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

PRESS RELEASE

Japfa signs strategic five-year milk supply agreement with Yili

- ***Japfa will supply 500 tons of raw milk per day to Yili from 2015 to 2019***
- ***Latest off-take agreement with Yili follows another contract to supply China Mengniu with 100 tons of raw milk per day in 2015***

Singapore, 2 January 2015 – Leading agri-food company, **Japfa Ltd** ("Japfa", or together with its subsidiaries, the "Group") today announced that its subsidiary, AustAsia Investment Holdings Pte Ltd ("AustAsia"), has entered into a strategic five-year milk supply agreement with **Inner Mongolia Yili Industrial Group Co Ltd** ("Yili"), China's second-largest dairy producer by revenue.

The agreement will see the Group supplying 500 tons of raw milk per day to Yili from 2015 to 2019. The milk will be supplied from three of the Group's farms in its five-farm hub of dairy farms in Dong Ying city, Shandong province, China.

This latest agreement with Yili comes on the back of another recent off-take contract by AustAsia with **China Mengniu Dairy Company Limited** ("Mengniu"), China's largest dairy producer. The Group has committed to supply Mengniu with 100 tons of milk per day in 2015.

"These agreements further strengthen our existing relationships with Yili and Mengniu. Their commitment to the Group is a testament of the consistent high quality of our premium raw milk. With the completion of our fifth farm in China and the expected increase in our milk production in 2015, we plan to set aside a portion of our milk capacity for longer term contracts. This will ensure a stable milk supply for our key customers and a steady revenue for the Group, providing a level of assurance for both our customers and investors," explained Mr Tan Yong Nang, Chief Executive Officer of Japfa.

"With our raw milk consistently exceeding Chinese and international standards for nutrition and safety, the average selling price of our milk is typically higher than the average price of milk from other major milk production regions in China. However, given the recent slowdown in dairy prices globally and in China, we expect the average selling prices of our raw milk to be lower in 2015 compared to 2014. The strategy of longer term contracts not only cements our relationship with top-tier customers but also insulates us from price volatility. That said, we believe the lower selling prices are more sustainable in the long run and will still generate healthy margins. We remain positive on the growth prospects of our dairy business and will continue to invest in building capacity and improving productivity," added Mr Tan.

GROWING DAIRY BUSINESS

Japfa is one of a small group of leading, industrialised producers of premium raw milk in Indonesia and China. Its raw milk is of the highest quality in terms of nutritional and safety standards, and rates at the top of the market in terms of price. As at the end of 2014, the Group had approximately 57,000 heads of cattle across its farms, which include 20,800 milking cows in China and 3,100 milking cows in Indonesia.

For the nine months ended 30 September 2014 ("9M 2014"), revenue from the Group's dairy business rose to US$167.3 million from US$106.0 million in the same period last year, accounting for 7% of its overall Group revenue in 9M 2014.

In China, the Group currently operates a five-farm hub ("Hub 1") of large scale dairy farms (each with more than 10,000 heads of cattle) in Shandong province. The fifth farm in Hub 1 started operations in December 2014. It will start significant milk production by the second quarter of 2015, and ramp up to full milk production by the fourth quarter of 2015 ("4Q 2015").

The Group's dairy farms in China currently have a total milk capacity production of more than 750 tons a day. This is expected to increase to approximately 1,000 tons per day by 4Q 2015.

As part of its expansion plans in China, the Group will be replicating its successful business model with the building of another five-farm hub ("Hub 2") with an aggregate holding capacity of 60,000 cattle in Inner Mongolia. Construction of the first two farms in Hub 2 has just begun.

Notwithstanding the decline in raw milk prices in China, the long-term demand for dairy products is expected to continue to grow. Per capita dairy consumption in China is significantly lower compared with developed countries, suggesting that dairy consumption in China should also grow on a per capita consumption basis[1].

In Indonesia, the Group also operates a vertically integrated dairy business in Malang, East Java. It uses its raw milk to produce fresh milk, UHT milk and cheeses marketed under its *Greenfields* brand to consumers in Indonesia and other countries in Asia.

"We have an established dairy business in China and Indonesia, the success of which is reflected in our milk quality, premium pricing, milk yields and strong customer relationships. We are well positioned to enlarge our footprint as a leading premium milk producer in Asia, given the scale, design and location of our farms, as well as our advanced and industrialised farm management practices and high-yielding livestock," concluded Mr Tan.

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[1] According to Frost and Sullivan's Industry Report set out in Appendix F of the Prospectus – "Independent Market Research on Selected Food Markets in Indonesia, China, India, Vietnam and Myanmar", 11 June 2014.

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.

This press release is issued on behalf of Japfa Ltd by Kreab Gavin Anderson. For media queries, please contact:
CHIN May Nah / Stella TAN / YAP Meng Lee
Email: mchin@kreab.com / sttan@kreab.com / myap@kreab.com
Phone: +65 6339 9110