JAPFA LTD
AND ITS SUBSIDIARIES

(Registration Number: 200819599W)

SGXNET ANNOUNCEMENT
UNAUDITED FINANCIAL STATEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2019

JAPFA LTD.

(Registration Number: 200819599W)

UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

1 (a) (i) Income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Income Statement

	Jan - Mar		
	2019	2018	Change
	US$'000	US$'000	%
Revenue	911,239	845,528	8%
Cost of Sales	(734,861)	(657,706)	12%
Gross Profit	176,378	187,822	-6%
Marketing and Distribution Costs	(37,632)	(36,459)	3%
Administrative Expenses	(79,581)	(77,432)	3%
Operating Profit	59,165	73,931	-20%
Interest Income	630	1,681	-63%
Finance Costs	(24,226)	(19,095)	27%
Other (Loss)/Gain	(497)	3,411	n/m
Share of results of Joint Ventures	50	(35)	n/m
Foreign Exchange Adjustments Gain/(Loss)	6,848	(120)	n/m
Loss from Changes in Fair Value of Biological Assets	(12,958)	(14,232)	-9%
Profit Before Tax from Continuing Operations	29,012	45,541	-36%
Income Tax Expense	(10,281)	(9,428)	9%
Profit from Continuing Operations, Net of Tax	18,731	36,113	-48%
Profit Attributable to Owners of the Parent, Net of Tax*	**7,813**	**16,676**	-53%
Profit Attributable to Non-Controlling Interests, Net of Tax	10,918	19,437	-44%
Profit, Net of Tax	18,731	36,113	-48%

n/m : not meaningful

Additional information:

Management believes that Core PATMI w/o forex and EBITDA are important measures of performance, although these are not standard measures under FRS.

Core PATMI w/o forex	18,891	28,311	-33%

* We derived Core PATMI from "Profit Attributable to Owners of the Parent, Net of Tax" by excluding changes in fair value of biological assets (net of tax) and derivatives, and by excluding extraordinary items attributable to the owners of the parent.

We define Core PATMI w/o forex is an estimate derived from Core PATMI by excluding foreign exchange gains/losses (before tax) attributable to the owners of the parent. We have not made an estimate of the tax impact on foreign exchange gains/losses. This is because the majority of the gains/losses are unrealised and arise from the translation of USD bonds (from a subsidiary in Indonesia) and USD loans (from subsidiaries in China), which have no tax implication.

EBITDA	91,950	104,391	-12%

We define EBITDA as profit before tax from continuing operations, excluding interest income, finance costs, depreciation and amortisation expenses, and also excluding changes in fair value of biological assets and derivative relates to foreign exchange hedging and foreign exchange adjustments gains/(losses).

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1 (a) (ii) Net Profit is arrived at after (charging)/ crediting the following :

	Jan - Mar		
	2019 US$'000	2018 US$'000	Change %
Finance Costs	(24,226)	(19,095)	27%
Foreign Exchange Adjustments Gain/(Loss)	6,848	(120)	n/m
Depreciation of Property, Plant and Equipment and Investment Properties	(27,816)	(25,439)	9%
Depreciation of Right-Of-Use Assets	(4,098)	-	n/m
Amortisation of Intangible Assets	(539)	(462)	17%
Interest Income	630	1,681	-63%
Loss from Changes in Fair Value of Biological Assets	(12,958)	(14,232)	-9%
Gain/(Loss) on Derivative Financial Instruments			
- Forex	(4,905)	(1,180)	316%
- Non-Forex	2,435	1,156	111%
(Loss)/Gain on Disposal of Property, Plant and Equipment and Investment Properties	26	133	-80%

n/m : not meaningful

1 (a) (iii) Statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Comprehensive Income

