AustAsia Group Ltd.
澳亞集團有限公司*
(Incorporated in the Republic of Singapore with limited liability)
(Stock Code: 2425)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND CHANGE IN USE OF PROCEEDS

The board of directors (the "**Board**") of AustAsia Group Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") presents the consolidated results of the Group for the year ended 31 December 2022 (the "**Reporting Year**"), together with comparative figures for the year ended 31 December 2021. Unless otherwise stated, terms used herein shall have the same meaning ascribed thereto in the prospectus of the Company dated 16 December 2022 (the "**Prospectus**").

HIGHLIGHTS:

FINANCIAL DATA	**2022** ***USD'000***	2021 *USD'000*	Change
Revenue	**562,786**	521,921	+7.8%
Gross profit	**130,673**	175,897	-25.7%
Profit before tax	**25,443**	107,006	-76.2%
Profit for the year	**23,394**	104,572	-77.6%
Profit attributable to owners of the Company	**23,394**	104,572	-77.6%
Basic earnings per share (USD)	**0.04**	0.17 (Restated)	-76.5%
KEY PERFORMANCE INDICATORS	**2022**	2021	Change
Annualised average milk yield per milkable cow (tons)	**13.3**	12.7	+4.7%
Herd size of dairy cows (heads)	**117,950**	106,174	+11.1%
Herd size of beef cattle (heads)	**29,615**	25,414	+16.5%

* *For identification purpose only*

During the Reporting Year, the increase in the Group's revenue was mainly due to the strong increase in sales volume of raw milk as a result of stronger performance in milk yield and larger herd size. However, as disclosed in the Prospectus, we had expected to record a decrease in profit for 2022 as compared to 2021. During the Reporting Year, profit for the year was USD23.4 million (2021: USD104.6 million), representing a decrease of 77.6% YoY, which was mainly due to:

a) A decrease in gross profit of the Group's business to USD130.7 million (2021: USD175.9 million), representing a decrease of 25.7% or USD45.2 million. The drop in gross profit is mainly due to lower average selling price of raw milk and higher feed costs incurred for the Group's raw milk and beef cattle businesses. Average selling price of raw milk decreased by 7.4% YoY to USD688/ton or RMB4,650/ton during the Reporting Year (2021: USD743/ton or RMB4,789/ton).

   In 2022, the feed cost per kilogram of raw milk increased to RMB2.44 (2021: RMB2.10), representing a significant increase of 16%, which contributed to the decrease in gross profit compared to 2021. The increase in feed cost is a result of the ongoing geo-political tensions between Ukraine and Russia as well as the on-going Covid-19 outbreak resulting in disruption in supply chains globally, which have a ripple effect on the supply price of the Group's feed.

   Sales volume of the Group's ancillary business, which comprises mainly of branded milk products, weakened in 2022 primary due to the spike in Covid-19 infections towards the end of 2022 which led to more people opting to stay home and hence lower demand of milk products from large-scale cafes and milk tea stores and resulted in the Group experiencing a lower sales of branded milk products towards the year end.

b) Higher losses arising from changes in fair value of other biological assets. The Group recorded a loss of USD23.4 million (2021: USD11.3 million), representing an increase of USD12.1 million. The Group measures its biological assets to derive at market prices based on certain key assumptions such as milk price and feed cost. Changes in the assumptions, which are reviewed by an independent qualified professional valuer and the Group's management periodically, may affect the fair value of the biological assets significantly. The continuing increase in feed cost throughout the year especially in the last quarter of the year resulted in lower valuation of the Group's biological asset which was measured as at 31 December 2022.

c) During the Reporting Year, the Group recorded a higher finance cost which amounted to USD32.5 million (2021: USD21.6 million), representing a YoY increase of 50.3%. The increase in overall finance cost was mainly a result of i) the continuing hikes of interest rates by the US Federal Reserve resulting in higher borrowing expenses for the Group's loan denominated in USD, ii) higher interest expenses pertaining to lease liabilities mainly as a result of the Group's additional leases of land in connection with Pure Source Farm 3 and iii) additional borrowing drawdown especially in the last two months of the year to meet the expectations of funding needed in relation to Pure Source Farm 3 which was commencing operation in 2023.

Primarily as a result of the above, compared to an increase in revenue by 7.8%, the Group's profit for the year showed a significant YoY decline of 77.6%, which was representative of the operating environment and factors affecting the results of the Group's operations in the first half of 2022 as disclosed in the Prospectus, which continued to persist through to the end of the Reporting Year, and was largely in line with the decrease in profit from continuing operations recorded in the six months ended 30 June 2022 compared to the same period in 2021 as disclosed in the Prospectus.

BUSINESS AND OPERATIONAL UPDATE

Pure Source Farm 3: the production of raw milk has commenced in January 2023. In view of growing demand of specialty milk to better satisfy diversified customers' needs, we plan to produce A2 raw milk, a specialty milk, in this farm and make it a dedicated farm within our dairy farm portfolio to supply specialty milk.

The construction of our in-house feed mill has completed in February 2023. We will commence the production of the feed mill in March 2023. The feed mill will be able to supply pre-mixed feed, flaked corn and pallets for internal consumption at our dairy farms and beef cattle feedlots in 2023.

CHANGE IN USE OF PROCEEDS FROM THE LISTING

As disclosed in the "Future Plans and Use of Proceeds" section in the Prospectus, the Company intended to use all of the net proceeds of the global offering of the Company's shares conducted in 2022 to build farm facilities and to purchase equipment for Pure Source Farm 4, where construction was at the time expected to commence in April 2023.

The Directors propose to change the use of the net proceeds to pay for contractors and equipment vendors of Pure Source Farm 3, which were originally expected to be satisfied with internally generated cash flows and bank loans. Please see "Use of Proceeds from the Listing" in this announcement for further details and reasons for the change in use of proceeds.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	**2022**	2021
		USD'000	*USD'000*
REVENUE	*6*	**562,786**	521,921
Cost of sales		**(560,695)**	(519,384)
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest		**124,786**	153,770
Gains arising from changes in fair value less cost to sell of beef cattle		**3,796**	19,590
Gross profit		**130,673**	175,897
Other income and gains	*6*	**7,441**	13,968
Losses arising from changes in fair value less costs to sell of other biological assets		**(23,409)**	(11,316)
Selling and distribution expenses		**(429)**	(540)
Administrative expenses		**(49,495)**	(43,028)
Impairment losses on financial assets		**–**	(4,900)
Other expenses	*7*	**(6,811)**	(1,440)
Finance costs	*9*	**(32,527)**	(21,635)
PROFIT BEFORE TAX	*8*	**25,443**	107,006
Income tax expense	*10*	**(2,049)**	(2,434)
PROFIT FOR THE YEAR		**23,394**	104,572
Attributable to:			
Owners of the parent		**23,394**	104,572
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*12*		
Basic			
– For profit for the year		**USD0.04**	USD0.17 (Restated)
Diluted			
– For profit for the year		**USD0.04**	USD0.17 (Restated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	USD'000	*USD'000*
PROFIT FOR THE YEAR	**23,394**	104,572
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		
Exchange differences		
Exchange differences on translation of foreign operations	**(70,895)**	17,238
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(70,895)**	17,238
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income:		
Changes in fair value	**406**	(417)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**406**	(417)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR NET OF TAX	**(70,489)**	16,821
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(47,095)**	121,393
Attributable to:		
Owners of the parent	**(47,095)**	121,393

