

DELFI LIMITED
Company Registration No. 198403096C
(Incorporated in the Republic of Singapore)
(the “**Company**”)

MINUTES OF ANNUAL GENERAL MEETING

MINUTES OF ANNUAL GENERAL MEETING (“**AGM**”) OF THE COMPANY HELD ON THURSDAY THE 30TH DAY OF APRIL 2020 AT 10.00 A.M., IN SINGAPORE VIA ELECTRONIC MEANS

PRESENT : Please refer to Attendance Sheet

CHAIRMAN OF THE MEETING : Mr Pedro Mata-Bruckmann

1. INTRODUCTION

The Company Secretary informed the Shareholders that the AGM was conducted via a live webcast and the votes previously submitted via electronic means have been tabulated.

The Chairman welcomed all Shareholders to the AGM and proceeded to introduce each of the Directors, all of whom were present. The attendance by the Company’s executives and auditors at the AGM was also noted.

The Chairman also informed Shareholders that all questions submitted by end of day on 26 April 2020 had been answered and published on both the Company’s website and on SGXNet on 27 April 2020. The summary of questions and answers is annexed hereto and marked as Appendix 1.

John Chuang, Chief Executive Officer of the Company, gave a briefing on the state of affairs for the Company.

Richard Chung, Head, Corporate Planning of the Company, gave a presentation on the Group’s 5-year financial performance, prior to the commencement of the AGM.

2. QUORUM

After confirming with the Secretary that a quorum was present, the Chairman called the meeting (“**Meeting**”) to order, and proceeded with the formal business of the AGM.

3. RESOLUTIONS BY POLL

In line with the Listing Rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the COVID-19 (temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) (Amendment No. 2) Order 2020 by the Ministry of Law, Singapore, and the various Guidance on the Conduct of General Meetings during Elevated Safe Distancing Period by the SGX-ST, all resolutions at the Meeting were voted by way of poll and all the resolutions were deemed to have been duly proposed and seconded.

The Chairman informed the Meeting that Boardroom Corporate & Advisory Services Pte Ltd had been appointed polling agent and Ardent Business Advisory Pte Ltd appointed scrutineers for the voting and had tabulated all submitted votes.

4. NOTICE

There being no objection from the Shareholders, the notice of AGM dated 9 April 2020 (“**Notice**” or “**Agenda**”) was taken as read.

ORDINARY BUSINESSES

5. DIRECTORS’ STATEMENT AND THE AUDITED FINANCIAL STATEMENTS – RESOLUTION 1

The Chairman informed the Meeting that the first item on the Agenda was to put the following motion to the vote:

“That the Directors’ Statement and Audited Financial Statements for the financial year ended 31 December 2019, together with the Auditors’ Report thereon, be received and adopted.”

The Chairman announced the results as follows and declared **Resolution 1 carried**:

	Number of Shares	Percentage (%)
For the Resolution	512,510,405	99.96
Against the Resolution	187,700	0.04
Total number of valid votes cast	512,698,105	100.00

6. FINAL DIVIDEND – RESOLUTION 2

The Chairman informed the Meeting that Resolution 2 on the Agenda was to put the following motion to the vote:

“That the Declaration of a Final Dividend of 1.49 Singapore Cents per ordinary share for the financial year ended 31 December 2019, be approved.”

The Chairman announced the results as follows and declared **Resolution 2 carried**:

	Number of Shares	Percentage (%)
For the Resolution	512,698,105	100.00
Against the Resolution	0	0.00
Total number of valid votes cast	512,698,105	100.00

7. RE-ELECTION OF MR ANTHONY MICHAEL DEAN AS A DIRECTOR – RESOLUTION 3

The Chairman informed the Meeting that Anthony Michael Dean (“**Mike**”) was due for retirement under Regulation 104 of the Constitution and he had consented to continue in office. Mike would, upon re-election as a Non-executive and Independent Director, remain as Chairman of Audit Committee (“**AC**”) and Risk Management Committee (“**RMC**”), and a member of the Nominating Committee (“**NC**”) respectively. Mike would be considered independent for the purpose of Rule 704(8) of the Listing Manual of SGX-ST.

