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JAPFA

PRESS RELEASE

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Japfa to Unlock Shareholder Value via Distribution *in Specie* and Listing of AustAsia (AIH) shares on SEHK

- ***AIH has submitted an application for proposed listing on the Main Board of the Stock Exchange of Hong Kong ("SEHK")***

- ***Japfa to undertake distribution in connection therewith and shareholders to receive AIH shares in proportion to their respective shareholdings in the Company[1], with no cash outlay required***

- ***The proposed distribution will create two leading agri-food businesses:***
  - ***Japfa Animal Protein as a leading integrated animal protein company riding on the strong growth of emerging Asia***
  - ***AIH as the leading independent milk producer in China***

- ***Transaction is expected to unlock shareholder value by giving clarity to two distinct businesses and potentially leading to a re-rating of Japfa equity value***

Singapore, 29 March 2022 – Leading animal protein company Japfa Ltd. ("**Japfa**" or the "**Company**", and together with its subsidiaries, "**Group**") today announced (a) the submission by AustAsia Investment Holdings Pte. Ltd. ("**AIH**") of an application to the SEHK in connection with AIH's proposed admission to the Main Board of the SEHK ("**Proposed Listing**"); and (b) the proposed distribution *in specie* of its entire shareholding in AIH to shareholders by way of a proposed capital reduction exercise ("**Proposed Distribution**").

[1] Fractional entitlements to be disregarded. The final number of AIH shares to be distributed will be determined based on the number of AIH shares held by Japfa and the number of Japfa Shares in issue as at a date to be determined by the directors of the Company for the purpose of determining the entitlements of Japfa shareholders.

The Proposed Distribution will be effective on the day AIH shares are listed on the SEHK with no cash outlay required from Japfa shareholders.

The Proposed Distribution will result in two distinct and leading Asian-focused businesses in animal proteins and dairy:

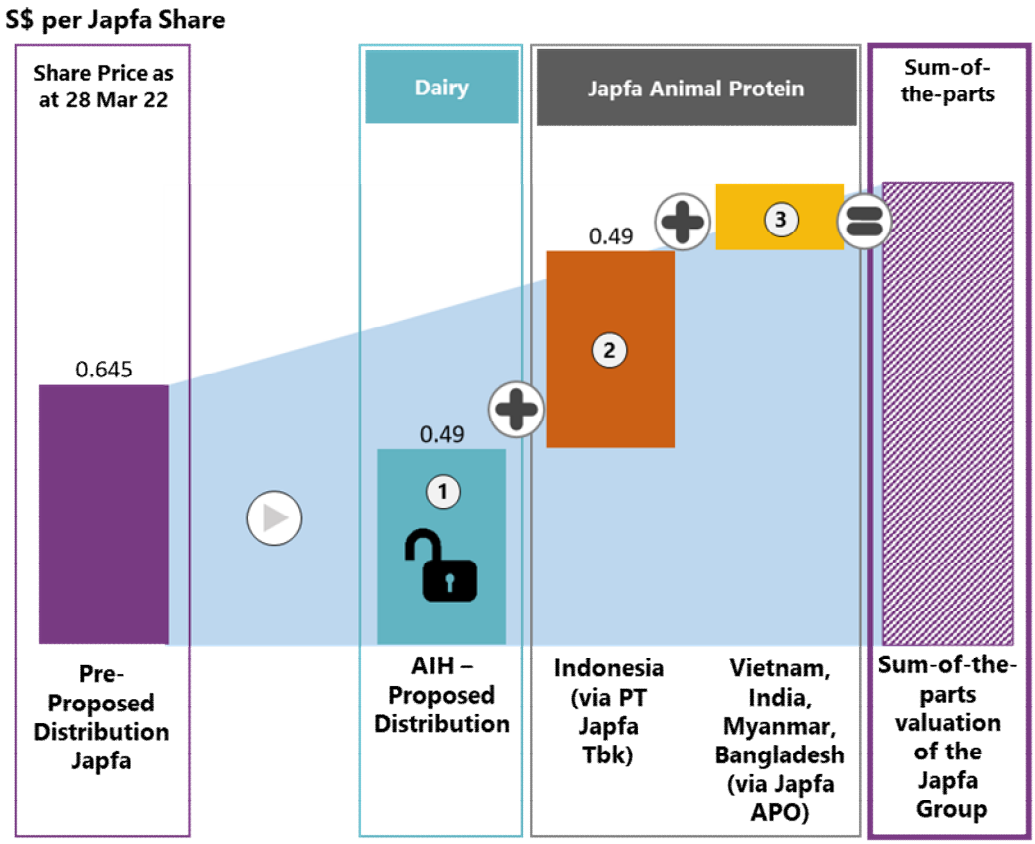
- Japfa and its subsidiaries (excluding AIH) ("**Japfa Animal Protein**"), a leader in multiple protein foods across multiple geographies in emerging Asia comprising:
    i. its Indonesian operations, conducted through IDX-listed PT Japfa Comfeed Indonesia Tbk ("**PT Japfa Tbk**"), which produces animal feed and animal proteins (poultry, beef and aquaculture) and is the second largest poultry company[2] in Indonesia;
    ii. its Vietnam operations which focus on poultry and swine feed as well as commercial farming, and has the second largest market share of DOC in Vietnam[3]; and
    iii. its other animal protein businesses in India, Myanmar and Bangladesh.
- AIH, a pioneer and industry leader in the high growth dairy sector in China.

