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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 2024**

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 2024 (the “**Reporting Year**”), together with comparative figures for the year ended 31 December 2023.

HIGHLIGHTS:

FOR THE YEAR ENDED 31 DECEMBER

FINANCIAL DATA	2024	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	Change
Revenue	3,683,841	3,924,360	-6.1%
Gross profit	491,036	708,462	-30.7%
Losses arising from changes in fair value less costs to sell of other biological assets	(1,260,646)	(667,883)	+88.8%
Loss attributable to owners of the Company	(1,269,287)	(488,791)	+159.7%
Cash EBITDA (Non-IFRS Financial Measure) ^{Note 1}	513,283	761,121	-32.6%
Basic loss per share (RMB)	(1.81)	(0.70)	+158.6%
KEY PERFORMANCE INDICATORS	2024	2023	Change
Annualised average milk yield per milkable cow (tons)	14.0	13.6	+2.9%
Herd size of dairy cows (heads)	122,251	130,802	-6.5%
Raw milk sales volume (tons)	815,900	783,000	+4.2%
Herd size of beef cattle (heads)	35,707	38,433	-7.1%

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

* For identification purpose only

For the Reporting Year, the Group recorded a revenue of approximately RMB3,683.8 million, representing a drop of 6.1% compared to 2023. This is mainly attributable the combined effect of to:

- (i) a 17.0% decrease in the raw milk selling price and a 4.2% growth in the raw milk sales volume; and
- (ii) a 16.4% decrease in the beef cattle selling price and a 64.5% increase in the beef cattle sales volume.

The gross profit decreased by 30.7%, from approximately RMB708.5 million to RMB491.0 million. This is mainly caused by:

- (i) a 17.0% decrease in the raw milk selling price; and
- (ii) a 16.4% decrease in the beef cattle selling price.

The Group recorded a net loss of approximately RMB1,269.3 million for the Reporting Year, this is mainly attributable to the losses arising from changes in the fair value less costs to sell of other biological assets of RMB1,260.6 million. The significant losses are mainly due to decreases in both raw milk price and culling cattle 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 14.0 tons, representing a 2.9% increase.

UPDATE ON 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 for the year ended 31 December 2022 dated 1 March 2023 and the voluntary announcements dated 1 June 2023, 1 September 2023, 1 December 2023 and 9 February 2024 (the “**Announcements**”). As disclosed in the Announcements, the Company commenced construction of Pure Source Farm 4 in April 2023 and extended the construction period from April 2023 to December 2023 to from April 2023 to December 2024, and further to from April 2023 to December 2025.

The construction progress of Pure Source Farm 4 included, among others, the completion of engineering surveying and mapping of the land, various aspects of the design and construction of the surrounding wall.

Given the continued difficult operating environment of dairy market, the management of the Company has been evaluating the industrial outlook constantly to decide the most suitable time for the development of Pure Source Farm 4. After internal review and discussion, the Company has decided to pause the construction of Pure Source Farm 4 for the time being. We will continue to monitor the supply and demand situation of the raw milk market and to make further decisions on the schedule of Pure Source Farm 4 development.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

