

Announcement on SGX

Proposed Disposal of the Cocoa Ingredients Business

1. INTRODUCTION

The board of directors (the “**Board**” or “**Directors**”) of Petra Foods Limited (the “**Company**”) wishes to announce that the Company has on 12 December 2012 entered into a conditional sale and purchase agreement (the “**SPA**”) with Barry Callebaut AG (“**BC AG**”) and Barry Callebaut Belgium N.V. (“**BC Belgium**”) (collectively, “**Barry Callebaut**”) for the sale of the Cocoa Ingredients Division (the “**Proposed Disposal**”) of the Company, its subsidiaries and associated companies (collectively, the “**Group**”). Further details on the principal terms of the SPA are set out in this announcement.

Following the Proposed Disposal, the Company will focus on growing its Branded Consumer business.

Zurich based Barry Callebaut is the world’s leading manufacturer of high quality cocoa and chocolate products. Barry Callebaut is present in 30 countries, operates around 45 production facilities and employs a workforce of about 6,000 people. Barry Callebaut serves the entire food industry focusing on industrial food manufacturers, artisans and professional users of chocolate (such as chocolatiers, pastry chefs or bakers), the latter with its two global brands Callebaut® and Cacao Barry®

2. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

2.1. **SPA.** The Company has agreed to sell and Barry Callebaut has agreed to purchase the cocoa ingredients division of the Group comprising the business assets associated with the cocoa ingredients business and all the issued and paid up shares of:

- 2.1.1. Delfi Cocoa USA Inc.;
- 2.1.2. Delfi Cocoa Investments 1 Pte. Ltd.;
- 2.1.3. Delfi Cocoa (Malaysia) Sdn. Bhd.;
- 2.1.4. Siam Cocoa Products Co., Ltd.; and
- 2.1.5. Petra Europe Holdings Pte. Ltd..

subject to the terms of the SPA (collectively, the “**Sale Shares**”). The cocoa ingredients business currently carried out in Indonesia and the Philippines will be restructured and transferred into new subsidiaries to be held under Delfi Cocoa Investments 1 Pte. Ltd. The cocoa ingredients business currently carried out at the Company level will be transferred to Delfi Cocoa Investments 1 Pte. Ltd. on or before completion of the Proposed Disposal.

- 2.2. **Consideration.** The aggregate consideration payable by Barry Callebaut to the Company for the Sale Shares under the terms of the SPA is US\$950 million (the “**Consideration**”) in cash. The Consideration will be adjusted for, *inter alia*, estimated net debt and estimated working capital as at the date of completion of the Proposed Disposal (“**Completion Date**”) with a final adjustment being carried out after the Completion Date. The Consideration was arrived at following negotiations and a competitive sale process, from which it emerged the sale to Barry Callebaut represented the most attractive offer obtained.
- 2.3. **Conditions Precedent.** Pursuant to the terms of the SPA, the completion of the Proposed Disposal (“**Completion**”) is conditional upon, *inter alia*,:
- (a) the despatch by the Company to its shareholders of a circular (which shall include a recommendation from the Company’s board of directors in favour of the Proposed Disposal) containing resolutions to approve the proposed sale of the Sale Shares at an extraordinary general meeting of the Company to be convened (“**EGM**”), and the passing of such resolutions at the EGM;
 - (b) the written approval from the Ministry of International Trade and Industry of Malaysia for the sale and purchase of the shares of Delfi Cocoa (Malaysia) Sdn Bhd in respect of the Cocoa Manufacturing Licence for premises occupied by Delfi Cocoa (Malaysia) Sdn Bhd at Pasir Gudang, Malaysia;
 - (c) the approvals under antitrust and/or competition laws of the European Union and the United States having been obtained or if such approval is subject to the attachment of any terms, conditions or remedies (whether in the form of commitments or directions), such terms, conditions or remedies being acceptable to the Company and Barry Callebaut, each acting reasonably unless expressly waived in writing by Barry Callebaut or the Company:
 - i. any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act having expired or been earlier terminated;
 - ii. the European Commission having issued a decision under the ECMR declaring the Proposed Disposal compatible with the common market; and
 - iii. any other jurisdiction whose approval is in the reasonable opinion of the Company or Barry Callebaut, following consultation with the other, required prior to consummating the Proposed Disposal.
 - (d) no order, judgment, decree, injunction or other restriction of any kind, including any on-going investigation by the United States antitrust authorities, has been made by any court or relevant authority or received by the Company, Barry Callebaut or any company the subject of the Proposed Disposal, in respect of the whole or any part of the transactions contemplated by the SPA; and
 - (e) the completion of pre-completion restructuring undertaken by certain members of the Group;
- (together, the “**Sale Conditions**”).