The Chairman informed the Meeting that Resolution 3 on the Agenda was to put the following motion to the vote:

“That Mr Anthony Michael Dean be re-elected as a Director of the Company.”

The Chairman announced the results as follows and declared **Resolution 3 carried**:

	Number of Shares	Percentage (%)
For the Resolution	506,871,005	98.86
Against the Resolution	5,827,100	1.14
Total number of valid votes cast	512,698,105	100.00

8. **RE-ELECTION OF MR KOH POH TIONG AS A DIRECTOR – RESOLUTION 4**

The Chairman informed the Meeting that Koh Poh Tiong (“**Mr Koh**”) was due for retirement under Regulation 104 of the Constitution and he had consented to continue in office. Mr Koh would, upon re-election as a Non-executive and Independent Director, remain as Chairman of Remuneration Committee (“**RC**”) and a member of the AC, NC, RMC and Market Sustainability and Strategy Committee (“**MSSC**”) respectively. Mr Koh would be considered independent for the purpose of Rule 704(8) of the Listing Manual of SGX-ST.

The Chairman informed the Meeting that Resolution 4 on the Agenda was to put the following motion to the vote:

“That Mr Koh Poh Tiong be re-elected as a Director of the Company.”

The Chairman announced the results as follows and declared **Resolution 4 carried**:

	Number of Shares	Percentage (%)
For the Resolution	505,371,805	98.57
Against the Resolution	7,326,300	1.43
Total number of valid votes cast	512,698,105	100.00

9. **RE-ELECTION OF MR DORESWAMY NANDKISHORE AS A DIRECTOR – RESOLUTION 5**

The Chairman informed the Meeting that Doreswamy Nandkishore (“**Nandu**”) was due for retirement under Regulation 104 of the Constitution and he had consented to continue in office. Nandu would, upon re-election as a Non-executive and Independent Director, remain as Chairman of MSSC and a member of the NC and RC respectively. Nandu would be considered independent for the purpose of Rule 704(8) of the Listing Manual of SGX-ST.

The Chairman informed the Meeting that Resolution 5 on the Agenda was to put the following motion to the vote:

“Mr Doreswamy Nandkishore be re-elected as a Director of the Company.”

The Chairman announced the results as follows and declared **Resolution 5 carried**:

	Number of Shares	Percentage (%)
For the Resolution	509,762,905	99.43
Against the Resolution	2,935,200	0.57
Total number of valid votes cast	512,698,105	100.00

10. **DIRECTORS’ FEES FOR THE YEAR ENDING 31 DECEMBER 2020 – RESOLUTION 6**

The Chairman moved on to the next item on the Agenda. Shareholders were informed that the Board had recommended the payment of Directors’ fees of US\$474,800 for the financial year ending 31 December 2020.

The Chairman informed the Meeting that Resolution 6 on the Agenda was to put the following motion to the vote:

“That the payment of Directors’ Fees of US\$474,800 for the financial year ending 31 December 2020, be approved.”

The Chairman announced the results as follows and declared **Resolution 6 carried**:

	Number of Shares	Percentage (%)
For the Resolution	512,698,105	100.00
Against the Resolution	0	0.00
Total number of valid votes cast	512,698,105	100.00

11. RE-APPOINTMENT OF AUDITORS – RESOLUTION 7

The Meeting was informed that PricewaterhouseCoopers LLP had expressed their willingness to continue as auditors of the Company for the ensuing year.

The Chairman informed the Meeting that Resolution 7 on the Agenda was to put the following motion to the vote:

“That PricewaterhouseCoopers LLP be re-appointed auditors of the Company for the financial year ending 31 December 2020 and the Directors be authorised to fix their remuneration.”

The Chairman announced the results as follows and declared **Resolution 7 carried**:

	Number of Shares	Percentage (%)
For the Resolution	507,061,805	99.43
Against the Resolution	2,891,900	0.57
Total number of valid votes cast	509,953,705	100.00

12. ANY OTHER BUSINESS

As no notice was received in respect of any other ordinary business, the Chairman proceeded to deal with the special business set out in the Notice.