	<i>Notes</i>	2024 RMB'000	2023 RMB'000
REVENUE	6	3,683,841	3,924,360
Cost of sales		(3,666,842)	(3,906,318)
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest		564,084	694,044
Losses arising from changes in fair value less costs to sell of beef cattle		(90,047)	(3,624)
Gross profit		491,036	708,462
Other income and gains	7	66,961	94,691
Losses arising from changes in fair value less costs to sell of other biological assets		(1,260,646)	(667,883)
Selling and distribution expenses		(4,855)	(2,894)
Administrative expenses		(231,529)	(225,553)
Research and development expenses		(13,587)	–
Reversal of impairment/(impairment losses) on financial assets		20	(97,000)
Other expenses	8	(15,616)	(10,826)
Finance costs	10	(282,295)	(268,948)
LOSS BEFORE TAX	9	(1,250,511)	(469,951)
Income tax expense	11	(18,776)	(18,840)
LOSS FOR THE YEAR		<u>(1,269,287)</u>	<u>(488,791)</u>
Attributable to:			
Owners of the parent		<u>(1,269,287)</u>	<u>(488,791)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic			
– For loss for the year		<u>RMB(1.81)</u>	<u>RMB(0.70)</u>
Diluted			
– For loss for the year		<u>RMB(1.81)</u>	<u>RMB(0.70)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
LOSS FOR THE YEAR	<u>(1,269,287)</u>	<u>(488,791)</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>-</u>	<u>(4,002)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>-</u>	<u>(4,002)</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive loss:		
Changes in fair value	-	(8,830)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	-	(8,830)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>-</u>	<u>(12,832)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(1,269,287)</u>	<u>(501,623)</u>
Attributable to:		
Owners of the parent	<u>(1,269,287)</u>	<u>(501,623)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	<i>Notes</i>	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,159,924	3,361,082
Right-of-use assets		1,400,676	1,518,608
Other intangible assets		3,506	5,103
Biological assets		2,905,038	3,541,014
Other long-term assets	<i>14</i>	8,446	8,779
Long-term receivable	<i>15</i>	4,580	–
		<hr/>	<hr/>
Total non-current assets		7,482,170	8,434,586
CURRENT ASSETS			
Inventories		1,151,662	1,311,682
Biological assets		419,136	512,402
Trade receivables	<i>16</i>	296,703	367,049
Prepayments, other receivables and other assets		239,641	277,437
Cash and cash equivalents		281,921	273,999
Pledged deposits and restricted cash		842	209
		<hr/>	<hr/>
Total current assets		2,389,905	2,742,778
CURRENT LIABILITIES			
Trade payables	<i>17</i>	692,302	785,309
Other payables and accruals		390,991	368,999
Interest-bearing bank borrowings		2,462,495	2,016,413
Lease liabilities		84,536	70,513
Deferred income		4,871	3,628
Tax payable		6,864	7,787
		<hr/>	<hr/>
Total current liabilities		3,642,059	3,252,649

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	31 December 2024 RMB'000	31 December 2023 RMB'000
NET CURRENT LIABILITIES	<u>(1,252,154)</u>	<u>(509,871)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>6,230,016</u>	<u>7,924,715</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	1,035,897	1,383,910
Deferred tax liabilities	4,335	4,335
Deferred income	25,769	26,090
Lease liabilities	<u>1,356,503</u>	<u>1,434,714</u>
Total non-current liabilities	<u>2,422,504</u>	<u>2,849,049</u>
Net assets	<u><u>3,807,512</u></u>	<u><u>5,075,666</u></u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	2,435,712	2,435,712
Treasury shares	–	(1,831)
Reserves	<u>1,371,800</u>	<u>2,641,785</u>
Total equity	<u><u>3,807,512</u></u>	<u><u>5,075,666</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 (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, beef cattle and feed products, and distribution and sale of milk products in the Mainland China.

There is no change in controlling shareholders of the Company comprising Mr. Renaldo Santosa, Ms. Gabriella Santosa, the Scuderia Trust, Highvern Trustees Limited (as trustee of the Scuderia Trust), Magnus Nominees Limited, Fidelis Nominees Limited, Fusion Investment Holdings Limited, Rangi Management Limited, Tasburgh Limited and Tallowe Services Inc. (together, the “Controlling Shareholders”).

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance IFRS Accounting Standards, 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. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

As at 31 December 2024, the Group had net current liabilities of approximately RMB1,252 million and the Group’s total bank borrowings amounted to RMB3,498 million, of which RMB2,462 million will be due for repayment within one year from 31 December 2024, while its cash and cash equivalents amounted to RMB282 million. The Group incurred a net loss of RMB1,269 million for the year ended 31 December 2024. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been and are being taken by the directors of the Company to improve the Group’s liquidity and financial position which include the following:

- (i) The Group continues to improve the milk yield and the quality of raw milk and negotiate with customers for better selling price in consideration of the market developments.
- (ii) The Group continues to enhance and streamline the procurement process to reduce purchasing costs in order to mitigate the impact of the decrease of selling price of raw milk. The Group’s in-house pre-mix feed mill will continue improving feed quality and help to control feed costs.
- (iii) The Group continues to take proactive financing measures to ensure sufficient facilities from financial institutions and shareholders are available in the foreseeable future. Up to the date of this report, consent letters from certain banks have been obtained regarding the amendments of certain financial covenants and extension of certain facilities’ effective period.

- (iv) The Group continues to monitor capital expenditure to balance and relieve cash resource to support operations.
- (v) The Group is exploring other debt or equity financial arrangements.

The directors have reviewed the Group’s cash flow forecast covering a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2024 on a going concern basis.

Notwithstanding the above, given the volatility of the dairy industry in Mainland China, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above.

