AUSTASIA

AustAsia Group Ltd.
澳亞集團有限公司*

(Incorporated in the Republic of Singapore with limited liability)

(Stock Code: 2425)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of AustAsia Group Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") presents the consolidated results of the Group for the year ended 31 December 2023 (the "**Reporting Year**"), together with comparative figures for the year ended 31 December 2022.

HIGHLIGHTS:

FOR THE YEAR ENDED 31 DECEMBER

FINANCIAL DATA	**2023** *RMB'000*	2022 *RMB'000* (Restated)	Change
Revenue	**3,924,360**	3,802,915	+3.2%
Gross profit	**708,462**	882,991	-19.8%
Losses arising from changes in fair value less costs to sell of other biological assets	**(667,883)**	(158,183)	-322.2%
(Loss)/profit attributable to owners of the Company	**(488,791)**	158,079	N/A
Cash EBITDA[Note 1]	**761,121**	890,853	-14.6%
Basic (loss)/earning per share (RMB)	**(0.70)**	0.25	N/A
KEY PERFORMANCE INDICATORS	**2023**	2022	Change
Annualised average milk yield per milkable cow (tons)	**13.6**	13.3	+2.3%
Herd size of dairy cows (heads)	**130,802**	117,950	+10.9%
Raw milk sales volume (tons)	**783,000**	712,800	+9.8%
Herd size of beef cattle (heads)	**38,433**	29,615	+29.8%

Note 1: We define Cash EBITDA as profit for the year excluding (i) finance costs, (ii) interest income, (iii) income tax expense, (iv) depreciation and amortisation, (v) loss/gain arising from changes in fair value less costs to sell of other biological assets, (vi) foreign exchange difference, (vii) impairment losses on financial assets, (viii) Listing expenses, and (ix) Share-based payment expenses.

* *For identification purpose only*

For the Reporting Year, the Group recorded a revenue of approximately RMB3,924.4 million, representing a moderate growth of 3.2% compared to 2022. This is mainly attributable to:

(i) a 9.8% growth in the raw milk sales volume and a 8.2% decrease in the raw milk selling price; and

(ii) a 4.1% increase in the beef cattle sales volume and a 7.6% decrease in the beef cattle selling price.

The gross profit decreased by 19.8%, from approximately RMB883.0 million to RMB708.5 million. This is mainly caused by:

(i) a 8.2% decrease in the raw milk selling price; and

(ii) a 7.6% decrease in the beef cattle selling price.

The Group recorded a net loss of approximately RMB488.8 million, this is mainly attributable to the losses arising from changes in the fair value less costs to sell of other biological assets of RMB667.9 million. The significant losses are mainly due to lower raw milk price used in the assumption to derive the fair value of biological assets.

During the Reporting Year, the Group's key operational efficiency indicator – annualised average milk yield per milkable cow, continued to improve and reached a new height of 13.6 ton, representing a 2.3% increase.

CHANGE OF PRESENTATION CURRENCY AND FUNCTIONAL CURRENCY

Starting from 1 January 2023, the Board decided to change its presentation currency from United States Dollars ("**USD**") to RMB, considering that (i) the Company ceased to be a subsidiary of Japfa Ltd. of which the presentation currency was USD and changed from an intermediate holding company to an investment holding company since 30 December 2022; (ii) the Company's primary subsidiaries were established in PRC and their transactions are denominated and settled in RMB; and (iii) the reducing of the impact of any fluctuations in the exchange rate of USD against RMB on the Group's consolidated financial statements so as to more truly reflect the Group's performance. The change in presentation currency of the Group has been applied retrospectively in accordance with IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors,* and the comparative figures as at 1 January 2022 and 31 December 2022 have been retranslated to RMB and restated accordingly. In addition, as the currency of the primary source of revenue of the Company changed from USD to RMB since 1 July 2023, the management also changed the functional currency of the Company from USD to RMB accordingly. The effect of change in functional currency has been applied prospectively from 1 July 2023 in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates.*

CHANGE IN USE OF PROCEEDS FROM THE LISTING

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

As further disclosed in the "ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND CHANGE IN USE OF PROCEEDS" published on 1 March 2023, the Directors have proposed to change the use of the net proceeds to pay for contractors and equipment vendors of Pure Source Farm 3, which were originally expected to be satisfied with internally generated cash flows and bank loans. Please refer to "USE OF PROCEEDS FROM THE LISTING" in this announcement for further details.

BUSINESS AND OPERATIONAL UPDATE

Pure Source Farm 3 has commenced the production of raw milk in the first half of 2023.

Our in-house feed mill has commenced production and currently supplies pre-mixed feed, flaked corn and calf pellets for our dairy farms and beef cattle feedlots, with some portions sold to customers outside the Group. The operation of feed mill can further improve and ensure the consistency of the feed quality and help us control feeding costs.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 *RMB'000* (Restated)
REVENUE	*6*	**3,924,360**	3,802,915
Cost of sales		**(3,906,318)**	(3,788,788)
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest		**694,044**	843,216
(Loss)/Gain arising from changes in fair value less cost to sell of beef cattle		**(3,624)**	25,648
Gross profit		**708,462**	882,991
Other income and gains	*7*	**94,691**	50,281
Losses arising from changes in fair value less costs to sell of other biological assets		**(667,883)**	(158,183)
Selling and distribution expenses		**(2,894)**	(2,899)
Administrative expenses		**(225,553)**	(334,442)
Impairment losses on financial assets	*16/17*	**(97,000)**	–
Other expenses	*8*	**(10,826)**	(46,027)
Finance costs	*10*	**(268,948)**	(219,797)
(LOSS)/PROFIT BEFORE TAX	*9*	**(469,951)**	171,924
Income tax expense	*11*	**(18,840)**	(13,845)
(LOSS)/PROFIT FOR THE YEAR		**(488,791)**	158,079
Attributable to:			
Owners of the parent		**(488,791)**	158,079
(LOSS)/EARNING PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*13*		
Basic			
– For (loss)/profit for the year		**RMB(0.70)**	RMB0.25
Diluted			
– For (loss)/profit for the year		**RMB(0.70)**	RMB0.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000 (Restated)
(LOSS)/PROFIT FOR THE YEAR		**(488,791)**	158,079
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods			
Exchange differences			
Exchange differences on translation of foreign operations		**(4,002)**	(32,723)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(4,002)**	(32,723)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
Equity investment designated at fair value through other comprehensive (loss)/income:			
Changes in fair value	*14*	**(8,830)**	2,744
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods		**(8,830)**	2,744
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(12,832)**	(29,979)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(501,623)**	128,100
Attributable to:			
Owners of the parent		**(501,623)**	128,100

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2023

	Notes	**31 December 2023 RMB'000**	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**3,361,082**	3,175,200	2,654,574
Right-of-use assets		**1,518,608**	1,356,311	1,027,768
Intangible assets		**5,103**	3,301	4,970
Biological assets		**3,541,014**	3,450,288	3,045,650
Equity investment designated at fair value through other comprehensive income	*14*	**–**	8,511	5,203
Other long-term assets	*15*	**8,779**	66,576	51,461
Long-term receivable	*16*	**–**	84,992	75,584
Total non-current assets		**8,434,586**	8,145,179	6,865,210
CURRENT ASSETS				
Inventories		**1,311,682**	1,304,146	1,024,350
Biological assets		**512,402**	380,267	313,794
Trade receivables	*17*	**367,049**	350,961	297,110
Prepayments, other receivables and other assets		**277,437**	155,901	119,395
Cash and cash equivalents		**273,999**	397,946	141,190
Pledged deposits		**209**	5,986	7,032
Total current assets		**2,742,778**	2,595,207	1,902,871
CURRENT LIABILITIES				
Trade payables	*18*	**785,309**	1,058,287	507,760
Other payables and accruals		**368,999**	477,394	244,871
Share-based payment liability		**–**	–	29,247
Loans from a former shareholder		**–**	–	40,167
Interest-bearing bank borrowings		**2,016,413**	868,093	417,966
Lease liabilities		**70,513**	75,707	34,757
Deferred income		**3,628**	4,800	10,178
Tax payable		**7,787**	4,062	6,870
Total current liabilities		**3,252,649**	2,488,343	1,291,816
NET CURRENT (LIABILITIES)/ASSETS		**(509,871)**	106,864	611,055
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,924,715**	8,252,043	7,476,265

