JAPFA LTD
(Company Registration Number: 200819599W)
(Incorporated in Singapore on 8 October 2008)

PROPOSED DISPOSAL OF AN EFFECTIVE 80% INTEREST IN THE CAPITAL OF GREENFIELDS DAIRY SINGAPORE PTE LTD

1. Introduction

The Board of Directors ("**Directors**") of Japfa Ltd ("**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company has, on 6 December 2020, entered into a conditional Share Purchase Agreement ("**SPA**") with Freshness Holdings Ltd. ("**Investor**") and Freshness Ltd. (the "**JVCo**") that will, upon completion, result in the effective disposal by the Company of 80% of the shareholding in its wholly-owned subsidiary, Greenfields Dairy Singapore Pte Ltd ("**GDS**") (the "**Proposed Transaction**").

Pursuant to the Proposed Transaction, the Company will sell shares representing 100% of the shareholding in GDS (the "**Sale Shares**") to the JVCo. The JVCo is an investment holding company incorporated for the purpose of holding the shares in GDS upon completion of the Proposed Transaction ("**Completion**"). The aggregate value of the consideration for the Proposed Transaction is US$295.0 million, comprising (i) a cash component of US$236.0 million and (ii) a share component comprising shares amounting to 20% of the share capital of the JVCo on a fully diluted basis at Completion. Accordingly, the Company will (indirectly through the JVCo) retain a 20% shareholding interest in GDS following Completion.

GDS is the holding company of the Group's "Greenfields" dairy business, which is a vertically integrated business from dairy farming to branded dairy products in South East Asia. GDS' wholly-owned subsidiaries are PT Greenfields Indonesia (which in turn holds PT Greenfields Dairy Indonesia), Greenfields Dairy Malaysia Sdn Bhd, and Greenfields Dairy Hong Kong Limited (together, "**GDS Group**").

Please refer to the Annex for the structure of the GDS Group prior to and following Completion.

In connection with the Proposed Transaction, on Completion, the Company, the JVCo and the Investor will be entering into a Shareholders' Agreement ("**SHA**") in respect of the JVCo.

2. Rationale for the Proposed Transaction

The Directors are of the view that the Proposed Transaction is in the best interest of the Company and its Shareholders.

- The Company's dairy segment operates in two distinctly separate geographies, namely (i) the Group's China dairy business, which comprises mainly dairy farming ("**Dairy China**"), held under AustAsia Investment Holdings Pte. Ltd. ("**AIH**"), and (ii) the Group's South East Asia dairy business, which is a vertically integrated branded dairy product business supported by its own dairy farms ("**Dairy SEA**"), held under GDS. The Group's dairy business has grown considerably in recent years and there is potential for further growth in both geographies. To accelerate the next phase of development, a strategic partnership with a reputable and active investor can bring both funding and senior management expertise to further develop Dairy SEA.

- The Investor is owned by affiliates of TPG, a leading global investment firm and Northstar Group, a leading private equity fund manager in Southeast Asia.

- By effectively retaining a 20% stake in GDS, the Company will continue to benefit from the upside potential of Dairy SEA. Dairy SEA will continue to leverage on the Company's strong expertise in farming, as demonstrated by its market-leading milk yields in China.

3. Principal terms of the Proposed Transaction

Consideration

The aggregate value of the consideration for the Proposed Transaction is US$295.0 million ("**Consideration**"), subject to any adjustments in accordance with the terms of the SPA.

The Consideration will be satisfied in full on Completion by:

(i) a cash payment of US$236.0 million to the Company (the "**Cash Consideration**"); and

(ii) the allotment and issuance of 10,000 ordinary shares in the capital of the JVCo (the "**Consideration Shares**") to the Company (or such other member of the Group as the Company, the Investor and the JVCo may agree), which shall constitute 20% of the allotted and issued share capital of the JVCo on a fully diluted basis at Completion

The Consideration was arrived at on a "willing-buyer, willing-seller" basis, after taking into account (amongst others) the financial position of the GDS Group. The Company believes that the Consideration reflects fairly the valuation of the GDS Group at the current stage of its development. No independent valuation was conducted for the Proposed Transaction.

For reference, based on the Consideration:

(i) the implied equity valuation of the GDS Group is US$295.0 million, which is approximately 4 times the net asset value of the GDS Group of US$81.3[1] million as at 30 September 2020; and

(ii) the implied enterprise value of the GDS Group is US$334.7[2] million, which is approximately 21 times the earnings before interest, taxes, depreciation and amortization ("**EBITDA**") of the GDS Group of US$16.1 million for the financial year ended 31 December 2019.

