

JB FOODS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 201200268D)
(the “Company”)

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE REGULATION IN RELATION TO THE COMPANY’S ANNOUNCEMENT DATED 28 FEBRUARY 2024 ON THE COMPANY’S FULL YEAR FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Board of Directors of JB Foods Limited (the “Company”, and together with its subsidiaries, the “Group”) would like to respond to the following queries raised by Singapore Exchange Regulation on 11 March 2024 in relation to the Company’s announcement dated 28 February 2024 on the Company’s full year financial statements for the financial year ended 31 December 2023.

Query Number 1

Please explain the significant rise in inventories by 51% from US\$ 181.5 million in FY2022 to US\$274.8 million in FY2023, despite the higher shipment volume and rise in revenue in FY2023. In your response, please also disclose information on the Group’s inventory turnover days.

Company’s Response

The Company notes that this increase was due to the increase in the cocoa bean purchase price during FY2023. In relation to this, it is noted that the cocoa bean prices have increased significantly from USD\$2,593/MT as at 1 January 2023 to USD\$4,209/MT as at 31 December 2023, representing an increase of 62% in a year’s time.

Details of the Group’s inventory turnover days are set out below:

	FY2023	FY2022
Cost of Sales (USD’000) –	555,464	461,481
Inventory Value (USD’000)	274,823	181,534
Average Inventory Turnover Days	149 days	160 days

Query Number 2

With respect to the Company's Derivatives financial instruments, please disclose the reason(s) for the respective increases under (a) current assets by 218% from US\$62.3 million in FY2022 to US\$198.5 million in FY2023 and (b) current liabilities by 254% from US\$59.9 million in FY2022 to US\$212.0 million in FY2023.

Company's Response

The movements in respect of the derivative financial assets and derivative financial liabilities mainly relate to the movement of the hedging activities on the forward purchase of cocoa beans, and forward sales of the cocoa products of the Group.

The significant increase and volatility in value of the underlying commodity during the year, i.e. cocoa bean prices increases mentioned in Query Number 1, resulted in a significant increase in derivative financial assets and liabilities as at 31 December 2023.

When there is a gain on the hedging price vis-à-vis the financial year-end cocoa bean market value, the fair value gain will be recorded in the profit and loss and derivative financial assets in balance sheet.

Vice versa, when there is a loss on the hedging price vis-à-vis the year-end cocoa bean market value, the fair value loss will be recorded in the profit and loss and derivative financial liabilities in the balance sheet.

Query Number 3

With respect to Paragraph 7 on interested person transactions (Page 23), the Company had disclosed that the transactions in the table are related persons transactions with a related person who is not an "interested person" ("IP") as defined in Chapter 9 of the listing manual. Yet, the table header states that the entities in the table are interested persons, and the Company had an aggregated value of interested person transactions ("IPT") with Guan Chong Cocoa Manufacturer Sdn Bhd ("**Guan Chong**") amounting to US\$11.7 million and with GCB Cocoa Singapore Pte Ltd ("**GCB SG**") amounting to US\$10.1 million. The transaction with each entity exceeds 5% of the Group's NTA of US\$177.2 million.

- (i) Please clarify whether the transactions with Guan Chong and GCB SG are classified as IPTs that requires shareholders' approval and if so, to disclose if shareholders' approval was sought.
- (ii) Otherwise, please disclose the relationship between the Company, Guan Chong and GCB SG and substantiate why Guan Chong and GCB SG are not regarded as IP as defined in Chapter 9 of the listing manual.

Company's Response

The Company wishes to clarify that the transactions between the Group and each of Guan Chong and GCB SG do not constitute IPTs as each of Guan Chong and GCB SG does not fall within the definition of an "Interested Person" as set out in Chapter 9 of the SGX-ST Listing Manual. Notwithstanding this, the Company had set out details of the transactions with Guan Chong and GCB SG in Paragraph 7 of the Full Year Results for transparency and information to shareholders. It is noted that any reference to interested persons in the table header in Paragraph 7 of the Full Year Results was inadvertent.

For the shareholders' further information, it is noted that:

- (i) both of Guan Chong and GCB SG are wholly-owned subsidiaries of Guan Chong Berhad ("**GCB**"), a company listed on the main board of Bursa Malaysia Securities Berhad;
- (ii) to the best of the Company's knowledge and as at the date of this announcement, GCB's holding company, Guan Chong Resources Sdn. Bhd. ("**GCR**"), holds approximately 50.63% of the shareholding interest in GCB;
- (iii) none of the shareholders of GCR is a spouse, child, adopted child, step-child, sibling or parent (i.e. an immediate family member) of any director, the chief executive officer or controlling shareholder of the Company, including Mr Tey Kam San @ Tey Hin Kin, a controlling shareholder of the Company, or Mr Tey How Keong, the chief executive officer, executive director, and controlling shareholder of the Company.

The majority shareholders of GCR comprise Mr Tey Kam San @ Tey Hin Kin's nephews, nieces (including nieces-in-law) and their mother (not being a sibling of Mr Tey Kam San @ Tey Hin Kin); such persons are accordingly Mr Tey How Keong's cousins (including cousins-in-law) and aunt. For the avoidance of any doubt, none of the directors, the chief executive officer or controlling shareholders of the Company hold any shares in GCR; and

- (iv) none of the directors, the chief executive officer or controlling shareholders of the Company and/or their immediate family has an interest of 30% or more in GCB.

In view of the above, none of GCR, GCB and/or any of GCB's subsidiaries (collectively, the "**GCB Group**") is an "associate" (as defined in the SGX-ST Listing Manual) of any director, the chief executive officer or controlling shareholder of the Company, including Mr Tey Kam San @ Tey Hin Kin and Mr Tey How Keong. Accordingly, none of GCR and/or any GCB Group company is an "Interested Person" as set out in Chapter 9 of the SGX-ST Listing Manual, and transactions between the Group and the GCB Group do not constitute IPTs.

BY ORDER OF THE BOARD
JB FOODS LIMITED

Tey How Keong
Chief Executive Officer and Executive Director
13 March 2024