



JAPFA LTD
AND ITS SUBSIDIARIES

(Registration Number: 200819599W)

SGXNET ANNOUNCEMENT
UNAUDITED FINANCIAL STATEMENT
FOR THE SECOND QUARTER AND HALF YEAR
ENDED 30 JUNE 2015

JAPFA LTD.

(Registration Number: 200819599W)

UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

1 (a) (i) Income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Income Statement

| | 2nd Quarter | | | Jan - Jun | | |
|--|---------------|---------------|--------|---------------|---------------|--------|
| | 2015 | 2014 | Change | 2015 | 2014 | Change |
| | US\$'000 | US\$'000 | % | US\$'000 | US\$'000 | % |
| Revenue | 704,256 | 767,330 | -8% | 1,379,928 | 1,457,422 | -5% |
| Cost of Sales | (582,283) | (626,300) | -7% | (1,150,760) | (1,200,375) | -4% |
| Gross Profit | 121,973 | 141,030 | -14% | 229,168 | 257,047 | -11% |
| Marketing and Distribution Costs | (28,228) | (25,531) | 11% | (54,768) | (51,622) | 6% |
| Administrative Expenses | (49,642) | (48,879) | 2% | (98,843) | (104,102) | -5% |
| Operating Profit | 44,103 | 66,620 | -34% | 75,557 | 101,323 | -25% |
| Interest Income | 651 | 1,091 | -40% | 1,449 | 2,101 | -31% |
| Gain on Disposal of Asset Held for Sale | - | 9,571 | -100% | - | 9,571 | -100% |
| Finance Costs | (18,605) | (21,141) | -12% | (36,323) | (40,404) | -10% |
| Other Gains, Net | 997 | 2,015 | -51% | 1,841 | 2,776 | -34% |
| Share of Results of Joint Venture | (222) | - | n/m | (455) | - | n/m |
| Profit Before Foreign Exchange Adjustments and Changes in Fair Value of Biological Assets | 26,924 | 58,156 | -54% | 42,069 | 75,367 | -44% |
| Foreign Exchange Adjustments Losses | (5,980) | (7,749) | -23% | (19,895) | (142) | n/m |
| Loss from Changes in Fair Value of Biological Assets | (17,501) | (5,769) | n/m | (10,115) | (3,340) | n/m |
| Profit Before Tax from Continuing Operations | 3,443 | 44,638 | -92% | 12,059 | 71,885 | -83% |
| Income Tax Expense | (1,999) | (5,568) | -64% | (5,642) | (10,857) | -48% |
| Profit from Continuing Operations, Net of Tax | 1,444 | 39,070 | -96% | 6,417 | 61,028 | -89% |
| Profit Attributable to Owners of the Parent, Net of Tax* | 2,964 | 20,784 | -86% | 9,961 | 34,370 | -71% |
| (Loss)/Profit Attributable to Non-Controlling Interests, Net of Tax | (1,520) | 18,286 | n/m | (3,544) | 26,658 | n/m |
| Profit, Net of Tax | 1,444 | 39,070 | -96% | 6,417 | 61,028 | -89% |

n/m : not meaningful

Additional information:

Management believes that Core PATMI and EBITDA are important measures of performance, although these are not standard measures under FRS.

| | | | | | | |
|---|---------------|---------------|------|---------------|---------------|------|
| Profit Attributable to Owners of the Parent, Net of Tax, without Fair Value Changes of Biological Assets, Net of Tax ("Core PATMI") | <u>14,273</u> | <u>16,504</u> | -36% | <u>15,917</u> | <u>29,369</u> | -55% |
|---|---------------|---------------|------|---------------|---------------|------|

* We derived Core PATMI from "Profit Attributable to Owners of the Parent, Net of Tax" by excluding changes in fair value of biological assets attributable to owners of the parent (net of tax), and excluded a one-off gain from the disposal of asset held for sale (attributable to owners of the parent, net of tax) in 2Q 2014.

| | | | | | | |
|--------|---------------|---------------|------|----------------|----------------|------|
| EBITDA | <u>62,434</u> | <u>93,266</u> | -33% | <u>112,761</u> | <u>143,814</u> | -22% |
|--------|---------------|---------------|------|----------------|----------------|------|

We define EBITDA as profit before tax from continuing operations, excluding interest income, changes in fair value of biological assets and marketable securities, foreign exchange adjustments losses, finance costs, depreciation of property, plant and equipment, depreciation of investment properties and amortisation of intangible assets.

