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JAPFA LTD
(Company Registration Number: 200819599W)
(Incorporated in the Republic of Singapore)

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(1) PROPOSED LISTING OF AUSTASIA INVESTMENT HOLDINGS PTE. LTD. ("AIH") ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED ("SEHK")

(2) PROPOSED CONDITIONAL DISTRIBUTION *IN SPECIE* OF SHARES IN AIH TO BE LISTED ON SEHK TO SHAREHOLDERS OF THE COMPANY BY WAY OF CAPITAL REDUCTION

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1. INTRODUCTION

The Board of Directors ("**Board**" or "**Directors**") of Japfa Ltd. ("**Company**" or "**Japfa**", and together with its subsidiaries, "**Group**"), wishes to announce that AIH has today submitted an application to the SEHK in connection with AIH's proposed listing on the Main Board of the SEHK ("**Proposed Listing**")[1].

In connection with the Proposed Listing, the Company is proposing to distribute its entire shareholding in AIH to shareholders of the Company ("**Shareholders**"), by way of a proposed capital reduction exercise ("**Capital Reduction**"), in proportion to their respective shareholdings in the Company as at a date to be determined by the Board for the purpose of determining the entitlements of Shareholders ("**Record Date**"), fractional entitlements (where applicable) to be disregarded ("**Proposed Distribution**"). The Proposed Distribution will be effected by way of a distribution *in specie* of issued and paid-up ordinary shares in the capital of AIH ("**AIH Shares**").

A circular containing, amongst others, further details of the Capital Reduction and the extraordinary general meeting of the Shareholders to be convened (the "**EGM**") for the purpose of seeking the Shareholders' approval for the Proposed Distribution will be despatched to the Shareholders in due course (the "**Circular**").

1.1 Appointment of Financial Adviser

The Company has engaged DBS Bank Ltd. as the financial adviser for the Proposed Distribution.

2. RATIONALE FOR THE PROPOSED LISTING AND THE PROPOSED DISTRIBUTION

The Group intends to undertake the Proposed Listing and the Proposed Distribution as the

[1] There is no assurance that approval of the SEHK and other relevant authorities for the Proposed Listing will be granted.

Directors believe that it will benefit the Group and the Shareholders for the reasons outlined below.

(a) Creates Two Leading, Asian-focused Businesses in Animal Proteins and Dairy

The businesses of Japfa and its subsidiaries (excluding AIH) ("**Japfa Animal Protein**") could be clearly differentiated from those of AIH, together with its subsidiaries, (the "**AIH Group**") both in business and geography. Japfa Animal Protein consists of its core animal protein businesses in Indonesia, conducted through PT Japfa Comfeed Indonesia Tbk ("**PT Japfa Tbk**"), and in Vietnam, Myanmar, India and Bangladesh, where these entities, *inter alia*, undertake poultry, swine, beef and aquaculture feed manufacturing, breeding and commercial farming, as well as processing and distribution. On the other hand, the AIH Group will continue with its dairy farming business, raw milk production and beef cattle operations in China.

The Proposed Distribution will segregate the principal activities, business strategies and future plans of the AIH Group from Japfa Animal Protein and will enable the management and boards of each entity to fully concentrate on their respective core business and oversee their strategies and operations more effectively. In addition, the Proposed Distribution will enable the Company to better focus its financial resources on the business of Japfa Animal Protein without the need to plan for AIH's funding requirements and tap the potential for animal protein consumption in its markets across emerging Asia, which together account for approximately 2.0 billion people[2].