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2022

	Notes	**2022** **USD'000**	2021 *USD'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**455,906**	416,358
Right-of-use assets		**194,744**	161,201
Intangible assets		**474**	780
Biological assets		**495,404**	477,697
Equity investment designated at fair value through other comprehensive income		**1,222**	816
Other long-term assets		**9,559**	8,071
Long-term receivable		**12,203**	11,855
Total non-current assets		**1,169,512**	1,076,778
CURRENT ASSETS			
Inventories		**187,254**	160,665
Biological assets		**54,600**	49,217
Trade receivables	*13*	**50,392**	46,600
Prepayments, other receivables and other assets		**22,385**	18,727
Cash and cash equivalents		**57,138**	22,145
Pledged deposits		**860**	1,103
Total current assets		**372,629**	298,457
CURRENT LIABILITIES			
Trade payables	*14*	**151,954**	79,640
Other payables and accruals		**68,546**	38,410
Share-based payment liability		**–**	4,587
Loans from a former shareholder		**–**	6,300
Interest-bearing bank borrowings		**124,644**	65,556
Lease liabilities		**10,870**	5,451
Deferred income		**689**	1,596
Tax payable		**583**	1,077
Total current liabilities		**357,286**	202,617

	Notes	2022 USD'000	2021 USD'000
NET CURRENT ASSETS		**15,343**	95,840
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,184,855**	1,172,618
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**187,282**	202,422
Deferred tax liabilities		**600**	600
Deferred income		**2,761**	3,423
Lease liabilities		**180,171**	145,705
Other payables and accruals		**13,737**	15,036
Loans from a former shareholder		**–**	19,240
Total non-current liabilities		**384,551**	386,426
Net assets		**800,304**	786,192
EQUITY			
Equity attributable to owners of the parent			
Share capital		**385,992**	308,502
Reserves		**414,312**	477,690
Total equity		**800,304**	786,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

AustAsia Group Ltd. (the "**Company**") is a limited liability company incorporated and domiciled in Singapore. The registered office and the principal place of business of the Company is located at 400 Orchard Road, #15-08, Orchard Towers, Singapore 238875. The Company completed its initial public offering and was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**HKEx**") (stock code: 2425.HK) on 30 December 2022. The principal activity of the Company is investment holding and its subsidiaries are mainly engaged in the production and sales of raw milk, sales of beef cattle and sales of milk products in the People's Republic of China ("**PRC**").

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for biological assets and equity investment designated at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in United States Dollars ("**USD**") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that is applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 4]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[2]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

5 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset provided that sufficient taxable profit is available and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows: (1) raw milk business for the production and sales of raw milk; (2) beef cattle business for raising and sales of beef cattle; and (3) ancillary business for sales of milk products and others.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that other income and expenses, non-lease-related finance costs from the Group's financial instruments as well as head office or corporate administrative expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2022

	Raw milk *USD'000*	**Beef cattle** *USD'000*	**Ancillary** *USD'000*	**Total** *USD'000*
Segment revenue				
Sales to external customers	**490,501**	**55,708**	**16,577**	**562,786**
Intersegment sales	**9,047**	**–**	**–**	**9,047**
	499,548	**55,708**	**16,577**	**571,833**
Elimination of intersegment sales				**(9,047)**
Revenue				**562,786**
Segment results	**91,868**	**2,621**	**1,660**	**96,149**
Finance costs (other than interest on lease liabilities)				**(21,841)**
Unallocated corporate and administrative expenses				**(49,495)**
Unallocated other income and expenses				**630**
Profit before tax				**25,443**

Year ended 31 December 2021

	Raw milk *USD'000*	Beef cattle *USD'000*	Ancillary *USD'000*	Total *USD'000*
Segment revenue				
Sales to external customers	438,038	50,500	33,383	521,921
Intersegment sales	21,295	–	–	21,295
	459,333	50,500	33,383	543,216
Elimination of intersegment sales				(21,295)
Revenue				521,921
Segment results	137,574	18,370	1,996	157,940
Finance costs (other than interest on lease liabilities)				(15,534)
Unallocated corporate and administrative expenses				(47,928)
Unallocated other income and expenses				12,528
Profit before tax				107,006

The chief operating decision maker makes decisions according to operating results of each segment. No analysis of segment assets and segment liabilities is presented as the chief operating decision maker does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Geographical information

(a) Revenue from external customers

	2022	2021
	USD'000	*USD'000*
Mainland China	**562,786**	521,921

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2022	2021
	USD'000	*USD'000*
Mainland China	**1,156,087**	1,064,107

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

The breakdown of revenue from the major customers accounting for over 10% of the Group's revenue during the year is as follows:

	2022	2021
	USD'000	*USD'000*
Customer A	**128,272**	142,762
Customer B	**113,483**	110,919
Customer C	**59,272**	NA*
	301,027	253,681

* The corresponding revenue was not accounted for over 10% of the Group's revenue during the year of 2021.

6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022	2021
	USD'000	*USD'000*
Revenue from contracts with customers		
Sales of raw milk	**490,501**	438,038
Sales of beef cattle	**55,708**	50,500
Sales of milk products	**16,577**	33,383
	562,786	521,921
Timing of revenue recognition		
At a point in time	**562,786**	521,921

Performance obligations

The Group sells raw milk to manufacturers of dairy products, beef cattle to food processing companies and milk products to cafes and other end customers. For sales of raw milk and milk products to its customers, revenue is recognised when control of the goods has been transferred, being at the point the customer received the goods and was satisfied with the quality. For sales of beef cattle to its customers, revenue is recognised upon the acceptance by customers. Payment of the transaction price is determined based on market price. The credit term is normally 30 days from the invoice date for raw milk customers, it is normally 30 to 45 days from the invoice date for milk products customers, and no credit is provided for beef cattle customers.

Transaction price allocated to the remaining performance obligation

In most of the sales contracts, the amount of consideration that the Group has a right to invoice corresponds directly with the value to the customer of each incremental good that the Group transfers to the customer. As permitted by IFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

	2022	2021
	USD'000	*USD'000*
Other income and gains		
Gain from bargain purchase	**–**	7,163
Government grants	**2,902**	2,847
Insurance claims	**1,550**	1,596
Foreign exchange gain, net	**–**	822
Technical service fee	**1,218**	776
Interest income	**488**	611
Scrap sales	**103**	97
Others	**1,180**	56
Total	**7,441**	13,968

7. OTHER EXPENSES

	2022	2021
	USD'000	*USD'000*
Foreign exchange losses, net	**3,273**	–
Fair value losses on derivative financial instruments	**–**	63
Loss on disposal of property, plant and equipment	**930**	833
Loss on modification of leases	**2,091**	–
Others	**517**	544
Total	**6,811**	1,440

8. PROFIT BEFORE TAX

Profit before finance costs and tax is arrived at after charging/(crediting):

	2022	2021
	USD'000	*USD'000*
Costs of sales of raw milk	**490,501**	438,038
Costs of sales of beef cattle	**55,708**	50,500
Costs of sales of milk products	**14,486**	30,846
Cost of sales	**560,695**	519,384
Depreciation of property, plant and equipment	**37,129**	33,406
Less: Capitalised in biological assets	**15,660**	14,714
Depreciation charged to profit or loss	**21,469**	18,692
Depreciation of right-of-use assets	**14,776**	8,299
Less: Capitalised in biological assets	**11,535**	5,471
Depreciation charged to profit or loss	**3,241**	2,828
Amortisation of intangible assets	**356**	345
Lease payments not included in the measurement of lease liabilities	**4,233**	1,733
Auditors' remuneration	**1,430**	750
Losses arising from changes in fair value less costs to sell of other biological assets	**23,409**	11,316
Employee benefit expenses (including directors and chief executive's remuneration):		
Wages and salaries	**37,878**	33,357
Pension scheme contributions	**7,444**	8,016
Share-based payments expenses	**13,395**	16,036
	58,717	57,409
Foreign exchange differences, net	**3,273**	(822)

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021
	USD'000	*USD'000*
Interest on bank loans	**20,629**	13,384
Interest on shareholder's loans	**1,551**	1,447
Interest on lease liabilities	**10,686**	6,101
Interest on contract liabilities	**611**	703
	33,477	21,635
Less: Interest expense capitalised	**(950)**	–
	32,527	21,635

10. INCOME TAX

	2022	2021
	USD'000	*USD'000*
Current income tax		
Charge for the year	**162**	37
Under/(over) provision in prior years	**2**	(10)
Foreign withholding tax	**1,885**	1,807
Deferred income tax	**–**	600
Total tax charge for the year	**2,049**	2,434

11. DIVIDENDS

No dividend has been paid or declared by the Company to its ordinary shareholders for the year ended 31 December 2022 (2021: Nil).

