



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

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

### **1. Introduction**

Further to the Company’s announcement on 30 August 2021 of the proposed sale of shares in the capital of AustAsia Investment Holdings Pte Ltd (“**AIH**”) to (i) Plutus Taurus Technology HK Limited (“**Genki**”) and (ii) Honest Dairy Group Co., Ltd. (“**Honest Dairy**”), the Company wishes to announce that it has today entered into a conditional Sale and Purchase Agreement with New Hope Dairy Co., Ltd (“**New Hope**”) for the sale of 16,805,598 shares, representing 5.0% of the issued shares of AIH (the “**Sale Shares**”) to its nominated affiliate, GGG Holdings Limited (“**GGH**”) (the “**Proposed Transaction**”).

In connection with the Proposed Transaction, New Hope and GGH (i) have entered into a contract with subsidiaries of AIH to provide for the supply of raw milk on a 5-year rolling basis, renewed annually (“**Milk Supply Agreement**”) subject to maintenance of a minimum shareholding in the Company, and (ii) will be entering into a deed of ratification and accession pursuant to which they shall, subject to completion of the sale and purchase of the Sale Shares 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.

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

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

The Proposed Transaction is part of the Company’s recent exercise to add strategic milk processor investors as shareholders of AIH and to grow the AustAsia Group into the largest independent raw milk producer in China and adds New Hope to Genki, Honest Dairy and Meiji Group.

After the closing of the transactions with Genki, Honest Dairy and New Hope, the Company will remain the single largest and controlling shareholder in AIH with a 62.5% stake.

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

- New Hope is an existing customer of the AustAsia Group and a strategic partner.
- The Milk Supply Agreement entered in connection with the Proposed Transaction will also provide a revenue stream for the AustAsia Group, as it provides for the supply of certain quantity of milk to the New Hope Group.

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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.

### 3. Principal terms of the Proposed Transaction

#### Conditions Precedent

Completion of the Proposed Transaction is conditional upon the New Hope having:

- (a) completed its filings with the National Development and Reform Commission and the Ministry of Commerce of the PRC or their respective local branches for its purchase of the Sale Shares and obtained such Authorities' approval for the purchase of the Sale Shares to the reasonable satisfaction of the Company; and
- (b) completed the foreign exchange registration with an authorised bank in the PRC for the remittance of the Consideration to the Company, and obtained such bank's confirmation that it is in a position to remit the Consideration to the Company to the reasonable satisfaction of the Company.

#### Consideration

The consideration for the Proposed Transaction is a cash amount of US\$58,400,000 (“**Consideration**”) payable at Completion.

The Consideration 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.

The proposed sale of AIH shares to Genki, Honest Dairy and New Hope represents an aggregate sale of 12.5% of the issued shares in AIH (collectively the “**Aggregate Transactions**”). The aggregate consideration for the Aggregate Transactions amounts to US\$146.0 million (“**Aggregate Consideration**”).

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

### 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 aggregated with the Genki and Honest Dairy sale shares (collectively the “**Aggregate Sale Shares**”) were US\$91.8 million and US\$91.7 million respectively. The book value and net tangible asset value of the Aggregate Sale shares was computed based on 12.5% 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.

### 5. Gain on disposal from the Aggregate Transactions

For illustration purposes, based on the Aggregate Consideration of US\$146.0 million and the book value of the Aggregate Sale Shares of US\$91.8 million as at 30 June 2021, the estimated Group's gain from the disposal of the Aggregate Sale Shares to be recorded in the equity is US\$54.2 million<sup>3</sup>.

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<sup>3</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.

## 6. Proceeds from the Aggregate Transactions

The Aggregate Transactions will realise cash proceeds of US\$146.0 million and thereby strengthen the Group's financial position. The Group intends to use the proceeds of the Aggregate 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 Aggregate 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:

Rule 1006	Base	Relative figure computed in accordance with the bases set out in Rule 1006
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	4.7% <sup>(2)</sup>
(b)	The net profit <sup>(1)</sup> attributable to the assets disposed of, compared with the Group's consolidated net profits.	3.9% <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.	13.6% <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 Aggregate Sale Shares was US\$91.8 million, computed based on 12.5% 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 Aggregate Sale Shares was US\$9.2 million, computed based on 12.5% 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 Aggregate Consideration of US\$146.0 million, and the Company's market capitalisation (without taking into consideration debt at Company level) of approximately US\$1,075.2 million. The Company's market capitalisation is determined by multiplying the number of shares in issue of 2,047,070,320 (excluding 20,353,000 treasury shares) by the closing price of S\$0.705 (US\$0.53) per share on 6 September 2021, being the market day preceding the date of this announcement.

## 8. Financial Effects on the Aggregate Transactions

The *pro forma* financial effects of the Aggregate 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 Aggregate Transactions.

### Effect on Net Tangible Assets

*As at 31 December 2020*

For illustrative purposes only, the financial effects of the Aggregate 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 Aggregate Transactions had taken place on 31 December 2020, are as follows:

	<b>Before Aggregate Transactions</b>	<b>After Aggregate Transactions</b>
Consolidated Net Tangible Asset attributable to shareholders of the Company (US\$ million)	1,405.5	1,470.0 <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	0.73
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	0.96

**Notes:**

- (1) Adjusted for the increase in the Group's net tangible assets attributable to shareholders of the Company of US\$64.5 million arising from the gain on disposal of the Aggregate Sale Shares in AIH from the Aggregate Transactions. The gain on disposal of the Aggregate Sale Shares from the Aggregate Transactions was computed based on the Aggregate Consideration of US\$146.0 million and the book value of the Aggregate Sale Shares being disposed of US\$81.5 million as at 31 December 2020. The book value of the Aggregate Sale Shares being disposed was computed based on 12.5% 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 Aggregate Transactions.

*As at 30 June 2021*

For illustrative purposes only, the financial effects of the Aggregate 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 Aggregate Transactions had taken place on 30 June 2021, are as follows:

	Before Aggregate Transactions	After Aggregate Transactions
Consolidated Net Tangible Asset attributable to shareholders of the Company (US\$ million)	1,350.0	1,404.2 <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	0.69
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	0.92

**Notes:**

- (1) Adjusted for the increase in the Group's net tangible assets attributable to shareholders of the Company of US\$54.2 million arising from the gain on disposal of the Aggregate Sale Shares from the Aggregate Transactions. The gain on disposal of the Aggregate Sale Shares from the Aggregate Transactions was computed based on the Aggregate Consideration of US\$146.0 million and the book value of the Aggregate Sale Shares being disposed of US\$91.8 million as at 30 June 2021. The book value of the Aggregate Sale Shares being disposed was computed based on 12.5% 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 Aggregate Transactions.

Effect on Earnings Per Share

For illustrative purposes only, the financial effects of the Aggregate 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 Aggregate Transactions had taken place on 1 January 2020, are as follows:

	Before Aggregate Transactions	After Aggregate Transactions
Profit after tax attributable to shareholders of the Company (US\$ million)	322.0	310.0 <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	15.27

**Notes:**

- (1) Adjusted for the decrease in the Group's profit after tax attributable to shareholders of the Company of US\$12.0 million as a result of the Aggregate Transactions, computed based on 12.5% 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 Aggregate 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 Transaction.

**10. 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 Transaction 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 Transaction. 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

7 September 2021