Conditions Precedent

The Proposed Transaction is conditional upon inter alia, the satisfaction or waiver of the following conditions:

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[1] Computed based on 100% of the unaudited *pro forma* net asset value of GDS Group as at 30 September 2020. The *pro forma* net asset value of GDS Group assumes:

(i) shareholder loan of US$13.4 million due from GDS and which is intended to be capitalised on the Completion Date was capitalised on 30 September 2020;

(ii) the transfer of the entire issued share capital of AAFS from GDS to AIH (the "**AAFS Restructuring**") was completed on 30 September 2020; and

(iii) there are no other costs (such as tax and other transaction costs) arising from the Proposed Transaction or from the AAFS Restructuring

[2] Computed based on implied equity valuation of the GDS Group of US$295.0 million and the net borrowings of the GDS Group of US$39.7 million as at 30 September 2020.

(a) the change of control and prepayment consents of certain of GDS Group's existing bank lenders having been granted; and

(b) the approval of shareholders of the Company for the Proposed Transaction ("**Shareholders' Approval**").

Subject to the satisfaction or waiver of the above conditions, Completion is expected to take place in February 2021.

Shareholders Undertaking

Rangi Management Limited, a controlling shareholder of the Company holding more than half of the issued shares of the Company as at the date of this Announcement, has undertaken to, *inter alia*, vote in favour of the shareholders' resolution to approve the Proposed Transaction.

4. Certain Key Terms of the SHA

The agreed form of the SHA provides that:

(a) For so long as the Company holds more than 5% of the shares in the JVCo, the Company has the right to appoint to the board of the JVCo the higher of (i) one director, and (ii) such number of directors as would result in the number of Japfa directors on the board of the JVCo being proportionate to the Company's shareholding in the JVCo.

(b) The Company has pre-emption rights to share issuances (subject to certain carve outs) and a further right to maintain its shareholding in the JVCo at:

(i) 10.1% in any share issuance for acquisitions by the JVCo and its subsidiaries (the "**JVCo Group**") that would bring its shareholding in the JVCo to 10% or below on a fully diluted basis, and

(ii) 5.1% in any share issuance for acquisitions by the JVCo Group that would bring its shareholding in the JVCo to 5% or below on a fully diluted basis,

by way of either subscribing for new shares in the JVCo or the transfer of shares by the Investor to the Company.

(c) The Company will have minority veto rights over certain non-operational matters and (for so long as it holds more than 5% of the shares in the JVCo) consultation rights in respect of certain matters including the adoption of the annual budget and business plan, and the appointment and remuneration of key management of any of the JVCo and its subsidiaries.

5. Book Value and Net Tangible Asset Value of GDS Group

As at 30 September 2020, the book value and net tangible asset value of the GDS Group being disposed of was US$81.3[3] million and US$80.1[3] million respectively.

[3] Computed based on 100% of the unaudited *pro forma* book value and net tangible asset value of GDS Group as at 30 September 2020. The *pro forma* book value and net tangible asset value of GDS Group as at 30 September 2020 assumes:
(i) shareholder loan of US$13.4 million due from GDS and which is intended to be capitalised on the Completion Date was capitalised on 30 September 2020;
(ii) the AAFS Restructuring was completed on 30 September 2020; and
(iii) there are no other costs (such as tax and other transaction costs) arising from the Proposed Transaction or from the AAFS Restructuring.

6. Gain on disposal from the Proposed Transaction

For illustration purposes, based on the Consideration of US$295.0 million and the book value of the GDS Group as at 30 September 2020 of US$81.3 million[3], the Group's gain from the disposal of 100% of the shareholding in GDS is estimated to be US$213.7 million[4].

7. Proceeds from the Proposed Transaction

The Company expects to receive approximately US$244.0 million in cash following the Proposed Transaction, comprising the cash proceeds from the Proposed Transaction of US$236.0 million and US$8.0 million from the repayment of shareholder loan by GDS on or around Completion.

The Company currently intends to utilise approximately US$150.0 million from the proceeds to declare and pay an interim special dividend of SG$0.10 per share to its shareholders following Completion (the "**Dividend**"), with the balance to be used for the payment of transaction expenses, the repayment of existing bank loans, and general working capital and corporate purposes. Further details on the Dividend, if declared, will only be announced after Completion.