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 622,234,810 (2021: 621,807,139) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2022 *USD'000*	2021 *USD'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**23,394**	104,572
Effect of dilution:		
Share-based payments	**(145)**	(86)

	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**622,234,810**	621,807,139
Effect of dilution – weighted average number of ordinary shares:		
Share-based payments	**1,270,926**	1,353,340
	623,505,736	623,160,479

13. TRADE RECEIVABLES

	2022 *USD'000*	2021 *USD'000*
Trade receivables	**50,392**	46,600
Impairment	**–**	–
	50,392	46,600

For sales of raw milk and milk products, the Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period of sales of raw milk is 30 days since the invoice date. The credit period of sales of milk products is generally 30 to 45 days since the invoice date, extending up to 90 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 *USD'000*	2021 *USD'000*
Within 1 month	**48,309**	45,108
1 to 2 months	**1,453**	1,337
2 to 3 months	**185**	98
Over 3 months	**445**	57
	50,392	46,600

Included in the Group's trade receivables are amounts due from a related party of USD1,833,000 as at 31 December 2022 (31 December 2021: USD1,925,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

As at 31 December 2022, trade receivables of USD48,643,000 (31 December 2021: USD40,426,000) were pledged to banks to secure certain bank borrowings granted to the Group.

An impairment analysis is performed at the reporting date using a provision matrix to measure expected credit losses. The expected credit loss rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). As at 31 December 2021 and 31 December 2022, the expected credit loss rate was immaterial. For the trade receivables from customers of farms in China, no loss allowance was accumulated because the risk was assessed to be minimal at the end of reporting period.

14. TRADE PAYABLES

	2022	2021
	USD'000	*USD'000*
Trade payables	**151,954**	79,640

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	2022	2021
	USD'000	*USD'000*
Within 2 months	**126,981**	71,248
2 to 6 months	**18,141**	6,192
6 to 12 months	**5,175**	926
Over 1 year	**1,657**	1,274
	151,954	79,640

As at 31 December 2022, the trade payables of USD16,960,000 (31 December 2021: USD4,961,000), which are due to a related party which are repayable within 110 days.

The trade payables are non-interest-bearing and are normally settled on the terms of 30-180 days.

15. EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

2022 was a year full of challenges for China's economy. Compared to 2021, the Gross Domestic Product (GDP) increased by 3% only (2021: 8.1%), representing one of the lowest growth rates in over 30 years. Per capital GDP of China reached RMB85,700, also increased by 3% compared to 2021. In the 2nd half of 2022, most of Chinese enterprises were facing challenges such as customer demand contraction, supply chain disruptions and weakening expectations.

Unlike the overall economy, the supply of raw milk in Mainland China continued its strong momentum. According to the National Statistical Bureau, total domestic raw milk production volume in 2022 was 39.4 million tons (2021: 36.8 million tons), representing a 6.8% increase and was the 5th year of consecutive growth. In comparison, the volume of imported milk products decreased for the 1st time in more than 10 years by 18%, mainly due to the weaker-than-expected demand and relatively high prices compared to domestic milk products.

The Chinese government has put the development of dairy and dairy farming industries as one of its priorities. In recent years, relevant industrial authorities and ministries have issued policies and directives to promote the self-sufficient growth of dairy product supply chain. Such policies encouraged investments in large-scale and modernized dairy farms, supported vertical integration and consolidations. In early 2022, the Ministry of Agriculture and Rural Affairs (農業農村部) further issued (Action Plan to improve competitiveness of dairy industry in the period of 14th Five-Year) (《「十四五」奶業競爭力提升方案》). The Action Plan stated that by 2025, the domestic raw milk production volume will reach 41 million tons, the annualised average milk yield per milkable cow will reach 9 tons, and the no. of dairy farms with 100 heads of heed or more will account for 75% of total no. of dairy farms. It was estimated that by the end of 2022, there were 6.2 million heads of Holstein dairy cows in China, representing a 10% increase from 2021.

In 2022, due to the global price increases in agricultural, grain and feed products caused by geopolitical conflict between Ukraine and Russia, as well as high inflation of prices of utilities in developed countries, the whole dairy farming industry in China faced significant pressure of rising feed costs. Imported feeds, such as soy bean meal, alfalfa, oat, etc., all experienced double-digit price increases leading to industrial wide margin contraction to China's dairy farm operators.

The landscape of beef cattle industry in China was very different from that of dairy. In 2022, for the first time, the total supply of beef cattle exceeded 10 million tons, reaching approximately 10.4 million tons, representing a YoY growth of 11.3%. Additionally, the imported beef cattle volume also showed strong supply growth in 2022 with a YoY increase of 15.5% to 2.69 million tons. China has become the third largest nation in beef production and second largest nation in beef consumption. However, beef consumption in China on a per capital basis was only 7.3 kg of beef in 2022, which was significantly lower compared to all developed countries and some of the developing countries, and ranked out of top 30 of all nations. Similar to dairy farms operators, beef cattle farm operators also faced high feed cost pressure and disruptions to supply chain logistics in 2022.

BUSINESS OVERVIEW

We are one of the top five dairy farm operators in China, ranking third, fourth and fifth among all dairy farm operators in China in terms of sales volume, sales value and production volume of raw milk in 2021. We provide premium raw milk to a well-diversified customer base of downstream dairy product manufacturers. We have a diverse customer base, ranging from leading national and regional dairy product manufacturers (including Mengniu (蒙牛), Bright Dairy (光明), Meiji (明治), Junlebao (君樂寶), New Hope Dairy (新希望乳業), Jiabao (佳寶) and Classykiss (卡士)), to emerging dairy brands (such as Chi Forest (元氣森林) and Honest Dairy (簡愛)), and we are not reliant on our Controlling Shareholders as our downstream customers. We are valued by our customers for our stable supply of high-quality and traceable raw milk in a large scale, which has enabled our customers to promote their various high-end milk product offerings catering to end customers.

We have two main business segments, namely our raw milk business and beef cattle business. We also engage in an ancillary business, namely the sales of milk products under our own brand "澳亞牧場AustAsia". Our integrated farming model includes (i) dairy cow breeding and farming, raw milk production, and sales of raw milk, and (ii) beef cattle breeding and farming, and sales of beef cattle. Our business segments are described below:

Raw Milk Business

We breed and raise dairy cows on our large-scale dairy farms, and sell raw milk to downstream dairy product manufacturers in China for further processing into premium dairy products. Our well-diversified customer base includes (i) leading national and regional dairy product manufacturers and (ii) emerging dairy brands.

Beef Cattle Business

We started our beef cattle farming operations in 2018, pursuing the rapidly increasing demand for beef products in China. We raise beef cattle on our large-scale beef cattle feedlots, and sell beef cattle to food service companies in China such as Zuo Ting You Yuan (左庭右院) and premium beef processors for further processing into beef products. Our beef cattle business operates synergistically with our raw milk business. By using steers from our dairy herd for beef cattle stock, we are able to utilise the resources of our raw milk business to develop our beef cattle business.