RATIONALE FOR THE PROPOSED LISTING AND THE PROPOSED DISTRIBUTION

Creates Two Leading, Asian-focused Businesses in Animal Proteins and Dairy
The creation of two separate businesses allows each entity's board and management to concentrate on their respective core business and strategies and provide operational flexibility to execute their business plans. This also enables Japfa to better focus its financial resources on the further development of the Japfa Animal Protein business 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[4].

Unlocks Value for Shareholders
The Proposed Distribution will also provide greater clarity to shareholders and investors of the respective value and business of Japfa Animal Protein and AIH as illustrated below:

[2] In terms of poultry feed and Day-Old-Chicks ("**DOC**"), Frost and Sullivan, ranking based on 2021 data.
[3] Japfa's own estimates, market share based on 2020 data.
[4] 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 Japfa's interest in AIH is S$0.49 per Japfa Share based on the 2021 Precedent Transactions[5] while its stake in PT Japfa Tbk is valued at S$0.49 per Japfa Share[6]. Japfa also operates its Animal Protein Other business ("**APO**"), comprising its operations in Vietnam, India, Myanmar and Bangladesh.

Based on the above, the combined value of AIH and PT Japfa Tbk on a per Japfa Share basis, prior to taking into account the APO, is higher than Japfa's share price of S$0.645 as at 28 March 2022.

For avoidance of doubt, the value of AIH in the chart above is not a representation of its value at the Proposed Listing or its share price performance after its Proposed Listing on the SEHK, nor of Japfa's future share price performance. Shareholders are advised to consult their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser if they are in doubt about the actions to be taken with respect their holdings in Japfa, and if the Proposed Listing is consummated, in AIH.

[5] The "**2021 Precedent Transactions**" refer to the sale of the 5%, 2.5% and 5% stake in AIH to GGG Holdings Limited, 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 Japfa Share basis based on the outstanding Japfa Shares of approximately 2,041m.

[6] 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 Japfa Share basis based on the outstanding Japfa Shares of approximately 2,041m.

Together with AIH's Proposed Listing, the board and management of Japfa believe the Proposed Distribution will unlock shareholder value as it creates a clearer investment proposition of the two business groups with listed market values which can be separately evaluated on their strategy, merits and risks, potentially leading to a re-rating of Japfa's equity value.

Creates Investment Flexibility

The Proposed Distribution also provides the flexibility for Japfa's shareholders to deal with the AIH shares independent of their Japfa Shares, without any additional cash outlay, giving them the discretion to decide on their holdings in Japfa and AIH while having the option to participate in the growth of both entities.

