

FOR IMMEDIATE RELEASE

JB Foods to acquire 80% stake in Indonesia cocoa bean processing facility and proposes a 1-for-2 rights issue

- *The proposed acquisition for S\$23.0 million will be funded through the issuance of 38 million new shares at S\$0.30 per share, and cash amount of S\$11.6 million*
- *The Group is also proposing to raise up to S\$28.8 million through a 1-for-2 rights issue at an exercise price of S\$0.12 per share*
- *Major shareholder, Tee Yih Jia Food Manufacturing Pte Ltd has undertaken to fully subscribe for its entitlement of rights shares and any unsubscribed rights*

SINGAPORE, 2 September 2014 – Mainboard-listed **JB Foods Limited** (“**JB Foods**” together with its subsidiaries, the “**Group**”), today announced it will exercise a call option to purchase 80% stake in PT JeBe Koko, a cocoa bean processing facility in Gresik, Indonesia. It is also proposing a 1-for-2 rights issue of up to 240 million new ordinary shares at an exercise price of S\$0.12 per share.

Proposed Acquisition

For this proposed acquisition of the Indonesia-based plant, the Group will be acquiring 40,000 shares in the issued and paid up share capital of PT JeBe Koko, which comprises 80% of the equity stake, and shareholders’ advances.

The purchase consideration of US\$18.4 million (S\$23.0 million¹) will be funded through the issuance of 38 million new shares, notionally priced at S\$0.30 per share, and in cash of S\$11.6 million. This represents an attractive 42.3% discount to the proportionate fair value of the proposed acquisition of US\$31.9 million (S\$39.9 million), conducted by an independent valuer.

¹ Based on US\$1 = S\$1.25

“PT JeBe Koko has been part of our operational supply chain and we feel that it is timely to exercise our call option so that we can fully integrate our cocoa ingredient production facility. Even with the ongoing market consolidation and challenging trading conditions, the Group is moving ahead with our business strategies to expand our customer base and enhance our cost competitiveness to prepare for future growth. This plant will not only help to diversify our operational risks, it will also focus on processing raw cocoa beans sourced from Indonesia, thus enabling us to save on the cocoa bean export tax,” said Mr Tey How Keong (郑好强), Chief Executive Officer of JB Foods.

Since 2010, the Indonesian government had imposed an export tax on raw cocoa beans to encourage the processing of cocoa beans locally and develop the domestic cocoa processing industry.

The Indonesia plant, which is located about 30 km from the Surabaya port, will increase JB Foods’ production capacity from 85,000 metric tonnes of cocoa bean equivalent per year to 145,000 metric tonnes of cocoa bean equivalent per year. It will complement Malaysia’s production capacity with PT JeBe Koko focusing on processing Indonesia beans while the Malaysia facility focusing on African and other beans. The additional capacity will also help supplement for future growth, especially in the USA market which the Group has set up a subsidiary operation to cater to the needs of existing customers as well as further expands the business in this market.

Startup and integration risks are reduced as the Indonesia plant has been operationally-integrated with JB Foods since late 2012 through an exclusive tolling agreement. For the financial year ended 31 December 2013, PT JeBe Koko reported a net profit of S\$2.5 million and operating revenue of S\$79.9 million.

The 1-for2- Rights Issue Exercise

Concurrently, JB Foods is proposing a rights issue of 1 right share for every 2 outstanding shares at an exercise price of S\$0.12. The exercise price represents a 40% discount to JB Foods share price of S\$0.20 as at the close of trading on 1 September 2014. This will raise up to S\$28.8 million, assuming all shareholders fully subscribe to the rights issue.

Proceeds raised will be used to fund the cash payment of S\$11.6 million of the proposed acquisition, and the balance will be used for general working capital and capital expenditure.

This exercise will be non-underwritten as the two major shareholders, which include Mr Tey and his family, and Tee Yih Jia Food Manufacturing Pte Ltd (“**Tee Yih Jia**”), with a total stake of 68.0%, have given their undertaking to fully subscribe for the rights issue.

In a show of confidence and strong support for JB Foods’ cocoa processing business and its growth potential, Tee Yih Jia has also undertaken to subscribe for any unsubscribed rights. Following the completion of the acquisition and the rights issue exercise, Mr Tey and his family will increase their shareholdings in JB Foods from the current 51.3% to 52.6%.

About JB Foods Limited

Established since the 1980s, JB Foods is one of the major cocoa ingredient producers in Malaysia with a production capacity of 85,000 metric tonnes of cocoa bean equivalent per year. We are principally engaged in the production and sale of cocoa ingredient products, namely cocoa butter, cocoa powder, cocoa liquor and cocoa cake, which are used to produce chocolate, chocolate confectionary, as well as cocoa-related food and beverages. Our cocoa processing plant – which is ISO 9001:2008, HACCP, Kosher and Pareve, and Halal-certified – is located at the Port of Tanjung Pelepas, a free trade zone in Johor, Malaysia where all our products are manufactured under stringent food safety standards. Our products are sold primarily under the “JBCOCA” brand name and we export our products worldwide to customers ranging from international trade houses to end users.

Issued by and on behalf of JB Foods Limited

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