Ancillary Business

In addition to our two main business segments, we also sell our milk products under our own brand "澳亞牧場AustAsia" to large-scale cafes, milk tea stores, bakeries and refreshment chains in China.

OPERATIONAL REVIEW

Raw Milk Business

In 2022, 87.2% of our revenue was derived from the raw milk business. We have achieved significant increases in some of the major operating indicators:

- Revenue generated from sales of raw milk was approximately USD491 million, representing an increase of 12% compared to that of 2021;
- The annual milk yield per milkable cow amounted to 13.3 tons (2021: 12.7 tons), representing a YoY growth of 4.7%;
- The total milk production for the year reached approximately 759,800 tons (2021: 638,800 tons), representing a YoY growth of 18.9%;
- The total milk sales volume reached approximately 712,800 tons (2021: 589,800 tons), representing a YoY growth of 20.9%;

On the other hand, the average selling price of raw milk decreased by 7.4% YoY to USD688/ton or RMB4,650/ton during the Reporting Year (2021: USD743/ton or RMB4,789/ton). The decrease in average selling price in USD also contributed by the sustained unfavourable exchange rate of the local currency in Mainland China against USD during the last quarter of the financial year.

As disclosed in the Prospectus, we faced continuous increase in our feeding costs, which reflected both the growth in our operational scale as well as an increase in the price of feed and feed additives in line with the market trend, and had expected feeding costs to continue to be a major component of our cost of sales going forward. During the Reporting Year, facing the significant pressure of feed costs increase, our cost of sales increased by 12.0% from USD438.0 million in 2021 to USD490.5 million in 2022, and our cost of sales before raw milk fair value adjustments increased by 28.7% from USD284.3 million in 2021 to USD365.7 million in 2022. The increase in our cost of sales was in line with the growth in our revenue and the market trend of increasing prices of feed and feed addictives. In particular, our direct materials costs mainly consist of feed cost increased by 34.7% from USD202.7 million in 2021 to USD273.0 million in 2022, primarily due to an increase in our consumption as our cow herd expanded and an increase in the procurement costs of feed and feed additives.

We continued to mitigate the impact arising from the increase in feed costs through measures such as optimizing the structure of feed formula, enhancing the absorbance and conversion rate of dairy cows, and leveraging on centralized procurement activities. The direct feed cost per kilogram of raw milk (milking cow only) was RMB2.44/kg (2021: 2.10/kg), representing a YoY increase of RMB0.34/kg, or 16%.

Dairy Farms:

As at 31 December 2022, we owned and operated ten large-scale dairy farms in Shandong and Inner Mongolia of the PRC with dairy cows of 117,950 heads (2021: 106,174 heads), including 60,554 heads of milkable cows (2021: 53,735 heads). The aggregate gross land area of our dairy farms was approximately 14,657 mu.

Beef Cattle Business

Our beef cattle business operates synergistically with our raw milk business. By using the dairy herd as the breeder for beef cattle stock, we optimise the resources of our dairy farms and maximise the value creation from the dairy cow breeding and farming value chain. Furthermore, we may leverage our expertise in genetic breeding of dairy cattle to improve the productivity of our beef cattle. By the end of 2022, we owned and operated two large-scale beef cattle feedlots with a total herd size of 29,615 heads of beef cattle (2021: 25,414 heads).

In 2022, revenue from beef cattle business accounted for 9.9% of our total revenue and reached USD55.7 million, representing an increase of 10.3% compared to that of 2021. The total volume of beef cattle sold was 11,338 tons (2021: 9,285 tons), representing a 22.1% of sales volume growth. Due to the difficulties in transportation logistics and periodical Covid-19 related policies, the demand and price of beef cattle showed some instabilities during the year. The average selling price per ton showed a 5.3% decline, from RMB35,065 per ton of 2021, to RMB33,201 per ton. On the other hand, similar to that of dairy farm operations, the costs of beef cattle also increased notably, putting pressure on the gross profit margin of this business segment.

Ancillary Business

In 2022, revenue from the ancillary business was approximately USD16.6 million, accounted for 2.9% of our total revenue. The revenue declined from USD33.4 million in 2021 significantly, mainly due to the Covid-19 related lockdown policies that caused many downstream coffee and milk-tea chains to cease operation.

Breeding

We implement a genetic improvement program to enhance the breed of our dairy cows. As compared to the common industry practice of relying on imported bovine semen, we use in vitro fertilisation ("**IVF**") and embryo transfer ("**ET**") breeding technology to breed better dairy cows. A high genomic female core herd is the fundamental element for genetic improvement of a dairy cattle breed. With the high genomic female core herd, we can improve the herd genetic traits from both parental sides. The common industry practice used by other large-scale farms only improves the paternal side with semen. As of 31 December 2022, we had a core herd of over 4,400 heads of dairy cows. With the core herd, we also plan to produce embryos for other farms or bull stations to improve their herd genetic value and create high-end bulls. In 2022, we transferred around 9,000 IVF embryos.

Quality Control

As a raw milk producer and supplier, we put product quality as highest priority. We are certificated by the Standard Quality Food ("**SQF**") Programme, which is a rigorous and credible food safety and quality programme that is recognised by retailers, brand owners, and food service providers world-wide. We have completed renewal and new application of SQF certificates from December 2022 to February 2023 and all our dairy farms have been SQF certified (SQF Food Safety Code for Primary Animal Production Edition 9 for Raw Milk) as of 10 February 2023.

We implement a rigorous internal quality control system to ensure high standards of our raw milk and beef cattle. We have established a set of standard operating procedures for each business operation throughout the process of production of raw milk and beef cattle, including breeding and reproduction, feeding, milking, identification and treatment of disease, veterinary assistance, quality control and inventory management. Our internal control policies also cover routine business operation of all business lines and functional departments such as procurement, capital allocation, insurance, dairy farm employees and regulate our business procedures with strict quality control and safety management measures.

Customers

Unlike most of our competitors who only have limited customer base due to their shareholding structure constraints, we are an independent dairy farm operator and have a well-diversified customer base, we serve both leading national and regional dairy product manufacturers such as Mengniu (蒙牛) and Bright Dairy (光明), Meiji (明治), Junlebao (君樂寶), New Hope Dairy (新希望乳業), Jiabao (佳寶) and Classykiss (卡士)), as well as rapidly-growing emerging dairy brands (such as Chi Forest (元氣森林) and Honest Dairy (簡愛)). In 2022, there were 15 active dairy product enterprises as our raw milk customers and top five customers accounted for 75% of our total revenue from sales of raw milk. The number of customers is expected to grow further in 2023.

FINANCIAL REVIEW

Revenue

The following table sets forth the details of the Group's consolidated revenue for the years indicated:

	2022	2021
	USD'000	*USD'000*
Types of goods		
Raw milk	**490,501**	438,038
Beef cattle	**55,708**	50,500
Ancillary business	**16,577**	33,383
	562,786	521,921

During the financial year, the Group's revenue increased by 7.8% YoY to USD562.8 million (2021: USD521.9 million). The increase was mainly due to the strong increase in sales volume of raw milk as a result of stronger performance in milk yield and larger herd size during the Reporting Year.

The following table sets forth the details of sales revenue, sales volume and ASP of raw milk for the years indicated:

	2022			2021		
	Sales revenue	**Sales volume**	**ASP**	Sales revenue	Sales volume	ASP
	USD'000	***tons***	***USD/ton***	*USD'000*	*tons*	*USD/ton*
Raw milk	**490,501**	**712,767**	**688**	438,038	589,769	743

The Group's total revenue of the sales of raw milk increased by 12.0% YoY to USD490.5 million during the financial year (2021: USD438.0 million). The increase was mainly due to the increase in sales volume of raw milk. The increase was partially offset by a decrease in overall average selling price during the Reporting Year.