	Jan - Mar		
	2019 US$'000	2018 US$'000	Change %
Profit from Continuing Operations, Net of Tax	18,731	36,113	-48%
Other Comprehensive Income/(Loss):			
Items that will not be reclassified to profit or loss:			
Remeasurement of the Net Defined Benefits Plan, Net of Tax	(7,599)	(4,776)	59%
Items that may be reclassified subsequently to profit or loss:			
Exchange Differences on Translating Foreign Operations, Net of Tax	21,883	4,137	429%
Other Comprehensive Income/(Loss) for the Period, Net of Tax	14,284	(639)	n/m
Total Comprehensive Income	33,015	35,474	-7%
Total Comprehensive Income Attributable to Owners of Parent, Net of Tax	20,579	22,991	-10%
Total Comprehensive Income Attributable to Non-Controlling Interests, Net of Tax	12,436	12,483	0%
Total Comprehensive Income	33,015	35,474	-7%

n/m : not meaningful

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1 (b) (i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at 31/3/2019 US$'000	As at 31/12/2018 US$'000	As at 31/3/2019 US$'000	As at 31/12/2018 US$'000
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	1,050,110	1,010,147	256	274
Right-Of-Use Assets	97,371	-	929	-
Investment Properties	5,275	5,256	-	-
Intangible Assets	12,183	12,073	-	-
Investments in Subsidiaries	-	-	1,276,888	1,275,982
Investment in Joint Ventures	5,862	5,730	-	-
Biological Assets	366,570	365,041	-	-
Deferred Tax Assets	30,557	23,593	-	-
Other Receivables	14,622	14,564	-	-
Other Financial Assets	30,792	30,401	-	-
Other Assets	79,582	82,052	-	-
Total Non-Current Assets	1,692,924	1,548,857	1,278,073	1,276,256
Current Assets				
Inventories	844,026	817,311	-	-
Biological Assets	93,093	83,229	-	-
Trade and Other Receivables	202,909	194,407	12,490	11,956
Other Financial Assets	2,483	2,488	2,404	2,404
Other Assets	85,159	74,660	3,307	3,694
Cash and Cash Equivalents	144,528	168,316	10,879	7,485
Total Current Assets	1,372,198	1,340,411	29,080	25,539
Total Assets	3,065,122	2,889,268	1,307,153	1,301,795
EQUITY AND LIABILITIES				
Equity				
Share Capital	992,903	980,946	992,903	980,946
Treasury Shares	(7,120)	(5,926)	(7,120)	(5,926)
Retained Earnings	485,636	481,721	31,150	44,674
Other Reserves	(460,913)	(451,091)	(16,148)	(6,192)
Translation Reserve	(209,599)	(226,263)	-	-
Equity Attributable to Owners of the Parent	800,907	779,387	1,000,785	1,013,502
Non-Controlling Interests	363,816	350,998	-	-
Total Equity	1,164,723	1,130,385	1,000,785	1,013,502
Non-Current Liabilities				
Provisions	99,590	85,386	-	-
Deferred Tax Liabilities	4,008	2,511	-	-
Other Payables	361	358	-	-
Loans and Borrowings	781,262	777,200	252,768	252,768
Lease liabilities	88,839	217	435	-
Other Financial Liabilities	1,081	304	1,081	303
Other Liabilities	3,572	3,405	-	-
Total Non-Current Liabilities	978,713	869,381	254,284	253,071
Current Liabilities				
Income Tax Payable	41,739	37,473	-	-
Trade and Other Payables	333,900	388,843	4,835	11,097
Loans and Borrowings	519,213	440,090	46,750	24,125
Lease liabilities	4,888	119	499	-
Other Financial Liabilities	7,866	8,933	-	-
Other Liabilities	14,080	14,044	-	-
Total Current Liabilities	921,686	889,502	52,084	35,222
Total Liabilities	1,900,399	1,758,883	306,368	288,293
Total Equity and Liabilities	3,065,122	2,889,268	1,307,153	1,301,795

1 (b) (ii) Aggregate amount of group's borrowings and debt securities.

