua Cheow Khoon Michael	2	2	2	2	-	-	-	-
Tey How Keong (1)	2	2	2*	2*	NA	NA	NA	NA
Goh Lee Beng	2	2	2*	2*	NA	NA	NA	NA
Leow Wee Kia Clement	2	2	2	2	-	-	-	-
Yessa Matindas Tuegeh (2)	2	2	2	2	NA	NA	NA	NA
Tey Kan Sam @ Tey Hin Ken (3)	2	2	2*	2*	-	-	-	-
Goi Seng Hui (4)	NA	NA	NA	NA	NA	NA	NA	NA

NA: Not Applicable
*** By invitation**
(1) Appointed as member of the NC on 1 March 2013
(2) Appointed as member of the RC on 1 March 2013
(3) Resigned as a Director and a member of the RC and NC on 1 March 2013
(4) Appointed as a Director on 1 March 2013

Principle 2: Board Composition and Guidance

As at the date of this Report, the Board comprises six Directors of whom two are Independent Directors. The current number of Independent Directors complies with the Code's requirement that at least one-third of the Board should comprise Independent Directors, which brings a strong and independent element to the Board.

The Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The profiles of the Directors are found in the "Board of Directors" section of this annual report.

The Board through the NC has examined its size and composition and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The Board members as of the date of this report are:

Mr Chua Cheow Khoon Michael	-	Independent Non-Executive Chairman
Mr Goi Seng Hui	-	Non-Independent Non-Executive Director and Vice Chairman
Mr Tey How Keong	-	Chief Executive Officer & Executive Director
Mdm Goh Lee Beng	-	Executive Director
Mr Yessa Matindas Tuegeh	-	Non-Independent Non-Executive Director
Mr Leow Wee Kia Clement	-	Independent Non-Executive Director

The Company has in place a NC which determines the independence of each Director annually based on the definition of independence as set out in the Code.

The Independent Directors will assist to develop strategy and goals for the Group and regularly assess the performance of the Management. The NC is of the view that Mr Chua Cheow Khoon Michael and Mr Leow Wee Kia Clement are independent.

Principle 3: Chairman and Chief Executive Officer

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

Mr Chua Cheow Khoon Michael is the Non-Executive Chairman of the Company and Mr Tey How Keong assumes the role of CEO of the Company.

As Chairman, Mr Chua Cheow Khoon Michael is responsible for leading the Board and facilitating its effectiveness and his duties include promoting high standards of corporate governance.

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

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

Principle 4: Board Membership

As at the date of this Report, the Nominating Committee ("NC") comprises the following members, a majority of whom, including the Chairman, are independent:

Mr Leow Wee Kia Clement (Chairman)
Mr Chua Cheow Khoon Michael
Mr Tey How Keong

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

The principal functions of the NC are as follows:

(a) reviewing and recommending nomination for re-appointment or re-election or renewal of appointment of the directors;

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

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

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

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

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

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

Principle 5: Board Performance

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

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

Each member of the NC shall abstain from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolutions in respect of his own performance or re-nomination as a Director.

Principle 6: Access to information

Directors are furnished regularly with information from Management about the Group as well as the relevant background information relating to the business to be discussed at Board meetings. The Directors also have separate and independent access to the Company's Senior Management and Company Secretary to facilitate separate and independent access.

The Company Secretary administers and attends all Board and Board Committees meetings of the Company and prepares minutes of Meetings. Together with members of the Company's Management, the Company Secretary is responsible for ensuring that appropriate procedures are followed and that the requirements of the Companies Act and other rules and regulations that are applicable to the Company are met. Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his duties and responsibilities as Director.

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

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee ("RC") comprises the following members, a majority of whom, including the Chairman, are independent:

Mr Leow Wee Kia Clement (Chairman)
Mr Chua Cheow Khoon Michael
Mr Yessa Matindas Tuegeh

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

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

Principle 8: Level and Mix of Remuneration

As part of its review, the RC ensures that remuneration packages are comparable within the industry and with similar companies. The RC considers the Group's relative performance and the contributions and responsibilities of the individual Directors.

Executive Directors are paid a basic salary pursuant to their respective service agreements. Each service agreement is valid for an initial period of three years with effect from the date of the Company's admission to the SGX-ST. These service agreements provided for, inter alia, termination by either party upon giving not less than six months' notice in writing.

Non-Executive Directors are paid a basic fee and an additional fee for serving on any of the committees. The Chairman of each committee is compensated for his additional responsibilities. Such fees are approved by the shareholders of the Company as a quarterly payment in arrears at the AGM of the Company.

Principle 9: Disclosure on Remuneration

The level and mix of remuneration of the Company's Directors and Executive Officers for FY2012 are as follows:

Name of the Directors		Salary %	Bonus %	Other Benefits %	Fees %	Total %
$500,000 to below $750,000						
Tey How Keong [1]	Executive	36	53	11	-	100
S$250,000 and below:						
Goh Lee Beng [1]	Executive	44	45	11	-	100
S$250,000 and below:						
Tey Kan Sam @ Tey Hin Ken [1][2]		-	-	-	100	100
Chua Cheow Khoon Michael		-	-	-	100	100
Yessa Matindas Tuegeh		-	-	-	100	100
Leow Wee Kia Clement		-	-	-	100	100
Name of Top 5 Executives						
S$250,000 and below						
Low Kim Poh		52	39	9	-	100
Ong Kim Teck		45	44	11	-	100
Saw Poh Chin		45	44	11	-	100
Ho Kek Sian		52	37	11	-	100
Chua Kwee Heng		45	44	11	-	100

Note:

(1) As disclosed above, the annual remuneration of Mr Tey Kan Sam @ Tey Hin Ken and Mdm Goh Lee Beng, the father and spouse of Mr Tey How Keong, CEO, exceeds S$150,000. Save for Tey How Keong, no employee of the Group was an immediate family member of the Directors whose remuneration exceeds $150,000 during the financial year ended 31 December 2012.

(2) Mr Tey Kan Sam @ Tey Hin Ken resigned as a Director with effect from 1 March 2013.

The Company does not currently have any employee share option scheme in place.

Principle 10: Accountability

In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide the shareholders with detailed analysis and a balanced and understandable assessment of the company's performance, position and prospects.

Management provides the Board with periodic updates covering operational performance, financial results, marketing and business development and other important and relevant information.

Other ways in which information is disseminated to shareholders are further disclosed under Principles 14 and 15.

Principle 11: Audit Committee

The Audit Committee ("AC") comprises the following members, all of whom are Non-Executive Directors and a majority of whom, including the Chairman, are independent:

Chua Cheow Khoon Michael (Chairman)
Leow Wee Kia Clement
Yessa Matindas Tuegeh

The members of the AC, collectively, have expertise or experience in financial management and are qualified to discharge the AC's responsibilities.

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

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

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

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

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

(d) review our external auditors' reports;

(e) review the cooperation given by our Company's officers to the external auditors;

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

(g) review and evaluate our administrative, operating and internal accounting and financial control procedures;

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

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

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

(k) review any potential conflicts of interest;

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

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

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

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

(p) reviewing the suitability of our Chief Financial Officer; and

(q) review, on an annual basis, whether or not to exercise the PT Koko Call Option and the Kakao GmbH Call Option.

The Audit Committee will meet with the external auditors without the presence of the Management at least once in every financial year.

The Audit Committee constantly bears in mind the need to maintain a balance between the independence and objectivity of the external auditors and the work carried out by the external auditors based on value for money consideration. During the financial year under review, the aggregate amount of fees paid to the external auditors of the Company for the audit and non-audit services amounted to S$55,000 and S$6,500 respectively.

The Audit Committee has recommended and the Board approves the nomination for re-appointment of BDO LLP as external auditors of the Company at the forthcoming Annual General Meeting.

The auditors of the Company's subsidiaries are disclosed in Note 7 to the financial statements in this Annual Report. The Board and Audit Committee have considered and confirm that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company and the Group.

In appointing the audit firms for the Group, the AC is satisfied that the Company has complied with Rules 712, 715 and 716 of the Listing Manual of SGX-ST.

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

There were no reported incidents pertaining to whistle-blowing for FY2012.

INTERNAL CONTROLS

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

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

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

The Board with the assistance of the AC, has undertaken an annual assessment on the adequacy and effectiveness of the Group's risk management and internal control systems. The assessment considered issues dealt with in reports reviewed by the AC and the Board during the year together with any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls for the Group for the financial year ended 31 December 2012.

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

The Board has obtained a written confirmation from the CEO and CFO:

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

(b) regarding the adequacy and effectiveness of the Group's risk management systems.

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

INTERNAL AUDIT

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

The internal auditors will report to the Chairman of the AC on any material weaknesses and risks identified in the course of the audit which will also be communicated to Management. Management will accordingly update the AC on the status of the remedial action plans. To ensure the adequacy of the internal audit function, the AC reviews the internal auditor's scope of work on an annual basis.

Principle 14: Communication with shareholders

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

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

- Quarterly results announcements of its financial statements on the SGXNET;
- Other announcements on the SGXNET; and
- Press releases on major developments regarding the Group.

Principle 15: Greater shareholder participation

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

Pertinent information is communicated to shareholders through:

1) Quarterly results announcements which are published on the SGXNET and in news releases;
2) The Company's annual reports that are prepared and issued to all shareholders;
3) Notices of and explanatory memoranda, for AGMs and extraordinary general meetings; and
4) Press releases on major developments of the Group.

AGMs are the principal forum for communication with shareholders. Annual reports and notices of the AGMs are sent to all shareholders. The members of the Audit Committee, Nominating Committee and Remuneration Committee will be present at AGMs to answer questions relating to the work of these committees. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders. The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis.

The Company's Articles of Association allow a shareholder of the Company to appoint one proxy to attend and vote on behalf of the shareholder.

ADDITIONAL INFORMATION

Risk Management

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

Dealing in Securities

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, the Group issues quarterly reminders to its Directors, officers and employees on the restrictions in dealing in the Company's securities during the period commencing (i) two weeks prior to the announcement of financial results of each of the first three quarters of the financial year, and (ii) one month before the announcement of full year results, and ending on the date of such announcements.

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

Interested Person Transactions

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

In compliance with Rule 907 of the SGX-ST's Listing Manual, the aggregate value of recurrent interested persons transactions of revenue or trading nature conducted during the FY2012 were as follows:–

Name of Interested Person	Aggregate value of all Interested person transactions during the financial year under review (exclude transactions less than S$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920) **12 months 2012** RM'000	Aggregate value of all interested person transactions conducted during the financial period under review under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) **12 months 2012** RM'000
Atlantic (USA), Inc		
- Sales of goods	27,827	Not applicable
Guan Chong Cocoa Manufacturer Sdn Bhd		
- Purchase of raw materials	2,211	Not applicable
ECOM Agroindustrial Asia Pte Ltd		
- Sale of goods	5,551	Not applicable
- Purchase of raw materials	78,461	Not applicable
PT Jebe Koko		
- Sales of goods under tolling arrangements	11,124	Not applicable
GCB Cocoa Singapore Pte Ltd		
- Sales of goods under tolling arrangements	29,032	Not applicable
- Purchase of raw materials under tolling arrangements	31,972	Not applicable

Note

(1) Ecom AgroIndustrial Corp Limited is a private company limited by shares incorporated in Switzerland as a soft commodities wholesale merchant. Prior to the Initial Public Offering, Ecom AgroIndustrial Corp Limited held 20.0% of the issued and paid-up share capital of the Company. Transactions with the Ecom AgroIndustrial Corp Limited Group were interested person transactions prior to the Initial Public Offering. Immediately after the Initial Public Offering, Ecom AgroIndustrial Corp Limited holds 13.8% of the Shares, and as such, Ecom AgroIndustrial Corp Limited will not be a Controlling Shareholder. Thus, Ecom AgroIndustrial Corp Limited is not an "Interested Person" as defined in Chapter 9 of the Listing Manual. Ecom AgroIndustrial Corp Limited's subsidiaries, including Ecom AgroIndustrial Asia Pte. Ltd., AgroIndustrias Unidas de Cacao S.A. de C.V., Atlantic (USA), Inc and Dutch Cocoa B.V. will not be considered to be "Associates" of interested persons thereafter as defined in the Listing Manual. Therefore, transactions with the Ecom AgroIndustrial Corp Limited Group after the Initial Public Offering are not interested person transactions.

