DELFI LIMITED
ANNUAL REPORT 2019


Delfi
PASSIONATE
INNOVATIVE
DYNAMIC
DELFI LIMITED
ANNUAL REPORT 2019

Passionate, Innovative, Dynamic – These qualities define the Delfi spirit. They shape the way we think and work, which enable us to create everyday joy and always deliver delights that fill the heart.

OUR LEADING BRANDS

Delfi makes everyday moments special with products that delight our consumers. Whether it is savouring the taste of heritage or discovering new experiences, our consumers can enjoy the best of both worlds.

Delfi

Van Houten Since 1828

Chacha

Selamat Originals

SilverQueen

Goya®

Ceres

Top

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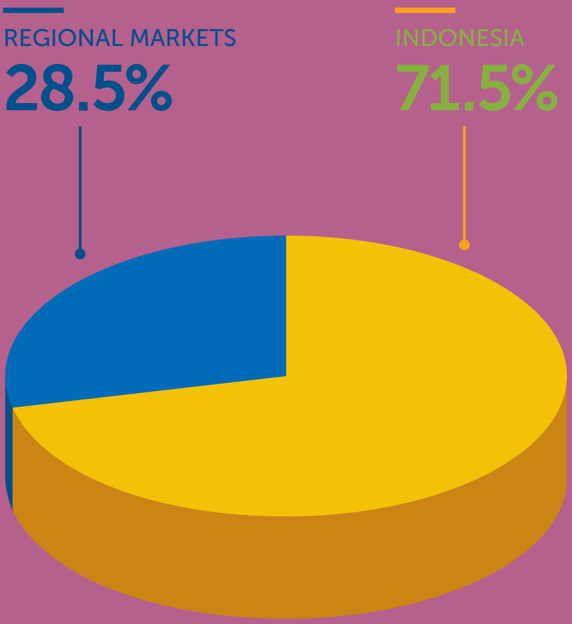
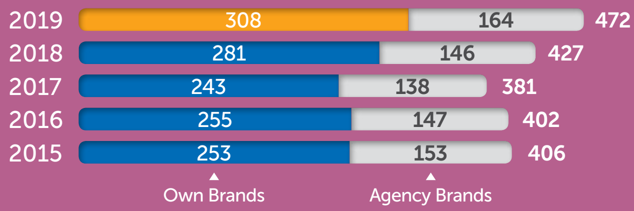
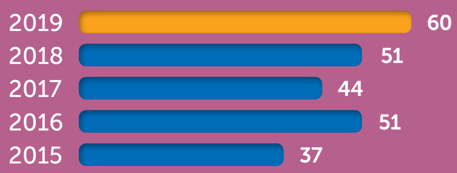
2019 REVENUE BREAKDOWN
By Geography



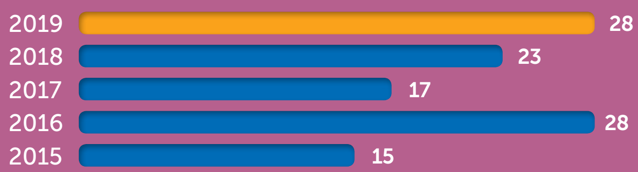
GROUP REVENUE
(US$ million)



GROUP EBITDA
(US$ million)

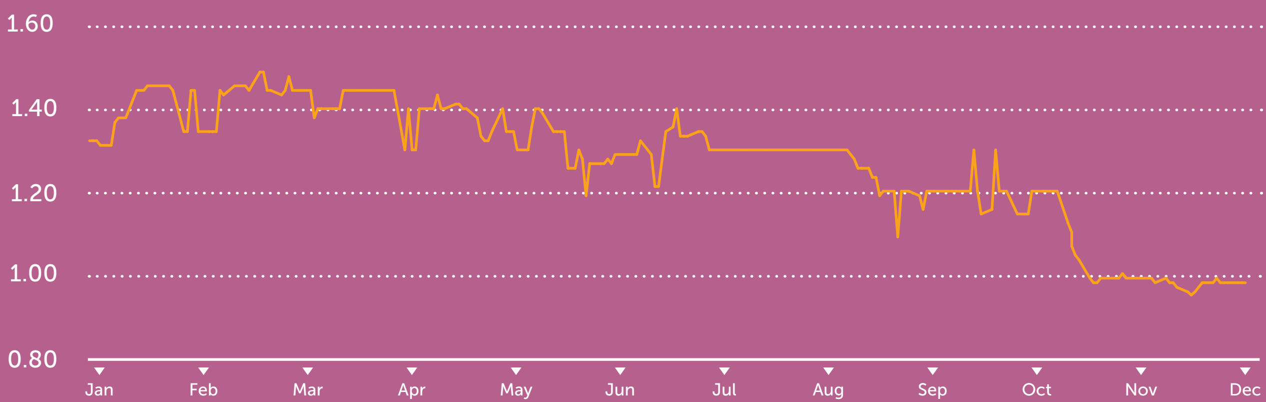


GROUP PATMI*
(US$ million)



* Excludes exceptional/non-recurring items

2019 SHARE PRICE PERFORMANCE
(S$/Share)

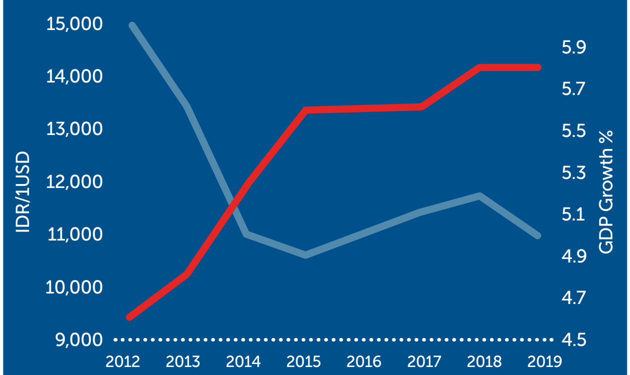


Revenue

The Group's sales in 2015 were USS$405.9 million. They softened in 2016 and by 2017 were US$381.3 million. However over the past two years, sales have picked up strongly with 2019 showing sales of US$471.6 million, an increase of 23.7% over that low water mark.

The softening in those earlier years was the result of our business being affected by several factors which contributed to the negative performance, especially our operations in Indonesia. The most significant of these included the slowdown of the Indonesian economy and the weakening of the Indonesian Rupiah which, together with higher inflation, had a serious negative impact on consumer confidence across the board. This led to a significant downturn in consumer confidence and spending in 2015 which affected a number of Indonesian consumer categories, including chocolate confectionery. For us, this resulted in our trade customers both reducing their orders and, at the same time, reducing their inventory levels, which in turn had a double negative impact on our sales.

INDONESIAN PINCER MOVEMENT: CURRENCY DEPRECIATION AND GDP SLOWDOWN



	2012	2013	2014	2015	2016	2017	2018	2019
Average IDR/USD	9,374	10,233	11,865	13,344	13,360	13,389	14,190	14,179
GDP	6.0	5.6	5.0	4.9	5.0	5.1	5.2	5.0

Average IDR/USD GDP

The weakening of the operating currencies of our regional businesses (i.e. the Indonesian Rupiah, the Philippines Peso, the Malaysian Ringgit and the Singapore Dollar) during the 2015-2019 period against the US Dollar, which is the reporting currency for the Group, also had a negative translational impact on our financial results and concealed the actual physical sales that were achieved. With more than 70% of the Group's revenue generated from Indonesia, the movement of the Indonesian Rupiah against the USD in particular contributed significantly to the negative translational impact. As illustrated in the figure above, the Indonesian Rupiah devalued by more than 6% against the USD over the last five years.

Consequently, the local sales reported in USD did not necessarily represent the underlying performance of our businesses. For example, comparing 2019 to 2015, our revenue in the USD reporting currency was higher by 3.8% compounded annually, while from a constant currency perspective, the growth achieved would have been higher by 560 basis points.

Another key change in these earlier years was the evolution in Indonesia's retail landscape which included the significant growth of the Modern Trade retail channel, especially in the minimart and convenience store formats, and the increased level of competition, especially from foreign brands looking to further build their market position and also brands looking to enter the market.

In the face of these negative external changes, we implemented a number of strategic initiatives to critically change our business model in Indonesia to position it for long term growth. The changes included: (i) eliminating from our portfolio of Own Brands underperforming SKUs (comprising mainly flavour variants that underperformed in terms of our new, higher benchmark for sales velocity and/or margin performance); and (ii) revising our route-to-market strategy and our supply chain approach in order to improve the service levels to our key retail customers, which increased the speed to market for our products whilst securing a higher level of product availability and ensuring that our products continue to maintain significant shelf space presence.

Five-Year Financial Highlights & Review

These changes (notably the product rationalisation programme), coupled with the macroeconomic headwinds encountered in Indonesia in 2015, had a negative impact on our sales during 2015 to 2017. To put the magnitude of this rationalisation exercise into perspective, we reduced our Own Brands portfolio in Indonesia by almost one-third which, together with the SKUs eliminated from our portfolio in the Philippines, totalled more than 180 SKUs (or 40% of our total portfolio). Our Own Brands sales account for more than 60% of Group revenue.

After the lower sales over the 2015 to 2017 period, the benefits of our restructuring started to show and the Group's revenues have resumed its upward growth trajectory since then, driven mainly by higher Own Brands sales. The growth achieved essentially reflected the successful implementation of our strategic initiatives to position our business for long term sustainable growth.

Sales in 2019 at US$471.6 million were well above the levels seen during 2015 to 2017 and this was despite the 6% devaluation in the Indonesian Rupiah over the same period. Following on from the momentum in 2018, sales of our Own Brands products in 2019 were higher Y-o-Y by 9.5% with the growth driven mainly by our portfolio in Indonesia from: (i) higher sales growth of our products in the premium format category; and (ii) benefits from our direct shipment initiative to certain mini-mart retail customers.

Gross Profit

In line with the lower sales achieved in 2015 and the higher cost of raw and packaging materials, the Group's 2015 Gross Profit declined 24.8% Y-o-Y to US$120.8 million. As a result, our Gross Profit Margin ("GPM") reduced to 29.8% from 31.9% in 2014. To mitigate the higher input costs, pricing adjustments and product resizing for selected products in Indonesia were implemented in late 3Q 2015.

For Own Brands, our continuing strategy to tackle higher input costs includes a combination of the following: proactive price adjustments and product rightsizing, launching of higher margined new products and cost containment initiatives. Furthermore, the ongoing strategy of buying forward our main raw material requirements in a timely manner serves to lock-in forward costs to a major extent thus providing greater cost visibility and margin stability.

For the periods from 2016 to 2019, the improvement in our GPM from the 2015 level reflected a combination of the following: (i) the benefit of price increases and product resizing for selected products implemented in 2015, 2016 and 2018; (ii) higher sales of premium Own Brands products achieved; and (iii) through our ongoing cost-containment initiatives. The improvement was achieved despite the currency headwinds faced over the period.

Over the last three years, we have achieved an average GPM of 35.0% which is about 520 basis points higher than 2015's GPM.

EBITDA

Over the five-year period, the Group's EBITDA performance essentially reflects the Group's Gross Profit achieved as well as higher selling and distribution costs. Selling and distribution costs remained high (as a percentage of the Group's sales) as a result of continued investments in our brand building initiatives and as we strengthened our route-to-market capabilities.

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

For 2019, the Group generated EBITDA of US$59.6 million. This is up 59.2% on 2015's US$37.5 million. It also reflects Y-o-Y growth of 16.4% with the key drivers being: (i) the higher revenue achieved; (ii) the improvement in our Gross Profit Margin; and (iii) tighter control of our selling and distribution costs.

Whilst Indonesia remains the foundation of the Group's profitability, contributing 92.3% of 2019's EBITDA, it is of significant note that our Regional Markets turned profitable during the year and delivered EBITDA of US$4.6 million compared to a loss in 2018 of US$2.2 million.

To support our long-term growth, we will continue to invest in our brand building initiatives and in our route-to-market capabilities.

For The Year (US$ million)	2019	2018	2017	2016	2015
BRANDED CONSUMER					
Revenue	471.6	427.0	381.3	402.1	405.9
Gross Profit	170.7	147.9	129.6	139.7	120.8
Gross Profit Margin (%)	36.2%	34.6%	34.0%	34.8%	29.8%
EBITDA	59.6	51.3	44.4	50.6	37.5
Net profit attributable to shareholders	**28.5**	**23.0**	**17.3**	**28.2**	**15.3**
- Exceptional & Non-recurring items[a]	(0.3)	(2.1)	2.4	–	–
DIVESTED COCOA INGREDIENTS					
Net loss attributable to shareholders[b]	–	–	–	(2.0)	(20.0)
GROUP					
Net profit/(loss) attributable to shareholders[b]	**28.2**	**20.9**	**19.7**	**26.2**	**(4.7)**
At Year End (US$ million)	**2019**	**2018**	**2017**	**2016**	**2015**
Total Assets	402.3	361.1	352.7	345.6	387.6
Total Liabilities	(174.7)	(154.9)	(148.4)	(147.2)	(145.4)
Total Shareholders' Equity	**227.6**	**206.2**	**204.3**	**198.4**	**242.2**
Total Debt	(58.3)	(59.0)	(52.2)	(53.8)	(74.7)
Net (Debt)/Cash	(0.7)	(4.3)	15.2	14.0	44.9
Return on Equity (%)					
- Branded Consumer	13.1	11.2	8.6	12.6	5.7
- Group	13.0	10.2	9.8	11.8	(1.8)
PER SHARE DATA					
Dividend (US cents)	**2.35**	**1.89**	**1.80**	**2.31**	**2.09**
- Normal	2.35	1.89	1.80	2.31	1.28
- Special	–	–	–	–	0.81
Earnings/(Losses) (US cents) - Basic & Fully Diluted					
- Excludes exceptional & non-recurring items [a] [b]	4.7	3.8	2.8	4.6	2.5
- Include exceptional & non-recurring items [a] [b]	4.6	3.4	3.2	4.3	(0.8)
Net Tangible Assets (US cents)	**33.7**	**30.1**	**32.0**	**31.6**	**38.8**

Notes:

(a) Pertains to (i) the charge of US$2.1 million and US$2.0 million incurred in 2018 and 2017 respectively from improper and unsubstantiated transactions uncovered in the Philippines, and legal and professional fees of US$0.3 million incurred in respect of this matter in 2019; and (ii) the net gain on sale of PT Ceres-Meiji Indotama ("CMI") of US$4.4 million (after tax) in 2017.

(b) There were exceptional charges incurred in 2016, 2015 and 2014 after the divestment of the Cocoa ingredients business in 2013.

Our Business Profile

A Modern Chocolate Business Built On Timeless Traditions

Delfi Limited has a long history in chocolate confectionery in South East Asia that dates back to the early 1950s. Our journey into the endearing world of chocolate confectionery began when we opened our first production facility in Indonesia — the birthplace of *SilverQueen* and *Ceres*. For many of our consumers in Indonesia, these brands continue to epitomise the indelible traditions of quality and taste, passed down from one generation to the next. In the 1970s, *Selamat* was introduced, while *Delfi* with its signature skier logo became a familiar hallmark in the 1980s.

As our chocolate brands flourished over time and became household names, we were able to create strong emotional bonds between consumers and our Own Brands of chocolate confectionery. We continued to uphold the highest standards of quality and taste as the portfolio diversified and evolved into chocolate confectioneries in an array of categories and formats that included biscuits and wafers, beverages, spreads and baking ingredients.

Today, the business of the Delfi group is built on a solid foundation with demonstrated strengths and capabilities - From brand building to route-to-market to product development.

In 2006, we ventured into the Philippines through the acquisition of a chocolate manufacturing, marketing and distribution operation. *Goya* and *Knick Knacks*, two equally well established and much-loved brands, were acquired through this strategic expansion. Our focus on building these trusted brands continued to underpin the business as it grew from strength to strength. We also stayed true to our core principles of delighting consumers, delivering satisfying tastes, superior product quality and novel experiences while upholding prudent financial practices and fostering greater teamwork across our expanding markets.

Both markets in Indonesia and the Philippines share a number of favourable attributes, such as growing economies and strong demographic factors that support the burgeoning chocolate confectionary category. Aside from their huge population base of about 250 million and 100 million respectively, both countries also boast a young population and a fast-rising middleclass that continues to spur consumption and growth.

Today, the business of the Delfi group of companies is built on a solid foundation with demonstrated strengths and capabilities - from brand building to route-to-market to product development - that have been built and strengthened over decades. We are continually honing and scaling our core capabilities to better understand and anticipate new consumer needs, strengthen our brands, and improve our service to our retail customers.

Our diversified Own Brands portfolio is backed by integrated production capabilities coupled with extensive sales, marketing and distribution networks in Indonesia and our Regional Markets. In addition, we have extended our

Indonesia continues to be our largest market, as we grow our presence in the Philippines and Malaysia and export to more than 15 countries. Our cherished confectionery brands are enjoyed by millions of discerning chocolate lovers.

Strengthening Our Core Capabilities For Continued Growth

Manufacturing Excellence

We own and operate two chocolate factories, one in Indonesia and the other in the Philippines, with a combined production capacity of close to 100,000 tonnes per annum. These facilities support the production of a wide range of high quality Own Brands confectioneries and categories, including *Delfi, SilverQueen, Van Houten, Ceres, TOP* and *Selamat* in Indonesia and the region, and *Goya* and *Knick Knacks* in the Philippines.

The proximity of our production facilities to our key consumer markets provides us with significant competitive advantages. Being close to our consumers allows us to react quickly to changes in market conditions, trends and shifting consumer preferences; ensures freshness of our products; provides better access to critical information regarding price points and packaging sizes; and enables us to respond swiftly to our competitors' actions.

distribution networks to support a collection of reputable Agency Brands, covering a wide spectrum of consumer categories, that sit comfortably alongside our Own Brands.

Delfi is constantly exploring new partnerships to support the expansion of our product range into adjacent categories. We have two currently. The first is a 50-50 joint venture with South Korea's Orion Corporation, established in 2016, to develop, market and distribute a range of jointly branded confectionery products in Indonesia. This joint venture, Delfi-Orion Pte Ltd, allows us to extend our portfolio into the soft biscuits and cakes categories and to bring Orion's flagship *Choco Pie*, a chocolate-covered soft biscuit with marshmallow fillings, into our portfolio.

Our second partnership is with Japan's Yuraku Confectionery Company Ltd called Delfi Yuraku Pte Ltd. This joint venture, which is 60% owned by Delfi, essentially combines our market knowledge and distribution network with Yuraku's manufacturing and product expertise to produce and market a new range of chocolate snacks, *Black Thunder* and *Big Thunder*. These are targeted at young consumers in Indonesia under the *Delfi* brand. Delfi Yuraku facilitates the broadening of both companies' product portfolios and market reach by serving as a launch pad for new products.

Our Business Profile

In line with our blueprint for long-term growth, we have invested over US$110 million through a multi-year programme to upgrade and modernise the production facilities over the last six years. This has enabled us to expand our Indonesian facility, carry out mechanical and engineering works, implement the SAP enterprise resource planning (ERP) system, initiate energy and water conservation, and waste management programmes at our production facilities.

As a responsible manufacturer, food safety and product quality are of paramount importance. Our production facilities and processes are regularly audited by external and professional bodies, to provide our retail and trade customers with added assurance and confidence. As of 31 December 2019, our products and processes are certified to the following international quality standards:

- Food Safety System Certification 22000 (FSSC 22000)
- Hazard Analysis and Critical Control Points (HACCP)
- Occupational Health and Safety Assessment Series (OHSAS 18001)
- Good Manufacturing Practice

Trusted Brands

As a key player in the FMCG business, we believe in building strong brands. We are cognisant that our success is at risk if our brands and products do not remain of value and relevance to our consumers. Delfi's uncompromising approach to product quality and consumer satisfaction stems from this.

Over the years, as the tastes and lifestyles of consumers evolve, we have continued to innovate our offerings to anticipate and meet their changing needs. To strengthen the connections between consumers and our products, we have continued to enhance consumer satisfaction and invest in the development of brand equity.

Today, we are a brand of choice in Indonesia and our Regional Markets, where generations of consumers have come to expect delightful experiences, along with high standards of quality and delectable tastes from our chocolate confectioneries. We offer a broad range of products in different formats and prices points (in both the premium and value format categories) to appeal to consumers with different tastes and lifestyles. This presents our consumers with an attractive range of choices whenever they wish to purchase our chocolate products.

We continually curate our product portfolio, refresh our product packaging and introduce novel formats and enticing flavours to enhance the appeal of our products and to keep up with prevailing market trends. We have a team of product development experts whose efforts are focused on identifying opportunities to transform, grow and broaden our product portfolio. Our product development initiatives span from the development of new products and flavours, to improvements in the quality and appeal of existing products, as well as packaging design and portion sizes.

As such, consumers get to pick from our growing array of brands, categories and formats that range from moulded chocolate, dragées and enrobed wafers, to biscuits, chocolate spreads, baking condiments and beverages. Our strengths in catering to local tastes has kept us well connected to our consumers and our brands, at the front of consumers' minds.

Multi-Layered Distribution Network

Our distribution network comprises in-house teams as well as third-party distributors, sub-distributors and wholesalers with whom we work to navigate the complex and evolving

retail landscapes in Indonesia and our Regional Markets. We also have a robust logistics infrastructure that has been progressively expanded over the decades to penetrate and support the distribution activities in both Modern and Traditional Trade channels.

Our established routes-to-market and broad spectrum of retail partners — from convenience stores, minimarts, supermarkets and hypermarkets to small retailers and provisions shops — have ensured our continued access to different market segments and geographies. Through this vast distribution structure, we are able to cover 100% of the Modern Trade in Indonesia and provide excellent reach throughout the archipelago through the Traditional Trade.

Our goal is to maximise our shelf space presence with an assortment of products that cater to local tastes and preferences, and to engage the consumer by elevating their shopping experience with visually exciting displays at the point of purchase. In short, we believe that it is vital for our brands to be strategically placed wherever and whenever our consumers want them. Hence, sharpening our execution with improved distribution, customer service levels and on-shelf availability remain urgent priorities.

In order to achieve this, we work collaboratively with our retail customers and business partners to deliver superior in-store execution with the right products, sizes and price points, supported by good merchandising, shelving and marketing campaigns. Our proven track record in bringing products swiftly and efficiently to market, coupled with our strong consumer following, have earned us the reputation as a distributor of choice in the region.

Besides our Own Brands, we also distribute more than 80 Agency Brands covering multiple product categories in Indonesia and the Regional Markets. The Agency Brands, which include leading household names in international food and beverage often complement and extend our Own Brands. This optimises our distribution efforts as we pursue greater access into the Modern Trade channel.

Our Key Developments In 2019

Bolstering Core Markets

In Indonesia, the combined effect of improved economic prospects, modernisation and improved consumer confidence is transforming the retail landscape. While traditional warung shops continue to thrive across the archipelago, the appeal of attractive displays in well-lit, air-conditioned and professionally managed convenience store chains with wider shelf space has prompted us to dedicate greater focus and conduct more aggressive promotions in this sector of the Modern Trade.

We continually curate our product portfolio, refresh our product packaging and introduce novel formats and enticing flavours to enhance the appeal of our products and to keep up with prevailing market trends.

Our Business Profile

Over in Malaysia, our extensive coverage of minimarts and convenience stores has also paid off as many of the successful chains expanded aggressively. To further strengthen our business and maximise our distribution channels, we expanded our Agency Brands into non-food categories. In order to boost sales in the Traditional Trade retail channel, we repackaged some of our snacks and confectioneries in order to focus on medium to low priced points. We see this channel as an important one, and will continue to look out for more products that fit this category.

Driving Growth In Own Brands

In 2019, the chocolate confectionery category in our key markets continued to grow. We see this as a sustainable contributor to sales growth and our plan is to increase the consumption of chocolate among existing customers and to convert infrequent consumers of chocolate confectionery into regular consumers of Delfi products.

Following our efforts to streamline the product portfolio for better competitiveness and shelf space visibility in the Modern Trade, we have continued to come up with exciting new flavours, tastes and packaging to keep our premium Own Brands up to date with consumer behaviours and demands.

The benefits of this initiative are reflected in this year's performance with our sales in Indonesia growing by 10.4% and our overall Own Brands sales increasing by 9.5% driven mainly by increased sales in our premium format category.

During the year, we implemented changes in our portfolio of value products which are aimed at the Traditional Trade retail channel. In essence, we exited certain low yielding products to focus on similar categories but with higher yielding products. This strategic move is to further grow our income stream from within our value format category.

During this transitional period, we continue to invest in product innovation and promotions to capture new market segments and drive demand, partner with key retailers to take product marketing beyond the shelf, and optimise distribution networks and channels for both Modern and Traditional Trades.

The Philippines, a growing economy with a young and rising middleclass continues to resonate well with our growth strategy. During the year, improved performance was recorded for our premium *Delfi* offerings: in particular *Delfi Treasures* and *Delfi Swiss Bars,* while our *Goya* spreads and novelty *Goya Bits* achieved double-digit growth.

To keep Delfi's products highly visible and readily available in as many places as possible throughout our markets, we are committed to elevating service levels to our retail customers through continuing to increase the quality of our execution.

Consumers today have much higher brand expectations. They are more likely to pay closer attention to what they eat and drink, how ingredients are sourced, and how products are produced, marketed and distributed. We have introduced various measures to address the expectations. A good example is our effort with the Green Tea variant of our popular *SilverQueen* chocolate bar, which weaves the story of our *matcha* ingredients into the packaging of each *SilverQueen* Green Tea bar. This enables our consumers to relate better with the product.

Other initiatives included:-

I. The launch of premium products over the last two years under our *Delfi* flagship brand, including *Take-It Big, Black Thunder* and *Big Thunder,* which are targeted at the snacking category to satisfy consumers' needs at different price points; and
II. A new look for our *Goya* brand in order to uplift and update its image.

To drive the sales velocity of premium Own Brands, we initiated several brand campaigns to distinguish Delfi's portfolio from our competition. Highlights for 2019 included a collaboration between our team in the Philippines and the viral video platform, BuzzFeed, to promote the *Goya* brand among global millennials, especially those of Filipino birth. The BuzzFeed video featured the reactions of American, Australian, and mixed-race (of Filipino descent) youths as they unwrapped their first *Goya* dark chocolate bar. The video has garnered more than 600,000 views on *Goya*'s Facebook page to date. Meanwhile, for our *Knick Knacks* brand, a separate collaboration was initiated with YouTube's "kid vlogger" in conjunction with the launch of *Knick Knack*'s birthday bash.

Over in Malaysia, our e-store was successfully established at Dmart.my in response to growing demands for e-commerce and online shopping. We invested in search engine optimization and digital marketing to drive visitor traffic and member recruitment. Our Delfi online store also sits actively in marketplaces such as Shopee and our products are readily available in LazMall of Lazada. Our major agencies continued with aggressive digital and social media advertising on popular websites and Facebook, and engaged a number of online influencers and key opinion leaders to support marketing efforts.

The *Van Houten* brand has been successfully integrated into our portfolio of brands following last year's acquisition of the perpetual and exclusive license to the *Van Houten* brand for markets in Asia (excluding India, Korea and the Middle East). In 2019, *Van Houten* contributed US$14.7 million (or close to 5%) to our Own Brands sales. Our growth strategy for this iconic brand will be to strengthen the *Van Houten* business and customer base in its existing markets. This will be followed by brand development programmes.

Our Business Profile

At Delfi, we recognise the environmental impacts from our operations and are committed to reducing our environmental footprint throughout our value creation chain.

Reinforcing Routes-to-Market

To keep Delfi's products highly visible and readily available in as many places as possible throughout our markets, we are committed, as part of our supply chain strategy, to elevating service levels to our retail customers through continuing to increase the quality of our execution.

A significant development in 2019 was the completion of the implementation of a direct shipment model to our key Modern Trade customers in Java. Going forward, we will assess how this can be extended to our Modern Trade customers outside of Java. By returning control back to our in-house team, we were able to raise the responsiveness and service level for these key customers and significantly improve the timely fulfilment of customer orders and freshness of our products.

We also optimised the cost effectiveness of our supply chain operations by leveraging sales and operations planning processes to achieve better coordination and alignment between stakeholders.

To strengthen our position in the Traditional Trade retail channel in Indonesia, we will be leveraging on our revamped team of distributors in order to penetrate this channel with a new segment of value format products. The ongoing efforts to improve our supply chain and go-to market strategy will enable us to broaden our market reach and improve our performance.

As we expand our coverage of direct shipments to the Modern Trade, our focus will be on speed of response, logistics service and IT investments to ensure seamless integration across the supply chain.

Striving For Organisational Excellence

Business Process Improvements

The completion of the migration to SAP as the core ERP system has enabled us to harmonise business processes such as inventory and warehouse management, order and shipment, production planning, quality management and finance across all Delfi units. This initiative has also provided for improved access to data across the Group and allowed for better resource planning.

During the year, new modules were added to enhance the functionalities of the ERP system. These include the initiation of a centralised master data management process to improve the quality of our database, which is scheduled

for completion in 2020. Future applications will include a business intelligence reporting module which is currently being developed.

We consider workplace safety and sustainable operations an indispensable part of organisational excellence and we will continue to assess the safety aspects of our facilities and stay proactive in the implementation of projects and initiatives to drive workplace safety. In 2019, we implemented a safety awareness programme that entailed the use of a "Behavioural-Based Safety Card" to encourage our production staff in Bandung to adhere to best workplace safety practices. We are in the process of implementing a similar programme in the Philippines.

At Delfi, we recognise the environmental impacts from our operations and are committed to reducing our environmental footprint throughout our value creation chain. Through ongoing sustainability programmes, examples of what we have achieved over last two years included a reduction of more than 30% in our water usage and waste disposed when measured against our production output over that period. More on our workplace safety and sustainability programmes can be found in our latest Sustainability Report at www.delfilimited.com and in the "Sustainable Value Creation" chapter found on page 42.

Building Inclusive Teams

The Delfi group operates across a region characterised by diverse cultures, demographics and economic infrastructure. As such, we value the contributions of a diverse workforce who understands local consumer behaviours and is able to execute our growth strategies successfully.

Our people, with their diverse background, knowledge and experience, are central to the success of our operations. They uphold the Group's strong culture of teamwork and respect in delivering outstanding products and services to our customers. We strive to create a cohesive and harmonious environment by seeking to align the aspirations of each employee to the values and goals of the company.

The Group believes in building a fair and inclusive workplace where all employees can contribute to their fullest potential. Aside from ongoing talent management and development programmes to equip and empower our employees, we try and ensure that those with the ability to carry out higher responsibilities are matched to the right roles.

In 2019, we continued our efforts to groom a cohort of promising leaders to assume greater business responsibilities. We increased recruitment efforts and developed customised talent development programmes to support the Group's marketing, supply chain management and manufacturing capabilities. These initiatives should lead to more fulfilling careers for our employees and inspire them to be more engaged and effective.

IMPRESSIONS

THAT LAST


Popular in JAPAN
Big Thunder
Cookie Bar Covered with Chocolate
Goya
Raisins in Milk Chocolate
VAN HOUTEN
SINCE 1828
COKELAT SUSU DENGAN KACANG MENTE
Cashews

Letter From Our Chairman

PEDRO MATA
Chairman

Dear Shareholders,

My usual enthusiasm in writing my annual letter to share with you about the performance of our company has been tempered this year by the COVID-19 outbreak which the World Health Organisation had declared as a pandemic. We are all treading in unfamiliar territories and whilst there may be varying opinions on the impact of COVID-19, one thing is almost certain - the world's growth engines, which already fragile, are likely to face a dramatic slowdown, if not worse, in the short term to medium term. On our part, we have activated part of our business continuity plans but will remain watchful and are ready to do more if the need arises.

In my previous letters, I had described the bold and decisive steps taken over the last few years to realign our product portfolio, revitalise our organisation and reinforce our regional supply chains. These initiatives have paid off handsomely and I am pleased to share with you that, building on the growth achieved in 2018, the positive momentum has continued into 2019.

Our transformation could not have been timelier. In the wake of global uncertainties precipitated by the US-China trade conflict, commodity prices and regional currencies have remained highly volatile while at the same time competition has continued to intensify with local and foreign rivals drawn to the high growth potential of our markets in South East Asia.

This year Delfi has delivered another solid performance with double-digit growth achieved in many areas, despite these challenges. PATMI jumped 35.3% on the back of revenue growth of 10.5% to US$471.6 million, of which 72% was contributed by Indonesia alone. John Chuang will elaborate further on the financial results in his letter.

In view of Delfi's 2019 sterling performance, the Board has proposed a final dividend of 1.08 US cents (1.49 Singapore cents) per share, bringing the full-year dividend to 2.35 US cents (3.22 Singapore cents) per share, which represents a pay-out ratio of 50%. The practice of returning profits to shareholders through dividends is consistent with our longstanding principle of delivering superior value to shareholders. Since the Company's listing in 2004, a total of US$317.4 million in dividends, comprising normal and special dividends, including the US$60.0 million one-time cash distribution in 2016, has been paid out to shareholders.

"As a prominent branded chocolate confectionery player in South East Asia, sustainability is at the core of Delfi's operations. We constantly strive to adopt responsible and sustainable practices that minimise any environmental impact, empower local communities and consumers as well as generate value for all stakeholders."

