

# JAPFA LTD
# AND ITS SUBSIDIARIES

(Registration Number: 200819599W)

## SGXNET ANNOUNCEMENT
## UNAUDITED FINANCIAL STATEMENT
## FOR THE HALF YEAR ENDED
## 30 JUNE 2020

# JAPFA LTD.

**(Registration Number: 200819599W)**

**UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

***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**

| | Jan - Jun | | |
|---|---|---|---|
| | 2020 | 2019 | Change |
| | US$'000 | US$'000 | % |
| **Revenue** | 1,833,351 | 1,886,248 | -3% |
| Cost of Sales | (1,455,209) | (1,517,971) | -4% |
| **Gross Profit** | 378,142 | 368,277 | 3% |
| Marketing and Distribution Costs | (77,824) | (76,515) | 2% |
| Administrative Expenses | (153,713) | (155,435) | -1% |
| **Operating Profit** | 146,605 | 136,327 | 8% |
| Interest Income | 3,076 | 1,287 | 139% |
| Finance Costs | (52,522) | (49,826) | 5% |
| Other Loss | (147) | (1,066) | -86% |
| Share of results of Joint Ventures | (9) | 227 | n/m |
| Foreign Exchange Adjustments (Loss)/Gain | (1,640) | 7,502 | n/m |
| Loss from Changes in Fair Value of Biological Assets | (2,745) | (23,022) | -88% |
| **Profit Before Tax** | 92,618 | 71,429 | 30% |
| Tax Expense | (10,025) | (24,852) | -60% |
| **Profit, Net of Tax** | 82,593 | 46,577 | 77% |
| | | | |
| Profit Attributable to Owners of the Parent, Net of Tax* | **76,812** | **12,803** | 500% |
| Profit Attributable to Non-Controlling Interests, Net of Tax | 5,781 | 33,774 | -83% |
| Profit, Net of Tax | 82,593 | 46,577 | 77% |

n/m : not meaningful

Additional information:

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

| | | | |
|---|---|---|---|
| Core PATMI w/o forex | 82,997 | 35,767 | 132% |

* We derived Core PATMI from "Profit Attributable to Owners of the Parent, Net of Tax" by excluding changes in fair value of biological assets (net of tax) and derivatives, and by excluding extraordinary items attributable to the owners of the parent.

We define Core PATMI w/o forex is an estimate derived from Core PATMI by excluding foreign exchange gains/losses (before tax) attributable to the owners of the parent. We have not made an estimate of the tax impact on foreign exchange gains/losses. This is because the majority of the gains/losses are unrealised and arise from the translation of USD bonds (from a subsidiary in Indonesia) and USD loans (from subsidiaries in China), which have no tax implication.

| | | | |
|---|---|---|---|
| EBITDA | 214,374 | 202,480 | 6% |

We define EBITDA as profit before tax from continuing operations, excluding interest income, finance costs, depreciation and amortisation expenses, and also excluding changes in fair value of biological assets and derivative relates to foreign exchange hedging and foreign exchange adjustments gains/(losses).

# JAPFA LTD.

**(Registration Number: 200819599W)**

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

| | Jan - Jun | | |
|---|---|---|---|
| | 2020 | 2019 | Change |
| | US$'000 | US$'000 | % |
| Finance Costs | (52,522) | (49,826) | 5% |
| Foreign Exchange Adjustments (Loss)/Gain | (1,640) | 7,502 | n/m |
| Depreciation of Property, Plant and Equipment | (57,228) | (56,396) | 1% |
| Depreciation of Investment Properties | (153) | (137) | 12% |
| Depreciation of Right-Of-Use Assets | (10,998) | (9,156) | 20% |
| Amortisation of Intangible Assets | (960) | (1,014) | -5% |
| Interest Income | 3,076 | 1,287 | 139% |
| Loss from Changes in Fair Value of Biological Assets | (2,745) | (23,022) | -88% |
| (Loss)/Gain on Derivative Financial Instruments | | | |
| - Forex | (2,470) | (289) | 755% |
| - Non-Forex | 1,414 | (4,793) | n/m |
| Loss on Disposal of Property, Plant and Equipment and Investment Properties | (192) | (40) | 380% |

