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PRESS RELEASE

Japfa and Food Union form strategic partnership to develop a US$200 million premium milk processing plant in China

- ***Plant will produce highest quality innovative dairy products for Japfa, Food Union and third parties, in support of the Group's future downstream business***

- ***Potential for Japfa to supply up to 900 metric tonnes of high quality raw milk per day when the factory's production is fully ramped up***

- ***Japfa will take a strategic 10% stake in the joint venture***

Singapore, 17 August 2015 – Leading agri-food company, **Japfa Ltd** ("Japfa", or together with its subsidiaries, the "Group") and European-based dairy and milk processing company **Food Union Group** ("Food Union"), today announced a joint venture between Japfa's 61.87%-owned subsidiary, AustAsia Investment Holdings Pte Ltd ("AIH") and Food Union to build, own and operate a US$200-million premium milk processing plant in Shandong Province, China.

AIH will invest up to US$20 million in stages for a 10% stake in the milk processing plant which will manufacture high value-added dairy products for AustAsia and Food Union, as well as for leading third party international food companies. Food Union, which is the largest dairy company in Latvia and one of the biggest food producers in the Baltics with an annual combined turnover of around US$200 million in 2014, will hold the remaining 90% stake in the joint venture.

The approximately 300,000-metric tonnes per annum milk processing plant sits on a 115 mu (77,000 sq m) land, approximately five kilometres from AIH's dairy farms in Dongying city, Shandong Province. The plant is expected to commence operations in the first quarter of 2017. Subject to market conditions, the plant is anticipated to require approximately 200 to 300 metric tonnes of raw milk per day within the first 12 months of operations, and thereafter, production is expected to ramp up progressively to full capacity within the following two to three years.

As part of the joint venture arrangement, AIH will enter into a long term (five-year renewable) off-take contract to supply premium raw milk to the plant. AIH could potentially supply up to 900 metric tonnes of raw milk per day, when the plant's production is fully ramped up.

Commenting on the Group's latest strategic partnership, Mr Tan Yong Nang, Chief Executive Officer of Japfa, said, "This joint venture combines Japfa's strength as a producer of premium raw milk in China and Food Union's expertise in milk processing and distribution, together with its track record in building successful dairy products businesses in emerging markets. We are excited to secure another long-term reputable customer, who will also be our strategic processing partner. Given the high-value dairy products that Food Union is focused on, we believe our high-quality raw milk would be able to command premium prices, compared to other suppliers."

He added, "The partnership with Food Union is the first step in our Group's longer term plans to build a downstream business in China, in order to capture growth and margins across the dairy value chain, as well as accelerate the development of our Greenfields brand in Asia. This transaction will also provide us with greater quality control over the midstream processing stage and strengthen food traceability in our production process. In addition, we will have access to a factory that can produce a wide range of premium dairy products, which will facilitate the potential expansion of our Greenfields product range in the future."

Strategic Platform for Growth in China

The plant will be operated and managed by a team with deep experience in milk processing and manufacturing of high value added dairy products. Food Union's founder, Andrey Beskhmelnitskiy, is a global food industry entrepreneur who established the Food Union group of companies in 2011, and is well-known for establishing Russia's leading dairy producer Unimilk Company that was merged in 2010 with food industry giant Danone's fresh dairy operations to create the largest dairy player in the CIS region. Food Union currently manufactures a wide range of premium products such as milk, butter, cheese, yoghurt and ice cream, which are exported to Europe and around the world, including China.

"We are delighted to partner with Japfa as part of the expansion of our business into China. We chose Japfa as it is one of a small group of leading producers of premium raw milk that can meet our high quality requirements in terms of international safety and nutritional standards. The processing plant will be uniquely positioned and differentiated by its range of premium high-value dairy products and it is paramount that we have a consistent supply of high quality raw milk," said Andrey Beskhmelnitskiy, founder and shareholder of Food Union.

"Food Union as a brand is born and nurtured in Latvia, the second greenest country in the world. Food Union at the moment is based in the Baltic States, the hidden treasure of Northern Europe with age-old dairy traditions and mastership, known for the finest raw milk quality due to the mild climate and quality of fresh water. Food Union combines traditions with state of art technologies and stands for innovation, passion for consumer taste and production excellence. Now we are keenly looking forward to use our experience and expertise in the Baltics to continuously develop healthy and nutritious dairy products in China," added Mr Beskhmelnitskiy.

"Our five-farm hub of dairy farms in Shandong Province is now fully operational, while construction of Farm 6 in Inner Mongolia is underway. Over the past few months, we have increased our milk volumes and improved our milk yields significantly. This latest joint venture with Food Union is part of our strategy to lock in the majority of our milk capacity which not only cements our relationship with top-tier customers but also insulates us from market volatility. Despite the current weakness in raw milk prices, we remain bullish on the long-term growth prospects of the dairy sector in China, in particular the demand for premium quality dairy products," concluded Mr Tan.

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ABOUT JAPFA LTD.

Japfa Ltd is a leading agri-food producer focused on feeding emerging Asian markets. The Group produces protein staples such as chicken, beef and milk, as well as protein-based consumer food products. From its headquarters in Singapore, Japfa operates its businesses in the fast growing economies of Indonesia, China, India and Indo-China. Backed by two generations of farming experience, it operates industrial-scale farms which are vertically integrated with its downstream food processing operations.

ABOUT FOOD UNION

Food Union is an international company whose business has been built on the excellent reputation and age-old traditions of the Latvian dairy industry. It is the largest dairy company in Latvia and one of the biggest food producers in the Baltics. It unites two of the biggest dairy companies in the Baltics: AS Rīgas piena kombināts (founded in 1927) and AS Valmieras piens (founded in 1971), as well as the largest ice cream producer in Estonia, Premia.

Food Union represents a new business philosophy and set of values, based on innovation, a creative approach to product development, a willingness to constantly search for and develop new ideas, and create and implement ambitious plans. It is continuously investing in the development of modern technologies for its dairy products, to set the standard of quality, both in Europe and around the world.

This press release is issued on behalf of Japfa Ltd by Kreab Singapore.

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