

PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE

1. INTRODUCTION

The board of directors (the "**Board**" or the "**Directors**") of Japfa Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company is proposing to undertake a renounceable non-underwritten rights issue (the "**Rights Issue**") of up to 188,137,749 new ordinary shares in the capital of the Company (the "**Rights Shares**") at an issue price of S\$0.50 (the "**Issue Price**") for each Rights Share, on the basis of one (1) Rights Share for every ten (10) existing ordinary shares in the capital of the Company (the "**Shares**") held by Entitled Shareholders (as defined herein) as at a time and date to be determined by the Board for the purpose of determining the entitlements of the Entitled Shareholders (the "**Books Closure Date**"), fractional entitlements to be disregarded.

The Company has appointed DBS Bank Ltd. as the manager of the Rights Issue (the "**Manager**").

2. THE PROPOSED RIGHTS ISSUE

The principal terms and conditions of the Rights Issue are set out below. Such terms and conditions are subject to changes as the Board may, after consultation with the Manager and in its absolute discretion, deem fit. The final terms and conditions of the Rights Issue will be contained in the offer information statement (the "**Offer Information Statement**") in connection with the Rights Issue, to be lodged with the Monetary Authority of Singapore ("**Authority**") and to be despatched by the Company to the Entitled Shareholders in due course.

2.1 Basis of Provisional Allotment

The Rights Issue is proposed to be made on a renounceable non-underwritten basis to all shareholders of the Company ("**Shareholders**") who are eligible to participate in the Rights Issue (the "**Entitled Shareholders**"), on the basis of one (1) Rights Share for every ten (10) existing Shares held by the Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded.

2.2 Size of the Rights Issue

As at the date of this announcement, the Company has an issued and paid-up share capital of 1,863,338,291 Shares (excluding treasury Shares) (the "**Existing Issued Share Capital**") and 18,039,200 outstanding conditional share awards which were granted on 27 December 2018 under the Japfa Performance Share Plan ("**PSP**"), which will only vest on the achievement of pre-determined conditions within a two-year period from the date of grant into (subject to any adjustment required to be made pursuant to the rules of the PSP), 18,039,200 new Shares (the "**Outstanding Conditional Share Awards**"). Save for the Outstanding Conditional Share Awards, the Company does not have any other outstanding share awards or convertible securities as at the date of this announcement.

Based on the Existing Issued Share Capital:

- (a) assuming that (i) all ordinary shares which are the subject of the Outstanding Conditional Share Awards are allotted or transferred to the relevant participants upon vesting, in accordance with the PSP, before the Books Closure Date; and (ii) the Rights

Issue is fully subscribed, 188,137,749 Rights Shares will be issued pursuant to the Rights Issue (the "**Maximum Scenario**"); and

- (b) assuming that (i) none of the ordinary shares which are the subject of the Outstanding Conditional Share Awards are allotted or transferred to the relevant participants upon vesting, in accordance with the PSP, before the Books Closure Date; (ii) none of the other Shareholders (other than the Undertaking Shareholder (as defined in paragraph 3.1 below)) or purchasers of the "nil-paid" rights during the "nil-paid" rights trading period subscribe and pay for any Rights Shares; and (iii) only the Undertaking Shareholder subscribes and pays for in full, the Undertaken Rights Shares (as defined in paragraph 3.1 below) in accordance with the Deed of Undertaking (as defined in paragraph 3.1 below), 136,000,000 Rights Shares will be issued pursuant to the Rights Issue (the "**Minimum Scenario**").

2.3 Issue Price

The Issue Price of S\$0.50 for each Rights Share represents:

- (a) a discount of approximately 13.0% to the closing price of S\$0.575 per Share on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 18 December 2019 (being the last market day on which the Shares were traded on the SGX-ST immediately prior to the release of this announcement) (the "**Last Traded Price**"); and
- (b) a discount of approximately 12.3% to the theoretical ex-rights price ("**TERP**")¹ of approximately S\$0.570 per Share based on the Last Traded Price.

2.4 Ranking of the Rights Shares

The Rights Shares will be payable in full on acceptance and/or application and shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares for any dividends, rights, allotments or other distributions, the record date for which falls on or after the date of issue of the Rights Shares.

For this purpose, "record date" means, in relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may be notified by the Company) on which Shareholders must be registered with the Company, the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd. (the "**Share Registrar**"), or The Central Depository (Pte) Limited ("**CDP**"), as the case may be, in order to participate in such dividends, rights, allotments or other distributions.