	As at 31/3/2019 US$'000	As at 31/12/2018 US$'000
Amount due within one year		
Secured	464,596	381,736
Unsecured	59,505	58,473
Total	524,101	440,209
Amount due more than one year		
Secured	544,988	453,942
Unsecured	325,113	323,475
Total	870,101	777,417

The secured borrowings are secured by property, plant and equipment, share certificates of certain subsidiaries, cash and cash equivalents, receivables, inventories, biological assets, assessment of insurance policies and corporate guarantees of the Company and its subsidiaries.

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1 (c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Jan - Mar	
	2019	2018
	US$'000	US$'000
Cash Flows (Used in)/From Operating Activities		
Profit Before Tax	29,012	45,541
Adjustment for:		
Amortisation of Intangible Assets	539	462
Land Use Rights Charges	108	106
Depreciation of Property, Plant and Equipment and Investment Properties	27,816	25,439
Depreciation of Right-Of-Use Assets	4,098	-
Fair Value Loss on Biological Assets	12,958	14,232
Fair Value Loss on Derivative Financial Instruments	2,470	24
Gain on Disposal of Property, Plant and Equipment and Investment Properties	(26)	(133)
Increase in Provision for Retirement Benefits	3,908	5,161
Interest Income	(630)	(1,681)
Interest Expense on Loans and Borrowings	22,738	19,095
Interest Expense on Leases	1,488	-
Expenses Arising from Share Option Plan	134	148
Value of Employee Services received pursuant to Performance Share Plan	2,001	382
Value of Employee Services received pursuant to Performance Share Plan by Subsidiary	382	-
Share of (Gain)/Loss from Equity-Accounted Joint Ventures	(50)	35
Write-off of Property, Plant and Equipment	266	16
Net Effect of Exchange Rate Changes	(3,352)	(5,679)
Operating Cash Flows before Changes in Working Capital	103,860	103,148
Inventories	(26,715)	(24,385)
Biological Assets	(14,740)	(13,527)
Trade and Other Receivables	(8,560)	(8,504)
Other Assets	(3,041)	(11,018)
Trade and Other Payables	(56,636)	(6,988)
Provisions	(674)	(2,122)
Other Liabilities	203	(759)
Net Cash Flows (Used in)/From Operations	(6,303)	35,845
Income Taxes Paid	(12,946)	(13,162)
Net Cash Flows (Used in)/From Operating Activities	(19,249)	22,683
Cash Flows Used in Investing Activities		
Purchase of Property, Plant and Equipment	(53,566)	(58,121)
Purchase of Intangible Assets	(414)	(563)
Purchase of Land Use Rights	(1,556)	(1,429)
Purchase of Biological Assets	(1,832)	(3,352)
Addition to Right-Of-Use Assets	(695)	-
Proceeds from Disposal of Property, Plant and Equipment	2,292	268
Interest Income Received	630	1,681
Net Cash Flows Used in Investing Activities	(55,141)	(61,516)

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1 (c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year. (Cont'd)

	Jan - Mar	
	2019	2018
	US$'000	US$'000
Cash Flows From/(Used in) Financing Activities		
Increase/(Decrease) in Working Capital loans	77,005	(7,648)
Proceeds from New Bank Loans	3,510	-
Decrease in Cash Restricted in Use	3,776	2,621
Purchase of Treasury Shares by the Company	(1,194)	(647)
Lease Payment for Principal and Interest	(6,699)	-
Interest Expense Paid	(22,738)	(19,095)
Net Cash Flows From/(Used in) Financing Activities	53,660	(24,769)
Net Decrease in Cash and Cash Equivalents	(20,730)	(63,602)
Effect of exchange rate changes on cash and cash equivalents	718	(3,071)
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	164,214	230,471
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance	144,202	163,798

Notes:

(i) For the purpose of the Consolidated Statement of Cash Flows, the Consolidated Cash and Cash Equivalents comprise the following:

	2019	2018
	US$'000	US$'000
Cash and Bank Balances	144,528	165,573
Less: Bank Deposit Pledged	(326)	(1,775)
Cash and Cash Equivalents per Consolidated Statement of Cash Flows	144,202	163,798

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1 (d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholder, together with a comprehensive statement for the corresponding period of the immediately preceding financial year.

