*The following discussion of our financial condition and results of operations should be read in conjunction with our historical financial information and the accompanying notes of the Group included as Appendix I to this prospectus. The historical financial information included as Appendix I has been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**").*

The discussion and analysis of financial information in this section may contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this prospectus, including the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires or unless otherwise indicated, references to 2019, 2020, 2021 refer to the financial years ended 31 December of such years.

OVERVIEW

We are one of the top five dairy farm operators in China, providing premium raw milk to a well-diversified customer base of downstream dairy product manufacturers. We derived our revenues from (i) raw milk business: the production and sales of raw milk, (ii) beef cattle business: the raising and sales of beef cattle, and (iii) ancillary business: the sales of branded milk products.

We are the first dairy farm operator in China to design, build and operate large-scale and standardised dairy farms with over 10,000 heads of dairy cows, according to Frost & Sullivan. In June 2021, we acquired Falcon Dairy Holdings Limited, the parent of Pure Source Dairy, which owned two dairy farms in Shandong ("**Pure Source dairy farms**") and two additional sites of land in Shandong. As of the Latest Practicable Date, we owned and operated ten dairy farms in China, with an aggregate gross land area of approximately 14,657 mu. As of 30 June 2022, we had a total herd size of 111,424 heads of dairy cows, 57,383 of which were milkable cows.

We have achieved and consistently maintain high operational efficiency and product quality. According to Frost & Sullivan, we have been ranked No. 1 in China in terms of average milk yield per milkable cow, the key indicator of the productivity and efficiency of dairy farms, for seven consecutive years from 2015 to 2021. In 2021, our annualised average milk yield per milkable cow reached 12.7 tons/year, far exceeding the industry average of 8.7 tons/year and the average of the top five dairy farm operators in terms of annualised average milk yield per milkable cow in China of 11.5 tons/year.

We have established an integrated and synergistic business model. Driven by the increasing demand for beef in China, we have developed our beef cattle business in China since 2018. As of 30 June 2022, we owned and operated two large-scale beef cattle feedlots in China with 28,152 heads of beef cattle, 26,566 of which were Holstein beef cattle. According to Frost & Sullivan, we were the eleventh largest beef cattle farming company in China in terms of the number of beef cattle in 2021.

We have experienced rapid growth over the Track Record Period. The increase in China's milk consumption and the emergence of new dairy brands in recent years has driven demand for premium dairy products and quality raw milk supply. In addition, the increased demand for beef in China has driven demand for our beef cattle. Our revenue from continuing operations increased from US$351.5 million in 2019 to US$521.9 million in 2021, representing a CAGR of 21.9%, and increased by 15.4% from US$241.2 million in the six months ended 30 June 2021 to US$278.3 million in the six months ended 30 June 2022. Our EBITDA from continuing operations, a non-IFRS measure, was US$104.4 million, US$130.4 million, US$149.9 million, US$99.2 million and US$57.8 million in 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022. Our net profit from continuing operations was US$74.6 million, US$99.1 million, US$104.6 million, US$80.0 million and US$29.8 million in 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022. Our adjusted net profit, a non-IFRS measure, was US$75.5 million, US$104.0 million, US$120.6 million, US$85.9 million and US$41.3 million in 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022. See "*Financial Information – Non-IFRS Financial Measures*".

BASIS OF PREPARATION

In January 2019, we acquired 100% equity interest of AIH2 from Japfa. In April 2020, we acquired 100% equity interest of Dongying AustAsia Beef from Japfa China Investments Pte. Ltd., a subsidiary fully controlled by Japfa. See "*History and Corporate Structure*" for further details. Since the Group, AIH2 and Dongying AustAsia Beef are under common control of Japfa, our acquisition of AIH2 and Dongying AustAsia Beef had been accounted for as a combination of entities under common control with the pooling of interest method applied as if such acquisition had been completed at the date when the Group, AIH2 and Dongying AustAsia Beef came under the common control of the ultimate holding company. The assets and liabilities of AIH2 and Dongying AustAsia Beef were included using the existing book values from the ultimate holding company's perspective. No adjustments were made to reflect fair value or recognise any new assets or liabilities as a result of such acquisition. The results and cash flow of AIH2 and Dongying AustAsia Beef were included since the date when AIH2, Dongying AustAsia Beef and the Group came under common control of the ultimate holding company. The contribution from the ultimate holding company to AIH2 and Dongying AustAsia Beef and the consideration paid for the acquisition of AIH2 and Dongying AustAsia Beef are accounted for as an equity transaction in merger reserve in the consolidated statement of changes in equity. All intra-group transactions and balances have been eliminated on consolidation.

In April 2020, we restructured our dairy business by disposing our entire interest in GDS, which were certain wholly-owned subsidiaries operating the South East Asia business, to Japfa. During the Track Record Period, GDS was classified as a discontinued operation and the business is not included in the note for operating segment information. The consideration amounting to US$71.6 million was settled via capital reduction in the Company's share capital during 2020. See "*– Description of Major Components of Our Results of Operations – Discontinued Operation*" and Note 12 to the Accountants' Report included in Appendix I to this prospectus for further details.

The historical financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"). The historical financial information has been prepared under the historical cost convention, except for derivative financial instruments, biological assets and equity investment designated at fair value through other comprehensive income which have been measured at fair value. See Note 2.4 to the Accountants' Report included in Appendix I to this prospectus.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Herd Size and Quality

We believe our long-term growth depends largely on our ability to expand our herd size and optimise our herd quality. We were one of the pioneers to use genetic breeding technology in China's dairy industry to improve our herd quality. According to Frost & Sullivan, we were among the first to implement IVF and ET technology in our dairy farms. Compared to the common industry practice of relying frozen bovine semen, the use of IVF technology can significantly shorten generation interval, effectively increase pregnancy rates, optimise genetic traits and productivity of dairy cows.

In addition, our beef cattle business operates synergistically with our raw milk business. All of our beef cattle are from our dairy farms. We have been driving the sustainable growth of our business model as we continue optimising our dairy herd quality to develop our beef cattle business. By using steers from our dairy herd for our beef cattle stock, we are also able to improve the genetic traits and healthy conditions of our beef cattle herd.

Leveraging our advanced breeding technology, the size of our dairy cows and beef cattle herds expanded significantly during the Track Record Period, which contributed to the growth of our raw milk business and beef cattle business. Our dairy herd size (from continuing operations) increased by 29.5% while our beef cattle herd size increased by 64.8% during the Track Record Period.

The following table presents the number of our dairy and beef cattle herds during the Track Record Period:

	As of 31 December			As of 30 June
	2019	2020	2021	2022
	(head)			
Dairy cow herd	101,770(1)	91,779	106,174	111,424
– Milkable cows	54,225(2)	46,680	53,735	57,383
Beef cattle herd	17,086	19,386	25,414	28,152
– Finishers	3,821	5,374	7,378	9,650

Notes:

(1) Including 15,730 dairy cows from the discontinued operation.

(2) Including 8,939 milkable cows from the discontinued operation.

Average Milk Yield per Milkable Cow

Our operating results are directly affected by our average milk yield per milkable cow, which is the key indicator of the productivity and efficiency of dairy farms. Milk yield is affected by a number of factors, including a cow's stage of lactation, breed, gene, feed and health, as well as the geographic location, climatic conditions and the management of the dairy farms. Three of our dairy farms are located within the "Golden Raw Milk Belt" in Inner Mongolia and enjoy favourable climates and approximate to high quality feed material. We have also taken a number of steps to improve our average milk yield per milkable cow, including:

- improving the genetic quality of our herds with our genetic improvement programme;

- optimising the nutrition intake for our dairy cows through precision feeding and real-time monitoring;

- scientific design and standardised management of our large-scale dairy farms with advanced equipment and systems;

- maintenance of comfortable living environment for our dairy cows;

- regular and systematic culling of milkable cows with low yields to improve our herds; and

- implementing strict disease control measures.

Benefiting from the foregoing measures, we have achieved an industry-leading average milk yield per milkable cow in China. According to Frost & Sullivan, we have been ranked No. 1 in China in terms of average milk yield per milkable cow for seven consecutive years from 2015 to 2021. In 2021, our annualised average milk yield per milkable cow reached 12.7 tons/year, far exceeding the industry average of 8.7 tons/year and the average for the top five dairy farm operators in China of 11.5 tons/year. In terms of individual dairy farm ranking in 2019, 2020 and 2021, we had six, seven and five dairy farms, respectively, ranked among the top ten large-scale dairy farms with over 10,000 heads of dairy cows in China in terms of annualised average milk yield per milkable cow, according to Frost & Sullivan. We will continue to optimise our dairy farm operations, which is expected to further improve the average milk yield per milkable cow.

Product Pricing

Our growth in revenues and profitability during the Track Record Period was partially attributable to the increase in the average selling prices of our raw milk and beef cattle.

- *Raw milk*. The selling prices of our raw milk are generally determined based on quality indicators (such as the protein content) as well as prevailing market prices. During the Track Record Period, our raw milk was sold at a premium to the market average selling prices primarily due to the consistently higher quality of our raw milk. Our raw milk quality has continuously surpassed market standards as measured by the key quality indicators. Given the increasing feeds price and the rising demand for high-end dairy products, we expect the average selling price of our raw milk to continue to increase or remain stable in the next one to two years, which is line with the industry outlook, according to Frost & Sullivan. In addition, our Controlling Shareholders are not among our downstream customers, which enables us to have greater flexibility in the pricing of our raw milk. 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), New Hope Dairy (新希望乳業), Junlebao (君樂寶), Jiabao (佳寶) and Classykiss (卡士)), to emerging brands (such as Chi Forest (元氣森林) and Honest Dairy (簡愛)). In 2021, our largest customer and top five customers in that year accounted for 27.4% and 65.7% of our total revenue from continuing operations, respectively, which are lower than the average of the other top five peers of 76.5% and 85.7%, according to Frost & Sullivan.

- *Beef cattle*. The selling prices of our beef cattle are results from our negotiations with customers taking into account quality and current market prices. We typically negotiate and set the selling prices of our beef cattle monthly.

Cost Management and Operational Efficiencies

The profitability of our business depends largely on our ability to effectively control costs and enhance operational efficiency. We require a substantial amount of raw materials, and a continuous and stable supply of raw materials that meet our requirements and quality standards to support our operations. Our raw materials are mainly feed and feed additives. Our feed primarily include silage (mainly made from corn and alfalfa), forage grass (primarily alfalfa and oat hay), corn and soybean-based products. Our feeding costs accounted for 70.9%, 73.3%, 71.7%, 70.3% and 72.9% of our cost of sales before raw milk fair value adjustments and beef cattle cumulative fair value adjustments in 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022. As with most agricultural products, the cost and available supply of our feed are generally subject to market conditions, which may be affected by a number of factors over which we have limited or no control. For example, the ongoing conflict between Russia and Ukraine, which are major producers of agricultural products, has resulted in an increase in the prices of certain commodities. If such increases persist and affect the raw materials that we require for our business, our cost of sales could increase, which will in turn negatively affect our profitability going forward.

Although we grow a portion of our crops around our own farms, we currently purchase the majority of our feed from third-party suppliers. We have adopted various measures to mitigate the impact of fluctuations in feed prices, including flexibility to adjust feed formula while adhering to nutritional standards, diversifying our feed ingredients so that the price fluctuation of one ingredient would not exert material impact on our feeding costs, and maintaining diversified supply channels. In particular, in view of the rise in feed ingredients price in recent years, we aim to actively manage our feeding costs and inventory. We have been sourcing feed from a number of suppliers who offer diverse and high-quality forage grass in China and overseas.

In addition, alongside our dual capacity and synergies to operate both raw milk business and beef cattle business, we have been leveraging our economies of scale and integrated farming model to increase productivity, enhance bargaining power over our source suppliers, reduce operating costs, and thus achieve higher operation efficiency. We have been optimising our farm design and operating procedures for our large-scale dairy farms, aiming to improve production efficiency and reduce unit production cost through highly automated production processes, and to ensure consistent product quality through real-time monitoring and precise control of the entire production process. As of 30 June 2022, we have a total of ten large-scale dairy farms and two beef cattle feedlots. Our large-scale standardised dairy farms, modern and scientific operations, and advanced technologies and facilities contribute to our long-term profit growth. Our integrated farming model facilitates the sharing of resources, technologies and talents and helps us achieve significant synergies across different business segments.

Government Support

The PRC government has been a key advocate in promoting the development of the dairy and beef cattle industry in China. We have in the past significantly benefited from various forms of government support and favourable government policies implemented by the PRC government at the national and local level. For example, the State Council of the PRC promulgated the Opinions on Revitalisation of the Dairy Industry and Ensuring Quality and Safety of Dairy Products (關於推進奶業振興保障乳品質量安全的意見)

in 2018, to promote the development of large-scale, standardised dairy farms and the self-sufficiency of milk products supply in China. The State Council of the PRC further issued Certain Guidelines on Prioritising the Development of Agriculture and Rural Areas and Accomplishing the Work Relating to Agriculture, Rural Areas and Rural Residents (關於堅持農業農村優先發展做好"三農"工作的若干意見) in 2019, which calls for the revitalisation of the dairy industry in China and the large-scale planting and production of high-quality forage grass, including alfalfa hay. In addition, the Ministry of Agriculture and Rural Affairs of the PRC issued the Five-year Action Plan to Promote the Development of Beef Cattle and Sheep Production (《推進肉牛肉羊生產發展五年行動方案》), which calls for expansion of beef production and large-scale beef breeding, and increase in beef supply through multiple channels. The State Council of the PRC promulgated the Opinions of the General Office of the State Council on Promoting the High-quality Development of the Animal Husbandry Industry (國務院辦公廳關於促進畜牧業高質量發展的意見) in 2020, to promote the construction of modern livestock breeding, animal epidemic prevention, and continuously enhance the quality efficiency and competitiveness of animal husbandry. For further information about such government support and favourable government policies, see "*Regulatory Overview*". These government support and favourable government policies in the form of government grants, insurance premium subsidies, preferential tax policies and land use rights have provided strong support for our business operations, especially the construction of large-scale dairy and beef cattle farms. With such government support, we have continued to expand our business and have benefited from government grants and preferential tax policies during the Track Record Period. For example, our raw milk and beef cattle businesses in China are exempted from enterprise income tax for the operation of agricultural business. We expect to continue to benefit from favourable government policies in the foreseeable future.

Changes in Fair Value of Biological Assets

Our results of operations are affected by changes in fair value less costs to sell of biological assets in respect of our dairy cows, beef cattle and forage plants. We are required under IFRSs to recognise such changes under "gains/(losses) arising from changes in fair value less costs to sell of biological assets". This line item represents fair value changes of our biological assets due to the changes in physical attributes and market prices of our biological assets and the changes in discounted future cash flow to be generated from our biological assets, in particular, dairy cows and beef cattle. During the Track Record Period, our biological assets were revalued at each reporting date. The fair value of our dairy cows and beef cattle at the end of each reporting period was determined by our independent qualified professional valuer. For more information about the valuation methods applied in valuing the biological assets, see "– *Valuation of Biological Assets*" and Note 2.4 to the Accountants' Report included as Appendix I to this prospectus. In applying these valuation methods, our independent qualified professional valuer has relied on a number of assumptions, related to, among other things, the quantity and quality of our dairy cows herd, body weight of biological assets, market price of biological assets and changes in the dairy and beef farming industries. Such parameters and assumptions utilised by the independent professional valuer may be more favourable than the actual historical rates. While these parameters and assumptions as adopted in the valuation process have been consistent with our actual historical results, we cannot guarantee that there will be no significant deviation in the future and that the resulting adjustments will not be highly volatile or susceptible to significant fluctuations from period to period.

In addition to the revaluing of unsold beef cattle as of the end of the reporting period, we also revalued our beef cattle being sold at the time of sale using the actual selling price. Unlike dairy cows which are held to produce raw milk, our beef cattle, just like our raw milk, are held for sale and are considered as inventories in nature. As sale of beef cattle business is one of our ordinary activities, like sale of raw milk business, the fair value changes of beef cattle (including unrealised fair value gains on beef cattle that remains unsold) are included in the gross profit. Changes in fair value by revaluing the beef cattle being sold are to be recorded as our cost of sales. As a result, for any given period, the gross profit of our beef cattle business equals the sum of (i) unrealised fair value gains of beef cattle that remains unsold during the period; and (ii) realised fair value gains of beef cattle sold during the period. Separately, gain on any given beef cattle would be the cumulative fair value gain we recorded on the beef cattle, being the sum of (i) the unrealised fair value gain recorded in the previous periods, as of which the beef cattle remained unsold; and (ii) the realised fair value gain in the period in which the beef cattle is sold. Such cumulative gain, which is primarily affected by the feeding costs and average selling prices of our beef cattle, would be a closer proximity for the profit we made off the beef cattle sold. For the unrealised gains on dairy cows and forage plants, we will not realise such fair value gain until the dairy cow is culled or disposed of or the forage plant is consumed. In 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022, we recorded unrealised fair value gains on our biological assets from continuing operations (including dairy cows, beef cattle and forage plants) of US$48.7 million, US$48.6 million, US$63.8 million, US$49.2 million and US$32.0 million, respectively, and after excluding such unrealised gains, our profit for the year/period from continuing operations would have been US$25.9 million, US$50.5 million, US$40.9 million, US$30.8 million and loss of US$2.1 million, respectively. Unrealised adjustments do not affect our cash flow. We expect that our results of operations will continue to be affected by the changes in the fair value of the biological assets.