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1 (a) (ii) Net Profit is arrived at after (charging)/ crediting the following :

| | 2nd Quarter | | | Jan - Jun | | |
|--|------------------|------------------|-------------|------------------|------------------|-------------|
| | 2015 US\$'000 | 2014 US\$'000 | Change % | 2015 US\$'000 | 2014 US\$'000 | Change % |
| Finance Costs | (18,605) | (21,141) | -12% | (36,323) | (40,404) | -10% |
| Foreign Exchange Adjustments Losses | (5,980) | (7,749) | -23% | (19,895) | (142) | n/m |
| Depreciation of Property, Plant and Equipment and Investment Properties | (17,868) | (15,129) | 18% | (35,608) | (29,976) | 19% |
| Amortisation of Intangible Assets | (373) | (237) | 57% | (685) | (470) | 46% |
| Interest Income | 651 | 1,091 | -40% | 1,449 | 2,101 | -31% |
| Loss from Changes in Fair Value of Biological Assets | (17,501) | (5,769) | n/m | (10,115) | (3,340) | n/m |
| Gain from Changes in Fair Value of Financial Assets | 685 | 306 | n/m | 475 | 302 | 57% |
| (Loss)/Gain on Disposal of Property, Plant and Equipment and Investment Properties | (13) | 85 | n/m | 257 | 167 | 54% |
| Gain on Disposal of Asset Held for Sale | - | 9,571 | -100% | - | 9,571 | -100% |

n/m : not meaningful

1 (a) (iii) Statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Comprehensive Income

| | 2nd Quarter | | | Jan - Jun | | |
|---|------------------|------------------|-------------|------------------|------------------|-------------|
| | 2015 US\$'000 | 2014 US\$'000 | Change % | 2015 US\$'000 | 2014 US\$'000 | Change % |
| Profit from Continuing Operations, Net of Tax | 1,444 | 39,070 | -96% | 6,417 | 61,028 | -89% |
| <u>Other Comprehensive (Loss)/Income:</u> | | | | | | |
| Items that will not be reclassified to profit or loss: | | | | | | |
| Remeasurement of the Net Defined Benefits Plan, Net of Tax | 283 | 1,718 | -84% | (659) | (7,760) | -92% |
| Items that may be reclassified subsequently to profit or loss: | | | | | | |
| Exchange Differences on Translating Foreign Operations, Net of Tax | (10,613) | (23,124) | -54% | (37,188) | 14,488 | n/m |
| Other Comprehensive (Loss)/Income for the Period, Net of Tax | (10,330) | (21,406) | -52% | (37,847) | 6,728 | n/m |
| Total Comprehensive (Loss)/Income | (8,886) | 17,664 | n/m | (31,430) | 67,756 | n/m |
| Total Comprehensive (Loss)/Income Attributable to Owners of Parent, Net of Tax | (4,771) | 10,560 | n/m | (15,313) | 44,029 | n/m |
| Total Comprehensive (Loss)/Income Attributable to Non-Controlling Interests, Net of Tax | (4,115) | 7,104 | n/m | (16,117) | 23,727 | n/m |
| Total Comprehensive (Loss)/Income | (8,886) | 17,664 | n/m | (31,430) | 67,756 | n/m |

n/m : not meaningful

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1 (b) (i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