We have an active Board of Directors with committed members participating in regular meetings. As in previous years, in 2019 the Board held in-depth discussions with management on strategy and portfolio development with particular attention to changing market dynamics in all our markets. We have always taken a long-term view of our core markets and the objective is to focus on strategy and emerging risks and then ensure that the resources are in place to achieve our goals.

The Board makes decisions jointly and is supported by Board committees in certain areas. These are the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Management Committee and the Market Sustainability and Strategy Committee (MSSC) to focus on the Group's growth and responsible development for the long term.

As a prominent branded chocolate confectionery player in South East Asia, sustainability is at the core of Delfi's operations. We constantly strive to adopt responsible and sustainable practices that minimise any environmental impact, empower local communities and consumers as well as generate value for all stakeholders.

We have adopted the maxim "We Care and Are Always With You" in every aspect of our business practices and operations. In 2018, we published our first Sustainability Report to account for our sustainability programmes and practices. The overall sustainability framework is supervised by the Board through our MSSC.

In 2019, we actively pursued improvements in various areas of our operations, including water and energy management, waste management, environmental compliance and health and safety. The investments we made, including upgrading our water treatment plants, are expected to yield benefits in 2020.

We acknowledge that agricultural practices, unless properly managed, can bring about adverse impacts. By working closely with our suppliers and stakeholders, we seek to minimise our environmental and social impacts by ensuring that all our products and services are sustainably and responsibly sourced throughout our supply chain. For example, all our suppliers are required to comment on their environmental and social impacts in our Supplier Self-Assessment Program that is now mandatory for all new suppliers.

In summary, an important element of our growth strategy is a commitment to maintaining the highest quality in all areas of activity and in ensuring that our business is managed according to sustainable principles. To reinforce these efforts, the MSSC has set clear and effective targets to drive sustainability across the Group. Details of our sustainability programmes and targets can be found on our website in Delfi's 2019 Sustainability Report.

Going into 2020, we can see that there are a number of external forces that may impact our business. The most significant currently is the COVID-19 outbreak coupled with geopolitical tensions which will likely remain high leading to increased economic uncertainties. Equally challenging is the continuing fluctuation in regional currencies. Despite these challenges, the Board believes our business growth story remains intact over the longer term. The burgeoning middle-income class has already benefited our business and bodes well for future growth as it provides a boost to the consumption of Delfi's products.

We intend to leverage our strong brand presence and distribution network in our markets, and focus on driving growth through enhancing our product portfolio, expanding our routes-to-market and increasing our organisational capacity and employee development to capture growth opportunities.

The Board would like to thank the management team, led by your Chief Executive Officer John Chuang, in delivering the Group's robust performance. Our dedicated and motivated teams are the cornerstone of our strong legacy of excellence and vital to the success of the Delfi group. On behalf of the Board of Directors, we would like to thank all of them personally for their hard work this year. The past few years had been very tough and the management team has done a great job realigning the business and steadfastly following through to implement our strategies.

In closing, I would like to thank the Board for its committed stewardship, the Management for its steadfast leadership and the Delfi team for their valuable contributions. We are grateful to our suppliers, distributors and business partners for contributing to a good year and to our consumers for purchasing and enjoying our products. Last but not least, we would like to express our appreciation to you, our shareholders, for your unwavering support. We look forward to celebrating further future successes with you.

Pedro Mata
Chairman
20 March 2020

Letter From Our CEO

JOHN CHUANG
Chief Executive Officer

Dear Shareholders,

As I write to you, I believe it is appropriate to begin by touching on the novel coronavirus (COVID-19) pandemic which started in China but has now affected many countries and businesses across the globe. We are vigilantly watching the developing situation and while its continued escalation is likely to have an adverse impact on global economies, it is premature at this point to assess its full impact on consumer or market sentiments in all our markets although there is a general sense of nervousness. We have nevertheless taken, as much as possible, the precautions necessary to safeguard the safety and well-being of our people and our supply chain, and have already activated some of our business continuity plans and are alert to rapidly do more should the need arise.

Now moving onto the purpose of this letter. As you all know, we made extensive, crucial and aggressive changes over the last few years to our organisation and business in response to the rapidly changing business environment – from increased competition, rising business costs and growing demands for food safety and regulatory compliance. These comprehensive changes were necessary for us to continue to seize the opportunities to achieve robust growth for our business in the future.

Essentially, we made changes to our management and organisation structure; realigned our product portfolio; changed our marketing strategy; and reorganised and revamped our route-to-market strategy. For our product portfolio, we eliminated underperforming products from our portfolio in order to focus on growing our core brands and products and to drive forward higher-margin products in our premium and value format categories. For the latter, during the course of the year we strategically raised price points of certain low yielding products in our value format category in order to improve our returns from within that category. We intend to develop other value products aimed at the Traditional Trade channels.

With regards to our supply chain initiatives, the implementation of a direct shipment model to our Modern Trade customers in Java has resulted in improved service levels to this group of customers. We intend to progressively extend our direct shipment service to Modern Trade customers outside of Java. For our Traditional Trade channel, we are also building up our operations to grow in this area.

We are happy that the results of our current strategy are being delivered. Continuing from the turnaround achieved in 2018, I am pleased to share with you that last year was another year of solid performance for Delfi Limited. The Group's revenue grew at a double-digit rate year-on-year to US$471.6 million with a strong showing from all our business units. On the back of this growth and the higher margins achieved, the Group generated EBITDA of US$59.6 million and PATMI of US$28.2 million, representing year-on-year growth of 16.4% and 35.3% respectively. Our Group generated a Return on Equity of 13.0%, an improvement of 280 basis points from a year ago. In addition, we ended the year having generated a higher free cashflow of US$22.1 million and a stronger balance sheet.

Overall, our 2019 performance reflects the success of our current strategy supported by a strong portfolio of chocolate confectionery brands; the acceleration in product innovation to meet evolving consumer

> **Overall, our solid performance in 2019 reflects the success of our current strategy supported by a strong portfolio of chocolate confectionery brands; the acceleration in product innovation to meet evolving consumer needs; and the solid execution of our strategy and financial roadmap.**

needs; and the solid execution of our strategy and financial roadmap to capture the growth in chocolate confectionery categories in our markets. Over the last two years, our Own Brands in the premium format category have grown by over 20% yearly.

For our Own Brands portfolio, we remain firmly committed to growing our core brands products in the chocolate confectionery category while extending further into the snacking category. Some of the new products launched over the last two years included our premium Delfi offerings such as Take-It Big, Black Thunder and Big Thunder, and Choco Pie in more convenient formats targeted at the snacking category.

For the novelty category in chocolate confectionery where we see growth opportunities, our initiative to capture a more sizeable share here included the recent launch under our Delfi ChaCha brand of a special "Surprise Toy" series and, in collaboration with the Disney group, our "Frozen II" series of ChaCha in Indonesia. This will further complement other novelty products that we have under this brand.

Last year, I wrote about the Van Houten brand and its fit into our strategy of acquiring complementary brands which are viewed as strategic to our growth initiatives and will contribute positively to the business. Thus far, I am pleased with the progress of its integration into our portfolio of Own Brands with sales achieving strong growth last year as we expanded Van Houten's presence in all our markets in order to broaden its follower base and market size. Many of our consumers in Asia are familiar with this iconic European brand but, in order to further reinvigorate this brand, in the second half of 2020 and early 2021, we will be initiating a multi-phased brand repositioning programme.

Going forward, our operating environment will remain challenging as the pace of change and competitive pressures are likely to accelerate. Therefore, we will need to remain dynamic in our anticipation of and responses to these challenges. We will need to shorten our cycle of innovation, implement a comprehensive marketing approach which utilises the elements of packaging and a digital platform for our brand communication to target the millennials, focus on our supply chain to continue elevating our service levels to our customers, and focus on cost containment and productivity improvements to drive results.

In closing, I would like to express my sincere gratitude to my fellow directors, management and colleagues for their commitment and focus in successfully managing the stresses of implementing the changes in order to deliver stronger performance amid the intense challenges facing our business. With their unwavering commitment and support, Delfi will continue to achieve growth in the longer run. I am thankful to our shareholders, customers and business partners for your trust and continued support.

John Chuang
Chief Executive Officer
20 March 2020

Board of Directors

MR PEDRO MATA-BRUCKMANN

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

Chairman, Independent Director

AMERICAN

Date Of First Appointment As Director:
- 12 June 2001

Date Of Last Re-Election:
- 30 April 2018

Board Committee(s) Served On:
- Nominating Committee (Chairman)
- Audit Committee (Member)
- Remuneration Committee (Member)
- Risk Management Committee (Member)
- Market Sustainability and Strategy Committee (Member)

Educational & Professional Qualifications:
- Bachelor of Science & Masters of Engineering, Cornell University, Ithaca, NY, USA

Present Directorships:
- Delfi Limited
- Corporation LionCity – Development SA
- Grace Institute Foundation (New York)
- Mata Global Solutions
- Starlux S.A.
- MGS Mata Global Solution S. A.

Past Directorship over the preceding three years (from 1 January 2017 to 31 December 2019):
- Grace Institute of New York New York, USA

MR DAVINDER SINGH

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Non-Executive Non-Independent Director

SINGAPOREAN

Date Of First Appointment As Director:
- 12 June 2001

Date Of Last Re-Election:
- 30 April 2018

Board Committee(s) Served On:
- Remuneration Committee (Member)
- Nominating Committee (Member)

Educational & Professional Qualifications:
- LL.B. (Honours), National University of Singapore
- Admitted to the Singapore Bar

Present Directorships:
- Davinder Singh Chambers LLC
- Delfi Limited
- PSA International Pte Ltd
- Singapore International Arbitration Centre
- Singapore International Mediation Centre

Past Directorships over the preceding three years (from 1 January 2017 to 31 December 2019):
- Singapore Technologies Engineering Ltd
- Drew & Napier LLC
- DrewCorp Services Pte Ltd

Davinder was appointed as a Non-Executive Non-Independent Director of Delfi Limited on 12 June 2001. Davinder is the Executive Chairman of Davinder Singh Chambers LLC and has been a practising lawyer for over 35 years.

He has litigated in almost every area of the law. Davinder is also the Chairman of the Singapore International Arbitration Centre (SIAC) and a director on the board of the Singapore International Mediation Centre. He is an arbitrator on the SIAC panel of arbitrators and an accredited mediator with the Singapore Mediation Centre. He is Vice-Chairman on the ICC Commission on Corporate Responsibility & Anti-corruption. He was appointed as Senior Counsel in 1997.

Board of Directors

MR ANTHONY MICHAEL DEAN ("MIKE")

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Independent Director

BRITISH

Mike has 40 years of experience in the investment and finance industries with 30 of those years being spent in Asia. Between 1990 and 2000, he was with CLSA, most latterly as Managing Director of its Singapore merchant bank, where he was responsible for both investment banking and private equity. From 2001 to 2004, he was a director of the Singapore private equity investment arm of Prudential Plc. Between 2004 and 2013, he was the CFO for the Epic Shipping Group, a global shipping group. He is co-founder of AIM-listed Myanmar Investments International Limited.

Date Of First Appointment As Director:
- 6 May 2005

Date Of Last Re-Election:
- 26 April 2017

Board Committee(s) Served On:
- Audit Committee (Chairman)
- Risk Management Committee (Chairman)
- Nominating Committee (Member)

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

Present Directorships:
- Delfi Limited
- Consulsis Limited

Past Directorship over preceding three years (from 1 January 2017 to 31 December 2019):
- Myanmar Investments International Ltd
- Myanmar Investments Ltd
- MIL Management Pte Ltd
- MIL Management Co., Ltd
- Medicare International Health and Beauty Pte Ltd
- MIL 3 Pte Ltd

MR KOH POH TIONG

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Independent Director

SINGAPOREAN

Date Of First Appointment As Director:
- 19 December 2011

Date Of Last Re-Election:
- 26 April 2017

Board Committee(s) Served On:
- Remuneration Committee (Chairman)
- Audit Committee (Member)
- Nominating Committee (Member)
- Risk Management Committee (Member)
- Market Sustainability and Strategy Committee (Member)

Educational & Professional Qualifications:
- Bachelor of Science from the University of Singapore

Present Directorship:
- Delfi Limited
- Bukit Sembawang Estates Limited
- Fraser and Neave Limited
- National Kidney Foundation
- Raffles Medical Group Ltd
- Singapore Kindness Movement
- Times Publishing Limited
- Yunnan Yulinquan Liquor Company Limited
- Great Eastern Life Assurance (Malaysia) Berhad
- Great Eastern General Insurance (Malaysia) Berhad
- Saigon Beer Alcohol Beverage Corporation
- BeerCo Limited

Past Directorship over the preceding three years (from 1 January 2017 to 31 December 2019)
- The Great Eastern Life Assurance Company Limited
- United Engineers Limited
- SATS Ltd

Poh Tiong was appointed to our Board on 19 December 2011 as an Independent Director. Poh Tiong retired as CEO, Food and Beverage, of Fraser and Neave Limited in October 2011, having previously served as Chief Executive Officer of Asia Pacific Breweries Limited from 1993 to 2008.

Poh Tiong is currently the Non-Executive Chairman of Yunnan Yulinquan Liquor Company Ltd, Times Publishing Ltd, Bukit Sembawang Estates Ltd and Saigon Beer Alcohol Beverage Corporation.

He is also a Director, Adviser and Chairman of the Executive Committee of Fraser and Neave Limited and a Director at BeerCo Limited, Great Eastern Life Assurance (Malaysia) Berhad, Great Eastern General Insurance (Malaysia) Berhad and Raffles Medical Group Ltd.

He is also the Chairman of both the National Kidney Foundation and the Singapore Kindness Movement.

Poh Tiong was the Non-Executive and Non-Independent Chairman and Senior Advisor of Ezra Holdings Limited and Chairman of the Agri-Food & Veterinary Authority and a Director at SATS Ltd, The Great Eastern Life Assurance Company Limited, United Engineers Limited, Wildlife Reserves Singapore Pte Ltd, Jurong Bird Park Pte Ltd and Media Corporation of Singapore Pte Ltd. Noted for his strong civic involvement and long-standing interest in sports and education, he has served on the Singapore Youth Olympic Games Organising Committee, the Singapore Sports Council, Football Association of Singapore, and on the MBA Advisory Board of the Nanyang Technological University. For his contributions to society and business, Poh Tiong was conferred both the Public Service Medal and the Service to Education Medal in 2007 as well as the Public Service Star Award in 2013. He was also named Outstanding Chief Executive of the Year at the Singapore Business Awards 1998 organised by DHL and The Business Times.

Board of Directors

MR DORESWAMY NANDKISHORE, ("NANDU")

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Nandu has 37 years of global experience in leadership roles across a diverse set of environments across both emerging and developed global markets. Nandu was an executive board member of Nestlé S.A from 2010 to 2015, responsible before his retirement, for Asia, Oceania and Africa, and earlier as the global CEO for Nestlé Nutrition, in charge of markets all over the world including the USA, Europe and Latam.

Nandu is currently a Professor at the Indian School of Business and a Guest Lecturer at the London Business School.

Independent Director

INDIAN

Date Of First Appointment As Director:
- 3 January 2017

Date Of Last Re-Election:
- 26 April 2017

Board Committee(s) Served On:
- Market Sustainability and Strategy Committee (Chairman)
- Remuneration Committee (Member)
- Nominating Committee (Member)

Educational & Professional Qualifications:
- Bachelor's degree in Engineering (B-Tech), The Indian Institute of Technology
- Post Graduate in Management and Business Administration (PGDM), The Indian Institute of Management
- Program for Executive Development, IMD Lausanne

Present Directorships:
- Delfi Limited
- I & N Developmental Investments Ltd

Past Directorship over the preceding three years (from 1 January 2017 to 31 December 2019):
- EZE Engineering Solutions Pte Ltd
- Blippar.com Ltd
- Tiserin Capital Management

MR JOHN CHUANG TIONG CHOON

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Group Chief Executive Officer

SINGAPOREAN

Date Of First Appointment As Director:
- 1 November 1989

Date Of Last Re-Election:
- 29 April 2019

Board Committee(s) Served On:
- Executive Committee (Chairman)
- Nominating Committee (Member)
- Risk Management Committee (Member)
- Market Sustainability and Strategy Committee (Member)

Educational & Professional Qualifications:
- Bachelor of Engineering (Honours), University of Liverpool
- Masters in Business Administration, Cranfield Business School

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

Past Directorship over the preceding three years (from 1 January 2017 to 31 December 2019)
- Zeballos Shipping Limited
- PT Ceres-Meiji Indotama

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

Board of Directors

MR JOSEPH CHUANG TIONG LIEP

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

Executive Director,
Group Chief Growth and Marketing Officer

SINGAPOREAN

Date Of First Appointment As Director:
- 2 March 1999

Date Of Last Re-Election:
- 29 April 2019

Board Committee(s) Served On:
- Executive Committee (Member)
- Market Sustainability and Strategy Committee (Member)

Educational & Professional Qualifications:
- GCE "A" Level Certification

Present Directorships:
- Delfi Limited
- Brands of Hudsons Sdn. Bhd.
- Ceres Sime Confectionery Sdn Bhd
- Ceres Super Pte Ltd
- Delfi Marketing Sdn Bhd
- Delfi Singapore Pte. Ltd.
- Maplegold Assets Ltd
- Pavilion View Holdings Limited
- Ceres (International) Marketing Pte Ltd
- PT Nirwana Lestari
- PT Citra Tunggal Lestari
- PT Freyabadi Indotama
- PT Perusahaan Industri Ceres
- Delfi-Orion Pte Ltd
- Delfi Yuraku Pte Ltd
- Freyabadi (Thailand) Co. Ltd

Past Directorship over preceding three years (from 1 January 2017 to 31 December 2019):
- PT Ceres-Meiji Indotama

MR WILLIAM CHUANG TIONG KIE

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Executive Director,
Business Development Director

SINGAPOREAN

Date Of First Appointment As Director:
- 31 May 2001

Date Of Last Re-Election:
- 29 April 2019

Board Committee(s) Served On:
- Executive Committee (Member)

Educational & Professional Qualifications:
- Bachelor of Science, California State University, Long Beach

Present Directorship:
- Delfi Limited
- McKeeson Consultants Private Limited
- McKeeson Investment 1 Pte Ltd
- PT Delfi-Yuraku Indonesia
- PT Freyabadi Indotama
- PT General Food Industries
- Freyabadi (Thailand) Co., Ltd
- Delfi-Orion Pte. Ltd.
- Delfi Yuraku Pte. Ltd.

Past Directorship over the preceding three years (from 1 January 2017 to 31 December 2019):
- PT Ceres-Meiji Indotama
- Willson Holdings Limited

William is an Executive Director of Delfi Limited and the Business Development Director of our Group. William was appointed to our Board on 31 May 2001. Being based largely at the Group's corporate headquarters in Singapore, William is responsible for the overall business expansion of our business, As an integral part of his role, he is responsible for the existing joint ventures including Delfi-Orion Pte. Ltd., and Delfi Yuraku Pte. Ltd. William has close to 30 years of experience in senior management positions within the chocolate, confectionery and cocoa industry.

Senior Management

Nancy Florensia 61

President Director,
PT Perusahaan Industri Ceres

Nancy joined PT Ceres in 1991. In addition to her role as Finance Director, she assumed her role as President Director of PT Perusahaan Industri Ceres in 2017. Prior to joining our Group, Nancy had 10 years of experience in accounting and financial positions in PT Indocement, PT Henoch Jaya and the PT Kedaung Group.

Educational & Professional Qualifications

- Master of Business Administration

Company & Group Responsibility

Nancy is responsible for all tax, HR, corporate, finance and administrative support for our business in Indonesia.

Koo Liang Kwee ("Alan") 49

Chief Financial Officer

Alan joined Delfi Limited as Chief Financial Officer in September 2018. He is a finance veteran with more than 20 years of extensive experience in senior financial roles with Novartis Consumer Health, Afton Chemical Pte Ltd and Heineken Asia Pacific Pte Ltd where he was the Finance Director of Heineken Asia Pacific's Vietnam and China operations for the last seven years prior to joining Delfi.

Educational & Professional Qualifications

- Macquarie Graduate School of Business (Australia) – Master in Business Administration
- Nanyang Technological University (Singapore) – Bachelor of Accountancy (2nd Class Honours')
- Institute of Certified Public Accountants of Singapore – Non-Practising CPA

Company & Group Responsibility

As Chief Financial Officer, Alan is in charge of all the Group's financial operations. In addition to leading the Group's finance function, he is tasked with assisting our Chief Executive Officer on strategic and key business development matters for the Group.

Michael Wynne Roberts ("Mike") 55

Chief of Manufacturing, Engineering,
Chocolate Technology and Projects

Mike joined Delfi Limited in February 2019. He brings with him more than 23 years of experience in the area of chocolate manufacturing. From 1994 to 2014, Mike held various senior positions within Barry Callebaut Global, Cocoa and Chocolate Company ("Barry Callebaut"), which included 10 years as Vice President, Supply Chain and Manufacturing. He left Barry Callebaut in 2014 to join Louis Dreyfuss Co ("LDC"), as Asia Head of Industry, and returned to Barry Callebaut as Site Director in 2017, where he remained immediately prior to joining Delfi.

Educational & Professional Qualifications

- Master of Business Administration, University of Wales (UK)
- International Supply Chain Management, Singapore Institute of Material Management
- Diploma in Food Safety, University of Liverpool (UK)
- NEBOSH Professional qualification in Environmental Health and Safety, UK
- Diploma in Industrial Management, Yale College (UK)
- Mechanical Diploma, Yale College (UK)

Company & Group Responsibility

Mike is tasked with overseeing our manufacturing operations essentially comprising the activities of manufacturing, engineering, chocolate technology and projects, supply chain functions and new product development initiatives.

Ferry Haryanto 65

President Director, PT Nirwana Lestari

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

Educational & Professional Qualifications

- Master of Business Administration

Company & Group Responsibility

In his current position, Ferry is President Director of PT Nirwana Lestari and in addition, he spearheads PT Nirwana Lestari's efforts and initiatives in marketing, sales and distribution of the Company's portfolio of Agency Brands in Indonesia.

Amos Moses Yang 46

Director (Business Strategy) (in the CEO's Office)

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

Educational & Professional Qualifications

- Bachelor of Science in Marketing, Seton Hall University

Company & Group Responsibility

Amos assists the CEO, Mr John Chuang, in business strategy matters concerning the Group, as well as assists Joseph Chuang, our Chief Growth and Marketing Officer, in the Group's sales and marketing initiatives.

Lim Seok Bee ("SB") 66

Chief of Quality Assurance, Food Safety, R&D and Technology

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

Educational & Professional Qualifications

- University of London, Bachelor of Science (Hons)

Company & Group Responsibility

SB, in her current role, heads all quality assurance and food safety standards, research and development, checks and audits, and supporting systems and processes for the Group. SB is responsible for the Group's Food Safety and Quality Assurance objectives and compliance policies and goals. In addition, she supports our CEO, Mr John Chuang in the areas of strategic management and human resource matters.

Lim Hock Thye* 60

Director, Finance and General Affairs, PT Nirwana Lestari

Hock Thye has over 20 years of work experience in the cocoa and chocolate industry. He served as General Manager, Delfi Cocoa (Malaysia) Sdn Bhd from 2003 to 2013.

Educational & Professional Qualifications

- Bachelor of Commerce

Company & Group Responsibility

He provides corporate and finance support to the Key Executive Team in managing and building the business in Indonesia.

Johnny Katio# 62

Commercial Director, Route-to-Market for PT Perusahaan Industri Ceres

Johnny joined PT Perusahaan Industri Ceres ("PT Ceres") in 2017 as Commercial Director, Route-to-Market. He brings with him over 30 years of extensive experience in Indonesia's fast moving consumer goods ("FMCG") industry and prior to joining Delfi, his last position was as President Director, Heinz ABC Indonesia.

Educational & Professional Qualifications

- Master in Business Administration - University of Bridgeport, Conneticut, USA
- Bachelor of Arts (Accounting) - Nommensen University, Medan, Indonesia

Company & Group Responsibility

Johnny is tasked with spearheading the development and growth of Delfi's Own Brands products and overseeing Agency Brands across all the retail channels in Indonesia.

* Hock Thye resigned with effect from 10 March 2020
\# Johnny Katio has resigned with effect from 30 April 2020

ANYTIME, ANYWHERE

Operating & Financial Review

Alan Koo
Group Chief Financial Officer

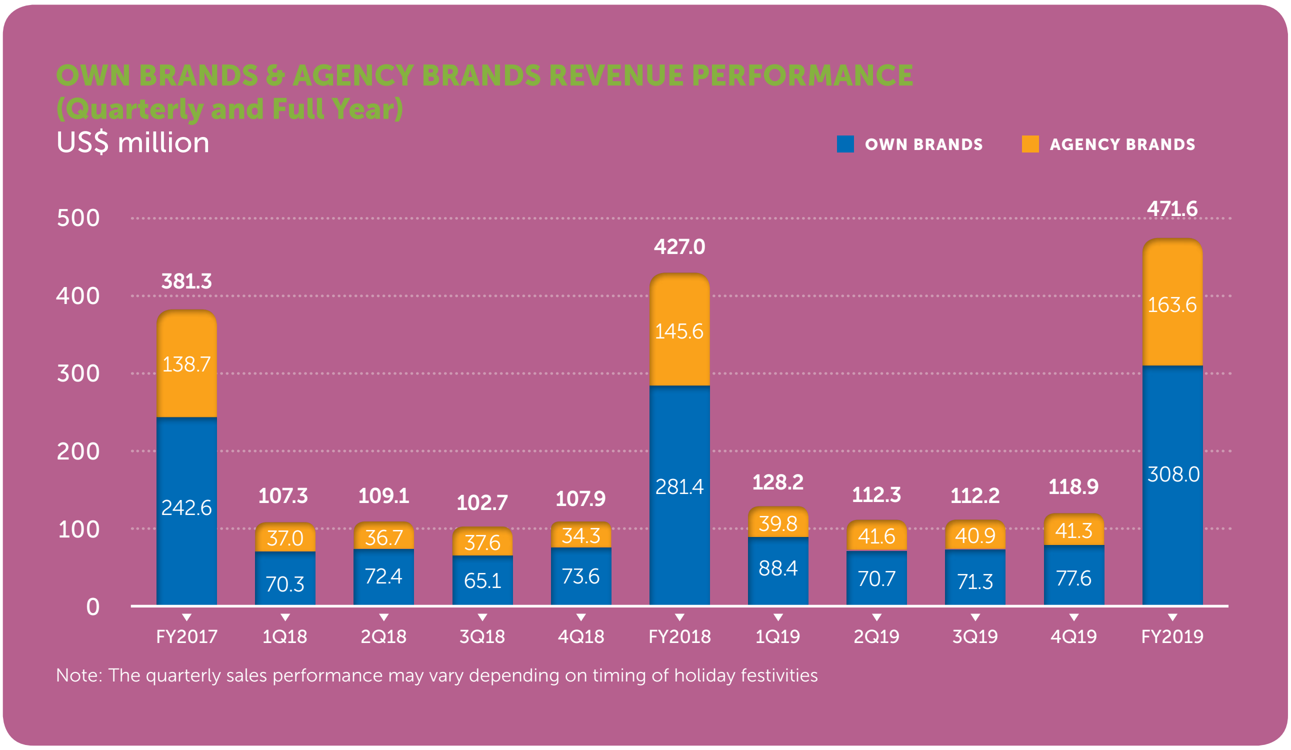
Building on the positive momentum of the previous year, the Group in 2019 achieved revenue of US$471.6 million, representing Y-o-Y growth of 10.5% in the Group's US Dollar reporting currency. This is the highest level achieved in five years. PATMI growth of 35.3% was achieved for FY 2019 on the back of higher revenue and margins driven mainly by Own Brands sales. Excluding the exceptional item in FY2018, PATMI growth for the year would have been 23.8%. The positive results were achieved despite intensified competition and higher input cost inflation during the year.

Our Own Brands sales continued to be our business' major contributor, forming more than 60% of the Group's revenue. Over the years, we have progressively expanded our Own Brands product portfolio and today it extends into the categories of chocolate confectionery, biscuits and wafers, breakfast, beverages and baking. Through our portfolio, consumers are offered a broad range of products in different formats and price points (in both the premium and value format categories) to appeal to their different tastes and lifestyles. This presents our consumers with an attractive range of choices whenever they wish to purchase our chocolate products.

Key Financial Highlights

US$ million	FY2019	FY2018	% chg Y-o-Y
Indonesia	337.4	305.8	10.4%
The Regional Markets	134.2	121.2	10.7%
Total Revenue	**471.6**	**427.0**	**10.5%**
Gross Profit Margin (%)	36.2%	34.6%	1.6% pt
EBITDA	**59.6**	**51.3**	**16.4%**
EBITDA Margin (%)	12.6%	12.0%	0.6%
PATMI (exclude exceptional Items)[a]	**28.5**	**23.0**	**23.8%**
PATMI (include exceptional Items)[a]	**28.2**	**20.9**	**35.3%**

a For details of the exceptional items, please refer to Note 9 on page 116.



In FY2019, the Group's Own Brands sales increased 9.5%. The growth was driven by the strong demand for our products in the premium format category, mainly in Indonesia which achieved growth in excess of 20%.

The performance of our Own Brands portfolio reflected our strategic initiative to exit certain low yielding price points in our value format category in Indonesia. Our focus now is on similar categories with higher price points aimed at the Traditional Trade retail channel. During the year, our current value portfolio (comprising the higher priced point products) achieved strong Y-o-Y growth, albeit from a lower base.

The long term objective of this initiative is to improve the overall profitability of our Own Brands portfolio although in the short term, it will have an impact on overall sales in Indonesia.

In FY2019, revenue of our Agency Brands business achieved Y-o-Y growth of 12.3% generated. The growth, across all our markets, was driven by double digit growth from our Agency Brands in the snacking & confectionery and healthcare categories. Within our portfolio of Agency Brands, the snacking & confectionery category accounts for more than 60% of revenue.

The Group's Gross Profit Margin ("GPM") was higher Y-o-Y by 1.6% point for FY2019 on the back of higher Own Brands margins achieved. The improved margin can be attributed to the increased sales of our higher margin premium products in Indonesia, and production efficiencies amidst ongoing cost containment initiatives.

With the combination of higher sales and GPM achieved, FY2019 EBITDA of US$59.6 million (Y-o-Y growth 16.4%) was generated by the Group.

The strong growth at the EBITDA level for FY2019 was driven by the strong performance from our Regional Markets which generated EBITDA of US$4.6 million, compared to a loss in the previous periods. The turnaround can be attributed to increased sales of our higher margined Own Brands (including *Van Houten*) products, strong performance from our Agency Brands products (especially in the snacking & confectionery and healthcare categories) boosted by effective A&P investment and tighter control of operating costs.

For FY2019, PATMI of US$28.2 million (higher Y-o-Y by 35.3%) reflected the increase in operating profit achieved and a lower effective tax rate. Included in PATMI was an exceptional item comprising US$0.3 million of fees incurred for ongoing legal and professional work related to the improper and unsubstantiated transactions discovered in the Philippines, which was disclosed previously in 2Q 2018. Excluding this, the Group's FY2019 PATMI growth would have been 23.8%.