Barry Callebaut has indicated to the Company that, under Swiss law, it does not require its shareholders' approval on the basis that its proposed acquisition of the Company's Cocoa Ingredients Division is within its board of directors' limits.

Barry Callebaut may, to the extent it thinks fit and is legally entitled to do so, waive any of the Sale Conditions stated in paragraph (e) above. The Company and Barry Callebaut may, acting together, to the extent they think fit and are legally entitled to do so, waive any of the Sale Conditions set out in paragraphs (b), (c)(i) & (ii) and (d) above. Each party may (where it deemed such Sale Condition necessary and in consultation with the other) waive the Sale Condition set out in paragraph (c)(iii).

2.4. **Long Stop Date:** The Company and Barry Callebaut shall use all commercially reasonable endeavours (so far as lies within their respective powers) to procure that the Sale Conditions are satisfied as soon as practicable and in any event no later than:

- (a) 6.00 pm (Singapore time) on 30 June 2013; or
- (b) if: (i) the Indonesian environmental licence and/or the Indonesian permanent business licence for the Company's restructured Indonesian operations has/have not been obtained; and/or (ii) the anti-trust filings have not been satisfied on or prior to 31 May 2013, 6.00 pm (Singapore time) on 31 July 2013; or
- (c) following the application of paragraph 2.4(b), if the Company has notified Barry Callebaut on or prior to 30 June 2013 that the Indonesian permanent business licence has not been obtained and that it is exercising its option to extend the Long Stop Date, 6.00 pm (Singapore time) on 31 August 2013; or
- (d) following the application of clause 2.4(c), if Barry Callebaut has notified the Company on or prior to 30 June 2013 that the anti-trust filings have not been satisfied and that it is exercising its option to extend the Long Stop Date, 6.00 pm (Singapore time) on 31 August 2013; or
- (e) at such other time and date as may be agreed in writing by the Company and the Barry Callebaut,

(the "Long Stop Date")

In the event that the Sale Conditions have not been fulfilled or otherwise waived on or before the Long Stop Date, the SPA shall cease to have effect.

2.5. **Non-Competition Undertakings.** Under the terms of the SPA, the Company has undertaken with Barry Callebaut that it shall not, and it shall procure that none of its subsidiaries shall, at any time during the period of 36 months beginning with the Completion Date, in any of the jurisdictions any company the subject of the Proposed Disposal is incorporated, directly or indirectly carry on or be employed, engaged or interested in any business which would be in competition with the business of the Cocoa Ingredients Division the subject of the Proposed Disposal as carried on at the Completion Date subject to certain agreed carved out activities.

2.6. **Ancillary Agreements.** In conjunction with Completion, amongst others:

2.6.1. PT Perusahaan Industri Ceres, one of the Company's subsidiaries, will enter into a supply agreement with the restructured Indonesian new company (which by Completion, will be

owned by Barry Callebaut) in which PT Perusahaan Industri Ceres will purchase 75% of its cocoa butter, cocoa cake, cocoa liquor and cocoa powder requirements from Barry Callebaut for five years following Completion;

- 2.6.2. PT Perusahaan Industri Ceres will enter into a tolling agreement with the restructured Indonesian new company in respect of 75% of its tolling requirements in respect of cocoa beans;
- 2.6.3. The Group will enter into various intellectual property agreements with Barry Callebaut or its nominated entity in which
- (a) the “ACRA” and “Nordcacao” trademarks will be assigned absolutely to Delfi Cocoa Investments 1 Pte. Ltd. ;
 - (b) the name “DELFI” and its related trademarks will be licensed to Delfi Cocoa Investments 1 Pte. Ltd. for a period of two years;
 - (c) a side-filled bag patent will be assigned to Delfi Cocoa Investments 1 Pte. Ltd. with a license back to the Company for its branded consumer business on a royalty free and worldwide basis; and
 - (d) the intellectual property rights associated with the cocoa ingredients business will be assigned to Delfi Cocoa Investments 1 Pte. Ltd. with certain rights associated with the branded consumer business licensed back to the Company on a royalty free and worldwide basis;
- 2.6.4. The Company will provide transitional services to Barry Callebaut and its subsidiaries for an agreed period following Completion.