Material Contracts

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

Use of Proceeds from the Initial Public Offering ("IPO")

As at the date of this Report, the net proceeds raised from the IPO have been fully utilised as follows:-

Use of Net Proceeds	Allocated amount (S$'000)	Amount Utilised (S$'000)	Balance amount (S$'000)
Repayment of bank borrowings	8,300	6,955	1,345
General working capital and to fund acquisitions, joint venture and /or strategic alliances when opportunities arise	14,642	15,987[1]	(1,345)
Net Proceeds	22,942	22,942	-

Note:

(1) This includes the balance of S$1.345 million which has been channeled from the allocated amount reserved for repayment of bank borrowings. For more details, please refer to Note 1 on page 45 of our Prospectus.

The application of the net proceeds from the IPO is in accordance with the announcement of the company dated 2 November 2012.

Use of Proceeds from the Subscription of 80 million New Ordinary Shares (the "Subscription")

As at the date of this Report, the net proceeds raised from the Subscription have been utilised as follows: -

Use of Net Proceeds	Allocated amount (S$'000)	Amount Utilised (S$'000)	Balance amount (S$'000)
Future acquisition and expansion plans	14,983	-	14,983
General working capital *	6,600	6,600	-
Net Proceeds	21,583	6,600	14,983

* The general working capital includes payment for cocoa beans purchased and repayment of trade bills.

The application of the net proceeds from the subscription is in accordance with the announcement of the company dated 27 March 2013.

REPORT OF THE DIRECTORS

The Directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2012 and the statement of financial position of the Company as at 31 December 2012 and the statement of changes in equity of the Company for the financial period from 3 January 2012 to 31 December 2012.

1. Directors

The Directors of the Company in office at the date of this report are:

Tey How Keong	(Executive Director and Chief Executive Officer, appointed on 3 January 2012)
Goh Lee Beng	(Executive Director, appointed on 4 May 2012)
Goi Seng Hui	(Non-Executive Director and Vice Chairman, appointed on 1 March 2013)
Yessa Matindas Tuegeh	(Non-Executive Director, appointed on 4 May 2012)
Chua Cheow Khoon Michael	(Independent Director, appointed on 4 May 2012, Non-Executive Chairman, appointed on 2 January 2013)
Leow Wee Kia Clement	(Independent Director, appointed on 4 May 2012)

2. Arrangements to enable Directors to acquire shares or debentures

Neither at the end nor at any time during the financial year was the Company a party to any arrangement whose object is 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.

3. Directors' interests in shares or debentures

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

	Shareholdings registered in the name of Directors		Shareholdings in which Directors are deemed to have an interest	
	Balance at 3 January 2012 (date of incorporation), or later date of appointment	Balance at 31 December 2012	Balance at 3 January 2012 (date of incorporation), or later date of appointment	Balance at 31 December 2012
	Number of ordinary shares			
Ultimate holding company				
Tey How Keong	270,000	270,000	-	-
Goh Lee Beng	105,000	105,000	-	-
Company				
Tey How Keong	-	1,000,000	-	244,800,000
Goh Lee Beng	-	-	-	244,800,000

3. **Directors' interests in shares or debentures (continued)**

By virtue of Section 7 of the Act, Tey How Keong and Goh Lee Beng are deemed to have interest in the shares of all of the wholly-owned subsidiaries of the Company at the end of the financial period. Tey How Keong is deemed to be interested in the shares held by his wife, Goh Lee Beng, and vice versa.

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the register of Directors' shareholdings, the Directors' interests as at 21 January 2013 in the shares of the Company have not changed from those disclosed as at 31 December 2012.

4. **Directors' contractual benefits**

Since the date of incorporation, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or by a related corporation with the Director of the Company or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain Directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5. **Share options**

There were no share options granted by the Company or its subsidiaries during the financial period.

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

There were no unissued shares of the Company or its subsidiaries under options as at the end of the financial period.

6. **Audit committee**

The Audit Committee comprises the following members, who are either non-executive or Independent Directors. The members of the Audit Committee during the financial period and at the date of the report are:

Chua Cheow Khoon Michael (Chairman)
Leow Wee Kia Clement
Yessa Matindas Tuegeh

The Audit Committee has carried out its functions in accordance with Section 201B (5) of the Act, and the Code of Corporate Governance, including reviewing the following, where relevant, with the executive directors and external and internal auditors of the Company:

(i) the audit plans of internal and external auditors and the results of the internal auditors examination and evaluation of the Company's system of internal accounting control;

(ii) the Group's and Company's financial and operation results and accounting policies;

(iii) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company before their submission to the Directors of the Company and the external auditors' report on those financial statements;

6. Audit committee (continued)

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

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

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

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

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

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

The Audit Committee has recommended to the Board of Directors the nomination of BDO LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

7. Auditors

The auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Tey How Keong
Director

Goh Lee Beng
Director

Singapore
27 March 2013

In the opinion of the Board of Directors,

(a) the accompanying financial statements comprising the statements of financial position of the Group and of the Company as at 31 December 2012, consolidated statement of comprehensive income, statements of changes in equity of the Group and of the Company and consolidated statement of cash flows together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

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

On behalf of the Board of Directors

Tey How Keong
Director

Goh Lee Beng
Director

Singapore
27 March 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JB FOODS LIMITED

Report on the financial statements

We have audited the accompanying financial statements of JB Foods Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 38 to 91 which comprise the statements of financial position of the Group and of the Company as at 31 December 2012, the consolidated statement of comprehensive income, statements of changes in equity of the Group and of the Company and consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Report on other legal and regulatory requirements

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

BDO LLP
Public Accountants and
Certified Public Accountants

Singapore
27 March 2013

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000
Non-current assets				
Intangible asset	4	5	-	-
Property, plant and equipment	5	106,702	81,766	-
Prepaid lease payments	6	5,852	6,251	-
Investments in subsidiaries	7	-	-	101,292
		112,559	88,017	101,292
Current assets				
Inventories	8	169,733	138,469	-
Trade and other receivables	9	93,149	50,622	72,144
Prepayments		101	66	-
Current income tax recoverable		4,295	-	-
Cash and cash equivalents	10	51,062	48,630	495
		318,340	237,787	72,639
Less:				
Current liabilities				
Trade and other payables	11	54,519	62,045	806
Derivative financial instruments	12	2	368	-
Bank borrowings	13	171,804	142,179	-
Finance lease payable	14	-	31	-
Current income tax payable		17	9,759	-
		226,342	214,382	806
Net current assets		91,998	23,405	71,833
Less:				
Non-current liability				
Deferred tax liabilities	15	14,692	11,660	-
Net assets		189,865	99,762	173,125
Capital and reserves				
Share capital	16	160,717	27,500	160,717
Other reserves	17	(72,265)	-	-
Retained earnings		101,413	72,262	12,408
Equity attributable to owners of the parent		189,865	99,762	173,125

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2012

	Note	2012 RM'000	2011 RM'000
Revenue	18	583,100	690,623
Cost of sales		(520,600)	(605,103)
Gross profit		62,500	85,520
Other items of income			
Interest income		95	135
Other income	19	2,910	3,224
Other items of expense			
Selling and distribution expenses		(6,757)	(6,227)
Administrative expenses		(9,713)	(9,247)
Other expenses		(2,130)	(3,589)
Finance costs	20	(3,315)	(2,718)
Profit before income tax	21	43,590	67,098
Income tax expense	22	(4,429)	(16,073)
Profit for the financial year		39,161	51,025
Other comprehensive income:			
Foreign currency translation differences		(3)	-
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income, net of tax		(3)	-
Total comprehensive income for the financial year		39,158	51,025
Profit attributable to owners of the parent		39,161	51,025
Total comprehensive income attributable to owners of the parent		39,158	51,025
Earnings per share	23		
- Basic and diluted (in sen)		14.98	185.55

The accompanying notes form an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2012

	Note	Share capital RM'000	Merger reserve RM'000	Foreign currency translation account RM'000	Retained earnings RM'000	Total equity attributable to owners of the parent RM'000
Group						
Balance as at 1 January 2012		27,500	-	-	72,262	99,762
Profit for the financial year		-	-	-	39,161	39,161
Other comprehensive income for the financial year						
Foreign currency translation differences, net of tax		-	-	(3)	-	(3)
Total comprehensive income for the financial year		-	-	(3)	39,161	39,158
Contributions by and distributions to owners of the parent						
Share swap pursuant to the restructuring exercise	16	(27,500)	-	-	-	(27,500)
Issuance of ordinary shares pursuant to the restructuring exercise and share swap	16	99,762	(72,262)	-	-	27,500
Issuance of ordinary shares pursuant to the initial public offering exercise	16	63,476	-	-	-	63,476
Share issue expenses	16	(2,521)	-	-	-	(2,521)
Dividends	24	-	-	-	(10,010)	(10,010)
Total transactions with the owners of the parent		133,217	(72,262)	-	(10,010)	50,945
Balance as at 31 December 2012		160,717	(72,262)	(3)	101,413	189,865

The accompanying notes form an integral part of these financial statements

	Note	Share capital RM'000	Retained earnings RM'000	Total equity attributable to owners of the parent RM'000
Group				
Balance as at 1 January 2011		27,500	57,237	84,737
Profit for the financial year		-	51,025	51,025
Total comprehensive income for the financial year		-	51,025	51,025
Distributions to owners of the parent				
Dividends	24	-	(36,000)	(36,000)
Total transaction with the owners of the parent		-	(36,000)	(36,000)
Balance as at 31 December 2011		27,500	72,262	99,762
Company				
Balance as at date of incorporation	16	-*	-	-*
Profit for the financial period		-	22,418	22,418
Total comprehensive income for the financial period		-	22,418	22,418
Contributions by and distributions to owners of the parent				
Balance as at date of incorporation		-*	-	-*
Issuance of ordinary shares pursuant to the restructuring exercise and share swap	16	99,762	-	99,762
Issuance of ordinary shares pursuant to the initial public offering exercise	16	63,476	-	63,476
Share issue expenses	16	(2,521)	-	(2,521)
Dividends	24	-	(10,010)	(10,010)
Total transactions with the owners of the parent		160,717	(10,010)	150,707
Balance as at 31 December 2012		160,717	12,408	173,125

