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AUSTASIA

AustAsia Group Ltd.

澳亞集團有限公司*

(Incorporated in the Republic of Singapore with limited liability)

(Stock Code: 2425)

ANNOUNCEMENT EXCEEDED ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to the prospectus issued by AustAsia Group Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) on 16 December 2022 (the “**Prospectus**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

BACKGROUND OF THE TRANSACTIONS

As disclosed in the Prospectus, pursuant to a supply agreement entered into between the Company and Annona Pte. Ltd. (“**Annona**”) dated 14 December 2022, Annona has agreed to supply feed (such as alfalfa, hay and oats) and other agricultural commodities, premixes and vitamins (the “**Goods**”) to the Group on normal commercial terms and on CIF (cost, insurance, freight) terms at the prevailing market price of similar goods, subject to an overall trading margin which is capped at 5% of Annona’s earnings before interest and tax for each financial year (the “**Supply Agreement**”). The maximum annual purchase amounts payable by the Group to Annona for the supply of Goods pursuant to the Supply Agreement for the year ended 31 December 2022 were not to exceed US\$32 million (the “**Original 2022 Cap**”).

Pursuant to the relevant accounting standards and the relevant contract terms, the Company records purchases of Goods on its books when the Goods are loaded onto a ship, as the control, legal title and risks and rewards of the Goods are then transferred to the Company.

REASONS FOR EXCEEDING THE ORIGINAL 2022 CAP

In the course of preparing the final financial accounts for the year ended 31 December 2022 (“**FY2022**”), the Company became aware that the transaction amount for the Supply Agreement in FY2022 was approximately US\$33.44 million (the “**2022 Transaction Amount**”), which exceeded the Original 2022 Cap by US\$1.44 million (approximately 4.5%) (the “**Exceeded Amount**”).

* *For identification purpose only*

The 2022 Transaction Amount exceeded the Original 2022 Cap for the following reasons:

- (i) During 2022, due to a number of factors outside of the Group's control, including unexpected expressway closure, regional/municipality lockdowns in the PRC due to COVID-19 policies and unprecedented weather conditions, the Group experienced various unexpected temporary delays to the delivery schedule of imported goods arriving at ports and consequently, to the Group's farms.
- (ii) As a measure to mitigate potential interruptions to the supply of the goods which are essential to the Group's farm operations (including the Goods under the Supply Agreement) during 2022, the Group had been asking its suppliers (including Annona) and shipping agents to make transportation arrangements earlier, in order to budget for uncertainties over shipping and transportation times, avoid potential delays of delivery of important feed goods, maintain adequate inventory levels (as part of the Group's supply chain management as disclosed in the Prospectus) and thereby minimise potential impact to the Group's operations. Generally, once a supplier books container spaces on vessel freights for the shipment of goods, the delivery time of a shipment is out of the Group's control.
- (iii) The Group had planned for US\$2.44 million worth of Goods to be shipped from December 2022 to January 2023. Among those orders, US\$1.47 million of such Goods were expected to be shipped and recorded in the Company's accounts in January 2023.
- (iv) However, in the second half of December 2022, US\$1.47 million worth of Goods which the Group initially expected to be shipped in January 2023 were shipped by Annona in December 2022. The transaction amount of US\$1.47 million was recorded in the Company's accounts for FY2022.
- (v) The transaction amounts for January to November 2022 under the Supply Agreement were approximately US\$31 million. Had the Goods for US\$1.47 million been shipped (and the relevant transactions recorded in the Company's accounts) in January 2023 as originally expected rather than December 2022, the transaction amounts for FY2022 would have been US\$31.97 million and the Original 2022 Cap would not have been exceeded.

RECTIFICATION MEASURES

The Group has adopted the following rectification measures with respect to the 2022 Transaction Amount having exceeded the Original 2022 Cap:

- (i) Reducing the maximum transaction amounts for FY2023 by the Exceeded Amount (i.e. from the original annual cap of US\$39 million to US\$37.5 million) such that, in aggregate, the total transaction amounts for FY2022 and FY2023 will not exceed the total annual caps for FY2022 and FY2023 as disclosed in the Prospectus.
- (ii) Adopting the following measures to ensure future compliance with the connected transaction requirements under the Listing Rules:
 - (a) strengthening the Group's internal controls to ensure that the transaction amounts for continuing connected transactions will not exceed their annual caps, including more frequent reviews of the orders and transaction amounts of continuing connected transactions and relevant factors which affect the transaction amounts (such as timing of shipment and price of the relevant goods and services) and rigorous forecasting of transaction amounts out to the end of the financial year;
 - (b) implementing more systematic and frequent communication with counterparties of continuing connected transactions to monitor the transaction amounts and relevant factors which affect the transaction amounts (such as timing of shipment and price of the relevant goods and services); and
 - (c) maintaining a list of connected transactions including checking the contracting party in each transaction to confirm whether it is a connected person, checking the transactions that are identified as connected transactions for compliance with the Listing Rules, monitoring the value of transactions that are identified as connected transactions against the threshold for triggering disclosure and independent shareholders' approval requirements under the Listing Rules and ensuring that the relevant business departments are regularly updated in relation to the renewal of connected transactions.