2.5 Non-Underwritten Rights Issue

The Rights Issue will not be underwritten. The Company has decided to undertake the Rights Issue on a non-underwritten basis in view of the Deed of Undertaking and the savings in cost enjoyed by the Company in respect of underwriting fees.

On the basis that the Deed of Undertaking is fulfilled by the Undertaking Shareholder, the net proceeds from the Minimum Scenario will be sufficient to meet the Company's present funding requirements.

¹ TERP of each Share is calculated based on the following formula, assuming completion of the Rights Issue based on the Minimum Scenario:

$$\text{TERP} = \frac{\text{Market capitalisation of the Company based on the Last Traded Price} + \text{gross proceeds from the Rights Issue}}{\text{Number of Shares after completion of the Rights Issue}}$$

3. DEEDS OF RENUNCIATION AND DEED OF UNDERTAKING

3.1 Terms of the Deeds of Renunciation and the Deed of Undertaking

As at the date of this announcement:

- (a) Rangi Management Limited (“**Undertaking Shareholder**”) has an interest (directly or indirectly) in 948,368,240 Shares, representing approximately 50.90% of the Existing Issued Share Capital (“**Existing Rangi Shares**”);
- (b) Tasburgh Limited (“**Tasburgh**”) has an interest (directly or indirectly) in 106,714,375 Shares, representing approximately 5.73% of the Existing Issued Share Capital (“**Existing Tasburgh Shares**”); and
- (c) Tallowe Services Inc (“**Tallowe**”) has an interest (directly or indirectly) in 81,000,000 Shares, representing approximately 4.35% of the Existing Issued Share Capital (“**Existing Tallowe Shares**”),

(collectively, “**Renouncing and Undertaking Shareholders**”).

Pursuant to deeds of renunciation dated 18 December 2019 separately given by Tasburgh and Tallowe (“**Deeds of Renunciation**”), each of Tasburgh and Tallowe will renounce the pro-rata entitlements of Rights Shares in respect of all the Existing Tasburgh Shares and Existing Tallowe Shares respectively in favour of the Undertaking Shareholder.

To demonstrate its confidence in the Rights Issue and its commitment and support to the Company, the Undertaking Shareholder has executed a deed of undertaking dated 18 December 2019 (“**Deed of Undertaking**”), pursuant to which it has irrevocably undertaken to subscribe and pay for (or procure subscription and payment for) in full at the Issue Price, an aggregate of 136,000,000 Rights Shares (“**Undertaken Rights Shares**”) (the aggregate value of which is S\$68.0 million based on the Issue Price) comprising (i) 94,836,824 Rights Shares to be provisionally allotted to it (or the relevant registered holder(s)) on the basis of the Existing Rangi Shares, (ii) an aggregate of 18,771,437 Rights Shares the entitlements to which will be renounced by each of Tasburgh and Tallowe (or the relevant registered holder(s)) in its favour, and (iii) up to 22,391,739 excess Rights Shares which remain unsubscribed by other Entitled Shareholders or their renounees at the closing date of the Rights Issue after satisfying all applications and excess applications (if any) for the Rights Shares.

In addition to the above, each of the Renouncing and Undertaking Shareholders has also undertaken to ensure that none of the Shares in which it currently has an interest (directly or indirectly), are sold, transferred or otherwise disposed of from the date of the Deeds of Renunciation or the Deed of Undertaking (as the case may be) until the issue and listing on the SGX-ST of the Rights Shares.

The Deeds of Renunciation and the Deed of Undertaking are subject to:

- (i) the in-principle approval of the SGX-ST for the listing of and quotation for the Rights Shares on the SGX-ST and if such approval is granted subject to conditions, such conditions being acceptable to the Company and the Renouncing and Undertaking Shareholders, and such approval not having been withdrawn or revoked on or prior to the completion of the Rights Issue; and
- (ii) the lodgment of the Offer Information Statement, together with all other accompanying documents (if applicable) in respect of the Rights Issue with the Authority.

The Undertaking Shareholder will procure the delivery to the SGX-ST of a confirmation from a financial institution that it has sufficient financial resources for the purposes of fulfilling its obligations pursuant to the Deed of Undertaking.