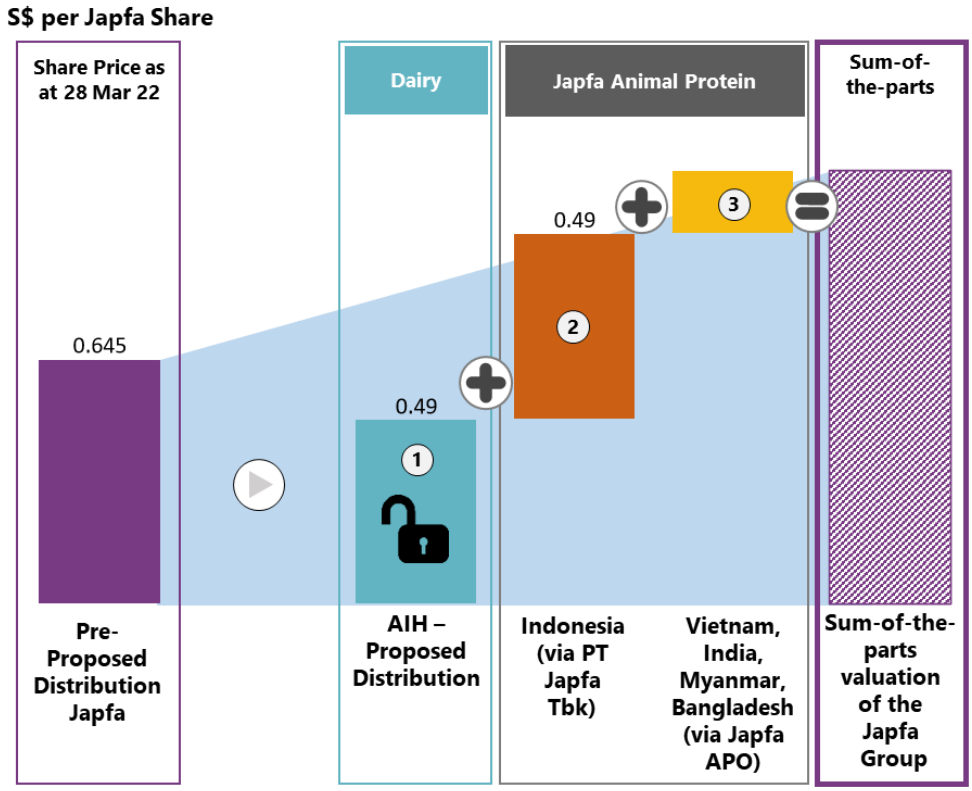
As the AIH Group had always maintained an independent management team, there will be no changes in the business, continuity of management and operational control of Japfa Animal Protein. Each of the management teams of Japfa Animal Protein and the AIH Group will be able to fully direct their efforts into growing and developing the animal protein businesses and the dairy farming businesses, respectively.

(b) Unlocks Value for Shareholders

The Proposed Distribution will facilitate an unlocking of Shareholder value by providing (i) greater clarity of Japfa Animal Protein's animal protein business in emerging Asia; and (ii) Shareholders an opportunity to have direct ownership of AIH Shares which will be separately listed.

This would (a) create a clearer investment proposition of each operating group with its own strategy and focus; (b) facilitate ease of comparison with respective peers; (c) increase the appeal to different investor groups which allows both businesses to be assessed and valued more distinctly based on their own merits and risks; and (d) potentially lead to a re-rating of Japfa's equity value.

[2] World Bank population data, data extracted on 28 March 2022. Countries include Indonesia, Vietnam, India, Myanmar, and Bangladesh.



For illustrative purposes only, the value of the Company's interest in AIH of S$0.49 per ordinary share in the capital of the Company ("**Share**") is based on the 2021 Precedent Transactions[3]. For avoidance of doubt, this is not a representation of AIH's value at its Proposed Listing or its share price performance after its Proposed Listing on the SEHK.

In addition, the value of the Company's stake in PT Japfa Tbk is valued at S$0.49 per Share[4], and the Company also owns the Animal Protein Other businesses ("**Japfa APO**") in key markets such as Vietnam, India, Myanmar and Bangladesh.

The combined per-Share value of AIH and PT Japfa Tbk, prior to taking into account of Japfa APO, is higher than the Company's share price of S$0.645[5] as at 28 March 2022.

(c) Creates Investment Flexibility

The Group proposes to undertake the Proposed Distribution by way of a distribution *in specie* of its shareholding interest in AIH, to the Entitled Shareholders (as defined

[3] The "**2021 Precedent Transactions**" refer to the sale of the 5%, 2.5% and 5% stake in AIH to New Hope Dairy Co., Ltd., Honest Dairy Group Co., Ltd., and Plutus Taurus Technology HK Limited (subsidiary of Genki Forest Technology Group Holdings Limited) respectively between August to September 2021 at a valuation of US$1,168m. Japfa's interest in AIH translates to S$992m based on its current 62.5% stake, translated into SGD at an exchange rate of 1.3584 USD/SGD, and which is calculated on a per Share basis based on the outstanding Shares of approximately 2,041m.