	Notes	**31 December 2023**	31 December 2022	1 January 2022
		RMB'000	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings		**1,383,910**	1,304,344	1,290,581
Deferred tax liabilities		**4,335**	4,179	3,825
Deferred income		**26,090**	19,231	21,825
Lease liabilities		**1,434,714**	1,254,817	928,974
Other payables and accruals	*19*	**–**	95,671	95,868
Loans from a former shareholder		**–**	–	122,669
Total non-current liabilities		**2,849,049**	2,678,242	2,463,742
Net assets		**5,075,666**	5,573,801	5,012,523
EQUITY				
Equity attributable to owners of the parent				
Share capital		**2,435,712**	2,432,340	1,892,652
Treasury shares		**(1,831)**	–	–
Reserves		**2,641,785**	3,141,461	3,119,871
Total equity		**5,075,666**	5,573,801	5,012,523

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

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

As at 31 December 2023, the Group had net current liabilities of approximately RMB509,871,000. The consolidated financial statements have been prepared on a going concern basis, because the directors of the Company are of the opinion that based on a cash flow forecast of the Group for the 12 months ending 31 March 2025 prepared by the management, the Group would have adequate funds to meet its liabilities as and when they fall due for at least 12 months from 27 March 2024. Based on the forecast, the sufficiency of the Group's working capital for the next 12 months depends on the Group's ability to obtain the anticipated cash flows from the Group's operating activities, the available unutilized bank loan facilities amounting to an aggregate amount of approximately RMB1,196,984,000 within 12 months from 27 March 2024.

Change of presentation currency and functional currency

Starting from 1 January 2023, the Group changed its presentation currency from United States Dollars ("USD") to RMB, considering that (i) the Company ceased to be a subsidiary of Japfa Ltd. of which the presentation currency was USD and changed from an intermediate holding company to an investment holding company since 30 December 2022; (ii) the Company's primary subsidiaries were established in PRC and their transactions are denominated and settled in RMB; and (iii) the reducing of the impact of any fluctuations in the exchange rate of USD against RMB on the Group's consolidated financial statements so as to more truly reflect the Group's performance. The change in presentation currency of the Group has been applied retrospectively in accordance with IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors,* and the comparative figures as at 1 January 2022 and 31 December 2022 have been retranslated to RMB and restated accordingly. In addition, as the currency of the primary source of revenue of the Company changed from USD to RMB since 1 July 2023, the management also changed the functional currency of the Company from USD to RMB accordingly. The effect of change in functional currency has been applied prospectively from 1 July 2023 in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates.*

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's consolidated financial information.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's consolidated financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any impact on the Group's consolidated financial information.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. In the Singapore 2023 Budget Statement, the Singapore government announced plans to implement the GloBE Rules as well as a domestic top-up tax (DTT) beginning on or after 1 January 2025. As of the issuance date of these financial statements, Singapore has not announced when and how the GloBE Rules will be enacted, the jurisdiction in which the Company is incorporated. Consequently, it is not presently feasible for the Group to reasonably estimate the quantitative impact of this legislation.

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

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

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

5. OPERATING SEGMENT INFORMATION

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

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

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

For the year ended 31 December 2023

	Raw milk *RMB'000*	**Beef cattle** *RMB'000*	**Ancillary** *RMB'000*	**Total** *RMB'000*
Segment revenue				
Sales to external customers	**3,341,602**	**361,992**	**220,766**	**3,924,360**
Intersegment sales	**127,810**	**–**	**257,026**	**384,836**
	3,469,412	**361,992**	**477,792**	**4,309,196**
Elimination of intersegment sales				**(384,836)**
Revenue				**3,924,360**
Segment results	**(47,216)**	**(10,548)**	**7,890**	**(49,874)**
Finance costs (other than interest on lease liabilities)	**(177,861)**	**(6,531)**	**(4,241)**	**(188,633)**
Unallocated impairment of long-term receivable				**(89,756)**
Unallocated corporate and administrative expenses				**(225,553)**
Unallocated other income and expenses				**83,865**
Loss before tax				**(469,951)**

For the year ended 31 December 2022

	Raw milk *RMB'000* (Restated)	Beef cattle *RMB'000* (Restated)	Ancillary *RMB'000* (Restated)	Total *RMB'000* (Restated)
Segment revenue				
Sales to external customers	3,314,465	376,434	112,016	3,802,915
Intersegment sales	61,133	–	–	61,133
	3,375,598	376,434	112,016	3,864,048
Elimination of intersegment sales				(61,133)
Revenue				3,802,915
Segment results	620,777	17,707	11,217	649,701
Finance costs (other than interest on lease liabilities)	(141,447)	(6,138)	(4)	(147,589)
Unallocated corporate and administrative expenses				(334,442)
Unallocated other income and expenses				4,254
Profit before tax				171,924

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

Geographical information

(a) Revenue from external customers

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Mainland China	**3,924,360**	3,802,915

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

(b) Non-current assets

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
		(Restated)
Mainland China	**8,434,586**	8,051,676

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

Information about major customers

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Customer A	**782,907**	866,770
Customer B	**1,187,858**	766,841
Customer C	**N/A**	400,516
	1,970,765	2,034,127

6. REVENUE

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Revenue from contracts with customers		
Sales of raw milk	**3,341,602**	3,314,465
Sales of beef cattle	**361,992**	376,434
Sales of ancillary	**220,766**	112,016
	3,924,360	3,802,915
Timing of revenue recognition		
At a point in time	**3,924,360**	3,802,915

7. OTHER INCOME AND GAINS

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Other income and gains		
Government grants	**27,969**	19,610
Gains on modification of leases	**23,103**	–
Insurance claims	**13,416**	10,474
Technical service fee	**18,173**	8,230
Interest income	**4,014**	3,298
Scrap sales	**595**	696
Others	**7,421**	7,973
Total	**94,691**	50,281

8. OTHER EXPENSES

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Foreign exchange losses, net	**3,006**	23,717
Loss on disposal of property, plant and equipment	**6,521**	6,284
Loss on modification of leases	**–**	12,530
Others	**1,299**	3,496
Total	**10,826**	46,027

9. PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

	Notes	**2023** ***RMB'000***	2022 *RMB'000* (Restated)
Costs of sales of raw milk		**3,341,602**	3,314,465
Costs of sales of beef cattle		**361,992**	376,434
Costs of sales of ancillary		**202,724**	97,889
Cost of sales		**3,906,318**	3,788,788
Depreciation of property, plant and equipment		**288,531**	232,452
Less: Capitalised in biological assets		**124,105**	86,979
Depreciation charged to profit or loss		**164,426**	145,473
Depreciation of right-of-use assets		**103,161**	100,176
Less: Capitalised in biological assets		**77,548**	78,268
Depreciation charged to profit or loss		**25,613**	21,908
Amortisation of intangible assets		**1,709**	2,408
Impairment of long-term receivable	*16*	**89,756**	–
Impairment of trade receivables	*17*	**7,244**	–
Lease payments not included in the measurement of lease liabilities		**25,850**	28,256
Auditors' remuneration		**5,084**	9,659
Losses arising from changes in fair value less costs to sell of other biological assets		**667,883**	158,183
Employee benefit expenses (including directors and chief executive's remuneration):			
Wages and salaries		**318,423**	275,690
Pension scheme contributions		**61,367**	50,303
Share-based payments expenses		**6,501**	90,506
		386,291	416,499
Foreign exchange differences, net		**3,006**	23,717

10. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Interest on bank loans	**188,798**	139,397
Interest on shareholder's loans	**–**	10,480
Interest on lease liabilities	**80,315**	72,208
Interest on contract liabilities	**2,164**	4,133
	271,277	226,218
Less: Interest expense capitalised	**(2,329)**	(6,421)
	268,948	219,797

11. INCOME TAX EXPENSE

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Current income tax		
Charge for the year	**5,231**	1,096
Under provision in prior years	**51**	14
Withholding tax	**13,558**	12,735
Total tax charge for the year	**18,840**	13,845

12. DIVIDENDS

No dividend has been paid or declared by the Company to its ordinary shareholders for the year ended 31 December 2023 (2022: Nil).

13. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 700,412,612 (2022: 622,234,810) in issue during the year, as adjusted to reflect the rights issue for the year.

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

The calculations of basic and diluted (loss)/earnings per share are based on:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent used in the basic (loss)/earnings per share calculation	**(488,791)**	158,079
Effect of dilution:		
Share-based payments	**–**	(980)
	(488,791)	157,099

	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**700,412,612**	622,234,810
Effect of dilution – weighted average number of ordinary shares:		
Share-based payments	**–**	1,270,926
	700,412,612	623,505,736

14. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Equity investment designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
Food Union AustAsia Holdings Pte. Ltd.	**–**	8,511

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group has no significant influence on the investee. Please refer to paragraph "**Equity Investment Designated at Fair Value Through Other Comprehensive Income**" of this announcement for details.

15. OTHER LONG-TERM ASSETS

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
		(Restated)
Prepayments for property, plant and equipment	**8,779**	66,576

The Feed Mill and Pure Source Farm 3 were under construction in 2022 and commenced production in 2023, which leads to a much lower prepayments for property, plant and equipment in 2023 as compared with 2022.

16. LONG-TERM RECEIVABLE

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000* (Restated)
Amounts due from Food Union AustAsia Holdings Pte. Ltd., non-trade	**123,883**	119,119
Impairment	**(123,883)**	(34,127)
	–	84,992

The balance of long-term receivable was the shareholder's loans to Food Union AustAsia Holdings Pte. Ltd., with a floating interest rate of 1-year USD LIBOR plus 0.3% per annum. Management classifies it as a non-current receivable based on the repayment plan agreed by the parties. The long-term receivable is repayable beyond twelve months from the end of the reporting period.

As at 31 December 2023, the Group assessed that the credit risk had been significantly increased and the Group accumulated impairment allowance amounting to RMB123,883,000 for the long-term receivable. Please refer to paragraph "**Impairment Losses on Financial Assets**" of this announcement for details.

17. TRADE RECEIVABLES

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000* (Restated)
Trade receivables	**374,293**	350,961
Impairment	**(7,244)**	–
	367,049	350,961

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

An ageing analysis of the trade receivables as at 31 December 2022 and 31 December 2023, based on the invoice date and net of loss allowance, is as follows:

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000* (Restated)
Within 1 month	**351,535**	336,446
1 to 2 months	**8,061**	10,121
2 to 3 months	**2,365**	1,292
Over 3 months	**5,088**	3,102
	367,049	350,961

Included in the Group's trade receivables are amounts due from a related party of RMB18,830,000 as at 31 December 2023 (31 December 2022: RMB12,769,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

As at 31 December 2023, trade receivables of RMB310,033,000 (31 December 2022: RMB338,780,000) were pledged to banks to secure certain bank borrowings granted to the Group.

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 *RMB'000*
At beginning of year	**–**
Provision impairment losses of trade receivables *(note 9)*	**7,244**
At end of year	**7,244**

An impairment analysis is performed at the reporting date using a provision matrix to measure expected credit losses. The expected credit loss rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance).

As at 31 December 2023, the balance of RMB7,244,000 with special risks was assessed individually and fully impaired. Please refer to paragraph "**Material litigation**" of this announcement for details.

18. TRADE PAYABLES

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000* (Restated)
Trade payables	**785,309**	1,058,287

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

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000* (Restated)
Within 2 months	**477,966**	884,365
2 to 6 months	**157,526**	126,345
6 to 12 months	**124,107**	36,038
Over 1 year	**25,710**	11,539
	785,309	1,058,287

As at 31 December 2023, the trade payables of RMB34,823,000 (31 December 2022: RMB118,119,000), which are due to a related party are repayable on credit terms similar to those offered by the major suppliers of the Group.

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

19. OTHER PAYABLES AND ACCRUALS (NON-CURRENT)

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000* (Restated)
Non-current		
Other non-current liability	**–**	91,342
Contract liabilities	**–**	4,329
	–	95,671

As at 31 December 2022, the balance of other non-current liability and contract liabilities represents the deposit from a third party customer. The decrease of the balance was due to the repayment of the deposit.

20. EVENTS AFTER THE REPORTING YEAR

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The year of 2023 was most challenging in terms of operating environments and financial performances to China's dairy farm industry in over a decade.

The Chinese government has always listed the development of the dairy industry, the improvement of the milk self-sufficiency rate, and the improvement of the modernization of the dairy farming industry as one of the key tasks. According to the Action Plan to Improve Competitiveness of Dairy Industry in the Period of 14th Five-Year (《(十四五)奶業競爭力提升方案》) issued by the Ministry of Agriculture and Rural Affairs (農業農村部) in 2022, by 2025, the domestic raw milk production volume will reach 41 million tons. According to the National Statistics Bureau (國家統計局) and the National Dairy Farming Industry Technological System (國家奶牛產業技術體系), compared to 2022, the domestic raw milk production increased by 6.7% in 2023, reaching a total production volume of approximately 42 million tons. It was the 4th consecutive year that China had domestic volume growth of more than 6%. The Chinese government's domestic raw milk production volume target of 41 million ton was realized in 2023.

On the other hand, in 2023, China's total imported dairy products were approximately 3.1 million ton, decreased by 10% compared to 2022. Such volume of imported dairy products translating into a 18.7 million ton of raw milk used. In 2023, due to weakened expectations on economic growth and macroeconomic recovery, consumer confidence in China was weak and the overall consumer spending remained at low level. Contrary to the continued strong increase in domestic raw milk supply, in 2023, China's total consumption volume of dairy products grow by about 3.4%, making it a slowest year in relation to dairy products consumption growth in over a decade. In 2023, the per capita dairy product volume was 43.8 KG. With weak consumer confidences and undesirable economic environments, Chinese consumers have become cautious and more price sensitive. The sluggish dairy consumption growth led to an aggressive price competitions amongst dairy product manufactures. Compared to December 2022, the average selling price of dairy products decreased by approximately 4% in December 2023.