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.***

| | Jan - Jun | | |
|---|---|---|---|
| | 2020 | 2019 | Change |
| | US$'000 | US$'000 | % |
| **Profit, Net of Tax** | 82,593 | 46,577 | 77% |
| **Other Comprehensive (Loss)/Income:** | | | |
| **Items that will not be reclassified to profit or loss:** | | | |
| Remeasurement of the Net Defined Benefits Plan, Net of Tax | (3,479) | (7,963) | -56% |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Exchange Differences on Translating Foreign Operations, Net of Tax | (29,281) | 17,942 | n/m |
| Cash Flow Hedges | 4,999 | - | n/m |
| **Other Comprehensive (Loss)/Income for the Period, Net of Tax** | (27,761) | 9,979 | n/m |
| **Total Comprehensive Income** | 54,832 | 56,556 | -3% |
| Total Comprehensive Income Attributable to Owners of Parent, Net of Tax | 58,417 | 19,170 | 205% |
| Total Comprehensive (Loss)/Income Attributable to Non-Controlling Interests, Net of Tax | (3,585) | 37,386 | n/m |
| Total Comprehensive Income | 54,832 | 56,556 | -3% |

# JAPFA LTD.

**(Registration Number: 200819599W)**

***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 30/6/2020 US$'000 | As at 31/12/2019 US$'000 | As at 30/6/2020 US$'000 | As at 31/12/2019 US$'000 |
| **ASSETS** | | | | |
| **Non-Current Assets** | | | | |
| Property, Plant and Equipment | 1,198,631 | 1,179,316 | 156 | 198 |
| Right-Of-Use Assets | 158,121 | 130,787 | 280 | 544 |
| Real Estate Assets | 62,328 | 60,605 | - | - |
| Investment Properties | 4,589 | 4,994 | - | - |
| Intangible Assets | 15,717 | 16,911 | - | - |
| Investments in Subsidiaries | - | - | 1,259,553 | 1,293,305 |
| Investment in Joint Ventures | 4,943 | 6,483 | - | - |
| Biological Assets | 395,501 | 386,416 | - | - |
| Deferred Tax Assets | 37,072 | 28,182 | - | - |
| Other Receivables | 14,741 | 14,825 | - | - |
| Other Financial Assets | 31,178 | 18,799 | - | - |
| Other Assets | 72,624 | 78,966 | - | - |
| **Total Non-Current Assets** | 1,995,445 | 1,926,284 | 1,259,989 | 1,294,047 |
| **Current Assets** | | | | |
| Inventories | 842,951 | 794,752 | - | - |
| Biological Assets | 96,555 | 98,841 | - | - |
| Trade and Other Receivables | 212,815 | 225,881 | 115,261 | 19,030 |
| Other Financial Assets | 2,487 | 2,488 | 2,404 | 2,404 |
| Other Assets | 60,714 | 53,444 | 1,109 | 2,024 |
| Cash and Cash Equivalents | 296,868 | 208,743 | 18,935 | 17,676 |
| **Total Current Assets** | 1,512,390 | 1,384,149 | 137,709 | 41,134 |
| **Total Assets** | 3,507,835 | 3,310,433 | 1,397,698 | 1,335,181 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share Capital | 1,059,882 | 993,178 | 1,059,882 | 993,178 |
| Treasury Shares | (7,806) | (7,620) | (7,806) | (7,620) |
| Retained Earnings | 638,363 | 563,704 | 27,033 | 19,024 |
| Other Reserves | (450,144) | (454,730) | (12,156) | (13,625) |
| Translation Reserve | (233,158) | (213,975) | - | - |
| **Equity Attributable to Owners of the Parent** | 1,007,137 | 880,557 | 1,066,953 | 990,957 |
| Non-Controlling Interests | 389,718 | 406,133 | - | - |
| **Total Equity** | 1,396,855 | 1,286,690 | 1,066,953 | 990,957 |
| **Non-Current Liabilities** | | | | |
| Defined benefit plan liabilities | 107,577 | 98,776 | - | - |
| Deferred Tax Liabilities | 10,044 | 9,531 | - | - |
| Other Payables | 622 | 480 | - | - |
| Loans and Borrowings | 589,692 | 793,369 | - | 252,768 |
| Lease liabilities | 109,082 | 91,295 | - | 30 |
| Other Financial Liabilities | 1,509 | 4,625 | - | 2,766 |
| Other Liabilities | 3,296 | 3,199 | - | - |
| **Total Non-Current Liabilities** | 821,822 | 1,001,275 | - | 255,564 |
| **Current Liabilities** | | | | |
| Income Tax Payable | 20,229 | 19,018 | 542 | 593 |
| Trade and Other Payables | 301,015 | 389,871 | 33,825 | 8,148 |
| Loans and Borrowings | 926,845 | 583,549 | 291,868 | 79,400 |
| Lease liabilities | 19,172 | 14,224 | 288 | 519 |
| Other Financial Liabilities | 9,164 | 2,206 | 4,222 | - |
| Other Liabilities | 12,733 | 13,600 | - | - |
| **Total Current Liabilities** | 1,289,158 | 1,022,468 | 330,745 | 88,660 |
| **Total Liabilities** | 2,110,980 | 2,023,743 | 330,745 | 344,224 |
| **Total Equity and Liabilities** | 3,507,835 | 3,310,433 | 1,397,698 | 1,335,181 |

