



PRESS RELEASE

JAPFA LTD

391B Orchard Road, #18-08, Ngee Ann City Tower B, Singapore 238874
Tel: (65) 6735 0031 Fax: (65) 6735 4465
Company Registration No: 200819599W

Japfa establishes a new strategic partnership to solidify its position in China's dairy market

- **Leading Chinese agri-food group New Hope to purchase 5.0% equity stake in AustAsia for a consideration of US\$58.4 million¹.**
- **The proposed transaction is part of Japfa's recent exercise to add strategic milk processors as shareholders of AustAsia and grow the Group into the largest independent raw milk producer in China.**
- **Japfa to remain AustAsia's single largest and controlling shareholder with a 62.5% stake.**
- **The consideration confirms a 100% equity value of US\$1,168 million for AustAsia.**

Singapore, 7 September 2021 – Leading agri-food company Japfa Ltd ("Japfa" or, together with its subsidiaries, the "Group") today announced that it had entered into an agreement with New Hope to establish a partnership that will help the Group to enhance its position as the largest independent raw milk producer in China.

AustAsia Investment Holdings Pte Ltd ("AustAsia"), a subsidiary of Japfa Ltd, operates dairy farms producing raw milk and cattle feedlots producing beef in China.

Under a Sale and Purchase Agreement dated 7 September 2021, New Hope will acquire 5.0% of the issued shares of AustAsia from Japfa for a cash consideration of US\$58.4 million¹.

The agreement with New Hope is part of Japfa's recent exercise to add strategic milk processors as shareholders of AustAsia and further strengthen its position into the largest independent raw milk producer in China. In July 2020, Meiji came on board as a strategic partner with a 25.0% equity stake in AustAsia. More recently, on 30 August 2021, Japfa announced the agreements with Genki Forest and Honest Dairy, which acquired 5.0% and 2.5% respectively of the issued shares of AustAsia.

The aggregate consideration of US\$146.0 million arising from the proposed aggregate sale of 12.5% of the issued shares of AustAsia to New Hope, Genki Forest and Honest Dairy implies a 100% equity value of US\$1,168 million for AustAsia.

After the closing of the transactions with Genki Forest, Honest Dairy and New Hope, Japfa will remain the single largest and controlling shareholder in AustAsia with a 62.5% stake, in line with the Group's strategy of diversifying AustAsia's shareholder base with strategic investors,

¹ Representing a price per share of US\$3.475.

while maintaining its independence and management control. AustAsia will continue to have control over the management of its farming operations in China.

New Hope operates mainly in the agri-food industry, including dairy. Its dairy division, New Hope Dairy, is a leading large-scale comprehensive dairy supplier in China, with a commitment to providing consumers with fresh, healthy, quality dairy products. New Hope Dairy operates through a network of 12 dairy processing facilities across South West, East, North and Central China and is an existing customer of AustAsia. Through this transaction, AustAsia adds another strategic Chinese downstream player as shareholder. Furthermore, the milk supply agreement entered in connection with the transaction, will also provide a revenue stream to AustAsia, as it provides for the supply of certain quantity of milk to New Hope Dairy.

China's demand for quality and healthy dairy products has grown substantially and is expected to further expand in the coming years, on the back of an increasing interest of Chinese consumers in quality and healthy dairy products. AustAsia is well positioned to capture this growth, as the leading independent raw milk producer, with advanced farm management techniques and strong expertise in quality raw milk production.

AustAsia has demonstrated a commitment to grow its dairy farming capacity with the recent acquisition on 30 June 2021 of two dairy farms in Shandong with a combined capacity of 16,000 heads. With this acquisition, AustAsia confirms its position as the leading independent raw milk producer in China.

Japfa CEO, Mr Tan Yong Nang said, "We are delighted to add New Hope as a strategic partner, as we are teaming up with a leading Chinese agri-food group that shares our growth ambitions and our focus on quality and innovation. Together with the agreements with Meiji, Genki Forest and Honest Dairy, the partnership with New Hope is another move to reinforce our position in China's dairy market and a testament to the success of AustAsia, including our strong dairy farming expertise, high-quality raw milk and the highest milk yields in China. We look forward to working together with all our partners to further grow AustAsia and create long term value".

The aggregate sale of 12.5% of AustAsia issued shares to New Hope, Genki Forest and Honest Dairy will realise total cash proceeds of US\$146.0 million and strengthen the Group's financial position. The Group intends to use the proceeds for general working capital and corporate purposes. The closing of the transaction with New Hope is subject to the satisfaction of conditions precedent.

AustAsia is the leading independent producer of premium raw milk in China, with superior milk yields and 10 world-class, state-of-the-art, dairy farms which are designed, equipped, and managed to meet and exceed international standards in productivity and biosecurity. In 2020, its average milk yields were 40.1kg per head per day. As at 31 December 2020, AustAsia had a dairy herd size of approximately 84,000 heads of cattle in 5 farms in Shandong ("Hub 1") and 3 farms in Inner Mongolia ("Hub 2"). Recently, AustAsia acquired two additional dairy farms in Shandong with a total capacity of approximately 16,000 heads of cattle.

Credit Suisse (Singapore) Limited is the exclusive financial advisor to Japfa Ltd for this transaction.

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About Japfa Ltd

Headquartered in Singapore, Japfa Ltd is a leading vertically integrated agri-food company listed on the SGX Main Board since 2014. Established in 1971, the Group has grown into one of Asia's leading low-cost producers of protein staples including poultry, swine, aquaculture, beef, dairy as well as protein-based consumer products across fast-growing emerging Asian economies such as Indonesia, China, India, Myanmar and Vietnam. Japfa embraces an integrated industrial approach to livestock and food production across the value chain. Its vertically integrated business model spans from Feed & Breeding (upstream), Milking and Fattening (mid-stream) and Processing and Distribution of consumer products (downstream). For more information, please visit <https://www.japfa.com/>

Contacts

Japfa Investor Relations and Corporate Communication

Tel. +65 67350031 - Email: investorcontact@japfa.com

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