3. INFORMATION ON THE SALE SHARES

- 3.1. **Cocoa Ingredients Division.** The cocoa ingredients division of the Group manufactures and sells cocoa ingredients namely cocoa powder, cocoa butter and cocoa liquor, under the “DELFI” brand, to over 30 countries worldwide. It is one of the world’s largest supplier of cocoa ingredients to the food and beverage industry, and maintains a global presence with factories and offices in 11 countries on 4 continents. The division currently has six cocoa ingredients processing facilities (located in Indonesia, Malaysia, Thailand, Brazil, Mexico and Germany) and one cocoa butter facility (located in France).
- 3.2. **Valuation.** No independent valuation was conducted to establish the fair value of the Sale Shares as the Directors believe that such value would be more suitably assessed through competitive offers for which the sale to Barry Callebaut represented the most attractive offer obtained.
- 3.3. **Book Value and Net Asset Value.** Based on the latest unaudited consolidated accounts of the Group for the nine months ended 30 September 2012 (“3QFY2012”), the book value and the net asset value (“NAV”) of the Sale Shares was US\$564.8 million.
- 3.4. **Net Profits.** The unaudited net profits before income tax, non-controlling interests and exceptional items attributable to the Sale Shares by the Company are

- (a) US\$23.9 million for the financial year ended 31 December 2011 (“FY2011”); and
- (b) US\$1.7 million for 3QFY2012.

3.5. **Gain on Disposal.** Assuming the Proposed Disposal was completed on 30 September 2012 and there is no adjustment to the Consideration, the gain on disposal for the Group would have been approximately US\$105.9 million.

4. RATIONALE AND USE OF PROCEEDS

- 4.1. The Board is constantly evaluating the long term growth strategy for the cocoa ingredients and branded consumer businesses. This process includes assessing the opportunities of how the Company can grow the two businesses organically as well as through value-accretive transactions to enhance shareholders’ interests.
- 4.2. The Company had received offers from Barry Callebaut and from several other parties to acquire its cocoa ingredients division. The Company considers these offers to be a resounding validation of the business’ success as a cocoa ingredients processor, its strong business model and the existence of the strong management team behind the business. In assessing the offers, the Board has taken into consideration the investments (from a capital as well as human resource standpoint) required if the Group were to continue growing the business organically. It was after careful deliberation that the decision was taken by the Board to accept the offer from Barry Callebaut. The Chuang family, the controlling shareholders of the Company, is fully supportive of the Proposed Disposal.
- 4.3. Barry Callebaut’s offer represents the most attractive offer obtained and in addition the Board believes the Barry Callebaut group is an excellent custodian for the Company’s Cocoa Ingredients Division. Barry Callebaut already has a strong presence in the global market for cocoa ingredients and this acquisition will become the cornerstone in its strategy of further growing their presence in the industrial chocolate and cocoa ingredients market.
- 4.4. From the Company’s perspective, the sale will allow the Company to immediately unlock substantial value in the business which is consistent with the intent of maximizing return to our shareholders.
- 4.5. The net proceeds (after deducting all costs and expenses associated with the Proposed Disposal) will be utilized substantially to reduce all the debt facilities of the Company. The balance, estimated at US\$300 million, will be retained to further strengthen the financial position of the Company and allow it to focus its resources on the Branded Consumer Division and future business opportunities for the Company, and enable the Company to achieve its aim of further maximizing shareholder returns. The Company is also considering possible options to distribute part of the proceeds from the Proposed Disposal to its shareholders and will update shareholders in due course.
- 4.6. The Board is of the view that the consideration offered for the Company’s Cocoa Ingredients Division represents an attractive premium and believes that the sale will allow the Company to immediately unlock substantial value in the business which is consistent with the Company’s intent of maximizing returns to shareholders. The net proceeds (after deducting all estimated costs and expenses associated with the Proposed Disposal) represents an excess of US\$105.9 million over the aggregate book value of the Sale Shares as at 30 September 2012 after adjusting for foreign currency translation and cash flow hedge reserves amounting to US\$19.7 million.

5. FINANCIAL EFFECTS

5.1. **Assumptions.** The pro forma financial effects of the Proposed Disposal on the Group are set out below. The pro forma financial effects have been prepared based on the figures derived from the Group's audited consolidated financial statements for FY2011 and are purely for illustration purposes only and do not reflect the actual financial position of the Group after the completion of the Proposed Disposal.