| | Group | | Company | |
|--|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
| | As at 30/6/2015 US\$'000 | As at 31/12/2014 US\$'000 | As at 30/6/2015 US\$'000 | As at 31/12/2014 US\$'000 |
| ASSETS | | | | |
| <u>Non-Current Assets</u> | | | | |
| Property, Plant and Equipment | 823,167 | 833,758 | 545 | 657 |
| Investment Properties | 30 | 2,670 | - | - |
| Intangible Assets | 9,072 | 9,440 | - | - |
| Biological Assets | 263,412 | 260,289 | - | - |
| Investments in Subsidiaries | - | - | 774,726 | 774,726 |
| Investment in Joint Venture | 3,626 | 3,054 | - | - |
| Deferred Tax Assets | 16,831 | 16,190 | - | - |
| Other Receivables | 342 | 367 | - | - |
| Other Assets | 12,023 | 17,579 | - | - |
| Total Non-Current Assets | 1,128,503 | 1,143,347 | 775,271 | 775,383 |
| <u>Current Assets</u> | | | | |
| Inventories | 590,822 | 598,118 | - | - |
| Biological Assets | 58,250 | 62,393 | - | - |
| Trade and Other Receivables | 156,406 | 150,616 | 151,078 | 148,118 |
| Other Financial Assets | 3,389 | 2,849 | 3,307 | 2,831 |
| Other Assets | 113,944 | 83,026 | 88 | 314 |
| Cash and Cash Equivalents | 218,183 | 286,661 | 57,898 | 87,683 |
| Total Current Assets | 1,140,994 | 1,183,663 | 212,371 | 238,946 |
| Total Assets | 2,269,497 | 2,327,010 | 987,642 | 1,014,329 |
| EQUITY AND LIABILITIES | | | | |
| <u>Equity</u> | | | | |
| Share Capital | 937,614 | 937,614 | 937,614 | 937,614 |
| Retained Earnings | 248,202 | 238,601 | 24,055 | 22,029 |
| Other Reserves | (399,823) | (398,931) | - | - |
| Translation Reserve | (140,330) | (115,416) | - | - |
| Equity Attributable to Owners of the Parent | 645,663 | 661,868 | 961,669 | 959,643 |
| Non-Controlling Interests | 311,867 | 332,406 | - | - |
| Total Equity | 957,530 | 994,274 | 961,669 | 959,643 |
| <u>Non-Current Liabilities</u> | | | | |
| Provisions | 80,139 | 81,316 | - | - |
| Deferred Tax Liabilities | 6,335 | 7,317 | - | - |
| Trade and Other Payables | 351 | 352 | - | - |
| Other Financial Liabilities | 544,535 | 506,878 | - | - |
| Other Liabilities | 2,375 | 2,408 | - | - |
| Total Non-Current Liabilities | 633,735 | 598,271 | - | - |
| <u>Current Liabilities</u> | | | | |
| Income Tax Payable | 9,455 | 7,885 | 839 | 828 |
| Trade and Other Payables | 209,807 | 233,129 | 1,884 | 27,608 |
| Other Financial Liabilities | 453,021 | 485,693 | 23,250 | 26,250 |
| Other Liabilities | 5,949 | 7,758 | - | - |
| Total Current Liabilities | 678,232 | 734,465 | 25,973 | 54,686 |
| Total Liabilities | 1,311,967 | 1,332,736 | 25,973 | 54,686 |
| Total Equity and Liabilities | 2,269,497 | 2,327,010 | 987,642 | 1,014,329 |

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1 (b) (ii) Aggregate amount of group's borrowings and debt securities.

| | As at 30/6/2015 US\$'000 | As at 31/12/2014 US\$'000 |
|-------------------------------|-----------------------------|------------------------------|
| Amount due within one year | | |
| Secured | 453,021 | 485,693 |
| Total | <u>453,021</u> | <u>485,693</u> |
| Amount due more than one year | | |
| Secured | 212,111 | 166,583 |
| Unsecured | 332,424 | 340,295 |
| Total | <u>544,535</u> | <u>506,878</u> |

The secured borrowings are secured by property, plant and equipment, share certificates of certain subsidiaries, cash and cash equivalents, receivables, inventories, biological assets, assessment of insurance policies and corporate guarantees of subsidiaries.