Should the going concern assumption be inappropriate, adjustments may have to be made to the carrying values of the Group’s assets to state them at their recoverable amounts, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRS Accounting Standards for the first time for the current year’s financial statements.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <i>(the “2020 Amendments”)</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> <i>(the “2022 Amendments”)</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The nature and the impact of the revised IFRS Accounting Standards are described below:

- (a) 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. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) 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 Year. 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 Year.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) 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. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

4. ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

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

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to IAS 21	<i>Lack of Exchangeability</i> ¹
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ²

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual/reporting periods beginning on or after 1 January 2027

⁴ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and amended standards upon initial application. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosure of management-defined performance measures in a note and introduces new requirements for aggregation and disaggregation of financial information. The new requirements are expected to impact the Group's presentation of the statement of profit or loss and disclosures of the Group's financial performance. So far, the Group considers that the new and revised standards are unlikely to have a significant impact on the Group's results of operations and financial position.

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 impairment of long-term receivable as well as head office or corporate administrative expenses are excluded from such measurement.

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

Year ended 31 December 2024

	Raw milk RMB'000	Beef cattle RMB'000	Ancillary RMB'000	Total RMB'000
Segment revenue (Note 6)				
Sales to external customers	2,888,940	497,946	296,955	3,683,841
Intersegment sales	<u>194,459</u>	<u>64</u>	<u>376,954</u>	<u>571,477</u>
	3,083,399	498,010	673,909	4,255,318
Elimination of intersegment sales				<u>(571,477)</u>
Revenue				<u><u>3,683,841</u></u>
Segment results	(772,255)	(95,609)	(1,431)	(869,295)
Finance costs (other than interest on lease liabilities)				(201,032)
Unallocated corporate and administrative expenses				(231,529)
Unallocated other income and expenses				<u>51,345</u>
Loss before tax				<u><u>(1,250,511)</u></u>

Year ended 31 December 2023

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

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.

Other segment information

Year ended 31 December 2024

	Raw milk <i>RMB'000</i>	Beef cattle <i>RMB'000</i>	Ancillary <i>RMB'000</i>	Total <i>RMB'000</i>
Amounts included in the measure of segment results:				
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest	564,084	–	–	564,084
Losses arising from changes in fair value less costs to sell of beef cattle	–	90,047	–	90,047
Losses arising from changes in fair value less costs to sell of other biological assets	1,259,986	660	–	1,260,646
Depreciation and amortisation charged to profit or loss	170,612	30,994	14,810	216,416
Interest on lease liabilities	76,353	4,902	8	81,263
Selling and distribution expenses	–	–	4,855	4,855
Research and development expenses	–	–	13,587	13,587
Reversal of impairment loss on trade receivables	–	–	20	20
Capital expenditure	1,127,891	503,050	1,337	1,632,278

Year ended 31 December 2023

	Raw milk <i>RMB'000</i>	Beef cattle <i>RMB'000</i>	Ancillary <i>RMB'000</i>	Total <i>RMB'000</i>
Amounts included in the measure of segment results:				
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest	694,044	–	–	694,044
Losses arising from changes in fair value less costs to sell of beef cattle	–	3,624	–	3,624
Losses arising from changes in fair value less costs to sell of other biological assets	665,805	2,078	–	667,883
Depreciation and amortisation charged to profit or loss	159,177	24,726	7,845	191,748
Interest on lease liabilities	75,455	4,846	14	80,315
Selling and distribution expenses	–	–	2,894	2,894
Impairment loss on trade receivables	–	–	7,244	7,244
Capital expenditure	1,670,470	506,858	73,463	2,250,791

Geographical information

(a) Revenue from external customers

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Mainland China	<u>3,683,841</u>	<u>3,924,360</u>

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

(b) Non-current assets

	31 December 2024 <i>RMB'000</i>	31 December 2023 <i>RMB'000</i>
Mainland China	<u>7,477,590</u>	<u>8,434,586</u>

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:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Customer A	946,524	1,187,858
Customer B	<u>615,585</u>	<u>782,907</u>
	<u>1,562,109</u>	<u>1,970,765</u>

6. REVENUE

An analysis of revenue is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue from contracts with customers		
Sales of raw milk	2,888,940	3,341,602
Sales of beef cattle	497,946	361,992
Sales of ancillary	296,955	220,766
	<u>3,683,841</u>	<u>3,924,360</u>
Timing of revenue recognition		
At a point in time	<u>3,683,841</u>	<u>3,924,360</u>