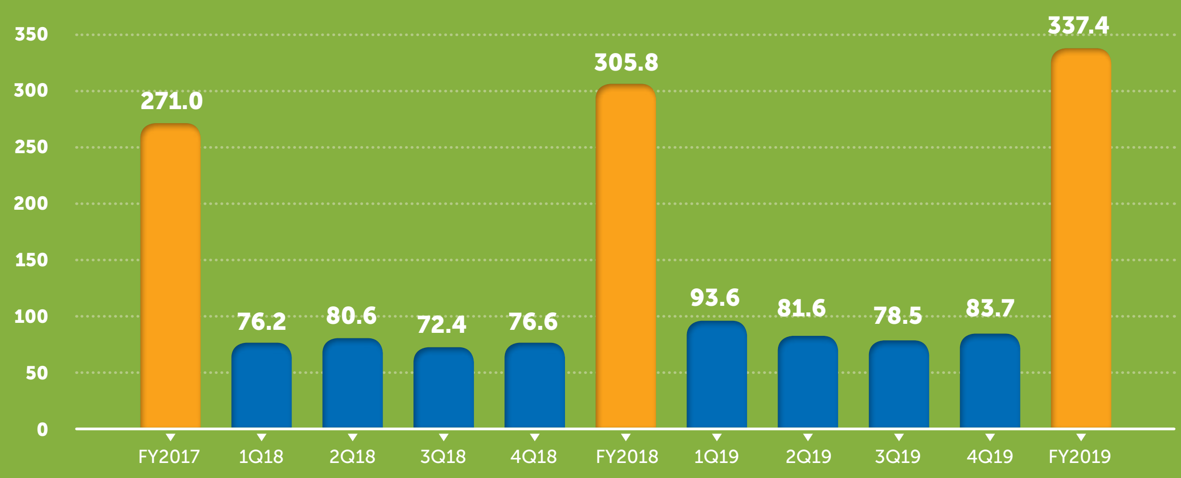
Performance Review by Markets

Indonesia

For FY2019, our business in Indonesia achieved revenues of US$337.4 million, an increase of 10.4% Y-o-Y in the Group's US Dollar reporting currency. With the growing chocolate confectionery market and the success of our

Operating & Financial Review

INDONESIA'S REVENUE PERFORMANCE (QUARTERLY AND FULL YEAR)
US$ million



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

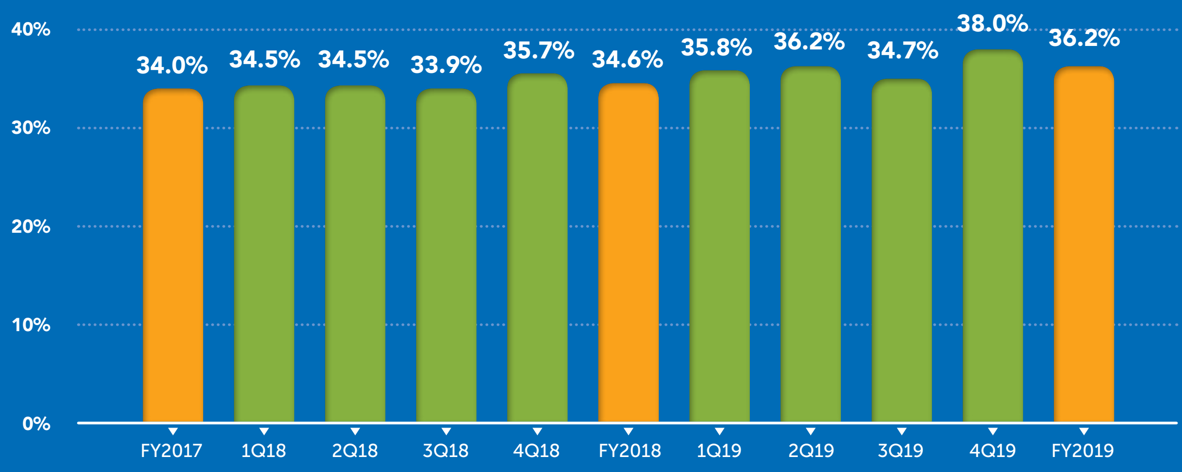
promotional programmes to capture the strong consumer demand, sales of our premium brands of *SilverQueen, Delfi Premium, Van Houten* and *Selamat* grew in excess of 20%. Excluding the impact of the transitioning changes implemented in our value products portfolio, our revenue would be higher at 18.0%.

In order to drive demand and capture new market segments for our Own Brands, we have and will continue to focus on and invest in strengthening our core brands through promotions, the introduction of innovative products and extending further into the snacking segment. For our products in the value format category which are targeted at the Traditional Trade retail channel, we will be taking a multi-step approach towards developing a customised selection of products. These strategic initiatives are to further grow our revenue by allowing us to optimise our distribution networks and channels for both the Modern and Traditional Trades.

During the year, the implementation of our direct shipment model to key Modern Trade customers in Java was completed. This initiative essentially returns control back to our in-house team, allowing us to raise the responsiveness and service level for these key customers and significantly improve the timely fulfilment of customer orders and freshness of our products. By taking control of this key route-to-market it does mean that our working capital needs increase, but we think this is a necessary step to strengthen our position in this essential retail channel. Going forward, we will assess how this can be extended to our Modern Trade customers outside of Java.

The sales performance of our Agency Brands was higher Y-o-Y by 14.4% in FY2019. This was despite the reclassification of *Van Houten* sales to Own Brands. Our Agency Brands sales, if adjusted for this reclassification, would have instead increased 18.3% Y-o-Y for FY2019. The increase was driven by the double-digit growth achieved for some of our core Agency Brands in the confectionery & snacking, grocery and breakfast categories. In addition, price increases implemented in 3Q 2018 for selected Agency Brands to mitigate the impact of the weaker Indonesian Rupiah contributed to the performance. The confectionery and snacking category accounts for more than 70% of revenue generated from Agency Brands sales in Indonesia.

GROSS PROFIT MARGIN (QUARTERLY AND FULL YEAR)- AS REPORTED



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

The Regional Markets

For our Regional Markets, revenues for FY2019 were higher Y-o-Y by 10.7%. The growth was mainly attributed to higher sales in Malaysia and sales of *Van Houten* products in our Regional Markets. For our Regional Markets, *Van Houten* contributed US$5.4 million in sales while in the Philippines, our *Goya* Bars, *Goya Mini Tubes*, *Goya Choco Spread* and *Delfi Premium* continue to deliver double digit growth.

Review of Profitability

For FY 2019, the Group generated EBITDA of US$59.6 million (higher Y-o-Y by 16.4%). The growth was driven by the Group's higher revenue and improvement in our GP Margin.

In FY2019, the Group achieved a GPM of 36.2% (higher Y-o-Y by 1.6% point). The improvement can be attributed to the higher sales of our premium products amid ongoing efforts to strengthen our value format category in the Traditional Trade channel and our cost containment initiatives. To mitigate the impact of higher input costs, we had implemented a product resizing programme on some of our Own Brands products as well as price increases in 3Q 2018 for selected Agency Brands.

For Own Brands, our ongoing strategy to mitigate higher input costs includes a combination of the following: pro-active price adjustments and product right-sizing and reformulation; launches of new higher margined products; and cost containment initiatives amidst production efficiencies. In addition, the strategy of buying forward our main raw material requirements in a timely manner allows us to lock-in forward costs to a major extent thus providing greater cost visibility and margin stability.

The Group's FY2019 EBITDA growth of 16.4% reflected the growth achieved across all our markets, especially from our Regional Markets. Despite the higher sales and GPM achieved in Indonesia, the increase in EBITDA was only 2.9% due to higher sales and distribution costs and higher promotional spending throughout the year to drive consumption of our products and in response to increased competition. The higher costs, especially in 4Q 2019, also reflected our investments to grow our shelf space presence across all retail channels for our strategic brands and in-store promotions in the Modern Trade retail channel strategically targeted to increase consumer sales to meet the anticipated run-up to the Valentine's Day celebrations and the Lebaran festivities.

Operating & Financial Review

For our Regional Markets, the turnaround achieved can be attributed to increased sales of our higher margined Own Brands products, strong performance from our Agency Brands products (especially in the snacking & confectionery and healthcare categories) boosted by effective A&P investment and tighter control of operating costs.

The Group achieved FY2019 EBITDA margin of 12.6% (higher Y-o-Y by 0.6% points), driven mainly by the higher GPM achieved.

Update on Claims Associated with the Disposal of Delfi Cacau Brasil Ltda.

By way of background, on 24 February 2015, the Company had announced that Barry Callebaut had notified the Company of various claims from the Brazil tax authorities ("Notifications") against the former Delfi Cacau Brazil Ltda ("DCBR"), which Barry Callebaut purchased as part of the sale of the Cocoa Ingredients business. In the Company's announcement made on 28 August 2015, the Company also pointed out that although the Settlement Agreement fully settled the dispute over the closing price adjustments, Barry Callebaut remained entitled to bring any further claims that may arise under the continuing warranties.

We believe our financial condition continues to be of high quality, as evidenced by our ability to generate substantial cash from operations, while we have ready access to capital markets at competitive rates.

As previously announced, the Company was notified of a total of 9 claims associated with the disposal of DCBR totalling BRL 87,002,187 as of 31 December 2016. In FY2016, the Group recognised an exceptional charge of US$2.0 million pertaining to the claims. In FY2017, FY2018, and FY2019 the Company were not notified of any further claims. At 31 December 2019, the Company's total exposure in respect of tax and labour claims in Brazil is BRL 86,998,712 (equivalent to US$21.7 million based on end-December 2019 exchange rate).

The Company, while reserving its rights in relation to the Notifications, has requested Barry Callebaut to defend these claims and the cases are proceeding through the Administration and Judicial processes in Brazil. The Board and management believe there are strong grounds to resist these claims and the Company will keep the shareholders updated as to material developments in relation to the Brazilian claims.

In assessing the relevant liabilities, management has considered, among other factors, industry developments in the current financial year and the legal environment in Brazil, and assessed that the amounts recognised in respect of these claims are adequate as at 31 December 2019. As management considers the disclosure of further details of these claims can be expected to prejudice seriously the Group's position in relation to the claims, further information has not been disclosed in the Group's financial statements.

Cash Flow Generation and Capital Expenditure

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

During 2019, the Group generated operating cash flow before working capital changes of US$60.3 million which was higher Y-o-Y by US$9.3 million due to the stronger operating results in 2019. The higher operating cash flow resulted in the Group's net cash generated from operating activities to increase from US$12.0 million to US$32.1 million. This was more than sufficient to fund the Group's 2019 capital expenditure of US$10.0 million, which was higher by US$5.6 million Y-o-Y with the majority of the investment focused on Indonesia for equipment which is intended to improve efficiency at our production facility.

The Group generated free cash flow of US$22.1 million, higher by US$14.6 million compared to 2018, which was sufficient to fund the US$12.6 million that was paid out as dividends to Shareholders during the year as well as reduce its borrowings.

For 2020, the Group will remain disciplined in its capital expenditure and our strategy is to focus on (i) increasing capacity to meet the demands from our markets; (ii) build capabilities to enter new and attractive categories; and (iii) to optimize production capacity through automation and process improvement.

Strong Balance Sheet

As at 31 December 2019, the Group maintained a healthy cash balance of US$57.6 million which was higher Y-o-Y by US$2.9 million, after the dividend payments in 2019. The cash balance will be sufficient to support our foreseeable near-term business and investment needs together with any contingent liabilities.

For the year under review, total assets and shareholders' equity were higher by US$41.1 million and US$21.4 million respectively reflecting mainly: (1) the higher profitability achieved; (2) an increase in working capital; and (3) a foreign currency translation gain. Compared to end-2018, trade receivables and inventories were higher by US$17.3 million and US$11.2 million respectively. As noted above, the higher trade receivables balance can be attributed to our increased sales to the mini-market retail channel which carries longer settlement terms. The Group's higher inventories carried, mainly in Indonesia, is intended to meet the anticipated run-up to the Valentine's Day celebration and the Lebaran festivities. This is to ensure that our products (both Own Brands and Agency Brands) will be available to meet the orders from all our retail channels.

Operating & Financial Review

The Group's property, plant and equipment of US$117.0 million were higher compared to the end-2018 balance by US$7.6 million reflecting our capital expenditure during the year.

The Group's shareholders' equity was higher by US$21.4 million for FY2019 on the Group's net profit achieved after the dividend payments. We believe the Group's current financial position places it in a strong position to seize growth opportunities in the fast growing regional consumer markets.

Outlook

There is currently no disruption to our operations in our respective markets as a result of the COVID-19 outbreak. Nevertheless, we have taken, as much as possible, the precautions to ensure the safety and well-being of our people and have already activated some of our business continuity plans and are alert to do more should the need arise.

For our markets, it is difficult at this moment, to assess the full impact of the COVID-19 outbreak on consumer or market sentiments, although there is a general sense of nervousness. However, if the situation should escalate further and continue for a prolonged period, the level of growth in FY2020 that we were anticipating is likely to be moderated. Meanwhile, we are continuing to work with our trade customers to ensure that our brands are always available and properly displayed as we focus our brand building initiatives on our core products to grow our business.

Over the long term, we believe the consumption environment in our markets will continue to be supported by robust economies and the growing middle-income classes. To capture the growth opportunities and drive the long-term growth of our business, we will work to:

1. Grow our key brands in our markets. Innovation remains a key part of this strategy, whether it is through product innovation in order to provide us with a competitive edge or through continuous marketing reinvention to stay relevant by creating excitement at the shelf space while focusing on the core brands and products that can deliver growth in sales and margins;

2. Extend market reach by having better channel segmentation for both the Modern Trade and General Trade retail formats in order to widen and strengthen our distribution coverage to capture the growth opportunities; and

3. Prudently invest to build capacity and capabilities where there are clear expansion opportunities into new and attractive categories; and increase our productivity and efficiency targets within our existing production and distribution infrastructure.

To add further value over the longer term to our quality earnings, we will continue to explore opportunities to enter new markets and to extend to new categories if suitable acquisitions or partnerships meet our investment criteria.

FY 31 December (US$ million)	2019	2018	% chg
Revenue	471.6	427.0	10.5
EBITDA	59.6	51.3	16.4
Profit before tax and exceptional Items	43.8	38.1	15.1
Exceptional Items	(0.3)	(2.1)	(88.0)
Profit before tax	43.5	36.0	21.2
Net Profit attributable to Shareholders	**28.2**	**20.9**	35.3
Earnings per share (US cents)	**4.6**	**3.4**	35.3

At Year End (US$ million)	2019	2018	% chg
Total Assets	402.3	361.1	11.4
Total Liabilities	(174.7)	(154.9)	12.8
Total Shareholders' Equity	**227.6**	**206.2**	10.4
Total Debt	(58.3)	(59.0)	(1.2)
Net Debt	(0.7)	(4.3)	(82.4)
Return on Equity			
- Include Exceptional Items	13.0%	10.2%	2.8% pt
- Exclude Exceptional Items	13.1%	11.2%	1.9% pt

Sustainable Value Creation

Sustainability has been a longstanding focus of the chocolate industry.

As a leading player within South East Asia in branded chocolate confectionery, Delfi has endeavored to invest in responsible practices that provide sustainable value to our stakeholders, protect the shared environment we live in, as well as, enrich the lives of the many communities we serve. Our belief towards building a sustainable business model is echoed in our global Corporate Social Responsibility ("CSR") mission, which forms an integral part of the strategic and sustainability-related decisions made by the Board.

Our Board is further supported by Delfi's Market Sustainability and Strategy Committee (MSSC), which was established to oversee, develop and advance our business' sustainability initiatives and strategic growth. Together, we stand by the notion that 'We Care and Are Always With You'.

DELFI'S GLOBAL CSR MISSION

- Act in the interest of all stakeholders
- Embrace the needs of the community
- Care for the environment

We Care and Are Always With You

DELFI'S SUSTAINABLE VALUE CREATION ECOSYSTEM

Influence And Impact Of Sustainability Matters

Anchored By Our Four Sustainability Pillars

OUR SUSTAINABILITY PILLARS AND MATERIAL SUSTAINABILITY MATTERS

At Delfi, we believe that our Sustainability Mission is built on the four intertwined themes of social, environmental, economic and governance factors which we call our "Sustainability Foundation". The sustainability matters that we have focused on is what we believe to be the most relevant to our business and our key stakeholders.

Our Sustainable Value Creation Pillars

Sustainably Create Value For All Our Stakeholders

SOCIAL	ENVIRONMENT	ECONOMIC	GOVERNANCE
Our People – Employee well-being	Responsible water use	Compliance with import, export and trade regulations	Supply chain assessment
Occupational health and safety	Treatment and disposal of waste and effluents		
Consumer Health and Safety, and mindful consumption	Sustainablity in securing agricultural products		

Key sustainability matters for SR2019

Sustainable Value Creation

Employee Well-being

At Delfi, employee well-being has been identified as a material matter as we recognise that human capital is our most valuable asset and key to our continued success.

We are committed to create a healthy and conducive working environment that embraces diversity and fosters inclusion. Our Human Resource (HR) policies aim to attract and retain the right talent to nurture growth, development, and demonstrate professionalism at the workplace.

57:43 Male to female permanent staff ratio

Tailored trainings provided to our staff

Consumer Health and Safety, and Mindful Consumption

As a food manufacturer, we remain steadfast in ensuring the quality of our products as well as the well-being of our consumers. We strongly adhere to both internationally-recognised food safety and quality standards and safety regulations in the countries we operate in.

In response to changing consumers' dietary habits, as at end of 2019, we have successfully phased out artificial trans fats, otherwise known as partially hydrogenated oils (PHO), in our manufactured food products given their potential to cause adverse health effects.

CERTIFIED

Quality Management System audited annually based on international standards:

Food Safety System Certification 22000 (FSSC 22000)

Our products are free from artificial trans-fats

Occupational Health and Safety

Ensuring the safety of our employees remains our utmost priority at Delfi. We have sound policies in place that cover all aspects of physical, mental health and safety in a workplace. We inculcate a "Work Safely, Stay Safe" culture in all workplace throughout the supply chain and remain committed to our yearly goal of zero fatalities.

In 2019, we implemented a safety awareness programme, a point-based system using a 'Behaviour Based Safety Card' to encourage staff in keeping up with best workplace safety practices.

Zero Incidents resulting in fatalities in 2019

66% In work-related injuries rate from 2018

Point Based Safety awareness programme to encourage workplace safety practices

Compliance with import, export and trade regulations

Supporting good governance and business ethics are key pillars of well-functioning markets. We exercise due diligence in all our operations by ensuring compliance with laws and regulations, and support international principles for sustainable business conduct. This year, Delfi achieved its ongoing target of zero material incidents of non-compliance.

Zero Material incidents of non-compliance reported

Responsible water use, treatment and disposal of effluents and waste

At Delfi, we recognise the environmental impacts from our operations and are committed to reducing our environmental footprint throughout our value chain. As a steward of the environment, we adopted various practices to better utilise resources in a responsible and sustainable way. For example, we have upgraded our Waste Water Treatment Plant (WWTP) to enhance the effectiveness of the treatment process, thereby increasing the percentage of wastewater being recycled.

As of end 2019, we have achieved a reduction of our waste intensity by 10% and water intensity by 1% from 2018. Our water discharged intensity, however, has increased by 5% due to processing of rainwater collected at our WWTP at the Philippines' facility.

10% ▼ In waste intensity from 2018

1% ▼ In water intensity from 2018

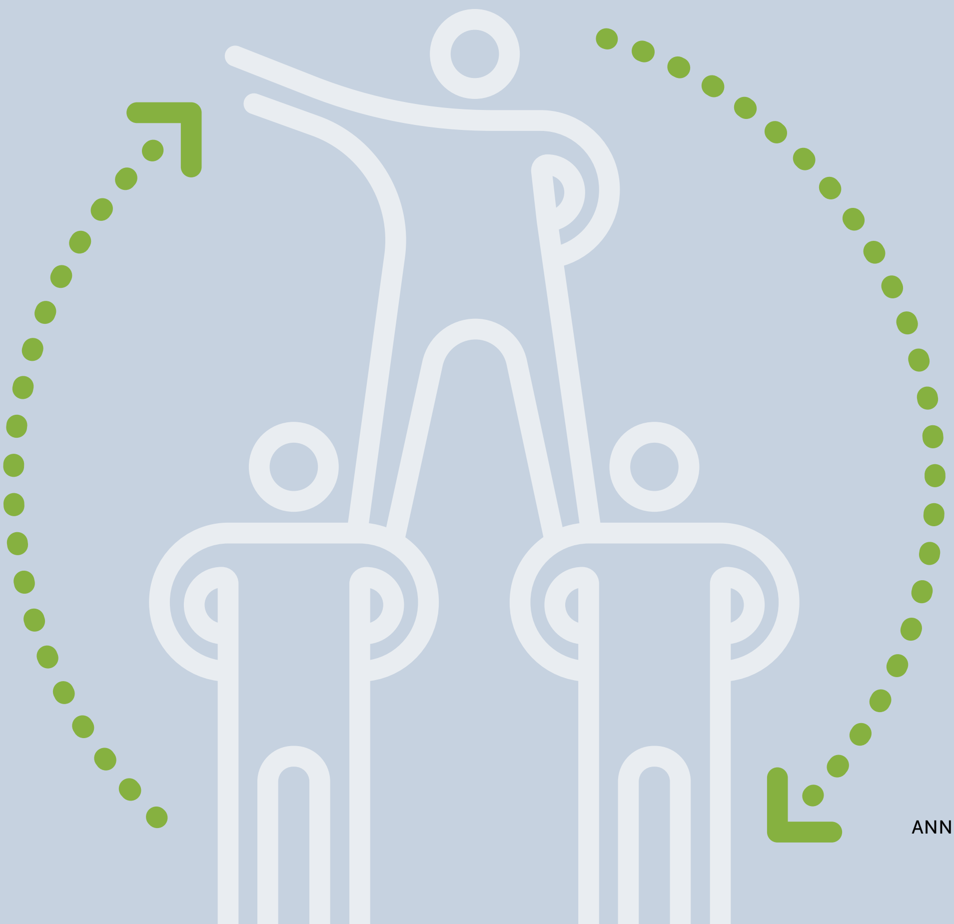
Sustainability in securing agricultural products and supply chain assessment

At Delfi, we acknowledge that agricultural practices can bring about adverse impacts. By working closely with our suppliers and stakeholders, we can minimise our environmental and social impacts by ensuring that all our products and services are sustainably and responsibly sourced throughout our supply chain. We also have incorporated environmental and social aspects in our Supplier Self-Assessment ("SSA") Program that is required for all new suppliers to partake in. In 2019, 86% of our new suppliers completed the SSA.

("SSA") Program

New suppliers are required to undergo Supplier Self- Assessment

For more details on our detailed approaches and commitments towards key sustainability matters, please refer to our Sustainability Report 2019.



Creating To


Memories
Treasure
DELIGHTING
A GENERATION
WITH DELFI
New
NOCKERS
DELFI

Corporate Information

Corporate Information

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Partner-in-charge
Mr. Chua Chin San
Since financial year ended
31 December 2019

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Reuters: DELF.SI

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FINANCIAL CALENDAR

Annual General Meeting	April 2020
Announcement of Half Year Results	August 2020

Financial Reports & Statements

FINANCIAL REPORTS & STATEMENTS

Corporate Governance Report

Delfi Limited's[1] core values are grounded in integrity, excellence and commitment and these values guide all of us as we seek to enhance the Company's development, performance and growth. These core values are therefore embedded within our concept of corporate governance and form an integral part of Delfi Limited's ethos, business, systems, processes and operations. Our mission is to delight customers with superior products and services.

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

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

Our annual corporate governance practices review is conducted in the recognition that these values and practices help us create long term value for our shareholders not only because it is the right thing to do but at the same time it reduces risk and enhances returns. We are committed to upholding the Code of Corporate Governance (the "Code"). The format of our report below reflects the Principles laid out in the revised Code of Corporate Governance 2018 ("CG2018") in line with the Amended Rule 710 of the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), with reference where applicable, to the Code of Corporate Governance 2012 ("CG2012").

We are confident that we have fulfilled not only the letter of the Code but more importantly the spirit of the Code. We seek to be fully compliant with the Code, and if there are any instances where we feel we may be in only partial compliance with the Code, we have clearly explained why our position remains appropriate in the circumstances and how our practices are consistent with the aim and philosophy of the relevant Principle of CG2018.

1 All references to Delfi, Delfi Limited or the Company refers to Delfi Limited and all its subsidiaries which is also referred to as the "Delfi Limited Group", "Delfi Group" or the "Group".

Our Leadership Mix

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

The Board is supported by the Executive Committee, the Audit Committee, the Remuneration Committee, the Nominating Committee, the Risk Management Committee and the Market Sustainability and Strategy Committee. The Committees (with the exception of the Executive Committee) provide guidance and regularly review matters within their respective purview.

Our corporate governance practices are given below with specific references to CG2018, and where applicable, CG2012.

(I) BOARD MATTERS

Principle 1 - The Board's Conduct of Affairs: The Company is headed by an effective Board which is collectively responsible and works with Management for the long term success of the Company.

Policy and Practice

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

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

1 | *Leading, Managing and Supervising*

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

(a) setting corporate strategy and direction;
(b) ensuring that there is effective entrepreneurial leadership and management; and
(c) supervising the proper conduct of matters.

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

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

The Board has eight Directors comprising five non-executive Directors, of whom four are independent Directors. Half of the Board is considered independent. The independent Directors, at the date of this report, are Mr. Anthony Michael Dean ("Mike Dean"), Mr. Koh Poh Tiong, Mr. Doreswamy Nandkishore ("Nandu") and Mr. Pedro Mata-Bruckmann, who is also the Chairman of the Board. Mr. Davinder Singh is deemed a non-executive non-independent Director[2]. Mr. Chuang Tiong Choon ("John Chuang") is the CEO and MD. Profiles of all the Directors are found on page 22 to 29. The assessment of "independence" is covered in the paragraphs immediately following, and further under Principle 5 below.

2 Mr. Davinder Singh is deemed a non-executive Director. For the financial year ended 31 December 2019, Mr. Davinder Singh is deemed a non-executive non-independent Director by virtue of his relationship with the Company in respect of Provision 2.1 and 4.4 of CG2018 although he has resigned as Managing Director of Drew & Napier LLC and Director of DrewCorp Services Pte Ltd on 28 February 2019, both of which provided material services to Delfi (Practice Guidance 2). Notwithstanding that, we are confident that Mr Singh is able to exercise strong independent judgment in the best interests of the Company. The rest of the Board is unanimous and remains steadfast in its view that he has maintained a high standard of conduct, care and duty and has observed the ethical standards of his profession and is conscious of the need to disclose any conflict of interests arising from any other engagements.

2 | *Independent Judgment*

- Due Dilligence
- Company's Interest
- Independent Judgment
- Objective Decisions

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

In its evaluation, the Board notes that Mr. Pedro Mata-Bruckmann, Mr. Davinder Singh and Mr. Mike Dean have been Directors for a period exceeding the nine years flagged under Guideline 2.4 of CG2012. However, this is by no means a critical factor in determining their independence, as the other members of the Board are unanimous in their opinion that each of these Directors' professionalism, lack of conflicts of interest and high standing in their respective fields of expertise, in commerce and society, combined with their in-depth understanding of the Company's business enable them to exercise strong independent judgment and act in the best interests of the Company.

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

The strategic policies of the Company and significant business transactions and projects are reviewed and deliberated on by the Board. Discussions and approvals from the Board's deliberations will be communicated to Management and are recorded by way of minutes of Board meetings or resolutions in writing of the Directors. The Board approves the annual budget, reviews the performance of the business and approves the release of the quarterly and full year financial results at its regular Board meetings. As part of this process, the Board reviews the financial and human resources of Delfi and assesses (a) whether changes to these are needed and (b) whether the proposed strategy can be realistically executed with such existing or planned increased resources.

Corporate Governance Report

3 Delegation by the Board

The Board delegates specific responsibilities to committees namely:

(a) the Audit Committee ("AC");
(b) the Nominating Committee ("NC");
(c) the Remuneration Committee ("RC");
(d) the Executive Committee ("EC");
(e) the Risk Management Committee ("RMC"); and
(f) the Market Sustainability and Strategy Committee ("MSSC").

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

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

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

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

The attendance of the Board and Committees meetings during the financial year 2019 is given in the table below:

		Committees				
	Board	AC	NC	RC	RMC	MSSC
Pedro Mata-Bruckmann	5/5	5/5	1/1	1/1	1/1	2/3
John Chuang	5/5	NA	1/1	NA	1/1	3/3
Chuang Tiong Liep	5/5	NA	NA	NA	NA	3/3
Chuang Tiong Kie	5/5	NA	NA	NA	NA	NA
Mike Dean	5/5	5/5	1/1	NA	1/1	NA
Davinder Singh	4/5	NA	1/1	1/1	NA	NA
Koh Poh Tiong	4/5	4/5	1/1	1/1	1/1	2/3
Doreswamy Nandkishore	4/5	NA	1/1	1/1	NA	3/3

Note:
Number of meetings attended / number of meetings held

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

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

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

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

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

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

Thereafter and on an on-going basis, the Directors are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense. These ranges from in-house talks by invited speakers or trainings or seminars conducted by external parties, including the Singapore Institute of Directors.

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

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

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

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

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

Corporate Governance Report

6 Committee Responsibility

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

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

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

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

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

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

The members of the Committees may resolve matters by resolutions in writing where a copy which is signed by a majority of the Committee members shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held. Such resolutions in writing may consist of several documents each signed by one or more of the Committee members in counterparts. The Company may accept copies of signed resolutions in writing delivered to the Company by personal delivery, post, facsimile or electronic communications.

7 Market Sustainability and Strategy Committee ("MSSC")

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

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

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

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

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

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

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

8 | *Social Responsibility and Sustainability*

At Delfi, we are committed to championing our corporate social responsibility and sustainability mission, through which we seek to achieve the following:

(a) embrace the needs of the community,

(b) care for the environment, and

(c) act in the interests of our stakeholders.

During 2019, we published our 2nd Sustainability Report in which we set out and commented on the material sustainability matters which we consider to be the first priority for our business. These include (i) customer health and safety, (ii) occupational health and safety, and mindful consumption, (iii) securing sustainable agricultural products, (iv) treatment and disposal of waste and effluents, (v) compliance with import, export and trade regulations; (vi) employee well-being, and (vii) responsible water use.

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

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

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

(a) protect and soothe the environment from air, noise, water and ground pollution;

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

(c) protect the environment from any hazardous waste;

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

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

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

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

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

Corporate Governance Report

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

The above initiatives will also assist the Group in achieving its sustainability priorities as set out above.

Following the disposal of our Cocoa Ingredients business in 2013, most of Delfi's initiatives and programs launched in cooperation with other industry players and other bodies undertaken for several years now are coming to an end. We are however working on new opportunities that have emerged and are seeking possible partnerships or tie-ups to realise these opportunities.

Principle 2 - Board Composition and Guidance: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Policy and Practice

Guidance from the Board

The non-executive Directors have been specifically assembled to ensure that collectively they not only have an in-depth range of expertise in business, commerce, finance and law to be able to challenge Management but that they are also independent from the Chuang family which owns 51% or more, of the Company's shares.

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

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

Board Independence

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

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

Directors Meeting without Management

The non-executive Directors and/or independent Directors, led by the independent Chairman or other independent Director as appropriate, regularly meet and communicate on diverse issues of their choice, without the presence of the executive Directors and/or Management. The chairman of such meetings provides feedback to the Board as appropriate.

Principle 3 - Chairman and Chief Executive Officer: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making.

Policy and Practice

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

3 The term "substantial shareholder" shall refer to a person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares in the Company.

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

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

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

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

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

Principle 4 - Board Membership: The Board has a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the Board.

Policy and Practice

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

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

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

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

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

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

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

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

The NC oversees the induction, orientation, training and professional development, where appropriate, for any new and existing Directors. The NC also ensures that new Directors are aware of their duties and obligations and that the Directors are able to adequately carry out his duties as a Director of the Company.

There are no alternate Directors on the Board.

Principle 5 - Board Performance: The Board undertakes a formal assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Policy and Practice

The NC was originally established on 13 July 2004 when its original charter was adopted by the Board. During the year, the NC comprised Mr. John Chuang, Mr. Pedro Mata-Bruckmann, Mr. Davinder Singh, Mr. Mike Dean, Mr. Koh Poh Tiong and Mr. Nandu. Mr. Pedro Mata-Bruckmann has been Chairman of the NC since 6 May 2015. The majority of the NC members including the NC Chairman are independent. The Company Secretary is the Secretary of the NC.

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

The NC seeks to build a company headed by an effective Board which is collectively responsible and works with Management for the long term success of the Company.

The NC also seeks to ensure that the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

The NC Chairman reports on NC proceedings to the Board with minutes of NC meetings, or by such other mode as the Chairman (or NC Chairman) deems appropriate.

The terms of reference for the NC are as follows:

(i) To review the structure, size and composition of the Board and Board Committees.
(ii) To establish the criteria and desirable attributes of new appointees to the Board and to make recommendations to the Board on all Board appointments.
(iii) To review succession plans for Directors, in particular the appointment and/or replacement of the Chairman, CEO and key management personnel.

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

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

(vi) To assess each Director's contribution and performance and this may involve the following matters:
- Attendance;
- Preparedness;
- Participation; and
- Candour.

(vii) To recommend to the Board objective performance criteria for the purpose of evaluating the Board's performance as a whole and to implement performance evaluation established by the Board. The performance criteria were refreshed in 2013 and are reviewed annually to ensure that the criteria remain relevant and effective.

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

(ix) To assess and review whether each Director is able to commit enough time to discharge their responsibilities and to determine the maximum number of listed company Board representation which a Director may hold; and

(x) To review the training and professional development programmes for the Board and its Directors.

Board Evaluation Process & Performance Criteria

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

1. Contribution towards the development of the Company's strategic planning
2. Review risk policies and succession planning
3. Constructive discussion/interaction among Directors
4. Authorisation in corporate exercise and compensation
5. Fiscal control
6. Board's response to urgent matters/issues
7. Communication between Directors and Management
8. Attendance at Board meetings and Committee meetings

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

Executive Management is not involved in the performance assessment, which was administered on a confidential basis by Drewcorp Services Pte Ltd ("Drewcorp") before the 1st October 2019, when RHT Corporate Advisory Pte Ltd ("RHTCA") took over the assessment as well as the corporate secretarial function. The results and data collated from the input and performance assessments from Directors, are consolidated and shared first with the NC Chairman by the Company Secretary and his representatives from RHTCA, prior to the results being tabulated for review and discussion at the NC meeting and the Board meeting.

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

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

Continuous Review of Directors' Independence

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

The NC and the Board are of the view that service of an independent Director beyond a nine-year term is not necessarily a critical factor in determining independence. Our independent Directors' professionalism and high standing in the commercial sector and civil society enable them to exercise strong independent judgment in the best interests of the Company. It follows that the Board is confident and remains steadfast in its view that our non-executive Directors have maintained a high standard of conduct, care and duty and have observed the ethical standards and independence, and all our non-executive Directors are conscious of the need to disclose any conflict of interests arising from any other engagements or interests. The directorships held by and the principal commitments of the non-executive Directors for the past 3 years are disclosed at page 22 to 26.