[4] Source: Capital IQ. Based on the market capitalisation of PT Japfa Tbk as of 28 March 2022 of IDR 19,115,408m translated into SGD at an exchange rate of 10,550.6055 SGD/IDR. Japfa's interest in PT Japfa Tbk translates to S$997m based on its current 55.0% stake, which is calculated on a per Share basis based on the outstanding Shares of approximately 2,041m.

[5] Source: Capital IQ. Share price as of 28 March 2022.

below) of the Group such that Entitled Shareholders would have direct ownership of AIH Shares.

Shareholders will have the flexibility to deal with the AIH Shares independently of their Shares, and benefit from the direct holdings of two distinct and separately listed entities in different equity markets, without any additional cash outlay. Entitled Shareholders will have the discretion and flexibility to separately decide on their holdings of Japfa Animal Protein and AIH in accordance with their individual investment objectives. They will have the option to either sell AIH Shares on the open market after completion of the Proposed Listing and the Proposed Distribution or retain the distributed AIH Shares.

In addition, Shareholders will be able to directly participate in the growth of and influence the future directions of Japfa Animal Protein and AIH separately and benefit directly from any individual future corporate actions and exercises of these two companies (for example, dividends, bonus issues, rights issues, mergers and/or acquisitions).

(d) Creates Trading Liquidity in AIH after its listing on SEHK

In connection with the Proposed Listing, it is expected that Entitled Shareholders will be distributed their AIH Shares in addition to the issuance of new AIH Shares to institutional investors and the public in Hong Kong.

(e) Allows AIH to establish financial independence and provides it with direct access to the capital markets

Following the Proposed Listing and the Proposed Distribution, both Japfa Animal Protein and the AIH Group will have greater (i) operational flexibility to develop their respective business plans; and (ii) financial headroom to strengthen their balance sheets, enhance their credit profile and optimise their capital structures to capture growth opportunities specific to their own industry and geographies where there are minimal overlaps between the two businesses.

As AIH's business is capital intensive and its ability to grow and develop depends largely on capital spending, AIH will be better able to independently and directly access capital markets as a separately listed entity to fund its existing operations and future business expansion plans.

3. OVERVIEW OF JAPFA ANIMAL PROTEIN

Following the Proposed Listing and the Proposed Distribution, Japfa Animal Protein continues to focus on animal protein business in emerging Asia, specialising in producing protein staples and packaged food that nourish millions of people.

Over the years, Japfa Animal Protein has successfully grown to become leaders in multiple protein foods across multiple geographies. It produces animal proteins (poultry, pork, beef and aquaculture) in Indonesia, Vietnam, India, Myanmar and Bangladesh.

4. STRATEGIES AND GROWTH DRIVERS OF JAPFA ANIMAL PROTEIN

Following the Proposed Distribution, Japfa Animal Protein remains a significant business with 2021 *pro forma* revenue reaching over US$4 billion, *pro forma* earnings before interest, tax, depreciation and amortisation ("**EBITDA**") of US$374 million and a track record of strong

financial performance with *pro forma* revenue and *pro forma* EBITDA growing at a compound annual growth rate of 9.5% and 17.5% respectively from 2017 to 2021. In 2021, Japfa Animal Protein accounted for 88% and 70% of Japfa's revenues and EBITDA, respectively.

Japfa Animal Protein remains confident in its long-term outlook as it has a solid foundation for future growth, based on its competitive strengths and the prospects for protein consumption in emerging Asia.

(a) Sharpening its Value Chain

Japfa Animal Protein plans to capture the full potential of its vertically integrated business model by sharpening its focus along the value chain. In its Feed operations, Japfa Animal Protein will leverage its strength and scale in animal feed, providing a strong base of consistent profitability. In its Farming operations, Japfa Animal Protein has established centres of competence for poultry in Indonesia and swine in Vietnam, and continuously increases the efficiency of its breeding and farming operations, while also working towards adding aquaculture as a new centre of competence. In its Downstream operations, Japfa Animal Protein will aim to create value and reduce volatility by fully exploiting downstream opportunities via expansion into the business-to-business and business-to-consumer markets.

(b) Driving Growth

Japfa Animal Protein has multiple growth levers to tap on, including the following:

(i) Rising animal protein consumption in emerging Asia a secular growth driver

Animal protein consumption per capita remains at low levels in these markets, signifying potential for growth and corresponding in part to their relatively low gross domestic product ("**GDP**") per capita figures. In its key markets of Indonesia, Vietnam, India, Myanmar and Bangladesh, GDP growth is expected to average 8.1% per annum over 2021 to 2026[6].