SPECIAL BUSINESSES

13. SHARE ISSUE MANDATE – RESOLUTION 8

The Chairman informed the Meeting that Resolution 8 on the Agenda was to put the following motion to the vote:

“That the Directors be authorised to issue Shares and/or Instruments in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 and the Listing Manual of the SGX-ST as set out in item 6 of the Notice of Annual General Meeting.”

The Chairman announced the results as follows and declared **Resolution 8 carried**:

	Number of Shares	Percentage (%)
For the Resolution	430,438,750	83.96
Against the Resolution	82,259,355	16.04
Total number of valid votes cast	512,698,105	100.00

14. AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE DELFI LIMITED SCRIP DIVIDEND SCHEME – RESOLUTION 9

The Chairman proceeded to the next item on the Agenda and informed the Meeting that Resolution 9 on the Agenda was to put the following motion to the vote:

“That under section 161 of the Act, authority be given to the Directors to allot and issue from time to time such number of new ordinary shares in the capital of the Company as may be required to be allotted and issued under the Delfi Limited Scrip Dividend Scheme.”

The Chairman announced the results as follows and declared **Resolution 9 carried**:

	Number of Shares	Percentage (%)
For the Resolution	512,698,105	100.00
Against the Resolution	0	0.00
Total number of valid votes cast	512,698,105	100.00

15. RENEWAL OF SHAREHOLDERS’ MANDATE FOR INTERESTED PERSON TRANSACTIONS (“IPT”) – RESOLUTION 10

The Meeting was informed that the last item on the Agenda was to seek Shareholders’ approval for the renewal of the Shareholders’ Mandate for IPT and to authorise the Directors to do all acts necessary to give effect to the IPT mandate. Details of the IPT mandate were set out in the Appendix to the Annual Report.

The Chairman reminded members who are interested persons as defined in the IPT mandate and the Listing Manual, to abstain from voting on this resolution and informed the Meeting that the executive Directors and their immediate family and associates had abstained from voting on the motion.

The Chairman informed the Meeting that Resolution 10 on the Agenda was to put the following motion to the vote:

“That authority be given to the Directors to renew the IPT mandate as set out under item 8 of the Notice.”

The Chairman announced the results as follows and declared **Resolution 10 carried**:

	Number of Shares	Percentage (%)
For the Resolution	205,197,305	100.00
Against the Resolution	0	0.00
Total number of valid votes cast	205,197,305	100.00

16. CONCLUSION

There being no other business, the Chairman declared the Meeting closed at 10.40 a.m., and thanked all present for their attendance.

CERTIFIED AS A TRUE RECORD OF MINUTES

PEDRO MATA-BRUCKMANN
CHAIRMAN

APPENDIX 1

Dear Shareholders

This unprecedented crisis caused by the COVID-19 pandemic has brought about significant changes to many of us. Under normal circumstances, our upcoming AGM would have been a physical meeting. However, for the safety of all our shareholders, the Board and Management we are conducting it virtually through electronic means. For the Board and Management, this is the first time we are conducting the proceedings this way, which includes submission of questions from shareholders beforehand.

We would like to thank shareholders for the questions submitted. Where possible we have answered the questions individually but where there are a significant number of questions related to a common topic or interlinked, we have chosen to provide the answer from a holistic perspective but hopefully specific enough. In the current situation, a large proportion of your questions have naturally centred around COVID-19 with questions also asking about the impact of the regional currencies' headwinds on our business.

COVID-19

In updating our shareholders on this topic, we believe we should begin with our foremost priority in the COVID19 outbreak which has and will continue to be ensuring the safety and protection of our people. We activated our Business Continuity Plans (BCPs) fairly early, starting with our HQ in Singapore and rapidly rolling out the activation of our BCPs across our operations in the region.