Group	Total Equity US$'000	Attributable to Parent Sub-total US$'000	Share Capital US$'000	Treasury Shares US$'000	Retained Earnings US$'000	Other Reserves US$'000	Translation Reserve US$'000	Non-Controlling Interests US$'000
Balance at 1 January 2019	1,130,385	779,387	980,946	(5,926)	481,721	(451,091)	(226,263)	350,998
Movements in Equity:								
Total Comprehensive Income for the Period	33,015	20,579	-	-	3,915	-	16,664	12,436
Grant of Share Options by Subsidiary	134	134	-	-	-	134	-	-
Purchase of Treasury Shares by the Company	(1,194)	(1,194)	-	(1,194)	-	-	-	-
Value of Employee Services Pursuant to Performance Share Plan	2,001	2,001	-	-	-	2,001	-	-
Issued of shares by the Company under Performance Share Plan	-	-	11,957	-	-	(11,957)	-	-
Reissued Treasury Shares by Subsidiary under Performance Share Plan	382	-	-	-	-	-	-	382
Balance at 31 March 2019	1,164,723	800,907	992,903	(7,120)	485,636	(460,913)	(209,599)	363,816
Balance at 1 January 2018 (FRS Framework)	1,022,791	693,555	940,842	(4,759)	385,116	(459,804)	(167,840)	329,236
Cumulative Effect of Adopting SFRS(I)	1,803	1,803	-	-	1,803	-	-	-
Balance at 1 January 2018 (SFRS(I) Framework)	1,024,594	695,358	940,842	(4,759)	386,919	(459,804)	(167,840)	329,236
Movements in Equity:								
Total Comprehensive Income for the Period	35,474	22,991	-	-	14,301	-	8,690	12,483
Grant of Share Options by Subsidiary	148	148	-	-	-	148	-	-
Purchase of Treasury Shares by the Company	(647)	(647)	-	(647)	-	-	-	-
Value of Employee Services Pursuant to Performance Share Plan	382	382	-	-	-	382	-	-
Reissued Treasury Shares by the Company Pursuant to Performance Share Plan	-	-	-	31	-	(31)	-	-
Balance at 31 March 2018	1,059,951	718,232	940,842	(5,375)	401,220	(459,305)	(159,150)	341,719

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1 (d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholder, together with a comprehensive statement for the corresponding period of the immediately preceding financial year. (Cont'd)

Company	Total Equity US$'000	Share Capital US$'000	Treasury Shares US$'000	Retained Earnings US$'000	Other Reserves US$'000
Balance at 1 January 2019	1,013,502	980,946	(5,926)	44,674	(6,192)
Movements in Equity:					
Total Comprehensive Loss for the Period	(13,524)	-	-	(13,524)	-
Purchase of Treasury Shares	(1,194)	-	(1,194)	-	-
Value of Employee Services Pursuant to Performance Share Plan	2,001	-	-	-	2,001
Issued of shares by the Company under Performance Share Plan	-	11,957	-	-	(11,957)
Balance at 31 March 2019	1,000,785	992,903	(7,120)	31,150	(16,148)
Balance at 1 January 2018 (FRS Framework)	1,023,454	940,842	(4,759)	87,350	21
Cumulative Effect of Adopting SFRS(I)	1,803	-	-	1,803	-
Balance at 1 January 2018 (SFRS(I) Framework)	1,025,257	940,842	(4,759)	89,153	21
Movements in Equity:					
Total Comprehensive Loss for the Period	(4,889)	-	-	(4,889)	-
Purchase of Treasury Shares	(647)	-	(647)	-	-
Reissued Treasury Shares by the Company Pursuant to Performance Share Plan	-	-	31	-	(31)
Value of Employee Services Pursuant to Performance Share Plan	382	-	-	-	382
Balance at 31 March 2018	1,020,103	940,842	(5,375)	84,264	372