7. OTHER INCOME AND GAINS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Government grants	26,412	27,969
Gains on modification of leases	1,967	23,103
Insurance claims	23,627	13,416
Technical service fee	4,653	18,173
Interest income	1,652	4,014
Scrap sales	470	595
Material sales	6,206	4,527
Others	1,974	2,894
	<u>66,961</u>	<u>94,691</u>

8. OTHER EXPENSES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Foreign exchange losses, net (<i>Note 9</i>)	3,800	3,006
Losses on disposal of property, plant and equipment	10,246	6,521
Others	1,570	1,299
	<u>15,616</u>	<u>10,826</u>

9. LOSS BEFORE TAX

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

	<i>Notes</i>	2024 RMB'000	2023 <i>RMB'000</i>
Costs of sales of raw milk		2,888,940	3,341,602
Costs of sales of beef cattle		497,946	361,992
Costs of sales of ancillary		279,956	202,724
		<hr/>	<hr/>
Cost of sales		3,666,842	3,906,318
Depreciation of property, plant and equipment		314,953	288,531
Less: Capitalised in biological assets		130,844	124,105
		<hr/>	<hr/>
Depreciation charged to profit or loss		184,109	164,426
Depreciation of right-of-use assets		96,311	103,161
Less: Capitalised in biological assets		65,601	77,548
		<hr/>	<hr/>
Depreciation charged to profit or loss		30,710	25,613
Impairment of long-term receivable		–	89,756
(Reversal of impairment)/impairment loss on trade receivables	<i>16</i>	(20)	7,244
		<hr/>	<hr/>
(Reversal of impairment)/impairment losses on financial assets		(20)	97,000
Reversal of provision for inventories		–	(3,362)
Amortisation of other intangible assets		1,597	1,709
Lease payments not included in the measurement of lease liabilities		17,779	25,850
Auditors' remuneration		4,805	5,084
Losses arising from changes in fair value less costs to sell of other biological assets		1,260,646	667,883
Employee benefit expenses (including directors and chief executive's remuneration):			
Wages and salaries		308,644	318,423
Pension scheme contributions		69,534	61,367
Share-based payments expenses		2,309	6,501
		<hr/>	<hr/>
		380,487	386,291
Foreign exchange differences, net	<i>8</i>	3,800	3,006

10. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Interest on bank loans	201,032	188,798
Interest on lease liabilities	81,263	80,315
Interest on contract liabilities	–	2,164
	<u>282,295</u>	<u>271,277</u>
Less: Interest expense capitalised	–	(2,329)
Total	<u><u>282,295</u></u>	<u><u>268,948</u></u>

11. INCOME TAX EXPENSE

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current income tax		
Charge for the year	6,893	5,231
(Overprovision)/underprovision in prior years	(1,737)	51
Withholding tax	13,620	13,558
	<u>18,776</u>	<u>18,840</u>
Total tax charge for the year	<u><u>18,776</u></u>	<u><u>18,840</u></u>

12. DIVIDENDS

No dividend has been paid or declared by the Company to its ordinary shareholders for the year ended 31 December 2024 (2023: Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 699,391,863 (2023: 700,412,612) outstanding during the year.

The Group had no potentially diluted ordinary shares in issue during the years ended 31 December 2024 and 2023. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic loss 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 per share are based on:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
<u>Loss</u>		
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation	<u>(1,269,287)</u>	<u>(488,791)</u>
	2024	2023
<u>Shares</u>		
Weighted average number of ordinary shares outstanding during the year used in the basic loss per share calculation	<u>699,391,863</u>	<u>700,412,612</u>
14. OTHER LONG-TERM ASSETS		
	31 December 2024 <i>RMB'000</i>	31 December 2023 <i>RMB'000</i>
Prepayments for property, plant and equipment	<u>8,446</u>	<u>8,779</u>
15. LONG-TERM RECEIVABLE		
	31 December 2024 <i>RMB'000</i>	31 December 2023 <i>RMB'000</i>
Amounts due from Food Union AustAsia Holdings Pte. Ltd., non-trade	123,883	123,883
Amount due from a director	4,580	–
Impairment	<u>(123,883)</u>	<u>(123,883)</u>
	<u>4,580</u>	<u>–</u>
The long-term receivable is repayable beyond twelve months from the end of the Reporting Year. As at 31 December 2024, the balance of amount due from a director was RMB4,580,000 (31 December 2023: Nil).		
16. TRADE RECEIVABLES		
	31 December 2024 <i>RMB'000</i>	31 December 2023 <i>RMB'000</i>
Trade receivables	303,927	374,293
Impairment	<u>(7,224)</u>	<u>(7,244)</u>
Net carrying amount	<u>296,703</u>	<u>367,049</u>