# JAPFA LTD.

**(Registration Number: 200819599W)**

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

| | As at 30/6/2020 US$'000 | As at 31/12/2019 US$'000 |
|---|---|---|
| Amount due within one year | | |
| Secured | 668,639 | 388,761 |
| Unsecured | 277,378 | 209,012 |
| Total | 946,017 | 597,773 |
| | | |
| Amount due more than one year | | |
| Secured | 243,641 | 502,598 |
| Unsecured | 455,133 | 382,066 |
| Total | 698,774 | 884,664 |

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 the Company and its subsidiaries.

# JAPFA LTD.

**(Registration Number: 200819599W)**

***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 | |
|---|---|---|
| | 2020 | 2019 |
| | US$'000 | US$'000 |
| **Cash Flows From/(Used in) Operating Activities** | | |
| Profit Before Tax | 92,618 | 71,429 |
| Adjustment for: | | |
| Amortisation of Intangible Assets | 960 | 1,014 |
| Amortisation of Bonds Issuance Cost | 873 | 966 |
| Land Use Rights Charges | - | 167 |
| Depreciation of Property, Plant and Equipment | 57,228 | 56,396 |
| Depreciation of Investment Properties | 153 | 137 |
| Depreciation of Right-Of-Use Assets | 10,998 | 9,156 |
| Fair Value Loss on Biological Assets | 2,745 | 23,022 |
| Fair Value Loss on Derivative Financial Instruments | 1,056 | 5,082 |
| Gain on Disposal of a Joint Venture | (858) | - |
| Loss on Disposal of Property, Plant and Equipment and Investment Properties | 192 | 40 |
| Effect of Lease Liabilities Remeasurement | 473 | - |
| Expenses Arising from Increase in Defined Benefit Plan Liabilities | 7,966 | 7,971 |
| Interest Income | (3,076) | (1,287) |
| Interest Expense on Loans and Borrowings | 47,729 | 46,750 |
| Interest Expense on Leases | 4,793 | 3,076 |
| Expenses Arising from Share Option Plan | 176 | 266 |
| Value of Employee Services received pursuant to Performance Share Plan | 1,469 | 2,435 |
| Value of Employee Services received pursuant to Performance Share Plan by Subsidiary | - | 382 |
| Share of Loss/(Gain) from Equity-Accounted Joint Ventures | 9 | (227) |
| Write-off of Property, Plant and Equipment | 264 | 301 |
| Allowance for Impairment on Trade Receivables | 2,941 | 1,521 |
| Net Effect of Exchange Rate Changes | (2,694) | 3,179 |
| Operating Cash Flows before Changes in Working Capital | 226,015 | 231,776 |
| Inventories | (38,511) | (34,281) |
| Biological Assets | (3,991) | (15,596) |
| Trade and Other Receivables | 10,334 | (29,758) |
| Other Assets | (12,175) | (24,046) |
| Trade and Other Payables | (100,524) | (81,175) |
| Defined benefit plan liabilities | (1,101) | (1,071) |
| Other Liabilities | (770) | 4,496 |
| Net Cash Flows From Operations | 79,277 | 50,345 |
| Income Taxes Paid | (3,011) | (53,462) |
| Interest Expense Paid | (47,729) | (46,750) |
| Interest Paid on Lease Liabilities | (4,793) | (3,076) |
| Net Cash Flows From/(Used in) Operating Activities | 23,744 | (52,943) |
| | | |
| **Cash Flows Used in Investing Activities** | | |
| Purchase of Property, Plant and Equipment | (108,769) | (126,294) |
| Purchase of Intangible Assets | (128) | (706) |
| Purchase of Land Use Rights | - | (1,649) |
| Purchase of Biological Assets | (17,463) | (11,358) |
| Proceeds from Disposal of Property, Plant and Equipment | 600 | 3,032 |
| Proceeds from Disposal of Investment Properties | 108 | - |
| Proceeds from Disposal of a Joint Venture | 2,280 | - |
| Increase in Real Estate Assets | (3,422) | (436) |
| Interest Income Received | 3,076 | 1,287 |
| Net Cash Flows Used in Investing Activities | (123,718) | (136,124) |