As for dairy farm operators, the environment in 2023 was even more difficult. The long rally of raw milk prices from mid-2018 to mid-2021 had brought the dairy farm operators with an optimistic long-term outlook and resulted in a large wave of concentrated look-ahead developments and constructions of large-scale farms from 2020 to 2022. According to incomplete statistics from Holstein Magazine, there were 166 new or expanding farm projects nationwide in 2021, with a total herd size of 980,000 heads of dairy cows. In 2022, there were approximately 148 new or under-construction projects, involving over 1 million heads of dairy cows. In 2023, with more and more those new dairy farms commenced production, the already-seen over supply situation was worsened. According to Ministry of Agriculture and Rural Affairs (農業農村部), The sales price of raw milk in December 2023 was approximately 11% lower than that of December 2022, make it the largest year-on-year raw milk price decrease in over a decade.

The overall situation of feed costs have seen some improvements. After reaching the highest level in the 1st quarter, the feed costs started to stabilize in the 2nd quarter, and further showed some decrease in the 2nd half. 2023 was the 1st year for China's total beef consumption reaching 10 million ton. According to Holstein Magzine (荷斯坦雜誌), total domestic production volume was approximately 7.3 million ton and total imported volume was approximately 2.71 million ton. Affected by 1) the same weakening of consumer spending and 2) the short term surplus supply caused by some of dairy farm operators' excess culling activities, domestic beef cattle market sentiment also entered a downward path. The national wholesale price of beef declined substantially after the 1st quarter of 2023 due to the continued low price of pork and the impact of other types of excess culling cattle.

Despite the above discussed challenges and difficulties, on the front of environmental and ecosystems, the Chinese government has continued to promote energy conservation and emission reduction in the dairy and beef cattle breeding industry vigorously. The dairy farming industry is required to take the direction of "reducing pollution and carbon, forming cycle of planting and breeding" well to achieve high-quality development of the dairy industry and to create the harmonious coexistence of human and nature, and to maintain a sustainable development of the whole industrial chain of the "green ecological" model. Many leading dairy enterprises have continuously invested resources in research and innovation in the processes of dairy farming, such as carbon emission reduction, standard setting, equipment research and development, model demonstration, etc., the "sustainable development" has become a highlight and focus in the dairy industry.

BUSINESS OVERVIEW

The Group is mainly engaged in dairy farming business of production and sales of high-quality raw milk to dairy products manufacturers and processors, and beef cattle farming and fattening business. In terms of the production volume, we were the 3rd largest raw milk producer in China in 2023 with a total production volume of approximately 859,600 tons[1].

We provide raw milk to a diversified group of customers, including leading national and regional dairy product manufacturers and emerging dairy brands. We are not reliant on our controlling shareholders as our customers. We provide our customers with stable, high quality and traceable raw milk in large scale, to enable our customers to market and develop high-end and innovative dairy products, catering various needs of end customers.

We have two main business segments, namely raw milk business and beef cattle business. We also engage in ancillary business, including the sales of dairy products and feed products under self-owned brands "AustAsia澳亞牧場" and "AustAsia澳亞飼料" respectively.

[1] According to 荷斯坦 HOLSTEINFARMER

OPERATIONAL REVIEW

Raw Milk Business

We breed and raise dairy cows in our large-scale and modernized dairy farms. We produce and sell raw milk to downstream dairy product manufacturers and processors. During the Reporting Year, we continue to provide high-quality and reliable raw milk to our customers, who further process those raw milk into healthy and high-quality dairy products to satisfy end customers.

During the Reporting Year, 85.2% of our revenue was derived from the raw milk business. We have achieved improvements in some of the important operating indicators:

(a) revenue generated from sales of raw milk was approximately RMB3,341.6 million, representing an increase of 0.8% compared to that of 2022;

(b) the annualised milk yield per milkable cow ("AMY") reached 13.6 tons (2022: 13.3 tons), representing a YoY growth of 2.3%;

(c) the total raw milk production volume for the Reporting Year was approximately 859,600 tons (2022: 759,800 tons), representing a YoY growth of 13.1%; and

(d) the total raw milk sales volume was approximately 783,000 tons (2022: 712,800 tons), representing a YoY growth of 9.8%.

However, compared to 2022, the average selling price ("ASP") of raw milk decreased by 8.2%, from RMB4,650/ton to RMB4,268/ton. The drop in ASP mainly attributable to the weaker-than-expected demand for milk and dairy products, as well as the temporary over-supply of raw milk caused by significant increase in new dairy farm and additional dairy farm investments.

After reaching highest level in the 1st quarter of 2023, feed costs started to stabilize in the 2nd quarter, and showed some decrease in the 2nd half. Compared to 2022, the feed cost per kg of raw milk decreased from RMB2.44 to RMB2.42, representing a 0.8% decrease.

To mitigate the cost pressure and reduce the impact of feed cost increase on gross margin, we have adopted systematical and timely review into the whole feeding and milking process, we took measures to adjust the feed formula to strike the optimal balance between milk yield and feed costs. In doing so, our operating teams and nutrients make best effort to switch to compatible additives with similar output enhancement effects and to improve the absorbance level and conversion rate of dairy cows. We also leveraged on our centralized procurement activities. As a result, we have seen notable improvements in both the feed cost per kg of raw milk and the gross margin in the 2nd half of the 2023.

Dairy Farms

As at 31 December 2023, we owned and operated 11 large-scale modernized dairy farms in Shandong and Inner Mongolia of the PRC. The number of our dairy cows reached 130,802 heads (as at 31 December 2022: 117,950 heads), including 66,085 heads of milkable cows (as at 31 December 2022: 60,554 heads), representing an increase of 10.9% and 9.1%, respectively. Our dairy farms are located strategically, 3 of them are within the "Golden Raw Milk Belt" in Inner Mongolia, where the mild climate, wide grassland and ample natural feed provide an ideal farming environment for dairy farms to generate high milk yield with good quality. The remaining 8 dairy farms are located in Shandong with close proximities to both major dairy product processing plants and major dairy consumption markets such as the Beijing-Tianjin region and the down-stream Yangzi River Delta region, including Shanghai.

Milk Yield

During the Reporting Year, the Group recorded AMY of 13.6 tons (2022: 13.3 tons), representing a YoY increase of 2.3%. Our milk yield remains to be the highest in the industry. Out of 11 dairy farms that we operate, in terms of AMY per head per year, 1 of them reached 14 tons and 9 reached more than 13 tons. The continued improvements in milk yield was attributable to in-depth understanding of every details of herd management, accumulated upgrades in our genetic breeding technologies over the years, and the increase in dairy cow numbers reaching peak lactation phases.

Beef Cattle Business

Our Beef Cattle farms operate synergistically with our raw milk business. We use our own dairy herd as breeder for beef cattle calves. By doing do, we optimize the value of our dairy farms' existing resources and maximize the whole breeding value chain. In addition, we capitalize on our expertise in genetic breeding of dairy cattle to improve the quality and productivities of our beef cattle. As at 31 December 2023, we owned and operated 2 large-scale beef cattle feedlots in Shandong and Inner Mongolia, respectively. The total herd size was approximately 38,433 heads.

For the Reporting Year, revenue of beef cattle business was RMB362 million, representing a 3.8% of decrease compared to the same period of 2022 (RMB376.4 million). In 2023, revenue of beef cattle business accounted for 9.2% of our total revenue. The total volume of beef cattle sold was 11,803 tons (2022: 11,338 tons), representing an increase of 4.1%. The average selling price per ton decreased by 7.6%, from approximately RMB33,201/ton to 30,670/ton. Similar to that of raw milk business, the feed cost of beef cattle increased in the 1st half of 2023, then stabilised for the rest of the year.

Ancillary business

For the Reporting Year, the sales volume of our in-house brand dairy products was approximately 32,600 ton (2022: 16,300 ton), representing an increase of close to 100%. Revenue of the ancillary business was RMB220.8 million (2022: RMB112.0 million), representing a 97.1% increase.