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* EBITDA[7] of US$374 million and a track record of strong financial performance with *pro forma* revenue and *pro forma* EBITDA growing at a CAGR[8] 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.

Going forward, Japfa Animal Protein plans to capture the full potential of its vertically integrated business model by tapping on various growth drivers and executing on its strategies to strengthen its core businesses in a sustainable manner. These include:

Sharpening its 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. The Group is also working towards adding aquaculture as a new centre of competence.
- In its Downstream operations, Japfa Animal Protein will expand into the B2B and B2C channels, giving the Company greater end-to-end capabilities and a clearer view of the entire value chain while reducing volatility of the business cycle.

Driving growth

- Rising animal protein consumption in emerging Asia a secular growth driver: Japfa Animal Protein is well positioned to tap into the growth of animal protein consumption in its key markets of Indonesia, Vietnam, India, Myanmar and Bangladesh, where GDP growth is expected to average 8.1% per annum over 2021 to 2026[9].

[7] Earnings before interest, tax, depreciation and amortisation.
[8] Compound annual growth rate.
[9] Source: IMF World Economic Outlook Database (October 2021 version), GDP in USD terms, data extracted on 17 March 2022.

- Riding on country-specific growth trends: for example, there is a sizeable swine opportunity in Vietnam where pork consumption levels are second highest in Asia after China[10].
- Growth via strategic replication of Japfa Animal Protein industrialised business model: leverage strong expertise in livestock farming and its "total solution" model for farmers which in turn drives growth in feed volumes. At the same time, building on Japfa Animal Protein's competitive strengths in animal health and biosecurity to develop leading positions in each market/protein segment.
- Digital transformation: integrating digital technologies in farm and production management to drive efficiencies and productivity.

Delivering on sustainability

- Japfa Animal Protein has established strong Sustainability Pillars and will aim to continuously review and improve its efforts in these areas:
    i. Efficient Production System: enabling optimal use of resources, including water, energy and local raw materials, while also prioritising animal health and managing waste responsibly.
    ii. People Development: encompassing a focus on employee well-being, as well as the 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.

Tan Yong Nang, Executive Director and Chief Executive Officer, said: "The separation of AIH and Japfa Animal Protein is a watershed moment for the Group, and enables a clearer and focused approach to driving growth in both entities. Japfa Animal Protein has emerged stronger from the COVID-19 down-cycle and played an important role in providing food security and minimising disruption to the supply chain in countries that it operates in. We are confident Japfa Animal Protein is well-positioned in shaping the animal protein industry with a multi-year runway to take advantage of the growth opportunities in these countries."

Japfa will be seeking shareholders' approval for the Proposed Distribution at an Extraordinary General Meeting at a date to be announced. The Proposed Distribution is conditional upon, *inter alia*, 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.

DBS Bank Ltd. is the Financial Adviser to Japfa in respect of the Proposed Distribution.

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

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.

Further details of the Proposed Listing and the Proposed Distribution can be found in Japfa's SGX announcement and investor presentation which are available on the SGX-ST website and the Company's website.

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About Japfa Ltd.

Headquartered in Singapore, Japfa is a leading vertically integrated agri-food company listed on the SGX Main Board since 2014. Established in 1971, the Group has grown into one of Asia's leading low cost producers of protein staples including poultry, swine, aquaculture, beef, dairy as well as protein based consumer products across fast-growing emerging Asian economies such as Indonesia, China, India, Myanmar and Vietnam. Japfa embraces an integrated industrial approach to livestock and food production across the value chain. Its vertically integrated business model spans from Feed & Breeding (upstream), Milking and Fattening (mid-stream) and Processing and Distribution of consumer products (downstream).

About AustAsia Investment Holdings Pte. Ltd.

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. AIH, together with its subsidiaries (the "**AIH Group**") carries out dairy farming, raw milk production, and beef cattle operations in China. 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.

For more information on Japfa and AIH, please visit https://www.japfa.com/

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