1 (d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of Shares	
	1st Quarter to 31/3/2019	1st Quarter to 31/3/2018
Issued ordinary shares:		
As at beginning of period	1,859,525,591	1,769,525,591
Issued of shares under performance share plan	21,563,900	-
As at end of period	1,881,089,491	1,769,525,591
Treasury shares:		
As at beginning of period	14,071,700	11,114,100
Purchase of treasury shares	2,349,000	1,806,400
Reissuance of treasury shares pursuant to performance share plan	-	(73,800)
As at end of period	16,420,700	12,846,700
Issued ordinary shares excluding treasury shares	1,864,668,791	1,756,678,891

1 (d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Number of Shares	
	As at 31/3/2019	As at 31/3/2018
Issued ordinary shares excluding treasury shares	1,864,668,791	1,756,678,891

1 (d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Please refer to item 1(d)(ii) above.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies and methods of computations applied by the Group are consistent with those used in its audited financial statements as at 31 December 2018 except for those as disclosed under item 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

On 1 January 2019, the Group adopted the new/revised SFRS(I)s that are effective for annual periods beginning on or after 1 January 2019. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s.

Other than the adoption of SFRS(I) 16, as disclosed below. The adoption of these new/revised SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change. (Cont'd)

The Group has adopted the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases, which took effect on 1 January 2019, using the modified retrospective approach. SFRS(I) 16 introduces a single, on-balance sheet lease accounting model. It requires a lessee to recognise a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

In compliance with SFRS(I) 16, the Group and the Company has applied the practical expedient to recognise the amount of ROU assets equal to the lease liabilities as at 1 January 2019. Subsequent to initial recognition, the Group and the Company depreciate the ROU assets over the lease term, and recognise interest expenses on the lease liabilities.

The ROU assets as at 31 March 2019 were mainly related to leases of the land use rights, building and site facilities, machineries and equipment and transport vehicles occupied by the Group in the various countries. Accordingly, there was a corresponding increase in lease liabilities of approximately US$93.4 million as at 31 March 2019.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	1st Quarter	
	2019	2018
	US Cents	US Cents
Earnings per share for the period		
(a) Based on weighted average number of ordinary shares in issue	0.42	0.95
(b) Based on a fully diluted basis	0.42	0.95
Weighted Average Number of Ordinary Shares	1,852,295,964	1,757,675,235

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the current financial period reported on and immediately preceding financial year.

	Group		Company	
	As at 31/3/2019	As at 31/12/2018	As at 31/3/2019	As at 31/12/2018
Net asset value per ordinary share				
- in US$	0.43	0.42	0.54	0.55
- in S$	0.58	0.58	0.73	0.75

Net asset value per ordinary share is based on the issued share capital excluding treasury shares of the Company at the end of the financial period.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Group Performance

1Q 2019 vs 1Q 2018

Revenue

	1Q 2019	1Q 2018	Variance
	US$'000	US$'000	US$'000
Animal Protein Indonesia	594,349	565,072	29,277
Animal Protein Other	157,112	125,620	31,492
Dairy	109,811	99,055	10,756
Consumer Food	48,843	49,588	(745)
Others	1,124	6,193	(5,069)
Total	911,239	845,528	65,711

The Group delivered broad-based growth in revenue across its core business pillars, driven by higher poultry and aqua feed sales volume and higher average selling prices ("ASP") achieved for poultry feed and DOC in Animal Protein Indonesia segment; turnaround of the Animal Protein Other segment lifted by higher poultry and swine feed sales volume, as well as higher swine ASP in Vietnam; and higher milk yields and raw milk prices leading to revenue growth in Dairy segment.

Operating Profit

	1Q 2019	1Q 2018	Variance
	US$'000	US$'000	US$'000
Animal Protein Indonesia	35,616	56,425	(20,809)
Animal Protein Other	10,518	(109)	10,627
Dairy	17,676	19,267	(1,591)
Consumer Food	(2,858)	(1,392)	(1,466)
Others	(1,787)	(260)	(1,527)
Total	59,165	73,931	(14,766)

Operating profit decreased mainly due to Animal Protein Indonesia segment as a result of lower broiler price in Indonesia. This was compensated by the increase in the operating profit in Animal Protein Other segment mainly driven by higher swine ASP in Vietnam.