8. Relative Figures under Rule 1006 of the Listing Manual

The relative figures for the Proposed Transaction as computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST ("**Listing Manual**") and the latest announced consolidated financial statements of the Group for the financial period ended 30 September 2020 are as follows:

Rule 1006	**Base**	**Relative figure computed in accordance with the bases set out in Rule 1006**
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	4.9%(2)
(b)	The net profit(1) attributable to the assets disposed of, compared with the Group's consolidated net profits.	3.2%(3)
(c)	The aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	24.9%(4)
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
(e)	The aggregate volume or amount of proven and probable reserves to be acquired, compared with the aggregate of the Group's proven and probable reserves.	Not applicable(5)

Notes:

(1) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit before income tax, minority interests and extraordinary items

[4] The actual gain on disposal to be recorded in the financial statements will be determined based on the fair value of the Consideration Shares and book value of the GDS Group at Completion.

(2) The unaudited net asset value of the Group as at 30 September 2020 was US$1,668.8 million. The net asset value of the Sale Shares was computed based on 100% of the unaudited *pro forma* net asset value of the GDS Group, which was US$81.3 million as at 30 September 2020. The *pro forma* net asset value of the GDS Group assumes:
   (i) shareholder loan of US$13.4 million due from GDS and which is intended to be capitalised on the Completion Date was capitalised on 30 September 2020;
   (ii) the AAFS Restructuring was completed on 30 September 2020; and
   (iii) there are no other costs (such as tax and other transaction costs) arising from the Proposed Transaction or from the AAFS Restructuring.

(3) The Group's unaudited net profits for the period from 1 January 2020 to 30 September 2020 was US$165.7 million. The unaudited net profits for the period from 1 January 2020 to 30 September 2020 attributable to the Sale Shares was computed based on 100% of the unaudited *pro forma* net profits of the GDS Group, which was US$5.3 million for the period from 1 January 2020 to 30 September 2020. The *pro forma* net profits of GDS assumes:
   (i) the AAFS Restructuring was completed on 1 January 2020; and
   (ii) there are no other costs (such as tax and other transaction costs) arising from the Proposed Transaction or from the AAFS Restructuring.

(4) Based on the Consideration of US$295.0 million, and the Company's market capitalisation of approximately US$1,183.3 million. The Company's market capitalisation is determined by multiplying the number of shares in issue of 2,049,084,720 (excluding 18,338,600 treasury shares) by the closing price of S$0.77 (US$0.58)[5] per share on 4 December 2020, being the market day preceding the date of the SPA.

(5) Not applicable as the Company is not a mineral, oil or gas company.

9. Financial Effects of the Proposed Transaction

For illustration purposes, based on the Consideration of US$295.0 million and the book value of the GDS Group as at 30 September 2020 of US$81.3 million[6], the Group's gain from the disposal of 100% of the shareholding in GDS is estimated to be US$213.7 million[7].

Proforma financial effects of the Proposed Transaction

The *pro forma* financial effects of the Proposed Transaction on the Group set out below are purely for illustrative purposes only and are therefore not indicative of the actual future financial position of the Group after Completion.

Share Capital

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

Effect on Net Tangible Assets

As at 31 December 2019

For illustrative purposes only, the financial effects of the Proposed Transaction on the net tangible assets per share of the Company as at 31 December 2019 (based on the audited consolidated

[5] Based on an exchange rate of US$1.00 : S$1.3334 on 4 December 2020

[6] The *pro forma* book value of the GDS Group as at 30 September 2020 assumes:
(i) shareholder loan of US$13.4 million due from GDS and which is intended to be capitalised on the Completion Date was capitalised on 30 September 2020;
(ii) the AAFS Restructuring was completed on 30 September 2020; and
(iii) there are no other costs (such as tax and other transaction costs) arising from the Proposed Transaction or from the AAFS Restructuring.