Average selling price of raw milk decreased by 7.4% YoY to USD688/ton or RMB4,650/ton during the Reporting Year (2021: USD743/ton or RMB4,789/ton).

Total sales volume of raw milk increased by 20.9% YoY to approximately 712.8 thousand tons during the Reporting Year (2021: 589.8 thousand tons), mainly due to the rise in average yield per milkable cow and the contribution of sales volume of raw milk from newly acquired farms in June 2021.

The following table sets forth the details of sales revenue, sales volume and ASP of our beef cattles for the years indicated:

	2022			2021		
	Sales revenue	**Sales volume**	**ASP**	Sales revenue	Sales volume	ASP
	USD'000	***tons***	***USD/ton***	*USD'000*	*tons*	*USD/ton*
Beef cattle	**55,708**	**11,338**	4,913	50,500	9,285	5,439

The Group's total revenue from sales of beef cattle increased by 10.3% year on year to USD55.7 million during the financial year (2021: USD50.5 million). The increase was mainly due to the increase in sales volume of beef cattle. The increase is partially offset by decrease in overall average selling price achieved during the reporting year.

Average selling price of beef cattle drop by 9.7% year on year to USD4,913/ton or RMB33,201/ton during the Reporting Year (2021: USD5,439/ton or RMB35,065/ton).

Total sales volume of beef cattle increased by 22.1% year on year to approximately 11,338 tons during the Reporting Year (2021: 9,285 tons), mainly due to the higher number heads sold during the Reporting Year.

Sales volume for the Group's ancillary business, which comprises mainly of dairy products, has further weakened during the end of 2022 when the spike in Covid-19 infections resulted in more people opting to stay home and hence resulted in lower demand of milk products from large-scale cafes and milk tea stores.

Cost of Sales

The Group's cost of sales primarily consisted of cost of raw milk and beef cattle. The following table sets forth the breakdown of the cost of sales for the years indicated:

	2022	2021
	USD'000	*USD'000*
Costs of sales of raw milk	**490,501**	438,038
Costs of sales of beef cattle	**55,708**	50,500
Costs of sales of ancillary business	**14,486**	30,846
Cost of sales	**560,695**	519,384

Raw Milk Business

The following table sets forth the breakdown of the cost of sales of the raw milk business for the years indicated:

	2022		2021	
	USD'000	***%***	*USD'000*	*%*
Direct Materials	**273,003**	**74.7%**	202,710	71.3%
Labor Costs	**19,502**	**5.3%**	16,501	5.8%
Utilities	**38,502**	**10.5%**	33,774	11.9%
Depreciation of property, plant and equipment	**16,657**	**4.6%**	14,312	5.0%
Transportation fees	**18,051**	**4.9%**	16,971	6.0%
Total	**365,715**	**100%**	284,268	100.0%

During the Reporting Year, direct materials (mainly from silage, forage grass, corn and soy-bean products) costs of raw milk business amounted to USD273.0 million (2021: USD202.7 million), representing a YoY growth of 34.7%, mainly due to the increase in feed prices and the increase in the number of lactating cows.

Feed prices had significantly increased, globally and domestically as a result of the ongoing geo-political tensions between Ukraine and Russia as well as the on-going COVID-19 outbreak resulting in temporary disruptions in supply chain. The Group implemented various measures to enhance and streamline the procurement process so as to reduce purchasing costs. The Group has partially mitigated the impact of feed price increases on cost of sales through improving the formula by adjusting the feed mix, enhancing the health of cows, raising milk yield and reducing expenditure.

Beef Cattle Business

The following table sets forth the breakdown of the cost of sales of the beef cattle business for the years indicated:

	2022		2021	
	USD'000	*%*	*USD'000*	*%*
Direct Materials	**32,925**	**78.6%**	23,442	81.6%
Labor Costs and Overhead costs	**6,632**	**15.8%**	3,835	13.3%
Depreciation of property, plant and equipment	**2,332**	**5.6%**	1,460	5.1%
Total	**41,889**	**100%**	28,737	100%

During the Reporting Year, direct materials (mainly silage, forage grass, corn and soy-bean products) costs of the beef cattle business amounted to USD32.9 million (2021: USD23.4 million), representing a YoY growth of 40.5%, mainly due to the increase in feed prices and the increase in the number of beef cattle lots.

Feed prices had significantly increased, globally and domestically as a result of the ongoing geo-political tensions between Ukraine and Russia as well as the on-going COVID-19 outbreak resulting in disruption in supply chain. The Group implemented various measures to enhance and streamline the procurement process so as to reduce purchasing costs. The Group has lowered cost of sales through improving the formula by adjusting the feed mix, enhancing the health of beef cattle and reducing expenditure.

Gross Profit

The following table sets forth the breakdown of gross profit and gross profit margin of our business for the years indicated:

	2022		2021	
	Gross profit ***USD'000***	**Gross profit margin**	Gross profit *USD'000*	Gross profit Margin
Raw milk	**124,786**	**25.4%**	153,770	35.1%
Beef cattle	**3,796**	**7.0%**	19,590	38.8%
Ancillary	**2,091**	**12.6%**	2,537	7.6%
Total	**130,673**	**23.2%**	175,897	33.7%

In general, when milk prices increase, the Company's profitability will increase correspondingly under normal operation condition.

During the Reporting Year, gross profit of the Group's dairy farming business amounted to USD124.8 million (2021: USD153.8 million), representing a decrease of 18.8% YoY, which was mainly due to the decrease in sales price of raw milk and higher feed cost incurred. Gross profit margin of the Group's dairy farming business decreases to 25.4% (2021: 35.1%) which was mainly due to lower average selling price of raw milk and increase in feed prices in 2022.

Losses Arising from Changes in Fair Value Less Costs to Sell of Other Biological Assets

As at 31 December 2022, the biological assets of the Group were valued at USD495.4 million (31 December 2021: USD477.7 million) by an independent qualified professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, representing an increase of 3.7% YoY, mainly due to the increase in herd size.

Losses arising from changes in the fair value of less cost to sells of other biological assets were USD23.4 million (2021: USD11.3 million). The higher losses are mainly a result of higher feed cost and lower raw milk price used in the assumption to derive the fair value of biological assets. In 2022, the feed cost per kilogram of raw milk increased to RMB2.44 (2021: RMB2.10), representing a significant increase of 16%. Coupled with a lower average selling price of raw milk during the year, contributed to the higher amount of fair value losses recorded for the reporting year of 2022. In 2021, the increase in feed cost is at a smaller percentage to RMB 2.10 (2020: RMB 1.87), representing an increase of 12%. However, on the other hand, average selling price in 2021 has increased to RMB 4,789 from RMB 4,371, representing an increase of 10% which help to reduce the overall losses arising from changes in fair value less costs to sell of other biological assets in 2021.

Gains Arising on Initial Recognition of Raw Milk at Fair Value Less Costs to Sell at the Point of Harvest

During the Reporting Year, the gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest amounted to USD124.8 million (2021: USD153.8 million), representing a decrease of 18.9% YoY, mainly due to the decrease in average selling price and higher feed cost recorded during the financial year.

International Financial Reporting Standards ("**IFRS**") required that raw milk harvested was initially measured at fair value less costs to sell, and the difference between the fair value less costs to sell and the actual costs incurred was charged to profit or loss.

