



**JAPFA LTD**  
**(Company Registration Number: 200819599W)**  
**(Incorporated in Singapore)**

**PROPOSED ACQUISITION OF SHARES IN AUSTASIA INVESTMENT HOLDINGS PTE. LTD. (“AIH”) AND AIH2 PTE LTD (“AIH2”) (COLLECTIVELY “AUSTASIA”) HELD BY BLACK RIVER CAPITAL PARTNERS FUND (FOOD) LP, BLACK RIVER CPF (FOOD AUSTASIA CO-INVESTMENT) LP AND BLACK RIVER FOOD FUND 2 LP (COLLECTIVELY THE “BLACK RIVER FUNDS”).**

**1. INTRODUCTION**

- 1.1. Japfa Ltd (the “Company”) wishes to announce that it has on 21 December 2017 entered into a share purchase agreement (“SPA”) with the Black River Funds to acquire all outstanding shares in the capital of AIH and AIH2 held by the Black River Funds (the “**Proposed Transaction**”).
- 1.2. The Black River Funds are funds managed by Proterra Investment Partners LP and are unrelated to any of the directors and controlling shareholders of the Company and its subsidiaries (the “**Group**”).
- 1.3. Upon completion of the Proposed Transaction (“Completion”), each of AIH and AIH2 will become a wholly-owned subsidiary of the Company.

**2. INFORMATION RELATING TO THE PROPOSED TRANSACTION**

2.1. Background

AIH and AIH2 are principal subsidiaries of the Company, holding the Group’s dairy business comprising dairy farms in China and Indonesia, as well as the Group’s “Greenfields” milk downstream business.

The Company currently owns 61.87% of AIH and 64.45% AIH2. BR Fund 1 and BR Co Fund 1 collectively own the remaining 38.13% of the shareholding in AIH while BR Fund 2 owns the remaining 35.55% of AIH2.

As disclosed in the Company’s prospectus dated 7 August 2014 and in its audited financial statements, the Company has a right to exercise call options over certain shares held by the Black River Funds upon the happening of a Realisation Event (essentially specified events under which the Black River Funds exit or are considered to have exited their investment in the AustAsia Group).

2.2. The Proposed Transaction

Under the SPA, the Company will (a) exercise its call options to purchase from the Black River Funds, 14,014,286 ordinary shares (6.14%) in the capital of AIH and 4,339,190 ordinary shares (3.56%) in the capital of AIH2 (collectively the “**Call Option Shares**”); and (b) purchase the

remaining 73,057,142 ordinary shares (31.99%) in the capital of AIH and 39,052,710 ordinary shares (31.99%) in the capital of AIH2 (collectively the “**Sale Shares**”) held by the Black River Funds.

### **3. CONSIDERATION FOR THE PROPOSED TRANSACTION**

The aggregate consideration for the Proposed Transaction is US\$263.1 million (the “**Consideration**”) comprising the exercise price for the Call Option Shares of US\$19.6 million and the acquisition price for the Sale Shares (31.99% of AustAsia) of US\$243.5 million.

The consideration for the Call Option Shares is based on the cost of investment of the Black River Funds. The consideration for the Sale Shares was arrived at, after arm’s length negotiations on a “willing-buyer, willing-seller” basis taking into account AustAsia’s earnings and dairy industry earnings multiples.

The Consideration will be satisfied in full at the closing of the Proposed Transaction by:

- (i) cash payment of US\$223.0 million (the “**Cash Consideration**”) funded by bank financing; and
- (ii) the issue of 90 million ordinary shares in the Company at the issue price of S\$0.60 (US\$0.45) per share based on exchange rate of 1.3465 (which is approximately US\$40.1 million in aggregate) (the “**Consideration Shares**”).

### **4. CONDITIONS PRECEDENT**

The Proposed Transaction is conditional upon (a) SGX-ST’s approval for the listing of the Consideration Shares on the mainboard of the SGX-ST; (b) financing and (c) approval of the shareholders of the Company.