(ii) Riding on country-specific growth trends

There is a sizeable opportunity in the swine business in Vietnam, where pork consumption levels are the second highest in Asia after China[7]. In Indonesia, poultry is seen as a "meat of choice" within the region given its relative affordability, religious neutrality, and the popularity of quick service restaurants that predominantly serve poultry.

(iii) Growth via strategic replication of Japfa Animal Protein's industrialised business model

Japfa Animal Protein leverages on its strong expertise in livestock farming and its "total solution" model for farmers, which drives growth in feed volumes, as well as its competitive strength in animal health and biosecurity as key competitive advantages to build leading positions in each market and/or protein segment.

[6] Source: IMF World Economic Outlook Database (October 2021 version), GDP in USD terms, data extracted on 17 March 2022.

[7] Source: USDA Foreign Agricultural Service, Vietnam, Grain and Feed Annual, 2017.

(iv) Digital transformation

Japfa Animal Protein integrates digital technologies in farm and production management to drive efficiencies and productivity.

(c) Continuing to Deliver on Sustainability

(i) Efficient production systems

Enabling optimal use of resources while also prioritising animal health and managing waste responsibly.

(ii) People development

Encompassing a focus on employee well-being, as well as use of training programmes to upskill both employees and contract farmers.

(iii) Improving nutrition

Facilitating access to safe, nutritious and affordable foods and implementing development programmes to help local communities maximise their potential.

5. OVERVIEW OF THE AIH GROUP

AIH was incorporated under the laws of Singapore on 17 April 2009 and it is currently a principal subsidiary of Japfa and the holding company of its dairy farming business. The AIH Group carries on dairy farming, raw milk production, and beef cattle operations in China[8]. The AIH Group is a leading dairy farm operator in China, providing premium raw milk to a well-diversified customer base of downstream dairy product manufacturers.

In 2020 and 2021, Japfa strengthened AIH's position as the leading independent milk producer in China through the introduction of several of its strategic milk processor customers (namely Meiji Co., Ltd., Genki Forest Technology Group Holdings Limited, Honest Dairy Group Co., Ltd. and New Hope Dairy Co., Ltd.) as shareholders of AIH through the sale of AIH Shares to them. Following completion of the aforesaid transactions and as at the date hereof, AIH continues to be a principal subsidiary of Japfa, with Japfa retaining a 62.5% interest.

6. THE PROPOSED DISTRIBUTION BY WAY OF CAPITAL REDUCTION

6.1 Details of the Proposed Distribution by way of Capital Reduction

The Company will undertake the Proposed Distribution by way of Capital Reduction pursuant to Section 78G read with Section 78I of the Companies Act 1967 of Singapore.

The Capital Reduction will be effected by reducing the Company's issued and paid-up capital by approximately US$555 million, based on the Company's cost of investment in AIH but there will not be any cancellation of Shares or reduction in the number of issued Shares. Accordingly, the number of Shares in the Company held by each Shareholder will remain the same before

[8] A small portion of AIH's raw milk is processed into its own branded dairy products sold through its subsidiary in Shanghai.

and immediately after the Capital Reduction.

The final number of AIH Shares to be distributed to the Shareholders under the Proposed Distribution will be determined based on the number of AIH Shares held by the Company and the number of Shares in issue as at the Record Date. The Record Date is currently expected to be the date on which the AIH Shares are listed and from which date dealings in AIH Shares are permitted to commence on the SEHK (the "**Listing Date**").

6.2 Shareholders' Entitlements under the Proposed Distribution

Shareholders holding Shares as at the Record Date (other than Overseas Shareholders[9]) will be entitled to AIH Shares under the Proposed Distribution ("**Entitled Shareholders**"). Entitled Shareholders are currently expected to be given options to (i) receive AIH Shares; or (ii) appoint the Company to facilitate the disposal of their AIH Shares following the Proposed Listing, with the net proceeds distributed proportionately among such Entitled Shareholders. Further information of the Entitled Shareholders' options in respect of the AIH Shares will be outlined in the Circular.