The following table sets forth our profits before and after excluding the unrealised fair value gains on biological assets for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	(US$'000, except for percentages)				
Gross profit					
Before the adjustment on unrealised fair value gains on biological assets	112,468	135,166	159,121	73,256	64,926
After the adjustment on unrealised fair value gains on biological assets	121,561	150,210	175,897	80,602	68,110
Gross profit margin					
Before the adjustment on unrealised fair value gains on biological assets	32.0%	33.4%	30.5%	30.4%	23.3%
After the adjustment on unrealised fair value gains on biological assets	34.6%	37.1%	33.7%	33.4%	24.5%
Profit/(loss) for the year/period from continuing operations					
Before the adjustment on unrealised fair value gains on biological assets	25,914	50,453	40,858	30,803	(2,149)
After the adjustment on unrealised fair value gains on biological assets	74,630	99,079	104,572	80,043	29,842
Net profit/(loss) margin					
Before the adjustment on unrealised fair value gains on biological assets	7.4%	12.5%	7.8%	12.8%	(0.8)%
After the adjustment on unrealised fair value gains on biological assets	21.2%	24.5%	20.0%	33.2%	10.7%

Our results of operations are also affected by fair value of raw milk recognised at milking, and subsequently charged as cost of sales at the time of sale or consuming. As required by the IFRSs, agricultural produces (including raw milk) are recognised at their fair value less costs to sell at the point of harvest. The fair value is determined based on the market price quoted in the local area, and cost to sell is the incremental costs directly attributable to the disposal of an asset, mainly transportation cost but excluding finance costs and income taxes. The resulting gain or loss of recognition of such fair value, being the difference between the fair value less costs to sell of such raw milk, and the breeding costs incurred, is recognised in profit or loss for that period. Meanwhile, the gain or loss recognised is charged as cost of sales upon subsequent sales or internal consumption of such raw milk as part of the cost of inventories sold and recorded as "gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest". Any agricultural products that are not sold or consumed during the period in which it was harvested will remain as inventory. During the Track Record Period, as we have always sold or consumed our raw milk at the day of milking, the gain from initial recognition of raw milk has always been the same as the raw milk fair value adjustments on our cost of sales. For example, in 2021, US$153.8 million is recorded under "gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest", and also included under "raw milk fair value adjustments" of cost of sales, which could be offset accordingly. Going forward, as we plan to sell or consume substantially all of the raw milk during the period in which it was produced, and we do not expect any net gain recognised will have a substantial turn-around impact on our operating margin after fair value changes.

The aggregate gain or loss arising on initial recognition of raw milk and from the changes in fair value less costs to sell of biological assets from continuing operations is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
			(US$'000)		
				(unaudited)	
Gains/(losses) arising from changes in fair value less costs to sell of dairy cows	(7,966)	(13,948)	(10,744)	16,638	2,190
Gains/(losses) arising from changes in fair value less costs to sell of forage plants	(1,727)	(684)	(572)	89	(219)
Gains arising from changes in fair value less cost to sell of beef cattle	13,460	21,850	19,590	9,280	1,020
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest	108,128	128,253	153,770	70,352	65,959
	111,895	135,471	162,044	96,359	68,950

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. Our significant accounting policies are discussed under Note 2.4 to the Accountants' Report included in this prospectus. We believe the following critical accounting policies are affected by significant judgements and estimates used in the preparation of our consolidated financial statements and that the judgements and estimates are reasonable.

Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sales of raw milk

Revenue from these sales is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

(b) Sales of beef cattle

Revenue from sales of cattle is recognised when the beef cattle are collected by customers.

(c) Sales of milk products

We sell milk products to distributors and end customers (collectively as "customers"). Revenue from sales of these products is recognised when the goods have been delivered to customers.

Biological Assets

Biological assets are measured on initial recognition and at the end of the reporting period at their fair value less costs to sell, with any resultant gain or loss recognised in the profit or loss for the period in which it arises. Biological assets comprise of dairy cows, beef cattle and forage plants.

Dairy cows and beef cattle

Dairy cows, including milkable cows, heifers and calves, and our beef cattle, are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell, with any resultant gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income for the period in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation costs and excluding finance costs and income taxes.

The fair value is determined based on their present location and condition and is determined independently by professional valuers. The fair value of heifers and calves, and beef cattle for which there are active markets is determined by reference to the quoted market prices. For milkable cows for which there is no active market, fair value is determined by valuation techniques, for example discounted cash flow techniques, etc.

The feeding costs and other related costs including the depreciation charge, utility costs and consumables incurred for the raising of heifers and calves are capitalised, until such time as the heifers and calves begin to produce milk.

Forage plants

The immature corn and sorghum plantation costs consist of field preparation, planting, fertilising and maintenance and an allocation of other related cost. In general, a corn plantation and a sorghum plantation take about three months to reach maturity from the time the seedings are planted.

Plantations in initial stages of growth are stated at cost as market-determined prices or values are not available.

Plantations close to harvest and the harvested product of our wet corn and sorghum are measured at fair value less estimated point-of-sale costs. The fair value was determined based on the actual selling prices in the local market at the point of harvest and less estimated point-of sale costs.

Gains or losses arising on initial recognition of plantations at fair value less estimated point-of-sale costs and the change in fair value less costs to sell of plantations at each reporting date are included in the statement of profit or loss for the period in which they arise.

Upon harvest, the forage plants are transferred to inventories for feeding the dairy cows and beef cattle.

Property, Plant and Equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognise such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

- Buildings and site facilities: 4.5%-5%
- Machinery and equipment: 9%-10%
- Office furniture and fixtures: 18%-20%
- Motor vehicles: 18%-20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Leases – Estimating the incremental borrowing rate

We cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that we would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what we "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). We estimate the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Estimation of fair value of dairy cows and beef cattle

Our dairy cows and beef cattle are measured at fair value less costs to sell. The fair value of dairy cows and beef cattle is determined based on either the market-determined prices as of the end of each reporting period adjusted with reference to the species, age, growing condition, cost incurred and expected yield of the milk to reflect differences in characteristics and/or stages of growth of dairy cows; or the present value of expected net cash flows from the dairy cows and beef cattle discounted at a current market-determined rate, when market-determined prices are unavailable. See the section headed *"– Valuation of Biological Assets*". Any changes in the estimates may affect the fair value of the dairy cows and beef cattle significantly. The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in fair value of dairy cows and beef cattle. Further details are given in Note 22 to the Accountants' Report in Appendix I to this prospectus.

Impairment of non-financial assets (other than goodwill)

We assess whether there are any indicators of impairment for all non-financial assets (including the right of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The table below sets forth our consolidated statements of profit or loss for the periods indicated:

	For the year ended 31 December												For the six months ended 30 June							
	2019				2020				2021				2021				2022			
	Results before biological fair value adjustments	Biological fair value adjustments	Total		Results before biological fair value adjustments	Biological fair value adjustments	Total		Results before biological fair value adjustments	Biological fair value adjustments	Total		Results before biological fair value adjustments	Biological fair value adjustments	Total		Results before biological fair value adjustments	Biological fair value adjustments	Total	
		US$'000		*% of Revenue*		*US$'000*		*% of Revenue*		*US$'000*		*% of Revenue*		*US$'000 (unaudited)*		*% of Revenue*		*US$'000*		*% of Revenue*
Continuing Operations																				
Revenue	**351,505**	**–**	**351,505**	**100.0**	**404,792**	**–**	**404,792**	**100.0**	**521,921**	**–**	**521,921**	**100.0**	**241,166**	**–**	**241,166**	**100.0**	**278,291**	**–**	**278,291**	**100.0**
Cost of sales	(233,858)	(117,674)	(351,532)	(100.0)	(254,700)	(149,985)	(404,685)	(100.0)	(343,851)	(175,533)	(519,384)	(99.5)	(162,842)	(77,354)	(240,196)	(99.6)	(209,920)	(67,240)	(277,160)	(99.6)
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest	–	108,128	108,128	30.8	–	128,253	128,253	31.7	–	153,770	153,770	29.5	–	70,352	70,352	29.2	–	65,959	65,959	23.7
Gains arising from changes in fair value less costs to sell of beef cattle	–	13,460	13,460	3.8	–	21,850	21,850	5.4	–	19,590	19,590	3.8	–	9,280	9,280	3.8	–	1,020	1,020	0.4
Gross profit	**117,647**	**3,914**	**121,561**	**34.6**	**150,092**	**118**	**150,210**	**37.1**	**178,070**	**(2,173)**	**175,897**	**33.7**	**78,324**	**2,278**	**80,602**	**33.4**	**68,371**	**(261)**	**68,110**	**24.5**
Other income and gains	4,951	–	4,951	1.4	5,930	–	5,930	1.5	13,968	–	13,968	2.7	10,098	–	10,098	4.2	4,058	–	4,058	1.5
Gains/(losses) arising from changes in fair value less costs to sell of other biological assets	–	(12,047)	(12,047)	(3.4)	–	(14,163)	(14,163)	(3.5)	–	(11,316)	(11,316)	(2.2)	–	16,727	16,727	6.9	–	1,971	1,971	0.7

	For the year ended 31 December												For the six months ended 30 June							
	2019				2020				2021				2021				2022			
	Results before biological fair value adjustments	Biological fair value adjustments	Total		Results before biological fair value adjustments	Biological fair value adjustments	Total		Results before biological fair value adjustments	Biological fair value adjustments	Total		Results before biological fair value adjustments	Biological fair value adjustments	Total		Results before biological fair value adjustments	Biological fair value adjustments	Total	
		US$'000		% of Revenue		US$'000		% of Revenue		US$'000		% of Revenue		US$'000 (unaudited)		% of Revenue		US$'000		% of Revenue
Selling and distribution expenses	(4,193)	–	(4,193)	(1.2)	(632)	–	(632)	(0.2)	(540)	–	(540)	(0.1)	(234)	–	(234)	(0.1)	(158)	–	(158)	(0.1)
Administrative expenses	(16,394)	–	(16,394)	(4.7)	(24,173)	–	(24,173)	(6.0)	(43,028)	–	(43,028)	(8.2)	(17,025)	–	(17,025)	(7.1)	(25,283)	–	(25,283)	(9.1)
Impairment losses on financial assets	–	–	–	–	–	–	–	–	(4,900)	–	(4,900)	(0.9)	–	–	–	–	–	–	–	–
Other expenses	(4,716)	–	(4,716)	(1.3)	(3,374)	–	(3,374)	(0.8)	(1,440)	–	(1,440)	(0.3)	(563)	–	(563)	(0.2)	(3,384)	–	(3,384)	(1.2)
Finance costs	(14,405)	–	(14,405)	(4.1)	(13,605)	–	(13,605)	(3.4)	(21,635)	–	(21,635)	(4.1)	(8,711)	–	(8,711)	(3.6)	(14,413)	–	(14,413)	(5.2)
Profit before tax from continuing operations	**82,890**	**(8,133)**	**74,757**	**21.3**	**114,238**	**(14,045)**	**100,193**	**24.8**	**120,495**	**(13,489)**	**107,006**	**20.5**	**61,889**	**19,005**	**80,894**	**33.5**	**29,191**	**1,710**	**30,901**	**11.1**
Income tax expense	(127)	–	(127)	(0.0)	(1,114)	–	(1,114)	(0.3)	(2,434)	–	(2,434)	(0.5)	(851)	–	(851)	(0.4)	(1,059)	–	(1,059)	(0.4)
Profit for the year/period from continuing operations	**82,763**	**(8,133)**	**74,630**	**21.2**	**113,124**	**(14,045)**	**99,079**	**24.5**	**118,061**	**(13,489)**	**104,572**	**20.0**	**61,038**	**19,005**	**80,043**	**33.2**	**28,132**	**1,710**	**29,842**	**10.7**
Discontinued operation																				
Loss for the year/period from a discontinued operation	(9,417)	2,354	(7,063)	(2.0)	(2,770)	(469)	(3,239)	(0.8)	–	–	–	–	–	–	–	–	–	–	–	–
Profit for the year/period	**73,346**	**(5,779)**	**67,567**	**19.2**	**110,354**	**(14,514)**	**95,840**	**23.7**	**118,061**	**(13,489)**	**104,572**	**20.0**	**61,038**	**19,005**	**80,043**	**33.2**	**28,132**	**1,710**	**29,842**	**10.7**
Attributable to:																				
Owners of the parent	73,346	(5,779)	67,567	19.2	110,354	(14,514)	95,840	23.7	118,061	(13,489)	104,572	20.0	61,038	19,005	80,043	33.2	28,132	1,710	29,842	10.7

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 you should not consider them 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/period. We define EBITDA as profit for the year/period from continuing operations 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 expenses to EBITDA to derive adjusted EBITDA. Share-based payment expenses represent employee benefit expenses incurred in connection with the AIH PSP and SARs, which are primarily non-cash in nature.

The following table sets out a reconciliation from profit for the year/period from continuing operations to non-IFRS measures for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
			(US$'000)		
Profit for the year/period from continuing operations	**74,630**	**99,079**	**104,572**	**80,043**	**29,842**
Add:					
Share-based payment expenses[1]	897	4,927	16,037	5,811	6,864
Listing expenses charged in profit or loss	–	–	–	–	4,545
Adjusted net profit (non-IFRS measure)	**75,527**	**104,006**	**120,609**	**85,854**	**41,251**
Profit for the year/period from continuing operations	**74,630**	**99,079**	**104,572**	**80,043**	**29,842**
Add:					
Depreciation of property, plant and equipment	13,282	14,599	18,692	8,632	10,488
Depreciation of right-of-use assets	1,949	2,120	2,828	1,143	2,069

	For the year ended 31 December			**For the six months ended 30 June**	
	2019	**2020**	**2021**	**2021**	**2022**
			(US$'000)		
Amortisation of intangible assets	325	311	345	166	185
Interest expenses	14,405	13,605	21,635	8,711	14,413
Income tax expenses	127	1,114	2,434	851	1,059
Less:					
Interest income	(337)	(472)	(611)	(320)	(249)
EBITDA (Non-IFRS measure)	**104,381**	**130,356**	**149,895**	**99,226**	**57,807**
Add:					
Share-based payment expenses(1)	897	4,927	16,037	5,811	6,864
Listing expenses charged in profit or loss	–	–	–	–	4,545
Adjusted EBITDA (Non-IFRS measure)	**105,278**	**135,283**	**165,932**	**105,037**	**69,216**

Note:

(1) Under the terms of the AIH PSP and SARs, the settlement of outstanding grants and vested SARs may involve the use of cash. Separately, the RSU Scheme we adopted on [●] 2022 can also involve the payment of cash to a trustee to purchase outstanding Shares to serve as underlying Shares of the RSUs.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Unless otherwise specified, in this prospectus, all discussions about our results of operations are based on our results of operations from continuing operations.

Revenue

We generate revenue primarily from sales of our products to our customers. During the Track Record Period, we recorded revenue of US$351.5 million, US$404.8 million, US$521.9 million, US$241.2 million and US$278.3 million in 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022.

We classified our businesses into three segments: (i) raw milk business: the production and sales of raw milk; (ii) beef cattle business: the raising and sales of cattle, and (iii) ancillary business: the sales of milk products and others. The following table sets forth a breakdown of our revenue by business segment for the periods indicated:

	Segment revenue	Inter-segment sales	External sales	External revenue as % of total revenue
		(US$'000)		
Year ended 31 December 2019				
Raw milk business	323,151	7,565	315,586	89.8
Beef cattle business	22,236	–	22,236	6.3
Ancillary business	13,683	–	13,683	3.9
Total	359,070	7,565	351,505	100.0
Year ended 31 December 2020				
Raw milk business	357,257	7,423	349,834	86.4
Beef cattle business	43,003	–	43,003	10.6
Ancillary business	11,955	–	11,955	3.0
Total	412,215	7,423	404,792	100.0
Year ended 31 December 2021				
Raw milk business	459,333	21,295	438,038	83.9
Beef cattle business	50,500	–	50,500	9.7
Ancillary business	33,383	–	33,383	6.4
Total	543,216	21,295	521,921	100.0
Six months ended 30 June 2021 (unaudited)				
Raw milk business	212,444	9,462	202,982	84.2
Beef cattle business	24,612	–	24,612	10.2
Ancillary business	13,572	–	13,572	5.6
Total	250,628	9,462	241,166	100.0
Six months ended 30 June 2022				
Raw milk business	248,091	5,789	242,302	87.1
Beef cattle business	25,037	–	25,037	9.0
Ancillary business	10,952	–	10,952	3.9
Total	284,080	5,789	278,291	100.0

There are inter-segment sales among our segments consisting of sales from our raw milk business segment to our ancillary business segment, and accordingly we record inter-segment elimination among these segments for the relevant revenue and cost of sales.

Raw milk

Revenue from our raw milk business amounted to US$315.6 million, US$349.8 million, US$438.0 million, US$203.0 million and US$242.3 million in 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022, representing 89.8%, 86.4%, 83.9%, 84.2% and 87.1% of our total revenue for the respective periods.

The following table sets forth the sales amount, sales volume and average selling prices of our raw milk for the periods indicated:

	For the year ended 31 December												For the six months ended 30 June							
	2019				2020				2021				2021				2022			
	Sales amount	Sales volume	Average selling price[1]		Sales amount	Sales volume	Average selling price[1]		Sales amount	Sales volume	Average selling price[1]		Sales amount	Sales volume	Average selling price[1]		Sales amount	Sales volume	Average selling price[1]	
	US$'000	*Tons*	*US$/ton*	*RMB/ton*	*US$'000*	*Tons*	*US$/ton*	*RMB/ton*	*US$'000*	*Tons*	*US$/ton*	*RMB/ton*	*US$'000*	*Tons*	*US$/ton*	*RMB/ton*	*US$'000*	*Tons*	*US$/ton*	*RMB/ton*
Raw milk																				
Inter-segment sales[2]	7,565	14,544	520	3,586	7,423	13,296	558	3,849	21,295	35,672	597	3,849	9,462	15,992	592	3,827	5,789	9,786	592	3,849
External sales	315,586	533,787	591	4,076	349,834	551,812	634	4,371	438,038	589,769	743	4,789	202,982	277,976	730	4,723	242,302	337,989	717	4,664

Notes:

(1) Based on the following exchanges rate: US$1=RMB6.8944 for 2019; US$1=RMB6.8946 for 2020; US$1=RMB6.4474 for 2021; US$1=RMB6.4682 for the six months ended 30 June 2021; and US$1=RMB6.5058 for the six months ended 30 June 2022. While our presentation currency is the United States dollars, contracts for the sales of our raw milk are denominated in Renminbi.

(2) Inter-segment sales consist of sales from our raw milk business segment to our ancillary business segment, and accordingly we eliminate these inter-segment sales from the relevant revenue and cost of sales. The price for inter-segment sales is determined by referencing to the market price and deducting certain costs and expenses which are not applicable to inter-segment sales.

The average selling price of our raw milk was US$591 per ton (equivalent to RMB4,076 per ton), US$634 per ton (equivalent to RMB4,371 per ton), US$743 per ton (equivalent to RMB4,789 per ton), US$730 per ton (equivalent to RMB4,723 per ton) and US$717 per ton (equivalent to RMB4,664 per ton) in 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022, which was 11.6%, 15.2%, 11.5%, 10.8% and 11.2% higher than industry average in the same period based on the average selling price in Renminbi, according to Frost & Sullivan.

