



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

**EXTRAORDINARY GENERAL MEETING (EGM) TO BE HELD ON 7 NOVEMBER 2022  
RESPONSES TO QUESTIONS RECEIVED**

Japfa Ltd (the “Company”) refers to the Notice of Extraordinary General Meeting (“EGM”) dated 15 October 2022 on the EGM scheduled to be held on Monday, 7 November 2022 at 2.00 p.m. at York Hotel Singapore, Carlton Hall, Level 2, 21 Mount Elizabeth, Singapore 228516.

The following are the responses to the questions received:

- 1. During the initial investment into AustAsia, management laid out the rationale that acquiring AustAsia would help lower the earnings volatility of the group, as the animal protein business is inherently volatile. Management highlighted this characteristic again in your letter to shareholders and therefore, it is puzzling that the management is willing to fully divest a good stable business for the short term benefit of unlocking shareholders value. Is it not better for Japfa to continue owning a minority level of AustAsia post the IPO and achieve a similar result of unlocking shareholder value, while continuing to have a stable recurring business to underpin the group's more volatile earnings? Japfa is already sufficiently diversified but selling AustAsia would make earnings more volatile and it is counterintuitive to shareholders.*

Since Japfa’s initial investment in 2014, the AAG Group has grown significantly with revenue reaching more than US\$550 million and EBITDA of more than US\$150 million in FY2021, respectively. Taking into account the AAG Group’s position as one of the top five (5) dairy farm operators in China, the size of the AAG Group’s business now and minimal overlaps between Japfa Animal Protein and the AAG Group’s businesses, Japfa’s management believes that AAG will benefit as a separately governed, managed and listed entity.

Hence, the Proposed Distribution will provide AAG’s management and board greater (i) operational flexibility to develop its business plan; and (ii) financial headroom to strengthen its balance sheet, enhance its credit profile and optimise its capital structure to capture growth opportunities in China’s dairy industry. As AAG’s business is capital intensive and its ability to grow and develop depends largely on capital spending, AAG will be better able to independently and directly access capital markets as a separately listed entity to fund its existing operation and future business expansion plans.

The Proposed Distribution will also enable Japfa to better focus its financial resources on the businesses of Japfa Animal Protein in tapping on the potential for animal protein consumption in its markets across emerging Asia without the need to plan for AAG’s potential significant funding requirements. Post the Proposed Distribution, Japfa Animal Protein remains a significant and diversified business across multiple animal protein types (e.g., poultry, swine, aquaculture, beef) and geographies (e.g., Indonesia, Vietnam, India, Myanmar, Bangladesh) with revenue and EBITDA exceeding US\$4.0 billion and US\$370 million in FY2021, respectively. Over the years, Japfa Animal Protein has been able to deliver healthy EBITDA and capture market share despite

going through three major down-cycles (i.e., Indonesia poultry from September 2014 to June 2015, Vietnam swine from November 2016 to March 2018 and the COVID-19 pandemic in 2020 and 2021). Based on the audited consolidated financial statements of the Japfa Group for FY2021, the dairy business contributed approximately 12% and 30% of the Japfa Group's revenue and EBITDA, respectively.

- 2. The timing of the IPO can be questionable, given the current volatile and inflationary environment, the exit multiple would have been considerably lower now compared to one year ago. We have seen companies going through similar exercises delaying their IPO due to such reasons. Why did the management come to view that the current environment is beneficial for all shareholders?***

In deciding on AAG's IPO, the boards of the Company and AAG considered the fundamental objectives of a public listing in meeting AAG's growth prospects (see response to Q1 above) and the long term strategic plans of AAG. Hence, in evaluating whether to proceed with the Proposed Listing and the Proposed Distribution, the Company and AAG will take into consideration both current and long term factors including, amongst others, the prevailing market conditions, investors' feedback and the primary objectives of an IPO for AAG's prospects.

As indicated in the Company's Circular, the Directors of the Company or the AAG 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 of the Company or the AAG Board (as the case may be) deem it not in the interests of Japfa or AAG to proceed with the Proposed Distribution or the Proposed Listing, respectively. Accordingly, there is no assurance that the Proposed Listing and the Proposed Distribution will materialise in due course or at all.

- 3. Lastly, Japfa's pro forma leverage ratio was marginally worse off post the IPO. Could the management not use some of the proceeds to pare down those debt rather than distributing it entirely to shareholders?***

AAG's IPO will not involve the sale of any existing AAG Shares held by Japfa. The existing AAG Shares held by Japfa will be distributed to Entitled Japfa Shareholders under the Proposed Distribution. In evaluating the Proposed Distribution, the Company had carefully considered the benefits and implications of the distribution. The management is of the view that the pro forma leverage ratios are manageable and will continue to prudently manage its balance sheet going forward.

## **BY ORDER OF THE BOARD**

**Japfa Ltd**

**Tan Yong Nang**

Executive Director and Chief Executive Officer

1 November 2022