***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 | |
|---|---|---|
| | 2020 | 2019 |
| | US$'000 | US$'000 |
| **Cash Flows From Financing Activities** | | |
| Increase in Working Capital loans | 77,385 | 205,760 |
| Proceeds from/(Repayment of) Bank Loans | 65,751 | (1,884) |
| (Decrease)/Increase in Cash Restricted in Use | (3,722) | 3,285 |
| Purchase of Treasury Shares by the Company | (186) | (1,549) |
| Purchase of Treasury Shares by Subsidiary | (5,062) | - |
| Payment of Principal Portion of Lease Liabilities | (15,971) | (9,372) |
| Proceeds from Rights Issue of New Shares by the Company | 66,704 | - |
| Dividends Paid to Equity Holders of the Company | - | (20,440) |
| Dividends Paid by Subsidiary to Non-Controlling Interests | - | (21,237) |
| Net Cash Flows From Financing Activities | 184,899 | 154,563 |
| **Net Increase/(Decrease) in Cash and Cash Equivalents** | 84,925 | (34,504) |
| Effect of exchange rate changes on cash and cash equivalents | (522) | 1,278 |
| Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance | 205,299 | 164,214 |
| **Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance** | 289,702 | 130,988 |

Notes:

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

| | 2020 | 2019 |
|---|---|---|
| | US$'000 | US$'000 |
| Cash and Bank Balances | 296,868 | 131,805 |
| Less: Bank Deposit Pledged | (7,166) | (817) |
| Cash and Cash Equivalents per Consolidated Statement of Cash Flows | 289,702 | 130,988 |

