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JB Foods' 3Q2014 revenue up 24% to RM179.6 million

- *Long-term prospects for cocoa industry remain positive as the Group gears up for future growth*

Financial highlights for 3Q2014

RM'million	3Q2014	3Q2013	+/(-) %	9M2014	9M2013	+/(-) %
Revenue	179.6	144.8	24.0	534.5	451.5	18.4
Cost of Sales (before write-down)	(187.9)	(142.8)	31.7	(544.8)	(447.9)	21.6
Gross Profit/(Loss) (before write-down)	(8.3)	2.0	n.m.	(10.3)	3.6	n.m.
Inventories write-down	(0.4)	(6.4)	(93.9)	(6.2)	(19.5)	(68.5)
Gross Loss	(8.8)	(4.4)	99.7	(16.4)	(15.9)	3.3
Loss before income tax	(11.7)	(7.9)	48.4	(29.1)	(32.5)	(10.7)
Loss attributable to owners of the parent	(11.7)	(7.0)	67.0	(29.1)	(30.1)	(3.5)

SINGAPORE, 14 November 2014 – Mainboard-listed **JB Foods Limited** (“**JB Foods**” together with its subsidiaries, the “**Group**”), a major cocoa ingredient producer in Malaysia principally engaged in the production and sale of cocoa powder, cocoa butter, cocoa liquor and cocoa cake, today posted a 24.0% increase in revenue to RM179.6 million for the three months ended 30 September 2014 (“**3Q2014**”), compared to RM144.8 million in 3Q2013.

The growth in revenue was mainly due to the increase in average selling prices of cocoa ingredient products by 31% in 3Q2014. However, the average cocoa bean prices rose higher by 38% in 3Q2014 compared to the same quarter of the preceding year, which resulted in a margin squeeze on the sale of cocoa ingredients contracts that took place during this period. Consequently, the Group recorded an attributable net loss of RM11.7 million.

On a nine-month basis, JB Foods registered 18.4% increase in revenue to RM534.5 million and a net attributable loss of RM29.1 million.

“Despite the challenging market conditions, we are heartened that the inventory write-down has been reduced substantially this quarter as we continue to exercise stringent control over our production. We remain focused on building and strengthening the fundamentals of JB Foods as we are confident about the long-term prospects of the cocoa processing industry which is fundamentally indispensable to the overall cocoa value chain. With the growing global consumption for chocolate, especially in Asia, we are gearing up to tap on the growth potential of an uptick in the industry, which we believe is imminent,” said Mr Tey How Keong (郑好强), Chief Executive Officer of JB Foods.

In line with its strategy to ready itself for future growth, the Group is in the process of formalising the acquisition of an 80% stake in PT JeBe Koko, a cocoa bean processing facility in Gresik, Indonesia, which had received shareholders’ approval at the recent EGM on 28 October 2014.

The acquisition will provide the Group with a cost-competitive bean processing facility to process Indonesian cocoa beans locally. The investment cost of the acquisition at US\$18.4 million is at an attractive discount of 42.3%, when compared to the proportionate fair value of US\$31.9 million, as determined by an independent valuer. With this acquisition, the Group will have a combined capacity of 145,000 metric tonnes cocoa bean equivalent per year to cater to the Group’s future growth in Asia and the rest of the world.

Commenting on the future of the cocoa industry in Asia, Mr Tey said, “While the industry faces difficult market conditions, we believe that Asia is still an exciting growth story for cocoa and chocolate consumption, given its low cocoa consumption per capita and growing affluence. There is also growing demand from countries like China and India whose consumers are fast developing Western-style tastes for chocolate that they never used to have. To capitalise on these growth opportunities, many major confectionery companies are building new factories in Asia, which are expected to commence production next year. We believe this bodes well for the growth of the cocoa processing industry in Asia.”

Concurrent with the acquisition, the Group had recently concluded a rights issue of 1 right share for every 2 existing ordinary shares at a subscription price of S\$0.12, which was oversubscribed. The rights issue raised a total of S\$28.8 million which will be partially used to fund the acquisition of PT JeBe Koko. The funds raised has also strengthened JB Foods’ balance sheet and better positioned the Group for growth and to meet the current challenges in the market.

“We are in this business for the long term and we are strongly positioned to ride out the current market volatility with our sound business model, healthy balance sheet and experienced management team,” added Mr Tey.

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 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 “JBCOCHA” 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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