



**JAPFA LTD**  
**(Company Registration Number: 200819599W)**  
**(Incorporated in Singapore on 8 October 2008)**

## **PROPOSED DISPOSAL OF MINORITY STAKE IN DAIRY SUBSIDIARY**

### **1. Introduction**

The Board of Directors (“**Directors**”) of Japfa Ltd (“**Company**”) and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has today entered into Sale and Purchase Agreements (the “**SPAs**” and each, a “**SPA**”) for the sale of shares (the “**Sale Shares**”) representing an aggregate of 7.5% of the issued shares of its subsidiary, AustAsia Investment Holdings Pte Ltd (“**AIH**”) with the following parties (each an “**Investor**” and collectively, the “**Investors**”):

- (i) Plutus Taurus Technology HK Limited (“**Genki**”), a subsidiary of Genki Forest Technology Group Holdings Limited (“**Genki Parent**”), for the sale of 16,805,598 shares, representing 5.0% of the issued shares of AIH (the “**Genki Shares**”); and
- (ii) Honest Dairy Group Co., Ltd. (“**Honest Dairy**”) for the sale of 8,402,799 shares, representing 2.5% of the issued shares of AIH (the “**HD Shares**”, and collectively with the Genki Shares, the “**Sale Shares**”),

(collectively, the “**Proposed Transactions**”). The due and punctual performance of the obligations of Genki under its SPA, Deed of Ratification and the Shareholders’ Agreement (each as defined below) are guaranteed by the Genki Parent.

Each Investor has, in connection with its respective Proposed Transaction, entered into (i) a deed of ratification and accession (“**Deed of Ratification and Accession**”) pursuant to which it shall, subject to completion of the sale and purchase of its respective Sale Shares (“**Completion**”) having taken place, and with effect from its Completion, be bound by, and be entitled to the benefit of, all the terms and conditions of the shareholders’ agreement<sup>1</sup> in respect of AIH (the “**Shareholders’ Agreement**”); and (ii) a contract with subsidiaries of AIH to provide for the supply of raw milk to such Investor on a 5-year rolling basis, renewable annually (“**Milk Supply Agreement**”).

AIH is the holding company of the Group’s dairy farming business (“**AustAsia Group**”)<sup>2</sup>.

### **2. Rationale for the Proposed Transactions**

The Proposed Transactions are part of the Company’s plans to grow the AustAsia Group into the largest independent raw milk producer in China. In July 2020, the Company brought in Meiji Co., Ltd. (“**Meiji**”) as a strategic shareholder of AIH, through its sale to Meiji of such number of AIH shares representing 25% of the issued shares of AIH. The Proposed Transactions build on this strategy by adding strategic investors who are milk processors with branded dairy products as

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<sup>1</sup> Please refer to the announcement by the Company dated 15 April 2020 in relation to the disposal of a 25% stake in AIH to Meiji for further details of key terms of the Shareholders’ Agreement.

<sup>2</sup> AustAsia Group also operates cattle feedlots producing beef in China.

shareholders of AIH. Following Completion, the Company will remain the single largest and controlling shareholder in AIH with a 67.5% stake.

The Directors are of the view that the Proposed Transactions are in the best interests of the Company and its shareholders.

- The Investors are both milk processors and existing customers of the AustAsia Group. The Proposed Transactions will allow AustAsia to team up with strategic Chinese dairy partners.
- The Milk Supply Agreements entered in connection with the Proposed Transactions will also provide a revenue stream for the AustAsia Group, as it provides for the supply of certain quantity of milk to the Investors.

### **3. Principal terms of the Proposed Transactions**

#### Consideration

The aggregate consideration for the Proposed Transactions is a cash amount of US\$87.6 million (“**Consideration**”) comprising:

- i) US\$58.4 million<sup>3</sup> from Genki for its acquisition of 16,805,598 shares, representing 5.0% of the issued shares of AIH; and
- ii) US\$29.2 million<sup>3</sup> from Honest Dairy for its acquisition of 8,402,799 shares, representing 2.5% of the issued shares of AIH.

The Consideration implies a 100% equity value of US\$1,168 million for AIH.

Each Investor will pay its respective consideration to the Company on or prior to the date of its respective Completion.

The respective consideration for each Investor was arrived at on a "willing-buyer, willing-seller" basis, after taking into account (amongst others) the financial position of the AustAsia Group. The Company believes that the Consideration reflects fairly the valuation of the AustAsia Group at the current stage of its development. No independent valuation was conducted for the Proposed Transaction.