# JAPFA LTD.

**(Registration Number: 200819599W)**

***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$'000 | Treasury Shares US$'000 | Retained Earnings US$'000 | Other Reserves US$'000 | Translation Reserve US$'000 | Non-Controlling Interests US$'000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2020 | 1,286,690 | 880,557 | 993,178 | (7,620) | 563,704 | (454,730) | (213,975) | 406,133 |
| Movements in Equity: | | | | | | | | |
| Total Comprehensive Income for the Period | 54,832 | 58,417 | - | - | 74,979 | 2,621 | (19,183) | (3,585) |
| Grant of Share Options by Subsidiary | 176 | 176 | - | - | - | 176 | - | - |
| Purchase of Treasury Shares by the Company | (186) | (186) | - | (186) | - | - | - | - |
| Purchase of Treasury Shares by Subsidiary | (5,062) | - | - | - | - | - | - | (5,062) |
| Value of Employee Services Pursuant to Performance Share Plan | 1,469 | 1,469 | - | - | - | 1,469 | - | - |
| Rights Issue of New Shares by the Company | 66,704 | 66,704 | 66,704 | - | - | - | - | - |
| Dividend Payable by Subsidiary to Non-Controlling Interests | (7,768) | - | - | - | - | - | - | (7,768) |
| Transfer to Statutory Reserve | - | - | - | - | (320) | 320 | - | - |
| Balance at 30 June 2020 | 1,396,855 | 1,007,137 | 1,059,882 | (7,806) | 638,363 | (450,144) | (233,158) | 389,718 |
| | | | | | | | | |
| Balance at 1 January 2019 | 1,130,385 | 779,387 | 980,946 | (5,926) | 481,721 | (451,091) | (226,263) | 350,998 |
| Movements in Equity: | | | | | | | | |
| Total Comprehensive Income for the Period | 56,556 | 19,170 | - | - | 8,719 | - | 10,451 | 37,386 |
| Grant of Share Options by Subsidiary | 266 | 266 | - | - | - | 266 | - | - |
| Purchase of Treasury Shares by the Company | (1,549) | (1,549) | - | (1,549) | - | - | - | - |
| Value of Employee Services Pursuant to Performance Share Plan | 2,435 | 2,435 | - | - | - | 2,435 | - | - |
| Issue of New Shares by the Company under Performance Share Plan | - | - | 12,232 | - | - | (12,232) | - | - |
| Reissued Treasury Shares by Subsidiary under Performance Share Plan | 382 | - | - | - | - | - | - | 382 |
| Dividend Paid to Equity Holders of the Company | (20,440) | (20,440) | - | - | (20,440) | - | - | - |
| Dividend Paid by Subsidiary to Non-Controlling Interests | (21,237) | - | - | - | - | - | - | (21,237) |
| Balance at 30 June 2019 | 1,146,798 | 779,269 | 993,178 | (7,475) | 470,000 | (460,622) | (215,812) | 367,529 |

# JAPFA LTD.

**(Registration Number: 200819599W)**

***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 | Treasury Shares US$'000 | Retained Earnings US$'000 | Other Reserves US$'000 |
|---|---|---|---|---|---|
| Balance at 1 January 2020 | 990,957 | 993,178 | (7,620) | 19,024 | (13,625) |
| Movements in Equity: | | | | | |
| Total Comprehensive Income for the Period | 8,009 | - | - | 8,009 | - |
| Purchase of Treasury Shares | (186) | - | (186) | - | - |
| Value of Employee Services Pursuant to Performance Share Plan | 1,469 | - | - | - | 1,469 |
| Rights Issue of New Shares by the Company | 66,704 | 66,704 | - | - | - |
| Balance at 30 June 2020 | 1,066,953 | 1,059,882 | (7,806) | 27,033 | (12,156) |
| | | | | | |
| Balance at 1 January 2019 | 1,013,502 | 980,946 | (5,926) | 44,674 | (6,192) |
| Movements in Equity: | | | | | |
| Total Comprehensive Loss for the Period | (962) | - | - | (962) | - |
| Purchase of Treasury Shares | (1,549) | - | (1,549) | - | - |
| Value of Employee Services Pursuant to Performance Share Plan | 2,435 | - | - | - | 2,435 |
| Issue of Shares by the Company under Performance Share Plan | - | 12,232 | - | - | (12,232) |
| Dividend Paid to Equity Holders of the Company | (20,440) | - | - | (20,440) | - |
| Balance at 30 June 2019 | 992,986 | 993,178 | (7,475) | 23,272 | (15,989) |

***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 | |
|---|---|---|
| | 2020 | 2019 |
| Issued Ordinary Shares: | | |
| At 1 January | 1,881,089,491 | 1,858,525,591 |
| Issued of Shares under Performance Share Plan | - | 21,563,900 |
| Rights Issued of New Shares | 186,333,829 | - |
| At 30 June | 2,067,423,320 | 1,881,089,491 |
| | | |
| Treasury Shares: | | |
| At 1 January | 17,751,200 | 14,071,700 |
| Purchase of Treasury Shares | 587,400 | 3,261,700 |
| At 30 June | 18,338,600 | 17,333,400 |
| | | |
| At 30 June | | |
| Issued Ordinary Shares excluding Treasury Shares | 2,049,084,720 | 1,863,756,091 |

***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.***

| | As at 30/6/2020 | As at 31/12/2019 |
|---|---|---|
| Total number of issued shares excluding treasury shares | 2,049,084,720 | 1,863,338,291 |

***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 computations applied by the Group are consistent with those used in its audited financial statements as at 31 December 2019 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.***

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's financial statements.

