



PRESS RELEASE

JAPFA LTD

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Japfa enters into strategic partnership with Meiji to accelerate its growth in China's dairy industry

Singapore, 15 April 2020 – Leading agri-food company Japfa Ltd (“Japfa” or, together with its subsidiaries, the “Group”) today announced that it had entered into an agreement with Meiji Co., Ltd. (“Meiji”) to forge a strategic partnership that is expected to strengthen its position as a raw milk producer in the growing Chinese dairy industry.

Under the Sale and Purchase Agreement signed on 15 April 2020, Japfa will sell 25% of its share capital in AustAsia Investment Holdings Pte Ltd (“AustAsia”)¹ to Meiji for a total cash consideration of US\$254.4 million. AustAsia operates Japfa’s dairy farming business in China. Following the completion of the transaction, Japfa will own a 75% stake in AustAsia and will continue to manage AustAsia’s farming operations in China.

The demand in China for healthy and quality dairy products, such as milk and yogurt, is expected to grow in the coming years. This strategic partnership will combine Japfa’s strong expertise in dairy farming and quality raw milk production with Meiji’s world-class processing and distribution resources to support Meiji’s expansion plans for China, and to accelerate Japfa’s foothold as a leading raw milk producer in China.

Japfa CEO, Mr Tan Yong Nang said, “We have been supplying raw milk to Meiji for many years and we are pleased that they have approached us to support their growth plans in China and reinforce our strategic relationship. Their interest in holding a significant stake in our dairy business is a testament to the quality of our raw milk, the reliability of supply and our advanced farm management techniques. This strategic and synergistic partnership will secure the supply of quality raw milk for Meiji’s downstream operations and provide a stable revenue stream for Japfa, enabling us to build AustAsia to become the largest independent raw milk producer in China.”

The closing of the transaction is subject to the satisfaction of conditions precedent including Japfa’s shareholders’ approval. Japfa will apply the proceeds of the transaction towards the repayment of the US\$253 million term loan. This will improve the Group’s consolidated leverage ratio and strengthen its balance sheet.

¹ As announced by Japfa on 2 April 2020, following the Group’s internal restructuring exercise, Austasia will be the holding company of the Group’s dairy farming and beef feedlot operations in China. The Dairy Restructuring supports Japfa’s plans to grow AustAsia into the largest independent raw milk producer in China.

Both Japfa and Meiji share a commitment to food quality and safety and will benefit from their complementary strengths to successfully develop their respective business interests in China.

With superior milk yields, AustAsia is one of the leading producers of premium raw milk in China. In 2019, its average daily milk yields were 39.6 kg per head. As at 31 December 2019, AustAsia had a herd size of approximately 80,000 heads of cattle with 5 modern dairy farms in Dongying, Shandong and 2 farms in Chifeng, Inner Mongolia, which have been recognised as some of the best managed dairy farms in China in terms of productivity and biosecurity.

As Japfa provides an essential service by supplying staple protein foods largely to the domestic markets in which they are produced, the day-to-day operations of the Group have not thus far been materially impacted by the Covid-19 outbreak. However, as this outbreak is an unprecedented event, the impact going forward cannot be reliably estimated with any certainty. The Group is continuing to keep a close watch on the evolving Covid-19 situation.

Meiji is a leading Japanese dairy company with a well-recognised global brand in milk, yogurt and cheese categories. In China, it is engaged in the milk and yogurt business, and in the ice cream and confectionery business, both of which are steadily expanding. Meiji's branded products continue to grow at a higher pace than the dairy market expansion in China, as they meet Chinese consumers' expectations for food safety and security.

Credit Suisse (Singapore) Limited is the exclusive financial advisor to Japfa Ltd for this transaction.

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About Japfa Ltd

Headquartered in Singapore, Japfa Ltd is a leading vertically integrated agri-food company listed on the SGX Main Board since 2014. Established in 1971, the Group has grown into one of Asia's leading low-cost producers of protein staples including poultry, swine, aquaculture, beef, dairy as well as protein-based consumer products across fast-growing emerging Asian economies such as Indonesia, China, India, Myanmar and Vietnam. Japfa embraces an integrated industrial approach to livestock and food production across the value chain. Its vertically integrated business model spans from Feed & Breeding (upstream), Milking and Fattening (mid-stream) and Processing and Distribution of consumer products (downstream). For more information, please visit <https://www.japfa.com/>

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