### **5. RATIONALE FOR THE PROPOSED TRANSACTION**

We believe the Proposed Transaction is of strategic importance and will benefit the Group:

- (i) The dairy business is a core business of the Group and a principal subsidiary. As a 100% shareholder, the Proposed Transaction will give the Company full control over its dairy business and the ability to align AustAsia’s objectives with Japfa’s long-term strategic goals. This will enhance the overall profile of the Group and AustAsia to bankers and investors.
- (ii) AustAsia is an engine of future growth for the Japfa food platform and the Company believes in the long-term growth potential of the milk industry in emerging Asia. With AustAsia’s upstream business substantially in place, management is now focusing on strengthening its downstream activities to be an integrated milk player in its selected markets.
- (iii) The Proposed Transaction will increase the attributable income to Japfa Ltd with the removal of minority interests.
- (iv) The Proposed Transaction will constitute a Realisation Event under the Deeds of Undertakings disclosed in the Prospectus and in the Company’s audited financial

statements, allowing the Company to benefit from the ability to acquire the Call Option Shares from the Black River Funds at cost.

- (v) The Proposed Transaction will remove any uncertainties and risk arising from the Put Options disclosed in the Company's prospectus dated 7 August 2014 and the Company's financial statements.
- (vi) The Company believes the Consideration is fair and reasonable, after taking into account a) the above-mentioned reasons; b) AustAsia's historical profitability; c) AustAsia's market leadership position in milk yields in China and Indonesia.; d) prevailing raw milk price environment in China; and e) the intrinsic brand equity of AustAsia's downstream dairy products in Indonesia.

## 6. **BOOK VALUE AND NET TANGIBLE ASSET VALUE OF AIH AND AIH2 (Rule 1010(5))**

As at 30 September 2017,

- (i) the book value and net tangible asset value of 100% of AIH was US\$315.2 million and US\$313.7 million, and of the AIH shares comprised in the Proposed Transaction are US\$120.2 million and US\$119.6 million; and
- (ii) the book value and net tangible asset value of 100% of AIH2 was US\$126.6 million and US\$126.5 million, and of the AIH2 shares comprised in the Proposed Transaction are US\$45.0 million and US\$44.9 million.

No independent valuation was conducted for the Proposed Transaction.

## 7. **FINANCIAL EFFECTS ON THE PROPOSED TRANSACTION**

### Effect on Net Tangible Assets

For illustrative purposes only, the financial effects of the Proposed Transaction on the net tangible assets per share of the issuer as at 31 December 2016 (based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016) are as follows: -

	<b>Before Proposed Transaction</b>	<b>After Proposed Transaction</b>
Consolidated Net Tangible Asset attributable to shareholders of the Company (US\$ million)	783.3	729.7
Number of issued shares (excluding treasury shares)	1,764,670,391 as at 31 December 2016	1,854,670,391 (including Consideration Shares)
Consolidated Net tangible assets per share (US\$)	0.44	0.39

### Effect on Earnings Per Share

For illustrative purposes only, the financial effects of the Proposed Transaction on the earnings per share of the issuer (based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016) assuming closing had taken place on 1 January 2016 are as follows: -

	<b>Before Proposed Transaction</b>	<b>After Proposed Transaction</b>
Profit after tax attributable to shareholders of the Company (US\$ million)	118.8	124.4
Weighted average number of issued shares (excluding treasury shares)	1,764,670,391 as at 31 December 2016	1,854,670,391 (including Consideration Shares)
Earnings per share (US\$ cents)	6.7	6.7

### Effect on Gearing

For illustrative purposes only, the financial effects of the Proposed Transaction on the gearing ratio as at 30 September 2017 (based on the unaudited consolidated financial statements of the Group as at 30 September 2017) are as follows: -

	<b>Before Proposed Transaction</b>	<b>After Proposed Transaction</b>
Net debt (US\$ million)	745.3	968.3
Shareholders' equity (US\$ million)	1,097.2	1,065.6
Total assets (US\$ million)	2,598.9	2,619.0
Net debt / shareholders' equity (times)	0.7	0.9
Net debt / total assets (times)	0.3	0.4