- Amendments to References to Conceptual Framework in SFRS(I) Standards
- Definition of a Business (Amendments to SFRS(I)3)
- Definition of Material (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- SFRS(I) 17 Insurance Contracts

***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.***

| | Jan - Jun | |
|---|---|---|
| | 2020 | 2019 |
| | US Cents | US Cents |
| Earnings per share for the period | | |
| (a) Based on weighted average number of ordinary shares in issue | 3.82 | 0.69 |
| (b) Based on a fully diluted basis | 3.82 | 0.69 |
| Weighted Average Number of Ordinary Shares | 2,011,449,435 | 1,858,295,409 |

***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 30/6/2020 | As at 31/12/2019 | As at 30/6/2020 | As at 31/12/2019 |
| Net asset value per ordinary share | | | | |
| - in US$ | 0.49 | 0.47 | 0.52 | 0.53 |
| - in S$ | 0.68 | 0.64 | 0.73 | 0.72 |

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

***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

1H 2020 vs 1H 2019

Revenue

| | 1H 2020 | 1H 2019 | Variance[1] |
|---|---|---|---|
| | US$ million | US$ million | US$ million |
| Animal Protein – PT Japfa Tbk ("PT Japfa Tbk") | 1,146.1 | 1,284.6 | (138.5) |
| Animal Protein – Other ("APO") | 364.6 | 312.3 | 52.3 |
| Dairy | 244.5 | 220.8 | 23.7 |
| Consumer Food | 98.3 | 92.9 | 5.4 |
| Others[2] | (20.2) | (24.3) | 4.1 |
| Group | 1,833.4 | 1,886.2 | (52.8) |

Revenue in APO and Dairy increase mainly driven by high swine fattening average selling prices in Vietnam and high raw milk price in China respectively. Revenue in Consumer Food contributed by higher sales volumes in frozen consumer food products. Revenue in PT Japfa Tbk dropped mainly due to lower poultry feed and DOC sales volumes as a result of lower consumer spending caused by Covid-19 in Indonesia. Overall Group revenue dropped by US$52.8 million to US$1,833.4 million in 1H 2020.

Operating Profit

| | 1H 2020 | 1H 2019 | Variance[1] |
|---|---|---|---|
| | US$ million | US$ million | US$ million |
| Animal Protein – PT Japfa Tbk ("PT Japfa Tbk") | 43.7 | 100.8 | (57.1) |
| Animal Protein – Other ("APO") | 47.4 | 10.4 | 37.0 |
| Dairy | 46.5 | 33.9 | 12.6 |
| Consumer Food | 8.8 | (5.5) | 14.3 |
| Others[2] | 0.1 | (3.2) | 3.3 |
| Group | 146.6 | 136.3 | 10.3 |

Improved operating profit in APO driven by continuing high swine fattening average selling prices due to shortage in pork supply post African Swine Fever in Vietnam. Improved operating profit in Dairy driven by higher raw milk price in China due to supply shortage. Operating profit in Consumer Food improved contributed by higher sales volumes in frozen products as people stock up on food supplies due to the Covid-19 movement restrictions in Greater Jakarta enforced on 10th April 2020. Operating profit in PT Japfa Tbk dropped on the back of low broiler and DOC average selling price as a result of lower consumer spending due to Covid-19 in Indonesia. Overall Group operating profit improved by US$10.3 million to US$146.6 million in 1H 2020.

Loss from changes in fair value of biological assets for the Group was US$2.7 million in 1H 2020 as compared to US$23.0 million in 1H 2019. The loss from changes in fair value of biological assets mainly due to higher feed cost used in the valuation of future income flows from the China dairy cattle herd.

[1] Due to rounding, numbers presented may not add up precisely to the totals provided.
[2] Others include corporate office, central purchasing office in Singapore and elimination adjustments between segments.