#### Completion

Completion of:

- i) the sale and purchase of the Genki Shares is expected to take place on or about 15 Business Days after the date of this announcement; and
- ii) the sale and purchase of the HD Shares is expected to take place on or about 3 Business Days after the date of this announcement.

### **4. Book Value and Net Tangible Asset Value of the shares in AIH being disposed**

As at 30 June 2021, the book value and net tangible asset value of the Sale Shares was US\$55.1 million and US\$55.0 million respectively. The book value and net tangible asset value of the Sale shares was computed based on 7.5% of the unaudited consolidated book value and net tangible asset value of AIH as at 30 June 2021 of US\$734.1 million and US\$733.4 million respectively.

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<sup>3</sup> Representing a price per share of US\$3.475 (rounded to 3 decimal places).

## 5. Gain on disposal from the Proposed Transactions

For illustration purposes, based on the Consideration of US\$87.6 million and the book value of the Sale Shares of US\$55.1 million as at 30 June 2021, the estimated Group's gain from the disposal of the Sale Shares to be recorded in the equity is US\$32.5 million<sup>4</sup>.

## 6. Proceeds from the Proposed Transactions

The Proposed Transactions will realise cash proceeds of US\$87.6 million and thereby strengthen the Group's financial position. The Group intends to use the proceeds of the Proposed Transactions for general working capital and corporate purposes.

## 7. Relative Figures Under Rule 1006 of the Listing Manual of the SGX-ST

The relative figures for the Proposed Transactions as computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST ("**Listing Manual**") and the latest announced unaudited consolidated financial statements of the Group for the financial period ended 30 June 2021 are as follows:

<b>Rule 1006</b>	<b>Base</b>	<b>Relative figure computed in accordance with the bases set out in Rule 1006</b>
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	2.8% <sup>(2)</sup>
(b)	The net profit <sup>(1)</sup> attributable to the assets disposed of, compared with the Group's consolidated net profits.	2.4% <sup>(3)</sup>
(c)	The aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	8.5% <sup>(4)</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.	Not applicable
(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

### Notes:

- (1) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit before income tax, minority interests and extraordinary items.
- (2) The unaudited net asset value of the Group as at 30 June 2021 was US\$1,948.9 million. The net asset value of the Sale Shares was US\$55.1 million, computed based on 7.5% of the unaudited consolidated net asset value of AIH, which was US\$734.1 million as at 30 June 2021.
- (3) The Group's unaudited net profits for the period from 1 January 2021 to 30 June 2021 was US\$235.1 million. The unaudited net profits for the period from 1 January 2021 to 30 June 2021 attributable to the Sale Shares was US\$5.5 million, computed based on 7.5% of the unaudited consolidated net profits of AIH, which was US\$73.7 million for the period from 1 January 2021 to 30 June 2021.
- (4) Based on the Consideration of US\$87.6 million, and the Company's market capitalisation (without taking into consideration debt at Company level) of approximately US\$1,036.6 million. The Company's market capitalisation is determined by multiplying the number of shares in issue of 2,047,070,320 (excluding

<sup>4</sup> The actual gain on disposal to be recorded in the equity will be determined based on the book value of the shares in AIH being disposed at Completion.

20,353,000 treasury shares) by the closing price of S\$0.685 (US\$0.51) per share on 27 August 2021, being the market day preceding the date of this announcement.

## 8. Financial Effects on the Proposed Transactions

The *pro forma* financial effects of the Proposed Transactions on the Group set out below are purely for illustrative purposes only and are therefore not indicative of the actual future financial position of the Group after the completion of the Proposed Transactions.

### Effect on Net Tangible Assets

*As at 31 December 2020*

For illustrative purposes only, the financial effects of the Proposed Transactions on the net tangible assets per share of the issuer as at 31 December 2020 (based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2020, being the most recently completed financial year), assuming completion of the Proposed Transactions had taken place on 31 December 2020, are as follows:

	<b>Before Proposed Transactions</b>	<b>After Proposed Transactions</b>
Consolidated Net Tangible Asset attributable to shareholders of the Company (US\$ million)	1,405.5	1,444.2 <sup>(1)(2)</sup>
Number of issued shares as at 31 December 2020 (excluding treasury shares)	2,026,084,720	2,026,084,720
Consolidated Net tangible assets per share (US\$)	0.69	0.71
Consolidated Net Tangible Assets per share (S\$) computed based on the exchange rate of US\$1.00 : S\$ 1.3221 as at 31 December 2020	0.92	0.94