## 8. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006

Rule 1006	Base	Relative figure computed in accordance with the bases set out in Rule 1006
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(b)	The net profit <sup>(1)</sup> attributable to the assets acquired, compared with the Group's consolidated net profits	4.7% <sup>(2)</sup>
(c)	The aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	42.1% <sup>(3)</sup>
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	5.1% <sup>(4)</sup>
(e)	The aggregate volume or amount of proven and probable reserves to be acquired, compared with the aggregate of the Group's proven and probable reserves.	Not applicable <sup>(5)</sup>

### Notes:

- (1) "net profits" means profit before income tax, minority interests and extraordinary items.
- (2) The unaudited net profits of the Group for the third quarter ended 30 September 2017 was US\$67.8 million. The unaudited net profits for the third quarter ended 30 September 2017, attributable to the AIH and AIH2 shares to be acquired, was US\$1.3 million and US\$1.9 million respectively.
- (3) Based on the Consideration of US\$263.1 million, and the Company's market capitalisation of approximately US\$625.4 million. The Company's market capitalisation is determined by multiplying the number of Shares in issue of 1,758,411,491 (excluding 11,114,100 treasury shares) by the weighted average price of S\$0.48 (US\$0.36) per Share on Wednesday, 20 December 2017, being the market day preceding the date of the Sale and Purchase Agreement.
- (4) Based on the number of Consideration Shares to be issued, being 90,000,000 shares, divided by the number of Shares in issue of 1,758,411,491 (excluding 11,114,100 treasury shares).
- (5) The Company is not a mineral, oil or gas company.

## 9. BANK FINANCING

- 9.1 The Company intends to enter into a facility agreement (the "**Facility Agreement**") for an up to US\$280.0 million underwritten and committed syndicated loan with DBS Bank Ltd and Coöperatieve Rabobank U.A., Singapore Branch, as Mandated Lead Arranger Banks ("**Syndicated Loan**") and has on 4 December 2017 executed a mandate and term sheet with the Mandated Lead Arranger Banks in relation to the Syndicated Loan.

The Syndicated Loan will comprise (a) an up to US\$230.0 million 3-year term loan for the purpose of the Proposed Transaction (“**Transaction Loan**”); and (b) an up to US\$50.0 million 3-year revolving credit facility for general corporate purposes. The Transaction Loan is repayable as a bullet repayment in 3 years’ time, but can be prepaid or cancelled without penalty.

9.2 Disclosure Pursuant To Rule 704(31) And Rule 728 Of The Listing Manual

The Facility Agreement will contain a prohibition against change of control of the Company tied to the Santosa Family and its affiliates in that the Santosa Family must (directly or indirectly) beneficially and collectively (i) own at least 30% of the issued capital of the Company; or (ii) remain the single largest shareholder of the Company.

In compliance with Rule 728 of the Listing Manual of the SGX-ST, the Company had on 29 July 2014 obtained an undertaking from its controlling shareholders Mr. Handojo Santosa and Ms. Rachel Anastasia Kolonas to notify the Company as soon as he or she becomes aware, of any share pledging arrangements by the Scuderia Trust and the Capital Two Trust (directly and/or indirectly) respectively and of any event which may result in a breach of the provisions under the then existing or any future banking facilities, where the shareholdings of the Controlling Shareholders are referenced.

**10. EXTRAORDINARY GENERAL MEETING**

Notwithstanding that the Proposed Transaction is in the ordinary course of the Group’s business, the Company will seek shareholders’ approval at an EGM to be held on or about 12 April 2018, following the conclusion of the Company’s Annual General Meeting.

**11. FURTHER INFORMATION**

12.1 SPA

The SPA will be available for inspection during normal business hours at the registered office of the Company at 391B Orchard Road, Ngee Ann City Tower B, #18-08, Singapore 238874 for a period of three (3) months from the date of this Announcement.

12.2 Circular

A circular setting out, *inter alia*, the details of the Proposed Acquisition and such other information as prescribed under Chapter 10 of the Listing Manual, together with a notice of the EGM to be convened, will be despatched by the Company to its Shareholders in due course.

**By Order of the Board**

**Japfa Ltd**

Tan Yong Nang

Executive Director and Chief Executive Officer

Date: 21 December 2017