IMPLICATIONS UNDER THE LISTING RULES

Annona is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company. The Supply Agreement constitutes continuing connected transactions of the Company upon its listing on the Stock Exchange on 30 December 2022.

As the highest applicable percentage ratio in respect of each of the caps for transactions under the Supply Agreement will, on an annual basis, be more than 5% and the transactions are on normal commercial terms, such transactions will, upon the Listing, be subject to announcement, reporting, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As disclosed in the Prospectus, the Company was granted a waiver under Listing Rule 14A.105 to exempt the Supply Agreement from strict compliance with the announcement, circular and independent Shareholders' approval requirements under Listing Rules 14A.35 and Rule 14A.36 for the term ending on 31 December 2024.

Listing Rule 14A.54 provides that a listed issuer is required to re-comply with the announcement and shareholders' approval requirements before the cap is exceeded. Exceeding the Original 2022 Cap constituted a breach of Listing Rule 14A.54.

The Directors have considered the following factors and have resolved to approve the 2022 Transaction Amount without seeking independent shareholders' approval to ratify the 2022 Transaction Amount:

- (i) As the Company proposes to count the Exceeded Amount toward the annual cap for FY2023 (such that, in aggregate, the total transaction amounts for FY2022 and FY2023 will not exceed the total annual caps for FY2022 and FY2023 as set out in the Prospectus), the 2022 Transaction Amount will not prejudice the independent Shareholders.
- (ii) The Exceeded Amount, which resulted in a technical breach of the Listing Rules, was the inadvertent result of the Group's measures to mitigate potential and unexpected disruptions to the supply of goods which are essential for the Group's farm operations. The Group has implemented the rectification measures set out above and will comply with applicable Listing Rules going forward.
- (iii) The Company was listed on the Stock Exchange on 30 December 2022 (at which time Annona became a connected person of the Company and transactions with Annona became connected transactions under the Listing Rules). The transactions for the Exceeded Amount occurred prior to the Company becoming a listed issuer and when both the Company and Annona were subsidiaries of Japfa Ltd. ("**Japfa**"), a company listed on SGX-ST.
- (iv) In view of the circumstances explained above, convening an extraordinary general meeting (and engaging an independent financial adviser to advise independent Shareholders) within a short period of time of the annual general meeting (which is expected to be held in June of 2023) would be unduly burdensome both administratively and financially on the Company.

REASONS FOR, AND BENEFITS OF, THE SUPPLY AGREEMENT

The Goods supplied under the Supply Agreement are essential goods for the Group's farm operations. The Supply Agreement allows the Group to ensure it is able to procure a stable supply of such important Goods on normal commercial terms and at prevailing market price of similar goods.

DIRECTORS' CONFIRMATION

The Directors (including the Independent Non-executive Directors) confirm that that (i) the transactions under the Supply Agreement had been conducted in the ordinary and usual course of business of the Group, on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the 2022 Transaction Amount is in the interests of the Company and Shareholders as a whole.

Mr. TAN Yong Nang, who is the Executive Chairman of the Company, an executive director of Annona and an executive director and the CEO of Japfa, has abstained from voting on the resolution of the board of Directors to approve the 2022 Transaction Amount.

INFORMATION ABOUT THE GROUP AND ANNONA

The Group is one of the top five dairy farm operators in China. The Company was listed on the Stock Exchange on 30 December 2022. Immediately prior to the completion of the Japfa Distribution and the Global Offering (each as defined in the Prospectus), the Company was a subsidiary of Japfa.

Annona is a global trader which enjoys concessionary tax rates under the Global Trader Programme which is administered by International Enterprise Singapore, an agency under the Ministry of Trade and Industry of Singapore. Annona is a wholly-owned subsidiary of Japfa.

By order of the Board
AustAsia Group Ltd.
Edgar Dowse COLLINS
Executive Director

Hong Kong, 1 March 2023

As at the date of this announcement, the Board comprises Mr. TAN Yong Nang as Executive Chairman and Executive Director, Mr. Edgar Dowse COLLINS, Mr. YANG Ku and Ms. GAO Lina as Executive Directors, Mr. HIRATA Toshiyuki as Non-executive Director and Mr. SUN Patrick, Mr. LI Shengli, and Mr. CHANG Pan, Peter as Independent Non-executive Directors.