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. And no credit is provided for beef cattle customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
Within 1 month	285,339	351,535
1 to 2 months	10,109	8,061
2 to 3 months	842	2,365
Over 3 months	413	5,088
	<u>296,703</u>	<u>367,049</u>

Included in the Group's trade receivables are amounts due from a related party of RMB16,177,000 as at 31 December 2024 (31 December 2023: RMB18,830,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

As at 31 December 2024, trade receivables of RMB277,019,000 (31 December 2023: RMB310,033,000) 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:

	2024 RMB'000	2023 RMB'000
At beginning of year	7,244	–
(Reversal of impairment)/impairment losses (Note 9)	<u>(20)</u>	<u>7,244</u>
At end of year	<u>7,224</u>	<u>7,244</u>

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 2024, the balance of RMB7,224,000 with special risks was assessed individually and fully impaired.

17. TRADE PAYABLES

	31 December 2024 RMB'000	31 December 2023 RMB'000
Trade payables	692,302	785,309

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
Within 2 months	386,290	477,966
2 to 6 months	182,871	157,526
6 to 12 months	89,392	124,107
Over 1 year	33,749	25,710
	692,302	785,309

As at 31 December 2024, the trade payables of RMB55,083,000 (31 December 2023: RMB34,823,000), 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 days.

18. EVENTS AFTER THE REPORTING YEAR

On 24 February 2025, the Company entered into a USD25 million facility agreement with a financial institution for the purpose of providing working capital for the Group. The term of the facility provided under this facility agreement is six months from the date of the first drawdown of the facility agreement with an option to extend for a further three months, which is subject to the financial institution's sole discretion.

On 26 March 2025, the Company entered into a USD8 million facility agreement with a financial institution for the purpose of financing the Group's repayment of bank borrowings. The term provided under this facility agreement is six months from the date of the first drawdown.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Though China achieved a 5% year-on-year (“YoY”) GDP growth, it is evident that the Chinese economy experienced great difficulties in 2024. One of the major challenges is the continuous weakening of consumer confidence that caused obvious decreases in consumer spending, or so-called “consumption downgrade”.

This was attributable to multiple structural reasons, such as higher-than-expected unemployment rate, demographically falling new-born numbers, and negative outlook on households’ disposable incomes. Like most of the consumer-related sectors, the operating environments and financial performances of dairy farm operators in China have been both challenging and disappointing.

In 2024, the dairy industry in China was amongst the ten “profit declining industries”. Almost all listed dairy companies reported revenue decline, and the sales revenue of all major categories of dairy products, including ultra-high temperature, yogurt, cheese and pasteurized milk, experienced decline. Following a decrease of 2% in 2023, the total sales volume of dairy products further decreased by about 1.5%.

Starting from the third quarter of 2021, up to now, this round of nationwide milk price decline has lasted for more than 3 years. The national average raw milk price dropped from RMB4.4/kg in August 2021, to RMB3.1/kg in December 2024, representing a decrease of 30%.

From second half of 2023 up till now, the supply side consolidation has been ongoing. Some of the less competitive, small to mid-size individually owned or family run dairy farms with low efficiency have been forced to leave the market. It is estimated that during the first 3 quarter of 2024, the herd number in China’s 10 major milk production provinces were reduced by 6.7%. It is also estimated that the dairy industry has approximately eliminated 1.2 million dairy cows in 2023 and 2024. In addition, due to continued loss-making and stressed cash flow, some farm operators started leaving the market and ceased operations. From 2022 to 2024, it is estimated that the number of scaled dairy farm dropped by 20%, from 4,600 in 2022 to 3,700 by the end of 2024. To a limited extent, the decreases in dairy cow numbers and dairy farms have helped the industry to restore its supply-demand equilibrium.

On the other hand, since 2023, quantities of imported dairy products have been fallen significantly. In 2024, China imported 2.6 million tons of various dairy products, representing a decrease of 9.6% year on year. The total imported value was USD11 billion, representing a decrease of 8.39% year on year. Also, since the domestic milk price dropped to a low level, the imported dairy products have lost price advantages. It is expected that the volume of imported dairy products to China will continue to drop.