Beef cattle

Revenue from our beef cattle business amounted to US$22.2 million, US$43.0 million, US$50.5 million, US$24.6 million and US$25.0 million in 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022, representing 6.3%, 10.6%, 9.7%, 10.2% and 9.0% of our total revenue for the respective periods.

The following table sets forth the sales amount, sales volume and average selling prices of our beef cattle for the periods indicated. We do not have inter-segment sales in our beef cattle business.

	For the year ended 31 December												For the six months ended 30 June							
	2019				2020				2021				2021				2022			
	Sales amount	Sales volume(1)	Average selling price(2)		Sales amount	Sales volume(1)	Average selling price(2)		Sales amount	Sales volume(1)	Average selling price(2)		Sales amount	Sales volume(1)	Average selling price(2)		Sales amount	Sales volume(1)	Average selling price(2)	
	US$'000	*Tons*	*US$/ton*	*RMB/ton*	*US$'000*	*Tons*	*US$/ton*	*RMB/ton*	*US$'000*	*Tons*	*US$/ton*	*RMB/ton*	*US$'000*	*Tons*	*US$/ton*	*RMB/ton*	*US$'000*	*Tons*	*US$/ton*	*RMB/ton*
Beef cattle																				
External sales	22,236	5,159	4,310	29,716	43,003	9,118	4,716	32,515	50,500	9,285	5,439	35,065	24,612	4,352	5,655	36,578	25,037	4,933	5,075	33,017

Notes:

(1) Our Holstein finishers typically weigh 0.63 ton to 0.67 ton per head.

(2) Based on the following exchanges rate: US$1=RMB6.8944 for 2019; US$1=RMB6.8946 for 2020; US$1=RMB6.4474 for 2021; US$1=RMB6.4682 for the six months ended 30 June 2021; and US$1=RMB6.5058 for the six months ended 30 June 2022. While our presentation currency is the United States dollars, contracts for the sales of our beef cattle are denominated in Renminbi.

The average selling price of our beef cattle was US$4,310 per ton (equivalent to RMB29,716 per ton), US$4,716 per ton (equivalent to RMB32,515 per ton), US$5,439 per ton (equivalent to RMB35,065 per ton), US$5,655 per ton (equivalent to RMB36,578 per ton) and US$5,075 per ton (equivalent to RMB33,017 per ton) in 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022. According to Frost & Sullivan, the average wholesale price of beef cattle in China was RMB31,265 per ton, RMB35,358 per ton, RMB36,844 per ton, RMB36,928 per ton and RMB37,200 per ton in the same periods. The average selling price of our beef cattle was generally lower than the industry average as all of our beef cattle are Holstein, which is not the most popular breed in the beef market.

Ancillary Business

Revenue from our ancillary business amounted to US$13.7 million, US$12.0 million, US$33.4 million, US$13.6 million and US$11.0 million in 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022, representing 3.9%, 3.0%, 6.4%, 5.6% and 3.9% of our total revenue for the respective periods.

The following table sets forth the sales amount, sales volume and average selling prices of our ancillary business for the periods indicated. We do not have inter-segment sales in our ancillary business:

	For the year ended 31 December												For the six months ended 30 June							
	2019				2020				2021				2021				2022			
	Sales amount	Sales volume	Average selling price(1)		Sales amount	Sales volume	Average selling price(1)		Sales amount	Sales volume	Average selling price(1)		Sales amount	Sales volume	Average selling price(1)		Sales amount	Sales volume	Average selling price(1)	
	US$'000	*Tons*	*US$/ton*	*RMB/ton*	*US$'000*	*Tons*	*US$/ton*	*RMB/ton*	*US$'000*	*Tons*	*US$/ton*	*RMB/ton*	*US$'000*	*Tons*	*US$/ton*	*RMB/ton*	*US$'000*	*Tons*	*US$/ton*	*RMB/ton*
Ancillary business																				
External sales	13,683	14,153	967	6,665	11,955	12,398	964	6,648	33,383	31,524	1,059	6,828	13,572	13,134	1,033	6,682	10,952	10,654	1,028	6,688

Note:

(1) Based on the following exchanges rate: US$1=RMB6.8944 for 2019; US$1=RMB6.8946 for 2020; and US$1=RMB6.4474 for 2021; US$1=RMB6.4682 for the six months ended 30 June 2021; and US$1=RMB6.5058 for the six months ended 30 June 2022. While our presentation currency is the United States dollar, contracts for the sales of our branded milk products are denominated in Renminbi.

Cost of Sales

Our cost of sales includes (i) feeding costs, primarily the procurement and production of feed and feed additives; (ii) labour costs, primarily salary and benefits for employees directly involved in production activities; (iii) freight fees; (iv) depreciation of right-of-use assets; (v) depreciation of property, plant and equipment; (vi) others, including utilities, medical and maintenance expenses; and (vii) fair value adjustments for raw milk and beef cattle.

The following table sets forth the breakdown of our cost of sales for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2019	%	2020	%	2021	%	2021	%	2022	%
	(US$'000, except for percentages)						(unaudited)			
Feeding costs	165,726	47.1	186,671	46.1	246,669	47.5	114,413	47.6	152,943	55.2
Labour costs	12,518	3.6	12,750	3.2	18,217	3.5	8,311	3.5	10,861	3.9
Freight fees	15,484	4.4	13,240	3.3	18,372	3.5	8,902	3.7	9,372	3.4
Depreciation of property, plant and equipment	12,762	3.6	14,019	3.5	17,213	3.3	1,114	0.5	1,627	0.6
Depreciation of right-of-use assets	1,663	0.5	2,038	0.5	2,750	0.5	8,212	3.4	9,561	3.4
Others	25,705	7.3	25,982	6.3	40,630	8.0	21,890	9.1	25,556	9.2
Cost of sales before raw milk fair value adjustments and beef cattle cumulative fair value adjustments	**233,858**	**66.5**	**254,700**	**62.9**	**343,851**	**66.3**	**162,842**	**67.8**	**209,920**	**75.7**
Raw milk fair value adjustments	108,128	30.8	128,253	31.7	153,770	29.5	70,352	29.3	65,959	23.8
Beef cattle cumulative fair value adjustments	9,546	2.7	21,732	5.4	21,763	4.2	7,002	2.9	1,281	0.5
Total	**351,532**	**100.0**	**404,685**	**100.0**	**519,384**	**100.0**	**240,196**	**100.0**	**277,160**	**100.0**

Throughout the Track Record Period, feeding costs accounted for 47.1%, 46.1%, 47.5%, 47.6% and 55.2% of our cost of sales in 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022, respectively, and 70.9%, 73.3%, 71.7%, 70.3% and 72.9% of our cost of sales before raw milk fair value adjustments and beef cattle cumulative fair value adjustments in the same periods, respectively. The continuous increase in our feeding costs reflects (i) the growth in our operational scale, as reflected in the increasing raw milk production volume from 565,359 tons in 2019 to 638,780 tons in 2021, and from 298,330 tons in the six months ended 30 June 2021 to 359,238 tons in the six months ended 30 June 2022, which is in line with the growth of our herd size, and (ii) an increase in the price of feed and feed additives, which is in line with the market trend. See "*Industry Overview – Feed Ingredient Price*" for further details. Going forward, we expect feeding costs to continue to be a major component for our cost of sales.

Raw milk fair value adjustment included in cost of sales arise from the differences between the production cost under the cost approach and the market price of raw milk at the point of harvest. As explained in "– *Gains Arising on Initial Recognition of Raw Milk at Fair Value less Costs to Sell at the Point of Harvest*", the fair value adjustment charged as cost of sales and gains arising from initial recognition of agricultural products at fair value has always been mutually offsetting during the Track Record Period.

We revalue our unsold beef cattle as of the end of each reporting period using the then market price and our beef cattle being sold at the time of sale using the actual selling price. Changes in fair value by revaluing the beef cattle being sold are to be recorded as our cost of sales. As a result, for any given period, the gross profit of our beef cattle business equals the sum of (i) unrealised fair value gains of beef cattle that remains unsold during the end of the period; and (ii) realised fair value gains of beef cattle sold during the period. Separately, gain on any given beef cattle would be the cumulative fair value gain we recorded on the beef cattle, being the sum of (i) the unrealised fair value gain recorded in the previous periods, as of which the beef cattle remained unsold; and (ii) the realised fair value gain in the period in which the beef cattle is sold. In 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022, we recorded cumulative fair value gains for beef cattle of US$9.5 million, US$21.7 million, US$21.8 million, US$7.0 million and US$1.3 million, representing 42.9%, 50.5%, 43.1%, 28.5% and 5.2% of our beef cattle revenue, respectively. The change in cumulative fair value gains as a percentage of beef cattle revenue from 2019 to 2020 was driven by an increase in average selling price of beef cattle. The change from 2020 to 2021 was due to an increase in feeding costs, partially offset by a higher average selling price. The change from the six months ended 30 June 2021 to the six months ended 30 June 2022 was primarily due to an increase in feeding costs and a decrease in the average selling price of beef cattle. Such cumulative fair value gains, which is primarily affected by the feeding costs and average selling prices of our beef cattle, would be a closer proximity for the profit we made off the beef cattle sold.

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

Our agricultural product consists of raw milk produced by our self-owned dairy cows in our dairy farms, which was sold to processing plants owned by third parties for manufacturing into dairy products. Under IFRSs, agricultural produce is recognised at their fair value less costs to sell at the point of harvest. The fair value is determined based on the market price quoted in the local area. The resulting gain or loss of recognition of such fair value, being the difference between (i) the fair value less costs to sell of such raw milk and (ii) the breeding costs incurred, is recognised in profit or loss for that period. Meanwhile, the gain or loss so recognised is charged as cost of sales upon internal consumption or subsequent sales of such raw milk as part of the cost of inventories sold. Any agricultural products not consumed or sold during the period in which it was harvested will remain as inventory.

During the Track Record Period, our gains arising from initial recognition of agricultural product at fair value was offset by the costs to sell at the point of harvest for each year, as the external sales or internal consumption typically occurs at the time of milking. Going forward, as we plan to consume or sell substantially all of the raw milk during the period in which it is produced, we do not expect any net gain so recognised will have a substantial turn-around impact on operating margin.

Gains Arising from Changes in Fair Value less Costs to Sell of Beef Cattle

Gains arising from changes in fair value less costs to sell of beef cattle represents (i) the difference between the carrying value of such beef cattle as of the end of the previous period and the fair value of the beef cattle at the time of sale, which is realised at the time of sale; and (ii) changes in carrying value of unsold beef cattle as of the end of the previous period and the current period, which is unrealised and will be realised when the sales occur in a subsequent period. The market prices of our beef cattle as of 31 December 2018, 2019, 2020, 2021, and 30 June 2021 and 2022 were US$3,813/ton, US$4,444/ton, US$4,828/ton, US$5,607/ton, US$5,264/ton and US$5,338/ton, respectively. The average selling prices of our beef cattle were US$4,310/ton, US$4,716/ton, US$5,439/ton, US$5,655/ton and US$5,075/ton for 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022, respectively.

Gross Profit

The following table sets forth a breakdown of our gross profit and gross profit margin by business segments for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2019		2020		2021		2021		2022	
	Gross profit/ (loss)	Gross profit/ (loss) margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	(US$'000, except for percentages)									
							(unaudited)			
Raw milk business	108,128	34.3	128,253	36.7	153,770	35.1	70,352	34.7	65,959	27.2
Beef cattle business	13,460	60.5	21,850	50.8	19,590	38.8	9,280	37.7	1,020	4.1
Ancillary business	(27)	(0.2)	107	0.9	2,537	7.6	970	7.1	1,131	10.3
Total	**121,561**	**34.6**	**150,210**	**37.1**	**175,897**	**33.7**	**80,602**	**33.4**	**68,110**	**24.5**

According to Frost & Sullivan, the decreasing trend of our gross profit margin was in line with that of our industry peers during the Track Record Period.

Other Income and Gains

The following table sets forth the breakdown of our other income and gains for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	(US$'000)				
				(unaudited)	
Gain from bargain purchase[(1)]	–	–	7,163	7,163	–
Government grant[(2)]	2,541	2,491	2,847	1,327	1,998
Insurance claims[(3)]	1,504	2,848	1,596	656	761
Foreign exchange gain, net	–	–	822	182	–
Technical service fee	–	–	776	387	633
Fair value gains on derivative financial instruments	458	–	–	–	–
Interest income	337	472	611	320	249
Scrap sales	83	78	97	55	64
Others	28	41	56	8	353
Total	**4,951**	**5,930**	**13,968**	**10,098**	**4,058**

Notes:

(1) We recognised gain from bargain purchase in connection with our acquisition of Pure Source dairy farms. The acquisition resulted in a gain from bargain purchase because the consideration of the acquisition was lower than the fair value of identifiable net assets of the business, as the business was in a loss-making position at the time of the acquisition.

(2) Mainly include the government grant received for upgrading and expansion of existing facilities, feeding costs and breeding.

(3) Mainly include the insurance claims received in connection with cattle-related compensations.

Gains/(Losses) Arising from Changes in Fair Value less Costs to Sell of Other Biological Assets

Gains/(Losses) arising from changes in fair value less costs to sell of other biological assets, namely dairy cows and forage plants represents the difference in fair value less costs to sell of our dairy cows and forage plants from period to period, due to the changes in physical attributes and market prices of our biological assets and the changes in discounted future cash flows to be generated by our other biological assets, in particular dairy cows which constitutes a major part of our other biological assets. The fair value is measured by reference to local market selling prices or by projecting future cash flows to be generated from those cows and discounting them to a present day value.

Our fair value changes in respect of dairy cows include the following two categories: (a) realised loss resulting from culled and dead cows, and (b) unrealised gain or loss arising from the cows held by us based on valuation. For example, when a heifer becomes a milkable cow, its value increases as the discounted cash flows from milking is higher than the selling price of heifers. Therefore, our unrealised gain arising from changes in fair value less costs to sell of other biological assets represents changes in fair value arising from the cows held by us as of the end of the relevant period. Further, when a dairy cow is culled and sold, its value decreases and we record realised loss arising from changes in fair value less costs to sell of other biological assets because the proceeds from the disposal of culled and dead cows are generally lower than their carrying value. During the Track Record Period, dairy cows were revalued at each reporting date, and our realised loss arising from changes in fair value less costs to sell of other biological assets, which is primarily resulted from the culling and death of cows, is partially offset by unrealised gain arising from changes in fair value less costs to sell of dairy cows in previous periods. The drivers for our unrealised gain arising from changes in fair value less costs to sell of dairy cows include the following: (a) the increased scale of biological assets and (b) the increase in unit fair value of dairy cows which is resulted from (i) improved market value of our other biological assets, particularly the increase in the average selling price of raw milk, which was in line with the overall raw milk supply industry, and (ii) our improved herd structure and quality, particularly the improved milk yield. For details of the valuation assumptions used by our valuer to assess the fair value of our biological assets, see the section headed "– *Valuation of Biological Assets*" in this prospectus.

Our fair value changes in respect of forage plants in each financial year is due to unrealised loss of forage plants upon harvest and transfer from biological assets to inventory. The loss was due to the quality of land in the Shandong province, which resulted in a lower harvest volume than expected.

When disposing of our dairy cows, we write off the carrying amount of the dairy cows from our biological assets, and the difference between the carrying amount of the dairy cows disposed of and the proceeds from the disposal is recorded as change in fair value less costs to sell of our other biological assets. The cash proceeds are recorded under investment cash inflow. The cash proceeds from disposal of biological assets amounted to US$63.9 million, US$75.2 million, US$92.0 million, US$44.4 million and US$43.5 million in 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022.

Selling and Distribution Expenses

Our selling and distribution expenses consist primarily of: (i) advertising and promotion expenses for the sales of our branded milk products; (ii) travel expenses; and (iii) employee benefits, mainly including salaries and bonuses paid to our sales personnel.

The following table sets forth a breakdown of our selling and distribution expenses and as a percentage of our total selling and distribution expenses for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2019		2020		2021		2021		2022	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*	*US$'000* (unaudited)	*%*	*US$'000*	*%*
Advertising and promotion	3,063	73.1	255	40.4	120	22.2	28	12.0	27	17.1
Travel and courier services	85	2.0	32	5.1	63	11.7	25	10.7	12	7.6
Employee benefits	615	14.7	234	37.0	234	43.3	109	46.6	76	48.1
Depreciation of assets	52	1.2	54	8.5	59	10.9	30	12.8	30	19.0
Others	378	9.0	57	9.0	64	11.9	42	17.9	13	8.2
Total	**4,193**	**100.0**	**632**	**100.0**	**540**	**100.0**	**234**	**100.0**	**158**	**100.0**

Administrative Expenses

Our administrative expenses consist of: (i) employee benefits, mainly salaries and bonuses of our management and executive staff, which include cash and share-based payment; (ii) professional fees, mainly including legal, audit and consulting services; (iii) travel expenses and (iv) amortisation of intangible assets.

The following table sets forth a breakdown of our administrative expenses and as a percentage of our total administrative expenses for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2019		2020		2021		2021		2022	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*	*US$'000* (unaudited)	*%*	*US$'000*	*%*
Employee benefits	9,810	59.8	16,358	67.7	30,116	70.0	12,350	72.5	13,318	52.7
Professional fees	1,835	11.2	2,253	9.3	5,498	12.8	1,539	9.0	7,376	29.2
Travel expenses	897	5.5	604	2.5	678	1.6	279	1.6	281	1.1
Amortisation of intangible assets	813	5.0	920	3.8	1,835	4.3	613	3.6	1,160	4.6
Electricity and water	679	4.1	696	2.9	1,054	2.4	428	2.5	704	2.8
Taxes and surcharges	607	3.7	732	3.0	907	2.1	591	3.5	870	3.4
Others(1)	1,753	10.7	2,610	10.8	2,940	6.8	1,225	7.3	1,574	6.2
Total	**16,394**	**100.0**	**24,173**	**100.0**	**43,028**	**100.0**	**17,025**	**100.0**	**25,283**	**100.0**

Note:

(1) Others mainly include public relations, maintenance expenses, car expenses, bank charges, rental expenses and insurance.