Whilst working to put in place these safety measures, our Management Team have rallied together to ensure that where possible our businesses are able to adapt and continue to operate as smoothly as possible during this crisis.

Ensuring that our business continues to function properly during this crisis

Being in the food sector, Delfi's production of chocolate confectionery products and distribution operations are considered as essential items and services by the respective Governments in the countries in which we operate. Therefore, our operations, both production and distribution, have approvals from the respective Governments in all our markets to operate within local safety guidelines and rules.

Our production is still ongoing although initially production of certain products was reduced due to the enhanced safety measures implemented (e.g. social distancing and staggered work hours). We have since been able to increase production, whilst still maintaining the safety measures, to meet the resilient demand from our customers as store sales continues to be relatively robust. Therefore, capacity utilisation of our production facilities remains relatively high with our production and distribution teams working to ensure that orders from our retail customers continue to be fulfilled as much as possible.

Our Modern Trade retail customers in Indonesia and the Philippines are still operating although under their own safety constraints during this period, for example shorter operating hours and the closure of some malls. Thereby reducing our sales to those outlets. However, compensating for this, our Minimart customers, especially in Indonesia, are still experiencing good customer traffic.

Of course, there are the challenges for our operations which have arisen as a result of this constantly evolving situation essentially reflecting the level of Government safety measures imposed in the different countries. So, we have had to work to embrace these challenges, and adapt in order to ensure that we continue to satisfy the needs of our customers and the market.

Impact of COVID

For the Delfi Group, the impact of COVID-19 has, therefore, been varied for us from country to country. With our bigger share in Modern Trade especially the Minimarts, this has benefitted us and mitigated to a certain degree the overall COVID-19 impact. Our premium products are still selling well and during this period, we are leveraging our advantage as a local producer in order to increase our initiatives against the competition, especially imported products.

Although our sales have been impacted, it has not been as badly affected as we had first thought. At this stage, it is too early to project what our full year results will be but we would like to assure shareholders that we are working to ensure that we maximise our income streams as much as possible, under the current circumstances.

In these uncertain times, we have tightened our cashflow management paying particular attention to our receivables, and identified areas of costs savings and efficiency improvements. Under this situation, there are small pockets of possible risk that may emerge, but as most of our customers are major retail players in the food business (grocery), we currently do not see any major disruption in our collections.

Our businesses operate in a region where currencies tend to be volatile and as such, we always take this into account. Our ongoing mitigation strategy in a higher input cost environment due to currency movement and others is to do the following - proactive price adjustments, and innovation including launches of new higher margined products; and cost containment initiatives amidst production efficiencies.

Preparing for post COVID-19

Post COVID-19, we believe the ways of working will need to reflect COVID-19 as part of our ongoing risk management process. In this “new normal” environment, we will need to strike a balance between safety of our people (e.g. continued use of masks and maintaining social distancing in our operations) and achieving volume growth within our Group. This could translate to a higher cost of operations but we believe the impact is unlikely to be significant.

To ensure that we can continue to grow our business in this “new normal” environment, we have to continue to improve the efficiency of our operations, and innovate and improve the way we sell and the way we manage our supply chain and production operations. We also see the need to increase e-commerce platform as an extension of our current sales platform.

Our business has a long history of operating through challenging events - from financial, political to social upheavals. Each time we have come out stronger from the lessons learned. Equipped with these and through paying close attention to all other emerging uncertainties, we will continue to strive to make the best long-term decisions for our business.

Rupiah Questions

- Q1. With the recent slide in the Rupiah against the USD, will this adversely affect the group's gross and operating margins?**
- Q2. Impact of Rupiah depreciation on business?**
- Q3. Rupiah currency has been weakening a lot. Does the company have any hedging in place to mitigate any currency risks?**
- Q4. What is Delfi's hedging policy for USD/IDR and raw materials? Given the sharp appreciation of USD, what is the sensitivity on your earnings and GPM?**

Response

Our businesses operate in a region where currencies tend to be volatile and as such our strategy must always take this into account. Therefore, this is not the first time that the Management Team has dealt with currency weakness, especially the Indonesian Rupiah. To highlight, our ongoing mitigation strategy in a higher input cost environment includes a combination of the following: proactive price adjustments, and innovation including launches of new higher margined products; and cost containment initiatives amidst production efficiencies. However, we must not lose sight of the fact that our products must always maintain their value proposition to our consumers. As such, we are always mindful of the impact on our sales volume.