Limitation on Directorships

In consultation with the NC, the Board has prescribed that non-executive Directors may not hold more than 6 directorships in other public listed companies.

Corporate Governance Report

There is no magic in the self-imposed limitation of 6 directorships, and the limit chosen by the Board is influenced by international practices and conventions, where it appeared that a person's involvement in anything more than 6 other active directorships could possibly impose some measure of strain on the individual, as well as his or her ability to attend Board and Committee meetings.

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

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

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

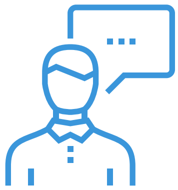
Adequate and Timely Information

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

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

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

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



Independent Professional Advice

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

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

(II) REMUNERATION MATTERS

Principle 6 - Procedures for Developing Remuneration Policies: The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his or her own remuneration.

Principle 7 - Level and Mix of Remuneration: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Policy and Practice for Principles 6 and 7

The Remuneration Committee ("RC") has a formal and transparent procedure for developing policies on Directors and executive remuneration and for fixing the remuneration packages of individual Directors and key executives.

The RC considers all aspects of remuneration, including termination terms, to ensure they are fair. In focusing on remuneration of Directors and key executives, the RC's review shall ensure that the level and structure of remuneration, is appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company. The remuneration is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and for key management personnel to successfully manage the Company for the long term. No Director or key executive is involved in deciding his or her own remuneration.

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

The RC has been chaired by Mr. Koh Poh Tiong, an independent Director, since 15 January 2014 and currently also comprises Mr. Pedro Mata-Bruckmann, Mr. Nandu and Mr. Davinder Singh as members, being three independent Directors and one non-executive non-independent Director. The Company Secretary is the Secretary of the RC.

The terms of reference for the RC are to:

(i) Oversee the development of talent, expertise and leadership in the Company;
(ii) Oversee the development and management of appropriate compensation policies and practices, including (but not limited to) a compensation structure & programme for Directors, key executives and staff to attract, retain and motivate talent to provide good stewardship of the Company and key executives, to successfully manage the Company for the long term;
(iii) Working with the NC to set and approve talent management framework applicable to the Company and its subsidiaries, with a specific focus on its application to senior management (including succession planning for key roles, career development, leadership assessment, identification and segmentation of critical talent, and attraction and retention of critical talent), and to link these to the remuneration framework;
(iv) Ensure that the Company has competitive compensation packages, programmes and schemes with a view to building long term sustainable growth, returns for shareholders and value creation of the Company;
(v) Ensure that the contractual terms and any termination payments are fair to the individual and the Company;
(vi) Report its decisions to the Board and refer all matters concerning, related to or in any way connected to the above terms of reference, for the Board's written approval; and
(vii) Ensure that the remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent and responsibilities.

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

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

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

The members of RC may meet together for the dispatch of any business, adjourn and otherwise regulate their meetings as they think fit. The quorum necessary for the RC meeting is two, with the majority of quorum being independent Directors. Matters to be resolved at any RC meeting shall be decided by a majority of votes from RC members who are independent and in case of an equality of votes, the Chairman shall have a second or casting vote.

The proceedings of RC shall be governed by the provisions of the Company's Constitution (as may from time to time be amended or supplemented) regulating the meetings and the proceedings of the Directors, so far as the same are capable of applying.

The members of the RC may pass resolutions in writing, a copy of which is sent or circulated by letter, facsimile or electronic communications to all RC members and which is signed by a majority of RC members who are independent, shall be as valid and effectual as if it had been passed at a meeting of the RC duly convened and held. Such resolutions in writing may consist of several documents each signed by one or more of the RC members in counterparts. The Company may accept copies of signed resolutions in writing delivered to the Company by personal delivery, post, facsimile or electronic communications.

All minutes of the RC, decisions taken and resolutions passed are to be tabled at the next available meeting of the Board.

No member of RC shall participate in any deliberation or decision if he/she is directly or indirectly interested in respect of the matter to be resolved by the RC.

Corporate Governance Report

Company's Philosophy on Culture and Talent

Company's Philosophy on Culture and Talent

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

Performance Based Compensation

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

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

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

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

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

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

The Company had a share option scheme and a share incentive plan (collectively "the Schemes") but these expired at the end of September 2014. No awards were ever made under the Schemes.

Principle 8 - Disclosure on Remuneration: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Policy and Practice

Non-executive Directors' Fees

The non-executive Directors' fees are determined in accordance with a framework of fees reflecting their contribution to the Company through membership of the

Board, Chairmanship of the Board and the fees attributed to their chairing and being members of specific Committees as set out at page 175. The overall level of these fees is set through periodic benchmarking exercises conducted with the assistance of independent consultants.

Executive Director's and Key Executive's Remuneration

The executive Directors do not receive Directors' fees.

A breakdown (in percentage terms) showing the level and mix of each key executive's and executive Director's remuneration paid and payable for 2019 is set out in page 174 to 176.

The remuneration (in incremental bands of S$100,000) of employee(s) who is/are substantial shareholders of the Company or are immediate family member(s) of a Director, the CEO or a substantial shareholder of the Company is also set out in page 176.

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

Principle 9 - Risk Management and Internal Controls:

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

Policy and Practice

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

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

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

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

The Board:

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

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

a. the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
b. the CEO and other key management personnel responsible regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

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

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

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

Risk Management

To assist the Board in its supervision of risk management, policies and initiatives, the RMC was established on 15 January 2014 under a written charter. The RMC which comprises a combination of executive and non-executive

Corporate Governance Report

Directors, is chaired by Mr. Mike Dean. Its members include Mr. Pedro Mata-Bruckmann, Mr. John Chuang and Mr. Koh Poh Tiong, a majority of whom are independent.

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

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

The terms of reference for the RMC are to:

a. develop and monitor the processes through which the Board and Management can properly communicate and carry on their risk management responsibilities; and
b. meet periodically or as and when reasonably necessary to determine which of the Group's risks and its attendant risk management procedures should be brought to the Board's attention for their review.

Through the RMC, the Board will satisfy itself that Management in the Company is executing the agreed-upon plans and reporting the progress to the Board, regularly and properly; within the framework of approved strategies and initiatives in keeping with the risk tolerance levels.

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

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

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

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

Whistle Blower Protection Mechanism and Policy

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

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

As required under the Code, the Board has been assured by the Group's CEO and CFO, as well as relevant key management personnel:

- that the Company's financial records have been properly maintained and the financial statements give a true and fair view of its operations and finances; and
- that the Company's risk management and internal control systems have both been appropriately established and also tested to ensure that they are effective.

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

Principle 10 - Audit Committee: The Board has an Audit Committee which discharges its duties objectively.

Policy and Practice

The AC was formed on 6 July 2001 under a written charter ("AC Charter"). During 2019, the members of the AC were Mr. Mike Dean (Chairman), Mr. Pedro Mata-Bruckmann and Mr. Koh Poh Tiong. The AC Chairman and all the members of the AC are independent. None of the members of the AC was a former partner or a director of the Company's internal auditors, Ernst and Young LLP ("E&Y") or external auditors, PricewaterhouseCoopers LLP ("PwC").

The AC is a standing committee established by resolution of the Board in accordance with Section 201B on the Companies Act (Chapter 50) of Singapore (the "Act"). In compliance with Principle 10 of CG2018, the Board has an AC which discharges its duties objectively, to ensure the integrity of the financial reports and to oversee the Company's financial reporting, internal accounting control system and audit function.

The AC is empowered and functions as required by the provisions of Section 201B of the Act, the Listing Manual of the SGX-ST and the Code issued by Corporate Governance Council, as from time to time amended, modified or supplemented.

With strong educational and professional qualifications in finance, and more than 35 years' experience in the finance and investment industries, Mr. Mike Dean is eminently qualified to serve as the Company's AC Chairman. On the AC bench with him are Mr. Pedro Mata-Bruckmann and Mr. Koh Poh Tiong. Pedro's strong global cocoa, chocolate and multinational company experience of more than 50 years, plus Poh Tiong's unique blend of private and public sector work of over 45 years, forges the AC as a formidable tribunal of expertise.

The AC Charter is periodically reviewed and updated to ensure that evolutions in those financial and business risks and corporate governance matters delegated to it are properly identified and managed. The last review was conducted in 2019 and the present AC Charter, which is based on the Singapore Institute of Director's template Terms of Reference for an Audit Committee where a company also has a risk management committee, was adopted on 27 November 2018.

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

1. Financial Reporting and Judgements

The AC shall review the financial reporting issues and judgements so as to ensure the integrity of financial statements, and of announcements on the Company's financial performance and recommend changes, if any, to the Board. Specifically, the AC shall:

(a) Monitor the integrity of the financial reports prepared by the Company. In particular, it shall review the application and consistency of the accounting standards used (i.e. company and group levels).

(b) Assess, and challenge, where necessary, the accuracy, completeness, and consistency of financial reports (including interim reports), before they are submitted to the Board for approval or made public.

(c) Review the assurance provided by the CEO and CFO that the financial records have been properly maintained, and that the financial statements give a true and fair view of the Company's operations and finances.

Corporate Governance Report

2. Internal Controls

The AC shall review and report to the Board on the adequacy and effectiveness of the company's risk management and internal controls in relation to financial reporting and other financial-related risk and controls (and to the extent delegated to it by the Board). Specifically, the AC shall:

(a) review the Company's financial risk profile/risk dashboard on a regular basis to understand the significant financial reporting and other financial-related risks facing the Company, and how they are being mitigated.
(b) review the risk appetite statements in relation to financial reporting and other financial-related risks and recommend such to the Board for approval.
(c) review the Company's levels of risk tolerance and risk policies relating to financial reporting and other financial-related risks.
(d) at least annually, review the adequacy and effectiveness of the risk management and internal control systems regarding financial reporting and other financial-related risks (and other risk and controls as delegated by the Board). The AC should state whether it concurs with the Board's comment on the adequacy and effectiveness of the Company's internal controls and risk management systems. The annual review may include reviewing Management and/or the assurance provider reports (for example, the internal audit reports) to highlight significant findings and recommendations, including Management's responses.
(e) coordinate with the Risk Management Committee ("RMC") on its oversight of non-financial and financial risk management and internal control matters. Arrange for access to, and review of, RMC reports on the adequacy and effectiveness of risk management and internal control systems.
(f) where responsibility is delegated by the Board, prepare the report on the AC activities (including the AC's oversight of aspects of the internal control system) and the adequacy and effectiveness of risk management and internal control systems in relation to financial reporting and other financial-related risks (and other risk and controls as delegated by the Board) to the RMC and/or Board for disclosures in the Company's annual report (as part of MR 1207(10) and CR 1204(10) requirements and Principle 9 of the Code of Corporate Governance).
(g) review disclosures in the annual report relating to the adequacy and effectiveness of risk management and internal control systems in relation to the financial reporting and financial-related risks and controls, including assurances received from the CEO and CFO, and concurrences received from the AC.

3. Internal Audit

The AC shall review the adequacy, effectiveness, independence, scope and results of the Company's internal audit function. Specifically, it shall:

(a) monitor and assess the role and effectiveness of the internal audit function, including the internal audit charter, plans, activities, staffing, budget, resources, and organisational structure of the internal audit function.
(b) ensure that a Quality Assurance Review ("QAR") is independently conducted at least once every five years.
(c) where the QAR identities gaps or lack of expertise with the existing internal audit function, consider co-sourcing or outsourcing the internal audit function.
(d) review the internal audit programme and reports on a periodic basis and monitor Management's responsiveness to the findings and recommendations.
(e) ensure that the internal auditors ("IA") (or equivalent) has direct and unrestricted access to the AC Chairman, and that he is able to meet separately and privately to discuss matters and concerns.
(f) participate in the appointment, replacement or dismissal, evaluation and compensation of the IA (or equivalent).

4. External Audit

The AC shall review the scope and results of the external auditors ("EA"), and the independence and objectivity of the EA. It shall then recommend to the Board the appointment, reappointment and removal of the EA, and its remuneration and terms of engagement. Specifically, the AC shall:

(a) oversee the Company's relations with the EA, including its audit scope, approach, remuneration and terms of engagement.
(b) review the performance of the EA and facilitate its selection, appointment, reappointment, and removal. The factors to consider include an assessment of their effectiveness through the level of errors identified, accuracy in handling key accounting and audit judgements, and response to queries from the AC.
(c) monitor and assess annually whether the EA's independence or objectivity is impaired. The factors to consider include the amount of fees paid to the EA for the financial year, and the breakdown of aggregate fees for audit and non-audit services provided by the EA.

(d) discuss key audit matters ("KAM") with the EA and ascertain if there are any follow-up actions which should be taken to reduce the extent of uncertainty and corresponding need for judgement for future periods.
(e) review the audit representation letter (particularly in relation to non-standard issues), and the EA's management letter to assess if it is based on a good understanding of the Company's business. It should monitor the responsiveness of Management to the recommendations made, or the reasons why they have not been acted upon.
(f) meet regularly with the EA to discuss matters that the AC or EA believe should be discussed privately.
(g) ensure that the EA has direct and unrestricted access to the Chairman of the AC and the Chairman of the Board.

5. Statutory Duties

The AC shall ensure that the Company complies with the requisite laws and regulations as they relate to finance and the finance function. Specifically, the AC shall:

(a) review the effectiveness of the system that monitors compliance with laws and regulations, and the results of Management's investigation. It shall also follow up on any instances of non-compliance.
(b) monitor the processes for addressing complaints on accounting, internal controls or auditing matters.
(c) clarify the Company's code of conduct and process for communicating with all company staff and monitor levels of compliance.
(d) maintain open communication with and receive periodic reports on compliance matters from Management and the company's legal counsel.
(e) be aware of anti-corruption laws in the various jurisdictions in which the Company operates and ensure that processes are in place to comply with these laws.

6. Fraud Prevention

The AC shall ensure that the Company has programmes and policies in place to identify and prevent fraud. Specifically, the AC shall:

(a) work with Management to oversee the establishment appropriate controls and anti-fraud programmes.
(b) ensure that a system of reporting on potential and actual frauds is implemented, and take necessary steps when fraud is detected.
(c) review and ensure that the Company has implemented an appropriate ethics and compliance programme.
(d) monitor Management's and the EA and IA's assessments of internal controls, in particular over financial reporting.

7. Whistle Blowing

The AC should also oversee the establishment and operation of the whistleblowing process in the Company. Specifically, the AC shall:

(a) review with the EA and the IA and report to the Board, findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of Internal Controls or infringement of any law, rule or regulation applicable to the Company or its subsidiaries which has or is likely to have a material impact on the Group's operating results and/or financial position.
(b) review the arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters or other matters, and to ensure that there is independent investigation of such matters and appropriate follow up actions.
(c) ensure that there is independent investigation of such matters and appropriate follow up actions.

8. Interested Person Transactions ("IPTs") and Related Party Transactions ("RPTs")

The AC review all IPTs and RPTs. Specifically, the AC shall:

(a) review IPTs and RPTs to ensure that they are on normal commercial terms, and that they do not prejudice the interests of the Company or its minority shareholders.
(b) determine methods or procedures for checking that the transaction prices are adequate for transactions to be carried out on normal commercial terms, and that they will not prejudice the Company or its minority shareholders.
(c) subject to a specific mandate, direct Management to present the rationale, cost-benefit analysis and other details relating to IPTs and RPTs.
(d) received reports from Management and internal audit regarding IPTs and RPTs.
(e) ensure proper disclosure and reporting to shareholders on IPTs as required by the SGX-ST Listing Manual.
(f) ensure proper disclosure and reporting in the annual report on RPTs as required by the accounting standards.
(g) recommend the appointment of an independent financial adviser ("IFA") and its fees in respect of IPTs and any other transaction, matter, or other corporate action taken by the Company where the services of such IFA is required.

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

The main objectives of the AC are to focus on financial reporting, financial-related risks, internal controls and the internal and external audits and thereby enhance the standard of the Company's corporate governance and to assist the Board in fulfilling its fiduciary responsibilities for the Company and each of its subsidiaries and thereby act in the interest of the Company's shareholders as a whole.

More specifically, the AC helps the Board with its oversight responsibilities in key areas including:

- Financial statement preparation and reporting, and integrity.
- Risk management and internal controls (in relation to financial reporting and other financial-related risks).
- Internal audit (scope, resources, performance, and results of work).
- External audit (qualifications, independence, engagement, fees and audit report).

The AC has oversight responsibilities in the following areas:

- Compliance with financial related legal, regulatory and company policies.
- Fraud risk management.
- Whistleblowing policies, processes and reporting.
- IPTs and RPTs.

The AC serves as an independent and objective party to review the integrity of the financial information presented by Management to shareholders, regulators and the general public; and it provides communication between the Board and the EA and IA.

The second edition of the "Guidelines for Audit Committees in Singapore" was issued on 19 August 2014. The Singapore Institute of Directors had also issued the third edition of its "Audit Committee Guide" in 2018. The AC has reviewed its Charter and practises in the light of these guidelines and has satisfied itself that the present AC Charter and practices reflect the best practices espoused by the guidelines.

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

In addition, both the EA and IA have unrestricted access to the AC and at least once each year meet the AC without Management being present to discuss matters concerning the Company in addition to periodic informal meetings with the AC Chairman. The AC keeps abreast of changes in accounting standards and issues that could potentially impact financial reporting, through in-house training, briefing sessions, and regular updates and advice from its EA and IA.

E&Y was the appointed IA and helps the AC in its objective of being continuously vigilant and transparent, by fulfilling the role of IA. Delfi understands the need for continuing vigilance and transparency so that corporate governance principles are upheld.

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

The AC and the Board has reviewed the suitability of the EA, PwC for their role by assessing a wide range of factors including the quality of their work, their expertise and resources for a job involving the size and complexity of the Company's operations, and whether their own quality control procedures are dedicated to upholding the Code. In addition, Delfi maintains an Ethics Committee, to which matters of ethical concern or complaint may be surfaced so that such matters may be dealt with objectively, and subject to investigation, disciplinary action or legal process if justified and necessary.

Key Audit Matters

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

In particular, the AC reviewed the following matters which it considered to be "KAM" in accordance with the definition provided in Singapore Standards of Auditing 701(13), during its review of the financial statements for the year ended 31 December 2019.

1. Claims associated with the disposal of Delfi Cacau Brasil Ltda
   Refer to Notes 3(i) and 33(b) to the financial statements.

The Company has been notified by Barry Callebaut ("BC") of various tax claims and a labour claim made in Brazil. This comprises nine claims made by the Brazilian authorities against Barry Callebaut Industriae E Commercio de Producto Alimenties Ltda ("BCBI"), the BC company succeeding Delfi Cacau Brasil Ltda, a divested Brazil subsidiary which BC purchased as part of the sale of the Cocoa Ingredients business. In accordance with SFRS(I) 1-37 (on Provisions, Contingent Liabilities and Contingent Assets), the Group should ensure that an appropriate provision is recognised for the relevant liabilities in respect of these claims.

The AC received and reviewed an update of these notified claims prepared by the Group General Counsel and CFO, and duly noted the Company's position that while reserving its rights in relation to the notifications, the Company has requested BC to defend these claims, as Management believes that there are strong grounds to resist these claims. The AC also considered the work performed by the EA, PwC, which included, inter alia, seeking input from their tax specialists in Brazil in evaluating Management's assessment of the claims and the adequacy of the amounts recognised in respect of these claims. The AC is satisfied that the amounts recognised and disclosures in respect of these claims as set out at pages 109, 110 and 139 are reasonable and adequate. As Management considers the disclosure of further details of these claims can be expected to seriously prejudice the Group's position in relation to these claims, further information has not been disclosed in these financial statements.

2. Assessment of impairment of brands and license
   Refer to Notes 3(ii), 20 and 21 to the financial statements.

The Group has brands and a license with an indefinite useful life. In accordance with SFRS(I) 1-36 Impairment of Assets, the license and each of these brands are tested annually for impairment as well as when there is any indication that the carrying amounts may not be recoverable.

The AC considered whether impairment was required for the license and each of these brands. The AC reviewed (a) the valuation methodology, (b) the basis for the key assumptions (royalty rates, expected long-term growth rates and the discount rates applied) and (c) the key drivers of the expected future sales of the branded products for the license and each brand, in determining the reasonable recoverable amount of the license and each brand. The AC challenged Management on its assumptions and is satisfied that they are reasonable and appropriate. The AC has also reviewed the sensitivity analysis prepared by Management in their review of brand and license impairment. In addition, the strategic business plan detailing Management's expectations of future sales of the branded products that had been approved by the Senior Management team and the Board of Directors was also considered. The AC concurred with Management's conclusion that no impairment was required for the license and each of the brands.

The AC also reviewed the adequacy of the disclosures in respect of the brands and license in Notes 20 and 21, and in particular the sensitivity analysis as disclosed in Note 3(ii) on page 109 and 110 and found these to be reasonable and appropriate.

Other than the KAM described above, the AC reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019, as well as the EA's report thereon prior to their submission to the Board of Directors for approval. During the course of the review, there were a number of other matters that were subject to a similar level of scrutiny by the AC but, in concurrence with the EA, these were not so material as to be classified as "KAM".

Interested Person Transactions ("IPTs")

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

Improper and unsubstantiated transactions

Following the discovery of the improper and unsubstantiated transactions in the Philippines, the AC has worked closely with Management, the Board of Directors, the IA and the EA to better understand the circumstances that gave rise to the improper transactions and to take reasonable steps to ensure that such transactions will not recur going forward.

The AC has reviewed the steps taken by Management, including seeking input from third party experts in their forensic analysis of the improper transactions. Based on the findings reported by Management, appropriate changes have been made to the organisational structure and the Group's operating procedures in the Philippines.

Corporate Governance Report

In respect of the unsubstantiated transactions, Management has also concluded its investigations, assisted by an independent forensics and dispute advisory firm, with no further financial impact other than those identified in FY2018.

External Audit and Auditor Independence

PwC has been the Company's external auditors since 2003. The Group audit partner is rotated on a five-yearly basis. The audit partner for the year ended 31 December 2019 was Mr. Chua Chin San, who took over the assignment during 2019. The AC and Board should like to place on record its thanks to the outgoing audit partner, Mrs. Deborah Ong (Ms Deborah Tan Yang Sock).

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

Based on the above, the AC is pleased to recommend to the Board that PwC be re-appointed as the independent auditor of the Company at the next AGM. The Board has concurred with this and accordingly a motion to this effect has been tabled at the forthcoming AGM.

External Auditor's Fees

The fees paid to the EA are disclosed in page 180. There were also non-audit services provided by the EA and the non-audit fees are disclosed in page 180.

The AC has also performed an annual review of non-audit services provided by PwC to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the independent auditor. PwC has also provided a report confirming that it believes it remained independent throughout the year, within the meaning of the regulations on this matter. The AC is satisfied that the nature and extent of the services provided will not prejudice the professionalism, independence and objectivity of the EA.

The Company conforms with the rules relating to appointment of EA as set out in Rules 712 and 715 of the Listing Manual of the SGX-ST.

Internal Audit

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

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

E&Y, whom were appointed as the Company's IA in 2018, worked closely with the AC and the Company to closely monitor the internal audit framework. The IA report directly to the AC on audit matters and to the Group CFO on administrative matters; and they have unfettered access to documents, records, properties and staff of the Company. Management is of the view that the IA meet and exceed the international standards for the professional practice of the Institute of Internal Auditors Singapore internal auditing (Standards) (the "IIA" standards).

Prior to the start of the financial year, the AC reviewed and approved the annual internal audit plan with the IA. Thereafter the AC regularly met with the IA and received regular updates from the IA on their progress in meeting the plan objectives. The AC discussed the result of the IA's audit findings and their evaluation of the Group's system of internal accounting controls together with responses from Management. Each quarter, the AC also reviewed progress by Management in addressing the issues identified by the IA. The internal audit plan was achieved, and where appropriate enhancements were made to the Company's organisational structure, operating procedures and systems and processes.

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

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

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

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

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

In accordance with good corporate practice, the AC periodically reviews the appointment of its IA and following such a review E&Y were re-appointed as the Company's IA for 2019.

(IV) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 11 - Shareholder Rights and conduct of general meetings: The Company treats all shareholders fairly and equitably in order to enable them to exercise of shareholders' rights, and to have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Policy and Practice

The Company respects and upholds shareholders' rights and manages its communication with shareholders and investors with care and diligence in an open and non-discriminatory way, so that timely, regular and relevant information regarding the Group's performance, progress and prospects, helps shareholders and investors in their investment decisions. The Board recognises and exercises its overall responsibility to shareholders, by ensuring accurate financial reporting for Delfi and for the Company's overall internal control framework, including financial, operational and compliance controls, risk management policies and through systems needed to safeguard the shareholders' investments and assets of Delfi. The Company's Constitution was amended to provide for the attendance by nominees of shareholders at general meetings. Although the Company's Constitution allows for absentia voting at general meetings of shareholders, the Company has decided against implementing voting in absentia by mail, email or facsimile, until all relevant issues on security and integrity on such mode of communication are satisfactorily resolved.

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

We encourage and facilitate shareholder engagement and participation through our meetings and briefings referred to in Principle 12 (below).

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

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

Our Investor Relations representative may be contacted through the details listed in the Corporate Information Section (inside back cover).

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

The Company has clear Board approved policies and guidelines for dealings in securities of the Company by Directors and officers, in conformity with the rules relating to dealings in securities in Rule 1207(19) of the Listing Manual of the SGX-ST. The Company prohibits selected employees from trading in its securities for a period commencing one month

Corporate Governance Report

before the announcement of full year financial results and two weeks from the release of quarterly financial results; and consistently reminds Directors, officers and staff of the need to avoid trading in its securities on short term considerations, as well as to observe laws and regulations on trading in shares, including (but not limited to) insider trading laws.

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

Principle 12 - Engagement with Shareholders: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Principle 13 – Engagement with Stakeholders: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

Policy and Practice

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

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

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

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

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

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

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

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

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

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

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

13 March 2020

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 84 to 156 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements and

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

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Holdings registered in the name of a director or nominee		Holdings in which a director is deemed to have an interest	
	At 31.12.2019	At 1.1.2019	**At 31.12.2019**	At 1.1.2019
The Company				
(No. of ordinary shares)				
Pedro Mata-Bruckmann	**177,000**	177,000	**–**	–
Chuang Tiong Choon	**604,800**	604,800	**313,479,400**	313,479,400
Chuang Tiong Liep	**290,800**	290,800	**309,041,000**	309,041,000
Chuang Tiong Kie	**630,800**	630,800	**–**	–
Anthony Michael Dean	**50,000**	50,000	**–**	–
Davinder Singh	**100,000**	100,000	**–**	–
Koh Poh Tiong	**–**	–	**–**	–
Doreswamy Nandkishore	**22,000**	22,000	**–**	–
Cocoa Specialities, Inc.				
(Ordinary shares of Pesos 100 each)				
Chuang Tiong Choon	**1**	1	**–**	–
Delfi Foods, Inc.				
(Ordinary shares of Peso 1 each)				
Chuang Tiong Choon	**1**	1	**–**	–
Delfi Marketing, Inc.				
(Ordinary shares of Pesos 100 each)				
Chuang Tiong Choon	**1**	1	**–**	–
Chuang Tiong Liep	**1**	1	**–**	–
Springbright Investments Limited				
(Ordinary shares of US$1 each)				
Chuang Tiong Choon	**–**	–	**51**	51
Chuang Tiong Liep	**–**	–	**30**	30
Chuang Tiong Kie	**–**	–	**19**	19
Berlian Enterprises Limited				
(Ordinary shares of US$1 each)				
Chuang Tiong Choon	**–**	–	**51**	51
Chuang Tiong Liep	**–**	–	**30**	30
Chuang Tiong Kie	**–**	–	**19**	19

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

(a) (continued)

	Holdings registered in the name of a director or nominee		Holdings in which a director is deemed to have an interest	
	At 31.12.2019	At 1.1.2019	**At 31.12.2019**	At 1.1.2019
Aerodrome International Limited*				
(Ordinary shares of US$1 each)				
Chuang Tiong Choon	**–**	–	**10**	10
Ceres Super Pte Ltd				
(Ordinary shares of S$1 each)				
Chuang Tiong Choon	**–**	–	**900,000**	900,000
Chuang Tiong Liep	**–**	–	**900,000**	900,000

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

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

(c) The directors' interests in the shares of the Company as at 21 January 2020 were the same as those as at 31 December 2019 for all the directors.

SHARE OPTIONS

The Company does not have any share option scheme or plans in place, or such scheme or plans that entitled holders to participate, by virtue of the scheme or plans, in any share issue of any other corporation.

AUDIT COMMITTEE

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

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

All AC members, including the Chairman, are independent directors. The AC performed its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap 50, the SGX-ST Listing Manual, the Code of Corporate Governance 2018, and the Guidebook for Audit Committees in Singapore 2014.

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

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

INTERNAL AND EXTERNAL AUDIT

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

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

FINANCIAL REPORTING

The AC has reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019, as well as the Independent Auditor's Report thereon prior to its submission to the Board of Directors for approval. The AC has also reviewed the key audit matters set out in the Independent Auditor's report from page 79 to 80 and included its commentary in the Group's Corporate Governance Report.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

INTERESTED PERSON TRANSACTIONS

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

EXTERNAL AUDIT AND AUDITOR INDEPENDENCE

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

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

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

INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept reappointment.

On behalf of the directors

CHUANG TIONG CHOON
Director

CHUANG TIONG KIE
Director

20 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DELFI LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

The financial statements of the Company and the Group comprise:

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

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Claims associated with the disposal of Delfi Cacau Brasil Ltda *Refer to Notes 3(i) and 33(b) to the financial statements.* As explained in Note 3(i) to the financial statements, the Company is liable for claims notified by Barry Callebaut ("BC"). This comprised nine claims made by the Brazilian authorities against Barry Callebaut Industriae E Commercio de Productos Alimenties Ltda ("BCBI"), the BC company succeeding Delfi Cacau Brasil Ltda, a divested Brazil subsidiary. The Company's total exposure in respect of these notified claims as at 31 December 2019 amounted to **BRL87.0 million (US$21.7 million).** We focused on this area due to the high level of management judgement associated with determining the need for, and magnitude of, the provisions for liabilities associated with these claims.	We evaluated the reasonableness of management's assessment of the outcome of these claims and the adequacy of the amounts recognised in respect of these claims. We involved our tax specialists in Brazil to assist us in the evaluation of management's assessment. We also considered the adequacy of the Group's disclosures (in Note 3(i) and Note 33(b)) made in relation to the amounts recognised in respect of these claims. Based on the audit procedures performed, the position taken by management is consistent with our evaluation.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of impairment of brands and licence *Refer to Notes 3(ii), 20 and 21 to the financial statements.* The Group has brands and a licence with indefinite useful lives, with a total carrying value of **US$17.3 million** as at 31 December 2019. The assessment of impairment was an area of focus because the assessment of the recoverable amounts of the brands and licence with indefinite useful lives involves significant judgements about the expected future sales of the branded products, royalty rates, expected long term growth rates and the appropriate discount rates applied to the future cash flow forecasts.	We verified the expected future sales of the branded products to internal forecasts and strategic plans that were approved by senior management and the Board of Directors. We also compared the actual sales of the branded products for 2019 with the forecast figures included in the prior year to consider whether the assumptions included in the forecast, with hindsight, had been reasonable. We involved our valuation specialists to evaluate the valuation methodology and management's assumptions applied as follows: • Royalty rates – we assessed them against rates charged by comparable organisations; • Long-term growth rates – we compared them against economic and industry forecasts; and • Discount rates – we assessed the weighted average cost of capital for the Group against comparable organisations, as well as considering territory specific factors. We evaluated management's sensitivity calculations over the Group's individual brands and licence to assess the impact on the recoverable amount for each brand and licence. We also considered the adequacy of the Group's disclosures (in Notes 3(ii), 20 and 21) made in relation to brands and licence with indefinite useful lives. Based on the audit procedures performed, we found management's assessment to be consistent with the results of our procedures.