3.2 Resultant shareholdings of the Renouncing and Undertaking Shareholders pursuant to the Deeds of Renunciation and the Deed of Undertaking

Pursuant to the Deeds of Renunciation and Deed of Undertaking and immediately following the completion of the Rights Issue, the shareholdings of the Renouncing and Undertaking Shareholders in the Company will be as follows:

Name	Maximum Scenario		Minimum Scenario	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾
Rangi Management Limited ⁽³⁾	1,061,976,501	51.3	1,084,368,240	54.2
Tasburgh Limited ⁽³⁾	106,714,375	5.2	106,714,375	5.3
Tallowe Services Inc ⁽⁴⁾	81,000,000	3.9	81,000,000	4.1

Notes:

- (1) Based on the enlarged share capital of 2,069,515,240 Shares (excluding treasury Shares) and rounded to the nearest one decimal place.
- (2) Based on the enlarged share capital of 1,999,338,291 Shares (excluding treasury Shares) and rounded to the nearest one decimal place.
- (3) Mr Handojo Santosa, the Executive, Non-Independent Chairman and a controlling shareholder of the Company, is the settlor of the Scuderia Trust. Under the terms of the Scuderia Trust, he is entitled, as an investment power holder, to direct the trustee of the Scuderia Trust to procure to the best of its ability that the directors of Fusion Investment Holdings Limited and Tasburgh act in accordance with his instructions in relation to the investments of the Scuderia Trust. As the sole shareholder of the Undertaking Shareholder, Fusion Investment Holdings Limited is entitled to determine the composition of the board of directors of the Undertaking Shareholder. Accordingly, Mr Handojo Santosa can control the exercise of the rights of the shares held by Fusion Investment Holdings Limited in the Undertaking Shareholder and through the board of directors appointed by Fusion Investment Holdings Limited, control the exercise of the rights of the Shares held by the Undertaking Shareholder under the Scuderia Trust.
- (4) The Shares of Tallowe are held by Magnus Nominees Limited and Fidelis Nominees Limited as bare trustees for Mr Handojo Santosa.

4. RATIONALE FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is undertaking the Rights Issue to strengthen the Group's financial position and capital base. The entire Net Proceeds (as defined below) are as such intended to be used to repay certain of the Group's existing borrowings, thereby enhancing the financial flexibility of the Group to capitalize on potential growth opportunities.

The Rights Issue will also provide Shareholders with an opportunity to maintain their equity participation in the Company.

Assuming the Maximum Scenario, the estimated net proceeds from the Rights Issue (the "**Net Proceeds**") (after deducting estimated expenses of approximately S\$0.6 million) is expected to be approximately S\$93.5 million.

Assuming the Minimum Scenario, the estimated Net Proceeds (after deducting estimated expenses of approximately S\$0.5 million) is expected to be approximately S\$67.5 million.

Pending the deployment of the Net Proceeds, such proceeds may, subject to relevant laws and regulations, be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities and/or used for any other purpose on a short-term basis as the Board may, in its absolute discretion, deem fit in the interests of the Company.

The Company will make periodic announcements on the utilisation of the Net Proceeds as and when such proceeds are materially disbursed, and whether such use is in accordance with the stated use and in accordance with the percentage allocated. The Company will also provide a status report on the use of the Net Proceeds in the Company's interim and full year financial results announcement(s) and in the Company's annual report(s), until such time the Net Proceeds have been fully utilised. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reasons for such deviation.

In the event that the Net Proceeds are to be used for working capital, the Company will disclose a breakdown with specific details on the use of the Net Proceeds for working capital in its announcements and annual reports.

5. CONDITIONS FOR THE RIGHTS ISSUE

5.1 Approvals

The Rights Issue is subject to, *inter alia*, the following:

- (a) the in-principle approval of the SGX-ST for the listing of and quotation for the Rights Shares on the SGX-ST; and
- (b) the lodgment, by the Company, of the Offer Information Statement, together with all other accompanying documents (if applicable) in respect of the Rights Issue, with the Authority.

The Company will be applying to the SGX-ST to seek its in-principle approval for the listing of and quotation for the Rights Shares on the SGX-ST.

5.2 General Mandate

The Rights Issue will be made pursuant to the authority under the general share issue mandate (the "**General Mandate**") granted by Shareholders at the annual general meeting of the Company held on 18 April 2019 ("**2019 AGM**"), pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806(2) of the Listing Manual.