Foreign exchange adjustments gain was US$6.8 million in 1Q 2019 as compared to foreign exchange adjustments loss of US$0.1 million in 1Q 2018. The foreign exchange adjustments gain in 1Q 2019 primarily due to an unrealised foreign exchange gain arise from the translation of USD bonds in Animal Protein Indonesia segment and USD loans in Dairy segment.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on. (Cont'd)

Review of Group Performance (Cont'd)

Loss from changes in fair value of biological assets was US$12.9 million in 1Q 2019 as compared to US$14.2 million in 1Q 2018. The fair value loss was a result of a lower population of heifers and calves as at the end of 1Q2019.

As a result of the above, the Group recorded a profit after tax of US$18.7 million in 1Q 2019 as compared to US$36.1 million in 1Q 2019. The profit attributable to owners of the parent was US$7.8 million in 1Q 2019 and US$16.7 million in 1Q 2018.

Review of Financial Position

The Group's total assets as at 31 March 2019 increased by US$175.8 million from US$2,889.3 million to US$3,065.1 million primarily due to increase in property, plant and equipment, Right-of-use assets, other assets and inventories.

The Group's total liabilities as at 31 March 2019 increased by US$141.5 million from US$1,758.9 million to US$1,900.4 million primarily due to increase in loans and borrowings and lease liabilities.

The Group's translation reserves improved from negative US$226.3 million as at 31 December 2018 to negative US$209.6 million as at 31 March 2019 mainly due to translation gain arising from the Indonesia Rupiah and Chinese Renminbi strengthening against the US Dollar.

Review of Group Cash Flow

Net cash flows used in operating activities were US$19.2 million in 1Q 2019, which mainly arose from operating cash flows before changes in working capital of US$103.9 million, changes in working capital of US$110.2 million and income tax paid of US$12.9 million.

Net cash flows used in investing activities were US$55.1 million in 1Q 2019 mainly represented by the purchase of property, plant and equipment of US$53.6 million.

Net cash flows from financing activities were US$53.7 million in 1Q 2019 mainly arose from increase in working capital loans of US$77.0 million and proceeds from new bank loans of US$3.5 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

For the three-month financial period ended 31 March 2019 ("1Q2019"), the Group delivered broad-based growth in revenue across its core business pillars, driven by higher poultry and aqua feed sales volume and higher ASPs achieved for poultry feed and DOC in Indonesia; turnaround of the APO Vietnam business lifted by higher poultry and swine feed sales volume, as well as higher swine ASP; and higher milk yields and raw milk prices leading to revenue growth in China.

The Group's revenue and profitability is directly impacted by cyclicality in the agri-business, which is dependent on a variety of external factors, including the seasonality of harvest and festivals, macroeconomic conditions that affect consumer purchasing power, government policies as well as changes to the market demand and supply situation which determine raw material costs and selling prices. Recent trade tensions between US and China may also result in near-term distortion of prices and physical flow of grains such as corn and soybean as well as animal protein products. The volatility in foreign exchange rates will affect the Group's financial results which are reported in USD terms. Our business involves livestock, of which diseases represent a major risk.

The transmission of diseases, such as the recent African swine fever ("ASF") outbreak in China that has spread to other Asian geographies including Vietnam, may affect the business from time to time. These uncertainties may impact the Group's operations and financial results. As an industrialised farmer, Japfa takes the threat of potential disease outbreak very seriously and one of its core competencies has always been a focus on animal health, with stringent bio-security practices in place to minimise the incidence of such threats in its operations.

While cyclical and macroeconomic factors are beyond the Group's control, the management will continue to focus on building its strong business fundamentals and enhancing its operational efficiency across its four business segments. The Group aims to be one of the most efficient and lowest cost industrialised protein producers in the emerging Asian markets that it operates in and leverage the strength of its diversified and vertically-integrated business model to navigate industry cyclicality.