Other Expenses

Our other expenses mainly include foreign exchange losses, fair value losses on derivative financial instruments, and loss on disposal of property, plant and equipment. The table below sets forth a breakdown of other expenses and as a percentage of total other expenses for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2019		2020		2021		2021		2022	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*	*US$'000*	*%*	*US$'000*	*%*
							(unaudited)			
Foreign exchange losses, net	3,865	82.0	1,606	47.6	–	–	–	–	2,142	63.3
Fair value and investment losses on derivative financial instruments	–	–	872	25.8	63	4.4	63	11.2	–	–
Loss on disposal of property, plant and equipment	426	9.0	621	18.4	833	57.8	329	58.4	565	16.7
Others(1)	425	9.0	275	8.2	544	37.8	171	30.4	677	20.0
Total	**4,716**	**100.0**	**3,374**	**100.0**	**1,440**	**100.0**	**563**	**100.0**	**3,384**	**100.0**

Note:

(1) Others mainly include the losses from scrap sales and social responsibility costs of welfare of community.

Finance Costs

Our finance costs consist of interest on bank loans, interest on shareholder's loans, interest on lease liabilities and interest on contract liabilities.

Income Tax Expenses

Our income tax expenses from continuing operations were US$127 thousand, US$1.1 million, US$2.4 million, US$851 thousand and US$1.1 million in 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022. In the same periods, we benefited from preferential tax policies and our effective income tax rate was 0.2%, 1.1%, 2.3%, 1.1% and 3.4%, as our raw milk and beef cattle businesses are exempted from PRC Enterprise Income Tax for taxable profit from the operation of agricultural business in the PRC, for more information, see the section headed "*– Major Factors Affecting Our Results of Operations and Financial Condition – Government Support*" in this prospectus.

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the current tax expense per the consolidated statements of profit or loss at the effective tax rate is as follows. See Note 11 to the Accountants' Report included in the prospectus for further details.

As of the Latest Practicable Date, we did not have any material dispute with any tax authority.

Singapore

The headline corporate tax rate in Singapore is 17% of a company's chargeable income. All companies are eligible for partial tax exemption as follows: (i) for Years of Assessment ("**YA**") 2019 and before, there is a 75% tax exemption on the first S$10,000 of chargeable income, and a further 50% exemption on the next S$290,000 of chargeable income; (ii) from YA 2020 onwards, there is a 75% tax exemption on the first S$10,000 of chargeable income, and a further 50% exemption on the next S$190,000 of chargeable income.

Hong Kong

No provision for taxation in Hong Kong has been made as our Group's income neither arises in, nor is derived from Hong Kong during the Track Record Period.

PRC

The exemption of PRC enterprise income tax ("**EIT**") for income from agriculture and husbandry business has been uniformly in force since 1 January 2008. Pursuant to the prevailing tax rules and regulation in the PRC, our raw milk and beef cattle businesses are exempted from PRC EIT for taxable profit from the operation of agricultural business in the PRC during the Track Record Period.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, except for the preferential treatments available to our raw milk and beef cattle businesses as mentioned above, other subsidiaries within our Group operating in the PRC are subject to EIT at the statutory rate of 25% during the Track Record Period.

Discontinued Operation

In April 2020, in order to focus our resources on our business in the PRC, we restructured our business by disposing GDS to Japfa. Results of such discontinued operation were presented as a separate line item as "Loss for the year from a discontinued operation" in the consolidated statements of profit or loss. In 2019 and 2020, we recorded a loss for the year from a discontinued operation of approximately US$7.1 million and US$3.2 million. For further details on the disposal and the discontinued operation, please refer to the section headed "*History and Corporate Structure*" and Note 12 to the Accountants' Report in Appendix I to this prospectus.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months ended 30 June 2022 Compared to Six Months ended 30 June 2021

Revenue

	Six months ended 30 June		
	2021	2022	% Change
	(US$'000)		
Revenues			
Raw milk business	202,982	242,302	19.4%
Beef cattle business	24,612	25,037	1.7%
Ancillary business	13,572	10,952	(19.3)%
Total	**241,166**	**278,291**	**15.4%**

Our revenue increased by 15.4% from US$241.2 million in the six months ended 30 June 2021 to US$278.3 million in the six months ended 30 June 2022, primarily due to a growth in revenue generated from our raw milk business, partially offset by a decrease in revenue generated from our ancillary business.

Raw milk business

	Six months ended 30 June		
	2021	2022	% Change
Raw milk business revenues (US$'000)	202,982	242,302	19.4%
Percentage of revenues	84.2%	87.1%	N/A
Raw milk business – sales volume (tons)	277,976	337,989	21.6%
Raw milk business – average selling price (US$/ton)	730	717	(1.8)%

Revenue generated from our raw milk business increased by 19.4% from US$203.0 million in the six months ended 30 June 2021 to US$242.3 million in the six months ended 30 June 2022, which was mainly due to a 21.6% increase in the sales volume of raw milk as a result of the increase in our milkable cow herd as our heifers matured and we acquired the Pure Source dairy farms. Such increase in output was met by demand from our customers. The increase in sales volume was partially offset by a 1.8% decrease in the average selling price of our raw milk, which was largely in line with the market trend.

Beef cattle business

	Six months ended 30 June		
	2021	**2022**	**% Change**
Beef cattle business revenues (US$'000)	24,612	25,037	1.7%
Percentage of revenues	10.2%	9.0%	N/A
Beef cattle business – sales volume (ton)	4,352	4,933	13.4%
Beef cattle business – average selling price (US$/ton)	5,655	5,075	(10.3)%

Revenue generated from our beef cattle business increased by 1.7% from US$24.6 million in the six months ended 30 June 2021 to US$25.0 million in the six months ended 30 June 2022, which was mainly due to a 13.4% increase in the sales volume of our beef cattle, driven by an increase in our beef cattle herd size, which was partially offset by a 10.3% decrease in the average selling price of beef cattle from US$5,655 per ton in the six months ended 30 June 2021 to US$5,075 per ton in the six months ended 30 June 2022, due to (i) lower demand for beef associated with restaurant closures during the city- or district-wide lock-down in various parts of China in March, April and May 2022 and (ii) the increased proportion of our beef cattle sold in Inner Mongolia in the six months ended 30 June 2022, which generally had a lower average selling price than our beef cattle sold in Shandong.

Ancillary business

Revenue generated from our ancillary businesses decreased by 19.3% from US$13.6 million in the six months ended 30 June 2021 to US$11.0 million in the six months ended 30 June 2022, which was mainly due to a decrease in the sales volume of our milk products resulted from lower demand for milk products associated with retail outlet closures in relation to the COVID-19 prevention policies and restrictive measures adopted by the local municipalities in the first half of 2022.

Cost of Sales

Our cost of sales increased by 15.4% from US$240.2 million in the six months ended 30 June 2021 to US$277.2 million in the six months ended 30 June 2022, and our cost of sales before raw milk fair value adjustments and beef cattle cumulative fair value adjustments increased by 28.9% from US$162.8 million in the six months ended 30 June 2021 to US$209.9 million in the six months ended 30 June 2022. The increase in our cost of sales was in line with the growth in our revenue. In particular, our feeding costs increased by 33.7% from US$114.4 million in the six months ended 30 June 2021 to US$152.9 million in the six months ended 30 June 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.

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

Our gains arising from initial recognition of raw milk at fair value less costs to sell at the point of harvest were US$70.3 million in the six months ended 30 June 2021 and US$66.0 million in the six months ended 30 June 2022. The change mainly reflects a 1.8% decrease in the average selling price of our raw milk.

Gains Arising from Changes in Fair Value less Costs to Sell of Beef Cattle

Our gains arising from changes in fair value less costs to sell of beef cattle decreased by 89.0% from US$9.3 million in the six months ended 30 June 2021 to US$1.0 million in the six months ended 30 June 2022. The decrease resulted from (i) the decrease in realised gains, which was primarily due to a 10.3% decrease in the average selling prices of beef cattle in the six months ended 30 June 2022 as compared with the six months ended 30 June 2021 and a 45.6% increase in average feeding costs per ton of beef cattle sold and (ii) the decrease in unrealised fair value gains, which was primarily due to the smaller difference in the market value of our beef cattle from the previous period. The market prices of our beef cattle increased from US$4,828/ton as of 31 December 2020 to US$5,264/ton as of 30 June 2021 and decreased from US$5,607/ton as of 31 December 2021 to US$5,338/ton as of 30 June 2022.

Gross Profit

As a result of the foregoing, our gross profit decreased by 15.5% from US$80.6 million in the six months ended 30 June 2021 to US$68.1 million in the six months ended 30 June 2022, and our gross profit margin decreased from 33.4% to 24.5%.

Raw milk business

Gross profit of our raw milk business decreased by 6.1% from US$70.3 million in the six months ended 30 June 2021 to US$66.0 million in the six months ended 30 June 2022. Gross profit margin of our raw milk decreased from 34.7% in the six months ended 30 June 2021 to 27.2% in the six months ended 30 June 2022, primarily due to (i) a 3.7% increase in average feeding costs per ton of raw milk sold, (ii) lower utilisation rate of the Pure Source dairy farms we acquired in 2021 that were still in ramp up stage, resulting in a lower gross profit margin as compared to our other dairy farms and (iii) a 1.8% decrease in average selling price of raw milk.

Beef cattle business

Gross profit of our beef cattle business decreased by 89.0% from US$9.3 million in the six months ended 30 June 2021 to US$1.0 million in the six months ended 30 June 2022, and gross profit margin of our beef cattle business decreased from 37.7% in the six months ended 30 June 2021 to 4.1% in the six months ended 30 June 2022. The decrease in gross profit margin from the six months ended 30 June 2021 to the six months ended 30 June 2022 was primarily due to a 45.6% increase in average feeding costs for per ton of beef cattle sold and a 10.3% decrease in the average selling price of beef cattle.

Ancillary business

Gross profit of our ancillary business increased by 10.0% from US$1.0 million in the six months ended 30 June 2021 to US$1.1 million in the six months ended 30 June 2022. Gross profit margin of our ancillary business increased from 7.1% in the six months ended 30 June 2021 to 10.3% in the six months ended 30 June 2022, mainly due to our switch of focus to B2B sales and a change of product mix.

Other Income and Gains

Our other income and gains decreased by 59.8% from US$10.1 million in the six months ended 30 June 2021 to US$4.1 million in the six months ended 30 June 2022, which was primarily due to the fact that we recognised a gain from bargain purchase of US$7.2 million in connection with our acquisition of the Pure Source dairy farms in the six months ended 30 June 2021.

Gains Arising from Changes in Fair Value less Costs to Sell of Other Biological Assets

Our gains arising from changes in fair value less costs to sell of other biological assets decreased by 88.0% from US$16.7 million in the six months ended 30 June 2021 to US$2.0 million in the six months ended 30 June 2022. The decrease in gains was primarily due to the decrease in market value of our biological assets, particularly the decrease in the average selling price of raw milk, which was largely in line with the overall raw milk industry.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 32.5% from US$234 thousand in the six months ended 30 June 2021 to US$158 thousand in the six months ended 30 June 2022, which was primarily due to a decrease in the revenue of our ancillary business. Our selling and distribution expenses as a percentage of revenue remained relatively stable in the six months ended 30 June 2021 and 2022 at 0.1%.

Administrative Expenses

Our administrative expenses increased by 48.5% from US$17.0 million in the six months ended 30 June 2021 to US$25.3 million in the six months ended 30 June 2022, primarily due to the incurred listing expenses. Our administrative expenses as a percentage of revenue increased from 7.1% in the six months ended 30 June 2021 to 9.1% in the six months ended 30 June 2022, primarily due to the incurred listing expenses.

Other Expenses

Our other expenses increased by 501.1% from US$563 thousand in the six months ended 30 June 2021 to US$3.4 million in the six months ended 30 June 2022. The increase was primarily due to the increase in foreign exchange losses from nil in the six months ended 30 June 2021 to US$2.1 million in the six months ended 30 June 2022.

Finance Costs

Our finance costs increased by 65.5% from US$8.7 million in the six months ended 30 June 2021 to US$14.4 million in the six months ended 30 June 2022. The increase was primarily due to (i) an increase in interest on bank loans from US$5.8 million in the six months ended 30 June 2021 to US$9.2 million in the six months ended 30 June 2022 and (ii) an increase in interest on lease liabilities in connection with the acquisition of the Pure Source dairy farms.

Profit before Tax from Continuing Operations

As a result of the foregoing, particularly the increases in losses arising from changes in fair value less costs to sell of other biological assets, our profit before tax from continuing operations decreased by 61.8% from US$80.9 million in the six months ended 30 June 2021 to US$30.9 million in the six months ended 30 June 2022.

Income Tax Expense

Our income tax expense increased by 24.4% from US$851 thousand in the six months ended 30 June 2021 to US$1.1 million in the six months ended 30 June 2022, which was primarily attributable to the increases in our effective tax rate from 1.1% in the six months ended 30 June 2021 to 3.4% in the six months ended 30 June 2022, primarily due to higher withholding tax expenses resulting from a higher revenue generated by the Group in 2022.

Profit for the Period from Continuing Operations

As a result of the foregoing, our profit for the period from continuing operations decreased by 62.7% from US$80.0 million in the six months ended 30 June 2021 to US$29.8 million in the six months ended 30 June 2022, and our net profit margin from continuing operations decreased from 33.2% in the six months ended 30 June 2021 to 10.7% in the six months ended 30 June 2022.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2021 Compared to Year ended 31 December 2020

Revenue

	Year ended 31 December		
	2020	**2021**	**% Change**
	(US$'000)		
Revenues			
Raw milk business	349,834	438,038	25.2%
Beef cattle business	43,003	50,500	17.4%
Ancillary business	11,955	33,383	179.2%
Total	**404,792**	**521,921**	**28.9%**

Our revenue increased by 28.9% from US$404.8 million in 2020 to US$521.9 million in 2021, primarily due to a growth in revenue generated from our raw milk business and, to a lesser extent, our beef cattle business and ancillary business.

Raw milk business

	Year ended 31 December		
	2020	2021	% Change
Raw milk business revenues (US$'000)	349,834	438,038	25.2%
Percentage of revenues	86.4%	83.9%	N/A
Raw milk business – sales volume (tons)	551,812	589,769	6.9%
Raw milk business – average selling price (US$/ton)	634	743	17.2%

Revenue generated from the raw milk business increased by 25.2% from US$349.8 million in 2020 to US$438.0 million in 2021, which was mainly due to (i) a 6.9% increase in the sales volume of raw milk as a result of the increase in our milkable cow herd as our heifers matured and we acquired Pure Source dairy farms, and (ii) a 17.2% rise in the average selling price of raw milk from US$634 per ton in 2020 to US$743 per ton in 2021, which reflects the raw milk supply and demand dynamics.

Beef cattle business

	Year ended 31 December		
	2020	2021	% Change
Beef cattle business revenues (US$'000)	43,003	50,500	17.4%
Percentage of revenues	10.6%	9.7%	N/A
Beef cattle business – sales volume (ton)	9,118	9,285	1.8%
Beef cattle business – average selling price (US$/ton)	4,716	5,439	15.3%

Revenue generated from the beef cattle business increased by 17.4% from US$43.0 million in 2020 to US$50.5 million in 2021, which was mainly due to (i) a 1.8% increase in the sales volume of our beef cattle, driven by an increase in our beef cattle herd size and increasing demand for beef, and (ii) a 15.3% rise in the average selling price of beef cattle from US$4,716 per ton in 2020 to US$5,439 per ton in 2021, driven by the increased shortfall in beef supply in the market.

Ancillary business

Revenue generated from ancillary businesses increased by 179.2% from US$12.0 million in 2020 to US$33.4 million in 2021, which was mainly due to an increase in the sales volume of our milk products as we grew our branded milk product business.

Cost of Sales

Our cost of sales increased by 28.3% from US$404.7 million in 2020 to US$519.4 million in 2021, and our cost of sales before raw milk fair value adjustments and beef cattle cumulative fair value adjustments increased by 35.0% from US$254.7 million in 2020 to US$343.9 million in 2021. The increase in our cost of sales was in line with the growth in our revenue. In particular, our feeding costs increased by 32.1% from US$186.7 million in 2020 to US$246.7 million in 2021, 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.

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

Our gains arising from initial recognition of raw milk at fair value less costs to sell at the point of harvest were US$128.3 million in 2020 and US$153.8 million in 2021. The change mainly reflects a 9.6% increase in raw milk production volume from 582,827 tons in 2020 to 638,780 tons in 2021 and a higher average selling price.

Gains Arising from Changes in Fair Value less Costs to Sell of Beef Cattle

Our gains arising from changes in fair value less costs to sell of beef cattle decreased by 10.3% from US$21.9 million in 2020 and US$19.6 million in 2021. The change reflects decreases in differences between the actual selling price or market price at the end of 2021 on the one hand and the market price at the end of 2020 on the other. The market prices of our beef cattle as of 31 December 2020 and 31 December 2021 were US$4,828/ton and US$5,607/ton, respectively, and the average selling prices for 2020 and 2021 were US$4,716/ton and US$5,439/ton, respectively.

Gross Profit

As a result of the foregoing, our gross profit increased by 17.1% from US$150.2 million in 2020 to US$175.9 million in 2021, and our gross profit margin decreased from 37.1% to 33.7%.

Raw milk business

Gross profit of raw milk business increased by 19.9% from US$128.3 million in 2020 to US$153.8 million in 2021. Gross profit margin of raw milk decreased from 36.7% in 2020 to 35.1% in 2021, mainly because (i) the Pure Source dairy farms we acquired in 2021 had a lower gross profit margin as compared to our other dairy farms due to lower utilisation rate, as they were still in ramp up stage and (ii) a 19.1% increase in average feeding costs per ton of raw milk sold, which was partially offset by a 17.2% increase in average selling price of raw milk.

Beef cattle business

Gross profit of beef cattle business decreased by 10.3% from US$21.9 million in 2020 to US$19.6 million in 2021, and gross profit margin of beef cattle business decreased from 50.8% in 2020 to 38.8% in 2021. The decrease in gross profit margin from 2020 to 2021 was primarily due to a 34.1% increase in average feeding costs per ton of beef cattle sold.