[7] The actual gain on disposal to be recorded in the financial statements will be determined based on the fair value of the Consideration Shares and book value of the GDS Group at Completion.

financial statements of the Group for the financial year ended 31 December 2019, being the most recently completed financial year), assuming Completion had taken place on 31 December 2019, are as follows: -

	Before Proposed Transaction	**After Proposed Transaction**
Consolidated Net Tangible Assets attributable to shareholders of the Company (US$ million)	863.6	1,113.2[(1)(2)]
Number of issued shares as at 31 December 2019 (excluding treasury shares**)**	1,863,338,291	1,863,338,291
Consolidated Net Tangible Assets per share (US$)	0.46	0.60
Consolidated Net Tangible Assets per share (S$) computed based on the exchange rate of US$1.00 : S$ 1.3472 as at 31 December 2019	0.62	0.80

Notes:

(1) Adjusted for the increase in the Group's net tangible assets of US$249.5 million arising from the gain on disposal of subsidiary. The gain on disposal of subsidiary was computed based on the Consideration of US$295.0 million and the *pro forma* net assets of the GDS Group of US$45.5 million as at 31 December 2019.

(2) The *pro forma* net asset value of GDS assumes no other costs (such as tax and other transaction costs) arising from the Proposed Transaction.

As at 30 September 2020

For illustrative purposes only, the financial effects of the Proposed Transaction on the net tangible assets per share of the Company as at 30 September 2020 (based on the latest announced consolidated financial statements of the Group for the financial period beginning 1 January 2020 and ended on 30 September 2020), assuming Completion had taken place on 30 September 2020, are as follows: -

	Before Proposed Transaction	**After Proposed Transaction**
Consolidated Net Tangible Assets attributable to shareholders of the Company (US$ million)	1,140.9	1,354.6[(1)(2)]
Number of issued shares as at 30 September 2020 (excluding treasury shares**)**	2,049,084,720	2,049,084,720
Consolidated Net Tangible Assets per share (US$)	0.56	0.66
Consolidated Net Tangible Assets per share (S$) computed based on the exchange rate of US$1.00 : S$1.3692 as at 30 September 2020	0.76	0.91

Notes:

(1) Adjusted for the increase in Group's net tangible assets of US$213.7 million arising from the gain on disposal of subsidiary. The gain on disposal of subsidiary was computed based on the Consideration of US$295.0 million and the *pro forma* net assets of the GDS Group of US$81.3 million as at 30 September 2020.

(2) The *pro forma* net asset value of the GDS Group assumes:
   (i) shareholder loan of US$13.4 million due from GDS and which is intended to be capitalised on the Completion Date was capitalised on 30 September 2020;
   (ii) the AAFS Restructuring was completed on 30 September 2020; and
   (iii) there are no other costs (such as tax and other transaction costs) arising from the Proposed Transaction or from the AAFS Restructuring.

Effect on Earnings Per Share

For illustrative purposes only, the financial effects of the Proposed Transaction on the earnings per share of the Company (based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2019, being the most recently completed financial year), assuming Completion had taken place on 1 January 2019, are as follows: -

	Before Proposed Transaction	**After Proposed Transaction**
Profit after tax attributable to Shareholders (US$ million)	120.0	354.5[(1)(2)(3)(4)]
Weighted average number of issued shares as at 31 December 2019 (excluding treasury shares)	1,860,889,138	1,860,889,138
Earnings per share (USD cents)	6.45	19.05[(5)]

Notes:

(1) Adjusted for the decrease in the Group's profit after tax attributable to shareholders of the Company of less than US$0.1 million as a result of the Proposed Transaction, computed based on 100% of the unaudited *pro forma* profit after tax of the GDS Group for the year ended 31 December 2019.

(2) Adjusted for the increase in Group's profit after tax attributable to shareholders of the Company of US$252.1 million arising from the gain on disposal of subsidiary. The gain on disposal of subsidiary was computed based on the Consideration of US$295.0 million and the *pro forma* net assets of the GDS Group of US$42.9 million as at 1 January 2019.

(3) Adjusted for the decrease in Group's profit after tax attributable to shareholders of the Company of US$17.5 million. This being the realisation of the *pro forma* currency translation reserve of the GDS group of a negative US$17.5 million to profit and loss on the disposal of the GDS group as at 1 January 2019.

(4) The *pro forma* net profits, net assets and currency translation reserve of the GDS Group assumes there are no other costs (such as tax and other transaction costs) arising from the Proposed Transaction.

(5) The EPS of USD 19.05 cents includes USD 12.60 cents of one-off gain arising from the sale of GDS.

10. Extraordinary General Meeting and Circular

As the relative figure calculated under Rule 1006(c) of the Listing Manual exceeds 20%, the Company will seek shareholders' approval at an extraordinary general meeting ("**EGM**") to be convened.