Raw Material Questions

- Q1. Cocoa prices have tanked sharply in March. Is there any impact on margins or has it all been hedged out?**
- Q2. How much has your cost of cocoa risen? Understand that Ivory Coast, the top bean producer, and Ghana, the second-biggest, imposed a premium of \$400 a metric ton for a so-called living income differential for the 2020-21 cocoa crop. How will that impact gross margins?**
- Q3. Any disruption in raw material supply or hike in prices?**
- Q4. What kind of impact from the Living Income Differential implementation in Ivory Coast and Ghana on cocoa supply?**

Response

It is our strategy to cover our strategic raw materials, like cocoa ingredients, as far forward as possible as this allows us to lock-in forward costs to a major extent thus providing cost visibility and margin stability. This strategy also negates short term fluctuations. We buy from financially strong companies to ensure that we minimise any chance of disruption and our needs continue to be met in these unprecedented times.

The Living Income Differential (LID) was introduced by Ivory Coast and Ghana to increase the pricing in order to support the cocoa farmers, which we support and agree with. Generally, this price is already reflected in the futures market.

Financial Questions

- Q1. What is capex guidance in 2020?**
- Q2. How much capex budgeted so far over next few years?**
- Q3. What is capex and opex requirements amid COVID-19 situation for FY20/21?**

Response

We have always been very conservative in our capex spending with our investment mainly on capacity expansion where necessary. We always ensure that spending matches demand. As

such you will note that our capex over the last couple of years has not been significant and capex for 2020 will not be materially different. We will continue to spend cautiously. We are watching the situation very closely and we will review our capex as we go along.

- Q4. Any customers facing financial difficulties, especially in Indonesia? Any potential bad debt coming?**
- Q5. Do you need to extend longer credit terms to customers? How will that impact receivable days?**
- Q6. How will the COVID-19 situation affect the cash flow?**
- Q7. Can you share about how your working capital or cash flow cycles, i.e. AR vs AP days has been impacted by COVID-19, if any?**

Response

In these uncertain times, we have tightened our cash flow management with particular attention paid to our receivables and payables. On a day to day basis, we are paying close attention to any possible credit risk that may emerge. However, as most of our customers are major retail players in the food business (grocery), we currently do not see any major disruption in our collections.

Strategic Expansion Question

- Q1. Any plans to grow into other markets such as Myanmar or even India since our directors have expertise there?**

Response

With the current situation, we are focussing our attention on our core markets. Obviously if the opportunity arises, we will look at potential market expansion as part of our strategy of diversifying our market risk.

Others

- Q1. Is it still relevant to report in USD? It may make more sense to report in SGD or IDR?"**

Response

Yes. The USD remains the most relevant reporting currency for us, especially when compared against the SGD. With our operations spread across different geographic locations in the region with different operating currencies, there is a need for a common reporting currency. From our perspective, the USD is the most relevant because a large part of our costs is also denominated in USD.

- Q2. Prudent to write down more of Delfi Cacau Brasil Ltda?**

Response

We draw your attention to the disclosure already made in the 2019 Annual Report on page 69 that the Board and Management is of the opinion that any further disclosure may be prejudicial to the ongoing cases. As such there are no plans other than what we have already disclosed.

Q3. Why are the share prices dropping?

Response

The Management feels that it is not in a position to be answering this question. We do not understand the share price weakness especially with the much-improved financial performance over the last 2 years. This, we believe, is not reflected in the share price.

Q4. How has the Group's distribution footprint grown over the past year? What is the % increase in distribution points (POS)?

Response

Our footprint has increased as a result of the Modern Trade expansion particularly the growth driven by the Minimarts and the Modern Trade Independents. We are also building our capability in the General Trade channel through the reorganisation and strengthening of our distributors.