* denotes less than RM1,000

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2012

	Note	2012 RM'000	2011 RM'000
Operating activities			
Profit before income tax		43,590	67,098
Adjustments for:			
Amortisation of intangible asset		1	-
Amortisation of prepaid lease payment		511	711
Depreciation of property, plant and equipment		5,983	5,255
Fair value (gain)/loss on derivative financial instruments		(366)	2,296
Allowance for doubtful third parties trade receivables		19	16
(Gain)/Loss on disposal of plant and equipment		(1)	86
Write-back of allowance for impairment loss of trade receivables no longer required		(62)	(67)
Unrealised (gain)/loss on foreign exchange		(707)	773
Interest expense		3,315	2,718
Interest income		(95)	(135)
Operating cash flows before working capital changes		52,188	78,751
Changes in working capital:			
Inventories		(31,264)	(16,884)
Trade and other receivables		(42,203)	(26,040)
Prepayments		(35)	61
Trade and other payables		14,045	(7,715)
Cash (absorbed by)/generated from operations		(7,269)	28,173
Income tax paid		(15,434)	(7,487)
Net cash (used in)/from operating activities		(22,703)	20,686
Investing activities			
Proceeds from disposal of plant and equipment		1	4
Purchase of intangible asset		(6)	-
Purchase of property, plant and equipment		(32,536)	(19,309)
Payment of prepaid leases		(112)	(3,121)
Interest received		95	135
Net cash used in investing activities		(32,558)	(22,291)

The accompanying notes form an integral part of these financial statements

	Note	2012 RM'000	2011 RM'000
Financing activities			
Drawdown of trade bills		363,508	309,720
Repayments of trade bills		(326,319)	(271,111)
Drawdown of bridging loans		11,207	6,272
Repayments of bridging loans		(17,480)	-
Repayments of term loans		(1,582)	(1,446)
Repayments of finance lease payables		(31)	(59)
Dividends paid		(30,010)	(16,000)
Interest paid		(3,315)	(2,718)
Proceeds from issue of shares		63,476	-
Share issue expenses		(2,521)	-
Net cash from financing activities		56,933	24,658
Net change in cash and cash equivalents		1,672	23,053
Cash and cash equivalents at beginning of financial year		48,630	25,747
Effects of exchange rate changes		470	(170)
Cash and cash equivalents at end of financial year	10	50,772	48,630

The accompanying notes form an integral part of these financial statements

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

1. General corporate information

JB Foods Limited (the "Company") was incorporated in the Republic of Singapore in 3 January 2012 under the Singapore Companies Act, Chapter 50 (the "Act") as an exempt private limited company under the name of JB Foods Pte. Limited. On 3 July 2012, the Company was converted to a public limited company and changed its name to JB Foods Limited. The Company was listed on the Official list of the Singapore Exchange Securities Trading Limited on 23 July 2012.

The Company's registered office address and principal place of business is at 80 Robinson Road #02-00 Singapore 068898. The Company's registration number is 201200268D.

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

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

The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

The statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2012 were authorised for issue in accordance with a Directors' resolution dated 27 March 2013.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The restructuring exercise involved companies which are under common control. The consolidated financial statements of the Group have been prepared in a manner similar to the "pooling-of-interest" method. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidiary relationship was not established until after 15 May 2012.

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS"). The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except where otherwise indicated. 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 the management to exercise judgement in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on the management's best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that financial year, or in the financial year of the revision and future financial years if the revision affects both current and future financial years.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

During the financial year, the Group and the Company adopted the new or revised FRS and Interpretations of FRS ("INT FRS") that are relevant to their operations and effective for the current financial year. The adoption of the new or revised FRS and INT FRS did not result in any substantial changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current and prior financial years.

FRS and INT FRS issued but not yet effective

As at the date of authorisation of these financial statements, the Group and the Company have not adopted the following FRS and INT FRS that have been issued but not yet effective:

		Effective date (Annual periods beginning on or after)
FRS 1	: Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 19	: Employee Benefits (Revised)	1 January 2013
FRS 27	: Separate Financial Statements	1 January 2014
	: Amendments to FRS 27 – Investment Entities	1 January 2014
FRS 28	: Investments in Associates and Joint Ventures	1 January 2014
FRS 32	: Amendments to FRS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 101	: Amendments to FRS 101 – Government Loans	1 January 2013
FRS 107	: Amendments to FRS 107 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
FRS 110	: Consolidated Financial Statements	1 January 2014
	: Amendments to FRS 110 – Investment Entities	1 January 2014
FRS 111	: Joint Arrangements	1 January 2014
FRS 112	: Disclosure of Interests in Other Entities	1 January 2014
	: Amendments to FRS 112 – Investment Entities	1 January 2014
FRS 113	: Fair Value Measurement	1 January 2013
INT FRS 120	: Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Improvements to FRSs 2012		1 January 2013

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

The Group and the Company expect that the adoption of the above FRS and INT FRS, if applicable, will have no material impact on the financial statements in the period of initial adoption except as discussed below.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

FRS and INT FRS issued but not yet effective (continued)

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The amendments to FRS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the amendments only affect the presentation of items that are already recognised in other comprehensive income, there will be no impact on the Group's financial position or performance on initial adoption of this standard from the financial year beginning 1 January 2013.

FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation – Special Purpose Entities*. FRS 110 defines the principle of control and establishes control as the basis of determining which entities are consolidated in the consolidated financial statements. FRS 27 remains as a standard applicable only to separate financial statements. On adoption of FRS 110 management will be required to exercise more judgement than under the current requirements of FRS 27 in order to determine which entities are controlled by the Group. These changes will take effect from the financial year beginning on 1 January 2014 with full retrospective application.

The Group is currently evaluating the effect and anticipates that no material impact to the financial position and financial performance of the Group on initial adoption of the standard in the financial year beginning on 1 January 2014.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interest in other entities. It requires an entity to provide more extensive disclosures regarding the nature of any risks associated with its interests in subsidiaries, associates, joint arrangements and unconsolidated structure entities. As this is a disclosure standard, there will be no impact on the financial position or financial performance of the Group on initial adoption of the standard in the financial year beginning on 1 January 2014.

FRS 113 Fair Value Measurement

FRS 113 is a new standard that applies to both financial and non-financial items providing guidance on how to measure fair value in situations where fair value measurement is required by other FRSs. It provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope, as well as disclosure requirements. FRS 113 will be effective prospectively from the financial year beginning on 1 January 2013.

The Group and the Company do not expect that the adoption of FRS 113 will have any impact on the financial position or financial performance of the Group, however there may be changes to disclosure in the financial statements.

2. Summary of significant accounting policies (continued)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to end of the financial reporting period. The financial statements of the subsidiaries are prepared for the same reporting date as that of the parent company.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

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

When the Group loses control of subsidiaries, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Acquisition under common control

Business combination arising from transfers of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's financial statements. The components of equity of the acquired entities are added to the same components within the Group equity. Any difference between the cash paid for the acquisition and share capital of acquiree is recognised directly to equity.

2. Summary of significant accounting policies (continued)

2.3 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

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

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

Computer software license

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

Computer software licence is subsequently carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is calculated using the straight-line method to allocate the amount of computer software over its estimated useful life of 5 years.

Computer software license are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The useful life and amortisation method are reviewed at each financial year-end to ensure that the period of amortisation and amortisation method are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the computer software.

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the financial year that the asset is derecognised.

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives. The principal annual rates of depreciation used are as follows:

Factory buildings	
- factory building	2%
- renovation and safety	10%
Plant and machinery, tools and equipment	
- plant and equipment	5%
- crane and laboratory	8%
- factory equipment	10%
- pallet	20%
Office equipment, furniture and fittings	
- furniture and fittings, office equipment, telecommunication and data line	10%
- computer and signboard	20%
Motor vehicles	
- forklift	8%
- motor vehicle	20%

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

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

2.5 Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any, in the Company’s statement of financial position.

2.6 Prepaid lease payments

Prepaid lease payments represent the lump sum payment for the sub-lease of lands. The amount is charged to profit or loss using the straight line basis over their lease periods of 12.39 years, 13.75 years and 24 years.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on the “weighted average” basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of work-in-progress and finished goods, cost includes direct materials, direct labour and attributable production overheads.

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

2.8 Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment loss and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, or when annual impairment testing for an asset is required, the asset’s recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups of assets. Impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to other comprehensive income, in which case it is charged to other comprehensive income up to the amount of any previous revaluation.

2. Summary of significant accounting policies (continued)

2.8 Impairment of non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit to which the assets belong. The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable willing parties less costs of disposal. Value in use is the present value of estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life, discounted at pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. An impairment loss recognised in prior periods is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment loss are recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal in excess of impairment losses recognised in profit or loss in prior periods is treated as a revaluation increase. After such a reversal, the depreciation or amortisation are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.9 Financial assets

The Group and the Company classify their financial assets as loans and receivables. The classification depends on the purpose of which the assets were acquired. The management determines the classification of the financial assets at initial recognition and re-evaluates this designation at the end of the reporting period, where allowed and appropriate.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified within "trade and other receivables" and "cash and cash equivalents" on the statements of financial position.

Recognition and derecognition

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become parties to the contractual provisions of the financial instruments.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

2. Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

Recognition and derecognition (continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the carrying amount and the net consideration proceeds is recognised in profit or loss.

Initial and subsequent measurement

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

After initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less impairment, if any.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Impairment

The Group and the Company assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(i) Loans and receivables

An allowance for impairment of loans and receivables is recognised when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of 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 carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed either directly or by adjusting on allowance account. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

2. Summary of significant accounting policies (continued)

2.10 Derivative financial instruments

Derivative financial instruments held by the Group are recognised as assets or liabilities on the statements of financial position and classified as financial assets or financial liabilities at the fair value through profit or loss.

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss for the financial year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profile.

2.11 Cash and cash equivalents

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

2.12 Financial liabilities

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

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

The accounting policies adopted for other financial liabilities are set out below:

(i) Trade and other payables

Trade and other payables are recognised initially at cost which represents the fair value of the consideration to be paid in the future, less transaction cost, for goods received or services rendered, whether or not billed to the Group and the Company, and are subsequently measured at amortised cost using the effective interest method.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

2. Summary of significant accounting policies (continued)

2.12 Financial liabilities (continued)

(ii) Bank borrowings

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

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

Recognition and derecognition

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company becomes parties to the contractual provisions of the financial instruments.

Financial liabilities are derecognised when the contractual obligation has been discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.13 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received. Incremental costs directly attributable to the issuance of new equity instruments are shown in the equity as a deduction from the proceeds.

2.14 Revenue recognition

Revenue is measured at fair value of consideration received or receivable for the sale of goods and services rendered in the ordinary course of business. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is presented, net of rebates, discounts and sales related taxes.

2. Summary of significant accounting policies (continued)

2.14 Revenue recognition (continued)

Revenue from sale of goods is recognised when goods are delivered to the customer and the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably.

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

2.15 Research and development expenditure

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

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

2.16 Leases

Group as lessee of operating leases

Leases of assets in which a significant portion of the risks and rewards of 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 recognised in 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 financial year in which termination takes place.

Group as lessee of finance leases

Leases in which the Group assumes substantially the risks and rewards of ownership are classified as finance leases.

Upon initial recognition, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance charge and reduction of the lease liability. The finance charge is allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability. Finance charge is recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.17 Employee benefits

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in profit or loss in the same financial year as the employment that gives rise to the contributions.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the end of the reporting period.

2.18 Borrowing costs

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

2.19 Income tax

Income tax expense for the financial year comprises current and deferred taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity, or in other comprehensive income.

Current income tax expense is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to income tax payable in respect of previous financial years.