***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. (Cont'd)***

As a result of the above, the Group recorded a profit after tax of US$82.6 million in 1H 2020 as compared to US$46.6 million in 1H 2019. The profit attributable to owners of the parent ("PATMI") was US$76.8 million in 1H 2020 as compared to US$12.8 million in 1H 2019. PATMI improved significantly compared to the same period last year on the back of strong performances from both APO-Vietnam and Dairy.

Review of Financial Position

The Group's total assets as at 30 June 2020 increased by US$197.4 million from US$3,310.4 million to US$3,507.8 million primarily due to increase in property, plant and equipment, Right-of-use assets, inventories and cash and cash equivalents.

The Group's total liabilities as at 30 June 2020 increased by US$87.3 million from US$2,023.7 million to US$2,111.0 million primarily due to increase in loans and borrowings and lease liabilities.

The Group's translation reserves increased from negative US$214.0 million as at 31 December 2019 to negative US$233.2 million as at 30 June 2020 mainly due to translation losses arising from the Indonesian Rupiah and China Renminbi weakening against the US Dollar.

On 15 April 2020, the Company signed a conditional Sale and Purchase Agreement with Meiji for the sale of 25% of its dairy farming operations in China for a total cash consideration of US$254.4 million. This transaction was completed on 3 July 2020. The balance sheet will be strengthened with an increase in Equity of more than US$100 million[3] post-transaction.

Review of Group Cash Flow

Net cash flows from operating activities were US$23.7 million in 1H 2020, which mainly arose from operating cash flows before changes in working capital of US$226.0 million, changes in working capital of US$146.7 million and interest expense paid of US$52.5 million.

Net cash flows used in investing activities were US$123.7 million in 1H 2020 mainly represented by the purchase of property, plant and equipment of US$108.8 million.

Net cash flows from financing activities were US$184.9 million in 1H 2020 mainly arose from increase in working capital loans of US$77.4 million, proceeds from bank loans of US$65.8 million and proceeds from rights issue of new shares by the company of US$66.7 million.

[3] The exact amount of the increase in Equity will be determined after related taxes and transaction costs are finalised.

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

Not applicable.

***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 half year under review was marked by the pandemic caused by the Covid-19 virus, which is having an impact on people's lives around the world as well as on the global economy. Against this backdrop, Japfa has implemented measures to minimise the impact on its staff and to ensure their safety and welfare. As Japfa provides an essential service by supplying staple protein foods largely to the domestic markets in which they are produced, the day-to-day operations of the Group have not thus far been materially impacted by the lockdown or movement restrictions. However, as this pandemic is an unprecedented event, the ultimate impact cannot be reliably estimated with any certainty, particularly with regard to demand. The impact on demand on our business may vary depending on how and when the pandemic affects each market. Should Covid-19 continue and affect global economies resulting a global recession, the impact will be significant on our business, notwithstanding our position in staple protein foods. We continue to keep a close watch on the evolving situation.

The Group's revenue and profitability are directly impacted by cyclicality in the agri-business, which in turn is dependent on a variety of external factors beyond the Group's control. These include the seasonality of harvest and festivals, macroeconomic conditions that affect consumer purchasing power, government policies as well as changes to market demand and supply for raw materials resulting in fluctuations in their costs and selling prices.

Local currency depreciation in the countries in which we operate may delay the passing-on of the higher cost of imported raw materials through our feed selling price. During the six months under review, the IDR depreciated against the USD, potentially affecting the purchasing power of local consumers and, in turn, the demand for our products. In addition, the volatility in foreign exchange rates will affect the Group's financial results which are reported in USD terms.

The renewed trade tensions between US and China may result in near-term distortion of prices, raw materials costs and the physical flow of grains such as corn and soybean meal as well as animal protein products.

As our business involves livestock, the outbreak of animal diseases such as African Swine Fever ("ASF") in Vietnam, represent a major risk. These uncertainties may impact the Group's operations and financial results.