Ancillary business

Gross profit of ancillary business increased significantly from US$0.1 million in 2020 to US$2.5 million in 2021. Gross profit margin of ancillary business increased from 0.9% in 2020 to 7.6% in 2021, mainly due to the change of our product mix.

Other Income and Gains

Our other income and gains increased by 135.5% from US$5.9 million in 2020 to US$14.0 million in 2021, which was primarily due to the increase in insurance claims and the bargain gains resulting from the acquisition of the Pure Source dairy farms.

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

Our losses arising from changes in fair value less costs to sell of other biological assets decreased by 20.1% from US$14.2 million in 2020 to US$11.3 million in 2021. The decrease in losses was primarily due to (i) improved market value of our biological assets, particularly the increase in the average selling price of raw milk, which was in line with the overall raw milk industry, and (ii) improved herd structure and quality, particularly the improved milk yield.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 14.6% from US$632 thousand in 2020 to US$540 thousand in 2021, which was primarily due to the decrease of advertising and promotion expenses as a result of the shift of our focus to B2B sales. Our selling and distribution expenses as a percentage of revenue remained relative stable in 2020 and 2021 at 0.2% and 0.1%, respectively.

Administrative Expenses

Our administrative expenses increased by 78.0% from US$24.2 million in 2020 to US$43.0 million in 2021. Our administrative expenses as a percentage of revenue increased from 6.0% in 2020 to 8.2% in 2021, primarily due to (i) the increase of employee benefits, which was mainly attributable to our increased share-based payment expenses and (ii) the consolidation of the financial results of Pure Source dairy farms, which were smaller in operational scale and still in ramp up, after our acquisition in June 2021.

Impairment Losses on Financial Assets

We recorded impairment losses on financial assets of US$4.9 million in 2021, which represents the provision we made in light of the lower credit rating of our investee company. The investee company is Food Union AustAsia Holdings Pte. Ltd. ("**Food Union AustAsia**"), a private company which is principally engaged in the sale of dairy products in China. Food Union AustAsia is the PRC subsidiary of an international dairy and ice cream production and distribution group. Food Union AustAsia has incurred historical loss because its business was still at its early stage and has yet to achieve break-even production level. Since December 2015, we have made several rounds of equity investment in, and provided shareholder's loans to, Food Union AustAsia. Our equity investment in Food Union AustAsia recognised as equity investment designated at fair value through other comprehensive income were US$1.2 million, US$1.2 million, US$0.8 million and US$0.8 million as of 31 December 2019, 2020, 2021 and 30 June 2022, respectively. The fair values of the equity investment have been established annually by our management based on a market-based valuation technique. See "*Financial Information – Valuation of Financial Assets and Liabilities*" and Note 2.4 of the Accountants' Report as set out in Appendix I to this prospectus for details. We did not record any impairment losses in 2020. Taking into account (i) Food Union AustAsia's sales had not yet improved in 2021 and (ii) the market conditions, we assessed that the credit risk of our equity investment had significantly increased and made the provision in 2021 accordingly. The balance of our shareholder's loans to Food Union AustAsia before provision of impairment losses (including interests payable) was US$13.2 million, US$16.4 million, US$16.8 million and US$16.9 million as of 31 December 2019, 2020, 2021 and 30 June 2022, respectively. We believe that the impairment losses on the shareholder's loans were sufficient as of the end of the years comprising the Track Record Period. To our knowledge, no other past or present relationships (business, employment, family, trust, financing or otherwise) existed or exist between the Group and Food Union AustAsia, their subsidiaries, directors, shareholders or senior management, or any of their respective associates.

Other Expenses

Our other expenses decreased by 57.3% from US$3.4 million in 2020 to US$1.4 million in 2021. The decrease was primarily due to (i) the decrease in foreign exchange losses, net from US$1.6 million in 2020 to a net gain that is recorded in other income in 2021, and (ii) the decrease in fair value and investment losses on derivative financial instruments from US$872 thousand in 2020 to US$63 thousand in 2021.

Finance Costs

Our finance costs increased by 59.0% from US$13.6 million in 2020 to US$21.6 million in 2021. The increase was primarily due to (i) an increase in interest on bank loans from US$9.2 million in 2020 to US$13.4 million in 2021, which was mainly attributable to our loan facility in connection with the acquisition of Pure Source dairy farms, which bears an interest rate of LIBOR plus 4% per annum, and (ii) an increase in interest on lease liabilities in connection with the acquisition of Pure Source dairy farms.

Profit before Tax from Continuing Operations

As a result of the foregoing, our profit before tax from continuing operations increased by 6.8% from US$100.2 million in 2020 to US$107.0 million in 2021.

Income Tax Expense

Our income tax expense increased by 118.5% from US$1.1 million in 2020 to US$2.4 million in 2021, which was primarily attributable to the increases in our effective tax rate from 1.1% in 2020 to 2.3% in 2021, due to the change in collection party of royalty income from GDS to the Company from April 2020.

Profit for the Year from Continuing Operations

As a result of the foregoing, our profit for the year from continuing operations increased by 5.5% from US$99.1 million in 2020 to US$104.6 million in 2021, and our net profit margin from continuing operations decreased from 24.5% in 2020 to 20.0% in 2021.

Year ended 31 December 2020 Compared to Year ended 31 December 2019

Revenue

	Year ended 31 December		
	2019	**2020**	**% Change**
	(US$'000)		
Revenues			
Raw milk business	315,586	349,834	10.9%
Beef cattle business	22,236	43,003	93.4%
Ancillary business	13,683	11,955	(12.6)%
Total	351,505	404,792	15.2%

Our revenue increased by 15.2% from US$351.5 million in 2019 to US$404.8 million in 2020, primarily due to a growth in revenue generated from our raw milk business and, to a lesser extent, our beef cattle business.

Raw milk business

	Year ended 31 December		
	2019	**2020**	**% Change**
Raw milk business revenues (US$'000)	315,586	349,834	10.9%
Percentage of revenues	89.8%	86.4%	N/A
Raw milk business – sales volume (tons)	533,787	551,812	3.4%
Raw milk business – average selling price (US$/ton)	591	634	7.2%

Revenue generated from the raw milk business increased by 10.9% from US$315.6 million in 2019 to US$349.8 million in 2020, which was mainly due to (i) a 3.4% increase in the sales volume of raw milk as a result of (a) the increase in our milkable cows as our heifers matured and (b) an increase of our annualised average milk yield per milkable cow from 12.6 ton/year in 2019 to 12.8 tons/year in 2020, and (ii) a rise in the average selling price of raw milk from US$591 per ton in 2019 to US$634 per ton in 2020, which was generally in line with raw milk supply and demand dynamics in the market.

Beef cattle business

	Year ended 31 December		
	2019	2020	% Change
Beef cattle business revenues (US$'000)	22,236	43,003	93.4%
Percentage of revenues	6.3%	10.6%	N/A
Beef cattle business – sales volume (ton)	5,159	9,118	76.7%
Beef cattle business – average selling price (US$/ton)	4,310	4,716	9.4%

Revenue generated from the beef cattle business increased by 93.4% from US$22.2 million in 2019 to US$43.0 million in 2020, which was mainly due to (i) a 76.7% increase in the sales volume of beef cattle, driven by an increase in our beef cattle herd size and the increasing demand for beef and (ii) a rise in the average selling price of beef cattle from US$4,310 per ton in 2019 to US$4,716 per ton in 2020, which was generally in line with the industry trend.

Ancillary business

Revenue generated from ancillary businesses decreased by 12.6% from US$13.7 million in 2019 to US$12.0 million in 2020, which was mainly because we shifted the focus to B2B sales.

Cost of Sales

Our cost of sales increased by 15.1% from US$351.5 million in 2019 to US$404.7 million in 2020, and our cost of sales before raw milk fair value adjustments and beef cattle cumulative fair value adjustments increased by 8.9% from US$233.9 million in 2019 to US$254.7 million in 2020. The increase in our cost of sales was in line with the growth in our revenue. In particular, our feeding costs increased by 12.7% from US$165.7 million in 2019 to US$186.7 million in 2020 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.

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

Our gains arising from initial recognition of raw milk at fair value less costs to sell at the point of harvest were US$108.1 million in 2019 and US$128.3 million in 2020. The change mainly reflects a 3.1% increase in raw milk production volume from 565,359 tons in 2019 to 582,827 tons in 2020 and a higher average selling price.

Gains Arising from Changes in Fair Value less Costs to Sell of Beef Cattle

Our gains arising from changes in fair value less costs to sell of beef cattle increased by 62.3% from US$13.5 million in 2019 to US$21.9 million in 2020. The change mainly reflects an increase in the sales volume of our beef cattle.

Gross Profit

As a result of the foregoing, our gross profit increased by 23.6% from US$121.6 million in 2019 to US$150.2 million in 2020, and our gross profit margin increased from 34.6% to 37.1%.

Raw milk business

Gross profit of raw milk business increased by 18.6% from US$108.1 million in 2019 to US$128.3 million in 2020. Gross profit margin of raw milk increased from 34.3% in 2019 to 36.7% in 2020, mainly because of (i) a 7.3% increase in the average selling price of our raw milk and (ii) a 1.6% increase in our annualised average milk yield per milkable cow from 12.6 tons in 2019 to 12.8 tons in 2020.

Beef cattle business

Gross profit of beef cattle business increased by 62.3% from US$13.5 million in 2019 to US$21.9 million in 2020 and gross profit margin of beef cattle decreased from 60.5% in 2019 to 50.8% in 2020. The decrease in gross profit margin from 2019 to 2020 was primarily due to higher depreciation cost of fixed assets as we expanded our beef cattle business.

Ancillary business

We recorded gross loss of US$0.03 million in 2019 and gross profit of US$0.1 million in 2020, as we shifted our focus from B2C business to B2B business, which has a higher gross profit margin.

Other Income and Gains

Our other income and gains increased by 19.8% from US$5.0 million in 2019 to US$5.9 million in 2020, which was primarily due to the increase in successful insurance claims.

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

Our losses arising from changes in fair value less costs to sell of other biological assets increased by 17.6% from US$12.0 million in 2019 to US$14.2 million in 2020. The increase in losses was primarily due to higher losses from the culling and death of dairy cows, partially offset by increase of fair value less costs to sell of dairy cows at the end of the year.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 84.9% from US$4.2 million in 2019 to US$0.6 million in 2020. The significant decrease was due to our shift of focus on B2B sales for our milk products, resulting in lower advertising and promotion expenses. Due to the same reason, our selling and distribution expenses as a percentage of revenue decreased from 1.2% in 2019 to 0.2% in 2020.

Administrative Expenses

Our administrative expenses increased by 47.5% from US$16.4 million in 2019 to US$24.2 million in 2020. The increase was primarily due to the significant increase of employee benefits, which was mainly attributable to the increased number of employees and the newly adopted employee benefit programme. Our administrative expenses as a percentage of revenue increased from 4.7% in 2019 to 6.0% in 2020, because we adopted the AIH Performance Share Plan programme since July 2020.

Other Expenses

Our other expenses decreased by 28.5% from US$4.7 million in 2019 to US$3.4 million in 2020. The decrease was primarily due to the decrease in foreign exchange losses from US$3.9 million in 2019 to US$1.6 million in 2020.

Finance Costs

Our finance costs decreased by 5.6% from US$14.4 million in 2019 to US$13.6 million in 2020. The decrease was primarily due to the decrease in interest on bank loans from US$10.9 million in 2019 to US$9.2 million in 2020, which was mainly attributable to (i) the decrease in interest rate in bank loan and (ii) the decrease in the outstanding loan amount.

Profit before Tax from Continuing Operations

As a result of the foregoing, our profit before tax from continuing operations increased by 34.0% from US$74.8 million in 2019, to US$100.2 million in 2020.

Income Tax Expense

Our income tax expense increased from US$0.1 million in 2019 to US$1.1 million in 2020, which was primarily attributable to the increases in our taxable income and effective tax rate. Our effective tax rate increased from 0.2% in 2019 to 1.1% in 2020, due to the change in collection of royalty income from GDS to the Company since April 2020.

Profit for the Year from Continuing Operations

As a result of the foregoing, our profit for the year from continuing operations increased by 32.8% from US$74.6 million in 2019 to US$99.1 million in 2020 and our net profit margin from continuing operations increased from 21.2% in 2019 to 24.5% in 2020.

DISCUSSION OF CERTAIN KEY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS OF OUR GROUP

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which has been extracted from our Group's audited consolidated financial statements included in Appendix I to this prospectus:

	As of 31 December			As of 30 June
	2019	2020	2021	2022
	(US$'000)			
Non-current assets				
Property, plant and equipment	308,514	295,252	416,358	408,662
Right-of-use assets	51,435	47,256	161,201	172,059
Intangible assets	2,205	809	780	631
Biological assets	361,829	386,302	477,697	497,633
Equity investment designated at fair value through other comprehensive income	1,233	1,233	816	816
Deferred tax assets	1,187	–	–	–
Other long-term assets	1,575	2,805	8,071	6,905
Long-term receivable	13,151	16,407	11,855	12,028
Derivative financial instruments	25	–	–	–
Total non-current assets	**741,154**	**750,064**	**1,076,778**	**1,098,734**
Current assets				
Inventories	87,845	102,464	160,665	109,210
Biological assets	24,178	33,524	49,217	62,865
Trade receivables	52,050	36,094	46,600	41,273
Prepayments, other receivables and other assets	10,694	8,354	18,727	25,899
Cash and cash equivalents	51,204	43,317	22,145	47,155
Pledged deposits	3,435	1,622	1,103	885
Total current assets	**229,406**	**225,375**	**298,457**	**287,287**
Total assets	**970,560**	**975,439**	**1,375,235**	**1,386,021**
Current liabilities				
Trade payables	85,987	54,942	79,640	75,345
Other payables and accruals	36,729	38,515	38,410	43,018
Share appreciation liability	–	1,307	4,587	771
Loans from a shareholder	4,000	2,200	6,300	6,300
Derivative financial instruments	996	3,947	–	–
Interest-bearing bank borrowings	88,373	70,787	65,556	109,982
Lease liabilities	2,791	3,869	5,451	13,749
Deferred income	385	1,475	1,596	858
Tax payable	912	688	1,077	474
Total current liabilities	**220,173**	**177,730**	**202,617**	**250,497**
Net current assets	**9,233**	**47,645**	**95,840**	**36,790**

	As of 31 December			As of 30 June
	2019	2020	2021	2022
		(US$'000)		
Non-current liabilities				
Interest-bearing bank borrowings	124,120	71,854	202,422	166,431
Derivative financial instruments	1,859	–	–	–
Deferred tax liabilities	3,933	–	600	600
Deferred income	2,297	2,174	3,423	3,074
Lease liabilities	45,121	46,466	145,705	152,398
Other payables and accruals	3,409	–	15,036	14,270
Share appreciation liability	–	2,206	–	–
Loans from a shareholder	4,100	23,340	19,240	19,240
Total non-current liabilities	**184,839**	**146,040**	**386,426**	**356,013**
Total liabilities	**405,012**	**323,770**	**589,043**	**606,510**
Net assets	**565,548**	**651,669**	**786,192**	**779,511**
Equity attributable to owners of the parent				
Share capital	443,767	308,502	308,502	308,502
Reserves	121,781	343,167	477,690	471,009
Total equity	**565,548**	**651,669**	**786,192**	**779,511**
Total equity and liabilities	**970,560**	**975,439**	**1,375,235**	**1,386,021**

Net Current Assets

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of 31 December			As of 30 June	As of 31 August
	2019	2020	2021	2022	2022
			(US$'000)		*(unaudited)*
Current assets					
Inventories	87,845	102,464	160,665	109,210	120,281
Biological assets	24,178	33,524	49,217	62,865	53,913
Trade receivable	52,050	36,094	46,600	41,273	44,389
Prepayments, other receivables and other assets	10,694	8,354	18,727	25,899	31,463
Cash and cash equivalents	51,204	43,317	22,145	47,155	47,815
Pledged deposits	3,435	1,622	1,103	885	862
Total current assets	**229,406**	**225,375**	**298,457**	**287,287**	**298,723**

	As of 31 December			As of 30 June	As of 31 August
	2019	**2020**	**2021**	**2022**	**2022**
			(US$'000)		*(unaudited)*
Current liabilities					
Trade payables	85,987	54,942	79,640	75,345	103,808
Other payables and accruals	36,729	38,515	38,410	43,018	56,527
Share appreciation liability	–	1,307	4,587	771	1,143
Loans from a shareholder	4,000	2,200	6,300	6,300	6,300
Derivative financial instruments	996	3,947	–	–	–
Interest-bearing bank borrowings	88,373	70,787	65,556	109,982	98,880
Lease liabilities	2,791	3,869	5,451	13,749	6,958
Deferred income	385	1,475	1,596	858	585
Tax payable	912	688	1,077	474	964
Total current liabilities	**220,173**	**177,730**	**202,617**	**250,497**	**275,165**
Net current assets	**9,233**	**47,645**	**95,840**	**36,790**	**23,558**

Our net current assets decreased to US$23.6 million as of 31 August 2022 from US$36.8 million as of 30 June 2022 mainly due to an increase in trade payables, which was partially offset by (i) a decrease in interest-bearing bank borrowings; and (ii) an increase in inventories. Our net current assets decreased from US$95.8 million as of 31 December 2021 to US$36.8 million as of 30 June 2022 primarily due to (i) a decrease in inventories; and (ii) an increase in interest-bearing bank borrowings, which were partially offset by an increase in cash and cash equivalents. Our net current assets increased from US$47.6 million as of 31 December 2020 to US$95.8 million as of 31 December 2021 mainly because of an increase in inventories, which was partially offset by an increase in trade payables. Our net current assets increased from US$9.2 million as of 31 December 2019 to US$47.6 million as of 31 December 2020 mainly due to (i) an increase in inventories due to our increased herd size and increased raw materials costs; and (ii) a decrease in trade payables as a result of our disposal of GDS. For a detailed discussion on the changes of our inventories and trade payables, see "*– Discussion of Certain Key Consolidated Statements of Financial Position Items of Our Group – Inventories*" and "*– Discussion of Certain Key Consolidated Statements of Financial Position Items of Our Group – Trade Payables*". For a detailed discussion on the changes of the balances of bank borrowings and cash positions, see "*– Liquidity and Capital Resources*."