Deferred tax is provided, using the liability method, for temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured using the tax rates expected to be applied to the temporary differences when they are realised or settled, based on tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

2. Summary of significant accounting policies (continued)

2.19 Income tax (continued)

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

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority and where there is intention to settle the current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.20 Foreign currencies

Items included in the individual 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").

Management has determined the currency of the primary economic environment in which the entity of the Group operates, i.e. functional currency, to be Ringgit Malaysia. The functional currency of the Company is Ringgit Malaysia as it reflects the primary economy in which the entity operates.

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

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

For purpose of presenting consolidated financial statements, the results and financial positions of the Group's entities 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 rate at the end of the reporting period;

2. Summary of significant accounting policies (continued)

2.20 Foreign currencies (continued)

(ii) income and expenses are translated at average exchange rate for the financial year (unless this 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) the resulting foreign currency exchange differences are recognised in other comprehensive income and presented in the foreign currency translation account within equity.

2.21 Financial guarantee

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

Financial guarantee contracts are initially recognised at their fair value plus transaction costs.

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

2.22 Dividends

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

2.23 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group) and whose operating results are regularly reviewed by the Group's chief operating decision maker officer to make decisions about resources to be allocated to the segment and assess its performance.

3. Critical accounting judgements and key sources of estimation uncertainty

3.1 Critical judgements made in applying the accounting policies

In the process of applying the Group's and the Company's accounting policies, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

(i) Impairment of investments or financial assets

The Group and the Company follow the guidance of FRS 36 and FRS 39 on determining when an investment or a financial asset is impaired. This determination requires significant judgements. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of an investment or a financial asset is less than its cost and the financial health of the near-term business outlook for an investment or a financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

3.1 Critical judgements made in applying the accounting policies (continued)

(ii) Classification of leasehold lands

The classification of leasehold lands as a finance lease or an operating lease required the use of judgements in determining the extent to which risks and rewards incidental to its ownership lie. The fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management is of the judgement that the lease does not transfer substantially all the risks and rewards to the Group and is classified as operating lease.

(iii) Determination of functional currency

In determining the functional currency, judgement is required to determine the currency that mainly influences selling prices for goods and services and of the country whose competitive forces and regulations mainly determines the selling prices of its goods and services. The functional currency is determined based on management's assessment of the economic environment in which the entities of the Group and the Company operate and process of determining selling prices.

3.2 Key sources of estimation uncertainty

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

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line method over their estimated useful lives. The management estimates the useful lives of these assets to be within 5 to 50 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2012 was approximately RM106,702,000 (2011: RM81,766,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation could be revised.

(ii) Allowance for inventories

Inventory is valued at the lower of cost and net realisable value. Cost is determined primarily using the "weighted average" method. Market price is generally the merchandise's selling price quoted from the market of similar items. The management estimates the net realisable value of inventories based on assessment of receipt of committed sales prices and provide for excess and obsolete inventories based on historical usage, estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of its products. However, factors beyond its control, such as demand levels and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories. The carrying amount of the Group's inventories as at 31 December 2012 was approximately RM169,733,000 (2011: RM138,469,000).

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

3.2 Key sources of estimation uncertainty (continued)

(iii) Allowance for doubtful trade and other receivables

The management establishes allowance for doubtful receivables when it believes that payment of amounts owed is unlikely to occur. In establishing the allowance, the management considers the historical experience and changes to the customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of the ability to make the required payments, additional allowance may be required. The carrying amounts of the Group's and Company's trade and other receivables as at 31 December 2012 were approximately RM93,149,000 and RM72,144,000 (2011: RM50,622,000 and RMNil) respectively.

(iv) Income taxes

The Group recognises expected income tax liabilities based on estimates of income tax payable. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters differs from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions, in the financial year in which such determination is made. The carrying amount of the Group's current income tax recoverable as at 31 December 2012 was approximately RM4,295,000 (2011: RMNil). The carrying amount of the Group's current income tax payable as at 31 December 2012 was approximately RM17,000 (2011: RM9,759,000). The carrying amount of the Group's deferred tax liabilities as at 31 December 2012 was approximately RM14,692,000 (2011: RM11,660,000).

4. Intangible asset

	Group Computer software 2012 RM'000	 2011 RM'000
Cost		
Balance at beginning of the financial year	-	-
Additions	6	-
Balance at end of the financial year	6	-
Accumulated amortisation		
Balance at beginning of the financial year	-	-
Amortisation during the financial year	1	-
Balance at end of the financial year	1	-
Carrying amount		
Balance at end of the financial year	5	-

5. **Property, plant and equipment**

	Factory buildings RM'000	Plant and machinery, tools and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
Cost						
Balance at 1 January 2012	23,277	80,866	3,041	1,595	11,650	120,429
Additions	13,776	15,499	886	424	334	30,919
Disposals	-	-	-	(4)	-	(4)
Reclassification	6,068	5,519	-	-	(11,587)	-
Balance at 31 December 2012	43,121	101,884	3,927	2,015	397	151,344
Accumulated depreciation						
Balance at 1 January 2012	7,569	28,545	1,988	561	-	38,663
Depreciation for the financial year	1,228	4,171	439	145	-	5,983
Disposals	-	-	-	(4)	-	(4)
Balance at 31 December 2012	8,797	32,716	2,427	702	-	44,642
Carrying amount						
Balance at 31 December 2012	34,324	69,168	1,500	1,313	397	106,702

5. Property, plant and equipment (continued)

	Factory buildings RM'000	Plant and machinery, tools and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
Cost						
Balance at 1 January 2011	23,271	72,622	2,859	1,612	1,515	101,879
Additions	6	8,244	182	256	10,135	18,823
Disposals	-	-	-	(273)	-	(273)
Balance at 31 December 2011	23,277	80,866	3,041	1,595	11,650	120,429
Accumulated depreciation						
Balance at 1 January 2011	6,564	24,828	1,593	606	-	33,591
Depreciation during the financial year	1,005	3,717	395	138	-	5,255
Disposals	-	-	-	(183)	-	(183)
Balance at 31 December 2011	7,569	28,545	1,988	561	-	38,663
Carrying amount						
Balance at 31 December 2011	15,708	52,321	1,053	1,034	11,650	81,766

5. Property, plant and equipment (continued)

As at the end of the reporting period, the carrying amount of motor vehicle which was acquired under finance lease agreement was as follows:

	Group	
	2012	2011
	RM'000	RM'000
Motor vehicle	-	171

Finance lease asset is pledged as securities for the related finance lease payable (Note 14).

For the purpose of the consolidated statement of cash flows, the Group's additions to property, plant and equipment were financed as follows:

	Group	
	2012	2011
	RM'000	RM'000
Aggregate cost of property, plant and equipment acquired	30,919	18,823
Unpaid balance included in other payables (Note 11)	(1,626)	(3,243)
Cash paid in respect of acquisitions in previous financial year	3,243	3,729
Cash paid during the financial year	32,536	19,309

In the previous financial year, included in the Group's capital work-in-progress was an amount of interest expense of approximately RM26,000 which was capitalised at an interest rate of 6.6% per annum.

In the previous financial year, the Group's property, plant and equipment were charged under a debenture for banking facilities as set out in Note 13 to the financial statements.

6. Prepaid lease payments

	Group	
	2012	2011
	RM'000	RM'000
Balance at beginning of financial year	6,251	3,841
Additions	112	3,121
Amortisation during the financial year	(511)	(711)
Balance at end of financial year	5,852	6,251
Analysed as:		
Sub-lease of land	5,852	6,251

Payments represent the prepayment for three sub-leases of lands from Port of Tanjung Pelepas, Malaysia, which are charged to profit or loss over their lease periods of 12.39 years, 13.75 years and 24 years. As at 31 December 2012, a sub-leased land with the carrying amounts of approximately RM3,267,000 (2011: RM3,554,000) is charged against for bank borrowings granted as disclosed in Note 13 to the financial statements.

7. Investments in subsidiaries

	Company 2012 RM'000
Unquoted equity shares, at cost	101,292

The details of the subsidiaries are as follows:

Name of company (Country of incorporation)	Effective equity interest 2012 %	Principal activities
JB Cocoa Sdn Bhd [(1)] (Malaysia)	100	Production and sale of cocoa ingredients products
JB Foods Global Pte. Ltd. [(2)] (Singapore)	100	Procurement, sales and marketing of cocoa beans, cocoa ingredients and related products

(1) Audited by BDO, Malaysia
(2) Audited by BDO LLP, Singapore

Internal restructuring of the Group

Pursuant to the Restructuring Agreement, the Company acquired 21,999,990 shares in the issued and paid-up share capital of JB Cocoa Sdn Bhd ("JB Cocoa") owned by JB Cocoa Group Sdn Bhd ("JBC Group") (amounting to approximately 80.0% of the shares in the issued and paid-up capital of JB Cocoa) for a purchase consideration of approximately RM79,810,000. The purchase consideration was satisfied by the allotment and issue of 126,399,933 ordinary shares credited as fully paid by the Company to JBC Group. The purchase consideration was arrived at based on approximately 80.0% of the audited Net Asset Value ("NAV") of JB Cocoa of approximately RM99,762,000 as at 31 December 2011.

Acquisition by the Company of the remaining interest in JB Cocoa

Pursuant to the Share Swap Agreement, the Company acquired 5,500,000 and 10 shares in the issued and paid-up share capital of JB Cocoa owned by Ecom AgroIndustrial Corp Limited ("ECOM") and Tey How Keong respectively (amounting in aggregate to approximately 20.0% of the issued and paid-up share capital of JB Cocoa), for an aggregate purchase consideration of approximately RM19,952,000. The purchase consideration was arrived at based on approximately 20.0% of the audited NAV of JB Cocoa of approximately RM99,762,000 as at 31 December 2011. The purchase consideration was satisfied by the allotment and issue of 31,600,000 shares and 57 shares credited as fully paid by the Company to ECOM and Tey How Keong respectively. Tey How Keong has renounced all the shares he was entitled to receive as purchase consideration in favour of JBC Group.

Upon the completion of the Restructuring Exercise, the Company owned the entire issued and paid-up share capital of JB Cocoa.

7. Investments in subsidiaries (continued)

Incorporation of a subsidiary

On 21 August 2012, the Company incorporated JB Foods Global Pte. Ltd., a company incorporated in the Republic of Singapore for a consideration of US$1 (approximately RM3) and the paid-up capital was subsequently increased to US$500,000 (approximately RM1,530,000) on 27 September 2012.

8. Inventories

	Group	
	2012 RM'000	2011 RM'000
Raw materials	100,020	89,129
Work-in-progress	8,046	12,304
Finished goods	56,962	33,581
Stores and supplies	4,705	3,455
	169,733	138,469

The cost of inventories recognised as expenses and included in "cost of sales" line item in profit or loss amounted to RM491,537,000 (2011: RM573,403,000).

In the previous financial year, the Group's inventories were charged under a debenture for banking facilities as set out in Note 13 to the financial statements.

9. Trade and other receivables

	Group		Company
	2012 RM'000	2011 RM'000	2012 RM'000
Trade receivables			
- third parties	67,728	48,400	-
- related parties	19,147	2,091	-
	86,875	50,491	-
Allowance for impairment loss - third parties	(1)	(86)	-
	86,874	50,405	-
Other receivables			
- third parties	2,621	26	-
- subsidiaries	-	-	72,144
- related party	3	-	-
	2,624	26	72,144
Advances to suppliers	3,465	-	-
Deposits	186	191	-
	93,149	50,622	72,144

Trade receivables are non-interest bearing and the normal trade term ranges from cash against documents to 90 (2011: 90) days from the date of the invoices. Other credit terms are assessed and approved on a case-by-case basis.