Q5. May I ask the Audit Committee how many food safety incidents (major & minor ones) have been discovered in the last financial year?

Response

As a responsible manufacturer, food safety and product quality are of paramount importance. We take this very seriously at every level of our operations. 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. To assure you of our on-going compliance with such standards please note that as of 31 December 2019, our products and processes are certified to the following international quality standards:

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

In addition, we have to meet the strict standards that are imposed on us by the food safety regime in our markets. We are all passionate about food safety as this has major brand impact.

Q6. May I ask the Remuneration Committee why were there so many resignations? E.g. Commercial Director (Route-to-Market) Johnny Katio, Director of Finance and General Affairs in Indonesia Lim Hock Thye.

Response

As part of our human capital renewal initiatives, we will renew, reorganize and realign our people to our strategy. We will continue to recruit key people where they can contribute to our business.

Q7. Are there plans for Delfi to have conduct share buyback to support share price performance?

Response

A share buy-back is always an option for listed entities; however, there is currently limited liquidity of Delfi shares in the market and a share buyback will put more strain on share liquidity as well as direct the Group's cash away from possible business opportunities that might arise in the future.

Q8. Does management expect to sustain its dividend track record with pay-out ratio of ~50% for FY20? Is there any guidance on your dividend policy?

Response

We do not have a dividend policy but our practice has been a 50% pay-out ratio. The practice of returning profits to shareholders through dividends is consistent with our longstanding principle of delivering value to shareholders. We highlight that 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.

Q9. Any brand audit done to check brand equity & brand resilience of our core brands? Any brand revitalization efforts needed?

Response

We view the development of our brands very seriously as this is fundamental to strengthening the value of our brand equity. We will work to continue to build our brand proposition remains relevant to consumers now and in the future in order to continue growing our sales. Our initiatives include product innovation through introducing novel formats and enticing flavours to enhance the appeal of our products, our communication strategy to consumers, and refreshing the look.

Questions based on Annual Report's Financial Statement

Q1. Increase in Property, Plant and Equipment investment to US\$10 million. Is this related to the new products launched? What type of growth are we expecting from this investment?

Response

The investment was mainly related to equipment for existing products as well as new products. We are expecting that this will increase sales.

Q2. Trade payable of around 44 days. Is it due to the effort to lock down inventory prices?

Response

Our average payable days have been fairly consistent over the last 2 years. That being said, our prudent practice of purchasing raw materials for production based on forward purchased contracts have not changed either.

Q3. Why is there a change in the borrowing mix? Is it due to cost of borrowing?

- 2019 Working Capital Loan 14.3m, Term Loan US\$44.0 million
- 2018 Working Capital Loan 30.3 Term Loan US\$28.4 million

Response

The change in the borrowing mix reflects our long-term financial strategy to better manage our borrowing cost as typically Term Loans carry a lower and fixed interest rate compared to Working Capital Loans. Although for 2019 our effective interest rate was higher compared to 2018 because during the course of 2019 this would have reflected the interest rate increases in our markets.

Q4. What is the provision of other liabilities and charges for US\$13 million for?

Response

Provision of other liabilities and charges of US\$13 million were mainly related to employee post-employment defined benefit obligation under labour laws in Indonesia and the Philippines.

Q5. As noted in the Five-Year Financial Highlights & Review (pages 6 & 7 of the Annual Report), the group embarked on a product rationalisation programme that saw the elimination of more than 180 SKUs or 40% of the group’s total portfolio. After experiencing the short-term pains in 2015-2017 during which sales declined, the group has experienced stronger sales in the past two years even as the Indonesia Rupiah depreciated against the USD (the reporting currency). This increase was also due to the group’s revised route-to market strategy.

For 2019, the group achieved the highest revenue and margins in the past five years. A snapshot of the group’s five-year financial highlights is reproduced below.

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

(Source: Company Annual Report)

(i) Having rolled out the strategic initiatives in Indonesia since 2015, what are the other critical operational and structural challenges that the group will be addressing in the next 2-3 years?