Property, Plant and Equipment

Our property, plant and equipment consist primarily of buildings, site facilities, machinery, equipment, motor vehicles, office furniture and fixtures and construction in progress in connection with our dairy farms and beef cattle farms. We had property, plant and equipment in the amount of US$308.5 million, US$295.3 million, US$416.4 million and US$408.7 million as of 31 December 2019, 2020, 2021 and 30 June 2022. The increase in 2021 was mainly due to our acquisition of Pure Source dairy farms.

Biological Assets

Our biological assets consist of dairy cows held to produce raw milk, beef cattle held for sale and forage crops planted to feed cows and cattle. Dairy cows are further categorised into milkable cows, calves and heifers. The following table sets forth the number of our biological assets as of the dates indicated:

	As of 31 December			As of 30 June
	2019	**2020**	**2021**	**2022**
		(head)		
Milkable cows				
– Continuing operation	45,286	46,680	53,735	57,383
– Discontinued operation	8,939	–	–	–
Subtotal	54,225	46,680	53,735	57,383
Calves and heifers				
– Continuing operation	40,754	45,099	52,439	54,041
– Discontinued operation	6,791	–	–	–
Subtotal	47,545	45,099	52,439	54,041
Beef cattle	17,086	19,386	25,414	28,152
Total	**118,856**	**111,165**	**131,588**	**139,576**

The following table sets forth the fair value less costs to sell of dairy cows and beef cattle as of the dates indicated:

	As of 31 December			As of 30 June
	2019	**2020**	**2021**	**2022**
		(US$'000)		
Milkable cows	263,916	280,177	344,665	356,878
Calves and heifers	97,913	106,125	133,032	140,755
Beef cattle	24,178	33,524	49,217	52,917
Forage plants	–	–	–	9,948
Total	**386,007**	**419,826**	**526,914**	**560,498**
Current	24,178	33,524	49,217	62,865
Non-current	361,829	386,302	477,697	497,633

The fair value of our biological assets increased from US$386.0 million as of 31 December 2019 to US$419.8 million as of 31 December 2020 and further to US$526.9 million as of 31 December 2021 and US$560.5 million as of 30 June 2022. The increase in the fair value of our biological assets during the Track Record Period was primarily due to (i) continuing increase in the fair value of dairy cows as a result of the increases in the number of dairy cows, raw milk price and the improved herd structure and quality; (ii) continuing increase in the fair value of calves and heifers as a result of the increased number of calves and heifers and (iii) continuing increase in the fair value of beef cattle as a result of the increase in the number of beef cattle. In addition, our acquisition of the Pure Source dairy farms in June 2021 also contributed to the increase in the fair value of biological assets by the addition to our herd size.

Our dairy cows and beef cattle were independently valued by Jones Lang LaSalle, a firm of independent qualified professional valuers not connected with us, which has appropriate qualifications and experiences in valuation of biological assets. In applying these valuation methods, our independent qualified professional valuers relied on a number of assumptions, related to, among other things, the quantity and quality of our dairy cows herd, body weight of biological assets, market price of biological assets and changes in the dairy and beef farming industries. Below is a summary of significant unobservable inputs to the valuation of milkable cows as of the end of each of the years during the Track Record Period. For details of the movement and valuation of our biological assets, see "– *Valuation of Biological Assets*" and Note 22 and Note 44 to the Accountants' Report as set out in Appendix I to this prospectus.

Type	**Valuation technique**	**Significant unobservable input**	**Inter-relationship between significant unobservable inputs and fair value measurements**
Milkable cows	The fair values of milkable cows are determined using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such milkable cows.	The estimated feed costs per kg of raw milk used in the valuation process ranged from RMB2.22 to RMB2.94, RMB2.20 to RMB2.70, RMB1.90 to RMB2.40 and RMB1.80 to RMB2.30 at 30 June 2022, 31 December 2021, 2020 and 2019, respectively.	An increase in the estimated feed costs per kg of raw milk used would result in a decrease in the fair value measurement of the milkable cows, and vice versa.

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurements
		A milkable cow could have as many as six lactation cycles. Estimated average daily milk yield per head at each lactation cycle ranges from 26kg to 38kg, 25kg to 38kg, 27kg to 38kg and 26kg to 40kg at 30 June 2022, 31 December 2021, 2020 and 2019, respectively.	An increase in the estimated daily milk yield per head used would result in an increase in the fair value measurement of the milkable cows and vice versa.
		Estimated average prices of raw milk per kg ranged from RMB4.56 to RMB5.29, RMB4.54 to RMB5.26, RMB4.10 to RMB4.80 and RMB4.00 to RMB4.60 as of 30 June 2022, 31 December 2021, 2020 and 2019, respectively.	An increase in the estimated average price of raw milk would result in an increase in the fair value measurement of milkable cows, and vice versa.
		Discount rate for estimated future cash flows used was 12%, 12%, 12% and 12% as of 30 June 2022, 31 December 2021, 2020 and 2019, respectively.	An increase in the estimated discount rate used would result in a decrease in the fair value measurement of the milkable cows and vice versa.

Right of Use Assets

Our right-of-use assets include our leasehold lands and leased properties. We had right-of-use assets in the amount of US$51.4 million, US$47.3 million, US$161.2 million and US$172.1 million as of 31 December 2019, 2020 and 2021 and 30 June 2022, respectively. The increase in 2021 was mainly due to the acquisition of the Pure Source dairy farms in June 2021.

Inventories

Our inventories primarily consist of raw materials, low-value consumables and finished goods. For our raw milk business, purchased feed is classified as raw materials. The following table sets forth the components of our inventories and the turnover days of inventories as of the dates indicated:

	As of 31 December			As of 30 June
	2019	**2020**	**2021**	**2022**
	(US$'000)			
Raw materials	77,991	96,604	151,973	102,351
Low-value consumables	7,722	4,909	6,246	5,683
Finished goods	2,132	951	2,446	1,176
	87,845	102,464	160,665	109,210

Our inventories totalled approximately US$87.8 million, US$102.5 million, US$160.7 million and US$109.2 million as of 31 December 2019, 2020 and 2021 and 30 June 2022. The increase during the Track Record Period was primarily due to an increase in raw materials from US$78.0 million as of 31 December 2019 to US$96.6 million as of 31 December 2020 and a further increase to US$152.0 million as of 31 December 2021, which was primarily due to the increase in raw materials resulting from larger herd size. The decrease from 31 December 2021 to 30 June 2022 was primarily due to the decrease in raw materials from US$152.0 million to US$102.4 million, as we typically purchase silage during the harvest season between September and November each year, which are subsequently being utilised throughout the entire year that follows.

The following table sets forth our inventory turnover days during the Track Record Period for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2019	2020	2021	2022
		(days)		
Inventory turnover days[(1)]	131	136	140	116

Note:

(1) The inventory turnover days are calculated using the average of beginning balance and ending balance of inventories for a period divided by cost of sales before raw milk fair value adjustments and beef cattle cumulative fair value adjustments and multiplied by the number of days for the period (365 days for the years ended 31 December 2019, 2020 and 2021 and 181 days for the six months ended 30 June 2022).

In 2019, 2020 and 2021 and the six months ended 30 June 2022, our inventory turnover days were 131 days, 136 days, 140 days and 116 days. The increase in our inventory turnover days for 2021 was primarily due to our strategy to increase the stock level for raw materials for feed in anticipation of our future expansion of herd size and raw materials price fluctuation. Our inventory turnover days decreased to 116 days in the six months ended 30 June 2022, primarily due to seasonal fluctuation as we typically purchase silage during the harvest season between September and November each year.

As of 31 August 2022, US$47.4 million of our inventories were used or consumed, representing 43.4% of our inventories as of 30 June 2022.

We regularly monitor our inventory and conduct stock takes in accordance with our inventory management policies. The relatively low subsequent usage of inventories was primarily due to (i) the seasonality of our raw materials which are considered part of the normal course of business and (ii) our strategic decision to stock up on inventories because of the increasing feed price. We typically stock a large quantity of silage during its harvest season between September and November, which are subsequently utilised throughout the year. For forage grass, corn and soybean-based products, we normally maintain a month of inventories. For these reasons, we do not believe there is any recoverability issue for our inventories.

Trade Receivables

Our trade receivables represent the outstanding amounts receivable by us from our customers in connection with the sales of our raw milk, beef and milk products. Trade receivables are obtained when we have an unconditional right to contract consideration and upon invoicing the customer based on the payment schedule provided in the relevant agreements. Trade receivables are generally due for settlement within one year and therefore are all classified as current. The table below sets forth our trade receivable balances as of the dates indicated:

	As of 31 December			As of 30 June
	2019	**2020**	**2021**	**2022**
		(US$'000)		
Trade receivables	52,294	36,094	46,600	41,273
Less: impairment	(244)	–	–	–
	52,050	36,094	46,600	41,273

Our trade receivables decreased from US$52.1 million as of 31 December 2019 to US$36.1 million as of 31 December 2020, primarily due to the disposal of GDS. Our trade receivables increased from US$36.1 million as of 31 December 2020 to US$46.6 million as of 31 December 2021, primarily due to an increase in sales of our raw milk and milk products, which were in line with the overall growth of our business. Our trade receivables decreased to US$41.3 million as of 30 June 2022, primarily due to our increased efforts and better management in the collection of trade receivables.

Our trading terms with our customers for sale of raw milk and milk products are mainly on credit. The credit period of sale of raw milk is 30 days after invoice date. The credit period of sale of milk products is generally 30 – 45 days after invoice date, extending up to 90 days for certain customers. Each customer has a maximum credit limit. We seek to maintain strict control over our outstanding receivables and has a credit control procedure to minimise credit risk. Overdue balances are reviewed regularly by senior management. We have certain collateral measures against our outstanding trade receivables balance. Trade receivables are non-interest-bearing.

The following is the aging analysis of trade receivables, net of allowance for credit losses, presented based on the delivery dates:

	As of 31 December			As of 30 June
	2019	2020	2021	2022
	(US$'000)			
Within 1 month	45,522	34,061	45,108	40,784
1 to 2 months	3,251	2,031	1,337	422
2 to 3 months	940	2	98	33
Over 3 months	2,337	–	57	34
	52,050	36,094	46,600	41,273

As of 31 December 2019, 2020 and 2021 and 30 June 2022, trade receivables amount of US$37.2 million, US$33.4 million, US$40.4 million and US$37.4 million were pledged to banks to secure certain of our bank borrowings.

The following table sets forth our trade receivables turnover days during the Track Record Period for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2019	2020	2021	2022
	(days)			
Trade receivables turnover days(1)	51	40	29	29

Note:

(1) The trade receivables turnover days are calculated using the average of beginning balance and ending balance of trade receivables for a period divided by revenue and multiplied by the number of days for the period (365 days for the year ended 31 December 2019, 2020 and 2021 and 181 days for the six months ended 30 June 2022). The closing balance of trade receivables as of 31 December 2019 included GDS's trade receivables, while our revenue for 2019 and 2020 do not include those of GDS's.

Our average trade receivables turnover days were 51 days, 40 days, 29 days and 29 days for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022. The decrease in the average trade receivables turnover days from 2019 to 2021 was mainly due to our disposal of GDS.

As of 31 August 2022, our trade receivables of US$40.8 million were settled, representing 98.9% of our trade receivables outstanding as of 30 June 2022.

Trade Payables

Our trade payables mainly represent purchases of raw materials. The table below sets forth the components of our trade payables as of the dates indicated:

	As of 31 December			As of 30 June
	2019	2020	2021	2022
	(US$'000)			
Trade payables	85,987	54,942	79,640	75,345

During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute or disagreement with our suppliers in relation to the timing, amounts of billing or the payment of our trade payables.

Our trade payables decreased from US$86.0 million as of 31 December 2019 to US$54.9 million as of 31 December 2020 primarily due to the disposal of GDS. Our trade payables increased from US$54.9 million as of 31 December 2020 to US$79.6 million as of 31 December 2021 primarily due to the consolidation of Pure Source into our Group. Our trade payables decreased from US$79.6 million as of 31 December 2021 to US$75.3 million as of 30 June 2022 due to a lower amount of feed purchase in the six months ended 30 June 2022.

The table below sets forth the aging analysis of our trade payables presented based on the invoice date at the end of each reporting period:

	As of 31 December			As of 30 June
	2019	2020	2021	2022
	(US$'000)			
Within 2 months	61,273	49,492	71,248	63,777
2 to 6 months	20,518	3,179	6,192	9,075
6 to 12 months	3,083	1,174	926	1,229
Over 1 year	1,113	1,097	1,274	1,264
Total	**85,987**	**54,942**	**79,640**	**75,345**

	For the year ended 31 December			For the six months ended 30 June
	2019	2020	2021	2022
	(days)			
Trade payables turnover days[1]	124	101	71	67

Note:

(1) The trade payables turnover days are calculated by using the average balance of payables divided by the cost of sales before raw milk fair value adjustments and beef cattle cumulative fair value adjustments and multiplied by the number of days for the period (365 days for the year ended 31 December 2019, 2020 and 2021 and 181 days for the six months ended 30 June 2022). The closing balance of trade payables as of 31 December 2019 included GDS's trade payables, while our cost of sales for 2019 and 2020 do not include those of GDSs.

Our average trade payables turnover days were 124 days, 101 days, 71 days and 67 days in 2019, 2020 and 2021 and the six months ended 30 June 2022. The trade payables turnover days decreased from 124 days in 2019 to 101 days in 2020, which was mainly as a result of the disposal of GDS. The decrease in the trade payables turnover days in 2021 were mainly due to (i) the fact that the opening balance of our trade payables included the balance of GDS, and (ii) faster payment cycle for the procurement of feed. Our trade payable turnover days decreased to 67 days in the six months ended 30 June 2022, primarily due to a higher amount of feed purchase in the second half of the year ended 31 December 2021.

As of 31 August 2022, our trade payables of US$41.6 million were settled, representing 55.2% of our trade payables outstanding as of 30 June 2022.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets represent mainly advances paid for purchase of raw material, prepaid expenses, deposits and other receivables. The table below sets forth the components of our prepayments, other receivables and other assets as of the dates indicated:

	As of 31 December			As of 30 June
	2019	**2020**	**2021**	**2022**
	(US$'000)			
Prepayments	9,872	8,189	18,311	24,853
Deposits and other receivables	822	165	416	1,046
Total	**10,694**	**8,354**	**18,727**	**25,899**

Our prepayments, deposits and other receivables totalled US$10.7 million, US$8.4 million, US$18.7 million and US$25.9 million as of 31 December 2019, 2020 and 2021 and 30 June 2022. Our prepayments, other receivables and other assets remain relatively stable in 2019 and 2020. The significant increases in 2021 and the six months ended 30 June 2022 was primarily due to advances for purchase of raw material, which was to secure more feedstock in times of rising feed material. Out of the total prepayments, deposits and other receivables as of 31 December 2021 and 30 June 2022, approximately US$10.8 million and US$7.5 million was related to feed material.

As of 31 August 2022, our prepayments and other receivables of US$11.4 million were settled, representing 44.0% of our prepayments and other receivables outstanding as of 30 June 2022.

The financial assets included in the above balances relate to receivables for which there were no recent history of default and past due amounts. As of 31 December 2019, 2020 and 2021 and 30 June 2022, the loss allowance was assessed to be minimal.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios during the periods indicated or as of the dates indicated:

	For the year ended/as of 31 December			For the six months ended/as of 30 June
	2019	2020	2021	2022
Gross profit margin(1)	34.6%	37.1%	33.7%	24.5%
Net profit margin(2)	21.2%	24.5%	20.0%	10.7%
Adjusted net profit margin (non-IFRS measure)(3)	21.5%	25.7%	23.1%	14.8%
EBITDA margin (non-IFRS measure)(4)	29.7%	32.2%	28.7%	20.8%
Adjusted EBITDA margin (non-IFRS measure)(5)	30.0%	33.4%	31.8%	24.9%
Return on equity(6)	13.9%	16.3%	14.5%	N/A
Return on assets(7)	7.9%	10.2%	8.9%	N/A
Current ratio(8)	1.0	1.3	1.5	1.1
Quick ratio(9)	0.6	0.7	0.7	0.7
Gearing ratio(10)	47.5%	33.5%	56.6%	60.1%
Net gearing ratio(11)	37.8%	26.6%	53.6%	53.9%

Notes:

(1) Calculated as gross profit divided by revenue for the period and multiplied by 100%.

(2) Calculated as net profit from continuing operations divided by revenue for the period and multiplied by 100%.

(3) Calculated as adjusted net profit, a non-IFRS measure, divided by revenue for the period and multiplied by 100%.

(4) Calculated as EBITDA, a non-IFRS measure, divided by revenue for the period and multiplied by 100%.

(5) Calculated as adjusted EBITDA, a non-IFRS measure, divided by revenue for the period and multiplied by 100%.

(6) Equals profit for the year/period from continuing operations divided by the average of the beginning and ending total equity for that year/period and multiplied by 100%.

(7) Equals profit for the year/period from continuing operations divided by the average of the beginning and ending total assets for that year/period and multiplied by 100%.

(8) Equals current assets divided by current liabilities as of the same date.

(9) Equals current assets less inventories and divided by current liabilities as of the same date.

(10) Equals bank interest-bearing borrowings, loans from a shareholder and lease liabilities divided by total equity and multiplied by 100%.

(11) Equals net debt divided by the total capital. Net debt represents the sum of interest-bearing borrowings, loans from a shareholder and lease liabilities less cash and cash equivalents and pledged deposits. Total capital represents equity attributable to the parent company.