For the first time since 2018, the domestic raw milk production volume has experienced decrease. In 2024, total raw milk production volume was dropped by 2.9% to approximately 40.8 million ton (2023: 42.0 million ton). It demonstrates the effects from the reduction of supply side capacities. As a results of recent consolidation, once the current downturn is over, the leading operators are expected to have much stronger position and more dominant market share in terms of overall raw milk supply.

On the other hand, in 2024, the costs of feed continued to drop with prices of some of the key materials and ingredients becoming lower. This has eased the significant cost pressure that troubled the dairy farming industry in 2023.

Despite of current difficulties and challenges, the outlook of dairy sector in China is still promising. On 28 October, 2024, Chen Mengshan, director of the National Food and Nutrition Advisory Committee and former Party Secretary of the Chinese Academy of Agricultural Sciences, said that in 2023, China's per capita milk consumption is 42.4 kg, which is only equivalent to 23%~38% of the recommended amount in the Dietary Guidelines for Chinese Residents 《中國居民膳食指南》, the current domestic consumption level is only a quarter compared to Europe and the United States, and 60% of that in Japan and South Korea. To improve Chinese people's nutrition, the consumption of dairy products needs to be continually encouraged. Over the past 10 years, China has continued to focus on improving dairy product quality, making sure consumers have high confidence in domestically made dairy products. With younger generations become mainstream consumers, the variety of dairy products in China have also widened notably. This will also underpin the growth of milk consumption in long-term.

To survive this down cycle, farm operators will have to focus on efficiency to continually reduce production costs, at the same time to improve the milk yield to higher level. Only by doing so the significant impact of price decline may be mitigated. Cash flow, rather than profitability, has become the most important part of the day-to-day operation.

The beef cattle market in domestic China has seen its worst period in 2024. On one hand, volume of imported low price frozen beef and beef products increased significantly. On the other hand, with more and more small and mid-size dairy farms closing operations and culling cows, the supply of low-price culling cattle surged to cause a big impact on what would normally be an orderly high-quality beef cattle market.

Nevertheless, supported by a series of government policies, the prices of beef and beef cattle have shown signs of recovery after more than 2 years of decline. In December 2024, the Chinese government started anti-dumping investigation against imported beef products, aiming to reduce the impact of large quantity of imported beef products on the local farming industry. In the first week of March 2025, in retaliation to the latest round of tariffs imposed by the US government against China made goods, the Chinese government announced additional tariffs on US pork, poultry and beef products. There are signs that the prices of beef products and beef cattle have begun to recover from the historical low level of December 2024. It is expected that the downturn in the beef market will end in the second quarter of 2025. The industry will start a new phase of healthy development. This, combined with the current low level of per capita beef consumption, indicates that there is a huge potential for long-term growth for beef cattle farm operators.

In relation to the environment and ecosystems, the Chinese government has been encouraging energy saving and emission reduction in the dairy and beef cattle industries vigorously. The dairy farming industry is required to take the direction of “reducing pollution and carbon, establishing a cycle of sustainable ecosystem” to achieve high-quality development of the industry and to create the harmonious coexistence of human and nature, as well as to maintain a sustainable development of the industrial chain with a “green ecological” model. Some leading dairy enterprises have made continuous investment in research and innovation in relation to carbon emission reduction, standard setting, equipment research and development, and model demonstration, etc., the theme of “sustainable development” has become a focus for almost everyone in the animal farming industries.

BUSINESS OVERVIEW

The Group is mainly engaged in the dairy farming business of producing and selling high-quality raw milk to dairy products manufacturers and processors, and beef cattle farming and fattening business. In 2023, according to Holstein Farmer Magazine, we were the 3rd largest raw milk producer in China (in terms of production volume) with a total raw milk production volume of approximately 917,000 tons.

We provide raw milk to a diversified group of customers, including leading national and regional dairy product manufacturers and brands such as Mengniu, Bright Dairy, Meiji, New Hope Dairy, ClassyKiss and Honest Dairy. We are not reliant on our controlling shareholders as our customers. We provide our customers with a stable supply of high quality and traceable raw milk in large volumes. By doing so, we enable our customers to market and develop high-end and innovative dairy products to cater to various needs of end customers.

We have two main business segments, namely raw milk business and beef cattle business. We also engage in sales of milk products under our own brand to wholesale customers. We also have a feed mill to produce feed materials for internal use as well as external customers.