A circular ("**Circular**") setting out, inter alia, the details of the Proposed Transaction and such other information as prescribed under Chapter 10 of the Listing Manual, together with a notice of the EGM to be convened, will be despatched by the Company to its shareholders in due course.

11. Interests of the Directors and Controlling Shareholders

Save in respect of their shareholding interests in the Company, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect in the Proposed Transaction.

12. Service Agreement

No person is proposed to be appointed as a director of the Company in connection with the Proposed Transaction. Accordingly, no service agreements will be entered into with the Directors or controlling shareholders of the Company or their respective associates in connection with the Proposed Transaction.

13. Documents for Inspection

A copy of the SPA will be available for inspection during normal business hours at the registered office of the Company at 391B Orchard Road, Ngee Ann City Tower B, #18-08, Singapore 238874 for a period of three (3) months from the date of this Announcement.

14. Caution in Trading

Shareholders and potential investors should note that the Proposed Transaction is subject to the fulfilment of the conditions precedent set out above, and there is no certainty or assurance as at the date of this announcement that the Proposed Transaction will be completed. The Company will make the necessary announcements, in compliance with the requirements of the Listing Manual, as and when there are material developments in respect of the Proposed Transaction. Shareholders are advised to read this announcement and any further announcements by the Company carefully and should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

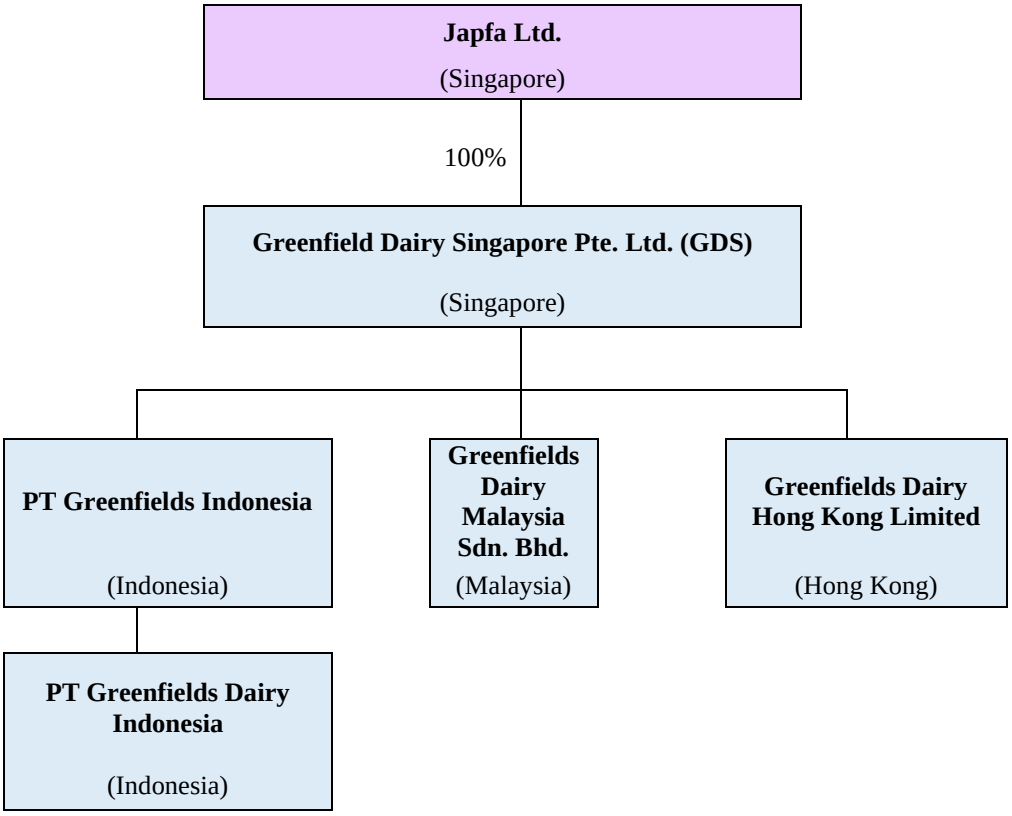
By Order of the Board
Japfa Ltd

Tan Yong Nang
Executive Director and Chief Executive Officer

7 December 2020

ANNEX

Part 1: GDS Group Structure prior to Completion



Part 2: GDS Group Structure following Completion