Other Information

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

- Freedom of Expression
- Five-Year Financial Highlights & Review
- Our Business Profile
- Impressions That Last
- Letter From Our Chairman
- Letter From Our CEO
- Board of Directors
- Senior Management
- Anywhere, Anytime
- Operating & Financial Review
- Sustainable Value Creation
- Creating Memories to Treasure
- Corporate Information
- Corporate Governance Report
- Directors' Statement
- Appendix (Shareholders' Mandate)
- Annexure
- Disclosure Under SGX-ST Listing Manual Requirements
- Shareholdings Statistics

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chua Chin San.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 20 March 2020

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	The Group 2019 US$'000	2018 US$'000
Revenue	4	**471,622**	426,969
Cost of sales		**(300,944)**	(279,051)
Gross profit		**170,678**	147,918
Other operating income	4	**3,150**	3,309
Expenses			
Selling and distribution costs		**(97,128)**	(83,088)
Administrative expenses		**(27,062)**	(25,911)
Finance costs	6	**(3,670)**	(2,900)
Other operating expenses		**(1,314)**	(1,169)
Exceptional items	9	**(256)**	(2,136)
Share of results of associated companies and joint ventures	16(a),(b)	**(821)**	(67)
Profit before income tax		**43,577**	35,956
Income tax expense	8(a)	**(15,361)**	(15,096)
Total profit		**28,216**	20,860
Profit/(loss) attributable to:			
Equity holders of the Company		**28,218**	20,862
Non-controlling interest		**(2)**	(2)
		28,216	20,860
Earnings per ordinary share[1]			
(expressed in US cents per share)			
Basic and Diluted (exclude exceptional items)	10	**4.66**	3.76
Basic and Diluted (include exceptional items)	10	**4.62**	3.41

Note:

(1) Diluted earnings per share for financial years 2019 and 2018 are the same as basic earnings per share as there were no potentially dilutive ordinary shares.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	The Group	
	2019	2018
	US$'000	US$'000
Profit for the year	**28,216**	20,860
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss:		
Foreign currency translation reserve		
– Currency translation differences arising from consolidation	**6,491**	(10,363)
Items that will not be reclassified to profit or loss:		
Defined pension benefits obligation		
– Remeasurements of defined pension benefits obligation (Note 27(b))	**(1,049)**	2,060
– Tax on remeasurements (Note 8(b))	**285**	(532)
– Share of other comprehensive loss of associated company	**–**	(28)
	(764)	1,500
Other comprehensive income/(loss), net of tax	**5,727**	(8,863)
Total comprehensive income for the year	**33,943**	11,997
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**33,943**	12,002
Non-controlling interest	**–**	(5)
	33,943	11,997

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

BALANCE SHEETS

AS AT 31 DECEMBER 2019

	Note	The Group 2019 US$'000	The Group 2018 US$'000	The Company 2019 US$'000	The Company 2018 US$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**57,558**	54,708	**44,955**	44,612
Trade receivables	12	**89,787**	72,446	**1,471**	2,144
Loan to joint venture	17	**60**	60	**60**	60
Inventories	13	**87,401**	76,215	**–**	–
Contract assets	4(a)	**3,169**	2,083	**–**	–
Tax recoverable		**4,627**	1,309	**–**	–
Other current assets	14	**12,430**	13,575	**465**	2,926
		255,032	220,396	**46,951**	49,742
Non-current assets					
Investments in subsidiaries	15	**–**	–	**40,992**	40,992
Investments in associated companies and joint ventures	16	**2,869**	3,764	**3,900**	3,900
Loans to associated company and joint venture	17	**915**	881	**–**	–
Property, plant and equipment	18	**116,983**	109,383	**2,276**	567
Intangible assets	20	**21,576**	22,285	**17,871**	17,659
Deferred income tax assets	8(b)	**1,771**	1,343	**–**	–
Other non-current assets	22	**3,149**	3,066	**–**	–
		147,263	140,722	**65,039**	63,118
Total assets		**402,295**	361,118	**111,990**	112,860
LIABILITIES					
Current liabilities					
Trade payables	23	**37,153**	34,626	**986**	1,917
Contract liabilities	4(a)	**4,838**	3,457	**–**	–
Other payables	24	**55,982**	43,228	**3,452**	3,288
Current income tax liabilities		**2,420**	2,011	**–**	–
Derivative liabilities		**53**	57	**37**	57
Borrowings	25	**58,315**	58,834	**–**	100
		158,761	142,213	**4,475**	5,362
Non-current liabilities					
Other payables	24	**1,765**	–	**1,140**	–
Borrowings	25	**–**	171	**–**	153
Deferred income tax liabilities	8(b)	**1,063**	810	**–**	–
Provisions for other liabilities and charges	27	**13,106**	11,677	**–**	–
		15,934	12,658	**1,140**	153
Total liabilities		**174,695**	154,871	**5,615**	5,515
NET ASSETS		**227,600**	206,247	**106,375**	107,345
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	28	**95,936**	95,936	**95,936**	95,936
Foreign currency translation reserve	29(a)	**(3,553)**	(10,042)	**–**	–
Other reserves	29(b)	**1,887**	2,580	**–**	–
Retained earnings	30	**133,213**	117,656	**10,439**	11,409
		227,483	206,130	**106,375**	107,345
Non-controlling interest		**117**	117	**–**	–
TOTAL EQUITY		**227,600**	206,247	**106,375**	107,345

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to equity holders of the Company							
	Note	Share capital US$'000	Foreign currency translation reserve US$'000	General reserve US$'000	Defined pension benefits obligation US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interest US$'000	Total equity US$'000
The Group									
Balance at 1 January 2019		**95,936**	**(10,042)**	**2,366**	**214**	**117,656**	**206,130**	**117**	**206,247**
Profit/(loss) for the year		–	–	–	–	28,218	28,218	(2)	28,216
Other comprehensive income/(loss) for the year		–	6,489	–	(764)	–	5,725	2	5,727
Total comprehensive income/(loss) for the year		**–**	**6,489**	**–**	**(764)**	**28,218**	**33,943**	**–**	**33,943**
Transfer to general reserve	30(a)	–	–	71	–	(71)	–	–	–
Final dividend relating to 2018 paid	31	–	–	–	–	(4,950)	(4,950)	–	(4,950)
Interim dividend relating to 2019 paid	31	–	–	–	–	(7,640)	(7,640)	–	(7,640)
Total transactions with owners, recognised directly in equity		**–**	**–**	**71**	**–**	**(12,661)**	**(12,590)**	**–**	**(12,590)**
Balance at 31 December 2019		**95,936**	**(3,553)**	**2,437**	**(550)**	**133,213**	**227,483**	**117**	**227,600**
Balance at 1 January 2018		**95,936**	**318**	**2,296**	**(1,286)**	**106,923**	**204,187**	**122**	**204,309**
Profit/(loss) for the year		–	–	–	–	20,862	20,862	(2)	20,860
Other comprehensive (loss)/income for the year		–	(10,360)	–	1,500	–	(8,860)	(3)	(8,863)
Total comprehensive (loss)/income for the year		**–**	**(10,360)**	**–**	**1,500**	**20,862**	**12,002**	**(5)**	**11,997**
Transfer to general reserve	30(a)	–	–	70	–	(70)	–	–	–
Final dividend relating to 2017 paid	31	–	–	–	–	(3,545)	(3,545)	–	(3,545)
Interim dividend relating to 2018 paid	31	–	–	–	–	(6,514)	(6,514)	–	(6,514)
Total transactions with owners, recognised directly in equity		**–**	**–**	**70**	**–**	**(10,129)**	**(10,059)**	**–**	**(10,059)**
Balance at 31 December 2018		**95,936**	**(10,042)**	**2,366**	**214**	**117,656**	**206,130**	**117**	**206,247**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from operating activities			
Total profit		**28,216**	20,860
Adjustments:			
Income tax expense	8(a)	**15,361**	15,096
Depreciation and amortisation		**13,420**	11,491
Gain on disposal of property, plant and equipment		**(179)**	(231)
Exceptional items	9	**256**	2,136
Interest income		**(1,282)**	(1,224)
Interest expense		**3,670**	2,900
Fair value gain on derivatives		**(4)**	(86)
Share of results of associated companies and joint ventures		**821**	67
Operating cash flow before working capital changes		**60,279**	51,009
Changes in working capital			
Inventories		**(11,186)**	(11,128)
Trade and other receivables		**(16,095)**	(9,447)
Contract assets		**(1,086)**	627
Trade and other payables		**15,931**	(1,886)
Contract liabilities		**1,381**	(917)
Exceptional items	9	**(256)**	(2,136)
Cash generated from operations		**48,968**	26,122
Interest received		**1,282**	1,224
Income tax paid, net of tax refund received		**(18,164)**	(15,386)
Net cash provided by operating activities		**32,086**	11,960
Cash flows from investing activities			
Purchases of property, plant and equipment		**(10,003)**	(4,415)
Advances for purchase of property, plant and equipment	14	**(182)**	(1,322)
Purchases of intangible assets		**(473)**	(15,085)
Proceeds from disposal of property, plant and equipment		**239**	240
Net cash used in investing activities		**(10,419)**	(20,582)
Cash flows from financing activities			
Proceeds from bank borrowings		**19,797**	16,467
Proceeds from trade finance		**–**	3,404
Repayment of trade finance		**(1,318)**	–
Repayment of bank borrowings		**(5,394)**	(10,902)
Repayment of lease liabilities		**(1,578)**	(324)
Interest paid		**(3,670)**	(2,900)
Dividends paid to equity holders of the Company		**(12,590)**	(10,059)
Net cash used in financing activities		**(4,753)**	(4,314)
Net increase/(decrease) in cash and cash equivalents		**16,914**	(12,936)
Cash and cash equivalents			
Beginning of financial year		**38,214**	50,405
Effects of currency translation on cash and cash equivalents		**561**	745
End of financial year	11	**55,689**	38,214

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Reconciliation of liabilities arising from financing activities

				Non-cash changes		
	2018 US$'000	Repayment US$'000	Proceeds US$'000	Additions US$'000	Foreign exchange movement US$'000	2019 US$'000
Bank borrowings	28,414	(5,394)	19,797	–	1,163	**43,980**
Trade finance	13,784	(1,318)	–	–	–	**12,466**
Lease liabilities	313	(1,578)	–	5,057	(18)	**3,774**

				Non-cash changes		
	2017 US$'000	Repayment US$'000	Proceeds US$'000	Additions US$'000	Foreign exchange movement US$'000	2018 US$'000
Bank borrowings	24,310	(10,902)	16,467	–	(1,461)	28,414
Trade finance	10,380	–	3,404	–	–	13,784
Lease liabilities	547	(324)	–	108	(18)	313

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 accompanying financial statements.

1. GENERAL INFORMATION

Delfi Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 111 Somerset Road, #16-12 TripleOne Somerset, Singapore 238164.

The principal activities of the Company are the marketing and distribution of chocolate, chocolate confectionery and investment holding. The principal activities of each of the subsidiaries are set out in Note 15.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

2.2 Adoption of SFRS(I) 16 *Leases*

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 *Leases*:

When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.21.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

(i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 *Lease* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) 16 *Leases* (continued)

When the Group is the lessee (continued)

(ii) On a lease-by-lease basis, the Group has:

(a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

(b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;

(c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

(d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and

(e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

(i) On a lease-by-lease basis, the Group chose to measure its ROU assets (except for ROU assets which meet the definition of investment property) at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of transition.

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

(iii) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

	Increase/ (decrease) US$'000
Property, plant and equipment	**3,010**
Borrowings	**(313)**
Other payables	**1,413**
Other payables (Non-current)	**1,910**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) 16 *Leases* (continued)

When the Group is the lessee (continued)

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	US$'000
Operating lease commitment disclosed as at 31 December 2018	3,222
Less: Short-term leases	(238)
Less: Low-value leases	(481)
Less: Discounting effect using weighted average incremental borrowing rate of 6.9%	(271)
Add: Extension options which are reasonably certain to be exercised	778
Add: Finance lease liabilities recognised as at 31 December 2018	313
Lease liabilities recognised as at 1 January 2019	3,323

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions

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

Acquisition-related costs are expensed as incurred.

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

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

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to Note 2.14(a) for the accounting policy on goodwill subsequent to initial recognition.

(iii) Disposals

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

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

Please refer to Note 2.12 for the Company's accounting policy on investments in subsidiaries.

(b) Transactions with non-controlling interests

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

(c) Associated companies and joint ventures

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(c) Associated companies and joint ventures (continued)

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

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

(i) Acquisitions

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

(ii) Equity method of accounting

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

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

(iii) Disposals

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

Please refer to Note 2.12 for the Company's accounting policy on investments in associated companies and joint ventures.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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

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

(c) Translation of Group entities' financial statements

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Revenue and other operating income recognition

(a) Sale of goods

The Group manufactures and sells a range of chocolate, chocolate confectionery and consumer products. Revenue from the sale of these goods is recognised at a point in time when the products are delivered to the customer.

Sales are made with a credit term not exceeding 90 days. Based on customary business practice, some customers have a right to return the goods to the Group. Therefore, a contract liability (refund liability) and a right to the returned goods (included in contract assets) are recognised for products expected to be returned.

Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Based on historical trend, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. The asset is initially measured at the carrying amount of the goods at the time of sale, less expected cost to recover the goods which is not expected to be material.

The returned asset will be presented and assessed for impairment separately from the refund liability. The Group will need to assess the returned asset for impairment, and adjust the value of the asset if it becomes impaired.

A receivable (financial asset) is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

(b) Interest income

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

(c) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

(d) Royalty income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement with related companies.

2.6 Borrowing costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Exceptional items

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

2.8 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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

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

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

Deferred income tax is measured:

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

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

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

2.9 Cash and cash equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets, at amortised cost

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. These instruments comprise of cash and cash equivalents, trade receivables, other receivables, deposits, loans to associated company and joint venture and loans to subsidiaries.

The Group assesses on a forward looking basis the expected credit losses with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by SFRS(I) 9 *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.11 Inventories

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

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

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

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

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

2.12 Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures are stated at cost less accumulated impairment losses (Note 2.15(c)) in the Company's balance sheet. On disposal of investments in subsidiaries, associated companies and joint ventures, the differences between disposal proceeds and the carrying amount of the investments are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (Note 2.15(c)).

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.6 on borrowing costs). The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring the assets or using the assets for purposes other than to produce inventories.

(b) Depreciation

Construction work-in-progress are not depreciated.

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

	Useful lives
Leasehold land	Over the lease term of 17 to 30 years
Buildings and improvements	10 - 30 years
Machinery and equipment	10 - 15 years
Motor vehicles	5 years
Office equipment	5 - 10 years

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

(c) Subsequent expenditure

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

(d) Disposal

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Intangible assets

(a) Goodwill on acquisitions

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

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

Goodwill is recognised separately as an intangible asset and carried at cost less accumulated impairment losses (Note 2.15(a)).

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

(b) Brands, licence, patents and trademarks

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

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

Brands and licence that are regarded as having indefinite useful lives are not amortised and are subsequently tested for impairment annually (Note 2.15(b)).

Brands and licence that are regarded as having limited useful lives are stated at cost less accumulated amortisation and accumulated impairment losses (Note 2.15(c)). Amortisation is calculated using the straight-line method to allocate the cost of brands over their estimated useful lives of 5 years.

Patents and trademarks are stated at cost less accumulated amortisation and accumulated impairment losses (Note 2.15(c)). Amortisation is calculated using the straight-line method to allocate the cost of patents and trademarks over their estimated useful lives of up to 5 years.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Intangible assets (continued)

(c) Acquired computer software licences

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

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

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.15 Impairment of non-financial assets

(a) Goodwill

Goodwill is recognised separately as an intangible asset tested for impairment annually, and whenever there is indication that the goodwill may be impaired.

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

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

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

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

(b) Brands and licence with indefinite useful lives

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Impairment of non-financial assets (continued)

(c) Other intangible assets
Property, plant and equipment (including right-of-use assets)
Investments in subsidiaries, associated companies and joint ventures

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

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

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

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

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

2.16 Derivative financial instruments and hedging activities

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Derivative financial instruments and hedging activities (continued)

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

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

2.17 Trade and other payables

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

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

2.18 Provisions

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

2.19 Financial guarantees

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

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

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

(b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

Intra-group transactions are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Borrowings

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

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

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

2.21 Leases

(a) The accounting policy for leases before 1 January 2019 are as follows:

Lessee – Finance leases

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

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

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

Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are 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 period in which termination takes place.

(b) The accounting policy for leases from 1 January 2019 are as follows:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Leases (continued)

- Right-of-use assets

  The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

  Right-of-use assets (except for those which meets the definition of an investment property) are presented within "Property, plant and equipment".

- Lease liabilities

  The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

  Lease payments include the following:

  - Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
  - Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
  - Amount expected to be payable under residual value guarantees
  - The exercise price of a purchase option if is reasonably certain to exercise the option; and
  - Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

  For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Leases (continued)

- Lease liabilities (continued)

  Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

  – There is a change in future lease payments arising from changes in an index or rate;

  – There is a change in the Group's assessment of whether it will exercise an extension option; or

  – There are modification in the scope or the consideration of the lease that was not part of the original term.

  Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short term and low value leases

  The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

- Variable lease payments

  Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

2.22 Employee compensation

(a) Defined benefit plans

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Employee compensation (continued)

(a) Defined benefit plans (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise. The experience adjustments are not to be reclassified to profit or loss in a subsequent period.

Past service costs are recognised immediately in profit or loss.

(b) Defined contribution plans

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

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

(c) Employee leave entitlements

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

(d) Termination benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Share capital

Ordinary shares are classified as equity.

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

2.24 Dividends

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

2.25 Segment reporting

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

2.26 Fair value estimation of financial assets and liabilities

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

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

2.27 Government grants

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

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

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

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

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

In 2015 and 2016, Barry Callebaut notified the Company of various tax claims and a labour claim against BCBI, in relation to the activities of DCBR.

In 2017, 2018 and 2019, the Company was not notified of any further claims.

As at 31 December 2019, the nine notified claims were as follows:

(1) 2 claims totalling Brazilian Real ("BRL") 34,389,918 in connection with tax assessments of the "Social Integration Program/Public Employee Savings Program (PIS)" and the "Contribution for the Financing of Social Security (COFINS)";

(2) A claim of BRL785,473 for unpaid import tax arising from the import of a bean roaster;

(3) 3 claims totalling BRL51,287,800 for the restitution of taxes and import duties arising from the import of cocoa beans;

(4) 2 claims totalling BRL535,521 for allegedly incorrect or overstating credits due arising from tax assessments from prior years;

(5) An unquantified claim based on a labour law complaint relating to outsourcing of activities to contract workers has been referred on appeal to the second level judicial court. The penalty of BRL500,000 was notified to the Company in 2015.

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

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

As at 31 December 2019, the Company's total exposure in respect of notified tax and labour claims in Brazil has increased to BRL86,999,000 primarily due to indexation. In USD terms, the Company's total exposure as at 31 December 2019 was US$21,692,000.

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

In assessing the relevant liabilities, management has considered, among other factors, industry practices and the legal environment in Brazil, and assessed that the amounts recognised in respect of these claims are adequate as at 31 December 2019. As management considers the disclosure of further details of these claims can be expected to seriously prejudice the Group's position in relation to the claims, further information has not been disclosed in these financial statements.

(ii) Estimated impairment of brands and licence

Brands and licence with indefinite useful lives are tested for impairment annually, in accordance with the accounting policy stated in Note 2.15(b). As at 31 December 2019, the carrying amounts of brands and licence with indefinite useful lives were US$17,287,000.

Impairment tests are conducted annually to assess the brands and licence with indefinite useful lives and ensure that these brands and licence are not carried above their recoverable amounts. The recoverable amounts of the brands and licence have been estimated based on fair value less cost to sell using the relief from royalty method. Estimating the recoverable amounts requires the Group to forecast future cash flows based on expected future sales of the branded products, royalty rates, expected long term growth rates and the appropriate discount rates applied to the future cash flow forecasts (Note 21).

If management's estimated royalty rate of the brands and licence at 31 December 2019 was lowered by 1%, the recoverable amounts of these brands and licence would be reduced by US$8,113,000 and the Group would have recognised an impairment charge of US$420,000 on one of the brands. However, this change in assumption would not cause the carrying amounts of the other brands and licence to exceed their recoverable amounts.

If management's estimated pre-tax discount rate of the brands and licence at 31 December 2019 was increased by 1%, the recoverable amounts of these brands and licence would be reduced by US$4,920,000 and the Group would not recognise an impairment charge in 2019.

If management's estimated long term growth rate of the brands and licence at 31 December 2019 was lowered by 1%, the recoverable amounts of these brands and licence would be reduced by US$4,128,000 and the Group would not recognise an impairment charge in 2019.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER OPERATING INCOME

(a) Revenue from contracts with customers

	The Group	
	2019	2018
	US$'000	US$'000
Sale of goods	**471,622**	426,969

The Group derives revenue from the transfer of goods at a point in time (Note 2.5(a)). Disaggregation of revenue from contracts with customers by country is disclosed in Note 37(b).

(i) Contract assets and liabilities

	The Group		
	31 December		1 January
	2019	2018	2018
	US$'000	US$'000	US$'000
Contract assets	**3,169**	2,083	2,710
Contract liabilities	**(4,838)**	(3,457)	(4,374)

The Group recognises a contract liability (or refund liability) on its sales when a customer has a right to return the products and a contract asset for the rights to recover products from customers on settling the refund liability. The Group has assessed its contract assets for impairment separately from the refund liability (Note 2.5(a)).

(b) Other operating income

	The Group	
	2019	2018
	US$'000	US$'000
Other operating income:		
– Interest income	**1,282**	1,224
– Royalty income	**257**	–
– Gain on disposal of property, plant and equipment	**179**	231
– Foreign exchange gain – net	**–**	733
– Service fee	**186**	339
– Miscellaneous income	**1,246**	782
Total other operating income	**3,150**	3,309

5. EMPLOYEE COMPENSATION

	The Group	
	2019	2018
	US$'000	US$'000
Wages and salaries	**43,661**	40,872
Employer's contribution to defined contribution plans	**1,326**	1,277
Defined benefit plans (Note 27(b))	**2,317**	2,595
	47,304	44,744
Less: Government grant	**(2)**	(10)
	47,302	44,734

6. FINANCE COSTS

	The Group	
	2019	2018
	US$'000	US$'000
Interest expense:		
– Bank borrowings and overdrafts	**3,074**	2,520
– Trade finance	**387**	360
– Lease liabilities/finance lease liabilities	**209**	20
	3,670	2,900

7. EXPENSES BY NATURE

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

	The Group	
	2019	2018
	US$'000	US$'000
Advertising and promotion	**52,374**	42,085
Amortisation of intangible assets (Note 20(d))	**1,374**	1,072
Cost of inventories recognised as an expense	**260,006**	241,425
Depreciation of property, plant and equipment (Note 18)	**12,046**	10,419
Employee compensation (Note 5)	**47,302**	44,734
Foreign exchange loss – net	**280**	–
Inventories written off	**3,119**	2,022
Allowance made for inventory obsolescence	**1,172**	714
Impairment loss on trade receivables (Note 35(b)(i))	**44**	349
Logistics and insurance	**20,316**	12,900
Professional fees	**1,242**	1,201
Rentals expense	**717**	2,687
Travelling expenses	**2,432**	2,556

8. INCOME TAXES

(a) Income tax expense

	The Group	
	2019	2018
	US$'000	US$'000
Tax expense attributable to profit is made up of:		
Profit for the financial year:		
Current income tax		
– Foreign	**15,175**	14,856
Deferred income tax (Note 8(b))	**53**	(520)
	15,228	14,336
Under provision in prior financial years:		
– Current income tax	**133**	760
Total income tax expense	**15,361**	15,096

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

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

	The Group	
	2019	2018
	US$'000	US$'000
Profit before tax	**43,577**	35,956
Share of results of associated companies and joint ventures, net of tax	**821**	67
Profit before tax and share of results of associated companies and joint ventures	**44,398**	36,023
Tax calculated at a tax rate of 17% (2018: 17%)	**7,548**	6,124
Effects of:		
– Different tax rates in other countries	**4,057**	2,728
– Income not subject to tax	**(42)**	(152)
– Tax incentive	**(4)**	(4)
– Expenses not deductible for tax purposes	**728**	1,515
– Withholding tax on dividends and royalties paid by foreign subsidiaries	**2,805**	2,891
– Deferred tax assets not recognised	**762**	1,386
– Utilisation of previously unrecognised tax losses and capital allowances	**(626)**	(152)
– Under provision in prior financial years	**133**	760
Tax charge	**15,361**	15,096

8. INCOME TAXES (continued)

(b) Deferred income taxes

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

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Deferred income tax assets	**(1,771)**	(1,343)	**–**	–
Deferred income tax liabilities	**1,063**	810	**–**	–
Net deferred tax assets	**(708)**	(533)	**–**	–

The movement in deferred income tax account is as follows:

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Beginning of financial year	**(533)**	(455)		
Tax charged/(credited) to:				
– Profit or loss	**53**	(520)	**–**	–
– Other comprehensive income[1]	**(285)**	532	**–**	–
Currency translation differences	**57**	(90)	**–**	–
End of financial year	**(708)**	(533)	**–**	–

Note:

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

Deferred income tax assets are recognised for capital allowances and tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

8. INCOME TAXES (continued)

(b) Deferred income taxes (continued)

The Group has unrecognised capital allowances of US$7,131,000 (2018: US$6,765,000) and unrecognised tax losses of US$96,849,000 (2018: US$99,032,000) at the balance sheet date, which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements in the respective countries of incorporation of those companies with unrecognised capital allowances and tax losses. The Company has unrecognised capital allowances of US$5,543,000 (2018: US$5,195,000) and tax losses of US$82,325,000 (2018: US$84,090,000) at the balance sheet date, which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements in Singapore.

These capital allowances and tax losses do not have any expiry dates, except for tax losses of US$937,000 (2018: US$2,561,000) incurred by a subsidiary which will expire in 2021.

Deferred income tax liabilities of the Group of US$18,880,000 (2018: US$17,689,000) have not been recognised for the withholding taxes that will be payable on the earnings of the overseas subsidiaries if remitted to the holding company, as the holding company is able to control the timing of such remittance and there is no current intention of remitting the unremitted earnings of the overseas subsidiaries to the holding company in the foreseeable future. The Company has determined that these unremitted earnings, amounted to US$189,961,000 (2018: US$178,057,000) at the balance sheet date.

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

The Group

Deferred income tax liabilities

	Accelerated tax depreciation US$'000	**Other deductible temporary differences US$'000**	**Total US$'000**
2019			
Beginning of financial year	**5,580**	**–**	**5,580**
Credited to profit or loss	**(343)**	**–**	**(343)**
Currency translation differences	**225**	**–**	**225**
End of financial year	**5,462**	**–**	**5,462**
2018			
Beginning of financial year	6,178	94	6,272
Credited to profit or loss	(205)	(94)	(299)
Currency translation differences	(393)	–	(393)
End of financial year	5,580	–	5,580

8. INCOME TAXES (continued)

(b) Deferred income taxes (continued)

The Group (continued)

Deferred income tax assets

	Provisions US$'000	Other deductible temporary differences US$'000	Total US$'000
2019			
Beginning of financial year	**(5,556)**	**(557)**	**(6,113)**
Credited to:			
– Profit or loss	**276**	**120**	**396**
– Other comprehensive income[1]	**(285)**	**–**	**(285)**
Currency translation differences	**(166)**	**(2)**	**(168)**
End of financial year	**(5,731)**	**(439)**	**(6,170)**
2018			
Beginning of financial year	(6,764)	37	(6,727)
Charged/(credited) to:			
– Profit or loss	371	(592)	(221)
– Other comprehensive income[1]	532	–	532
Currency translation differences	305	(2)	303
End of financial year	(5,556)	(557)	(6,113)

Note:

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

The Company

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

9. EXCEPTIONAL ITEMS

The Group recognised an exceptional loss of US$256,000 and US$2,136,000 for 2019 and 2018 respectively due to the discovery of improper and unsubstantiated transactions in one of its subsidiaries in the Philippines. The 2019 exceptional loss was all professional fees of US$256,000 (2018: US$557,000) incurred for the investigation and financial review carried out for the subsidiary.

10. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2019	2018
Excluding exceptional items		
Net profit attributable to equity holders of the Company (US$'000)	**28,474**	22,998
Weighted average number of ordinary shares ('000)	**611,157**	611,157
Basic earnings per share (US cents)	**4.66**	3.76
Including exceptional items		
Net profit attributable to equity holders of the Company (US$'000)	**28,218**	20,862
Weighted average number of ordinary shares ('000)	**611,157**	611,157
Basic earnings per share (US cents)	**4.62**	3.41

(b) Diluted earnings per share

Diluted earnings per share for financial years 2019 and 2018 are the same as basic earnings per share as there were no potentially dilutive ordinary shares.

11. CASH AND CASH EQUIVALENTS

	The Group		**The Company**	
	2019 US$'000	2018 US$'000	**2019 US$'000**	2018 US$'000
Cash at bank and on hand	**12,263**	12,477	**1,955**	5,612
Short-term bank deposits	**45,295**	42,231	**43,000**	39,000
	57,558	54,708	**44,955**	44,612

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

	The Group	
	2019 US$'000	2018 US$'000
Cash and bank balances (as above)	**57,558**	54,708
Less: Bank overdrafts (Note 25)	**(1,869)**	(16,494)
Cash and cash equivalents per consolidated statement of cash flows	**55,689**	38,214

12. TRADE RECEIVABLES

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables				
– Non-related parties	**91,087**	73,311	**435**	810
– Subsidiaries	**–**	–	**1,036**	1,334
– Joint venture	**151**	510	**–**	–
– Related parties	**–**	8	**–**	–
	91,238	73,829	**1,471**	2,144
Less: Allowance for impairment of receivables – non-related parties	**(1,451)**	(1,383)	**–**	–
	89,787	72,446	**1,471**	2,144

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

13. INVENTORIES

	The Group	
	2019	2018
	US$'000	US$'000
Raw materials	**12,499**	12,901
Work-in-progress	**1,138**	1,266
Finished goods	**67,474**	56,412
Packaging materials and others	**6,290**	5,636
	87,401	76,215

14. OTHER CURRENT ASSETS

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Other receivables				
– Non-related parties	**8,627**	9,227	**229**	309
– Subsidiaries (non-trade)	**–**	–	**48**	2,464
– Associated companies (non-trade)	**223**	215	**1**	1
– Joint ventures (non-trade)	**538**	377	**28**	30
– Related parties (non-trade)	**27**	14	**–**	–
	9,415	9,833	**306**	2,804
Deposits	**2,120**	2,897	**29**	14
Prepayments	**895**	845	**130**	108
	12,430	13,575	**465**	2,926

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

(b) Included in other receivables due from non-related parties are advances for purchase of property, plant and equipment of US$182,000 (2018: US$1,322,000) and an outstanding loan of US$1,338,000 from one of the disengaged distributors in Indonesia (2018: US$1,354,000).

No repayment was received from the disengaged distributor in Indonesia in 2019 (2018: US$240,000). The outstanding amount is fully secured by remaining collateralised properties. The distributor is expected to fully settle the loan through proceeds from the sale of the properties secured.

The remaining other receivables are subjected to immaterial credit losses.

The carrying amounts of these current assets approximate their fair values.

15. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2019	2018
	US$'000	US$'000
Equity investments, at cost		
Beginning of financial year	**47,971**	42,914
Additions	**–**	5,057
End of financial year	**47,971**	47,971
Accumulated impairment		
Beginning and end of financial year	**(6,979)**	(6,979)
End of financial year	**40,992**	40,992

15. INVESTMENTS IN SUBSIDIARIES (continued)

In December 2018, the Company increased its investment in Delfi Marketing Inc ("DMI"), a wholly owned subsidiary in the Philippines, by PHP270,000,000 or US$5,057,000 by subscribing for an additional 2.7 million ordinary shares with a par value of PHP100 in the share capital of DMI. The consideration was paid in cash and funded through the Company's internal resources.

The list of subsidiaries in the Group is as follows:

Name of subsidiary/ Country of incorporation	Principal activities	Country of business	Equity holding 2019 %	Equity holding 2018 %
Held by the Company				
McKeeson Consultants Private Limited^ (Singapore)	Management consultants	Singapore	**100**	100
PT Perusahaan Industri Ceres*# (Indonesia)	Investment holding, manufacturing and marketing of chocolate confectionery products	Indonesia	**99.988**	99.988
PT General Food Industries* (Indonesia)	Marketing and distribution of consumer confectionery	Indonesia	**99.936**	99.936
PT Nirwana Lestari*# (Indonesia)	Marketing and distribution of chocolate confectionery and other consumer products	Indonesia	**99.862**	99.862
Ceres Sime Confectionery Sdn Bhd∞ (Malaysia)	Investment holding	Malaysia	**100**	100
Cocoa Specialities, Inc.* (Philippines)	Administrative services	Philippines	**100**	100
Delfi Chocolate Manufacturing S.A.* (Switzerland)	Administrative services	Switzerland	**100**	100
Delfi Cocoa Investments SA+ (Switzerland)	Investment holding	Switzerland	**100**	100
Delfi Singapore Pte Ltd^ (Singapore)	Dormant	Singapore	**100**	100
Ceres Super Pte Ltd@ (Singapore)	Dormant	Singapore	**60**	60

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary/ Country of incorporation	Principal activities	Country of business	Equity holding 2019 %	Equity holding 2018 %
Held by the Company (continued)				
Delfi Marketing Sdn Bhd* (Malaysia)	Marketing and distribution of healthcare and other consumer products	Malaysia	**100**	100
Delfi Foods, Inc.* (Philippines)	Manufacturing of chocolate confectionery products	Philippines	**100**	100
Delfi Marketing, Inc.* (Philippines)	Marketing and distribution of chocolate confectionery and other consumer products	Philippines	**100**	100
Held by Ceres Sime Confectionery Sdn Bhd				
Brands of Hudsons Sdn Bhd∞ (Malaysia)	Marketing of consumer confectionery	Malaysia	**100**	100
Held by McKeeson Consultants Private Limited				
PT Perusahaan Industri Ceres*# (Indonesia)	Investment holding, manufacturing and marketing of chocolate confectionery products	Indonesia	**0.012**	0.012
PT General Food Industries* (Indonesia)	Marketing and distribution of consumer confectionery	Indonesia	**0.064**	0.064
PT Nirwana Lestari*# (Indonesia)	Marketing and distribution of chocolate confectionery and other consumer products	Indonesia	**0.138**	0.138
Delfi Cocoa Ecuador SA+ (Ecuador)	Dormant	Ecuador	**0.004**	0.004
Held by Delfi Cocoa Investments SA				
Delfi Cocoa Ecuador SA+ (Ecuador)	Dormant	Ecuador	**99.996**	99.996

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary/ Country of incorporation	Principal activities	Country of business	Equity holding 2019 %	2018 %
Held by PT Perusahaan Industri Ceres				
Ceres (International) Marketing Pte Ltd^ (Singapore)	Marketing of consumer confectionery	Singapore	**100**	100

^ Audited by PricewaterhouseCoopers LLP, Singapore.
* Audited by PricewaterhouseCoopers member firms outside Singapore.
@ Audited by RSM Chio Lim LLP, Singapore.
∞ Audited by Grant Thornton, Malaysia.
+ Not required to be audited by law in country of incorporation.
# Significant subsidiaries of the Group under the SGX-ST Listing Manual.

16. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

	The Group		The Company	
	2019 US$'000	2018 US$'000	**2019 US$'000**	2018 US$'000
Investments in associated companies (Note (a))	**–**	–	**–**	–
Investments in joint ventures (Note (b))	**2,869**	3,764	**3,900**	3,900
	2,869	3,764	**3,900**	3,900

(a) Investments in associated companies

The details of the associated companies are as follows:

Name of company	Place of business/ country of incorporation	Principal activities	Equity holding 2019 %	2018 %
Held by Delfi Foods, Inc.				
Alsa Industries, Inc. ("Alsa")*	Philippines	Leasing of property	**40**	40

* Audited by PricewaterhouseCoopers member firm outside Singapore.

The Group's investment in Alsa was fully impaired as at 31 December 2018 and 2019. In 2019, the Group did not recognise its share of losses of US$152,000 (2018: US$49,000) because the Group's share of losses exceeded its interest in Alsa and the Group has no obligation in respect of those losses.

16. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

(b) Investments in joint ventures

The details of the joint ventures are as follows:

Name of company	Principal activities	Country of incorporation	Equity holding 2019 %	Equity holding 2018 %
Held by the Company				
PACTS SA[1]	Undergoing liquidation	Switzerland	**33.33**	33.33
Delfi-Orion Pte Ltd[2]	Development, marketing and sale of a range of branded confectionery products	Singapore	**50.0**	50.0
Delfi Yuraku Pte Ltd[2]	Investment holding	Singapore	**60.0**	60.0
Held by Delfi Yuraku Pte Ltd				
PT Delfi Yuraku Indonesia[3]	Manufacture, sale, and marketing of a range of chocolate snack products	Indonesia	**99.9**	99.9

1 Deemed to be a joint venture as the Group shares control of the entity with two other joint venture partners.

2 Delfi-Orion and Delfi Yuraku are joint ventures as all board matters relating to the companies require unanimous consent from both parties.

3 The Group's effective interest is 60% including 0.1% held by PT Perusahaan Industri Ceres.

(i) In 2017, the Company and Japan's Yuraku Confectionery Company Ltd ("Yuraku") incorporated Delfi Yuraku Pte Ltd ("Delfi Yuraku"), a 60/40 JV Singapore company under a JV agreement dated 21 April 2017. The Company and Yuraku injected a total paid up capital of US$5,000,010 in Delfi Yuraku by subscribing to a total number of 5,000,010 ordinary shares. The Company holds 3,000,006 ordinary shares for a total consideration of US$3,000,006 representing 60% of total issued shares of Delfi Yuraku. Yuraku holds the remaining 40%.

The Company has also, through its joint venture and subsidiary, Delfi Yuraku and Ceres, incorporated a new company, PT Delfi Yuraku Indonesia ("PT Delfi Yuraku") in Indonesia. PT Delfi Yuraku has an issued and paid up capital of US$5,000,000 comprising 5,000,000 ordinary shares, of which 4,995,000 and 5,000 were registered to Delfi Yuraku and Ceres respectively. PT Delfi Yuraku commenced commercial operations in October 2018.

(ii) In 2017, the Company entered into an agreement with Cemoi Group ("Cemoi") and Blommer Chocolate Company ("Blommer") that will lead to the winding down of the PACTS (Processors Alliance for Cocoa Traceability and Sustainability) programme. The Company recognised its share of liquidation cost of US$660,000 in relation to PACTS SA under the agreement. The Company's investment in PACTS SA was fully impaired as at 31 December 2018 and 2017. In 2017, the Group did not recognise its share of losses of US$3,000 because the Group's share of losses exceeded its interest in PACTS SA and the Group has no obligation in respect of those losses. PACTS SA is currently undergoing liquidation and ceased its operations since 8 January 2018.

16. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

(b) Investments in joint ventures (continued)

In 2019, the Group recognised a share of loss of US$183,000 (2018: US$105,000) for its share of Delfi-Orion's results in the current financial year.

Set out below is the summarised financial information for Delfi Yuraku, that is material to the Group.

Summarised balance sheet

	Delfi Yuraku	
	2019	2018
	US$'000	US$'000
Current assets	**476**	1,993
Includes:		
– Cash and cash equivalents	**203**	1,083
Current liabilities	**(892)**	(1,063)
Includes:		
– Financial liabilities (excluding trade payables)	**(696)**	(285)
Non-current assets	**4,340**	4,135
Non-current liabilities	**(46)**	–
Net Assets	**3,878**	5,065

Summarised statement of comprehensive income

	Delfi Yuraku	
	2019	2018
	US$'000	US$'000
Revenue	**1,544**	711
Interest income	**1**	2
Expenses		
Includes:		
– Depreciation	**(299)**	(68)
– Interest expense	**(5)**	(2)
(Loss)/Profit from operations	**(1,018)**	64
Income tax expense	**(46)**	–
Post-tax (loss)/profit and total comprehensive (loss)/income	**(1,064)**	64
Dividends received from joint venture	**–**	–

16. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

(b) Investments in joint ventures (continued)

In 2019, the Group recognised a share of loss of US$638,000 (2018: share of profit of US$38,000) for its share of Delfi Yuraku's results in the current financial year.

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts).

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in joint ventures, is as follows:

	Delfi Yuraku	
	2019	2018
	US$'000	US$'000
Net assets	**3,878**	5,065
Group's equity interest	**60%**	60%
Group's share of net assets and carrying value	**2,327**	3,039
Add:		
Carrying value of individually immaterial joint ventures	**542**	725
Carrying value of Group's interest in joint ventures	**2,869**	3,764

17. LOANS TO ASSOCIATED COMPANY AND JOINT VENTURE

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Loan to associated company	**915**	881	**–**	–
Loan to joint venture	**60**	60	**60**	60
	975	941	**60**	60
Current				
Loan to joint venture	**60**	60	**60**	60
Non-Current				
Loan to associated company	**915**	881	**–**	–

The loan to an associated company is unsecured and not expected to be repaid within the next 12 months. The loan bears interest at 5.192% (2018: 6.125%) per annum.

The loan to joint venture amounted to US$60,000 (2018: US$60,000). The loan bears interest at 2.635% (2018: 3.516%) per annum and repayable on demand.

The carrying amounts approximate their fair values.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land US$'000	Buildings and improvements US$'000	Machinery and equipment US$'000	Motor vehicles US$'000	Office equipment US$'000	Construction in progress US$'000	Total US$'000
The Group							
Cost							
At 1 January 2019	3,625	48,560	90,221	4,053	16,348	23,860	186,667
Adoption of SFRS(I) 16 (Note 2.2)	–	3,010	–	–	–	–	3,010
	3,625	51,570	90,221	4,053	16,348	23,860	189,677
Currency translation differences	151	2,097	3,924	125	562	1,062	7,921
Additions	–	2,314	112	4	477	9,143	12,050
Disposals/written off	–	(360)	(260)	(372)	(784)	–	(1,776)
Reclassification	–	1,113	4,898	–	160	(6,171)	–
At 31 December 2019	3,776	56,734	98,895	3,810	16,763	27,894	207,872
Accumulated depreciation							
At 1 January 2019	1,109	12,989	46,581	3,017	13,588	–	77,284
Currency translation differences	21	586	2,106	101	461	–	3,275
Disposals/written off	–	(360)	(236)	(342)	(778)	–	(1,716)
Depreciation charge (Note 7)	110	4,193	6,049	459	1,235	–	12,046
At 31 December 2019	1,240	17,408	54,500	3,235	14,506	–	90,889
Net book value							
At 31 December 2019	**2,536**	**39,326**	**44,395**	**575**	**2,257**	**27,894**	**116,983**
Cost							
At 1 January 2018	3,875	51,468	94,547	4,581	16,772	23,984	195,227
Currency translation differences	(250)	(3,260)	(6,148)	(236)	(908)	(1,582)	(12,384)
Additions	–	237	165	249	611	3,261	4,523
Disposals/written off	–	–	–	(521)	(178)	–	(699)
Reclassification	–	115	1,657	(20)	51	(1,803)	–
At 31 December 2018	3,625	48,560	90,221	4,053	16,348	23,860	186,667
Accumulated depreciation							
At 1 January 2018	1,034	11,136	43,601	3,163	13,180	–	72,114
Currency translation differences	(35)	(719)	(2,945)	(174)	(686)	–	(4,559)
Disposals/written off	–	–	–	(517)	(173)	–	(690)
Depreciation charge (Note 7)	110	2,572	5,900	565	1,272	–	10,419
Reclassifications	–	–	25	(20)	(5)	–	–
At 31 December 2018	1,109	12,989	46,581	3,017	13,588	–	77,284
Net book value							
At 31 December 2018	**2,516**	**35,571**	**43,640**	**1,036**	**2,760**	**23,860**	**109,383**

18. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings and improvements US$'000	Motor vehicles US$'000	Office equipment US$'000	Total US$'000
The Company				
Cost				
At 1 January 2019	362	922	2,256	3,540
Additions	2,251	–	84	2,335
Disposals	(360)	–	(242)	(602)
At 31 December 2019	2,253	922	2,098	5,273
Accumulated depreciation				
At 1 January 2019	322	505	2,146	2,973
Disposals	(360)	–	(242)	(602)
Depreciation charge	415	165	46	626
At 31 December 2019	377	670	1,950	2,997
Net book value				
At 31 December 2019	**1,876**	**252**	**148**	**2,276**
Cost				
At 1 January 2018	362	776	2,254	3,392
Additions	–	146	7	153
Disposals	–	–	(5)	(5)
At 31 December 2018	362	922	2,256	3,540
Accumulated depreciation				
At 1 January 2018	201	340	2,100	2,641
Disposals	–	–	(4)	(4)
Depreciation charge	121	165	50	336
At 31 December 2018	322	505	2,146	2,973
Net book value				
At 31 December 2018	**40**	**417**	**110**	**567**

(a) Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 19(a).

(b) Bank borrowings are secured on property, plant and equipment and buildings of the Group with a carrying value of US$6,032,000 (2018: US$3,990,000) (Note 25(a)).

19. LEASES – THE GROUP AS A LESSEE

Nature of the Group's leasing activities

Property

The Group leases warehouses and office space for the purpose of storing inventories and back office operations respectively.

Equipment and vehicles

The Group leases vehicles and equipment for staff use in its back office.

(a) Carrying amounts

ROU assets classified within Property, plant and equipment

	The Group		The Company	
	31 December 2019 US$'000	1 January 2019 US$'000	**31 December 2019 US$'000**	1 January 2019 US$'000
Leasehold land	**2,536**	2,516	**–**	–
Building	**3,471**	3,010	**1,654**	–
Motor vehicles	**263**	442	**252**	417
Office equipment	**18**	22	**3**	5
Machinery and equipment	**–**	1,017	**–**	–
	6,288	7,007	**1,909**	422

(b) Depreciation charge during the year

	The Group 2019 US$'000
Leasehold land	**110**
Building	**1,636**
Motor vehicles	**179**
Office equipment	**5**
	1,930

(c) Interest expense

	The Group 2019 US$'000
Interest expense on lease liabilities	**209**

19. LEASES – THE GROUP AS A LESSEE (continued)

(d) Lease expense not capitalised in lease liabilities

	The Group 2019 US$'000
Lease expense – short term leases	**520**
Lease expense – low-value leases	**197**
	717

(e) Total cash outflow for all the leases in 2019 was US$2,504,000.

(f) Addition of ROU assets during the financial year 2019 was US$2,047,000.

20. INTANGIBLE ASSETS

	The Group		The Company	
	2019 US$'000	2018 US$'000	**2019 US$'000**	2018 US$'000
Brands and licence (Note (a))	**17,287**	17,234	**17,351**	17,351
Patents and trademarks (Note (b))	**192**	177	**–**	–
Computer software licences (Note (c))	**4,097**	4,874	**520**	308
	21,576	22,285	**17,871**	17,659

(a) Brands and licence

	The Group		The Company	
	2019 US$'000	2018 US$'000	**2019 US$'000**	2018 US$'000
Net book value				
Beginning of financial year	**17,234**	4,267	**17,351**	4,351
Additions	**–**	13,000	**–**	13,000
Currency translation difference	**53**	(33)	**–**	–
End of financial year	**17,287**	17,234	**17,351**	17,351
Cost	**17,672**	17,619	**17,616**	17,616
Accumulated amortisation and impairment loss	**(385)**	(385)	**(265)**	(265)
Net book value	**17,287**	17,234	**17,351**	17,351

On 13 April 2018, the Company acquired the perpetual and exclusive licence and associated rights to the "Van Houten" brand name for consumer chocolate and consumer cocoa products for markets in Asia Pacific (excluding Korea, India and the Middle East) for US$13.0 million.

Brands and licence that are regarded as having indefinite useful lives are not amortised and are tested for impairment annually (Note 2.15(b)). These brands and licence have a long heritage and are protected in all of the markets where they are sold by trademarks, which are renewed indefinitely without involvement of significant cost.

20. INTANGIBLE ASSETS (continued)

(b) Patents and trademarks

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Net book value				
Beginning of financial year	**177**	208	**–**	–
Additions	**123**	86	**–**	–
Currency translation difference	**3**	(2)	**–**	–
Amortisation	**(111)**	(115)	**–**	–
End of financial year	**192**	177	**–**	–
End of financial year				
Cost	**2,007**	1,846	**–**	–
Accumulated amortisation	**(1,815)**	(1,669)	**–**	–
Net book value	**192**	177	**–**	–

(c) Computer software licences

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Net book value				
Beginning of financial year	**4,874**	4,089	**308**	192
Additions	**350**	1,999	**310**	193
Disposal	**–**	–	**–**	–
Currency translation difference	**136**	(257)	**–**	–
Amortisation	**(1,263)**	(957)	**(98)**	(77)
End of financial year	**4,097**	4,874	**520**	308
End of financial year				
Cost	**6,659**	6,109	**803**	493
Accumulated amortisation	**(2,562)**	(1,235)	**(283)**	(185)
Net book value	**4,097**	4,874	**520**	308

In 2019, the Group invested US$310,000 to implement Business Intelligence ("BI") system. In 2018, the Group invested US$1,990,000 for the implementation of the SAP platform as the Group's Enterprise Resource Planning (ERP) system.

(d) Amortisation expense included in other operating expenses is analysed as follows:

	The Group	
	2019	2018
	US$'000	US$'000
Patents and trademarks	**111**	115
Computer software licences	**1,263**	957
Total (Note 7)	**1,374**	1,072

21. IMPAIRMENT TESTS

The carrying values of brands and licence that are regarded as having indefinite useful lives are as follows:

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Carrying amount of brands and licence	**17,287**	17,234	**17,351**	17,351

The recoverable amounts of the brands and licence are estimated based on fair value less costs to sell using the relief from royalty method.

The cash flows, which related to royalty payments avoided for the individual brand and licence based on expected sales of the brands from financial budgets approved by management covering a four year period. Cash flows beyond the budget period were extrapolated using the estimated growth rates which are consistent with the forecasts included in industry reports relevant to the brands and licence.

The discount rates used are based on weighted average cost of capital (WACC), which is calculated based on publicly available market data and is pre-tax and reflects specific risks relating to the principal countries of the brands and licence.

Key assumptions made were as follows:

	2019	2018
	%	%
Royalty rates	**2.1 to 7.0**	2.1 to 7.0
Growth rate[(1)]	**2.0 to 6.3**	2.8 to 6.7
Discount rates[(2)]	**7.2 to 12.2**	7.2 to 13.0

Notes:

(1) Weighted average growth rate used to extrapolate cash flows beyond the budget period

(2) Based on weighted average cost of capital, adjusted for country risk premium and brand risk premium

22. OTHER NON-CURRENT ASSETS

	The Group	
	2019	2018
	US$'000	US$'000
Prepayments	**123**	110
Guarantee deposits	**77**	93
Tax recoverable	**2,212**	2,129
Others	**737**	734
	3,149	3,066

The carrying amounts of these non-current assets approximate their fair values.

23. TRADE PAYABLES

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Trade payables:				
– Non-related parties	**33,880**	32,435	**367**	917
– Subsidiaries	**–**	–	**619**	1,000
– Joint venture	**675**	738	**–**	–
– Related parties	**2,598**	1,453	**–**	–
	37,153	34,626	**986**	1,917

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

24. OTHER PAYABLES

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Current				
Other payables:				
– Non-related parties	**18,692**	12,848	**320**	284
– Subsidiaries	**–**	–	**452**	363
– Joint venture	**12**	4	**4**	4
	18,704	12,852	**776**	651
Accrued operating expenses	**35,269**	30,376	**2,006**	2,637
Lease liabilities	**2,009**	–	**670**	–
	55,982	43,228	**3,452**	3,288
Non-current				
Lease liabilities	**1,765**	–	**1,140**	–

Other non-trade payables due to subsidiaries and joint venture are unsecured, interest free and repayable upon demand.

In adopting SFRS(I) 16, the Group recognised ROU assets (classified as property, plant and equipment) and lease liabilities (classified as other payables). The Group has also reclassified its assets acquired under finance leases and its corresponding lease liabilities to ROU assets and other payables respectively for consistency in financial presentation.

25. BORROWINGS

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Current				
Secured				
Bank borrowings	**6,247**	4,268	**–**	–
Finance lease liabilities (Note 26)	**–**	142	**–**	100
Trade finance	**12,466**	13,784	**–**	–
	18,713	18,194	**–**	100
Unsecured				
Bank overdrafts	**1,869**	16,494	**–**	–
Bank borrowings	**37,733**	24,146	**–**	–
	39,602	40,640	**–**	–
Total borrowings (current)	**58,315**	58,834	**–**	100
Non-current				
Secured				
Finance lease liabilities (Note 26)	**–**	171	**–**	153
Total borrowings	**58,315**	59,005	**–**	253

The exposure of borrowings of the Group and of the Company to interest rate changes based on the contractual repricing dates at the balance sheet date is as follows:

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
6 months or less	**56,727**	43,238	**–**	–
6 – 12 months	**1,588**	15,532	**–**	49
1 – 5 years	**–**	150	**–**	119
Over 5 years	**–**	85	**–**	85
	58,315	59,005	**–**	253

(a) Security granted

Bank borrowings of one of the subsidiaries are secured over property, plant and equipment (Note 18).

(b) Carrying amounts and fair value

The carrying amounts of borrowings approximate their fair value as the borrowings bear interest at variable rates.

26. FINANCE LEASE LIABILITIES

Finance lease liabilities were reclassified to lease liabilities (other payables) on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.2.

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Minimum lease payments due:				
– Not later than one year	**–**	154	**–**	110
– Between one to five years	**–**	162	**–**	142
– Later than five years	**–**	26	**–**	26
	–	342	**–**	278
Less: Future finance charges	**–**	(29)	**–**	(25)
Present value of finance lease liabilities	**–**	313	**–**	253

The present values of finance lease liabilities are analysed as follows:

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Not later than one year (Note 25)	**–**	142	**–**	100
Between one to five years (Note 25)	**–**	146	**–**	128
Later than five years (Note 25)	**–**	25	**–**	25
	–	313	**–**	253

27. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

(a) Non-current

	The Group	
	2019	2018
	US$'000	US$'000
Employee post-employment defined benefit obligation	**12,942**	11,444
Others	**164**	233
	13,106	11,677

(b) Employee post-employment defined benefit obligation

The Group operates defined benefit plans for severance and service benefits required under the labour laws in Indonesia and the Philippines. These defined benefit plans are devised based on local market conditions and practices. During the financial year, the Group entered into an arrangement with PT Asuransi Jiwa Manulife Indonesia to manage and administer the Group's pension plan in Indonesia, and makes voluntary contributions based on a certain percentage of employees' basic salary. These contributions made to the plan count towards the post-employment benefits obligation under the labour regulations, as the Group benefits from the assets in the plan. All valuations were performed by independent actuaries at the end of each financial year using the projected unit credit method (Note 2.22(a)) and the Group reviews the assumptions used with its independent actuaries.

27. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (continued)

(b) Employee post-employment defined benefit obligation (continued)

The amounts recognised in the balance sheet are determined as follows:

	The Group	
	2019	2018
	US$'000	US$'000
Present value of unfunded obligation	**14,397**	11,444
Fair value of plan assets	**(1,455)**	–
	12,942	11,444

The movement in the defined benefit obligation recognised in the balance sheet is as follows:

	The Group	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**11,444**	12,641
Total, included in employee benefits expenses (Note 5)	**2,317**	2,595
Benefits paid	**(732)**	(926)
Contributions made to pension plan	**(1,634)**	–
Actuarial loss/(gain) recognised in other comprehensive income	**1,049**	(2,060)
Currency translation differences	**498**	(806)
End of financial year	**12,942**	11,444

Movement in the fair value of plan assets relating to defined post-employment benefit obligation is as follows:

	The Group	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**–**	–
Employer's contribution during the year	**1,634**	–
Benefits payment from plan assets	**(211)**	–
Interest income from plan assets	**2**	–
Currency translation differences	**30**	–
Fair value of plan assets	**1,455**	–

The amounts recognised in profit or loss are as follows:

	The Group	
	2019	2018
	US$'000	US$'000
Current service cost	**1,103**	1,332
Interest cost	**927**	834
	2,030	2,166
Actuarial loss/(gain) recognised during the year	**23**	(18)
Past service cost due to plan amendment	**–**	(104)
Provision for termination benefits	**264**	551
Total, included in employee benefits expenses (Note 5)	**2,317**	2,595

27. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (continued)

(b) Employee post-employment defined benefit obligation (continued)

The amounts recognised in other comprehensive income are as follows:

	The Group	
	2019	2018
	US$'000	US$'000
Remeasurements of defined benefit obligation:		
– Gain from change in demographic assumptions	**(390)**	(136)
– Loss/(gain) from change in financial assumptions	**1,439**	(1,924)
	1,049	(2,060)

The valuation of defined benefit liabilities involves the use of appropriate financial and demographic assumptions such as discount rates, future salary increases, mortality rates, disability rates, retirement assumption rates and resignation rates. In determining the appropriate discount rates, management considers the market yields on government bonds in the respective countries. The mortality rates, disability rates and retirement assumption rates are based on country-specific mortality tables and labour laws of Indonesia and the Philippines. Future salary increases and resignation rates are projected based on historical information which are also objective and easily observed.

The significant actuarial assumptions used were as follows:

	The Group	
	2019	2018
	%	%
Discount rates (per annum)	**4.9 to 8.0**	8.4 to 8.5
Future salary increase (per annum)	**5.0 to 7.0**	5.0 to 7.0

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Increase/(decrease) in defined benefit obligation					
	Change in assumption		Increase in assumption		Decrease in assumption	
	2019	2018	**2019**	2018	**2019**	2018
	%	%	**US$'000**	US$'000	**US$'000**	US$'000
Discount rate	**0.5**	0.5	**(643)**	(480)	**753**	554
Future salary increases	**0.5**	0.5	**646**	544	**(702)**	(480)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

28. SHARE CAPITAL

	The Group and the Company	
	Issued share capital	
	Number of shares '000	Share capital US$'000
2019		
Beginning and end of financial year	**611,157**	**95,936**
2018		
Beginning and end of financial year	611,157	95,936

All issued shares are fully paid. There is no par value for these ordinary shares.

29. RESERVES

(a) Foreign currency translation reserve

	The Group	
	2019 **US$'000**	2018 US$'000
Beginning of financial year:	**(10,042)**	318
Net currency translation differences of financial statements of foreign subsidiaries, associated companies and joint ventures	**6,491**	(10,363)
Less: Non-controlling interest	**(2)**	3
	6,489	(10,360)
End of financial year	**(3,553)**	(10,042)

(b) Other reserves

Other reserves comprise general reserve (Note 30(a)) and defined pension benefits obligations (Note 27).

30. RETAINED EARNINGS

(a) Subsidiaries in Indonesia are required under their local laws to set aside an amount from their net profit to a general reserve until this reserve accumulates to amounts of 20% of their fully paid capital. Such reserves are not distributable.

(b) Movement in retained earnings for the Company is as follows:

	The Company	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**11,409**	8,765
Profit for the year	**11,620**	12,703
Dividends paid (Note 31)	**(12,590)**	(10,059)
End of financial year	**10,439**	11,409

Movement in retained earnings for the Group is shown in the Consolidated Statement of Changes in Equity.

31. DIVIDENDS

	The Group	
	2019	2018
	US$'000	US$'000
Declared and paid during the year		
Final dividend for 2018: 0.81 US cents or 1.10 Singapore cents per share (Final dividend for 2017: 0.58 US cents or 0.76 Singapore cents per share)	**4,950**	3,545
Interim dividend for 2019: 1.27 US cents or 1.73 Singapore cents (2018: 1.08 US cents or 1.47 Singapore cents) per share	**7,640**	6,514
	12,590	10,059

At the forthcoming Annual General Meeting on 30 April 2020, a final dividend of 1.08 US cents or 1.49 Singapore cents per share amounting to a total of US$6,597,000 will be recommended. The financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

32. IMMEDIATE AND ULTIMATE HOLDING CORPORATIONS

The Company's immediate holding corporation is Aerodrome International Limited, a corporation that is incorporated in the British Virgin Islands. The Company's ultimate holding corporation is Credit Suisse Trust Limited ("CST"), incorporated in Singapore, in its capacity as trustee of Johnsonville Assets Limited and Johnsonville Holdings Limited. Mdm Lim Mee Len (wife of Mr Chuang Tiong Choon) is the beneficiary of Johnsonville Assets Trust of which CST has been appointed as the trustee. Mdm Lim Mee Len and Mr Chuang Tiong Choon are beneficiaries of Johnsonville Holdings Trust of which CST has been appointed as the trustee.

33. CONTINGENT LIABILITIES

(a) As at the balance sheet date, the Company has issued corporate guarantees to banks for its subsidiaries' bank borrowings as follows:

	The Company	
	2019	2018
	US$'000	US$'000
Corporate guarantees		
– Subsidiaries	**14,656**	16,735

(b) The Company was notified by Barry Callebaut of various claims under the continuing warranties, the details of which are set out in Note 3(i). In the event of an unfavourable outcome of any of these claims, and subject to the reservation of rights referred to in Note 3(i), the Company may have to pay and recognise additional liabilities and associated legal costs to Barry Callebaut.

34. COMMITMENTS FOR EXPENDITURE

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Expenditure for property, plant and equipment				
– Approved and contracted for	**701**	429	**204**	–

(b) Operating lease commitments

The Group and the Company lease various warehouses, office space and warehouse equipment under operating lease agreements. The leases have varying terms and renewal rights.

As at 31 December 2018, the future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	The Group	The Company
	2018	2018
	US$'000	US$'000
Not later than one year	1,688	255
Between one and five years	1,534	22
	3,222	277

As disclosed in Note 2.2, the Group adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value assets.

35. FINANCIAL RISK MANAGEMENT

Overview

The Group's activities expose it to a variety of financial risks, market risks (including currency risk, price risk and interest rate risk), commodity price risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses derivative financial instruments, such as foreign exchange forwards, non-deliverable forwards and foreign currency borrowings to hedge certain financial risk exposures.

Financial risk management is an integral part of the way the Group is managed. The Board provides written principles for overall risk management as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and the use of derivative and non-derivative financial instruments. Risk management is executed jointly by a central Treasury department ("Group Treasury") and the Group's operating entities in accordance with the established policies and guidelines under close supervision by the Risk Management Committee and senior management. The Group Treasury identifies and evaluates certain financial risks in close co-operation with the Group's operating entities.

(a) Market risk

(i) Currency risk

The Group has transactional currency exposures arising from sales, purchases and operating costs by operating units in currencies other than the respective functional currencies of Group entities, primarily, Indonesian Rupiah ("IDR"), Philippine Pesos ("PHP") and Malaysian Ringgit ("MYR"). The foreign currencies in which these transactions are denominated are mainly the United States Dollar ("USD"), Singapore Dollar ("SGD") and EURO ("EUR").

The operating entities' revenue, financing and a majority of its costs and operating expenditures are denominated in the functional currency in the locations they operate. A majority of the Group's raw material purchases and imports of agency brands are denominated in currencies that are not the entities' functional currencies. The Group engages in risk management activities to minimise the impact of volatility of these foreign currencies on the Group's performance. Active management of currency exposures involves an ongoing assessment of the movement of the foreign exchange rate on the Group's profitability and determining the most efficient methods of minimising these risks with the objective of reducing the overall impact of currency risks to the business.

The Group Treasury assists the operating entities in monitoring the foreign exchange exposure on a net basis by monitoring their receipts and payments in each individual foreign currency, and in using foreign exchange forward contracts to manage certain currency exposures arising from transactions that are denominated in foreign currencies. It is the Group's policy not to enter a forward contract until a firm commitment is in place. Such contracts allow the Group to sell or buy currencies at pre-determined forward rates.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investments in Indonesia, Malaysia, the Philippines and Singapore are managed primarily through borrowings denominated in the relevant foreign currencies.

35. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows:

	USD US$'000	GBP US$'000	SGD US$'000	PHP US$'000	EUR US$'000	Others US$'000	Total US$'000
At 31 December 2019							
Financial assets	52,685	36	1,440	21,438	260	124,085	199,944
Financial liabilities	(10,245)	(683)	(6,263)	(25,603)	(473)	(144,144)	(187,411)
Net financial assets/(liabilities)	**42,440**	**(647)**	**(4,823)**	**(4,165)**	**(213)**	**(20,059)**	**12,533**
Adjust: Net financial (assets)/ liabilities denominated in functional currency	(44,215)	–	1,864	4,137	–	19,164	(19,050)
Currency exposure of financial liabilities net of those denominated in the respective entities' functional currencies	(1,775)	(647)	(2,959)	(28)	(213)	(895)	(6,517)
Firm commitments in foreign currencies	(2,908)	(98)	411	–	(1,245)	(115)	(3,955)
Derivative financial instruments							
Foreign exchange forwards	2,494	–	–	–	–	–	2,494
Currency Exposure	**(2,189)**	**(745)**	**(2,548)**	**(28)**	**(1,458)**	**(1,010)**	**(7,978)**
At 31 December 2018							
Financial assets	53,950	34	1,342	18,084	167	86,955	160,532
Financial liabilities	(10,733)	(286)	(6,126)	(24,051)	(1,619)	(111,582)	(154,397)
Net financial assets/(liabilities)	**43,217**	**(252)**	**(4,784)**	**(5,967)**	**(1,452)**	**(24,627)**	**6,135**
Adjust: Net financial (assets)/ liabilities denominated in functional currency	(47,451)	–	2,171	5,835	–	24,873	(14,572)
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	(4,234)	(252)	(2,613)	(132)	(1,452)	246	(8,437)
Firm commitments in foreign currencies	(3,585)	2	254	–	(1,987)	(885)	(6,201)
Derivative financial instruments							
Foreign exchange forwards	4,700	–	–	–	1,025	–	5,725
Currency Exposure	**(3,119)**	**(250)**	**(2,359)**	**(132)**	**(2,414)**	**(639)**	**(8,913)**

35. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows:

	USD US$'000	SGD US$'000	GBP US$'000	EUR US$'000	Others US$'000	Total US$'000
At 31 December 2019						
Financial assets	45,984	717	20	5	–	46,726
Financial liabilities	(1,733)	(3,428)	–	(4)	(392)	(5,557)
Net financial assets/(liabilities)	**44,251**	**(2,711)**	**20**	**1**	**(392)**	**41,169**
Adjust: Net financial assets denominated in functional currency	(44,251)	–	–	–	–	(44,251)
Currency exposure of financial (liabilities)/ assets net of those denominated in functional currency	–	(2,711)	20	1	(392)	(3,082)
Firm commitments in foreign currencies	–	34	–	(127)	–	(93)
Currency exposure	**–**	**(2,677)**	**20**	**(126)**	**(392)**	**(3,175)**
At 31 December 2018						
Financial assets	47,742	678	18	7	1,015	49,460
Financial liabilities	(1,936)	(2,842)	(17)	(257)	(385)	(5,437)
Net financial assets/(liabilities)	**45,806**	**(2,164)**	**1**	**(250)**	**630**	**44,023**
Adjust: Net financial assets denominated in functional currency	(45,806)	–	–	–	–	(45,806)
Currency exposure of financial (liabilities)/ assets net of those denominated in functional currency	–	(2,164)	1	(250)	630	(1,783)
Firm commitments in foreign currencies	–	(86)	2	(41)	–	(125)
Currency exposure	**–**	**(2,250)**	**3**	**(291)**	**630**	**(1,908)**

In addition to the above, the Company entered into foreign exchange forward contracts of US$1,400,000 (2018: US$2,100,000 and EUR600,000) to manage the currency exposure arising from foreign currency forward purchases made by its subsidiaries.

35. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis to foreign exchange movement

Assuming that all other variables, in particular interest rates, remain constant, a change of the United States Dollar against the following currencies at the balance sheet date will increase/(decrease) profit after tax by the amounts shown below:

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
USD against SGD				
– strengthened 5% (2018: 5%)	**155**	168	**112**	90
– weakened 5% (2018: 5%)	**(155)**	(168)	**(112)**	(90)
USD against IDR				
– strengthened 5% (2018: 5%)	**37**	(81)	**–**	–
– weakened 5% (2018: 5%)	**(37)**	81	**–**	–
USD against MYR				
– strengthened 5% (2018: 5%)	**(31)**	(19)	**–**	–
– weakened 5% (2018: 5%)	**31**	19	**–**	–
USD against PHP				
– strengthened 5% (2018: 5%)	**3**	62	**1**	5
– weakened 5% (2018: 5%)	**(3)**	(62)	**(1)**	(5)

As at 31 December 2019, the total notional amounts of the Group's and the Company's foreign exchange forwards are US$2,474,000 and US$1,400,000 (2018: US$5,725,000 and US$2,786,000) respectively.

Any movement in GBP and EUR against USD would not have material impact on the Group's and the Company's financial results.

(ii) Price risk

The Group's business operations are exposed to fluctuations in the prices of its raw materials, especially cocoa ingredients, milk, sugar and packaging materials.

The Group monitors its exposure to raw material prices as an integral part of its overall risk management process and seeks to mitigate the exposure by buying forward its main raw material requirements based on forecasted sales. Purchase contracts for key raw materials are entered into up to 18 months ahead of the actual production date.

35. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to interest rate risks arise primarily from its short-term bank deposits and debt obligations. The short-term bank deposits and borrowings are mainly at variable rates and these expose the Group and the Company to cash flow interest rate risks.

The net impact of the interest rate risks as at 31 December 2019 and 2018 is considered insignificant. Consequently, no sensitivity analysis is prepared by the Group and Company.

(b) Credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's and the Company's major classes of financial assets are bank deposits (Note 11), trade and other receivables (Notes 12 and 14), and loans to associated company and joint venture (Note 17).

For trade and other receivables, and loans to associated company and joint venture, the Group adopts the policy of dealing only with customers and other counterparties of appropriate credit history and where possible, the Group has obtained sufficient security to mitigate credit risk.

The credit exposure and credit terms granted to our customers are continuously monitored at the entity level by the respective management and at the Group level by the Group Treasury.

For derivatives and bank deposits, the Group and the Company only transact with high credit quality financial institutions. The Group limits the amount of credit exposure to any financial institution.

As the above policies have been applied consistently, the Group does not expect to incur material credit losses on these financial assets.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	The Group	
	2019	2018
	US$'000	US$'000
Corporate guarantees		
– Subsidiaries	**14,656**	16,735

Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers of the Group and the Company.

35. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The credit risk for trade receivables based on the information provided to key management is as follows:

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
By geographical areas				
Indonesia	**64,513**	48,128	**766**	710
Singapore	**439**	325	**233**	259
Philippines	**7,789**	7,095	**82**	81
Thailand	**332**	865	**202**	415
Malaysia	**16,680**	15,910	**188**	565
Other countries in Asia	**34**	123	**–**	114
	89,787	72,446	**1,471**	2,144
By types of customers				
Subsidiaries	**–**	–	**1,036**	1,334
Related parties, associated companies and joint venture	**151**	518	**–**	–
Non-related parties:				
– International food and beverage companies	**–**	22	**–**	22
– Retail chains	**37,862**	37,086	**–**	–
– Wholesalers and distributors	**39,871**	28,143	**435**	788
– Others	**11,903**	6,677	**–**	–
	89,787	72,446	**1,471**	2,144

(i) Trade receivables

The Group applies the SFRS(I) 9 simplified approach to measure the lifetime expected credit loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 6 years before balance sheet date respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

35. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

On that basis, the Group's credit risk exposure in relation to trade receivables as at 31 December 2019 and 31 December 2018 are set out in the provision matrix as follows:

	Current US$'000	Past due less than 30 days US$'000	Past due 1 to 3 months US$'000	Past due 3 to 6 months US$'000	Past due over 6 months US$'000
31 December 2019:					
Expected loss rate	0.16%	0.34%	0.52%	0.42%	0.46%
Gross carrying amount	63,364	20,080	3,832	1,190	1,522
Loss allowance*	**101**	**68**	**20**	**5**	**7**
31 December 2018:					
Expected loss rate	0.16%	0.35%	0.54%	0.19%	0.24%
Gross carrying amount	43,465	19,227	5,226	2,605	2,099
Loss allowance*	**70**	**67**	**28**	**5**	**5**

* Excludes trade receivables which were individually determined to be impaired.

The movements in allowance for impairment in relation to trade receivables are as follows:

	2019 US$'000	2018 US$'000
Balance at 1 January	**1,383**	1,315
Increase in loss allowance recognised in profit or loss during the year	**44**	349
Receivables written off as uncollectible	**(32)**	(210)
Currency translation difference	**56**	(71)
At 31 December	**1,451**	1,383

Cash and cash equivalents, contract assets, loan to subsidiary, loans to associated company and joint venture and other receivables are subject to immaterial credit loss.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

35. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. Prudent liquidity risk management includes maintaining sufficient cash and having an adequate amount of committed credit facilities to meet the forecast net cash requirement of the Group's operations.

The table below analyses the Group's and Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000	Total US$'000
The Group					
At 31 December 2019					
Trade and other payables	**95,848**	**–**	**–**	**–**	**95,848**
Provisions for other liabilities and charges	**–**	**–**	**–**	**163**	**163**
Lease liabilities	**2,141**	**1,373**	**436**	**–**	**3,950**
Borrowings (excluding lease liabilities)	**59,131**	**–**	**–**	**–**	**59,131**
	157,120	**1,373**	**436**	**163**	**159,092**
At 31 December 2018					
Trade and other payables	80,821	–	–	–	80,821
Provisions for other liabilities and charges	–	–	–	232	232
Borrowings	59,494	75	87	26	59,682
	140,315	75	87	258	140,735
The Company					
At 31 December 2019					
Trade and other payables	**3,768**	**–**	**–**	**–**	**3,768**
Lease liabilities	**712**	**758**	**410**	**–**	**1,880**
	4,480	**758**	**410**	**–**	**5,648**
At 31 December 2018					
Trade and other payables	5,205	–	–	–	5,205
Borrowings	110	60	82	26	278
	5,315	60	82	26	5,483

35. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's and the Company's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000	Total US$'000
The Group					
At 31 December 2019					
Net-settled non-deliverable forwards	**(37)**	**–**	**–**	**–**	**(37)**
Gross-settled foreign exchange forwards					
– Payments	**(1,111)**	**–**	**–**	**–**	**(1,111)**
– Receipts	**1,095**	**–**	**–**	**–**	**1,095**
	(53)	**–**	**–**	**–**	**(53)**
At 31 December 2018					
Net-settled non-deliverable forwards	(57)	–	–	–	(57)
The Company					
At 31 December 2019					
Net-settled non-deliverable forwards	**(37)**	**–**	**–**	**–**	**(37)**
At 31 December 2018					
Net-settled non-deliverable forwards	(57)	–	–	–	(57)

35. FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk

The Group's objectives when managing capital are to minimise the overall cost of capital and to achieve an optimal capital structure so as to maximise shareholder value. The Group leverages on its credit profile and business standing in broadening its financing options to include the capital markets. In 2014, the Company established a US$500 million Multicurrency Medium Term Note ("MTN") programme. The Multicurrency MTN programme enables the Group to reduce dependence on bank financing; provide flexibility and currency-matched financing of short and long term assets and reduce effective interest cost over the longer term. There was no draw down of the MTN in 2018 and 2019.

Management monitors capital based on the Group's gearing ratio. The Group and the Company are required by the banks to maintain a gearing ratio of not exceeding 300% (31 December 2018: 300%). The gearing ratio is calculated as net debt divided by the Group's total equity. Net debt is calculated as borrowings less cash and cash equivalents. As of 31 December 2019, the Group is in a net borrowing position of US$757,000 (31 December 2018: US$4,297,000).

The Group and the Company are also required by the banks to maintain a current ratio (current assets divided by current liabilities) of more than 100% (31 December 2018: 100%).

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2019 and 2018.

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

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

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

35. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value measurements (continued)

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
The Group				
At 31 December 2019				
Liabilities				
Derivative liabilities				
– Foreign exchange forwards	**–**	**16**	**–**	**16**
– Non-deliverable forwards	**–**	**37**	**–**	**37**
At 31 December 2018				
Liabilities				
Derivative liabilities				
– Non-deliverable forwards	–	57	–	57
The Company				
At 31 December 2019				
Liabilities				
Derivative liabilities				
– Non-deliverable forwards	**–**	**37**	**–**	**37**
At 31 December 2018				
Liabilities				
Derivative liabilities				
– Non-deliverable forwards	–	57	–	57

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of foreign exchange and non-deliverable forward contracts are determined using forward exchange rates at the balance sheet date. These instruments are included in Level 2. There are no financial instruments classified as Level 3 as the Group has not applied valuation techniques that are based on significant unobservable inputs.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amounts of borrowings approximate their fair values (Note 25(c)).

35. FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category

The carrying amounts of the different categories of financial instruments are as follows:

	The Group		The Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Financial assets, at amortised cost	**159,069**	137,236	**46,726**	49,463
Financial liabilities at fair value through profit or loss	**53**	57	**37**	57
Financial liabilities at amortised cost	**152,522**	136,424	**5,557**	5,437

36. RELATED PARTY TRANSACTIONS

In addition to other related party information disclosed elsewhere in the financial statements, the following related party transactions took place between the Group and related parties during the financial year:

(a) Sales and purchases of goods and services

	The Group	
	2019	2018
	US$'000	US$'000
Revenue:		
Sales to joint venture	**544**	473
Sales to related parties	**56**	78
Interest income from associated companies/joint venture	**53**	40
Service income from associated companies/joint ventures	**220**	339
Service income from related parties	**51**	51
Expenditure:		
Purchases from associated companies/joint venture	**4,230**	2,869
Purchases from related parties	**14,376**	14,085
Rental payable to associated companies	**75**	71
Professional fee payable to a related party	**8**	36
Directors' fees	**469**	469

Related parties represent corporations in which certain directors have substantial financial interests. The related party transactions between the Group and related parties were conducted at arm's length and on normal commercial terms.

Outstanding balances at 31 December 2019, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12, 14, 23 and 24.

36. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	The Group	
	2019	2018
	US$'000	US$'000
Salaries and other short-term employee benefits	**6,611**	5,813
Post-employment benefits – contribution to CPF	**65**	70
	6,676	5,883

Included above is total compensation to directors of the Company amounting to US$2,867,000 (2018: US$2,303,000).

37. SEGMENT INFORMATION

The Group engages in the manufacture and marketing of chocolate confectionery products under a variety of brands and distribution of a wide range of food and other consumer products, including agency brands.

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions. The Executive Committee comprises the Executive Directors. The Executive Committee manages and monitors its Branded Consumer business based on its two geographical segments, namely Indonesia and Regional Markets (which comprise the Philippines, Malaysia and Singapore).

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 December 2019 is as follows:

	Indonesia US$'000	**Regional Markets US$'000**	**Total US$'000**
Sales:			
– Total segment sales	348,108	134,214	482,322
– Inter-segment sales	(10,665)	(35)	(10,700)
Sales to external parties	**337,443**	**134,179**	**471,622**
EBITDA	55,024	4,617	59,641
Interest income			1,282
Finance costs			(3,670)
Share of results of associated companies and joint ventures			(821)
Income tax expense			(15,361)
Other segment information			
Depreciation and amortisation	(10,594)	(2,826)	(13,420)
Capital expenditure on property, plant and equipment and intangible assets	8,956	3,444	12,400
Sales are analysed as:			
– Own Brands	254,630	53,392	308,022
– Agency Brands	82,813	80,787	163,600
	337,443	**134,179**	**471,622**

37. SEGMENT INFORMATION (continued)

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 December 2018 is as follows:

	Indonesia US$'000	Regional Markets US$'000	Total US$'000
Sales:			
– Total segment sales	316,207	121,269	437,476
– Inter–segment sales	(10,464)	(43)	(10,507)
Sales to external parties	**305,743**	**121,226**	**426,969**
EBITDA	53,489	(2,230)	51,259
Interest income			1,224
Finance costs			(2,900)
Share of results of associated companies and joint ventures			(67)
Income tax expense			(15,096)
Other segment information			
Depreciation and amortisation	(10,454)	(1,037)	(11,491)
Capital expenditure on property, plant and equipment and intangible assets	2,988	3,534	6,522
Sales are analysed as:			
– Own Brands	233,327	48,014	281,341
– Agency Brands	72,416	73,212	145,628
	305,743	**121,226**	**426,969**

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Committee is measured in a manner consistent with that in the consolidated income statement.

37. SEGMENT INFORMATION (continued)

(a) Reconciliation of segment profits

The Executive Committee assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation ("EBITDA") for its operations. This measurement basis excludes the effect of expenditure from the operating segments that are not expected to recur regularly in every period which are separately analysed. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Group Treasury, which manages the cash position of the Group.

A reconciliation of EBITDA to profit before tax is set out below:

	The Group	
	2019	2018
	US$'000	US$'000
EBITDA	**59,641**	51,259
Interest expense (Note 6)	**(3,670)**	(2,900)
Interest income (Note 4)	**1,282**	1,224
Depreciation of property, plant and equipment (Note 18)	**(12,046)**	(10,419)
Amortisation of intangible assets (Note 20(d))	**(1,374)**	(1,072)
Exceptional items (Note 9)	**(256)**	(2,136)
Profit before tax	**43,577**	35,956

(b) Geographical information

Sales are based on the country in which the customer is located. Non-current assets are shown by the country where the assets are located.

	Revenue		Non-current assets	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Indonesia	**337,443**	305,743	**108,261**	104,926
Regional Markets:				
– Philippines	**43,192**	40,885	**11,221**	10,842
– Malaysia	**81,147**	73,171	**2,585**	1,766
– Singapore	**2,508**	1,970	**23,425**	21,845
– Other countries	**7,332**	5,200	**–**	–
	471,622	426,969	**145,492**	139,379

37. SEGMENT INFORMATION (continued)

(c) Changes in accounting policy

(i) The adoption of the new leasing standard described in Note 2.2 had the following impact on the EBITDA in the current year:

	EBITDA before adoption of SFRS(I) 16 US$'000	Rental expense under SFRS(I) 1-17, when the Group is the lessee US$'000	EBITDA after adoption of SFRS(I) 16 US$'000
Indonesia	55,024	–	55,024
Regional Markets	2,724	1,893	4,617
	57,748	1,893	59,641

(ii) The adoption of the new leasing standard resulted in recognition of ROU assets and lease liabilities, which increased segment assets and liabilities as at 31 December 2019 as follows:

	Segment assets US$'000	Segment liabilities US$'000
Indonesia	–	–
Regional Markets	3,752	3,774
	3,752	3,774

(iii) The recognition of ROU assets and lease liabilities on the balance sheet resulted in an increase in depreciation and finance expenses in the consolidated statement of comprehensive income in the current year as follows:

	Depreciation US$'000	Finance expense US$'000
Indonesia	–	–
Regional Markets	1,820	209
	1,820	209

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items above is not entirely comparable to the information disclosed for the prior year.

38. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant to the Group's accounting periods beginning on or after 1 January 2020 and which the Group has not early adopted:

Amendments to SFRS(I) 3 *Business Combination* (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

39. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Delfi Limited on 20 March 2020.

This Appendix is circulated to Shareholders of Delfi Limited together with the Company's annual report. Its purpose is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval to renew the Shareholders' Mandate to be tabled at the Annual General Meeting to be held in Singapore, on Thursday, 30 April 2020 at 10.00 a.m. via electronic means*.

The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any of the statements made, reports contained/referred to, or opinions expressed, in this Appendix.

DELFI LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number: 198403096C

APPENDIX IN RELATION TO THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

***Note:**

In view of the Covid-19 situation and the social distancing regulations, the Annual General Meeting will be held by way of a virtual meeting, as encouraged via the Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation released on 25 March 2020 on the MAS website.

The virtual meeting will be conducted in accordance with the regulations as may be approved in the Parliament of Singapore in April 2020.

Shareholders are advised to check with the Company's website: www.delfilimited.com for urgent updates on this Annual General Meeting.

Shareholders are also urged to submit their votes to the Chairman of the meeting, which under the circumstances is the only means of voting at the AGM, with such votes reaching the Company at least 48 hours before the AGM.

APPENDIX (SHAREHOLDERS' MANDATE)

DEFINITIONS

In this appendix (***Appendix***), the following definitions apply throughout unless otherwise stated:

AGM	:	The annual general meeting of the Company to be convened on 30 April 2020, notice of which is set out in the Annual Report 2019 despatched together with this Appendix;
Audit Committee	:	An audit committee of the Company comprising Mr Anthony Michael Dean (Chairman), Mr Pedro Mata-Bruckmann and Mr Koh Poh Tiong;
CDP	:	The Central Depository (Pte) Limited;
Company	:	Delfi Limited;
Companies Act	:	Companies Act, Chapter 50 of Singapore;
Directors	:	The directors of the Company as at the date of this Appendix;
Executive Directors	:	The executive directors as at the date of this Appendix, unless otherwise stated;
Group	:	The Company and its subsidiaries;
Independent Director(s)	:	The independent director(s) of the Company as at the date of this Appendix unless otherwise stated;
Interested Person	:	A director, chief executive officer or controlling shareholder of the Company or an associate of such director, chief executive officer or controlling shareholder;
Interested Person Transaction	:	A transaction proposed to be entered into between the Group and any Interested Person;
John Chuang	:	Chuang Tiong Choon also known as Ma Wei Lin
Joseph Chuang	:	Chuang Tiong Liep also known as Chit Ko Ko
Latest Practicable Date	:	The latest practicable date prior to the printing of this Appendix, being 14 March 2020;
Listing Manual	:	The listing manual of the SGX-ST;
Rp or ***Rupiah***	:	Indonesian Rupiah;
Securities Account	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account;
SGX-ST	:	Singapore Exchange Securities Trading Limited;

APPENDIX (SHAREHOLDERS' MANDATE)

Shareholders	:	Registered holders of Shares, except that where the registered holder is CDP, the term ***Shareholders*** shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares;
Shares	:	Ordinary shares in the capital of the Company;
Substantial Shareholder	:	A person who has an interest in Shares which is 5% or more of the total votes attached to all the voting;
S$	:	Singapore dollars;
US$ and ***cents***	:	United States dollars and cents, respectively;
William Chuang	:	Chuang Tiong Kie also known as Maung Lu Win; and
% or ***per cent.***	:	Per centum or percentage.

The terms ***Depositor*** and ***Depository Register*** shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore (***Securities and Futures Act***).

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Listing Manual and Securities and Futures Act or any modification thereof and not otherwise defined in this Appendix shall have the same meaning assigned to it under the Companies Act, the Listing Manual and Securities and Futures Act or any modification thereof, as the case may be.

Any reference to a time of day in this Appendix is made by reference to Singapore time unless otherwise stated.

APPENDIX (SHAREHOLDERS' MANDATE)

1. INTRODUCTION

The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval at the AGM to renew the general mandate (***Shareholders' Mandate***) that will enable the Group to enter into transactions with the Interested Persons in compliance with Chapter 9 of the Listing Manual.

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries or associated companies propose to enter into with an interested person of the listed company. An ***interested person*** is defined as a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

Chapter 9 of the Listing Manual allows a listed company to seek a Shareholders' Mandate for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations, which may be carried out with the listed company's ***interested persons***.

The Shareholders' Mandate was approved at the annual general meeting of the Company held on 29 April 2019 and will be effective until the next annual general meeting is held or required by law to be held, whichever is the earlier. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the AGM to be held on 30 April 2020, to take effect until the next annual general meeting of the Company.

General information relating to Chapter 9 of the Listing Manual, including the meanings of terms such as ***interested person, associate, associated company*** and ***controlling shareholder***, are set out in the Annexure of this Appendix.

2. THE RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

2.1 Classes of Interested Persons

The Shareholders' Mandate will apply to the Group's interested person transactions including PT Tri Keeson Utama, PT Fajar Mataram Sedayu, PT Freyabadi Indotama and PT Sederhana Djaja and each of their associates. Please refer to the section "Potential Conflicts of Interest" in the Company's prospectus dated 28 October 2004 for more details.

Transactions with Interested Persons which do not fall within the ambit of the proposed Shareholders' Mandate will be subject to the provisions of Chapter 9 and/or other applicable provisions of the Listing Manual.

2. THE RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (continued)

2.2 Scope of Interested Person Transactions

The interested person transactions with the Interested Persons which will be covered by the Shareholders' Mandate are the following:-

(a) Transactions with PT Tri Keeson Utama

By virtue of their aggregate interest in 99.9% of the shareholding in PT Sederhana Djaja, the Executive Directors, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang are deemed to be interested in 100.0% of the issued share capital of PT Tri Keeson Utama held by PT Sederhana Djaja. Accordingly, transactions between the Group and PT Tri Keeson Utama are deemed to be interested person transactions.

PT Tri Keeson Utama is principally engaged in the business of mixing and blending cocoa cakes and cocoa powder. The Company and/or its subsidiary, PT General Food Industries, has been selling cocoa products such as cocoa powder and cocoa cakes to PT Tri Keeson Utama. The value of the Company's sales to PT Tri Keeson Utama for the period from 1 January 2019 up to the Latest Practicable Date are as set out below:-

	For the period from 1 January 2019 up to the Latest Practicable Date
Aggregate value of sales to PT Tri Keeson Utama (US$'000)	**Nil**

These transactions were entered into on a willing buyer and willing seller basis. The provision of cocoa products to PT Tri Keeson Utama is a recurrent interested person transaction.

Following the completion of the divestment of Cocoa Ingredients Division on 30 June 2013, sales of cocoa ingredients or products to PT Tri Keeson Utama has ceased. However, the Company may continue to provide some products to PT Tri Keeson Utama.

(b) Transactions with PT Fajar Mataram Sedayu

By virtue of their indirect interest in 99.9% of the shareholding in PT Sederhana Djaja, the Executive Directors, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang are deemed to be interested in 51.0% of the issued share capital of PT Fajar Mataram Sedayu. The remaining shareholding interest in PT Fajar Mataram Sedayu is held by unrelated third parties. Accordingly, transactions between the Group and PT Fajar Mataram Sedayu are deemed to be interested person transactions.

PT Fajar Mataram Sedayu is principally engaged in the manufacture and sale of compound chocolate rice primarily for industrial use, as well as the manufacture and sale of consumer chocolate targeted at the lower segment of the Indonesian consumer chocolate market.

2. THE RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (continued)

2.2 Scope of Interested Person Transactions (continued)

(b) Transactions with PT Fajar Mataram Sedayu (continued)

(i) Sale of materials by the Group to PT Fajar Mataram Sedayu

The Company's subsidiaries, PT Perusahaan Industri Ceres and PT General Food Industries, have been undertaking the sale of products such as cocoa liquor, cocoa butter and vegetable fats to PT Fajar Mataram Sedayu. The value of the Company's sales to PT Fajar Mataram Sedayu for the period from 1 January 2019 up to the Latest Practicable Date are as set out below:-

	For the period from 1 January 2019 up to the Latest Practicable Date
Aggregate value of sales to PT Fajar Mataram Sedayu (US$'000)	**Nil**

These transactions were entered into on a willing buyer and willing seller basis. The provision of products such as cocoa liquor, cocoa butter and vegetable fats to PT Fajar Mataram Sedayu is a recurrent interested person transaction.

Following the completion of the divestment of Cocoa Ingredients Division on 30 June 2013, sales of cocoa ingredients or products to PT Fajar Mataram Sedayu has ceased. However, the Company may continue to provide some of the Company's products to PT Fajar Mataram Sedayu.

(ii) Purchase of goods from PT Fajar Mataram Sedayu

The Company's subsidiary, PT Nirwana Lestari, has been undertaking the purchase of products from PT Fajar Mataram Sedayu, for distribution in Bali, Indonesia. PT Nirwana Lestari intends to continue purchasing such products from PT Fajar Mataram Sedayu. The quantum of the Company's purchases from PT Fajar Mataram Sedayu for the period 1 January 2019 to the Latest Practicable Date are set out below:-

	For the period from 1 January 2019 up to the Latest Practicable Date
Aggregate value of purchases from PT Fajar Mataram Sedayu (US$'000)	5

These transactions were entered into on a willing buyer and willing seller basis. The purchase of chocolate rice, chocolate spread, wafer, and other products from PT Fajar Mataram Sedayu is a recurrent interested person transaction. The Company intends to continue purchasing such products from PT Fajar Mataram Sedayu.

2. THE RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (continued)

2.2 Scope of Interested Person Transactions (continued)

(c) Transactions with PT Freyabadi Indotama

By virtue of their aggregate interest in 100.0% of the shareholding in Berlian Enterprises Limited, the Executive Directors, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang are deemed to be interested in 49.0% of the issued share capital of PT Freyabadi Indotama held in aggregate by McKeeson Investments Pte Ltd and PT Sederhana Djaja. Accordingly, transactions between the Group and PT Freyabadi Indotama are deemed to be interested person transactions.

PT Freyabadi Indotama is a joint venture entity, in which Fuji Oil Ltd, an unrelated third party, McKeeson Investments Pte Ltd and PT Sederhana Djaja own 51.0%, 30.0% and 19.0% of its issued share capital respectively. PT Freyabadi Indotama is principally engaged in the manufacture and sale of industrial chocolate.

(i) Sale of materials by the Group to PT Freyabadi Indotama

The Company's subsidiaries, PT Perusahaan Industri Ceres, PT Nirwana Lestari and PT General Food Industries have been undertaking the sale of products such as cocoa powder, cocoa butter, chocolate rice, cocoa liquor and other products to PT Freyabadi Indotama. The value of the Company's sales to PT Freyabadi Indotama for the period from 1 January 2019 up to the Latest Practicable Date are set out below:-

	For the period from 1 January 2019 up to the Latest Practicable Date
Aggregate revenue received from PT Freyabadi Indotama (US$'000)	56

These transactions were entered into on a willing buyer and willing seller basis. The provision of products such as cocoa powder, cocoa butter, chocolate rice, cocoa liquor and other products to PT Freyabadi Indotama is a recurrent interested person transaction. The Company intends to continue providing the Company's products to PT Freyabadi Indotama.

2. THE RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (continued)

2.2 Scope of Interested Person Transactions (continued)

(c) Transactions with PT Freyabadi Indotama (continued)

(ii) Purchase of products from PT Freyabadi Indotama

The Company's subsidiaries, PT Nirwana Lestari, PT Perusahaan Industri Ceres have been undertaking the purchase of chocolate coating and plastic packaging products from PT Freyabadi Indotama. The value of the Company's purchases from PT Freyabadi Indotama for the period from 1 January 2019 up to the Latest Practicable Date are as set out below:-

	For the period from 1 January 2019 up to the Latest Practicable Date
Aggregate purchases from PT Freyabadi Indotama (US$'000)	14,371

These transactions were entered into on a willing buyer and willing seller basis. The purchase of chocolate coating and plastic packaging products from PT Freyabadi Indotama is a recurrent interested person transaction. The Company intends to continue purchasing such products from PT Freyabadi Indotama.

(d) Transactions with PT Sederhana Djaja

By virtue of their aggregate interest in 100.0% of the shareholding in Berlian Enterprises Limited, the Executive Directors, Mr John Chuang, Mr Joseph Chuang and Mr William Chuang are deemed to be interested in 99.9% of the issued share capital of PT Sederhana Djaja held by McKeeson Investments Pte Ltd. Accordingly, transactions between the Group and PT Sederhana Djaja are deemed to be interested person transactions. PT Sederhana Djaja is an investment holding company.

The total annual rental paid by the Group to PT Sederhana Djaja for the period from 1 January 2019 up to the Latest Practicable Date are as set out below:-

	For the period from 1 January 2019 up to the Latest Practicable Date
Total annual rental paid to PT Sederhana Djaja (US$'000)	–

These transactions were entered into on a willing buyer and willing seller basis. The Group has terminated its lease agreements with PT Sederhana Djaja in 2018. However, the Company may continue to lease properties from PT Sederhana Djaja.

2. THE RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (continued)

2.3 Rationale for and Benefits of the Shareholders' Mandate

Shareholders' Mandate

In the ordinary course of the Group's business activities, the Group and the Interested Persons may enter into transactions with each other from time to time. Further, it is likely that such transactions will occur with some degree of frequency and could arise at any time.

The Directors are of the view that it will be beneficial to the Group to transact or continue to transact with the Interested Persons, especially since the transactions are to be entered into on normal commercial terms.

Due to the time-sensitive nature of commercial transactions, the Company is seeking Shareholders' approval pursuant to Chapter 9 of the Listing Manual for the renewal of the Shareholders' Mandate to enable the Group to enter into transactions with the Interested Persons, provided that such transactions are entered into in the Group's ordinary course of business, are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The Shareholders' Mandate is intended to enhance the Group's ability to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for the Company to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the Group into such transactions. This will substantially reduce administrative time and expenses associated with the making of such announcements or the convening of general meetings from time to time, and allow resources to be focused towards other corporate and business opportunities.

The Shareholders' Mandate will not cover any transactions between the Group and the Interested Persons which have a value below S$100,000 as the threshold and aggregation requirements under Chapter 9 of the Listing Manual do not apply to such transactions. In addition, the transactions will not include the purchase or sale of assets, undertakings or businesses that are not in the Group's ordinary course of business.

If approved at the AGM, the Shareholders' Mandate will take effect from the date of the passing of the resolution to be proposed at the AGM and will continue to be in force until the next annual general meeting. The Company will seek the approval of Shareholders for the renewal of the Shareholders' Mandate annually.

Pursuant to Rule 920(1)(a) of the Listing Manual, the Company is required to:-

(a) disclose the Shareholders' Mandate in the Company's annual report, giving details of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year under review, (in the form set out in Rule 907 of the Listing Manual); and

(b) announce the aggregate value of transactions conducted pursuant to the Shareholders' Mandate for the financial periods which it is required to report on within the time period required for the announcement of the financial results of the Group (in the form set out in Rule 907 of the Listing Manual).

2. THE RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (continued)

2.4 Review Procedures for Interested Person Transactions

The Company has established the following guidelines and procedures to ensure that all Interested Person Transactions are made on the Company's normal commercial terms and are consistent with the Group's usual business practices and policies, which are generally no more favourable to the Interested Person than those extended to unrelated third parties:-

(a) All Interested Person Transactions will be documented and submitted periodically to the Audit Committee for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the Company. In the event that a member of the Audit Committee is deemed to have an interest in an Interested Person Transaction, he will abstain from reviewing that particular transaction. The Audit Committee will include the review of Interested Person Transactions as part of the standard procedures during the Audit Committee's examination of the adequacy of the Group's internal controls.

(b) In respect of any purchase of products or procurement of services from Interested Persons, quotes received from at least two unrelated third parties in respect of the same or substantially the same types of transactions are to be used as a comparison wherever possible. The Audit Committee will review these comparables, taking into account pertinent factors, including but not limited to:

(i) whether the pricing is in accordance with the Company's usual business practice and policies;

(ii) quality of the products offered;

(iii) delivery time;

(iv) track record; and

(v) whether the terms are no more favourable to the Interested Persons than those extended by unrelated third parties.

In cases where it is not possible to obtain comparables from other unrelated third parties, the Company may enter into the transaction with the Interested Person provided that the price and terms received from the Interested Person are no less favourable than those extended by the Interested Person to the unrelated third parties, taking into account all pertinent factors including, but not limited to business practices, industry norms, volume, quality, delivery time and track record.

(c) In respect of any sale of products to Interested Persons, the Audit Committee will review the terms of the sale to ensure that they are not prejudicial to the interest of the Shareholders, taking into account pertinent factors, including but not limited to whether transactions with Interested Persons have been carried out at the prevailing market rates or prices on terms which are no more favourable to the Interested Person than the usual commercial terms extended to unrelated third parties.

Where the prevailing market rates or prices are not available due to the nature of the product to be sold, the Company may enter into the transaction with the Interested Person provided that the pricing policies are consistent with the usual margin obtained by the Group for the same or substantially similar type of transaction with unrelated third parties. In determining the transaction price payable by Interested Persons for such products, factors such as, but not limited to, quantity, volume, consumption, customer requirements, specifications and duration of contract will be taken into account.