**PT Japfa Tbk**

In Indonesia, the prices of broiler and day-old-chick ("DOC") are volatile, depending on market demand-supply dynamics and, in April 2020, dropped to one of the lowest levels since Japfa's IPO in 2014. Although broiler and DOC prices rebounded since May 2020, this recovery may not be stable, in particular as the effects of Covid-19 are still unfolding in Indonesia and the situation remains uncertain.

We believe that this outbreak has reduced consumer purchasing power and, as a result, demand for many consumer products. However, as we mainly supply chicken, which is a staple and affordable protein food, hopefully the impact will not be long lasting. Since the Covid-19 outbreak, PT Japfa Tbk has taken action to freeze and defer non-essential new capital expenditures ("Capex") in line with the financial discipline of the Group.

***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. (Cont'd)***

**Animal Protein Other ("APO")**

It is estimated that ASF has significantly reduced the total swine population in Vietnam. As there is currently no vaccine or treatment for ASF, biosecurity measures are the only available means to protect our livestock. Through our strict biosecurity protocols, we have been able to manage ASF relatively well and will continue to focus on biosecurity to protect our livestock and mitigate any future ASF outbreaks. As the swine population in Vietnam has declined due to ASF, swine feed sales volume may reduce.

As a consequence of the substantial drop in pork supply due to ASF in Vietnam, demand for pork appears stable and pork prices have remained strong since 4Q2019.

**Dairy**

Fluctuations in raw milk price may affect our financial results. In China, raw milk prices remained strong in 1H2020 due to shortage of raw milk supply in the market.

After a short-term drop in the demand for dairy products due to Covid-19, in China we see a recovery in the demand for raw milk and we believe that there should not be a major impact over the medium and long-term.

With regard to South East Asia ("SEA"), the measures implemented in Indonesia to cope with the Covid-19 outbreak starting from April have impacted sales volumes to food service customers, such as coffee chains and bubble tea stores. On the other hand, Covid-19 outbreak increased direct sales volumes to consumers, thus offsetting the sales volume decline in the business-to-business segment.

**Consumer Food**

The restrictions to people's movement introduced in Greater Jakarta following Covid-19 increased demand for frozen food products as people stockpile food supplies. Nevertheless, challenges remain particularly in the Group's ambient food products business due to intense market competition.

**Conclusion**

Over the medium and long-term the five emerging markets where the Group operates continue to witness growing animal protein consumption. Against this backdrop, the Group is confident that its core competencies in large-scale farming and food production as well as its strategy of diversification across multiple proteins and geographies, together with its track record in replicating its industrialised and scalable business across the region, will continue to sustain its growth in the medium to long-term.

***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.

***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, I, 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 financial results for the half-year ended 30 June 2020 to be false or misleading in any material respect.

***15. Confirmation by the company pursuant to Rule 720(1) of the SGX Listing Manual***

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the SGX Listing Manual.

***16. Disclosure pursuant to Rule 706A(1)(b) of the SGX-ST Listing Manual – Increase in shareholding in subsidiary***

On 9 July 2020 until 15 July 2020, the Company acquired 28,613,300 ordinary shares in the capital of PT Japfa Comfeed Indonesia Tbk ("PT Japfa") shares from open market at an average price of IDR1,171.43 per share.

PT Japfa is a principal subsidiary of the Company listed on the Indonesia Stock Exchange.

Following the abovementioned acquisition, the Company's shareholding in PT Japfa has increased from 52.43% to 52.67%.

The aggregate consideration (including brokerage and other transaction cost) of IDR33.7 billion (approximately US$ 2.3 million) was settled in cash from the Company's internal resources.

The Transaction is not expected to have a material impact on the earnings per share or the net asset per share of the Company for the financial year ending 31 December 2020.

None of the directors and controlling shareholders of the Company has any interest in the Transaction except that, (a) the Company's Executive Directors, Handojo Santosa and Tan Yong Nang, are also Directors of PT Japfa, and the Company's Non-Executive Director, Hendrick Kolonas is a Commissioner of PT Japfa; and (b) disclosed in the Company's and PT Japfa's respective announcements of Directors' Interests.

**By Order of the Board**

Tan Yong Nang
Executive Director and
Chief Executive Officer
29 July 2020