Our in-house feed mill has commenced production with 3 types of feed products, namely pre-mix feed, flaked corn and calf pellets. With the increasing use of high quality in-house made feed and feed ingredients, we achieved notable improvements in calf health and milking cow productivities.

Breeding

We have implemented a genetic improvement program to enhance the breed of our dairy cows. As compared to the common industry practice of relying on imported bovine semen, we use in vitro fertilisation ("IVF") and embryo transfer ("ET") breeding technology to breed better dairy cows. To achieve genetic improvement of dairy cattle breeds, a high genomic female core herd is fundamental. With the high genomic female core herd from our farms, we can improve the herd genetic traits from both parental sides, compared to the common industry practices used by most of other large-scale farms operators which only improve the paternal side with semen. In 2023, among all Chinese dairy farm operators, not only we had the highest number of CDCB registered high genetic female cattle with recognized net merit value, but also, 9 out of the top 10 female cattle with highest new merit value were with our farms in China. As at 31 December 2023, we had a core herd of over 5,800 heads of dairy cows. With this core herd, in addition to in-house breeding, we plan to commercialize the operation of embryos transfer for third-party farms within the year. For the year, we have successfully transferred about 14,000 IVF embryos.

Milk Quality

We have always regarded product quality as highest priority throughout our operations. Our dairy farms are Standard Quality Food ("SQF") certified, which is a rigorous and credible food safety and quality program that is recognized by retailers, brand owners, and food service providers world-wide. We implement a rigorous internal quality control system to ensure highest standards of our raw milk and beef cattle. We have established a set of standard operating procedures for each business operating procedure throughout the process of production of raw milk and beef cattle, including breeding and reproduction, feeding, milking, identification and treatment of disease, veterinary assistance, and inventory management.

Customers

Unlike many of our competitors in the dairy farming and raw milk production industry, we are independent to our controlling shareholders and our customer development processes are fully autonomous. We have a well-diversified spectrum of customers. We serve both leading national and regional dairy product manufacturers such as Mengniu, Bright Dairy and Meiji, and fast-growing emerging dairy brands like Chi Forest (formerly known as "Genki Forest"), Honest Dairy and ClassyKiss. For 2023, sales to the 5 largest raw milk customers accounted for 77.7% of our raw milk sales revenue.

FINANCIAL REVIEW

Revenue

The following table sets forth the details of the Group's consolidated revenue during the Reporting Year indicated:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Types of goods		
Raw milk	**3,341,602**	3,314,465
Beef cattle	**361,992**	376,434
Ancillary	**220,766**	112,016
	3,924,360	3,802,915

During the Reporting Year, the Group's revenue increased by 3.2% YoY to RMB3,924.4 million (2022: RMB3,802.9 million). The total raw milk sales volume increased by 9.8%. However, the raw milk selling price dropped by 8.2% and beef cattle selling price dropped by 7.6%.

The following table sets forth the details of sales revenue, sales volume and ASP of raw milk during the Reporting Year indicated:

	2023			2022		
	Sales Revenue	**Sales Volume**	**ASP**	Sales Revenue	Sales Volume	ASP
	RMB'000	***tons***	***RMB/ton***	*RMB'000*	*tons*	*RMB/ton*
Raw milk	**3,341,602**	**783,028**	**4,268**	3,314,465	712,767	4,650

The Group's total revenue of the sales of raw milk increased by 0.8% YoY to RMB3,341.6 million during the Reporting Year (2022: RMB3,314.5 million). The increase was mainly due to the increase in sales volume of raw milk. The increase was partially offset by a decrease in overall average selling price during the Reporting Year.

Average selling price of raw milk decreased by 8.2% YoY to RMB4,268/ton during the Reporting Year (2022: RMB4,650/ton).

Total sales volume of raw milk increased by 9.8% YoY to approximately 783,028 tons during the Reporting Year (2022: 712,767 tons), mainly due to the rise in average yield per milkable cow and the contribution of sales volume of raw milk from Pure Source Farm 3.

The following table sets forth the details of sales revenue, sales volume and ASP of our beef cattles during the Reporting Year indicated:

	2023			2022		
	Sales Revenue	**Sales Volume**	**ASP**	Sales Revenue	Sales Volume	ASP
	RMB'000	***tons***	***RMB/ton***	*RMB'000*	*tons*	*RMB/ton*
Beef cattle	**361,992**	**11,803**	**30,670**	376,434	11,338	33,201

The Group's total revenue from sales of beef cattle decreased by 3.8% YoY to RMB362.0 million during the Reporting Year (2022: RMB376.4 million). The decrease was mainly due to the decrease in average selling price of beef cattle.

Average selling price of beef cattle dropped by 7.6% YoY to RMB30,670/ton during the Reporting Year (2022: RMB33,201/ton).

Total sales volume of beef cattle increased by 4.1% YoY to approximately 11,803 tons during the Reporting Year (2022: 11,338 tons).

Cost of Sales

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Costs of sales of raw milk	**3,341,602**	3,314,465
Costs of sales of beef cattle	**361,992**	376,434
Costs of sales of ancillary	**202,724**	97,889
Cost of sales	**3,906,318**	3,788,788

Raw Milk Business

The following table sets forth the breakdown of the cost of sales of the raw milk business before raw milk fair value adjustments for the Reporting Year indicated:

	2023		2022 (Restated)	
	RMB'000	*%*	*RMB'000*	*%*
Direct Materials	**1,996,813**	**75.4%**	1,844,761	74.7%
Labor Costs	**141,027**	**5.3%**	131,782	5.3%
Utilities	**283,228**	**10.7%**	260,172	10.5%
Depreciation of property, plant and equipment	**116,928**	**4.4%**	112,556	4.6%
Transportation fees	**109,562**	**4.2%**	121,978	4.9%
Total	**2,647,558**	**100.0%**	2,471,249	100.0%

During the Reporting Year, direct materials (mainly from silage, forage grass, corn and soy-bean products) costs of raw milk business amounted to RMB1,996.8 million (2022: RMB1,844.8 million), representing a YoY growth of 8.2%, mainly due to the increase in the number of milkable cows.

Beef Cattle Business

The following table sets forth the breakdown of the cost of sales of the beef cattle business before beef cattle fair value adjustments for the Reporting Year indicated:

	2023		2022 (Restated)	
	RMB'000	*%*	*RMB'000*	*%*
Direct Materials	**283,897**	**80.3%**	222,487	78.6%
Labor Costs and Overhead costs	**48,747**	**13.8%**	44,812	15.8%
Depreciation of property, plant and equipment	**20,936**	**5.9%**	15,757	5.6%
Total	**353,580**	**100.0%**	283,056	100.0%

During the Reporting Year, direct materials (mainly silage, forage grass, corn and soy-bean products) costs of the beef cattle business amounted to RMB283.9 million (2022: RMB222.5 million), representing a YoY increase of 27.6%, mainly due to the increase of beef cattle sales volume.

Gross Profit

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

	2023		2022 (Restated)	
	Gross profit *RMB'000*	**Gross profit margin**	Gross profit *RMB'000*	Gross profit margin
Raw milk	**694,044**	**20.8%**	843,216	25.4%
Beef cattle	**(3,624)**	**(1.0%)**	25,648	6.8%
Ancillary	**18,042**	**8.2%**	14,127	12.6%
Total	**708,462**	**18.1%**	882,991	23.2%

In general, when milk prices decrease, the Group's profitability will decrease correspondingly under normal operational condition.