6.3 Overseas Shareholders

The transmission of AIH Shares pursuant to the Proposed Distribution to Overseas Shareholders may be subject to laws of jurisdictions outside Singapore. Accordingly, to ensure that there is no infringement of any relevant foreign law and to avoid compliance with conditions or requirements which may be onerous by reason of costs, delay or otherwise, the AIH Shares which such Overseas Shareholders would have been entitled to pursuant to the Proposed Distribution ("**Overseas Shareholders' AIH Shares**") will not be distributed to such Overseas Shareholders. Instead, the Company will make arrangements to dispose of the Overseas Shareholders' AIH Shares, with the net proceeds distributed proportionately among such Overseas Shareholders. Further information on the entitlements of the Overseas Shareholders will be set out in the Circular.

6.4 No Payment Required

Entitled Shareholders will receive their AIH Shares as a result of the Capital Reduction and do not need to pay any purchase consideration.

6.5 Effects of the Proposed Distribution

Following the completion of the Proposed Distribution if effected, the Company will cease to hold any AIH Shares and accordingly, AIH will cease to be a subsidiary of the Company.

For the avoidance of doubt, the Proposed Distribution will not result in any change in the number of Shares held by any Shareholder. Each Shareholder will hold the same number of Shares before and immediately after the Proposed Distribution.

6.6 Material Conditions for the Proposed Distribution

The Proposed Distribution and the completion thereof is subject to, *inter alia*:

(a) the approval of Shareholders, by way of a special resolution, for the Proposed Distribution being obtained at the EGM to be convened;

[9] "**Overseas Shareholders**" means Shareholders whose registered address appearing in the register of members of the Company or the depository register maintained by The Central Depository (Pte) Limited (as the case may be) is outside Singapore as at the Record Date.

(b) the approval of the High Court of the Republic of Singapore ("**Court**") for the Capital Reduction and the lodgement of the Order of Court with the Registrar of Companies within 90 days beginning with the date the Order of Court is made, or within such longer period as the Registrar of Companies, may on application of the Company and on receiving on the prescribed fee, allow;

(c) AIH obtaining the approval of the Listing Committee of the SEHK for the Proposed Listing and the underwriting agreements for the Proposed Listing becoming unconditional; and

(d) such other approvals, authorisations, consents and confirmations from the regulatory authorities as may be required or advisable in connection with the Proposed Listing and the Proposed Distribution, and if such approvals are given subject to any conditions, such conditions being acceptable to AIH and/or the Company.

7. FINANCIAL EFFECTS OF THE PROPOSED DISTRIBUTION

The *pro forma* financial effects of the Proposed Distribution on selected financial measures of Japfa Animal Protein have been prepared based on the unaudited consolidated financial statements of the Group for the financial year ended 31 December 2021 ("**FY2021**") and take into account the following assumptions:

(i) the net tangible assets ("**NTA**") as at 31 December 2021 has been prepared on a *pro forma* basis on the assumption that the Proposed Distribution had been completed on 31 December 2021, and the adjustments on the NTA represent the unaudited consolidated NTA of AIH attributable to Shareholders being deconsolidated from the Group as at 31 December 2021;

(ii) the earnings per Share ("**EPS**") has been prepared on a *pro forma* basis on the assumption that the Proposed Distribution had been completed on 1 January 2021, and the adjustments on the EPS represent the unaudited consolidated profit after tax of AIH attributable to Shareholders being deconsolidated from the Group for FY2021; and

(iii) assumes no other costs (such as tax and other transaction costs) arising from the Proposed Distribution.

The *pro forma* financial effects of the Proposed Distribution on Japfa Animal Protein as set out below are purely for illustrative purposes only and are therefore not indicative of the actual future financial performance or position of Japfa Animal Protein after completion of the Proposed Distribution.

7.1 Share Capital

As the Proposed Distribution does not involve the issue of any new Shares, the Proposed Distribution will not have any impact on the existing issued share capital of the Company.

7.2 NTA

	Before the Proposed Distribution	**After the Proposed Distribution**
Consolidated NTA attributable to Shareholders as at 31 December 2021 (US$ million)	1,418.8	927.9 (1)

Number of issued Shares as at 31 December 2021 (excluding treasury shares)	2,040,800,520	2,040,800,520
Consolidated NTA per Share (US$)	0.70	0.45
Consolidated NTA per Share (S$) computed based on the exchange rate of US$1.00: S$1.3517 as at 31 December 2021	0.94	0.61

Note:

(1) Adjusted for the decrease in the Group's NTA attributable to shareholders of the Company of US$490.9 million as a result of the Proposed Distribution, computed based on 62.5% of the unaudited consolidated NTA of AIH as at 31 December 2021 of US$785.4 million.