As at the date of the 2019 AGM, the total number of issued Shares (excluding treasury Shares) was 1,864,668,791 and the total outstanding conditional share awards was 18,039,200 (being the Outstanding Conditional Share Awards). Accordingly, in the event that all ordinary shares which are the subject of the Outstanding Conditional Share Awards are allotted or transferred to the relevant participants upon vesting, in accordance with the PSP, the Company could issue up to 941,353,995 new Shares on a *pro-rata* basis under the General Mandate. As at the date of this announcement, the Company has not issued any new Shares pursuant to the General Mandate. Accordingly, the proposed allotment and issue of the Rights Shares falls within the limit of the General Mandate.

6. ELIGIBILITY TO PARTICIPATE IN THE RIGHTS ISSUE

6.1 Eligibility to Participate

The Company proposes to provisionally allot the Rights Shares to the Entitled Shareholders, comprising Entitled Depositors and Entitled Scripholders (each as defined herein), on the basis of their shareholdings as at the Books Closure Date. Entitled Shareholders will be

entitled to participate in the Rights Issue and receive the Offer Information Statement together with the appropriate application forms and accompanying documents at their respective Singapore addresses as maintained with the records of the CDP or the Share Registrar, as the case may be.

Fractional entitlements to the Rights Shares will be disregarded and will, together with the provisional allotments which are not taken up or allotted for any reason, be aggregated and allotted to satisfy excess applications (if any), or disposed of or otherwise dealt with in such manner as the Board may, in its absolute discretion, deem fit.

6.2 Entitled Depositors

Entitled Depositors are Shareholders with Shares standing to the credit of their securities accounts (the "**Securities Account**") with CDP and whose registered addresses with CDP are in Singapore as at the Books Closure Date or who have provided CDP with addresses in Singapore for the service of notices and documents not later than 5.00 p.m. (Singapore time) on the date falling three (3) Market Days² prior to the Books Closure Date (the "**Entitled Depositors**").

Entitled Depositors will be provisionally allotted the Rights Shares on the basis of the number of Shares standing to the credit of their Securities Accounts as at 5.00 p.m. (Singapore time) on the Books Closure Date.

6.3 Entitled Scripholders

Entitled Scripholders are Shareholders whose (i) share certificates are not deposited with CDP, (ii) Shares are registered in their own names, and (iii) registered addresses with the Share Registrar are in Singapore as at the Books Closure Date or who have provided the Share Registrar with addresses in Singapore for the service of notices and documents not later than 5.00 p.m. (Singapore time) on the date falling three (3) Market Days prior to the Books Closure Date, and who have tendered to the Share Registrar valid transfers of their Shares and the certificates relating thereto for registration up to the Books Closure Date (the "**Entitled Scripholders**").

Entitled Scripholders will have to submit duly completed and stamped transfers in respect of Shares not registered in the name of CDP, together with all relevant documents of title, so as to be received up to 5.00 p.m. (Singapore time) on the Books Closure Date by the Share Registrar, in order to be registered to determine provisional allotments of Rights Shares.

6.4 Foreign Shareholders

The distribution of the Offer Information Statement and its accompanying documents may be prohibited or restricted (either absolutely or subject to various securities laws requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. For practical reasons and in order to avoid any violation of the securities legislation applicable in jurisdictions other than Singapore, the Offer Information Statement and its accompanying documents will NOT be despatched to Shareholders with registered addresses outside Singapore and who have not, at least three (3) Market Days prior to the Books Closure Date, provided CDP or the Share Registrar, as the case may be, with addresses in Singapore for the service of notices and documents (the "**Foreign Shareholders**") and accordingly, the Rights Shares will NOT be offered to Foreign Shareholders.

The Offer Information Statement and its accompanying documents will not be despatched, lodged, registered or filed in any jurisdiction other than Singapore. Accordingly, Foreign Shareholders will not be entitled to participate in the Rights Issue. As Foreign Shareholders will not be entitled to participate in the Rights Issue, no provisional allotment of Rights Shares will be made to Foreign Shareholders and no purported acceptance thereof or application for

² "**Market Day**" means a day on which the SGX-ST is open for trading in securities.

any excess Rights Shares therefor by any Foreign Shareholder will be valid.