9. Trade and other receivables (continued)

The trade amounts due from related parties are non-interest bearing, unsecured and granted on the normal trade terms.

Other receivables pertain to claims to suppliers for overpayment of purchase of inventories.

The non-trade amounts due from subsidiaries bear interest of 1.5% per annum, unsecured and repayable on demand.

Advances to suppliers relate to the payments made by the Group in advance for the purchase of inventories.

In the previous financial year, the Group's trade and other receivables were charged under a debenture for banking facilities as set out in Note 13 to the financial statements.

Movement in allowance for impairment loss of trade receivables were as follows:

	Group	
	2012	2011
	RM'000	RM'000
Balance at beginning of financial year	86	137
Allowance made during the financial year	19	16
Write-back of allowance no longer required	(62)	(67)
Write-off	(42)	-
Balance at end of financial year	1	86

The Group's allowance for doubtful trade receivables of approximately RM19,000 (2011: RM16,000) are included in "other expenses" line item in profit or loss subsequent to a debt recovery assessment performed during the financial year.

Write-back of allowance for doubtful trade receivables no longer required for the Group of approximately RM62,000 (2011: RM67,000) are included in "other income" line item in profit or loss subsequent to the recovery of the related receivables.

Trade and other receivables are denominated in the following currencies:

	Group		Company
	2012	2011	2012
	RM'000	RM'000	RM'000
United States dollar	67,403	37,839	-
Euro	642	1,584	-
Pound sterling	19,372	8,996	-
Ringgit Malaysia	4,837	2,195	13,000
Singapore dollar	9	-	59,144
Others	886	8	-
	93,149	50,622	72,144

10. Cash and cash equivalents

	Group		Company
	2012	2011	2012
	RM'000	RM'000	RM'000
Cash and bank balances	47,798	44,874	495
Short-term deposits	3,264	3,756	-
Cash and cash equivalents on statements of financial position	51,062	48,630	495
Bank overdrafts (Note 13)	(290)	-	
Cash and cash equivalents on consolidated statement of cash flows	50,772	48,630	

The effective interest rate and tenure of the short-term deposit placed with a licensed bank at the end of the reporting period is 2.8% (2011: 2.8%) per annum and with maturity of 2 (2011: 4) days.

Cash and cash equivalents included in the statements of financial position are denominated in the following currencies:

	Group		Company
	2012	2011	2012
	RM'000	RM'000	RM'000
United States dollar	25,675	26,003	37
Euro	903	922	-
Pound sterling	15,483	17,097	-
Ringgit Malaysia	4,750	4,290	-
Singapore dollar	4,237	312	458
Others	14	6	-
	51,062	48,630	495

11. Trade and other payable

	Group		Company
	2012	2011	2012
	RM'000	RM'000	RM'000
Trade payables			
- third parties	28,687	19,363	-
- related parties	7,953	4,254	-
	36,640	23,617	-
Other payables			
- third parties	7,310	8,791	124
- related party	15	-	-
	7,325	8,791	124
Accrued expenses	10,554	9,637	682
Dividend payables	-	20,000	-
	54,519	62,045	806

11. Trade and other payables (continued)

Trade payables are non-interest bearing and the normal trade terms granted ranges from cash against documents to 90 days (2011: 60 days) from the date of the invoices.

The trade amounts due to related parties are unsecured, non-interest bearing and repayable based on the normal trade credit terms granted.

Accrued expenses consist mainly of employee benefits and related expenses.

The non-trade amounts due to a related party are unsecured, non-interest bearing and repayable on demand.

Included in other payables is an amount of approximately RM1,626,000 (2011: RM3,243,000) payable for the purchase of property, plant and equipment (Note 5).

Trade and other payables are denominated in the following currencies:

	Group		Company
	2012 RM'000	2011 RM'000	2012 RM'000
United States dollar	33,337	21,508	-
Euro	512	928	-
Pound sterling	3,696	2,474	-
Ringgit Malaysia	15,642	36,672	-
Singapore dollar	1,332	-	806
Others	-	463	-
	54,519	62,045	806

12. Derivative financial instruments

	Group	
	2012	2011
Forward foreign currency contracts		
Contract/Notional amount ('000)		
- United States dollar	700	446
- Pound sterling	2,300	1,600
- Euro	-	3,054
- Others	197	4,877
Derivative liabilities (RM'000)	2	368

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

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

13. Bank borrowings

	Group	
	2012 RM'000	2011 RM'000
Secured		
Bank overdrafts	290	-
Trade bills	76,597	98,549
Term loans		
- Portion of term loans due for repayment within one year which are subject to a repayment on demand clause	-	987
- Portion of term loans due for repayment after one year which are subject to a repayment on demand clause	-	595
	-	1,582
	76,887	100,131
Unsecured		
Trade bills	94,917	35,775
Bridging loans	-	6,273
	94,917	42,048
	171,804	142,179

	Group	
	2012 RM'000	2011 RM'000
Term loans		
Term loan I repayable by 84 monthly instalments of RM69,500 each commencing 31 May 2005	-	317
Term loan II repayable by 84 monthly instalments of RM59,215 each commencing 29 December 2006	-	1,265
	-	1,582

During the financial year, the Group's fixed and floating assets as referred to in Notes 8 and 9 to the financial statements are released from debenture.

As at 31 December 2012, the Group's bank overdrafts are secured by:

(a) joint and several guarantees by a Director of the Company and a shareholder of the holding company;
(b) corporate guarantee issued by holding company and a corporate shareholder; and
(c) first party legal charge over a prepaid lease payment with a carrying value of approximately RM3,267,000 (2011: RM3,554,000) as referred to in Note 6 to the financial statements

In the previous financial year, bank overdrafts were secured by debenture over fixed and floating assets of a subsidiary, both present and future.

As at 31 December 2012, the Group's trade bills facilities are secured by:

(a) joint and several guarantees by a Director of the Company and a shareholder of the holding company;
(b) corporate guarantee issued by holding company and an agreed proportion of corporate guarantee by a corporate shareholder; and
(c) certain trade bills of approximately RM76,597,000 (2011: RM98,549,000) are secured by first party legal charge over a prepaid lease payment with a carrying amount of approximately RM3,267,000 (2011: RM3,554,000) as referred to in Note 6 to the financial statements.

13. Bank borrowings (continued)

In the previous financial year, certain trade bills of RM98,549,000 were secured by debenture over fixed and floating assets of a subsidiary, both present and future.

The term loan I from a financial institution is repayable over 84 months instalments commencing June 2005. As at 31 December 2012, term loan I is secured by:

(a) joint and several guarantees by a Director of the Company and a shareholder of the holding company;
(b) corporate guarantee issued by the holding company and a corporate shareholder; and
(c) first party legal charge over a prepaid lease payments with a carrying value of approximately RM3,267,000 (2011: RM3,554,000) as referred to in Note 6 to the financial statements

In the previous financial year, term loan I was secured by debenture over fixed and floating assets of a subsidiary, both present and future.

The term loan II from a financial institution is repayable over 84 months instalments commencing December 2006. As at 31 December 2012, term loan II is secured by:

(a) joint and several guarantees by a Director of the Company and a Director of the holding company;
b) corporate guarantee issued by the holding company; and
(c) first party legal charge over a prepaid lease payments with a carrying value of approximately RM3,267,000 (2011: RM3,554,000) as referred to in Note 6 to the financial statements; and

In the previous financial year, term loan II was secured by debentures over fixed and floating assets of a subsidiary, both present and future.

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

	Group	
	2012 RM'000	2011 RM'000
Banking facilities granted	249,580	206,860
Banking facilities utilised	171,514	142,179

Bank borrowings are arranged at fixed and floating rates. Bank borrowings arranged at floating rates exposes the Group to interest rate risk, as set out in Note 28.2 to the financial statements.

The effective interest rates per annum for bank borrowings during the financial year are as follows:

	Group	
	2012 %	2011 %
Bank overdrafts	7.6	7.6
Trade bills	1.1 - 3.2	1.3 - 3.2
Term loans	4.0 - 4.6	3.9 - 4.3
Bridging loan	6.6	6.6

13. Bank borrowings (continued)

Bank borrowings are denominated in the following currencies:

	Group	
	2012 RM'000	2011 RM'000
United States dollar	136,397	65,714
Pound sterling	35,117	68,610
Ringgit Malaysia	290	7,855
	171,804	142,179

14. Finance lease payable

	Minimum lease payments RM'000	Future finance charges RM'000	Present value of minimum lease payments RM'000
Group			
2012	-	-	-
2011			
Current liabilities			
Within one financial year	31	-	31

In the previous financial year, the finance lease was for a term of 5 years. The effective interest rate for the finance lease payable was 4.2% per annum.

Interest rate is fixed at the contract date and does not expose the Group to fair value interest rate risk. Finance lease is on a fixed repayment basis and no arrangements has been entered into for contingent rental payments.

In the previous financial year, the Group's obligations under finance lease was secured by the lessor's title to the leased assets, which will revert to the lessor in the event of default by the Group.

Finance lease payable is denominated in Ringgit Malaysia.

15. Deferred tax liabilities

	Group	
	2012 RM'000	2011 RM'000
Balance at beginning of financial year	11,660	11,415
Charged to profit or loss	3,032	245
Balance at end of financial year	14,692	11,660

The deferred tax liabilities are attributable to the temporary differences arising from accelerated tax depreciation computed at the income tax rate of 25% (2011: 25%).

16. Share capital

	Group		Company
	2012	2011	2012
	RM'000	RM'000	RM'000
Issued and fully-paid			
10 ordinary shares at beginning of financial year/ date of incorporation	27,500	27,500	-*
Share swap pursuant to the restructuring exercise	(27,500)	-	-
Issuance of 126,399,933 ordinary shares pursuant to the restructuring exercise	79,810	-	79,810
Issuance of 31,600,057 ordinary shares pursuant to the share swap	19,952	-	19,952
Sub-division of 158,000,000 ordinary shares into 316,000,000 ordinary shares	-	-	-
Issuance of 84,000,000 ordinary shares pursuant to the initial public offering exercise	63,476	-	63,476
Share issue expenses	(2,521)	-	(2,521)
400,000,000 ordinary shares at end of financial year	160,717	27,500	160,717

* denotes less than RM1,000

The Company was incorporated on 3 January 2012. The share capital of the Company as at 31 December 2012 comprised fully-paid up 10 ordinary shares with no par value, amounting to a total of S$10.

On 13 July 2012, the Company issued 126,399,933 ordinary shares pursuant to the restructuring exercise for the acquisition of JB Cocoa Sdn Bhd for a consideration of approximately RM79,810,000.

On 13 July 2012, the Company issued 31,600,057 ordinary shares pursuant to the share swap for the acquisition of the JB Cocoa Sdn Bhd for a consideration of approximately RM19,952,000.

On 13 July 2012, the ordinary shares of the Company were increased to 316,000,000 ordinary shares through the sub-divison of every 1 ordinary shares in the Company into 6 ordinary shares.