#### **Notes:**

- (1) Adjusted for the increase in the Group's net tangible assets attributable to shareholders of the Company of US\$38.7 million arising from the gain on disposal of shares in AIH from the Proposed Transactions. The gain on disposal from the Proposed Transactions was computed based on the Consideration of US\$87.6 million and the book value of the AIH shares being disposed of US\$48.9 million as at 31 December 2020. The book value of the AIH shares being disposed was computed based on 7.5% of the audited consolidated book value of AIH as at 31 December 2020 of US\$651.7 million.
- (2) Assume no other costs (such as tax and other transaction costs) arising from the Proposed Transactions.

*As at 30 June 2021*

For illustrative purposes only, the financial effects of the Proposed Transactions on the net tangible assets per share of the issuer as at 30 June 2021 (based on the latest announced unaudited consolidated financial statements of the Group for the financial period beginning 1 January 2021

and ended on 30 June 2021), assuming completion of the Proposed Transactions had taken place on 30 June 2021, are as follows:

	<b>Before Proposed Transactions</b>	<b>After Proposed Transactions</b>
Consolidated Net Tangible Asset attributable to shareholders of the Company (US\$ million)	1,350.0	1,382.5 <sup>(1)(2)</sup>
Number of issued shares as at 30 June 2021 (excluding treasury shares)	2,047,070,320	2,047,070,320
Consolidated Net tangible assets per share (US\$)	0.66	0.68
Consolidated Net Tangible Assets per share (S\$) computed based on the exchange rate of US\$1.00 : S\$ 1.3444 as at 30 June 2021	0.89	0.91

**Notes:**

- (1) Adjusted for the increase in the Group's net tangible assets attributable to shareholders of the Company of US\$32.5 million arising from the gain on disposal of shares in AIH from the Proposed Transactions. The gain on disposal from the Proposed Transactions was computed based on the Consideration of US\$87.6 million and the book value of the AIH shares being disposed of US\$55.1 million as at 30 June 2021. The book value of the AIH shares being disposed was computed based on 7.5% of the unaudited consolidated book value of AIH as at 30 June 2021 of US\$734.1 million.
- (2) Assume no other costs (such as tax and other transaction costs) arising from the Proposed Transactions.

Effect on Earnings Per Share

For illustrative purposes only, the financial effects of the Proposed Transactions 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 2020, being the most recently completed financial year), assuming completion of the Proposed Transactions had taken place on 1 January 2020, are as follows:

	<b>Before Proposed Transactions</b>	<b>After Proposed Transactions</b>
Profit after tax attributable to shareholders of the Company (US\$ million)	322.0	314.8 <sup>(1)(2)</sup>
Weighted average number of issued shares as at 31 December 2020 (excluding treasury shares)	2,029,455,016	2,029,455,016

Earnings per share (US\$ cents)	15.86	15.51
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**Notes:**

- (1) Adjusted for the decrease in the Group's profit after tax attributable to shareholders of the Company of US\$7.2 million as a result of the Proposed Transactions, computed based on 7.5% of the audited consolidated profit after tax of AIH for the year ended 31 December 2020 of US\$95.8 million.
- (2) Assumes no other costs (such as tax and other transaction costs) arising from the Proposed Transactions.

**9. Interests of the Directors and Controlling Shareholders**

Save in respect of their shareholding interests in the Company, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect in the Proposed Transactions.

**10. Service Agreement**

No person is proposed to be appointed as a director of the Company in connection with the Proposed Transactions. Accordingly, no service agreements will be entered into with the Directors or controlling shareholders of the Company or their respective associates in connection with the Proposed Transactions.

**11. Documents for Inspection**

Subject to the office premises being open in accordance with applicable laws, the SPAs 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. Caution in Trading**

Shareholders and potential investors should note that there is no certainty or assurance as at the date of this announcement that the Proposed Transactions will be completed. The Company will make the necessary announcements, in compliance with the requirements of the Listing Manual, as and when there are material developments in respect of the Proposed Transactions. Shareholders are advised to read this announcement and any further announcements by the Company carefully and should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

**By Order of the Board**  
**Japfa Ltd**

**Tan Yong Nang**  
Executive Director and Chief Executive Officer

30 August 2021