Other Income and Gains

During the Reporting Year, other income amounted to USD7.4 million (2021: USD14.0 million) which mainly consisted of government grants, insurance claims, technical service fees and gain from bargain purchase. The higher amount recorded in 2021 was mainly due to a one-off exceptional gain arising from bargain purchase of a subsidiary amounting to USD7.2 million. The higher amount recorded in 2021 was also due to foreign exchange gain recognised amounting to USD 0.8 million.

Other Expenses

During the Reporting Year, other expenses amounted to USD6.8 million (2021: USD1.4 million), representing an increase of 386% YoY mainly due to foreign exchange losses and loss on modification of leases recognised during the Reporting Year. The Group has revised the lease tenure of certain lands used for its dairy business and has recognised the associated loss arising from this revision during the Reporting Year.

Finance Costs

During the Reporting Year, the Group recorded a higher finance cost which amounted to USD32.5 million (2021: USD21.6 million), representing a YoY increase of 50.3%. The increase in overall finance cost was mainly a result of i) the continuing hikes of interest rates by the US Federal Reserve resulting in higher borrowing expenses for the Group's loan denominated in USD, ii) higher interest expenses pertaining to lease liabilities mainly as a result of the Group's additional leases of land in connection with Pure Source Farm 3 and iii) additional borrowing drawdown especially in the last two months of the year to meet the expectations of funding needed in relation to Pure Source Farm 3 which was commencing operation in 2023.

Profit before Tax, Profit for the Year and Profit Attributable to Owners of the Company

Profit before tax was USD25.4 million in the Reporting Year, representing a decrease by 76.2% YoY, while profit for the year was USD23.4 million, representing a decrease by 77.6% YoY. Profit attributable to owners of the Company amounted to USD23.4 million during the Reporting Year (2021: USD104.6 million), representing a drop by 77.6% YoY. This was mainly due to:

a) A decrease in gross profit of the Group's business to USD130.7 million (2021: USD175.9 million), representing a decrease of 25.7% or USD45.2 million. The drop in gross profit is mainly due to lower average selling price of raw milk and higher feed costs incurred for the Group's raw milk and beef cattle businesses. Average selling price of raw milk decreased by 7.4% YoY to USD688/ton or RMB4,650/ton during the Reporting Year (2021: USD743/ton or RMB4,789/ton).

   In 2022, the feed cost per kilogram of raw milk increased to RMB2.44 (2021: RMB2.10), representing a significant increase of 16%, which contributed to the decrease in gross profit compared to 2021. The increase in feed cost is a result of the ongoing geo-political tensions between Ukraine and Russia as well as the on-going Covid-19 outbreak resulting in disruption in supply chains globally, which have a ripple effect on the supply price of the Group's feed.

   Sales volume of the Group's ancillary business which comprises mainly of branded milk products weakened in 2022 primary due to the spike in Covid-19 infections towards the end of 2022 which led to more people opted to stay home and hence lower demand of milk products from large-scale cafes and milk tea stores and resulted in the Group experiencing a lower sales of branded milk products towards the year end.

b) Higher losses arising from changes in fair value of other biological assets. The Group recorded a loss of USD23.4 million (2021: USD11.3 million), representing an increase of USD12.1 million. The Group measures its biological assets to derive at market prices based on certain key assumptions such as milk price and feed cost. Owing to the continuing increase in feed cost throughout the year especially in the last quarter of the year resulting in lower valuation of the Group's biological asset.

c) During the reporting year, the Group recorded a higher finance cost amounted USD32.5 million (2021: USD21.6 million), representing a YoY increase of 50.3%. The increase in overall finance cost was mainly a result of i) the continuing hikes of interest rates by the US Federal Reserve resulting in higher borrowing expenses for the Group's loan denominated in USD, ii) higher interest expenses pertaining to lease liabilities mainly a result of the Group's additional leases of land in connection with Pure Source Farm 3 and iii) additional borrowing drawdown especially in the last two months of the year to meet the expectations of funding needed in relation to Pure Source Farm 3 that will commence operation in 2023.

Profit for the year in 2022 was also impacted by a tax expense of USD2.0 million recorded by the Group in 2022 which is lower than that in 2021 of USD2.4 million. The lower income tax expense was mainly attributable to a one off deferred income tax expense recognised in 2021 amounting to USD0.6 million. Excluding the impact from deferred income tax in 2021, the Group recognised an increase of USD0.2 million of income tax during the reporting year. The slight increase in income tax is consistent with the higher revenue generated by the Group in 2022 which resulted in higher withholding taxes arising from the payment of royalty fees by the subsidiaries in Mainland China to the Company.

During the Reporting Year, basic and diluted earnings per Share of the Company (the "Share") was USD0.04 (2021: USD0.17 per Share).

Non-IFRS Financial Measures

To supplement our consolidated financial statements which are presented in accordance with IFRSs, we also use non-IFRS measures as additional financial measures, which are not required by, or presented in accordance with, IFRSs. We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items described below. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of these non-IFRS measures may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool and should not be considered in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

We add back share-based payment expenses and listing expenses to derive adjusted net profit from the year. We define EBITDA as profit for the year plus (i) depreciation of property, plant and equipment, (ii) depreciation of right-of-use assets, (iii) amortisation of intangible assets, (iv) interest expenses minus interest income and (v) income tax expenses. We add back share-based payment and listing expenses charged in profit or loss to EBITDA to derive adjusted EBITDA. Share-based payment expenses represent employee benefit expenses incurred in connection which are primarily non-cash in nature.

The following table sets out a reconciliation from profit for the year to non-IFRS measures for the financial years indicated:

	2022	2021
	USD'000	*USD'000*
Profit for the year	**23,394**	104,572
Add:		
Share based payment expenses	**13,395**	16,036
Listing expenses charged in profit or loss	**8,914**	–
Adjusted net profit (non-IFRS measure)	**45,703**	120,608
Profit for the year	**23,394**	104,572
Add:		
Depreciation of property, plant and equipment	**21,469**	18,692
Depreciation of right of use assets	**3,241**	2,828
Amortisation of intangible assets	**356**	345
Interest expenses	**32,527**	21,635
Income tax expenses	**2,049**	2,434
Less:		
Interest income	**(488)**	(611)
EBITDA (non-IFRS measure)	**82,548**	149,895
Add:		
Share based payment expenses	**13,395**	16,036
Listing expenses charged in profit or loss	**8,914**	–
Adjusted EBITDA (non-IFRS measure)	**104,857**	165,931

EBITDA (Non-IFRS Measure)

During the Reporting Year, EBITDA has decreased to USD82.5 million (2021: USD149.9 million) which represents a drop of 44.9%. The drop in EBITDA during the Reporting Year is mainly attributable to (i) decrease in overall gross profit by 25.7% during the Reporting Year, (ii) one off listing expenses recognised amounting to USD8.9 million in connection with the Company's initial public offering and global offering and (iii) higher losses from changes in fair value in other biological assets during the reporting year amounting to USD23.4 million (2021: USD11.3 million).

Adjusted EBITDA (Non-IFRS Measure)

During the Reporting Year, adjusted EBITDA has decreased to USD104.9 million (2021: USD165.9 million) which represents a drop of 36.8%. The drop in EBITDA during the Reporting Year is mainly attributable to (i) decrease in overall gross profit by 25.7% during the Reporting Year and (ii) higher losses from changes in fair value in other biological assets during the reporting year amounting to USD23.4 million (2021: USD11.3 million).

Adjusted Net Profit (Non-IFRS Measure)

During the Reporting Year, adjusted net profit decreased to USD45.7 million (2021: 120.6 million) which represents a drop of 62.1%. The drop is largely attributable to (i) overall decrease in gross profit to USD130.7 million (2021: USD175.9 million), which represents a drop of 25.7%, (ii) higher losses from changes in fair value in other biological assets during the Reporting Year amounting to USD23.4 million (2021: USD11.3 million) and (iii) higher financing costs amounting to USD32.5 million (2021: USD21.6 million).