On 15 July 2012, the Company issued 84,000,000 ordinary shares at S$0.30 (approximately RM0.76) per shares for cash pursuant to the Company's initial public offering. The proceeds from the initial public offering will be used for repayment of bank borrowings, general working capital and to fund acquisitions, joint venture and/or strategic alliances when opportunities arises for the Group.

Included in the share issue expenses were professional fees paid to the auditors of the Company amounting to approximately RM80,000 (2011: RMNil) in respect of the professional services rendered in connection with the Company's initial public offering.

The share capital of the Group as at 31 December 2011 represented the combined paid-up capital of the Company and its subsidiary.

17. Other reserves

17.1 Foreign currency translation account

Foreign currency translation account comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation whose functional currency is different from that of the Group's presentation currency and is not distributable.

17.2 Merger reserve

Merger reserve represents the difference between the consideration paid and the share capital of a subsidiary acquired.

18. Revenue

Revenue represents invoiced value of goods sold net of returns and discounts.

19. Other income

	Group	
	2012	2011
	RM'000	RM'000
Fair value gain on derivative financial instruments	366	-
Foreign exchange gain, net	2,481	3,145
Gain on disposal of plant and equipment	1	-
Write-back of allowance for impairment loss of trade receivables no longer required	62	67
Others	-	12
	2,910	3,224

20. Finance costs

	Group	
	2012	2011
	RM'000	RM'000
Interest expenses		
- finance lease	-	3
- term loans	41	97
- trade bills	3,078	2,551
- bridging loans	196	67
	3,315	2,718

21. Profit before income tax

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

	Group	
	2012	2011
	RM'000	RM'000
Cost of sales		
Depreciation of property, plant and equipment	5,508	4,829
Amortisation of prepaid lease payment	511	711
Administrative expenses		
Audit fees		
- Auditors of the Company	157	-
- Other auditors	50	40
Non-audit fees		
- Auditors of the Company	16	-
Amortisation of intangible asset	1	-
Depreciation of property, plant and equipment	475	426
Operating leases:		
- Rental of crane	6	5
- Rental of forklift	28	15
- Rental of hostel	69	45
- Rental of warehouse	72	12
Research and development expenditure	86	1
Other expenses		
Allowance for doubtful third parties trade receivables	19	16
Initial public offering expenses*	1,814	929
Fair value loss on derivative financial instruments	-	2,296
Loss on disposal of plant and equipment	-	86

* Included in this expense is an amount of approximately RM195,000 (2011: RM100,000) paid to auditors of the Company in respect of professional services rendered as independent reporting auditors.

Profit before income tax also includes:

	Group	
	2012	2011
	RM'000	RM'000
Employee benefit expenses		
Salary and other emoluments	12,609	11,622
Directors' fee	195	-
Pension costs – defined contribution plan	1,230	1,693
Social security costs	95	80
Other staff related expenses	562	429
	14,691	13,824

21. Profit before income tax (continued)

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

	Group	
	2012 RM'000	2011 RM'000
Cost of sales	8,225	6,644
Administrative expenses	6,466	7,180
	14,691	13,824

Included in employee benefit expenses were Directors' remuneration as shown in Note 25 to the financial statements.

22. Income tax expense

	Group	
	2012 RM'000	2011 RM'000
Current income tax		
- current financial year	3,917	16,000
- over provision in prior financial years	(2,520)	(172)
	1,397	15,828
Deferred income tax		
- current financial year	3,032	43
- under provision in prior financial years	-	202
	3,032	245
Total income tax expense recognised in profit or loss	4,429	16,073

Reconciliation of effective income tax rate

	Group	
	2012 RM'000	2011 RM'000
Profit before income tax	43,590	67,098
Income tax expense at Malaysia's statutory income tax rate of 25%	10,898	16,775
Effect of different tax rates in other country	192	-
Singapore statutory stepped income exemption	(24)	-
Tax effect of expenses not deductible for income tax purposes	884	572
Tax effect of double deduction expenses	(95)	(104)
Tax effect on incentive under investment tax allowances	(4,898)	(1,200)
Over provision of current tax expense in prior financial years	(2,520)	(172)
Under provision of deferred tax expense in prior years	-	202
Others	(8)	-
	4,429	16,073

23. Earnings per share

The calculations for earnings per share are based on:

	Group	
	2012	2011
Profit for the financial year attributable to owners of the parent (RM'000)	39,161	51,025
Aggregate weighted/actual number of ordinary shares in issue during the financial year applicable to basic and diluted earnings per share ('000)	261,432	27,500
- Basic and diluted earnings per share (in sen)	14.98	185.55

The calculations for basic earnings per share for the relevant periods are based on the profit attributable to owners of the parent for the financial years ended 31 December 2012 and 2011 divided by the aggregate weighted/actual number of shares in the relevant periods.

The dilutive earnings per share for the relevant periods are the same as the basic earnings per share as the Group does not have any dilutive options for the relevant periods.

For the comparative purposes, the earnings per share for 2011 were based on the aggregate number of shares of the Company and its subsidiary as at 31 December 2011.

24. Dividends

	Group	
	2012 RM'000	2011 RM'000
Third interim single tier tax-exempt dividend of approximately 21.82% on 27,500,000 ordinary shares of RM1.00 each in respect of financial year ended 31 December 2010	-	6,000
First interim single tier tax-exempt dividend of approximately 36.36% on 27,500,000 ordinary shares of RM1.00 each in respect of financial year ended 31 December 2011	-	10,000
Second interim single tier tax-exempt dividend of approximately 72.73% on 27,500,000 ordinary shares of RM1.00 each in respect of financial year ended 31 December 2011	-	20,000
Interim tax-exempt dividend paid of approximately RM0.025 (S$0.01) per ordinary share in respect of the financial year ended 31 December 2012	10,010	-
	10,010	36,000

24. Dividends (continued)

The Board of Directors proposed that a final tax-exempt dividend of S$0.01 (approximately 2.5 Malaysia Sen) per ordinary share amounting to S$4,800,000 (approximately RM12,000,000) be paid in respect of current financial year. This final dividend has not been recognised as a liability as at the end of the reporting period as it is subject to approval by shareholders at the Annual General Meeting of the Company.

25. Significant related party transactions

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party making financial and operating decisions, or vise versa, or when the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to those information disclosed elsewhere in these financial statements, the following were significant related party transactions between the Group or the Company and its related parties during the financial year at rates and terms agreed between the parties:

	Group		Company
	2012	**2011**	**2012**
	RM'000	**RM'000**	**RM'000**
Holding company			
Dividends paid	6,106	12,800	6,106
Subsidiaries			
Advances	-	-	58,778
Dividend income	-	-	25,000
Interest income	-	-	367
Related parties			
Sale of goods	73,119	74,022	-
Purchase of goods	113,859	79,290	-
Warehouse rental expense	188	175	-

Compensation of key management personnel

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

	Group		Company
	2012	**2011**	**2012**
	RM'000	**RM'000**	**RM'000**
Directors			
Short-term employee benefits	2,002	3,526	677
Directors' fee	195	-	195
Pension costs – defined contribution plan	224	665	-
	2,421	4,191	872

25. Significant related party transactions (continued)

Compensation of key management personnel (continued)

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000
Other key management personnel			
Short-term employee benefits	1,210	963	-
Pension costs – defined contribution plan	134	157	-
	1,344	1,120	-
	3,765	5,311	872

26. Commitments

26.1 Capital commitments

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

	Group 2012 RM'000	Group 2011 RM'000
Authorised and contract for:		
Purchase of plant and equipment	528	25,683

26.2 Operating lease commitments

When the Group as a lessee

At the end of the reporting period, there were operating lease commitments for rental payable in subsequent accounting periods as follows:

	Group 2012 RM'000	Group 2011 RM'000
Not later than one financial year	1,059	72

The disclosed commitments are based on existing rental rates. The lease agreements provide for periodic revision of such rates in future. The leases typically run for an initial period of 12 to 132 (2011: 6) months, with an option to renew the lease for another 12 to 360 (2011: 3) months.

27. Segment information

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

Income taxes are managed by the management of individual entity within the Group.

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

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

The Group operates in only one business segment which is production and sale of cocoa ingredients products.

Analysis by geographical segments

	Malaysia RM'000	Singapore RM'000	Elimination RM'000	Consolidated RM'000
2012				
Revenue				
External revenue	543,359	39,741	-	583,100
Inter-segment revenue	-	28,964	(28,964)	-
	543,359	68,705	(28,964)	583,100
Results				
Segment results	55,649	22,759	(25,103)	53,305
Interest income				95
Finance costs				(3,315)
Depreciation and amortisation				(6,495)
Profit before income tax				43,590
Income tax expense				(4,429)
Profit after income tax				39,161

27. Segment information (continued)

Analysis by geographical segments (continued)

	Malaysia RM'000	Singapore RM'000	Elimination RM'000	Consolidated RM'000
2012				
Capital expenditures				
Property, plant and equipment	30,919	-	-	30,919
Intangible asset	-	6	-	6
Segment assets	399,036	207,633	(175,770)	430,899
Segment liabilities	282,692	32,715	(74,373)	241,034

2011

There are no comparative figures for 2011 as the Group operated in one geographical segment in Malaysia.

Analysis by geographical activities

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

	Group	
	2012 RM'000	2011 RM'000
North America	89,053	216,685
Asia	256,916	196,820
Europe	154,428	175,088
Central and South America	31,581	47,476
Africa	36,187	42,296
Others	14,935	12,258
Total revenue	583,100	690,623

Major customer

Revenue from three (2011: two) customers of the Group's business unit represents 24.7% (2011: 21.6%) of the total revenue.

28. Financial instruments, financial risks and capital management

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

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

28. Financial instruments, financial risks and capital management (continued)

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which they manage and measure the risk.

28.1 Credit risk

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

The Group and the Company establish an allowance for impairment that represents the estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for group or similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic profile.

In relation to the financial guarantees issued by the Company on behalf of its subsidiaries, the credit risk, being the principal risk to which the Company is exposed, represents the loss that would be recognised upon a default by the subsidiaries. At the end of the reporting period, the Company has provided corporate guarantee to banks for facilities granted to subsidiaries amounting to approximately RM18,296,000 (2011: RMNil). As at the end of the reporting period, the Company does not consider it probable that a claim will be made against the Company under the guarantees.

The Group has no significant concentration of credit risk except for a trade receivable from third parties which accounts for approximately 39% (2011: 10%) of the total trade receivables as at 31 December 2012 and 2011. The Company has no significant concentration at credit risk except for amounts due from subsidiaries as at 31 December 2012.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets at the end of the reporting period.

Exposure to credit risk

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

	Group	
	2012 RM'000	**2011 RM'000**
Asia	48,607	22,890
Europe	22,837	16,897
North America	4,434	3,612
South America	3,065	762
Others	7,931	6,244
	86,874	50,405

28. Financial instruments, financial risks and capital management (continued)

28.1 Credit risk (continued)

Exposure to credit risk (continued)

The age analysis of trade receivables that are past due is as follows:

	Gross amount RM'000	Impairment RM'000
Group		
2012		
- Past due 0 to 30 days	12,899	-
- Past due 31 to 60 days	4,437	-
- Past due 61 to 90 days	1,193	-
- Past due over 90 days	68	(1)
2011		
- Past due 0 to 30 days	13,522	-
- Past due 31 to 60 days	10	-
- Past due over 90 days	86	(86)

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

The management believes that no impairment allowance is necessary in respect of those trade receivables that are past due but not impaired. They are substantially companies with good collection track record and no recent history of default.