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1 (c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | Jan - Jun | |
|---|-----------|-----------|
| | 2015 | 2014 |
| | US\$'000 | US\$'000 |
| <u>Cash Flows From Operating Activities</u> | | |
| Profit Before Tax | 12,059 | 71,885 |
| Adjustment for: | | |
| Amortisation of Intangible Assets | 685 | 470 |
| Amortisation of Land Use Rights | 12 | 4 |
| Depreciation of Property, Plant and Equipment and Investment Properties | 35,608 | 29,976 |
| Loss from Changes in Fair Value of Biological Assets | 10,115 | 3,340 |
| Gain from Changes in Fair Value of Derivative Financial Instrument | (162) | - |
| Gain from Changes in Fair Value of Financial Assets | (475) | (302) |
| Gain on Disposal of Property, Plant and Equipment and Investment Properties | (257) | (167) |
| Increase in Provision for Retirement Benefits | 4,460 | 6,039 |
| Interest Income | (1,449) | (2,101) |
| Interest Expense | 36,323 | 40,404 |
| Share Options Granted by Subsidiary | 255 | 249 |
| Share of Loss from Equity-Accounted Joint Ventures | 455 | - |
| Write-off of Property, Plant and Equipment | 3 | 133 |
| Net Effect of Exchange Rate Changes | 6,519 | 9,117 |
| Operating Cash Flows before Changes in Working Capital | 104,151 | 159,047 |
| Inventories | 7,296 | (79,631) |
| Biological Assets | (17,694) | (23,737) |
| Trade and Other Receivables | (5,765) | (35,210) |
| Other Assets | (26,117) | (28,506) |
| Trade and Other Payables | (14,693) | (10,966) |
| Provisions | (615) | (1,021) |
| Other Liabilities | (1,843) | 3,481 |
| Net Cash Flows From/(Used in) Operations | 44,720 | (16,543) |
| Income Taxes Paid | (3,511) | (26,917) |
| Net Cash Flows From/(Used in) Operating Activities | 41,209 | (43,460) |
| <u>Cash Flows From Investing Activities</u> | | |
| Acquisition of Subsidiaries (Net of Cash Acquired) | 6 | 654 |
| Purchase of Property, Plant and Equipment | (76,423) | (101,076) |
| Purchase of Intangible Assets | (830) | (1,372) |
| Purchase of Biological Assets | (1,777) | (13,107) |
| Proceeds from Disposal of Investment in Other Financial Assets | - | 249 |
| Proceeds from Disposal of Property, Plant and Equipment | 823 | 2,293 |
| Addition to Investment in Joint Venture | (1,170) | - |
| Interest Received | 1,449 | 2,101 |
| Net Cash Flows Used in Investing Activities | (77,922) | (110,258) |

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1 (c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year. (Cont'd)

| | Jan - Jun | |
|--|-----------------------|-----------------------|
| | 2015 | 2014 |
| | US\$'000 | US\$'000 |
| <u>Cash Flows From Financing Activities</u> | | |
| Dividends Paid by Subsidiary to Non-Controlling Interests | - | (3,692) |
| (Decrease)/Increase in Other Financial Liabilities | (33,815) | 71,153 |
| Increase from New Bank Loans | 46,767 | 78,104 |
| Cash Restricted in Use | 2,464 | (1,202) |
| Proceeds from Issue of New Shares by Subsidiary to Non-Controlling Interests | 116 | 14,778 |
| Acquisition of Non-Controlling Interests Without Change in Control | (5,700) | (19,225) |
| Interest Paid | (36,323) | (40,404) |
| Issue of New Shares by Combining Entities under Restructuring Exercise | - | (28,043) |
| Net Movements in Shareholders' Loans | - | 40,000 |
| Net Cash Flows (Used in)/From Financing Activities | <u>(26,491)</u> | <u>111,469</u> |
| Net Decrease in Cash and Cash Equivalents | (63,204) | (42,249) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (2,810) | 799 |
| Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance | <u>281,192</u> | <u>221,360</u> |
| Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance | <u>215,178</u> | <u>179,910</u> |

Notes:

(i) For the purpose of the Consolidated Statement of Cash Flows, the Consolidated Cash and Cash Equivalents comprise the following:

| | Jan - Jun | |
|--|-----------------------|-----------------------|
| | 2015 | 2014 |
| | US\$'000 | US\$'000 |
| Cash and Bank Balances | 218,183 | 184,788 |
| Less: Bank Deposit Pledged | <u>(3,005)</u> | <u>(4,878)</u> |
| Cash and Cash Equivalents per Consolidated Statement of Cash Flows | <u><u>215,178</u></u> | <u><u>179,910</u></u> |

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1 (d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholder, together with a comprehensive statement for the corresponding period of the immediately preceding financial year.