Liquidity and Capital Resources

During the Reporting Year, the Group funded its cash requirements principally through a combination of cash generated from operating activities, bank borrowings and net proceeds from the global offering of the Company.

The following table sets forth our cash flows for the reporting years indicated:

	2022	2021
	USD'000	*USD'000*
Net cash flows from operating activities	**160,750**	114,794
Net cash flows used in investing activities	**(167,293)**	(223,643)
Net cash flows from financing activities	**44,539**	87,556
Net increase/(decrease) in cash and cash equivalents	**37,996**	(21,293)
Effects of foreign exchange rate changes, net	**(3,003)**	121
Cash and cash equivalents at the beginning of the year	**22,145**	43,317
Cash and cash equivalents at the end of the year	**57,138**	22,145

Net Cash Flows from Operating Activities

During the Reporting Year, net cash flows from operating activities was USD160.8 million. For the year ended 31 December 2021, net cash flows from operating activities was USD114.8 million.

Net Cash Flows Used in Investing Activities

During the Reporting Year, net cash flows used in investing activities was USD167.3 million, which was mainly attributable to (i) payments for biological assets of USD170.7 million and (ii) payments for purchases of property, plant and equipment of USD92.4 million, partially offset by the proceeds from the disposal of biological assets of USD95.0 million.

For the year ended 31 December 2021, net cash flows used in investing activities was USD223.6 million, which was mainly attributable to (i) payments for biological assets of USD132.7 million, (ii) payments for acquisition of subsidiaries of USD115.5 million and (iii) payments for purchases of property, plant and equipment of USD68.3 million, partially offset by the proceeds from the disposal of biological assets of USD92.0 million.

Interest-Bearing Borrowings

	2022			2021		
	Effective interest rate (%)	**Maturity**	***USD'000***	Effective interest rate (%)	Maturity	*USD'000*
Current						
Bank loans – secured	**3.8-5.08**	**2023**	**67,104**	3.85-5.22	2022	25,056
Current portion of long-term bank loans – secured	**4.21-7.29**	**2023**	**57,540**	4.13-7.3	2022	40,500
			124,644			65,556
Non-current						
Bank loans – secured	**4.21-7.29**	**2024-2028**	**187,282**	4.13-7.3	2023-2026	202,422
			311,926			267,978

	2022	2021
	USD'000	*USD'000*
Analysed into:		
Bank loans:		
Within one year or on demand	**124,644**	65,556
In the second year	**47,931**	70,024
In the third to fifth years, inclusive	**128,974**	132,398
Above five years	**10,377**	–
	311,926	267,978

Net Cash Flows Generated from Financing Activities

During the Reporting Year, net cash flows generated from financing activities was USD44.5 million which was mainly attributable to new interest-bearing bank borrowings of USD163.7 million and the gross proceeds received from the initial public offering of the Company's equity amounting to USD25.2 million, partially offset by (i) repayment of interest-bearing bank borrowings of USD98.7 million, (ii) principal portion of lease payments of USD21.7 million, and (iii) interest paid of USD21.9 million.

For the year ended 31 December 2021, net cash flows generated from financing activities was USD87.6 million which was mainly attributable to new interest-bearing bank borrowings of USD267.4 million, partially offset by (i) repayment of interest-bearing bank borrowings of USD147.4 million, (ii) principal portion of lease payments of USD14.4 million, and (iii) interest paid of USD13.9 million.

Contingent Liabilities and Pledge of Assets

As at 31 December 2022, certain of the Group's bank and other borrowings had been secured by the pledge of the Group's assets.

The Group's bank loans are secured by:

(i) As at 31 December 2022, deposits of USD860,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2021: USD930,000);

(ii) As at 31 December 2022, trade receivables of USD48,643,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2021: USD40,426,000);

(iii) As at 31 December 2022, inventories of USD81,575,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2021: USD65,504,000);

(iv) As at 31 December 2022, property, plant and equipment of USD49,735,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2021: USD40,530,000);

(v) As at 31 December 2022, biological assets of USD477,057,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2021: USD319,248,000);

(vi) As at 31 December 2022, right-of-use assets of USD1,925,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2021: Nil);

(vii) As at 31 December 2022, shares of a subsidiary of USD26,430,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2021: USD26,430,000);

(viii) As at 31 December 2022, investments in certain subsidiaries of USD336,967,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2021: USD336,967,000)

The Group did not have any significant contingent liabilities as at 31 December 2022 and 2021.

Employees

Our success depends on our ability to attract, retain and motivate talented employees. To this end, as part of our human resource strategy, we are committed to building the most competitive talent team in our industry. We primarily recruit our employees through on-campus job fairs, recruitment agencies and online channels. We provide regular training and reviews to our employees to continuously upgrade their skills in line with the industry trends and enhance their performance. Therefore, we can attract and retain talented employees and maintain a stable core management and technical team.

The total employee remuneration expenses (including directors and chief executive's remuneration, pension scheme contributions and share-based payments expenses) for the Reporting Period were approximately USD58.7 million (2021: USD57.4 million), representing an increase of 2.3% YoY.

STRATEGIES AND PROSPECTS

Our mission is to become one of the TOP 3 dairy farm operators in the world in terms of OPERATIONAL EFFICIENCY and ECO-SUSTAINABILITY. We focus on creating long-term value for our stakeholders in a responsible and sustainable way. To achieve our mission, we intend to pursue a comprehensive strategy focused on the following:

Further expand our dairy farms and diversify our customer base

Driven by government policies, consumers' increasing health and nutrition awareness in China, the demand for dairy products has been rapidly increasing, stimulating growth for dairy and raw milk suppliers. In January 2023, Pure Source 3, a newly-built large scale dairy farm has commenced operation, adding A2 special raw milk to our existing portfolio. We will also extend our reach to potential new customers close to the new farm locations, and further diversify our customer base.

Continue to develop our beef cattle business

While China has become the second largest nation in beef consumption, the beef consumption in China on a per capital basis was significantly lower compared to all developed countries and some of the developing countries. Therefore, there remains potential for growth in demand for beef in China as consumer taste continues to change and consumption catches up with other developed and developing countries. We have formed partnerships with food service companies in China such as Zuo Ting You Yuan (左庭右院) and premium beef processors. We plan to further expand and diversify our customer base in order to improve our reputation as a quality beef cattle supplier and to develop a resilient beef cattle business.

Our raw milk and beef cattle businesses work synergistically with each other. The experience, management systems and technologies developed from managing large-scale dairy farms and cow breeding can be transferred and applied to our beef cattle feedlots to enhance business growth. We also enjoy cost efficiencies through economies of scale and optimisation of resources such as land and our team of technical experts.

Enhance in-house integration through genetic breeding technology and feed mill operation to further improve our operational efficiency

Animal breeds and genetics are a key foundation for dairy farming and beef farming operations. Breakthroughs in genetic technology can increase productivity, lower disease and mortality rates, as well as lengthen the lifespans of dairy cows and beef cattle. We plan to build core herd centres and expand the genetic improvement programme in our farms with ET technology, which can enhance milk and beef cattle yields. We plan to use genomic testing and in vitro embryo production technology to rapidly build a core herd of cattle with desired genes and genetic traits, thereby boosting our production capacity and accelerating the genetic improvement of our existing dairy cows and beef cattle. With the support of these new technologies, we expect that our farms will achieve higher operational efficiency, larger production capacity and enhanced product quality. Our in-house pre-mix feed mill is scheduled to start production in March 2023, which will further improve feed quality and help us control feed costs.