7.3 EPS

	Before the Proposed Distribution	**After the Proposed Distribution**
Profit after tax attributable to Shareholders for FY2021 (US$ million)	118.8	40.2 (1)
Weighted average number of issued Shares as at 31 December 2021 (excluding treasury shares)	2,040,876,380	2,040,876,380
EPS (US$ cents)	5.82	1.97
EPS (S$ cents) computed based on the average exchange rate of US$1.00: S$1.3437 for FY2021	7.82	2.65

Note:

(1) Adjusted for the decrease in the Group's profit after tax attributable to shareholders of the Company of US$78.6 million as a result of the Proposed Distribution, computed based on unaudited consolidated profit after tax of AIH attributable to shareholders of the Company for the year ended 31 December 2021.

7.4 Gearing

	Before the Proposed Distribution	**After the Proposed Distribution**
Loan and borrowings as at 31 December 2021 (US$ million)	1,308.9	1,040.9 (1)
Lease liabilities as at 31 December 2021 (US$ million)	287.6	136.5 (2)

Total Debt (US$ million)	1,596.5	1,177.4
Cash as at 31 December 2021 (US$ million)	320.5	297.3 (3)
Total Equity (US$ million)	2,146.5	1.360.3 (4)
Net debt / Equity Ratio (times)	0.6	0.6
Net debt (without lease liabilities) / Equity Ratio (times)	0.5	0.5

Notes:

(1) Adjusted for the decrease in the Group's loan and borrowings of US$268.0 million as a result of the Proposed Distribution, computed based on the unaudited consolidated loan and borrowings of AIH as at 31 December 2021.

(2) Adjusted for the decrease in the Group's lease liabilities of US$151.1 million as a result of the Proposed Distribution, computed based on the unaudited consolidated lease liabilities of AIH as at 31 December 2021.

(3) Adjusted for the decrease in the Group's cash balance of US$23.2 million as a result of the Proposed Distribution, computed based on the unaudited consolidated cash balance of AIH as at 31 December 2021.

(4) Adjusted for the decrease in the Group's total equity of US$786.2 million as a result of the Proposed Distribution, computed based on the unaudited consolidated total equity of AIH as at 31 December 2021.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Directors and Substantial Shareholders[10] who have interests in the Shares as at the Record Date would become shareholders of AIH respectively as a result of the Proposed Distribution.

Save as disclosed above, none of the Directors, or as far as the Company is aware, the Substantial Shareholders, have any interest, direct or indirect, in the Proposed Distribution other than through their respective directorships and shareholdings in the Company.

9. EGM

The Directors will be convening an EGM to seek the approval of Shareholders for the Proposed Distribution. A Circular in relation to the Proposed Distribution will be despatched by the Company to Shareholders in due course.

10. INVESTOR PRESENTATION

Concurrent with the release of this announcement on SGXNET, the Company has also uploaded an investor presentation to SGXNET containing further details on the Proposed Distribution.

[10] "**Substantial Shareholder**" means a person who has an interest directly or indirectly in 5% or more of the total number of voting Shares in the Company.

11. CAUTIONARY STATEMENT

The Company does not intend for the Proposed Distribution to be effective until the Listing Date. Accordingly, the Proposed Distribution will not proceed unless and until there is a high degree of certainty that the Proposed Listing will proceed.

The Company would also like to highlight that the Proposed Listing and the Proposed Distribution are dependent on, *inter alia*, the requisite approvals from the relevant regulatory authorities, and the then-prevailing market conditions. Further, the Directors may, or the board of directors of AIH ("AIH Board") may (as the case may be) notwithstanding that all requisite regulatory approvals have been obtained, in their sole and absolute discretion, decide not to proceed with the Proposed Distribution and the Proposed Listing respectively if, having regard to investors' interests and response at the material time and any other relevant factors, the Directors or the AIH Board (as the case may be) deem it not in the interests of the Company or AIH to proceed with the Proposed Distribution or the Proposed Listing, respectively. Accordingly, there is no assurance that the Proposed Distribution and Proposed Listing will materialise in due course or at all.

Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company and should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they are in doubt as to the actions they should take. The Company will make the relevant announcements as and when required and as and when material developments arise in respect of the Proposed Listing and the Proposed Distribution.

BY ORDER OF THE BOARD
Japfa Ltd

Tan Yong Nang
Executive Director and Chief Executive Officer

29 March 2022