The Offer Information Statement and its accompanying documents will also NOT be despatched to persons purchasing entitlements to Rights Shares through the book-entry (scripless) settlement system if their registered addresses with CDP are outside Singapore (the "**Foreign Purchasers**"). Foreign Purchasers may not accept any "nil-paid" rights credited to their Securities Account unless the Company and its counsel are satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

Entitlements to Rights Shares which would otherwise have been provisionally allotted to Foreign Shareholders will, if practicable to do so and at the absolute discretion of the Company, be sold "nil-paid" on the SGX-ST, as soon as practicable, after dealings in the provisional allotments of Rights Shares commence. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account expenses to be incurred in relation thereto. The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares entered against their names in the depository register maintained by CDP as at the Books Closure Date and sent to them at their own risk by ordinary post. If the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall be dealt with as the Board may, in its absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager and/or CDP in connection therewith.

Where the provisional allotments of Rights Shares are sold "nil-paid" on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager, CDP, the Share Registrar and/or their respective officers in connection therewith. If such provisional allotments of Rights Shares cannot be sold or are not sold on the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of Rights Shares, the new Shares represented by such provisional allotments will be allotted and issued to satisfy applications for excess Rights Shares or disposed of or dealt with in such manner as the Board may, in its absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager, CDP, the Share Registrar and/or their respective officers in connection therewith.

SHAREHOLDERS WITH REGISTERED ADDRESSES OUTSIDE SINGAPORE WHO WISH TO PARTICIPATE IN THE RIGHTS ISSUE MAY PROVIDE AN ADDRESS IN SINGAPORE FOR THE SERVICE OF NOTICES AND DOCUMENTS BY NOTIFYING IN WRITING, AS THE CASE MAY BE, (I) THE CENTRAL DEPOSITORY (PTE) LIMITED AT 9 NORTH BUONA VISTA DRIVE, #01- 19/20 THE METROPOLIS TOWER 2, SINGAPORE 138588 OR (II) BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD. AT 50 RAFFLES PLACE, #32-01, SINGAPORE LAND TOWER, SINGAPORE 048623, IN EACH CASE, AT LEAST THREE (3) MARKET DAYS PRIOR TO THE BOOKS CLOSURE DATE.

6.5 Provisional Allotments and Excess Applications

Entitled Shareholders will be at liberty to accept in full or in part, decline or otherwise renounce or, in the case of Entitled Depositors only, trade (during the "nil-paid" rights trading period prescribed by the SGX-ST) their provisional allotments of the Rights Shares and will also be eligible to apply for Rights Shares in excess of their provisional allotments under the Rights Issue.

Entitlements which are not allotted or taken up for any reason (including any fractions of a Rights Share) will be aggregated and issued to satisfy applications, if any, for excess Rights Shares or otherwise disposed of or dealt with in such manner as the Board may, in its absolute discretion, deem fit in the interests of the Company.

Fractional entitlements to the Rights Shares, if any, will be disregarded in arriving at the Entitled Shareholders' entitlements and will, together with the provisional allotments of Rights Shares which are not taken up for any reason, be aggregated and allotted to satisfy excess applications for excess Rights Shares (if any) or be disposed of or otherwise dealt with in such manner as the Board may in its absolute discretion deem fit for the benefit of the Company subject to applicable laws and the Listing Manual.

In the allotment of excess Rights Shares, preference will be given to the rounding of odd lots, and the Directors and substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of excess Rights Shares.

The procedures for, and the terms and conditions applicable to, acceptances, renunciation and/or sales of the provisional allotments of the Rights Shares and for the applications for excess Rights Shares, including each different mode of acceptance or application and payment, will be contained in the Offer Information Statement and the relevant application forms.

7. THE OFFER INFORMATION STATEMENT

The Offer Information Statement will be despatched by the Company, together with the application form for the Rights Shares and excess Rights Shares or the provisional allotment letter, as the case may be, to the Entitled Shareholders in due course.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this announcement and save for their interests arising by way of their shareholdings in the Company and/or directorships in the Group, as the case may be, none of the Directors and substantial Shareholders has any interest, direct or indirect, in the Rights Issue.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Rights Issue, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

10. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing or trading in the Shares as there is no certainty or assurance that the Rights Issue will be completed or that no changes will be made to the terms thereof. Shareholders and potential investors are also advised to read this announcement and any further announcements by the Company carefully, and where in doubt as to the action that they should take, they should consult their financial, tax, legal or other professional adviser(s) immediately.

**BY ORDER OF THE BOARD
JAPFA LTD.**

Tan Yong Nang
Executive Director and Chief Executive Officer
18 December 2019