LIQUIDITY AND CAPITAL RESOURCES

Our cash is primarily used for funding working capital, payment for plant and equipment and other capital expenditures. During the Track Record Period, we met our requirements for working capital and other capital expenditure through a combination of cash generated from operating activities and bank borrowings. The following table sets forth a summary of our cash flows for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
			(US$'000)		
				(unaudited)	
Net cash flows from operating activities	110,346	80,885	114,794	99,392	99,650
Net cash used in investing activities	(55,883)	(84,949)	(223,643)	(169,834)	(73,925)
Net cash generated from/(used in) financing activities	(40,213)	(6,696)	87,556	86,404	1,216
Net increase/(decrease) in cash and cash equivalents	14,250	(10,760)	(21,293)	15,962	26,941
Effect of exchange rate changes on cash and cash equivalents	(710)	2,873	121	455	(1,931)
Cash and cash equivalents at the beginning of the year	**37,664**	**51,204**	**43,317**	**43,317**	**22,145**
Cash and cash equivalents at the end of the year	**51,204**	**43,317**	**22,145**	**59,734**	**47,155**

Net Cash Flows from Operating Activities

In the six months ended 30 June 2022, net cash flows from operating activities amounted to US$99.7 million, which was mainly attributable to profit before tax for the period of US$30.9 million, adjusted for (i) net loss from changes in fair value of biological assets of US$3.0 million, which is a non-cash item; (ii) finance costs of US$14.4 million that is accounted for as cash used in financing activities; and (iii) depreciation of property, plant and equipment of US$10.5 million, which is a non-cash item. The amount was further adjusted by changes in working capital that has a positive effect on cashflow, primarily a decrease in inventories of US$43.0 million, as well as changes in working capital that has a negative effect on cash flow, primarily a decrease in trade payables and other payables and accruals of US$2.2 million.

In 2021, net cash flows from operating activities amounted to US$114.8 million, which was mainly attributable to profit before tax for the year of US$107.0 million, adjusted for (i) finance costs of US$21.6 million that is accounted for as cash used in financing activities; (ii) depreciation of property, plant and equipment of US$18.7 million, which is a non-cash item; and (iii) share-based payments of US$14.2 million, which is a non-cash item. The amount was further adjusted by changes in working capital that has a negative effect on cash flow, primarily an increase in inventories of US$48.7 million and an increase in trade receivables and prepayments, other receivables and other assets of US$17.6 million, as well as changes in working capital that has a positive effect on cashflow, primarily an increase in trade payables and other payables and accruals of US$26.8 million.

In 2020, net cash flows from operating activities amounted to US$80.9 million, which was mainly attributable to profit before tax for the year of US$97.5 million, adjusted for (i) depreciation of property, plant and equipment of US$16.3 million, which is a non-cash item; (ii) finance costs of US$15.0 million that is accounted for as cash used in financing activities; and (iii) share-based payments of US$4.9 million, which is a non-cash item. The amount was further adjusted by changes in working capital that has a negative effect on cash flow, primarily a decrease in trade payables and other payables and accruals of US$21.5 million, an increase in inventories of US$18.4 million and an increase in trade receivables and prepayments, other receivables and other assets of US$5.2 million.

In 2019, net cash flows from operating activities amounted to US$110.3 million, which was mainly attributable to profit before tax for the year of US$73.4 million, adjusted for (i) depreciation of property, plant and equipment of US$20.1 million, which is a non-cash item; (ii) finance costs of US$20.1 million that is accounted for as cash used in financing activities; and (iii) unrealised foreign currency loss of US$8.7 million, which is a non-cash item. This amount was further adjusted by changes in working capital that has a negative effect on cash flow, primarily an increase in inventories of US$8.0 million.

Net Cash Flows Used in Investing Activities

In the six months ended 30 June 2022, net cash flows used in investing activities amounted to US$73.9 million, which was mainly attributable to (i) purchase/capitalisation of biological assets of US$88.6 million, and (ii) purchases of items of property, plant and equipment of US$29.4 million, partially offset by proceeds from disposal of biological assets of US$43.5 million.

In 2021, net cash flows used in investing activities amounted to US$223.6 million, which was mainly attributable to (i) purchase/capitalisation of biological assets of US$132.7 million, (ii) acquisition of a subsidiary of US$115.5 million, and (iii) purchases of items of property, plant and equipment of US$68.3 million, partially offset by proceeds from disposal of biological assets of US$92.0 million.

In 2020, net cash flows used in investing activities amounted to US$84.9 million, which was mainly attributable to (i) purchase/capitalisation of biological assets of US$97.7 million, (ii) purchases of items of property, plant and equipment of US$59.3 million, and (iii) cash disposed arising from the disposal of subsidiaries of US$2.3 million, partially offset by proceeds from disposal of biological assets of US$75.2 million.

In 2019, net cash flows used in investing activities amounted to US$55.9 million, which was mainly attributable to (i) purchase/capitalisation of biological assets of US$88.6 million, and (ii) purchases of items of property, plant and equipment of US$28.0 million, partially offset by proceeds from disposal of biological assets of US$63.9 million.

Net Cash Flows from Financing Activities

In the six months ended 30 June 2022, net cash flows from financing activities amounted to US$1.2 million, which was mainly attributable to new interest-bearing bank borrowings of US$55.9 million, partially offset by repayment of interest-bearing bank borrowings of US$37.3 million.

In 2021, net cash flows from financing activities amounted to US$87.6 million, which was mainly attributable to new interest-bearing bank borrowings of US$267.4 million, partially offset by (i) repayment of interest-bearing bank borrowings of US$147.4 million, (ii) principal portion of lease payments of US$14.4 million, and (iii) interest paid of US$13.9 million.

In 2020, net cash flows used in financing activities amounted to US$6.7 million, which was mainly attributable to (i) repayment of interest-bearing bank borrowings of US$122.6 million, (ii) interest paid of US$11.9 million and (iii) principal portion of lease payments of US$5.0 million, partially offset by new interest-bearing bank borrowings of US$101.0 million and net increase in loans from a shareholder of US$31.8 million.

In 2019, net cash flows used in financing activities amounted to US$40.2 million, which was mainly attributable to (i) repayment of interest-bearing bank borrowings of US$79.6 million, (ii) interest paid of US$17.0 million and (iii) principal portion of lease payments of US$4.5 million, partially offset by new interest-bearing bank borrowings of US$56.9 million.

INDEBTEDNESS

At the close of business on 31 August 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the date of this prospectus, our indebtedness included: (i) interest-bearing bank borrowings of US$278.5 million; (ii) loans from a shareholder of US$25.5 million and (iii) lease liabilities of US$157.6 million. As of the same date, we had unutilised bank borrowings of US$140.0 million.

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of 31 December			As of 30 June	As of 31 August
	2019	**2020**	**2021**	**2022**	**2022**
			(US$'000)		*(unaudited)*
Current					
Bank loans – secured	32,320	11,556	25,056	57,182	47,230
Current portion of long-term bank loans – secured	56,053	59,231	40,500	52,800	51,650
Loans from a shareholder	4,000	2,200	6,300	6,300	6,300
Lease liabilities	2,791	3,869	5,451	13,749	6,958

	As of 31 December			As of 30 June	As of 31 August
	2019	**2020**	**2021**	**2022**	**2022**
			(US$'000)		*(unaudited)*
Non-current					
Bank loans – secured	124,120	71,854	202,422	166,431	179,625
Loans from a shareholder	4,100	23,340	19,240	19,240	19,240
Lease liabilities	45,121	46,466	145,705	152,398	150,633

Bank Borrowings

We had bank loans of US$212.5 million, US$142.6 million, US$268.0 million, US$276.4 million and US$278.5 million as of 31 December 2019, 2020 and 2021 and 30 June and 31 August 2022.

As of 30 June 2022, certain of our bank loans are secured by: (i) pledge over our bank account deposit, which had an aggregated carrying value of US$0.9 million; (ii) pledge over our trade receivables, which had a net carrying value of approximately US$37.4 million; (iii) pledge over certain of our inventories totalling US$46.9 million; (iv) the mortgages of certain of our property, plant and equipment, which has an aggregated carrying amounting to US$40.0 million; (v) the mortgages of certain of our biological assets, which has an aggregated carrying amounting to US$356.5 million; (vi) pledge over the shares of certain subsidiaries which had an aggregated carrying value of US$26.4 million; and (vii) pledge over the investments in certain subsidiaries which had an aggregated carrying value of US$337.0 million.

Our facility agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that we did not experience any unusual difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Loans from a Shareholder

We had loans from Japfa (our listed parent until the completion of the Japfa Distribution) in the amount of US$8.1 million, US$25.5 million, US$25.5 million, US$25.5 million and US$25.5 million as of 31 December 2019, 2020 and 2021 and 30 June and 31 August 2022. Such loans are non-trade in nature, unsecured, and bear an interest in the range of 3.67% to 5.26% per annum. The following table sets out our loans from shareholder as of the dates indicated:

	As of 31 December			As of 30 June	As of 31 August
	2019	**2020**	**2021**	**2022**	**2022**
			(US$'000)		*(unaudited)*
Loans from a shareholder					
Current	4,000	2,200	6,300	6,300	6,300
Non-current	4,100	23,340	19,240	19,240	19,240
Total	**8,100**	**25,540**	**25,540**	**25,540**	**25,540**

Prior to the Listing Date, the Company will capitalise all of the outstanding loans from Japfa in the aggregate amount of US$25.5 million by way of the issue of new Shares to Japfa (the "**Capitalisation Issue**"). The number of Shares to be issued pursuant to the Capitalisation Issue (the "**Capitalisation Shares**") will be calculated by dividing the outstanding loan amount by the final Offer Price. Based on the mid-point of the Offer Price Range, a total of [**REDACTED**] Captalisation Shares will be issued to Japfa, representing [**REDACTED**] of the issued Shares immediately following the completion of the Share Award Issuance and the Global Offering and assuming the Over-allotment Option is not exercised. The Capitalisation Shares will form part of the Japfa Distribution and will be distributed to the Entitled Japfa Shareholders pursuant to the Japfa Distribution.

Lease Liabilities

Our lease liabilities consist of current lease liabilities and non-current lease liabilities. We have lease contracts for various items of leasehold land and buildings used in our operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and payment is made based on agreed payment schedule. Leases of buildings generally have lease terms between 2 and 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Certain of the leased assets are restricted to subleasing to parties outside our Group. The following table sets out our lease liabilities in absolute amounts as of the dates indicated:

	As of 31 December			As of 30 June	As of 31 August
	2019	**2020**	**2021**	**2022**	**2022**
			(US$'000)		*(unaudited)*
Leased liabilities					
Current	2,791	3,869	5,451	13,749	6,958
Non-current	45,121	46,466	145,705	152,398	150,633
Total	**47,912**	**50,335**	**151,156**	**166,147**	**157,591**

Our lease liabilities increased by 200.6% from US$50.3 million as of 31 December 2020 to US$151.2 million as of 31 December 2021 primarily due to the acquisition of Pure Source dairy farms. Our lease liabilities increased by 9.9% from US$151.2 million as of 31 December 2021 to US$166.1 million as of 30 June 2022 primarily due to the increased rent of existing leases for the operation of Pure Source Farm 1 (Farm 9) and Pure Source Farm 2 (Farm 10).

Save as aforesaid, at the close of business on 31 August 2022, we did not have any debt securities authorised or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, debentures, hire purchase or finance lease obligations, borrowings and debts, or other material contingent liabilities.

Other Payables and Accruals

Our other payables and accruals primarily consist of construction payables, payroll payable, other non-current liability and contract liabilities. The following table sets forth the components of our other payables and accruals as of the dates indicated:

	As of 31 December			As of 30 June
	2019	2020	2021	2022
	(US$'000)			
Current				
Other payables	5,420	1,345	996	1,903
Accruals	4,547	1,611	1,794	3,788
Payroll payable	9,073	8,953	11,501	8,731
Construction payables	9,352	19,546	20,146	24,998
Contract liabilities[1]	7,631	6,589	1,870	2,059
Interest payable	706	471	2,103	1,539
	36,729	38,515	38,410	43,018
Non-current				
Defined benefit obligations	3,409	–	–	–
Other non-current liability[2]	–	–	13,646	13,271
Contract liabilities[1]	–	–	1,390	999
	3,409	–	15,036	14,270

Notes:

(1) Contract liabilities

The contract liabilities of the Group represent only the advances from customers, including advances for our raw milk, milk products and beef cattle. Our contract liabilities decreased by 13.7% from US$7.6 million as of 31 December 2019 to US$6.6 million as of 31 December 2020, and further decreased primarily because advance from Customer B, a third-party customer of our raw milk, was offset to pay the raw milk purchase in 2020, which resulted in a decrease of advance for our raw milk. Our contract liabilities decreased by 50.5% from US$6.6 million as of 31 December 2020 to US$3.2 million as of 31 December 2021 primarily because advances from Customer B was offset to pay the raw milk purchase in 2021. Our contract liabilities remained relatively stable at US$3.1 million as of 30 June 2022. The following table shows revenue recognised that was included in the balance of contract liabilities at the beginning of each reporting period:

	As of 31 December			As of 30 June
	2019	2020	2021	2022
	(US$'000)			
Advances from customers	4,401	7,631	6,589	1,870

(2) Other non-current liability

As of 31 December 2021 and 30 June 2022, the balance of other non-current liability represents the deposit from Customer B for raw milk which will be due by the end of 2024. At the end of 2020, we renegotiated the raw milk supply agreement (the "**Renewed Agreement**") with Customer B upon the expiration of the original agreement. After arm's length negotiations between Customer B and the Group, Customer B agreed to pay such deposit in order to secure a long-term supply of raw milk of a large quantity at a pre-determined price range. Such long-term deposit is not common in the raw milk industry. Other raw milk customers of the Group typically do not pay long-term deposits to us as they do not lock in a long-term price. The average annual contract value under the Renewed Agreement is approximately in the range of US$90 million to US$100 million, calculated based on the minimum purchase quantity and pre-determined price range. Other than the deposit arrangement and pricing terms, Customer B does not enjoy any other special terms that are different from our other raw milk customers. The other key terms of the Renewed Agreement are similar to those of the Group's typical raw milk supply agreements with other raw milk customers. For details of Customer B, its relationship with the Group and a summary of the key terms of the Group's typical raw milk supply agreements, see "*Business – Our Customers*".

The construction payables increased by 109.0% from US$9.4 million as of 31 December 2019 to US$19.5 million as of 31 December 2020 primarily because the construction of new dairy farm of Chifeng AustAsia Dairy Farm Tongxi Branch was not yet fully completed as of 31 December 2020. The construction payables slightly increased by 3.1% from US$19.5 million as of 31 December 2020 to US$20.1 million as of 31 December 2021 primarily due to the construction or renovation of farm facilities, including the Pure Source dairy farms, which was partially offset by the settlement of the construction payables for Chifeng AustAsia Dairy Farm Tongxi Branch. The construction payables increased by 24.1% from US$20.1 million as of 31 December 2021 to US$25.0 million as of 30 June 2022 primarily due to the renovation of farm facilities and maintenance of employee dormitories and roads on our dairy farms and beef cattle feedlots.

CONTINGENT LIABILITIES

At the end of each reporting period, we had no significant contingent liability.

CAPITAL EXPENDITURES

The following table sets forth capital expenditures for the periods indicated:

	As of 31 December			As of 30 June
	2019	**2020**	**2021**	**2022**
	(US$'000)			
Capital commitments in respect of:				
Construction in progress	1,983	2,075	9,971	34,372
Purchase of property, plant and equipment	1,107	–	–	–
	3,090	2,075	9,971	34,372

Our capital expenditures increased in the six months ended 30 June 2022 primarily due to the increase in construction in progress in connection with our feed mill.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any off-balance sheet commitments and arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors confirm that the related party transactions set out in Note 42 to the Accountants' Report in Appendix I to this prospectus were conducted in the ordinary course of business on arm's length basis and by reference to the normal commercial terms of each party. Our Directors also consider that our related party transactions during the Track Record Period would not affect our results during such period, and would not make our historical results not reflective of our future performance.

We expect that certain of our related party transactions will proceed following the Global Offering. For our related party transactions under Chapter 14A of the Listing Rules, please refer to "*Connected Transactions*".

MARKET AND OTHER FINANCIAL RISK MANAGEMENT

We are exposed to various types of market risks in the ordinary course of our business. The main risks arising from our financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. We manage our exposure to these risks through regular operating and financial activities. Our Board regularly reviews the risks and our financial risk management policy, and seeks to ensure that adequate resources are available to manage the market risks summarised below. For more details, see Note 45 to the Accountants' Report included in the Appendix I to this prospectus.

Foreign Currency Risk Management

Our exposure to foreign currency risk with respect to our continuing operations relates principally to our subsidiaries in China, as well as Singapore and Hong Kong where some of the transactions are denominated in Singapore Dollar ("**SGD**") and U.S. dollars ("**USD**"). The functional currencies of our subsidiaries in China are RMB. As of the end of the reporting period, the assets and liabilities of these entities are translated into USD at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into USD at the average exchange rates for the period during which the transactions occur. The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss. Therefore, the fluctuations in the exchange rate could affect our results of operations. We entered into forward currency contracts to hedge foreign currency risk arising from our bank loans denominated in USD as disclosed in Note 45 to the Accountants' Report included in the Appendix I to this prospectus.

Sensitivity Analysis

The following table demonstrates the sensitivity of our profit before tax (due to changes in the fair values of monetary assets and liabilities) and our equity to a reasonably possible change in the RMB, SGD and USD exchange rate against the respective functional currencies of the Group's entities, with all other variable held constant:

	Increase/ (decrease) in USD rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	*US$'000*	
2019			
If the USD weakens against the RMB	(5)	54	54
If the USD strengthens against the RMB	5	(54)	(54)
If the USD weakens against the SGD	(5)	99	99
If the USD strengthens against the SGD	5	(99)	(99)
2020			
If the USD weakens against the RMB	(5)	545	545
If the USD strengthens against the RMB	5	(545)	(545)
2021			
If the USD weakens against the RMB	(5)	326	326
If the USD strengthens against the RMB	5	(326)	(326)
Six months ended 30 June 2022			
If the USD weakens against the RMB	(5)	628	628
If the USD strengthens against the RMB	5	(628)	(628)

Interest Rate Risk Management

We are exposed to the risk of changes in market interest rates that relates primarily to our obligations with a floating interest rate. We closely monitor our interest rate risk by performing periodic reviews and evaluations of our debt portfolio and gearing ratio. For details of the interest rates and terms of repayment of our bank loans, see Note 31 to the Accountants' Report included in the Appendix I to this prospectus. We also enter into interest rate swaps, in which we agree to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

Credit Risk Management

We trade only with recognised and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to our internal credit assessment. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

Concentrations of credit risk are managed by establishing internal credit assessment procedures. Management determines that there are minimal concentrations of credit risk within us as the customers of our trade receivables are recognised and creditworthy. Further quantitative data in respect of our exposure to credit risk arising from trade receivables are disclosed in Note 45 to the Accountants' Report included in Appendix I to this prospectus.