During the Reporting Year, gross profit of the Group's raw milk business amounted to RMB694.0 million (2022: RMB843.2 million), representing a decrease of 17.7% YoY, which was mainly due to the decrease in sales price of raw milk and the increase of cost of sales. Gross profit margin of the Group's raw milk business decreased to 20.8% (2022: 25.4%) which was mainly due to lower average selling price of raw milk in 2023.

During the Reporting Year, gross profit of the Group's beef cattle business amounted to RMB(3.6) million (2022: RMB25.6 million), representing a decrease of 114.1% YoY, which was mainly due to the decrease in sales price of beef cattle by 7.6% and the increase of cost of sales.

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

As at 31 December 2023, the biological assets of the Group were valued at RMB3,541.0 million (as at 31 December 2022: RMB3,450.3 million) by an independent qualified professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, representing an increase of 2.6% YoY, mainly due to the increase in cattle heads.

Losses arising from changes in the fair value less costs to sell of other biological assets were RMB667.9 million (2022: Loss of RMB158.2 million). The significant losses are mainly due to lower raw milk price used in the assumption to derive the fair value of biological assets.

The estimated feed costs per kg of raw milk used in the valuation process ranged from RMB2.27 to RMB3.06 and RMB2.35 to RMB2.90 as at 31 December 2022 and 31 December 2023, respectively. Estimated average prices of raw milk per kg ranged from RMB4.49 to RMB5.21 and RMB4.17 to RMB4.83 as at 31 December 2022 and 31 December 2023, respectively.

During the year ended 31 December 2023, a lower average selling price of raw milk, contributed to the higher amount of fair value losses recorded for the Reporting Year.

The estimated feed costs per kg of raw milk used in the valuation process ranged from RMB2.20 to RMB2.70 and RMB2.27 to RMB3.06 as at 31 December 2021 and 31 December 2022, respectively. The estimated average prices of raw milk per kg ranged from RMB4.54 to RMB5.26 and RMB4.49 to RMB5.21 as at 31 December 2021 and 31 December 2022, respectively.

Other Income and Gains

During the Reporting Year, other income amounted to RMB94.7 million (2022: RMB50.3 million) which mainly consisted of government grants, insurance claims, technical service fees and gain on modification of leases. The higher amount recorded in 2023 was mainly due to the gain from modification of lease term amounting to RMB23.1 million. The government grants increased by RMB8.4 million and the technical service fee increased by RMB9.9 million.

Other Expenses

During the Reporting Year, other expenses amounted to RMB10.8 million (2022: RMB46.0 million), representing a decrease of 76.5% YoY mainly due to the foreign exchange losses recognized in the Reporting Year decreased by RMB20.7 million and loss on modification of leases decreased by RMB12.5 million.

Administrative Expenses

During the Reporting Year, the Group recorded lower administrative expenses of RMB225.6 million, representing a YoY decrease of 32.6%. The decrease in administrative expenses was mainly due to the absent of one-off expenses in relation to listing expenses as well as lower share-based payment expenses incurred during the Reporting Year.

Impairment Losses on Financial Assets

During the Reporting Year, the Group recorded impairment losses arising from financial assets amounting to RMB97.0 million (2022: RMB nil). The impairment losses mainly arising from the long-term receivable due from Food Union AustAsia Holdings Pte Ltd ("**FUAA**"). The Group assessed the recoverability of the loan receivable and noted that credit risk had been significantly increased and decided to accrue an impairment loss amounting to RMB89.8 million. The increase in credit risk was mainly attributable to the continuing sustained losses suffered by FUAA since its incorporation and the lack of a clear business plan.

Finance Costs

During the Reporting Year, the Group recorded a higher finance cost which amounted to RMB268.9 million, representing a YoY increase of 22.4%. The increase in overall finance cost was mainly due to (i) higher average bank borrowings for the Reporting Year as a result of additional drawdown in working capital loan and (ii) higher interest expenses pertaining to lease liabilities mainly as a result of the Group's newly additional leases of land and extension on the lease term of pieces of land.

Loss/Profit before Tax and Loss/Profit Attributable to Owners of the Company

Loss before tax was RMB470.0 million in the Reporting Year. Loss attributable to owners of the Company amounted to RMB488.8 million during the Reporting Year (2022: profit attribute to owners of the Company amounted to RMB158.1 million). This was mainly due to:

a) A decrease in gross profit of the Group's business to RMB708.5 million (2022: RMB883.0 million), representing a decrease of 19.8% or RMB174.5 million. The drop in gross profit is mainly due to lower average selling price of raw milk incurred for the Group's raw milk and beef cattle businesses. Average selling price of raw milk decreased by 8.2% YoY to RMB4,268/ton during the Reporting Year (2022: RMB4,650/ton). Average selling price of beef cattle decreased by 7.6% YoY to RMB30,670/ton during the Reporting Year (2022: RMB33,201/ton).

   During the Reporting Year, the average feed cost per kilogram of raw milk decreased to RMB2.42 (2022: RMB2.44), representing a decrease of 0.8%.

b) Higher losses arising from changes in fair value less costs to sell of other biological assets. The Group recorded a loss of RMB667.9 million (2022: loss of RMB158.2 million), representing an increase of RMB509.7 million. The Group measures its biological assets by referencing to the market prices of certain key assumptions such as milk price and feed cost. Owing to the continuing decrease in average milk selling price, resulting in lower valuation of the Group's biological asset.

During the Reporting Year, basic and diluted loss or earning per Share of the Company (the "Share") was RMB0.70 (2022: RMB0.25 earnings per share).

Equity Investment Designated at Fair Value Through Other Comprehensive (Loss)/Income

During the Reporting Year, the Group recorded a loss of RMB8.8 million (2022: gain of RMB2.7 million) for its investment in Food Union AustAsia Holdings Pte Ltd ("**FUAA**"). The carrying amount of equity investment in FUAA is carried at fair value and changes in value of the investment is recognised through other comprehensive income. From 2019 to 2022, the Group has devalued the equity investment in FUAA by RMB45.6 million or approximately 84% of the Group's investment. The Group decided to devalue the remaining investment in FUAA amounting to RMB8.8 million in 2023 because of the continuing sustained losses suffered by FUAA since its incorporation and the lack of a clear business plan. As the Group only owns 19% of equity in FUAA, the Group do not have any meaningful influence over the management and operation of FUAA. As a result, management has on a prudent side, decided to devalue the remaining investment in the entity.

Cash EBITDA (Non-IFRS Financial Measure)

We define Cash EBITDA as profit for the year excluding (i) finance costs, (ii) interest income, (iii) income tax expense, (iv) depreciation and amortisation, (v) loss/gain arising from changes in fair value less costs to sell of other biological assets, (vi) foreign exchange difference, (vii) impairment losses on financial assets, (viii) Listing expenses, and (ix) Share-based payment expenses.

During the Reporting Year, Cash EBITDA has decreased to gain of RMB761.1 million (2022: gains of RMB890.9 million) which represents a drop of 14.6%. The drop in Cash EBITDA during the Reporting Year is mainly attributable to decrease in overall gross profit by 19.8% during the Reporting Year.