| Group | Total Equity US\$'000 | Attributable to Parent Sub-total US\$'000 | Share Capital US\$'000 | Retained Earnings US\$'000 | Other Reserves US\$'000 | Translation Reserve US\$'000 | Non- Controlling Interests US\$'000 |
|---|-----------------------------|--|------------------------------|----------------------------------|-------------------------------|------------------------------------|--|
| Balance at 1 January 2015 | 994,274 | 661,868 | 937,614 | 238,601 | (398,931) | (115,416) | 332,406 |
| Movements in Equity: | | | | | | | |
| Total Comprehensive (Loss)/Income for the Period | (31,430) | (15,313) | - | 9,601 | - | (24,914) | (16,117) |
| Issue of New Shares by Subsidiary to Non-Controlling Interests Without a Change in Control | 116 | - | - | - | - | - | 116 |
| Acquisition of Non-Controlling Interests Without Change in Control | (5,700) | (1,147) | - | - | (1,147) | - | (4,553) |
| Grant of Share Options | 255 | 255 | - | - | 255 | - | - |
| Non-Controlling Interests arising from Acquisition of Subsidiary | 15 | - | - | - | - | - | 15 |
| Balance at 30 June 2015 | 957,530 | 645,663 | 937,614 | 248,202 | (399,823) | (140,330) | 311,867 |
| Balance at 1 January 2014 | 696,933 | 405,797 | 163,377 | 214,852 | 134,363 | (106,795) | 291,136 |
| Movements in Equity: | | | | | | | |
| Total Comprehensive Income for the Period | 67,756 | 44,029 | - | 29,705 | - | 14,324 | 23,727 |
| Issue of New Shares by Subsidiary to Non-Controlling Interests Without a Change in Control | 36,755 | 21,977 | - | - | 21,977 | - | 14,778 |
| Non-Controlling Interests arising from Acquisition of Subsidiary | 1,751 | (408) | - | - | (408) | - | 2,159 |
| Acquisition of Non-Controlling Interests Without Change in Control | (19,225) | (5,029) | - | - | (5,029) | - | (14,196) |
| Grant of Share Options | 249 | 249 | - | - | 249 | - | - |
| Issue of New Shares | 597,916 | 597,916 | 597,916 | - | - | - | - |
| Adjustment to Merger Reserves | (555,566) | (555,566) | - | - | (555,566) | - | - |
| Dividend Paid by Subsidiary to Non-Controlling Interests | (3,692) | - | - | - | - | - | (3,692) |
| Balance at 30 June 2014 | 822,877 | 508,965 | 761,293 | 244,557 | (404,414) | (92,471) | 313,912 |

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1 (d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholder, together with a comprehensive statement for the corresponding period of the immediately preceding financial year. (Cont'd)

| Company | Total Equity US\$'000 | Share Capital US\$'000 | Retained Earnings US\$'000 | Translation Reserve US\$'000 |
|---|-----------------------------|------------------------------|----------------------------------|------------------------------------|
| Balance at 1 January 2015 | 959,643 | 937,614 | 22,029 | - |
| Movements in Equity: | | | | |
| Total Comprehensive Income for the Period | 2,026 | - | 2,026 | - |
| Balance at 30 June 2015 | 961,669 | 937,614 | 24,055 | - |
| Balance at 1 January 2014 | 193,217 | 163,377 | 35,270 | (5,430) |
| Movements in Equity: | | | | |
| Total Comprehensive Loss for the Period | (5,102) | - | (4,089) | (1,013) |
| Issue of New Shares | 597,916 | 597,916 | - | - |
| Balance at 30 June 2014 | 786,031 | 761,293 | 31,181 | (6,443) |

1 (d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

| | Number of Shares | |
|--|-----------------------------|-----------------------------|
| | 2nd Quarter to 30/6/2015 | 2nd Quarter to 30/6/2014 |
| Issued and fully paid ordinary shares: | | |
| As at beginning of period | 1,764,670,391 | 208,967,552 |
| Issued during the period | - | 284,189,245 |
| As at end of period | 1,764,670,391 | 493,156,797 |

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1 (d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

| | <u>As at 30/6/2015</u> | <u>As at 30/6/2014</u> |
|-------------------------|------------------------|------------------------|
| Number of issued shares | <u>1,764,670,391</u> | <u>493,156,797</u> |

1 (d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies and methods of computation applied by the Group are consistent with those used in its audited financial statements as at 31 December 2014 except for those as disclosed under item 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

On 1 January 2015, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial periods.