5.2. **NTA.** For illustrative purposes only and assuming the Proposed Disposal had been completed on 31 December 2011, the pro forma financial effects on the consolidated NTA of the Group for FY2011 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (US\$ '000)	275,965	412,710
Number of shares ('000)	611,157	611,157
NTA per share (US cents)	45.2	67.5

5.3. **Earnings.** For illustrative purposes only and assuming that the Proposed Disposal had been completed on 1 January 2011, the pro forma financial effects on the earnings per share of the Group for FY2011 are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net profit/(loss) attributable to shareholders after tax (US\$ '000)	60,586	145,236
Number of shares ('000)	611,157	611,157
Earnings/(loss) per share (US cents)	9.9	23.8

The increase in EPS of the Group is due to the gain on disposal of US\$105.9 million which was estimated based on 30 September 2012 offset by the exclusion of net profit of the cocoa ingredients division of US\$21.2 million.

5.4. **Share Capital.** The Proposed Disposal will not have any effect on the share capital and shareholding structure of the Company as the Proposed Disposal does not involve the allotment and issuance of any new shares and the consideration shall be satisfied entirely in cash.

6. SHAREHOLDERS' APPROVAL

6.1. **Major Transaction.** The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 ("**Rule 1006**") of the Listing Manual of the SGX-ST ("**Listing Manual**") are as follows:

Rule 1006	Bases	Size of Relative Figures (%)
(a)	Net asset value of the Sale Shares to be disposed of, compared with the Group's net asset value as at 30 September 2012	177.3 ⁽¹⁾
(b)	Net profits attributable to the Sale Shares disposed of, compared with the Group's net profits before income tax, non-controlling interests and exceptional items for the nine months ended 30 September 2012	2.9 ⁽²⁾
(c)	The aggregate value of the consideration received, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares	67.6 ⁽³⁾
(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

Notes:

- (1) Based on the net asset value of Sale Shares disposed of pursuant to the Proposed Disposal and the net asset value of the Group as at 30 September 2012 of US\$318.0 million. Excluding the borrowings, the relative figure would have been 56.3%.
- (2) Based on the profit before tax of the Sale Shares disposed of pursuant to the Proposed Disposal and the net profit before tax of the Group for the period from 1 January 2012 to 30 September 2012 of US\$57.0 million.
- (3) Based on the Consideration and the market capitalization of the Company of US\$1,405.4 million (S\$1,716.7 million), which is determined by multiplying the weighted average price of the Shares transacted on 11 December 2012 (being the last full market day for which the Shares were traded prior to the day the SPA was entered into) of S\$2.809 per share with the total number of 611,157,000 issued shares (excluding treasury shares) of the Company.

As the relative figures on the bases set out in Rules 1006(a) and (c) exceed 20%, the Proposed Disposal constitutes a major transaction as defined in Chapter 10 of the Listing Manual. Accordingly, the Proposed Disposal is subject to the approval of shareholders.

Barry Callebaut has indicated to the Company that, under Swiss law, it does not require its shareholders' approval on the basis that its proposed acquisition of the Company's Cocoa Ingredients Division is within its board of directors' limits.

- 6.2. **Extraordinary General Meeting.** The circular to shareholders setting out information on the Proposed Disposal together with a notice of the EGM to be convened will be dispatched to shareholders in due course.
- 6.3. **Voting Undertakings.** Chuang Tiong Choon and his spouse, Madam Lim Mee Len, through their investment nominees (companies) are the controlling shareholders of the Company, controlling approximately 51% of the issued shares of the Company as at the date of this announcement. Chuang Tiong Choon has undertaken that he will and has undertaken to procure Madam Lim Mee Len will, in respect of a collective percentage of 50.1% of their shares to vote in favour of the Proposed Disposal and not to sell, transfer or otherwise dispose such shares pending the close of the EGM.

6.4. In the meantime, shareholders who are in any doubt as to the action that they should take should consult their stockbroker, bank manager, accountant, solicitor or other professional advisers immediately.

7. FURTHER INFORMATION

7.1. **Directors' Service Contracts.** No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal and accordingly, no service contract is proposed to be entered into between the Company and any such person.

7.2. **Interests of Directors' and Controlling Shareholders.** None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

7.3. **Documents for Inspection.** A copy of the SPA is available for inspection during normal business hours at the registered office of the Company at 111 Somerset Road, #08-05 TripleOne Somerset, Singapore 238164, for a period of three months commencing from the date of this Announcement.

8. PROFESSIONAL ADVISOR

Lazard Asia Limited is acting as sole financial advisor to the Company in relation to the Proposed Disposal.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the Company (including any who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Announcement are fair and accurate and that no material facts have been omitted from this Announcement, and the directors of the Company jointly and severally accept full responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Announcement.

BY ORDER OF THE BOARD

Lian Kim Seng
Company Secretary
12 December 2012