<u>PT Japfa Tbk</u>
In 1Q2019, PT Japfa Tbk saw higher sales volumes for poultry and aqua feed coupled with higher ASPs for poultry feed and DOC in Indonesia.

In Indonesia, the ASPs of livestock, including DOC and broiler prices, are expected to fluctuate due to the seasonality and cyclical nature of the livestock industry. A depreciation of the Indonesian Rupiah may delay the pass on of the higher imported raw material cost into our feed selling price. Chicken consumption may also be affected by such volatility of the Indonesian Rupiah.

The Ministry of Agriculture has started to effect its decree for culling unhatched broiler DOC eggs nationwide, which is expected to stabilise broiler prices for the rest of the year. There is also a risk that the Indonesian government could introduce more measures to regulate the agri-food sector. This may affect the market supply and demand dynamics and create uncertainties within the agri-food value chain in the future.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months. (Cont'd)

Animal Protein Other ("APO")
The largest contributor to the APO segment, APO-Vietnam recorded a strong turnaround in 1Q2019 driven by higher sales volume across the board and growth in poultry and swine feed sales volume. On a y-o-y basis, APO-Vietnam has returned to profitability as a result of higher swine ASP.

In February 2019, the first confirmed cases of ASF were reported in Vietnam. A potential outbreak of the disease may impact our swine operations going forward. As there is no vaccine or treatment for ASF at the moment, bio-security measures are key to managing ASF. Cost of production will increase sales volume could reduce and it is uncertain whether swine ASPs will adjust sufficiently to compensate. Cost of production will increase due to the implementation of enhanced bio-security measures. Sales volume of Japfa swine feed sold to external parties will reduce as the swine population in Vietnam is likely to decline with the culling of infected animals. In addition, sales volume of Japfa fattening swine could be impacted in the event any of our farms is directly affected by ASF.

Meanwhile, the poultry environment in Myanmar remains challenging, although it is notable that operations broke even in 1Q2019. Myanmar continues to face increasing competitive pressures as well as higher local corn prices, which may affect its profitability in the near term.

Dairy
In China, although raw milk prices continue to be under pressure, the Group has been able to mitigate the impact through improvements in milk yields and growth in sales volume. Feed cost for dairy cows continue to increase due to higher domestic corn price. Although there was a slight increase in raw milk prices, the higher feed cost may result in an overall lower margin in China. Going forward, the Group will continue to focus on lifting milk yields and volumes to mitigate raw milk price fluctuations.

In Southeast Asia, higher A&P investments in downstream products to improve brand visibility and enhance market share in Indonesia may impact profitability of the business.

Consumer Food
The Group's Consumer Food segment continued to record operating losses during the quarter as the operating landscape in Indonesia remained competitive. The management will monitor the situation closely, and devise and implement countermeasures in the near term.

Conclusion
The five emerging markets that the Group operates in continue to witness growing animal protein consumption. Against this backdrop, the Group is confident that its core competencies in large-scale farming and food production, diversified strategy across multiple proteins and geographies, together with its track record in replicating its industrialised and scalable business across the region, will sustain its growth in the mid- to long-term.

11. Dividend

(a) Current Financial Period Reported on
Nil

(b) Corresponding Period of the Immediately Preceding Financial Year
Nil

(c) Date Payable
Not Applicable

(d) Books Closure Date
Not Applicable

12. If no dividend has been declared/ recommended, a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have any general mandate for interested person transaction(s) from the shareholders.

14. Negative Confirmation by the Board pursuant to Rule 705(5)

On behalf of the Board of Directors of the Company, I, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited first quarter financial results for the period ended 31 March 2019 to be false or misleading in any material respect.

15. Confirmation by the company pursuant to Rule 720(1) of the SGX Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the SGX Listing Manual.

By Order of the Board
Japfa Ltd

Tan Yong Nang
Executive Director and
Chief Executive Officer
30 April 2019