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6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

| | 2nd Quarter | | Jan - Jun | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2015 US Cents | 2014 US Cents | 2015 US Cents | 2014 US Cents |
| Earnings per share for the period | | | | |
| (a) Based on weighted average number of ordinary shares in issue | 0.17 | 1.40 | 0.56 | 2.32 |
| (b) Based on a fully diluted basis | 0.17 | 1.40 | 0.56 | 2.32 |
| Weighted Average Number of Ordinary Shares | <u>1,764,670,391</u> | <u>1,479,470,391</u> | <u>1,764,670,391</u> | <u>1,479,470,391</u> |

The weighted average number of shares for 2nd Quarter 2014 and half year ended 30 June 2014 is based on 1,479,470,391 shares.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the current financial period reported on and immediately preceding financial year.

| | Group | | Company | |
|------------------------------------|-------------------------|--------------------------|-------------------------|--------------------------|
| | As at 30/6/2015 US\$ | As at 31/12/2014 US\$ | As at 30/6/2015 US\$ | As at 31/12/2014 US\$ |
| Net asset value per ordinary share | <u>0.37</u> | <u>0.38</u> | <u>0.54</u> | <u>0.54</u> |

Net asset value per ordinary share is based on the issued share capital of the Company at the end of the financial period.

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8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Group Performance

2Q 2015 vs 2Q 2014

Revenue

| | 2nd Quarter 2015 | 2nd Quarter 2014 | Variance |
|----------------|---------------------|---------------------|-----------------|
| | US\$'000 | US\$'000 | US\$'000 |
| Animal Protein | 593,617 | 659,661 | (66,044) |
| Dairy | 64,060 | 55,675 | 8,385 |
| Consumer Food | 46,579 | 51,347 | (4,768) |
| Others | - | 647 | (647) |
| Total | <u>704,256</u> | <u>767,330</u> | <u>(63,074)</u> |

The decrease in revenue was mainly from the Indonesian operations in the animal protein and consumer food segments is because of the continued decline in consumer demand. This has been compensated by an increase in the revenue from the other animal protein operations in Vietnam, Myanmar and India, as well as dairy operations in China.

Operating Profit

| | 2nd Quarter 2015 | 2nd Quarter 2014 | Variance |
|----------------|---------------------|---------------------|-----------------|
| | US\$'000 | US\$'000 | US\$'000 |
| Animal Protein | 29,462 | 51,393 | (21,931) |
| Dairy | 11,448 | 17,845 | (6,397) |
| Consumer Food | 2,376 | (598) | 2,974 |
| Others | 817 | (2,020) | 2,837 |
| Total | <u>44,103</u> | <u>66,620</u> | <u>(22,517)</u> |

The Group operating profit decreased by US\$22.5 million from US\$66.6 million in 2Q 2014 to US\$44.1 million in 2Q 2015. This decrease in operating profit was mainly due to the animal protein operations in Indonesia. The traditionally strong Ramadan effect was muted this year because of the continuing weakness in the poultry market and in the purchasing power of low-income consumers. Operating profit for the dairy segment generated US\$11.4 million despite milk prices having fallen in 2Q 2015 as compared to higher milk prices in 2Q 2014. This was because of an increase in milk volumes and improved milk yields. Despite the weaker performance of animal protein business in Indonesia, the Group generated an operating profit of US\$44.1 million, supported by its other animal protein businesses in Vietnam, Myanmar and India, as well as its dairy business in China.

The "Profit Before Foreign Exchange Adjustments and Changes in Fair Value of Biological Assets" was US\$26.9 million in 2Q 2015 as compared to US\$58.2 million in 2Q 2014.

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Foreign exchange adjustments losses were US\$6.0 million in 2Q 2015 as compared to foreign exchange adjustments losses of US\$7.7 million in 2Q 2014. The foreign exchange adjustments losses in 2Q 2015 were primarily due to the unrealised exchange losses on the US Dollar-Denominated Senior Notes (Due 2018) caused by the 2% depreciation of the Indonesia Rupiah against the US dollar.

Loss from changes in fair value of biological assets was US\$17.5 million in 2Q 2015 as compared to US\$5.8 million in 2Q 2014. The loss from changes in fair value of biological assets in 2Q 2015 was mainly from Vietnam swine and China dairy cattle. The fair value loss of US\$4.1 million from Vietnam swine was mainly due to the decrease in number of swine. The fair value loss of US\$12.1 million from China dairy cattle was mainly due to the drop in raw milk prices at the end of 2Q 2015, which is used in the valuation of future income flows from the China dairy cattle herd.

In 2Q 2014, there was a one-off gain of US\$9.6 million from the disposal of an asset held for sale (property in Kallang, Singapore) in the dairy segment.

As a result of the above, the Group recorded a profit after tax of US\$1.4 million in 2Q 2015 as compared to US\$39.1 million in 2Q 2014.