28.2 Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices that will affect the Group's and the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Foreign exchange risk management

Currency risk arises from transactions denominated in currency other than the functional currency of the entities within the Group and the Company. The currencies that give rise to this risk are primarily United States dollar, Euro, Pound sterling and Singapore dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group may enter into forward foreign currency contracts to hedge against its foreign currency risk.

28. Financial instruments, financial risks and capital management (continued)

28.2 Market risk (continued)

(i) *Foreign exchange risk management* (continued)

At the end of the reporting period, the carrying amounts of financial assets and financial liabilities denominated in currencies other than the functional currency of the entities within the Group and the Company are as follows:

	United States dollar RM'000	Euro RM'000	Pound sterling RM'000	Ringgit Malaysia RM'000	Singapore dollar RM'000	Others RM'000	Total RM'000
Group							
2012							
Financial assets							
Trade and other receivables	67,403	642	19,372	4,837	9	886	93,149
Cash and cash equivalents	25,675	903	15,483	4,750	4,237	14	51,062
	93,078	1,545	34,855	9,587	4,246	900	144,211
Financial liabilities							
Trade and other payables	33,337	512	3,696	15,642	1,332	-	54,519
Bank borrowings	136,397	-	35,117	290	-	-	171,804
	169,734	512	38,813	15,932	1,332	-	226,323
Net financial (liabilities)/assets	(76,656)	1,033	(3,958)	(6,345)	2,914	900	(82,112)
Less: Forward foreign currency contracts (Contracted notional principal)	2,140	-	7,047	-	-	500	9,687
Less: Net financial assets denominated in the respective entities' functional currency	265	-	-	6,345	-	-	6,610
Net foreign currency exposure	(74,251)	1,033	3,089	-	2,914	1,400	(65,815)

28. Financial instruments, financial risks and capital management (continued)

28.2 Market risk (continued)

(i) *Foreign exchange risk management* (continued)

	United States dollar RM'000	Euro RM'000	Pound sterling RM'000	Ringgit Malaysia RM'000	Singapore dollar RM'000	Others RM'000	Total RM'000
Group							
2011							
Financial assets							
Trade and other receivables	37,839	1,584	8,996	2,195	-	8	50,622
Cash and cash equivalents	26,003	922	17,097	4,290	312	6	48,630
	63,842	2,506	26,093	6,485	312	14	99,252
Financial liabilities							
Trade and other payables	21,508	928	2,474	36,672	-	463	62,045
Bank borrowings	65,714	-	68,610	7,855	-	-	142,179
Finance lease payables	-	-	-	31	-	-	31
	87,222	928	71,084	44,558	-	463	204,255
Net financial (liabilities)/assets	(23,380)	1,578	(44,991)	(38,073)	312	(449)	(105,003)
Less: Forward foreign currency contracts (Contracted notional principal)	1,413	12,504	7,815	-	-	5,045	26,777
Less: Net financial assets denominated in the entity's functional currency	-	-	-	38,073	-	-	38,073
Net foreign currency exposure	(21,967)	14,082	(37,176)	-	312	4,596	(40,153)

28. Financial instruments, financial risks and capital management (continued)

28.2 Market risk (continued)

(i) Foreign exchange risk management (continued)

	United States dollar RM'000	Singapore dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
Company				
2012				
Financial assets				
Trade and other receivables	-	59,144	13,000	72,144
Cash and cash equivalents	37	458	-	495
	37	59,602	13,000	72,639
Financial liability				
Trade and other payables	-	-	806	806
Net financial assets	37	59,602	12,194	71,833
Less: Net financial assets denominated in the entity's functional currency	-	-	(12,194)	(12,194)
Net foreign currency exposure	37	59,602	-	59,639

The Group has foreign operations, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Exposure to foreign currency risk is monitored on an ongoing basis in accordance with the Group's and the Company's risk management policies to ensure that the net exposure is at an acceptable level.

Foreign currency sensitivity analysis

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of the entities within the Group and the Company. The 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates.

28. Financial instruments, financial risks and capital management (continued)

28.2 Market risk (continued)

(i) *Foreign exchange risk management* (continued)

Foreign currency sensitivity analysis (continued)

	Increase/(Decrease) Profit after tax		
	Group		Company
	2012 RM'000	2011 RM'000	2012 RM'000
United States dollar			
Strengthens against Ringgit Malaysia	(2,873)	877	2
Weakens against Ringgit Malaysia	2,873	(877)	(2)
Euro			
Strengthens against Ringgit Malaysia	39	(59)	-
Weakens against Ringgit Malaysia	(39)	59	-
Pound sterling			
Strengthens against Ringgit Malaysia	(148)	1,687	-
Weakens against Ringgit Malaysia	148	(1,687)	-
Singapore dollar			
Strengthens against Ringgit Malaysia	120	12	2,473
Weakens against Ringgit Malaysia	(120)	(12)	(2,473)

(ii) *Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to bank borrowings as shown in Note 13 to the financial statements.

The Group's results are affected by changes in interest rates due to the impact of such changes on interest expenses from bank borrowings which are at floating interest rates. It is the Group's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risks for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 1% change in the interest rates from the end of the reporting period, with all variables held constant.

28. Financial instruments, financial risks and capital management (continued)

28.2 Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity analysis (continued)

If the interest rate increases or decreases by 1%, profit after income tax, will increase or decrease by:

	Group Increase/(Decrease) Profit after income tax	
	2012 RM'000	2011 RM'000
Bank borrowings	2	29

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(iii) Commodity price risk

The manufacturing of the Group's products requires raw materials such as cocoa beans. The value of the Group's open sales and purchase commitments and inventory of raw materials changes continuously in line with cocoa bean price movements in the respective commodity markets. The Group's business nature, to a certain extent, results in a natural hedge between the prices of cocoa beans (as raw materials) and manufactured cocoa products.

28.3 Liquidity risk

Liquidity risk refers to the risk in which the Group and the Company encounter difficulties in meeting short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group and the Company actively manage operating cash flows so as to ensure that all repayment needs are met. As part of overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash to meet working capital requirements.

The following table sets out the maturity profile of the financial assets and financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period).

28. Financial instruments, financial risks and capital management (continued)

28.3 Liquidity risk (continued)

	Within 1 year RM'000
Group	
2012	
Financial assets	
Non-interest bearing	
- Trade and other receivables	93,149
- Cash and cash equivalents	47,798
Interest bearing	
- Cash and cash equivalents	3,265
	144,212
Financial liabilities	
Non-interest bearing	
- Trade and other payables	54,519
Interest bearing	
- Trade bills	172,933
	227,452
2011	
Financial assets	
Non-interest bearing	
- Trade and other receivables	50,622
- Cash and cash equivalents	44,874
Interest bearing	
- Cash and cash equivalents	3,757
	99,253
Financial liabilities	
Non-interest bearing	
- Trade and other payables	62,045
Interest bearing	
- Finance lease payables	31
- Term loans	1,638
- Trade bills	135,028
- Bridging loan	6,273
	205,015

28. Financial instruments, financial risks and capital management (continued)

28.3 Liquidity risk (continued)

	Within 1 year RM'000
Company	
2012	
Financial assets	
Non-interest bearing	
- Trade and other receivables	13,377
- Cash and cash equivalents	495
Interest-bearing	
- Trade and other receivables	59,649
	73,521
Financial liabilities	
Non-interest bearing	
- Trade and other payables	806

The Group's and the Company's operations are financed mainly through equity, retained earnings and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

28.4 Capital management policies and objectives

The Group and the Company manage capital to ensure that the Group and the Company are able to continue as going concern and maintain an optimal capital structure so as to maximise shareholder's value. The Group and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 December 2012 and 2011.

The Group and the Company constantly review the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on its operating cash flows. The Group's and the Company's overall strategy remains unchanged during the financial years ended 31 December 2012 and 2011.

The Group and the Company monitor capital based on a gearing ratio, which is net debt divided by total equity plus net debt. The Group and the Company include within net debt, trade and other payables, bank borrowings and finance lease payables less cash and cash equivalents. Capital consists of total share capital, retained earnings plus reserves.

28. Financial instruments, financial risks and capital management (continued)

28.4 Capital management policies and objectives (continued)

	Group		Company
	2012	2011	2012
	RM'000	RM'000	RM'000
Trade and other payables	54,519	62,045	806
Bank borrowings	171,804	142,179	-
Finance lease payable	-	31	-
Less: Cash and cash equivalents	(51,062)	(48,630)	(495)
Net debt	175,261	155,625	311
Total equity	189,865	99,762	173,125
Total capital	365,126	255,387	173,436
Gearing ratio	48.0%	60.9%	0.2%

28.5 Fair values of financial assets and financial liabilities

The carrying amounts of the current financial assets and current financial liabilities approximate their fair values as at the end of the reporting period due to the relatively short period of maturity of these financial instruments.

Fair value hierarchy

- The Group and the Company classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

28. Financial instruments, financial risks and capital management (continued)

28.5 Fair values of financial assets and financial liabilities (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group			
2012			
Liabilities measured at fair value			
Derivative financial instruments			
- Forward foreign currency contracts	-	2	-
2011			
Liabilities measured at fair value			
Derivative financial instruments			
- Forward foreign currency contracts	-	368	-

29. Events after the reporting period

On 23 January 2013, Tee Yih Jia Food Manufacturing Pte Ltd ("TYJ") entered into an agreement with the Company to subscribe for 80,000,000 ordinary shares at S$0.27 each per ordinary share for a total cash consideration of S$21.6 million (approximately RM54.1 million). The approval-in-principal from SGX-ST was obtained on 4 February 2013. The new ordinary shares were allotted to TYJ on 13 February 2013 and publicly listed on SGX-ST on 14 February 2013.

The considerations will be used for the following purposes:

(i) 69% for funding the acquisition and expansion of the Group; and

(ii) 31% for general working capital.

TYJ holds approximately 16.67% of the issued share capital of the Company as at the date of this report.

30. Comparative figures

As described on Note 2.1 to the financial statements, the comparative figures of the Group for the preceding financial year have been presented under pooling-of-interest manner. The effective date of the pooling-of-interest for accounting purpose predates 1 January 2011, the beginning of the financial year for which the comparative figure are presented, as the Group have been under common control prior to 1 January 2011.

There are no comparative figures for the Company as this is a first set of audited financial statements prepared since its incorporation on 3 January 2012.