Liquidity Risk Management

We monitor our risk to a shortage of funds periodically. This procedure considers the maturity of both its financial liabilities (e.g., loan and trade payables) and financial assets (e.g., trade receivables) and projected cash flow from operations.

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. We manage its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may consider whether to declare dividend, return capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the relevant periods.

VALUATION OF BIOLOGICAL ASSETS

Information about the Independent Valuer of Our Biological Assets

We have engaged Jones Lang LaSalle ("**JLL**"), a firm of independent qualified professional valuer, to determine the fair value of our dairy cows and beef cattle as of 31 December 2019, 2020 and 2021. The key valuer of JLL's valuer includes Mr. Simon M.K. Chan.

Mr. Simon Chan, Executive Director at JLL, is a Fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a Fellow of CPA Australia. He is also a Chartered Valuer and Appraiser (CVA), a member of The International Association of Consultants, Valuers and Analysts (IACVA), and a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr. Simon Chan oversees the business valuation services of JLL and has experience in corporate advisory and valuation. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States. Simon oversaw the valuation of biological assets for the initial public offerings and subsequent financial reports of Eggriculture Foods Limited (8609.HK), China Modern Dairy Holdings Ltd. (1117.HK), China Youran Dairy Group Limited (9858.HK), YuanShengTai Dairy Farm Limited (1431.HK), WH Group Limited (288.HK), China Shengmu Organic Milk Limited (1432.HK) and Shandong Fengxiang Co., Ltd. (9977.HK).

Based on market reputation and relevant background research, the Directors and the Joint Sponsors are satisfied that JLL is independent from us and is competent in conducting a valuation on our biological assets.

Valuation Methodology

In arriving at the assessed value, the Income Approach, a generally accepted approach have been considered.

Income Approach is adopted to value the milkable cows. JLL understand from the Company that generally there is no reliable market-based price for dairy cow at this stage, therefore the fair value of the milkable cows is developed through the application of income approach technique known as multi-period excess earnings method ("**MEEM**").

MEEM is a derivative of the discounted cash flow ("**DCF**") method. Using this technique, JLL estimate the direct economic benefits attributed to the milkable cows. Such economic benefits are then capitalised at a rate which reflects all business risks including intrinsic and extrinsic uncertainties in relation to the subject assets. To estimate the economic benefit, the revenues for the milkable cows are projected over their remaining useful lives. Based on the projected revenues, the costs associated with supporting the milkable cows are net off. The net income projection is then adjusted by economic capital charges. The capital charges include returns on the assets that are used or used up in the generation of the subject biological assets income projection. Our directors and Joint Sponsors confirmed that the components of the material cash flows used in the fair value measurement are consistent with market factors and assumptions used in the measurement.

Dairy cows

Calves and heifers

A market-based approach is adopted by JLL to value our calves and heifers, because recent market-based prices for heifers at a certain age exist near each reporting date and therefore the fair value of the calves and heifers is developed through the application of the market approach with reasonable adjustments to reflect age and potential milk yield differences.

Milkable Cows

An income-based approach is adopted by JLL to value our milkable cows, primarily because there is no reliable market-based price for dairy cow at this stage. In general, raisers of dairy cows do not sell dairy cows that are milkable, as milking generate more profits in the long run than the sales of dairy cows. As a result, the fair value of the milkable cows is developed through the application of an income approach technique known as MEEM**.** MEEM is a derivative of the DCF method. Using this method, Jones Lang LaSalle estimates the direct economic benefits attributed to the milkable cows. Such economic benefits are then capitalised at a rate which reflects all business risks including intrinsic and extrinsic uncertainties in relation to the subject assets. To estimate the economic benefit, the revenues for the milkable cows are projected over their remaining useful lives. Based on the projected revenues, the costs associated with supporting the milkable cows are offset. The net income projection is then adjusted by certain economical capital charges. The capital charges include returns on the assets that are used or used up in the generation of the subject biological assets income projection. Examples of such assets include fixed assets and assembled workforce.

Beef cattle

Market Approach is adopted by JLL to value the beef cattle. Because the market-based prices for newborn beefs and mature beefs can be obtained as of respective valuation dates. Given the relatively short finishing cycle of beefs, the fair values of the beefs are developed through the application of market approach with reasonable adjustments to reflect the age differences.

Key Assumptions and Inputs

Dairy cows

Key inputs for valuing our dairy cows are the number and classification of dairy cows. Based on maturity stages, our dairy cows are classified into calves and heifers and milkable cows. Different valuation approaches are adopted for calves and heifers and milkable cows.

Calves and heifers

The key inputs and assumptions for valuing our calves and heifers are the market price per head for 14 months old heifers, which was RMB19,000, RMB19,000, RMB19,500 and RMB21,000 as of 31 December 2019, 2020, 2021 and 30 June 2022.

Milkable cows

The key assumptions and inputs include the revenues from milking the dairy cows and the costs associated with the milkable cows. JLL also assumes that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which may adversely affect our business. In deriving the residual cash flow of the milkable cows, JLL has deducted returns on contributory assets, which represent charges for the use of contributory assets employed to support the milkable cows and help generate revenue. Our Directors confirmed, and the Joint Sponsors concurred, that the key bases and assumptions used by JLL in the valuation process are consistent with those used by the industry peers and are appropriate and reasonable.

The key assumptions and inputs for calculating the revenues from milking include the following:

- The number of milkable cows and their respective estimated culling rates and calf birth rates, at different lactation stages.

- The milk yield rate as adjusted by an estimated spoilage rate at different lactation stages.

- The prices for raw milk produced by, and calves and stud bulls given birth by, milkable cows at different lactation stages.

The key assumptions and inputs for calculating the costs associated with raising the milkable cows include the following:

- feed;

- salary, welfare and social insurance; and

- others.

Beef cattle

The key inputs and assumptions for valuing Holstein Beef, Angus Beef, Wagyu Beef, Charolais Beef are the market price per head for newborn beef and mature beef, respectively. As Charolais Beef, Limousin Beef and Simmental Beef are still at the breeding stage, no trading contracts of such mature beefs or active market data are available as of the relevant valuation dates. Since the market prices of mature Charolais Beef, Limousin Beef and Simmental Beef are unavailable, the fair values of these three categories are determined with adjustment according to actual breeding expense and the newborn beef market price.

Our Directors and the Joint Sponsors discussed with JLL in relation to their methodologies, procedures, key bases and assumptions and understand that JLL has conducted the biological asset valuation in accordance with International Accounting Standard 41 – Agriculture, issued by the International Accounting Standards Board and with reference to the International Valuation Standards, issued by the International Valuation Standards Council. The key assumptions, as detailed above, are made based on the historical actual operation performance of the Company. JLL has obtained and discussed with us regarding the historical actual operation data from us, and considered and reviewed whether they are appropriate and reasonable to be used in the valuation. JLL confirmed that their valuation procedures provide a reasonable basis for their opinion, the inputs used in the valuation technique are appropriate and reasonable. Our Directors and the Joint Sponsors confirm that the key bases and assumptions adopted are consistent with industry practice and in line with the actual figures during the Track Record Period.

The Joint Sponsors and JLL conducted a number of site inspections to perform an independent verification of the biological assets without experiencing any limitation in material aspect. JLL also engaged a third-party independent consultant to advise on the physical and biological attributes of the biological assets.

The Joint Sponsors had various discussions with JLL in relation to its valuation procedures, valuation bases and assumptions, valuation techniques and information required to prepare the valuation report of the biological assets to better understand the valuation process. As confirmed by JLL, the valuation of our biological assets was conducted in accordance with the International Valuation Standards issued by the International Standards Council. JLL has further confirmed that its valuation procedures provide a reasonable basis for its opinion, and that the inputs used in the valuation techniques are appropriate and reasonable. In addition, the Joint Sponsors discussed with our management and the Reporting Accountants with respect to the techniques chosen and inputs used in the valuations. The Joint Sponsors further compared the valuation techniques chosen, bases and assumptions of the valuation with those used in other similar transactions and market practice. The Joint Sponsors and the Reporting Accountants are satisfied that the valuation techniques chosen and the inputs used in the valuation techniques are appropriate and reasonable.

Furthermore, the Joint Sponsors discussed with the Reporting Accountants with respect to their procedures performed on the valuation of the biological assets, including obtaining an understanding on the assumptions and methods used by JLL in the valuation of our biological assets and making inquiries regarding the source data used and procedures undertaken in accordance with the HKSA 500 Audit Evidence. The Reporting Accountants provided an unqualified opinion to the financial information of our Group as a whole as set out in Appendix I to this prospectus.

Sensitivity Analysis

The following table illustrates the sensitivity of the estimated fair value of milkable cows that would arise if the key inputs had changed as of 30 June 2022, assuming all other variables remained constant:

Assumed Milk Price	**4.56**	**(RMB/kg)**					
% change in milk price	**+10%**	**+2%**	**+1%**	**0%**	**-1%**	**-2%**	**-10%**
	5.02	*4.65*	*4.61*	*4.56*	*4.51*	*4.47*	*4.10*
Corresponding Valuation Result (RMB million)	2,900.6	2,496.2	2,445.7	2,395.1	2,344.6	2,294.1	1,889.7
Change in Valuation Result (RMB million)	505.4	101.1	50.5	–	(50.5)	(101.1)	(505.4)
% Change in Valuation Result	*21.1%*	*4.2%*	*2.1%*	*0%*	*-2.1%*	*-4.2%*	*-21.1%*
Assumed Feed Cost for mature animal	**(RMB/Kg)**						
% change in feed cost	**+10%**	**+2%**	**+1%**	**0%**	**-1%**	**-2%**	**-10%**
Corresponding Valuation Result (RMB million)	2,128.1	2,341.7	2,368.4	2,395.1	2,421.8	2,448.5	2,662.2
Change in Valuation Result (RMB million)	(267.0)	(53.4)	(26.7)	–	26.7	53.4	267.0
% Change in Valuation Result	*-11.1%*	*-2.2%*	*-1.1%*	*0%*	*1.1%*	*2.2%*	*11.1%*
Average daily milk (ADM)	**(Kg/Day/Head)**						
% change in ADM	**+10%**	**+2%**	**+1%**	**0%**	**-1%**	**-2%**	**-10%**
Corresponding Valuation Result (RMB million)	2,633.6	2,442.8	2,419.0	2,395.1	2,371.3	2,347.5	2,156.7
Change in Valuation Result (RMB million)	238.4	47.7	23.8	–	(23.8)	(47.7)	(238.4)
% Change in Valuation Result	*10.0%*	*2.0%*	*1.0%*	*0%*	*-1.0%*	*-2.0%*	*-10.0%*
	21,000	**(RMB/Head)**					
% change in price	**+5%**	**+2%**	**+1%**	**0%**	**-1%**	**-2%**	**-5%**
	22,050.00	*21,420.00*	*21,210.00*	*21,000.00*	*20,790.00*	*20,580.00*	*19,950.00*
Corresponding Valuation Result (RMB million)	2,431.8	2,409.8	2,402.5	2,395.1	2,387.8	2,380.5	2,358.5
Change in Valuation Result (RMB million)	36.6	14.7	7.3	–	(7.3)	(14.7)	(36.6)
% Change in Valuation Result	*1.5%*	*0.6%*	*0.3%*	*0%*	*-0.3%*	*-0.6%*	*-1.5%*

Discount rate	**12%**						
change in discount rate	**+1.5%**	**+1%**	**+0.5%**	**0%**	**-0.5%**	**-1%**	**-1.5%**
	13.50%	*13.00%*	*12.50%*	*12.00%*	*11.50%*	*11.00%*	*10.50%*
Corresponding Valuation Result (RMB million)	2,347.0	2,362.8	2,378.9	2,395.1	2,411.7	2,428.5	2,445.5
Change in Valuation Result (RMB million)	(48.1)	(32.3)	(16.3)	–	16.5	33.3	50.4
% Change in Valuation Result	*-2.0%*	*-1.3%*	*-0.7%*	*0%*	*0.7%*	*1.4%*	*2.1%*

Stock-take and Internal Control

Stock-take

We have established a standard protocol for stock take consisting of periodic and random stock take to ensure the physical existence of our biological assets and accuracy of relevant data and information. Each of our dairy farms is required to perform a full stock take on a quarterly basis to ensure the relevant information such as headcount and, age-grouping are accurately reflected in our dairy farm information management system and submit a stock-take report to the record keeping department at our headquarters. We perform quarterly stock-take for biological assets, quarterly stock-take for inventories and twice a year stock-take for fixed assets.

Internal Control and Management System

We have established comprehensive policies for biological asset management. Our biological asset management policies cover among other things, transferring among age groups, purchase and disposal of dairy cows and beef cattle, breeding, record keeping and stock take. To facilitate the implementation of our biological asset management policy, we employ the farm information management systems developed by third-party developers, in collaboration with the accounting system, to keep comprehensive record of our dairy cows and beef cattle herd.

VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Certain of our financial assets and liabilities are measured at fair value on a recurring basis at the end of each reporting period. The level 3 financial assets mainly included equity investment designated at fair value through other comprehensive income and biological assets, and the level 3 financial liabilities included share appreciation liability. For information about our financial assets and liabilities categorised within level 3 of fair value measurement, see Note 44 in Appendix I to this Prospectus.

Details of the fair value measurement of financial assets and liabilities, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of the unobservable inputs to fair value are disclosed in Note 44 to the Accountants' Report set out in Appendix I to this prospectus.

Based on the results of the procedures on the fair value of financial assets and liabilities and other audit procedures on other items of the Historical Financial Information, the Reporting Accountants has given a true and fair view to the Historical Financial Information of the Group as a whole. Such opinion is set out in Appendix I to the Prospectus.

Our financial asset (other than biological assets) at fair value which was measured at level 3 as of 31 December 2019, 2020 and 2021 and 30 June 2022 comprised an unlisted equity investment in Food Union AustAsia Holdings Pte. Ltd. The fair values of the equity investment have been established annually by our management based on a market-based valuation technique, which usually involves the following steps: (i) determining the comparable public companies, selecting the price multiple and making estimates about the discount for illiquidity and size differences; (ii) engaging an independent professional qualified valuer and providing the necessary financial and non-financial information to the valuer so as to enable the valuer to perform the valuation procedures, and discussing with the valuer on the relevant assumptions; and (iii) considering the valuation computation, methodology and result of the valuer's valuation and other information relevant to the determination of the fair values. Based on the above procedures, the Directors are of the view that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are fair and reasonable.

The Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountants' Report set forth in Appendix I to this prospectus; (ii) discussed with the Company to understand (a) the procedures performed for such valuation, (b) the key factors, valuation methodologies and key assumptions taken into account by the Company as advised by its external valuer, and (c) the internal control process undertaken by the Company for reviewing the relevant valuation; (iii) review of the professional qualification and previous experience of the external valuer engaged by the Company; and (iv) discussed with (a) the external valuer engaged by the Company and (b) the Reporting Accountants on their work performed in this regard.

Having considered the work done by the Directors and Reporting Accountants and the relevant due diligence done as stated above, nothing has come to the attention of the Joint Sponsors that would reasonably cause them to disagree with the views of the Directors that the Company has complied with SFC's "Guidance note on directors' duties in the context of valuations in corporate transactions" in relation to the relevant valuation of financial assets and liabilities categorised within level 3 of fair value measurement.

DIVIDENDS

The Company did not pay or declare any other dividends during the Track Record Period. We do not have any dividend policy and have no present plan to pay any dividends to our Shareholders in the foreseeable future. Any declaration and payment as well as the amount of dividends will be subject to the Constitution of the Company and the Singapore Companies Act. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our results of operations, cash flows, financial condition, operating and capital expenditure requirements. In addition, our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. Under the Singapore Companies Act, a Singapore company may only pay a dividend out of profits. There is no assurance that dividends of any amount will be declared by the Company to be distributed in any year. Investors should not purchase our shares with the expectation of receiving cash dividends.

If we pay dividends in the future, in order for us to distribute dividends to our Shareholders, we will rely to some extent on any dividends distributed by our PRC subsidiaries. Any dividend distributions from our PRC subsidiaries to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. For further details, please see the section headed "*Risk Factors – Risks Relating to Conducting Business in the PRC*" in this prospectus.

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including the estimated net proceeds from the Global Offering, cash flow generated from operations, bank facilities available to us and cash and cash equivalents on hand, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this prospectus.

DISTRIBUTABLE RESERVES

As of 30 June 2022, the Company did not have distributable reserves.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid and payable to the reporting accountant, legal advisers and other professional advisers for their services rendered in relation to the Listing and the Global Offering. Assuming an Offer Price of [**REDACTED**] per Offer Share (being the mid-point of the Offer Price Range), we estimate that the total listing expenses payable by us will be [**REDACTED**], comprising (i) underwriting-related expenses of approximately [**REDACTED**], and (ii) non-underwriting-related expenses of [**REDACTED**]. Our estimated total listing expenses represent [**REDACTED**]% of the total gross proceeds that we will receive from this Global Offering, of which [**REDACTED**] will be charged to our consolidated statements of comprehensive income and [**REDACTED**] will be deducted from equity as such amount is directly attributable to the issue of Shares.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please see "*Appendix II – Unaudited Pro Forma Financial Information*" for details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial position or prospects since 30 June 2022, being the end date of the periods reported on in the Accountants' Report included in Appendix I to this prospectus, and there has been no event since 30 June 2022 that would materially affect the information as set out in the Accountants' Report included in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Company and its subsidiaries have entered into certain facility agreements with several banks for term loan facilities, which provide, among other things, that it would constitute an event of default or the Group would need to obtain prior written consent of the lending bank if Japfa and certain affiliates of Japfa (which include, among others, Mr. Renaldo Santosa and Ms. Gabriella Santosa (who are Controlling Shareholders) as the children of Mr Handojo Santosa and certain Executive Directors), taken as a group, ceases to (i) own, directly or indirectly, at least 30% of the issued share capital of the Company or (ii) have (A) de facto ability to direct the affairs of the Company and (B) de facto right to determine the composition of the Board of Directors. The aggregate outstanding principal amount of these facilities as at the Latest Practicable Date was approximately US$298.5 million. These facilities have terms of 6 months to 5 years, and as at the Latest Practicable Date, the remaining maturity of these facilities ranged from 6 months to 54 months.

Our Directors confirm that, save as disclosed above, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.