The profit attributable to owners of the parent was US\$3.0 million in 2Q 2015 and US\$20.8 million in 2Q 2014. If we exclude the fair value changes of biological assets and one-off gain from the disposal of assets held for sale in 2Q 2014, the adjusted profit attributable to owners of the parent ("Core PATMI") will be US\$14.3 million in 2Q 2015 as compared to US\$16.5 million in 2Q 2014.

6M 2015 vs 6M 2014

Revenue

| | Jan - Jun 2015 | Jan - Jun 2014 | Variance |
|----------------|-------------------|-------------------|-----------------|
| | US\$'000 | US\$'000 | US\$'000 |
| Animal Protein | 1,168,495 | 1,244,962 | (76,467) |
| Dairy | 123,835 | 106,180 | 17,655 |
| Consumer Food | 87,598 | 98,023 | (10,425) |
| Others | - | 8,257 | (8,257) |
| Total | <u>1,379,928</u> | <u>1,457,422</u> | <u>(77,494)</u> |

The decrease in revenue was mainly from the Indonesian operations in the animal protein and consumer food segments is because of the continued decline in consumer demand. This has been compensated by an increase in the revenue from the other animal protein operations in Vietnam, Myanmar and India, as well as dairy operations in China.

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Operating Profit

| | Jan - Jun 2015 | Jan - Jun 2014 | Variance |
|----------------|-------------------|-------------------|-----------------|
| | US\$'000 | US\$'000 | US\$'000 |
| Animal Protein | 46,331 | 73,372 | (27,041) |
| Dairy | 24,684 | 32,219 | (7,535) |
| Consumer Food | 3,113 | (10) | 3,123 |
| Others | 1,429 | (4,258) | 5,687 |
| Total | <u>75,557</u> | <u>101,323</u> | <u>(25,766)</u> |

The Group operating profit decreased by US\$25.7 million from US\$101.3 million in 6M 2014 to US\$75.6 million in 6M 2015. This decrease in operating profit was mainly due to the animal protein operations in Indonesia because of the continuing weakness in the poultry market and in the purchasing power of low-income consumers. This underlying challenge, which has affected the whole Indonesian poultry industry, resulted in the downward pressure on the selling prices of day-old-chicks (“DOC”) in Indonesia which reduced the DOC profit margin. Operating profit for the dairy segment generated US\$24.7 million despite milk prices having fallen in 6M 2015 as compared to higher milk prices in 6M 2014. This was because of an increase in milk volumes and improved milk yields. Despite the weaker performance of animal protein business in Indonesia, the Group generated an operating profit of US\$75.6 million, supported by its other animal protein businesses in Vietnam, Myanmar and India, as well as its dairy business in China.

The “Profit Before Foreign Exchange Adjustments and Changes in Fair Value of Biological Assets” was US\$42.1 million in 6M 2015 as compared to US\$75.4 million in 6M 2014.

Foreign exchange adjustments losses were US\$19.9 million in 6M 2015 as compared to US\$0.1 million in 6M 2014. The foreign exchange adjustments losses in 6M 2015 were primarily due to the unrealised exchange losses on the US Dollar-Denominated Senior Notes (Due 2018) caused by the 7% depreciation of the Indonesia Rupiah against the US dollar.

Loss from changes in fair value of biological assets was US\$10.1 million in 6M 2015 as compared to US\$3.3 million in 6M 2014. The loss from changes in fair value of biological assets in 6M 2015 was mainly from the China dairy cattle. This is mainly due to the drop in raw milk prices at the end of 6M 2015, which is used in the valuation of future income flows from the China dairy cattle herd.

In 1H 2014, there was a one-off gain of US\$9.6 million from the disposal of an asset held for sale (property in Kallang, Singapore) in the dairy segment.

As a result of the above, the Group recorded a profit after tax of US\$6.4 million in 6M 2015 as compared to US\$61.0 million in 6M 2014.

The profit attributable to owners of the parent was US\$10.0 million in 6M 2015 and US\$34.4 million in 6M 2014. If we exclude the fair value changes of biological assets and one-off gain from the disposal of assets held for sale in 2Q 2014, the adjusted profit attributable to owners of the parent (“Core PATMI”) will be US\$15.9 million in 6M 2015 as compared to US\$29.4 million in 6M 2014.