Liquidity and Capital Resources

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

The following table sets forth our cash flows for the Reporting Years indicated:

	2023 **RMB'000**	2022 *RMB'000* (Restated)
Net cash flows from operating activities	**183,960**	1,002,731
Net cash flows used in investing activities	**(1,220,102)**	(1,043,265)
Net cash flows from financing activities	**910,754**	296,538
Net (decrease)/increase in cash and cash equivalents	**(125,388)**	256,004
Effects of foreign exchange rate changes, net	**1,441**	752
Cash and cash equivalents at the beginning of the year	**397,946**	141,190
Cash and cash equivalents at the end of the year	**273,999**	397,946

Net Cash Flows from Operating Activities

During the Reporting Year, net cash flows from operating activities was RMB184.0 million, which was mainly attributable to loss before tax for the year of RMB470.0 million, adjusted for (i) depreciation of property, plant and equipment of RMB164.4 million, which was a non-cash item; (ii) net loss from changes in fair value of biological assets of RMB671.5 million, which was a non-cash item; (iii) finance costs of RMB268.9 million that was accounted for as cash used in financing activities; (iv) decrease in trade payables and other payables and accruals of RMB415.9 million.

For the year ended 31 December 2022, net cash flows from operating activities was RMB1,002.7 million, which was mainly attributable to profit before tax of RMB171.9 million, adjusted for (i) finance costs of RMB219.8 million that was accounted for as cash used in financing activities; (ii) increase in trade payables and other payables and accruals of RMB575.7 million.

Net Cash Flows Used in Investing Activities

During the Reporting Year, net cash flows used in investing activities was RMB1,220.1 million, which was mainly attributable to (i) payments for biological assets of RMB1,291.3 million and (ii) payments for purchases of property, plant and equipment of RMB523.9 million, partially offset by the proceeds from the disposal of biological assets of RMB582.6 million.

For the year ended 31 December 2022, net cash flows used in investing activities was RMB1,043.3 million, which was mainly attributable to (i) payments for biological assets of RMB1,101.2 million and (ii) payments for purchases of property, plant and equipment of RMB588.8 million, partially offset by the proceeds from the disposal of biological assets of RMB641.7 million.

Net Cash Flows Generated from Financing Activities

During the Reporting Year, net cash flows generated from financing activities was RMB910.8 million which was mainly attributable to new interest-bearing bank borrowings of RMB3,196.7 million, partially offset by (i) repayment of interest-bearing bank borrowings of RMB1,948.7 million, (ii) principal portion of lease payments of RMB148.0 million, and (iii) interest paid of RMB185.4 million.

For the year ended 31 December 2022, net cash flows generated from financing activities was RMB296.5 million which was mainly attributable to new interest-bearing bank borrowings of RMB1,106.5 million and the gross proceeds received from the initial public offering of the Company's equity amounting to RMB175.6 million, partially offset by (i) repayment of interest-bearing bank borrowings of RMB666.6 million, (ii) principal portion of lease payments of RMB146.7 million, and (iii) interest paid of RMB156.6 million.

Interest-Bearing Bank Borrowings

	31 December 2023			31 December 2022		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000* (Restated)
Current						
Bank loans – secured	**4.00-4.80**	**2024**	**1,560,212**	3.8-5.08	2023	467,346
Current portion of long-term bank loans – secured	**3.40-8.86**	**2024**	**456,201**	4.21-7.29	2023	400,747
			2,016,413			868,093
Non-current						
Bank loans – secured	**3.40-8.86**	**2025-2028**	**1,383,910**	4.21-7.29	2024-2028	1,304,344
			3,400,323			2,172,437

	31 December 2023 ***RMB'000***	31 December 2022 *RMB'000* (Restated)
Analysed into:		
Bank loans:		
Within one year or on demand	**2,016,413**	868,093
In the second year	**523,680**	333,818
In the third to fifth years, inclusive	**860,230**	898,253
Above five years	**–**	72,273
	3,400,323	2,172,437

INTEREST-BEARING BANK BORROWINGS

Notes:

(a) As at 31 December 2023, the Group's bank facilities amounted to RMB4,710,046,000 (31 December 2022: RMB4,589,279,000), of which the unutilized bank facilities were RMB1,196,984,000 (31 December 2022: RMB2,120,287,000). The Group's facilities are secured by the pledge of certain of the Group's assets.

(b) The Group's bank loans are secured by:

i. As at 31 December 2023, pledged deposits of RMB4,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2022: RMB5,949,000);

ii. As at 31 December 2023, trade receivables of RMB310,033,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2022: RMB338,780,000);

iii. As at 31 December 2023, inventories of RMB1,045,701,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2022: RMB568,134,000);

iv. As at 31 December 2023, property, plant and equipment of RMB659,456,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2022: RMB346,383,000);

v. As at 31 December 2023, biological assets of RMB3,684,156,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2022: RMB3,322,513,000);

vi. As at 31 December 2023, right-of-use assets of RMB13,134,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2022: RMB13,410,000);

vii. As at 31 December 2023, shares of a subsidiary of RMB562,000,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2022: RMB172,833,000);

viii. As at 31 December 2023, investments in certain subsidiaries of RMB1,517,996,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2022: RMB2,439,259,000);

ix. As at 31 December 2023, certain of the Group's bank loans amounting to RMB3,236,561,000 were guaranteed by the Company and certain subsidiaries of the Group (31 December 2022: RMB971,968,000).

(c) The bank borrowings are denominated in following currencies:

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
		(Restated)
USD	**256,925**	289,126
RMB	**3,143,398**	1,883,311
	3,400,323	2,172,437

Material Litigation

In April 2023, Shanghai AustAsia Food Co., Ltd. (上海澳雅食品有限公司, hereafter referred to as "Shanghai AustAsia") applied for a preservation order against Hebei Yuanfuda Trading Group Co., Ltd. (河北媛福達商貿集團有限公司, hereafter referred to as "Hebei Yuanfuda") for failure to pay RMB7,223,812.5 for fresh milk supplied to Hebi Yuanfuda under its Procurement Contract with Shanghai AustAsia. The People's Court of Lianchi District, Baoding City ruled by the Second Instance Civil Judgment (Ji 0606, Min Chu No.5524 [2023]) to defer Shanghai AustAsia's application until after criminal charges against Hebi Yuanfuda have been resolved. On December 8, 2023, Shanghai AustAsia appealed against this decision and was ruled against by the Intermediate People's Court of Baoding City (保定市中級人民法院). Shanghai AustAsia will continue to seek recovery from Hebei Yuanfuda once the criminal proceedings against Hebei Yuanfuda have been completed.

The Company was not involved in other material litigation or arbitration during the Reporting Year. The Directors are also not aware of other material litigation or claims that were pending or threatened against the Group for the Reporting Year.

Foreign Currency Risk

The Group's exposure to foreign currency risk principally mainly relates to the Group's subsidiaries in Mainland China and Singapore where some of the transactions are denominated in USD and Singapore Dollars ("**SGD**"). In addition, the group has a USD27 million term loan and a USD10 million working capital loan outstanding as at 31 December 2023.

Though the fluctuations in the exchange rates could affect the Group's results of operations, the exposure to foreign currency was immaterial to the Group's size of operation, in the opinion of management, the Group does not face any significant foreign currency risk.

The Group currently does not have a foreign exchange hedging policy. The management of the Group monitors foreign exchange exposure closely and will consider hedging any significant foreign exchange exposure should the need arise.

Employees

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

The total employee benefit expenses (including directors and chief executive's remuneration) for the Reporting Year were approximately RMB386.29 million (2022: RMB416.50 million), representing a decrease of 7.3% YoY. This was mainly due to the reduction in the share-based payments expenses.

STRATEGIES AND PROSPECTS

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

Raw Milk Business

In view of unprecedented challenges facing the overall consumers market and dairy industry in China, such as the prolonged weak demand for dairy products and the uncertainties associated with dairy market outlooks in 2024 and 2025, we have adjusted our initial dairy farm expansion schedule to adapt to the new environment. On Feb 9 we made announcement to further extend the construction period of Pure Source Farm 4 by one year – from April 2023 to December 2024, to from April 2023 to December 2025. There will be no more capital intensive new dairy farm investment after Pure Source farm 4 in the next 5-year period.