2. THE RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (continued)

2.4 Review Procedures for Interested Person Transactions (continued)

The Group will implement the following procedures for the identification of interested persons and the recording of all the Company's interested person transactions:

(a) At or about the fifteenth day of each month, the heads of the various departments are required to submit details of all Interested Person Transactions entered into during the previous month to the Chief Financial Officer, such as the actual value of the transactions. A "nil" return is expected if there are no Interested Person Transactions for the month;

(b) the Chief Financial Officer will maintain a register of interested person transactions carried out with Interested Persons; and

(c) following the review of the list by the Chief Financial Officer, the list will be submitted to the Company's Chief Executive Officer for approval prior to the submission to the Audit Committee for review and approval.

The Directors will ensure that all disclosure requirements on the Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with. In addition, such transactions will be subject to Shareholders' approval if required by the Listing Manual. The Company will disclose in its Annual Report the aggregate value of the Interested Person Transactions conducted during the financial year.

The Company will maintain a register of transactions carried out with the Interested Persons pursuant to the Shareholders' Mandate (recording the basis, including the quotations obtained to support such basis, on which they were entered into), and the Company's internal audit plan will incorporate a review of all transactions entered into in the relevant financial year pursuant to the Shareholders' Mandate.

The Audit Committee shall review these internal audit reports on the Interested Person Transactions annually to ascertain that the established review procedures to monitor the Interested Person Transactions have been complied with.

If, during these periodic reviews by the Audit Committee, the Audit Committee is of the view that the review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the Group are conducted, the Company will revert to Shareholders for a fresh mandate based on new guidelines and review procedures to ensure that Interested Person Transactions will be conducted at arm's length, on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and the Substantial Shareholders in Shares as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Substantial Shareholders				
Lim Mee Len	–	–	313,479,400[1]	51.29
John Chuang	220,800	0.036	313,863,400[2]	51.36
Credit Suisse Trust Limited (***CST***)	–	–	311,726,000[3]	51.01
Johnsonville Assets Limited (***JAL***)	–	–	311,726,000[4]	51.01
Johnsonville Holdings Limited (***JHL***)	–	–	311,726,000[5]	51.01
Aerodrome International Limited (***Aerodrome***)	–	–	311,726,000[6]	51.01
Joseph Chuang	270,800	0.044	309,061,000[7]	50.57
Maplegold Assets Limited (***Maplegold***)	–	–	308,741,000[8]	50.52
Berlian Enterprises Limited (***Berlian***)	–	–	308,741,000[9]	50.52
Springbright Investments Limited (***Springbright***)	–	–	291,964,000[10]	47.77
First Sentier Investors Holdings Pty Limited (***FSIHPL***)	–	–	67,219,200[11]	10.99
FMR LLC	–	–	50,901,400[12]	8.33
FMR Investment Management (UK) Limited (***FIMUKL***)	–	–	50,740,300[13]	8.30
Fidelity Management & Research Company LLC (***FMRCLLC***)	–	–	50,740,300[14]	8.30
First Pacific Advisors, LP (***FPALP***)	43,547,900	7.13	–	–
Steven T. Romick	–	–	43,547,900[15]	7.13
J. Richard Atwood	–	–	43,547,900[16]	7.13
FPA GP, Inc. (***FGI***)	–	–	43,547,900[17]	7.13
Colonial First State Asset Management (Australia) Limited (***CFSAMAL***)	–	–	40,001,900[18]	6.55
Marathon Asset Management LLP (***MAMLLP***)	39,997,200	6.54	–	–
Fidelity Investment Trust (***FIT***)	34,197,000	5.60	–	–
Fidelity Aberdeen Street Trust (***FAST***)	–	–	34,197,000[19]	5.60
Directors				
Pedro Mata-Bruckmann	–	–	177,000[20]	0.03
John Chuang	220,800	0.036	313,863,400[2]	51.36
Joseph Chuang	270,800	0.044	309,061,000[7]	50.57
William Chuang	630,800	0.10	–	–
Anthony Michael Dean	–	–	50,000[21]	0.008
Davinder Singh	100,000	0.016	–	–
Koh Poh Tiong	–	–	–	–
Doreswamy Nandkishore	22,000	0.0036		

Notes:

(1) Mdm Lim Mee Len (wife of Mr John Chuang) is deemed to be interested in the Shares held (directly and indirectly) by Aerodrome, Berlian, Springbright, McKeeson Investments Pte Ltd (***McKeeson***) and Honeychurch International Limited (***Honeychurch***), including her shares which are held by her nominee, Citibank Nominees Singapore Pte Ltd. Mdm Lim's interests arise as she is the beneficiary of the Johnsonville Asset Trust (***JAT***) and Johnsonville Holdings Trust (***JHT***) of which CST has been appointed as the trustee. CST owns 100% of JAL and JHL, which in turns own 70% and 30% of the issued and paid-up share capital of Aerodrome. Accordingly, she is deemed to be interested in all the shares held (directly and indirectly) by Aerodrome and Honeychurch.

(2) Mr John Chuang is deemed to be interested in all the shares held (directly and indirectly) by his wife, Mdm Lim Mee Len, including his shares which are held by his nominee, DBS Nominees Pte Ltd. He is also one of the beneficiaries of JHL.

(3) CST is a Singapore registered public trust company and its deemed interest arises from its 100% shareholding in JAL and JHL. Accordingly, CST is deemed to be interested in all the shares held (directly and indirectly) by Aerodrome.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS (continued)

(4) JAL has a 70% shareholding in Aerodrome. Accordingly, JAL is deemed to be interested in all the shares held (directly and indirectly) by Aerodrome.

(5) JHL has a 30% shareholding in Aerodrome. Accordingly, JHL is deemed to be interested in all the shares held (directly and indirectly) by Aerodrome.

(6) Aerodrome is the majority and controlling shareholder of Berlian. Accordingly, Aerodrome is deemed to be interested in all the shares held (directly and indirectly) by Berlian.

(7) Mr Joseph Chuang is the sole shareholder of Maplegold. Accordingly, he is deemed to be interested in all the shares held (directly and indirectly) by Maplegold, including the shares held (directly or indirectly) by his wife, Madam Cheah Leong Teen and his shares which are held by his nominee, Citibank Nominees Singapore Private Limited.

(8) Maplegold has a 30% shareholding in Berlian. Accordingly, Maplegold is deemed to be interested in all the shares held (directly and indirectly) by Berlian.

(9) Berlian is the sole shareholder of McKeeson and Springbright. Accordingly, Berlian is deemed to be interested in all the shares held (directly and indirectly) by McKeeson and Springbright. In addition, Berlian's shares in the Company are held by its nominee, Citibank Nominees Singapore Private Limited.

(10) Springbright's shares in the Company are held by its nominee, Raffles Nominees (Pte) Ltd

(11) FSIHPL (formerly known as Carol Australia Holdings Pty Limited) is the ultimate parent company of the Colonial First State Global Asset Management group of companies, and therefore is deemed to be interested in all the shares held by that group of companies.

(12) FMR LLC is deemed to be interested in all the shares held by its direct and indirect subsidiaries, which are fund managers.

(13) FIMUKL is a wholly-owned subsidiary of FMRCLLC. Accordingly, FIMUKL is deemed to be interested in the shares in their capacity as investment advisor of various funds and accounts, including certain funds of Fidelity Investment Trust and Fidelity Aberdeen Street Trust.

(14) FMRCLLC is a wholly-owned subsidiary of FMR LLC. Accordingly, FMRCLLC is deemed to be interested in the shares in their capacity as investment advisor of various funds and accounts, including certain funds of Fidelity Investment Trust and Fidelity Aberdeen Street Trust.

(15) Mr Steven T. Romick is the director and officer of the general partner of FPALP and disclaims beneficial ownership of the securities owned by FPALP's clients. Accordingly, he is deemed to be interested in all the shares held (directly and indirectly) by FPALP.

(16) Mr J. Richard Atwood is the director and officer of the general partner of FPALP and disclaims beneficial ownership of the securities owned by FPALP's clients. Accordingly, he is deemed to be interested in all the shares held (directly and indirectly) by FPALP.

(17) FPA GP, Inc. is the general partner of the investment advisor, FPALP and disclaims beneficial ownership of the securities owned by FPALP's clients. Accordingly, FPA GP, Inc is deemed to be interested in all the shares held (directly and indirectly) by FPALP.

(18) CFSAMAL has been appointed as the investment manager for the Quaestio Solutions Fund and the First State Investments ICVC – Stewart Investors Asia Pacific Fund, and therefore is deemed interested in all the shares held by these funds.

(19) FAST holds not less than 20% in certain funds of FIT. Accordingly, FAST is deemed to be interested in all the shares held (directly and indirectly) by FIT.

(20) Mr Pedro Mata-Bruckmann's shares in the Company are held by his nominee, Merrill Lynch (Singapore) Pte Ltd.

(21) Mr Anthony Michael Dean's shares in the Company are held by his nominees, DBS Nominees Pte Ltd.

4. AUDIT COMMITTEE'S STATEMENT

The Audit Committee has reviewed the terms of the Shareholders' Mandate subject to the renewal. Having considered, *inter alia*, the scope, the guidelines on review procedures, the rationale and the benefits of the Shareholders' Mandate, the Audit Committee confirms that (a) the review procedures for determining the prices of Interested Person Transactions have not changed since approval for the Shareholders' Mandate was last given; and (b) the review procedures set out in paragraph 2.4 of this Appendix are sufficient to ensure that the Interested Person Transactions will be transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

If, during the periodic reviews by the Audit Committee, it is of the view that the established review procedures are no longer appropriate or adequate to ensure that the Interested Person Transactions will be transacted on normal commercial terms and will not be prejudicial to the interests of the Company and minority Shareholders, the Company will seek a fresh mandate from Shareholders based on new review procedures.

5. DIRECTORS' RECOMMENDATIONS

The Independent Directors are of the opinion that the entry into of the Interested Person Transactions by the Group in the ordinary course of its business will enhance the efficiency of the Group and is in the best interests of the Company. For the reasons set out in paragraph 2.3 of this Appendix, the Independent Directors recommend that Shareholders vote in favour of Resolution 10, being the Ordinary Resolution relating to the proposed renewal of the Shareholders' Mandate at the forthcoming AGM.

6. ANNUAL GENERAL MEETING

The AGM, notice of which is set out in the Annual Report 2019 of the Company, will be held on 30 April 2020 at Singapore Marriott Tang Plaza Hotel, Ballroom III, Level 3, 320 Orchard Road, Singapore 238865 at 2:00 p.m., for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolution relating to the renewal of the Shareholders' Mandate at the AGM as set out in the Notice of AGM.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the Proxy Form attached to the Notice of AGM in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Company's share registrar, M&C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902, not later than 48 hours before the time fixed for the AGM. Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the AGM if he so wishes.

8. INSPECTION OF DOCUMENTS

Copies of the audited financial statements of the Company for the last two financial years ended 31 December 2018 and 2019 are available for inspection at the registered office of the Company at 111 Somerset Road, #16-12, TripleOne Somerset, Singapore 238164, during normal business hours from the date of this Appendix up to the date of the AGM.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Appendix are fair and accurate and that there are no material facts the omission of which would make any statement in this Appendix misleading.

SCOPE

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries (which are not listed on the SGX-ST or an approved stock exchange) or associated companies (which are not listed on the SGX-ST or an approved stock exchange, provided that the listed group, or the listed group and its interested person(s) has control over) proposes to enter into with a counter-party which is an interested person of the listed company.

DEFINITIONS

An ***interested person*** means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

An ***associate*** means (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual), means (i) an immediate family member (that is, the spouse, child, adopted child, stepchild, sibling or parent), (ii) the trustees of any trust of which he or his immediate family is beneficiary or, in the case of discretionary trust, is a discretionary object, and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more, and, (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies, taken together (directly or indirectly), have an interest of 30% or more.

An ***associated company*** means a company in which at least 20% but not more than 50% of its shares are held by the listed company or the group.

A ***controlling shareholder*** means a person who holds (directly or indirectly) 15% or more of the total voting rights in the Company or one who in fact exercises control over the listed company.

GENERAL REQUIREMENTS

Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and are hence excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement or, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated NTA), are reached or exceeded. In particular, shareholders' approval is required where:

(a) the value of such transaction, when aggregated with the value of all other transactions previously entered into with the same interested person during the same financial year of the listed company, is equal to or exceeds 5% of the latest audited consolidated NTA of the listed company; or

(b) the value of such transaction is equal to or exceeds 5% of the latest audited consolidated NTA of the listed company.

Immediate announcement of a transaction is required where:

(a) the value of such transaction when aggregated with the value of all other transactions previously entered into with the same interested person in the same financial year of the listed company is equal to or exceeds 3% of the latest audited consolidated NTA of the listed company; or

(b) the value of such transaction is equal to or exceeds 3% of the latest audited consolidated NTA of the listed company.

GENERAL MANDATE

A listed company may seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL

(a) Corporate information

Company Secretaries
Chuang Yok Hoa, ACIS
Raymond Lam Kuo Wei (Resigned on 30 September 2019)
Richard Tan Kheng Swee, LLB (Hons), Singapore (Appointed on 30 September 2019)

Registered Office
111 Somerset Road #16-12
TripleOne Somerset
Singapore 238164
Tel: (65) 6477 5600 Fax: (65) 6887 5181
Email address: enquiry@delfilimited.com

Registrar and Share Transfer Office
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

Auditor
PricewaterhouseCoopers LLP
7 Straits View, Marina One
East Tower, Level 12
Singapore 018936
Mr. Chua Chin San
Partner-in-charge (since the financial year ended 31 December 2019)

(b) Material contracts

Chuang Tiong Choon, Chuang Tiong Liep and Chuang Tiong Kie, who are the Company's executive directors, are deemed to have an aggregate interest of 49.0% in the issued share capital of PT Freyabadi Indotama ("Freyabadi") held in aggregate by McKeeson Investments Pte Ltd and PT Sederhana Djaja by virtue of their aggregate interest in 100% of the shareholding in Berlian Enterprises. Chuang Tiong Kie is also the President Director of Freyabadi.

By virtue of their aggregate interest in 99.9% of the shareholding in PT Sederhana Djaja, Chuang Tiong Choon, Chuang Tiong Liep and Chuang Tiong Kie who are the Company's executive directors, are deemed to be interested in 100% of the issued share capital of PT Tri Keeson Utama ("TKU") held by PT Sederhana Djaja.

(i) Call Option Agreement

On 22 September 2004, the Company entered into a call option agreement with PT Sederhana Djaja and McKeeson Investments Pte Ltd (collectively, the "Grantors") pursuant to which the Grantors granted to the Company the right to require the Grantors to sell to the Company ordinary shares, representing 49%, 100% and 51% of the issued and paid-up share capital of Freyabadi, TKU and PT Fajar Mataram Sedayu ("FMS") respectively.

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL (continued)

(b) Material contracts (continued)

(ii) Deed of Undertaking

On 22 September 2004, each of Chuang Tiong Choon, Chuang Tiong Liep and Chuang Tiong Kie (the "Covenantors") entered into a deed of undertaking with the Company to undertake and agree to dispose of their respective shareholding interests in Freyabadi, TKU and FMS in the event that the Audit Committee determines that a potential conflict of interest may arise between the Group, Freyabadi and TKU and between the Group and FMS; and the Group's acquisition of each Covenantor's shareholding interests in Freyabadi, TKU and FMS is not in the Group's commercial interest.

(c) (i) Directors' remuneration

A breakdown showing the level and mix of each executive director's remuneration (including salary, bonus, directors' fees and benefits-in-kind) paid and payable for financial years 2018 and 2019 are as follows:

	2019			
	Basic Salary (%)	**Variable or Bonuses (%)**	**Benefits in Kind (%)**	**Total (%)**
S$1,000,000 to S$1,249,999				
– Chuang Tiong Choon	**53**	**38**	**9**	**100**
S$500,000 to S$749,999				
– Chuang Tiong Liep	**76**	**17**	**7**	**100**
– Chuang Tiong Kie	**78**	**8**	**14**	**100**

	2018			
	Basic Salary (%)	**Variable or Bonuses (%)**	**Benefits In Kind (%)**	**Total (%)**
S$1,000,000 to S$1,249,999				
– Chuang Tiong Choon	80	7	13	100
S$500,000 to S$749,999				
– Chuang Tiong Liep	80	6	14	100
– Chuang Tiong Kie	77	7	16	100

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL (continued)

(c) (i) **Directors' remuneration** (continued)

The remuneration of its non-executive directors for financial years 2018 and 2019 are as follows:

	FY2019 S$	FY2018 S$	Fee (%)	Total (%)
Pedro Mata-Bruckmann	**193,301**	188,059	100	100
Anthony Michael Dean	**157,923**	153,640	100	100
Davinder Singh	**72,879**	70,903	100	100
Koh Poh Tiong	**113,625**	114,227	100	100
Doreswamy Nandkishore	**100,093**	97,378	100	100
Total	**637,821**	624,207		

(ii) **Executive Officers' remuneration**

	Basic Salary (%)	Variable or Bonuses (%)	2019 Benefits in Kind (%)	Retirement (%)	Total (%)
S$750,000 to S$999,999					
Lim Seok Bee	**60**	**30**	**10**	**–**	**100**
Nancy Florencia	**70**	**29**	**1**	**–**	**100**
Johnny Katio#	**64**	**35**	**1**	**–**	**100**
S$500,000 to S$749,999					
Amos Moses Yang	**57**	**6**	**37**	**–**	**100**
S$250,000 to S$499,999					
Koo Liang Kwee(1)	**77**	**13**	**10**	**–**	**100**
Michael Wynne Roberts(2)	**85**	**7**	**8**	**–**	**100**
Lim Hock Thye##	**69**	**11**	**20**	**–**	**100**
Ferry Haryanto	**83**	**13**	**4**	**–**	**100**
Below S$250,000					
Foo Sze Kuan Dennis(4)	**72**	**20**	**8**	**–**	**100**
Soh Buck Leng David(3)	**46**	**23**	**31**	**–**	**100**

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL (continued)

(c) (ii) **Executive Officers' remuneration** (continued)

2018	Basic Salary (%)	Variable or Bonuses (%)	Benefits in Kind (%)	Retirement (%)	Total (%)
S$750,000 to S$999,999					
Francis Benedict Ryan(1)	42	19	7	32	100
S$500,000 to S$749,999					
Lim Seok Bee	70	18	12	–	100
Nancy Florencia	78	21	1	–	100
Johnny Katio#	98	–	2	–	100
Amos Moses Yang	63	–	37	–	100
S$250,000 to S$499,999					
Soh Buck Leng David(3)	76	9	15	–	100
Lim Hock Thye##	77	6	17	–	100
Foo Sze Kuan Dennis(4)	85	14	1	–	100
Below S$250,000					
Ferry Haryanto	91	8	1	–	100
Koo Liang Kwee(1)	84	7	9	–	100

Notes:

(1) Francis Benedict Ryan retired on 10 September 2018 and Koo Liang Kwee was appointed as the Group Chief Financial Officer on 10 September 2018.

(2) Michael Wynne Roberts was appointed as Chief of Manufacturing, Engineering, Chocolate Technology and Projects on 11 February 2019.

(3) Soh Buck Leng David resigned from the Company with effect from 15 March 2019.

(4) Foo Sze Kuan, Dennis resigned from the Company with effect from 23 July 2019.

* The total remuneration paid to the top five key officers was US$2,697,000 (2018: US$2,484,000)

Johnny Katio resigned from the Company with effect from 30 April 2020.

Lim Hock Thye resigned from the Company with effect from 10 March 2020.

(iii) **Remuneration of employees who are immediate family members of a director or the CEO and whose salary exceeds S$100,000 per year are as follows:**

S$200,000 to S$299,999		
David Chuang Koong Wey	Director of Information Technology	Son of Mr Chuang Tiong Choon

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL (continued)

(d) Properties of the Group

Held by	Location	Land Area (sq m)	Tenure	Existing use
	Leasehold Land and Buildings			
PT Perusahaan Industri Ceres	Village: Pasawahan, Sub district: Dayeuh Kolot, No. 92 Regency: Bandung, Province: West Java Indonesia	4,378	30 years from February 2003	Chocolate factory, warehouse, office
	Village: Pasawahan, Sub district: Dayeuh Kolot, No. 92 Regency: Bandung, Province: West Java Indonesia	24,185	30 years from September 2004	Chocolate factory, warehouse, office
	Village: Pasawahan, Sub district: Dayeuh Kolot, No. 88 Regency: Bandung, Province: West Java Indonesia	3,840	30 years from November 2008	Chocolate factory, warehouse
	Village: Pasawahan, Sub district: Dayeuh Kolot, No. 94 Regency: Bandung, Province: West Java Indonesia	14,610	30 years from March 2009	Chocolate factory, warehouse, office
	Village: Pasawahan, Sub district: Dayeuh Kolot, No. 86 Regency: Bandung, Province: West Java Indonesia	15,750	30 years from March 2009	Chocolate factory, warehouse
	Village: Pasawahan, Sub district: Dayeuh Kolot, No. 90 Regency: Bandung, Province: West Java Indonesia	9,900	30 years from March 2009	Chocolate factory, warehouse

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL (continued)

(d) Properties of the Group (continued)

Held by	Location	Land Area (sq m)	Tenure	Existing use
	Leasehold Land and Buildings			
PT Perusahaan Industri Ceres	Desa Wanakerta, Kecamatan Telukjambe Barat, Kabupaten Karawang	281,978	Registration in progress	For future expansion
PT Nirwana Lestari	Village: Bojong Menteng Sub District: East Bekasi, Jln Raya Narogong, Km 7 Regency: Bekasi Province: West Java Indonesia	19,450	20 years from December 2008	Office, warehouse
	Denpasar, Bali 80116 Jl. Cargo Permai I no.188	1,515	26 years and 7 months from May 2002	Warehouse
	Denpasar, Bali 80116 Jl. Cargo Permai I no.189 (Agreement No. 108)	1,260	20 years from September 2011	Office, warehouse
	Denpasar, Bali 80116 Jl. Cargo Permai I no.189 (Agreement No. 15 and 61)	2,800	22 years from September 2011	Office, warehouse
Delfi Foods, Inc.	Barangay Parang, Marikina City, Metro Manila, Philippines	25,296	Freehold	Factory, warehouse and office building

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL (continued)

(e) Interested person transactions and conflicts of interest ("IPT")

Pursuant to Rule 920(1) of the Listing Manual, the Company has obtained a Shareholders' Mandate for it to enter into certain categories of interested person transactions with PT Tri Keeson Utama, PT Fajar Mataram Sedayu, PT Freyabadi Indotama and PT Sederhana Djaja and each of their associates. Transactions with interested persons which do not fall within the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

As at 31 December 2019, the total IPT of US$14.4 million (2018: US$14.2 million) was recorded, as shown below.

Name of interested person	(1)Aggregate value of all interested person transactions during the financial year under review (excluding transactions conducted under shareholders' mandate pursuant to Rule 920) 2019 US$'000	(1)Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 2019 US$'000
PT Freyabadi Indotama		
– Sales of goods	–	56
– Purchase of products	–	14,371
– IT services	51	–
	51	14,427
PT Fajar Mataram Sedayu		
– Purchase of goods	–	5
	51	14,432

Note:
(1) Includes transactions less than S$100,000

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LISTING MANUAL (continued)

(f) Auditors' fees

	The Group	
	2019	2018
	US$'000	US$'000
Auditor's remuneration paid/payable to:		
– Auditor of the Company	**245**	258
– Other auditors*	**180**	187
Other fees paid/payable to:		
– Auditor of the Company	**43**	57
	468	502

* Includes the network of member firms of PricewaterhouseCoopers International Limited

(g) Appointment of auditors

The Group has complied with Rules 712 and 716 of the Listing Manual issued by SGX-ST in relation to its auditor.

(h) Compliance with Rule 716 of the Listing Rules of SGX-ST

Both the Audit Committee and Board are satisfied that the appointment of different auditors of its subsidiaries would not compromise the standard and effectiveness of the audit of the Company. Accordingly, the Company is in compliance with Rule 716 of the Listing Rules of the SGX-ST.

(i) Review of the provision of non-audit services by the auditors

The Audit Committee has undertaken a review of non-audit services provided by the auditor, and in the opinion of the Audit Committee, the provision of these non-audit services would not affect their independence.

(j) Internal controls

Please refer to information disclosed in the Corporate Governance Report.

SHAREHOLDINGS STATISTICS

AS AT 16 MARCH 2020

Total number of ordinary shares	:	611,157,000
Total number of voting shares	:	611,157,000
Total issued and paid-up capital	:	S$247,805,757.00
Total number of treasury shares held	:	Nil
Total number of subsidiary holdings held	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	17	2.54	243	0.00
100 – 1,000	106	15.87	75,700	0.01
1,001 – 10,000	351	52.54	1,755,908	0.29
10,001 – 1,000,000	180	26.95	13,883,500	2.27
1,000,001 and above	14	2.10	595,441,649	97.43
	668	100.00	611,157,000	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	Raffles Nominees (Pte) Limited	318,021,283	52.04
2	Citibank Nominees Singapore Pte Ltd	132,212,400	21.63
3	DBS Nominees Pte Ltd	98,541,641	16.12
4	BPSS Nominees Singapore (Pte.) Ltd.	14,897,020	2.44
5	Mckeeson Investments Pte Ltd	6,000,000	0.98
6	DBSN Services Pte Ltd	5,232,400	0.86
7	UOB Kay Hian Pte Ltd	3,884,100	0.64
8	HSBC (Singapore) Nominees Pte Ltd	3,763,600	0.62
9	ABN Amro Clearing Bank N.V.	2,991,900	0.49
10	Morgan Stanley Asia (S) Securities Pte Ltd	2,834,900	0.46
11	OCBC Securities Private Ltd	2,686,401	0.44
12	CGS-CIMB Securities (Singapore) Pte Ltd	1,563,604	0.26
13	Chuang Mying Hwa @ Mying Mying	1,523,600	0.25
14	United Overseas Bank Nominees Pte Ltd	1,288,800	0.21
15	DBS Vickers Securities (S) Pte Ltd	869,000	0.14
16	DB Nominees (Singapore) Pte Ltd	862,700	0.14
17	Chuang Yok Hoa @ Ma Lin Zi	896,000	0.14
18	Chin Koon Yew	648,500	0.11
19	Chuang Tiong Kie @ Maung Lu Win	630,800	0.10
20	Maybank Kim Eng Securities Pte.Ltd.	599,459	0.10
		599,902,108	98.17

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company, approximately 28.29% of the Company's shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. Therefore, the Company has complied with Rule 723 of the Listing Manual.

SHAREHOLDINGS STATISTICS

AS AT 16 MARCH 2020

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

Name	Direct Interest Number of Shares	%	Deemed Interest Number of Shares	%
Lim Mee Len	–	–	313,479,400[(1)]	51.29
John Chuang	220,800	0.036	313,863,400[(2)]	51.36
Credit Suisse Trust Limited (***CST***)	–	–	311,726,000[(3)]	51.01
Johnsonville Assets Limited (***JAL***)	–	–	311,726,000[(4)]	51.01
Johnsonville Holdings Limited (***JHL***)	–	–	311,726,000[(5)]	51.01
Aerodrome International Limited (***Aerodrome***)	–	–	311,726,000[(6)]	51.01
Joseph Chuang	270,800	0.044	309,061,000[(7)]	50.57
Maplegold Assets Limited (***Maplegold***)	–	–	308,741,000[(8)]	50.52
Berlian Enterprises Limited (***Berlian***)	–	–	308,741,000[(9)]	50.52
Springbright Investments Limited (***Springbright***)	–	–	291,964,000[(10)]	47.77
First Sentier Investors Holdings Pty Limited (***FSIHPL***)	–	–	67,219,200[(11)]	10.99
FMR LLC	–	–	50,901,400[(12)]	8.33
FMR Investment Management (UK) Limited (***FIMUKL***)	–	–	50,740,300[(13)]	8.30
Fidelity Management & Research Company LLC (***FMRCLLC***)	–	–	50,740,300[(14)]	8.30
First Pacific Advisors, LP (***FPALP***)	43,547,900	7.13	–	–
Steven T. Romick	–	–	43,547,900[(15)]	7.13
J. Richard Atwood	–	–	43,547,900[(16)]	7.13
FPA GP, Inc. (***FGI***)	–	–	43,547,900[(17)]	7.13
Colonial First State Asset Management (Australia) Limited (***CFSAMAL***)	–	–	40,001,900[(18)]	6.55
Marathon Asset Management LLP (***MAMLLP***)	39,997,200	6.54	–	–
Fidelity Investment Trust (***FIT***)	34,197,000	5.60	–	–
Fidelity Aberdeen Street Trust (***FAST***)	–	–	34,197,000[(19)]	5.60

Notes:

(1) Mdm Lim Mee Len (wife of Mr John Chuang) is deemed to be interested in the Shares held (directly and indirectly) by Aerodrome, Berlian, Springbright, McKeeson Investments Pte Ltd (***McKeeson***) and Honeychurch International Limited (***Honeychurch***), including her shares which are held by her nominee, Citibank Nominees Singapore Pte Ltd. Mdm Lim's interests arise as she is the beneficiary of the Johnsonville Asset Trust (***JAT***) and Johnsonville Holdings Trust (***JHT***) of which CST has been appointed as the trustee. CST owns 100% of JAL and JHL, which in turns own (70%) and (30%) of the issued and paid-up share capital of Aerodrome. Accordingly, she is deemed to be interested in all the shares held (directly and indirectly) by Aerodrome and Honeychurch.

(2) Mr John Chuang is deemed to be interested in all the shares held (directly and indirectly) by his wife, Mdm Lim Mee Len, including his shares which are held by his nominee, DBS Nominees Pte Ltd. He is also one of the beneficiaries of JHL.

(3) CST is a Singapore registered public trust company and its deemed interest arises from its 100% shareholding in JAL and JHL. Accordingly, CST is deemed to be interested in all the shares held (directly and indirectly) by Aerodrome.

(4) JAL has a 70% shareholding in Aerodrome. Accordingly, JAL is deemed to be interested in all the shares held (directly and indirectly) by Aerodrome.

(5) JHL has a 30% shareholding in Aerodrome. Accordingly, JHL is deemed to be interested in all the shares held (directly and indirectly) by Aerodrome.

(6) Aerodrome is the majority and controlling shareholder of Berlian. Accordingly, Aerodrome is deemed to be interested in all the shares held (directly and indirectly) by Berlian.

(7) Mr Joseph Chuang is the sole shareholder of Maplegold. Accordingly, he is deemed to be interested in all the shares held (directly and indirectly) by Maplegold, including the shares held (directly or indirectly) by his wife, Madam Cheah Leong Teen and his shares which are held by his nominee, Citibank Nominees Singapore Private Limited.

(8) Maplegold has a 30% shareholding in Berlian. Accordingly, Maplegold is deemed to be interested in all the shares held (directly and indirectly) by Berlian.

(9) Berlian is the sole shareholder of McKeeson and Springbright. Accordingly, Berlian is deemed to be interested in all the shares held (directly and indirectly) by McKeeson and Springbright. In addition, Berlian's shares in the Company are held by its nominee, Citibank Nominees Singapore Private Limited.

(10) Springbright's shares in the Company are held by its nominee, Raffles Nominees (Pte) Ltd

(11) FSIHPL (formerly known as Carol Australia Holdings Pty Limited) is the ultimate parent company of the Colonial First State Global Asset Management group of companies, and therefore is deemed to be interested in all the shares held by that group of companies.

(12) FMR LLC is deemed to be interested in all the shares held by its direct and indirect subsidiaries, which are fund managers.

(13) FIMUKL is a wholly-owned subsidiary of FMRCLLC. Accordingly, FIMUKL is deemed to be interested in the shares in their capacity as investment advisor of various funds and accounts, including certain funds of Fidelity Investment Trust and Fidelity Aberdeen Street Trust.

(14) FMRCLLC is a wholly-owned subsidiary of FMR LLC. Accordingly, FMRCLLC is deemed to be interested in the shares in their capacity as investment advisor of various funds and accounts, including certain funds of Fidelity Investment Trust and Fidelity Aberdeen Street Trust.

(15) Mr Steven T. Romick is the director and officer of the general partner of FPALP and disclaims beneficial ownership of the securities owned by FPALP's clients. Accordingly, he is deemed to be interested in all the shares held (directly and indirectly) by FPALP.

(16) Mr J. Richard Atwood is the director and officer of the general partner of FPALP and disclaims beneficial ownership of the securities owned by FPALP's clients. Accordingly, he is deemed to be interested in all the shares held (directly and indirectly) by FPALP.

(17) FPA GP, Inc. is the general partner of the investment advisor, FPALP and disclaims beneficial ownership of the securities owned by FPALP's clients. Accordingly, FPA GP, Inc is deemed to be interested in all the shares held (directly and indirectly) by FPALP.

(18) CFSAMAL has been appointed as the investment manager for the Quaestio Solutions Fund and the First State Investments ICVC – Stewart Investors Asia Pacific Fund, and therefore is deemed interested in all the shares held by these funds.

(19) FAST holds not less than 20% in certain funds of FIT. Accordingly, FAST is deemed to be interested in all the shares held (directly and indirectly) by FIT.

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