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AUSTASIA

AustAsia Group Ltd.

澳亞集團有限公司*

(Incorporated in the Republic of Singapore with limited liability)

(Stock Code: 2425)

PROFIT WARNING AND FURTHER EXTENSION OF THE SCHEDULE OF THE DEVELOPMENT OF PURE SOURCE FARM 4

This announcement is made by AustAsia Group Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

PROFIT WARNING

The Company’s board of directors (the “**Board**”) wishes to inform the Company’s shareholders and potential investors that, based on the preliminary assessment of the Group’s unaudited consolidated management accounts (the “**Management Accounts**”) for the year ended 31 December 2023 (the “**Year**”), the Group expects to record a consolidated net loss of approximately RMB450 million to RMB500 million, compared with the net profit of approximately RMB158 million (USD23.4 million) for the year ended 31 December 2022.

The expected loss is attributable principally to:

- (i) A loss arising from changes in fair value less costs to sell of biological assets (the “**Revaluation Loss**”). For the Year, the Revaluation Loss is expected to range from approximately RMB640 million to RMB700 million, as compared to RMB158 million (USD23.4 million) for 2022. The Revaluation Loss was mainly attributable to the decrease in selling price of raw milk and the increase in feed costs for the past 12-month period.
- (ii) Provision for shareholder’s loan and its related interest receivable of approximately RMB89.8 million. The shareholder’s loan was provided to Food Union AustAsia Holdings Pte. Ltd. and booked as a long-term receivable. The management assessed the credit risks associated with the shareholder’s loan and concluded that the loan and its accumulated interests have become uncollectable; and
- (iii) Weaker-than-expected demand and lower sales prices for raw milk and beef cattle in China. During the Year, the Group’s average selling price of raw milk and beef cattle decreased by approximately 8.2% and 7.6% compared with 2022, respectively, resulting in a gross profit margin decrease.

Amid highly challenging economic environment and weakening consumer demands, the Group has continued to take effective actions to improve operating efficiencies and to lower feed costs. In the 2nd half of 2023, the Group has achieved obvious gross profit margin improvement compared with the 1st half through the implementation of cost saving measures. In addition, the Group continued to reach higher milk yield and commenced feed processing through its in-house feed mill during the Year.

Mainly due to the Revaluation Loss, as referred to in the paragraph (i) above, the Group expects to record a consolidated net loss of approximately RMB450 million to RMB500 million for the Year.

The Board hereby reminds the shareholders of the Company and potential investors that the information set out in this announcement is based on a preliminary assessment with reference to the information currently available to the Board and has not been reviewed by the audit committee of the Company, the independent auditor and the valuer of the Company, respectively, and may differ with the actual final results for the Year of the Group. Shareholders of the Company and potential investors are advised to carefully read the final results announcement of the Group for the year ended 31 December 2023, which is expected to be published in March 2024 in accordance with the Listing Rules.

FURTHER EXTENSION OF THE SCHEDULE OF THE DEVELOPMENT OF PURE SOURCE FARM 4

Reference is made to the prospectus issued by the Company on 16 December 2022 (the “**Prospectus**”), the results announcements of the Company dated 1 March 2023 and the voluntary announcements dated 1 June 2023, 1 September 2023 and 1 December 2023 (the “**Announcements**”). As disclosed in the Announcements, the Company extended the construction period of Pure Source Farm 4 from April 2023 to December 2023 to from April 2023 to December 2024 (the “**Revised Construction Schedule**”). The Group commenced construction of Pure Source Farm 4 in April 2023. The construction progress of Pure Source Farm 4 (which as of the date of this announcement included, among others, the completion of engineering surveying and mapping of the land, various aspects of the design and construction of the surrounding wall) is in line with the Revised Construction Schedule.

Considering the prolonged weak demand for dairy products and the uncertainties associated with dairy market outlooks in 2024 and 2025, the Company has decided to further extend the construction period from April 2023 to December 2024 to from April 2023 to December 2025 (the “**Further Revised Construction Schedule**”).

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 9 February 2024

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

* *For identification purpose only*