Response

Following the successful implementation of the strategic initiatives described in more detail in the Annual Report (“AR”), we will look to further increase our level of direct delivery to our Modern Trade customers to drive improvement in service levels to them. Building on the direct servicing of key customers which focussed mainly on Java, we will be exploring similar arrangements with other customers in Java beyond key accounts as well as other key accounts outside Java which could be possible opportunities with the right economics. We will also be building our organisation to work with the distribution centres of these customers.

For the development of the General Trade channel, we will continue to build a strong team of regional distributors for the distribution of our products aimed at this channel. In addition, we will look to leverage on our RD’s to supply the Modern Trade in areas that we do not yet serve.

Q6. While the group’s regional markets have also turned profitable, EBITDA from regional markets amounted to US\$4.6 million compared to EBITDA of US\$55.0 million from Indonesia. Revenue generated from regional markets added up to US\$134.1 million in FY2019, approximately 40% of the revenue from Indonesia (US\$337.4 million).

In other words, the EBITDA margin from the regional markets was a relatively low 3.4% compared to the 16.3% EBITDA margin achieved in Indonesia.

(i) Can management help shareholders understand the reasons for the difference in EBITDA margins achieved in Indonesia and that from the regional markets?

- (ii) **Specifically, what are the key value drivers to further improve profitability in the Philippines which has very similar characteristics to the Indonesia market?**

Response

There are the relative sizes of our business in the different geographical region to consider - The revenue of our business in Indonesia is about 2.5 times the size of our regional markets. This would allow it to gain significant economies of scale, given the relatively fixed central operating costs in each market, which will produce higher EBITDA margins for Indonesia. Our margins in Indonesia therefore reflect an operation that has scale whilst our Philippines operation is still in its embryonic stage.

- Q7. As noted in the Corporate governance report, the company conducts regular board meetings and when directors are not able to be physically present, they can attend and participate through telephonic or video-conferencing. This enables the directors 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 the businesses. Attendance at board meetings via audio and visual means are provided for in the company's Constitution (page 53).**

The attendance of directors at board and board committee meetings is shown on page 52 of the Company's Annual Report).

During the financial year, three directors missed a board meeting each and directors were also absent at some of the board committee meetings. For FY2018, the attendance of directors showed a similar pattern.

- (i) **Can the company help shareholders understand if directors participated in the meetings through telephonic or video-conferencing? If not, why not?**

Response

We have a multinational Board whose nationalities and respective residence are multi-jurisdictional. Many of our meetings (including Board and committee meetings) involving our directors are very likely to straddle different countries across 3 different continents and consequently different time zones.

However, we must highlight that our Board's involvement is not only limited to the formal meetings detailed in the table because their contributions go beyond that. There are informal discussions that are held with management at hours which sometimes are very early in the morning for them. We believe all our Directors are working well beyond the call of duty. Their contributions, therefore, cannot be judged just from one perspective.

- (ii) **How can the company secretary and the directors improve the scheduling of the board and board committee meetings so that directors' attendance can be further improved?**

Response

In respect of attendance, we would always want to do our best to improve by deploying or tapping the use of technology where applicable and useful, and also updating the board and committee meeting schedule as often as we can, to match the gruelling schedules of our directors. The schedule is updated as often as monthly and bi-monthly.

Having said that, the culture of our Board and Management, is such that our directors have become accustomed to spend additional time in addition to the formal Board and committee meetings, not only keeping abreast of developments, but also conferring with each other and with

Management, in a bid to contribute further and often beyond what you may expect of a non-executive director. Thus, to assess a director solely on his attendance at Board or committee meetings may not be completely fair to his overall contribution.

Our directors' respective roles and positions may sometimes require them to attend to unforeseeable urgent matters, which take precedence over attendance at our board or committee meetings, and we respond with our understanding and empathy in light of their having embraced our work ethic and culture and ongoing contribution. Additionally, there have been instances where directors may not have been able to attend due to short term illness.