Despite the current industry downturn and difficulties, we are confident that the longer-term prospects of China's consumer demand for raw milk and dairy products. We expect that there will be significant small to mid-size and less efficient dairy farms and dairy herds made redundant in the process of this round of industrial down turn, resulting in larger-scale, highly efficient farm operators like us coming through with better competitive positions. Capitalizing on the well-recognized dairy farm management expertise, going forward, we plan to use "dairy farm operational lease" model to operate and manage additional dairy farms. This initiative will not only save significant amount of in-house capital investment needed to new farm developments, but also ensure that we continue to have sufficient raw milk production to cater for future growth of dairy markets.

By 2028, our goal is to reach a 5-year CAGR of 4% in the herd population from 2023, which is similar to the expected dairy market growth rate in the next 5 years. Combined with continued improvement on milk yield, our 5-year raw milk production volume is expected to grow at a CAGR of 6%.

Beef Cattle Business

China is the 2nd largest nation in beef consumption, but on Per Capita basis beef consumption in China is significantly lower compared to all developed countries and some of the developing countries. There remain great potential for growth in demand for beef.

We expect that the demand for high quality beef products, such as Wagyu and Angus beef, will grow significantly and we aim to be a leading domestic supplier of premium Wagyu and Angus beef cattle.

Our raw milk and beef cattle businesses work synergistically with each other. The experience, management systems and technologies developed from managing large-scale dairy farms and cow breeding can be transferred and applied to our beef cattle feedlots to enhance business growth. Additionally, the in-house integration of feed mill provides high-quality feed material with competitive prices, our own genetic development program also helps to upgrade the herd quality, cattle health and improve productivity by way of better ADG.

B To B Dairy Products

We have made "AustAsia澳亞牧場" a well-recognized brand in association with high-quality, reliable and consistent raw milk supply in China. Though only accounted for 4% of total raw milk sales volume in 2023, we have established solid business relations with some B2B key accounts. Our eco-sustainability action plan and carbon footprint commitments made us a preferred upstream partner to downstream wholesale customers who become increasingly demanding on requiring similar actions.

Going forward, our focus is to capture the higher-than-average demand growth in coffee-chain and milk tea outlets by increasing the sales volume to existing customers. We will create more sales by widening the product mix from current UHT to skimmed milk, whipping cream and ESL milk.

Genetics Business

Animal breeds and genetics are a key foundation for dairy farming and beef farming operations and developments. Advancements in genetic technology can increase productivity, lower disease and mortality rates, as well as lengthen the lifespans of dairy cows and beef cattle. We are the leader in this area and have accumulated unrivalled advantages.

IVF (in vitro embryo) has been commercially applied to all of our own farms and produced encouraging results continuously. Compared to other dairy farm operators, we have higher quality and larger base of female animals that can be selected as donors to get better genetic progress. It provides with us a unique and solid reserve for higher genomic value donors for the years to come.

We will continue to enhance our leading position in the field of dairy cow breeding. We plan to produce more than 20,000 IVF Holstein embryos in 2024 and target to produce more going forward. In addition, We have started our in-house Wagyu heifer selection program, and commenced Wagyu IVF embryo transplantation in the 2nd half of 2023. It is expected we will start full-blood Wagyu IVF embryo production in 2025. By 2028, our target is to become an industrial leader in commercialization of special and rare cattle breed, such as Wagyu.

Feed Mill

Our in-house feed mill has commenced production and will focus on improving operating efficiency, raising product quality and providing more specialty and tailor-made ruminant feed to cater for animal needs. It also plans to increase sales to external farm operators to increase its profit margin.

Build a sustainable business with minimal environmental impact

We have built a structured and systematic ESG framework and are committed to working closely with all parties to promote the sustainability of farming industry.

We have carried out carbon inventory exercise and our 2022 GHG emissions was certified by a qualified third-party in accordance with the ISO14064-1:2018 standards, which lays a solid foundation for us to set the base year and work out measurable and science-based targets for carbon emissions reductions.

Further details of the Group's environmental and social performance are set out in the "Environmental, Social and Governance Report" which will be published in April 2024.

USE OF PROCEEDS FROM THE LISTING

The Company's shares (the "**Shares**") were successfully listed on Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 December 2022 (the "**Listing Date**") with 30,640,000 Shares issued and net proceeds of approximately HKD101.4 million raised from the global offering of the Shares on the Stock Exchange (the "**Global Offering**").

On 20 January 2023, the over-allotment option as described in the prospectus was partially exercised by the overall coordinators (on behalf of the international underwriters) with 606,000 additional Shares issued and additional net proceeds of approximately HKD3.88 million received by the Company. As of the date of this announcement, the total net proceeds of the Global Offering of a total of 31,246,000 Shares of approximately HKD105.28 million (the "**Net Proceeds**").

The use of proceeds has been revised and described in the announcement dated 1 March 2023. The table below sets forth a detailed breakdown and description of the use of Net Proceeds as at 31 December 2023:

Use of Proceeds	**Percentage of Total Net Proceeds**	**Net Proceeds and Unutilised Amount as at 1 January 2023**	**Utilised Amount up to 31 December 2023**
(i) two milking equipment	9.50%	HK$10.02 million	HK$10.02 million
(ii) 37 vehicle equipment for cow raising and feeding	10.90%	HK$11.50 million	HK$11.50 million
(iii) cooling equipment and other breeding ancillary	76.00%	HK$80.04 million	HK$80.04 million
(iv) cow manure treatment facilities	3.60%	HK$3.72 million	HK$3.72 million
Total	100.00%	HK$105.28 million	HK$105.28 million

The Net Proceeds have been fully utilised at the end of December 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The trustee of the AAG Performance Share Plan has pursuant to the terms of the rules and terms of the Trusts and Share Plan, purchased on the Stock Exchange a total of 3,266,000 Shares at a total consideration of HKD7,910,842 (RMB7,251,627 equivalent) during the Reporting Year.

Saved as disclosed, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Reporting Year.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2023.

ANNUAL GENERAL MEETING

The annual general meeting will be scheduled on Wednesday, 5 June 2024 (the "**AGM**"). A notice convening the AGM of the Company will be issued and dispatched (if requested) to the shareholders of the Company (the "**Shareholders**") in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 31 May 2024 to Wednesday, 5 June 2024, during which period no transfer of Shares will be registered. All transfer documents of the Company accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 30 May 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Part 2 of the Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the basis of the Company's corporate governance practices, and the Corporate Governance Code has been applicable to the Company with effect from the Listing Date.

To the best knowledge of the Directors, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code during the Reporting Year.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in the Appendix C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions, and the Model Code has been applicable to the Company with effect from the Listing Date.

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

No incident of non-compliance of the Model Code was noted by the Company during the Reporting Year and up to the date of this announcement.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and statement of comprehensive income, the related notes thereto for the year ended 31 December 2023 as set out in the announcement have been agreed by the Group's independent auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the announcement.

AUDIT COMMITTEE

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

The Audit Committee had, together with the management of the Company, reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023 and the accounting principles and policies adopted by the Group.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company at www.austasiadairy.com. The Company's annual report for the year ended 31 December 2023 will be dispatched (if requested) to the Shareholders and published on the aforementioned websites in due course.

APPRECIATION

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

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

Hong Kong, 27 March 2024

As at the date of this announcement, the Board comprises Mr. TAN Yong Nang as Chairman and Executive Director, 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.