STATISTICS OF SHAREHOLDINGS

As at 19 March 2013

Share capital		
Number of Issued Shares	:	480,000,000
Class of Shares	:	Ordinary Shares
Voting Rights	:	On a show of hands – one vote On a poll – one vote for every ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	2	0.15	1,000	0.00
1,000 - 10,000	541	40.28	3,497,000	0.73
10,001 - 1,000,000	785	58.45	60,711,000	12.65
1,000,001 AND ABOVE	15	1.12	415,791,000	86.62
TOTAL	**1,343**	**100.00**	**480,000,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	JB COCOA GROUP SDN BHD	244,800,000	51.00
2	TEE YIH JIA FOOD MANUFACTURING PTE LTD	80,000,000	16.67
3	ECOM AGROINDUSTRIAL CORP LIMITED	55,200,000	11.50
4	RAFFLES NOMINEES (PTE) LTD	7,004,000	1.46
5	PHILLIP SECURITIES PTE LTD	6,104,000	1.27
6	HSBC (SINGAPORE) NOMINEES PTE LTD	5,000,000	1.04
7	THOMAS TAN SOON SENG (THOMAS CHEN SHUNCHENG)	3,600,000	0.75
8	TENG NAM SENG	3,000,000	0.63
9	OCBC SECURITIES PRIVATE LTD	2,304,000	0.48
10	CIMB SECURITIES (SINGAPORE) PTE LTD	2,042,000	0.43
11	UOB KAY HIAN PTE LTD	2,035,000	0.42
12	DB NOMINEES (S) PTE LTD	1,542,000	0.32
13	CITIBANK CONSUMER NOMINEES PTE LTD	1,080,000	0.23
14	DMG & PARTNERS SECURITIES PTE LTD	1,040,000	0.22
15	GAN SIN CHERN	1,040,000	0.22
16	BANK OF EAST ASIA NOMINEES PTE LTD	1,000,000	0.21
17	TEY HOW KEONG	1,000,000	0.21
18	MAYBANK KIM ENG SECURITIES PTE LTD	875,000	0.18
19	GOH JU TONG	850,000	0.18
20	NG CHING YUN	850,000	0.18
	TOTAL	**420,366,000**	**87.60**

PUBLIC FLOAT

Based on the information available to the Company as at 19 March 2013, approximately 20.625% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

SUBSTANTIAL SHAREHOLDERS

	Number of Shares			
Name of Substantial Shareholders	Direct interest	Deemed interest	Total Interest	% of shares capital in the Company
JB Cocoa Group Sdn Bhd	244,800,000	-	244,800,000	51.00
Tey Kan Sam @ Tey Hin Ken	-	244,800,000[1]	244,800,000	51.00
Lim Ah Bet @ Chabo	-	244,800,000[1]	244,800,000	51.00
Tey How Keong	1,000,000	244,800,000[2]	245,800,000	51.21
Goh Lee Beng		244,800,000[2]	244,800,000	51.00
ECOM Agroindustrial Corp. Limited	55,200,000	-	55,200,000	11.50
Unichocola Pte. Ltd.	-	55,200,000[3]	55,200,000	11.50
IECOM Pte. Ltd.	-	55,200,000[4]	55,200,000	11.50
Jorge Esteve Campdera and grandchildren	-	55,200,000[3]	55,200,000	11.50
Isabel Recolons Esteve and lineal descendants	-	55,200,000[4]	55,200,000	11.50
Tee Yih Jia Food Manufacturing Pte Ltd	80,000,000	-	80,000,000	16.67
Goi Seng Hui	-	80,000,000[5]	80,000,000	16.67

Notes:

(1) Tey Kan Sam @ Tey Hin Ken holds 30.0% of the issued and paid-up share capital of JB Cocoa Group Sdn Bhd ("JBC Group"), and is also deemed interested in the 20.0% of the issued and paid-up capital of JBC Group held by his spouse, Lim Ah Bet @ Chabo, and is therefore deemed interested in the 244,800,000 shares held by JBC Group and vice versa by virtue of their relationship as husband and wife.

(2) Tey How Keong holds 36.0% of the issued and paid-up share capital of JBC Group and is also deemed interested in the 14.0% of the issued and paid-up capital of JBC Group held by his spouse, Goh Lee Beng, and is therefore deemed interested in the 244,800,000 shares held by JBC Group and vice versa by virtue of their relationship as husband and wife.

(3) Unichocola Pte. Ltd. holds approximately 36.0% of the issued and paid-up share capital of ECOM Agroindustrial Corp. Limited ("ECOM"), and is therefore deemed interested in the 63,200,000 Shares held by ECOM. All the shares in the issued and paid-up share capital of Unichocola Pte. Ltd. is held by Glico PTC, L.L.C., as managing trustee to the Creston Union Trust. The Creston Union Trust is a discretionary trust and the beneficiaries of the Creston Union Trust are Jorge C. Esteve and his grandchildren. Jorge C. Esteve is the settlor of the Creston Union Trust.

(4) IECOM Pte. Ltd. holds approximately 26.3% of the issued and paid-up share capital of ECOM, and is therefore deemed interested in the 63,200,000 Shares held by ECOM. All the shares in the issued and paid-up share capital of IECOM Pte. Ltd. is held by Ecire PTC, L.L.C., as trustee to the Robles Trust. The Robles Trust is a discretionary trust and the beneficiaries of the Robles Trust are Isabel R. Esteve and her lineal descendants. Isabel R. Esteve is the settlor of the Robles Trust.

(5) Goi Seng Hui holds 99.98% of Tee Yih Jia Food Manufacturing Pte Ltd ("TYJ") and is therefore deemed interested in the 80,000,000 shares held by TYJ.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING of the Company will be held at Chartroom, Raffles Marina, 10 Tuas West Drive, Singapore 638404 on Friday, 26 April 2013 at 10.00 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2012 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To declare a final tax exempt (one-tier) dividend of 1 Singapore Cent per share for the financial year ended 31 December 2012. **(Resolution 2)**

3. To re-elect Mdm Goh Lee Beng who retires by rotation pursuant to Article 102 of the Company's Articles of Association. **(Resolution 3)**

4. To re-elect Mr Leow Wee Kia Clement who retires by rotation pursuant to Article 102 of the Company's Articles of Association.

   Mr Leow Wee Kia Clement will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating and Remuneration Committees and a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"). **(Resolution 4)**

5. To re-elect Mr Chua Cheow Khoon Michael who retires by rotation pursuant to Article 102 of the Company's Articles of Association.

   Mr Chua Cheow Khoon Michael will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. **(Resolution 5)**

6. To re-elect Mr Yessa Matindas Tuegeh who retires by rotation pursuant to Article 102 of the Company's Articles of Association.

   Mr Yessa Matindas Tuegeh will, upon re-election as a Director of the Company, remain as a member of the Audit and Remuneration Committees and will be considered non-independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. **(Resolution 6)**

7. To re-elect Mr Goi Seng Hui who retires by rotation pursuant to Article 102 of the Company's Articles of Association. **(Resolution 7)**

8. To approve the Directors' fees of S$132,000.00 for the financial year ending 31 December 2013, to be paid quarterly in arrears. (2012: S$79,032.26) **(Resolution 8)**

9. To re-appoint Messrs BDO LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 9)**

AS SPECIAL BUSINESS

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

10. **AUTHORITY TO ALLOT AND ISSUE SHARES**

(A) "That, pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

(i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

(ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

(B) (Notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided always that

(a) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares) of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company (as calculated in accordance with sub-paragraph (b) below);

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with the provisions of the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of 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 Articles of Association of the Company; and

(d) unless revoked or varied by the Company in general meeting, such authority 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."

(Resolution 10)

[See Explanatory Note (i)]

11. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

BOOKS CLOSURE AND PAYMENT DATES

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed from 7 May 2013 after 5.00 p.m. to 8 May 2013 (both dates inclusive) for the purpose of determining Members' entitlements to the final dividend to be proposed at the Annual General Meeting of the Company to be held on 26 April 2013.

Duly completed registrable transfers in respect of the shares in the Company received up to the close of business at 5.00 p.m. on 7 May 2013 by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 will be registered to determine Members' entitlements to such dividend. Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares in the Company as at 5.00 p.m. on 7 May 2013 will be entitled to such proposed dividend.

The proposed final dividend, if approved at the Annual General Meeting, will be paid on 16 May 2013.

By Order of the Board

Lee Wei Hsiung
Company Secretary

11 April 2013

Notes:

1) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead.
2) A proxy need not be a member of the Company.
3) If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4) The instrument appointing a proxy must be deposited at the registered office of the Company at 80 Robinson Road, #02-00 Singapore 068898 not later than 48 hours before the time appointed for the Meeting.

Explanatory Note:

(i) The Ordinary Resolution 10, if passed, will empower the Directors from the date of this Meeting until the conclusion of the next Annual General Meeting, or the date by which the next Annual General Meeting of the Company is required by law to be held, or when revoked or varied by the Company in general meeting, whichever is earlier, to allot and issue further shares in the Company. The maximum number of shares which the Directors may issue under this resolution shall not exceed the quantum as set out in the resolution.

JB FOODS LIMITED
(Company Registration No. 201200268D)
(Incorporated in the Republic of Singapore)

IMPORTANT
1. For investors who have used their CPF monies to buy shares ("CPF Investors") in the capital of JB Foods Limited, this Proxy Form is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR 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.

PROXY FORM

*I/We ____ NRIC No. ________________

of ____

being a *member/members of JB FOODS LIMITED (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No	Proportion of shareholdings (%)

and/or (delete as appropriate)

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at Chartroom, Raffles Marina, 10 Tuas West Drive, Singapore 638404 on Friday, 26 April 2013 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Ordinary Resolutions set out in the Notice of Annual General Meeting as indicated hereunder. In the absence of specific instructions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.

Resolution No.	Ordinary Resolutions	For	Against
1	To receive and adopt the Financial Statements for the financial year ended 31 December 2012 and the Reports of the Directors and Auditors thereon.		
2	To declare a final tax exempt (one-tier) dividend of 1 Singapore Cent per share for the financial year ended 31 December 2012.		
3	To re-elect Mdm Goh Lee Beng as Director.		
4	To re-elect Mr Leow Wee Kia Clement as Director.		
5	To re-elect Mr Chua Cheow Khoon Michael as Director.		
6	To re-elect Mr Yessa Matindas Tuegeh as Director.		
7	To re-elect Mr Goi Seng Hui as Director.		
8	To approve Directors' fees of S$132,000.00 for the financial year ending 31 December 2013.		
9	To re-appoint Auditors and to authorise the Directors to fix their remuneration.		
10	To approve the proposed share issue mandate.		

* If you wish to exercise the votes in respect of all of your shares "For" or "Against", please tick (√) within the box provided. Alternatively, please indicate the number of shares in respect of which the votes are to be cast "For" and "Against" as appropriate.

Dated this __________ day of ______________________ 2013.

Total Number of Ordinary Shares Held	

____
Signature(s)/Common Seal of Members

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

1. If you have Ordinary Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Ordinary Shares. If you have Ordinary Shares registered in your name in the Register of Members, you should insert that number of Ordinary Shares. If you have Ordinary Shares entered against your name in the Depository Register and Ordinary Shares registered in your name in the Register of Members, you should insert the aggregate number of Ordinary Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the Proxy Form shall be deemed to relate to all the Ordinary Shares held by you.

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. Where a member appoints two proxies, the appointments shall be valid only if he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. In the case of a joint appointment of two proxies, the Chairman of the Meeting will be a member's proxy by default if either or both of the proxies appointed do not attend the Annual General Meeting. In the case of an appointment of two proxies in the alternative, the Chairman of the Meeting will be a member's proxy by default if both of the proxies appointed do not attend the Annual General Meeting.

4. The Proxy Form must be lodged at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not less than 48 hours before the time appointed for the Annual General Meeting.

5. The Proxy Form must be under the hand of the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

6. 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 Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

GENERAL

The Company shall be entitled to reject the Proxy Form 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 the Proxy Form. In addition, in the case of Ordinary Shares entered in the Depository Register, the Company may reject any Proxy Form lodged if the member, being the appointor, is not shown to have Ordinary Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

JB FOODS LIMITED
Lot CP1, Jalan Tanjung A/6, Pelabuhan Tanjung Pelepas, 81560,
Gelang Patah, Johor, Malaysia.
Tel: + 60 7-504 2888 Fax: + 60 7-507 1388
www.jbfoods.com.sg