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Review of Financial Position

The Group's non-current assets as at 30 June 2015 decreased by US\$14.8 million from US\$1,143.3 million to US\$1,128.5 million primarily due to decrease of US\$10.6 million in property, plant and equipment and US\$5.6 million in other assets, partially offset by an increase of US\$3.1 million in biological assets. The decrease in property, plant and equipment was mainly due to foreign exchange translation adjustment and depreciation. The increase in biological assets was mainly due increase in the number of milkable cows in dairy China as at 30 June 2015.

The Group's current assets as at 30 June 2015 decreased by US\$42.7 million from US\$1,183.7 million to US\$1,141.0 million primarily due to decrease of US\$68.5 million in cash and cash equivalents partially offset by an increase of US\$30.9 in other assets. The decrease in cash and cash equivalents was mainly due to use of IPO proceeds of US\$24.3 million in dairy China and US\$8.5 million in animal protein operations in Myanmar. The increase in other assets was mainly due to increase in deposits and advances to suppliers for the construction of dairy farm 6 in China.

The Group's total liabilities as at 30 June 2015 decreased by US\$20.7 million from US\$1,332.7 million to US\$1,312.0 million primarily due to decrease in trade payables.

The decrease in Group's translation reserves of US\$24.9 million as at 30 June 2015 was mainly due to translation loss caused by the depreciation of the Indonesia Rupiah against the US Dollar.

Review of Group Cash Flow

Net cash flows from operating activities were US\$41.2 million in 6M 2015, which mainly arose from operating cash flows before changes in working capital of US\$104.2 million offset by changes in working capital of US\$59.4 million and income tax paid of US\$3.5 million.

Net cash flows used in investing activities were US\$77.9 million in 6M 2015 mainly represented by the purchase of property, plant and equipment of US\$76.4 million.

Net cash flows used in financing activities were US\$26.5 million in 6M 2015 mainly arose from decrease in other financial liabilities of US\$33.8 million, interest paid of US\$36.3 million and consideration paid for the acquisition of non-controlling interests of US\$5.7 million and partially offset by drawing of new bank loans of US\$46.8 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

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10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The ongoing market challenges in Indonesia, including the oversupply of day-old chicks and broiler chickens, the depreciation of the Indonesian Rupiah and the lower purchasing power of consumers, are expected to persist in the near term. These challenges may continue to affect the Group's animal protein business in Indonesia, adding pressure on its animal feed, breeding and commercial farming margins. Despite the difficult market conditions, the Group believes that PT Japfa Comfeed Indonesia Tbk ("PT Japfa Tbk")'s competitive advantage remains intact, backed by 40 years of experience in the poultry business.

In 2Q 2015, PT Japfa Tbk experienced a muted effect of Ramadan – a traditionally strong period of consumption of poultry – on its overall poultry volumes and margins. As the consumption of poultry is typically the lowest after Ramadan, this may further weigh down PT Japfa Tbk's performance in the coming 3Q 2015.

Since the last quarter of 2014, the Group has been reducing capital expenditure and scaling back on day-old chick production in Indonesia, while focusing on improving operational efficiency and profitability. Whilst there have been discussions between industry poultry breeders and the relevant authorities in Indonesia to take joint steps to address the over-supply situation in the poultry industry, an outcome has not been reached.

Other factors that would impact the Group's performance are the macro-economic performance of the countries it operates in, mainly Indonesia and China. In view of the slowdown of the China economy, the raw milk prices in China are expected to be remain sluggish in the near term.

In spite of these headwinds, the Group believes its long-term fundamentals remain favourable across all geographies because of the low protein consumption of the large population base in these countries. The Group believes its diversified business strategy and its track record in replicating its industrialized and scalable business will enable it to sustain its long-term growth momentum across all geographies.

11. Dividend

- (a) *Current Financial Period Reported on*
Nil
- (b) *Corresponding Period of the Immediately Preceding Financial Year*
Nil
- (c) *Date Payable*
Not Applicable
- (d) *Books Closure Date*
Not Applicable

12. If no dividend has been declared/ recommended, a statement to that effect.

Not applicable.

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13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have any general mandate for interested person transaction(s) from the shareholders.

14. Negative Confirmation by the Board pursuant to Rule 705(5)

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited first quarter financial results for the period ended 30 June 2015 to be false or misleading in any material respect.

On behalf of the Board of Directors

By Order of the Board
Japfa Ltd

Tan Yong Nang
Executive Director and
Chief Executive Officer
28 July 2015