Build a sustainable business with minimal environmental impact

We are committed to building a sustainable business and operating model that minimises our impact on the environment. We have set medium to long term sustainability targets. We will continue to improve our operational efficiency such as average milk yield to reduce the GHG emission per ton of raw milk produced. Our continued emphasis on animal welfare will also enable us to raise healthier cows and cattle, which in turn increases productivity and efficient use of resources such as feed and water. We will continue to explore new technologies and build additional facilities that increase resource usage efficiency and waste management. We will also explore the use of green energy such as photovoltaic power generation to generate electricity for our production activities.

USE OF PROCEEDS FROM THE LISTING

The Company's Shares were successfully listed on Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 December 2022 (the "**Listing Date**") with 30,640,000 Shares issued and net proceeds of approximately HK$101.4 million raised from the global offering of the Shares on the Stock Exchange (the "**Global Offering**"). Due to the proximity in time between the completion of the Global Offering and the year end date, the net proceeds from the Global Offering were unutilised as at 31 December 2022.

On 20 January 2023, the over-allotment option as described in the Prospectus was partially exercised by the Overall Coordinators (on behalf of the International Underwriters) with 606,000 additional Shares issued and additional net proceeds of approximately HK$3.88 million received by the Company. As of the date of this announcement, the total net proceeds of the Global Offering of a total of 31,246,000 Shares of approximately HK$105.28 million (the "**Net Proceeds**") remained unutilised.

Change in Use of Proceeds

As disclosed in the "Future Plans and Use of Proceeds" section in the Prospectus, the Company intended to use all of the Net Proceeds to build farm facilities and to purchase equipment for Pure Source Farm 4, where construction was at the time expected to commence in April 2023.

The Directors propose to change the use of proceeds to utilise the Net Proceeds for payments to contractors and equipment vendors of Pure Source Farm 3, which were originally expected to be satisfied with internally generated cash flows and bank loans. As disclosed in the Prospectus, Pure Source Farm 3, which is located in Shandong with expected holding capacity for 17,000 dairy cows and expected milking capacity for 7,000 milking cows, commenced development in April 2022 and commenced commercial production in January 2023 as planned. The Net Proceeds will be used to pay for (i) two milking equipment, (ii) 37 vehicle equipment for cow raising and feeding, (iii) cooling equipment and other breeding ancillary equipment and facilities and (iv) cow manure treatment facilities.

Reasons for the Change in Use of Proceeds

As disclosed in the Prospectus, the prices of raw milk have been volatile historically, primarily due to fluctuations in the supply and demand of dairy products, and consumption structure in the downstream dairy market is constantly changing. The Company routinely monitors raw milk prices and demand. While the Directors currently continue to expect an increase in the overall demand for mid-to-high-end dairy products in the longer term, the Directors have considered evolving market conditions. In particular, milk demand over the Chinese New Year celebrations, which is traditionally a period of strong consumer spending, was lower than expected, and an expected surge in milk demand following the long-awaited opening up of China and its relaxation of Covid-19 restrictions has not yet materialised. In light of such recently available data, the Company currently expects the outlook for milk prices and demand to remain muted in the short term. The Company has therefore decided to extend the construction period of Pure Source Farm 4 from April 2023 to Dec 2023, to April 2023 to Dec 2024. Correspondingly, the originally scheduled payments to contractors and equipment suppliers of Pure Source Farm 4 will be postponed until 2024.

The Directors believe that due to the decision to extend the construction period of Pure Source Farm 4, instead of depositing the Net Proceeds into short-term interest-bearing accounts pending deployment for Pure Source Farm 4, the Net Proceeds would be better utilised to pay for the construction of Pure Source Farm 3 which has completed construction and commenced commercial production in January 2023 as planned. As the construction of Pure Source Farm 3 was originally intended to be financed partly by bank loans, the utilisation of the Net Proceeds on Pure Source Farm 3 will reduce bank borrowings that would otherwise be needed to pay the contractors of and suppliers to Farm 3 and would therefore be a better use of the Company's financial resources.

The revised use of proceeds is set out below:

Use of Proceeds	Percentage of Total Net Proceeds	Approximate Amount	Actual Usage up to 31 December 2022	Unutilised Net Proceeds as at 31 December 2022	Expected Timeline for Utilisation of Proceeds
(i) two milking equipment	9.5%	HK$10.02 million	Nil	HK$10.02 million	Before 30 April 2023
(ii) 37 vehicle equipment for cow raising and feeding	10.9%	HK$11.5 million	Nil	HK$11.5 million	Before 30 April 2023
(iii) cooling equipment and other breeding ancillary equipment and facilities	76.0%	HK$80.04 million	Nil	HK$80.04 million	Before 30 April 2023
(iv) cow manure treatment facilities	3.6%	HK$3.72 million	Nil	HK$3.72 million	Before 30 April 2023
Total	100%	HK$105.28 million		HK$105.28 million[1]	

[1] After the completion of the partial exercise of the Over-allotment Option on 20 January 2023.

The Board's views

The Board will closely monitor the utilisation of the Net Proceeds. The Board further confirms that there is no material change in the business of the Group as set out in the Prospectus. The Board considers that the proposed change in use of the Net Proceeds will not have any material adverse impact on the operations of the Group and is in the interests of the Company and the shareholders of the Company as a whole.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, sold or redeemed any of Company's securities listed on the Stock Exchange during the period from the Listing Date up to 31 December 2022.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2022.

ANNUAL GENERAL MEETING

The annual general meeting will be scheduled on Wednesday, 7 June 2023 (the "**AGM**"). A notice convening the AGM of the Company will be issued and dispatched to the shareholders of the Company (the "**Shareholders**") in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 2 June 2023 to Wednesday, 7 June 2023 (both days inclusive), during which period no transfer of shares will be registered. All transfer documents of the Company accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 1 June 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining good corporate governance so as to deliver long-term and sustained value for the Shareholders.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Part 2 of the Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the basis of the Company's corporate governance practices, and the Corporate Governance Code has been applicable to the Company with effect from the Listing Date.

To the best knowledge of the Directors, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code during the period from the Listing Date up to 31 December 2022.

Further information concerning the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2022.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in the Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions, and the Model Code has been applicable to the Company with effect from the Listing Date.

The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company since the Listing Date. All Directors have confirmed, following specific enquiry made by the Company, that they have complied with the guidelines contained in the Model Code during the period from the Listing Date up to 31 December 2022.

No incident of non-compliance of the Model Code was noted by the Company since the Listing Date and up to the date of this announcement.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and statement of comprehensive income, the related notes thereto for the year ended 31 December 2022 as set out in the announcement have been agreed by the Group's independent auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the announcement.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transaction (if any) and provide advice and comments to the Board. The audit committee of the Company (the "**Audit Committee**") consists of one non-executive Director, namely Mr. HIRATA Toshiyuki, and two independent non-executive Directors, namely Mr. SUN Patrick and Mr. CHANG Pan, Peter. Mr. SUN Patrick (being our independent non-executive Director with the appropriate professional qualifications) is the chairman of the Audit Committee.

The Audit Committee had, together with the management of the Company, reviewed the consolidated financial statements of the Group for the year ended 31 December 2022 and the accounting principles and policies adopted by the Group. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company, internal control and financial reporting matters with senior management members of the Group. The Audit Committee considers that this announcement is in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company at www.austasiadairy.com. The Company's annual report for the year ended 31 December 2022 will be dispatched to the Shareholders and published on the aforementioned websites in due course.

APPRECIATION

The Company would like to take this opportunity to thank the management and all our employees for the contribution they have made towards the Group's continued progress and to our shareholders, valuable customers, and business partners for their support.

By order of the Board
AustAsia Group Ltd.
TAN Yong Nang
Executive Chairman

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.