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 the raw milk into healthy and high-quality dairy products to satisfy end customers.

During the Reporting Year, 78.4% of our revenue was derived from the raw milk business (2023: 85.2%). We have achieved improvements in some of the important operating indicators:

- (a) revenue generated from sales of raw milk for the Reporting Year was approximately RMB2,888.9 million, representing a decrease of 13.5% compared to that of 2023 mainly due to approximately 17.0% decrease in the raw milk selling price;
- (b) the annualised milk yield per milkable cow (“AMY”) for the Reporting Year reached 14.0 tons (2023: 13.6 tons), representing a YoY growth of 2.9%;
- (c) the total raw milk production volume for the Reporting Year was approximately 916,600 tons (2023: 859,600 tons), representing a YoY growth of 6.6%; and
- (d) the total raw milk sales volume for the Reporting Year was approximately 815,900 tons (2023: 783,000 tons), representing a YoY growth of 4.2%.

Compared to 2023, the average selling price (“ASP”) of raw milk decreased by 17.0%, from RMB4,268/ton to RMB3,541/ton. The drop in ASP was 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 a significant increase in new dairy farms and additional dairy farm investments.

During the Reporting Year, we continued to lower the feed costs and have seen significant improvement. Compared to 2023, the feed cost of milking cows per kg of raw milk decreased from RMB2.42 to RMB1.96, representing a 19.0% drop. The significant decrease in both selling price and feed costs off-set one another, as a result, the gross margin of the raw milk business dropped slightly to 19.5% for the Reporting Year from 20.8% in 2023. During the Reporting Year, we have adopted systematic 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 the 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 our centralized procurement activities. As a result, we have seen notable savings in feed cost per kg of raw milk.

Dairy Farms

As of 31 December 2024, we owned and operated 11 large-scale modernized dairy farms in Shandong and Inner Mongolia of the PRC. The number of our dairy cow was 122,251 heads (as of 31 December 2023: 130,802 heads), including 65,282 heads of milkable cows (as of 31 December 2023: 66,085 heads). The aggregate gross land area of our dairy farms was approximately 16,992 Chinese mu. 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, ample natural feed supply and abundant fresh water provide an ideal farming environment for dairy cows to generate high milk yield with good quality. The remaining 8 dairy farms are 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 14.0 tons (2023: 13.6 tons), representing a Year-on-Year increase of 2.9%. The continued improvements in milk yield were attributable to in-depth understanding of every detail of herd management, accumulated upgrades in our genetic breeding technologies over the years and increase in the number of dairy cows 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 breeders for beef cattle calves. By doing so, 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 productivity of our beef cattle. As of 31 December 2024, we owned and operated 2 large-scale beef cattle feedlots in Shandong and Inner Mongolia. The total herd size was approximately 35,707 heads.

For the Reporting Year, revenue of beef cattle business was RMB497.9 million, representing a 37.6% increase compared to 2023 (RMB362.0 million), and accounted for 13.5% of our total revenue. The total volume of beef cattle sold was 19,415 tons (2023: 11,803 tons), representing an increase of 64.5%. The gross loss of the beef cattle business increased significantly from RMB3.6 million for 2023 to RMB90.0 million for the Reporting Period, mainly due to a 16.4% drop in beef cattle selling price, from approximately RMB30,670/ton to RMB25,648/ton.

Ancillary business

For the Reporting Year, revenue from the ancillary business was RMB297.0 million (2023: RMB220.8 million), representing an increase of 34.5% due to a significant increase in the product sales volume.

Breeding

We continue to implement the genetic improvement program to enhance the breed of our dairy cows. Compared to the common industry practice of relying on imported bovine semen, we use in vitro fertilization (“**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 that our farms were able to provide, we can improve the herd genetic traits from both parental sides, compared to the common industry practices used by most of the other large-scale farms operators which only improve the paternal side with semen. In 2024, we started commercializing embryo external sales. For the Reporting Period, we produced 18,527 embryos, transferred 19,427 embryos and sold 2,054 embryos to the third- party farm operators.

Milk Quality

We put product quality as the highest priority throughout our operations. All of our 11 dairy farms are currently certified with the Safe Quality Food (“**SQF**”), 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 the highest standards for 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 of our controlling shareholders, and we develop and explore our customers independently. We have a well-diversified spectrum of customers. We serve both leading national and regional dairy product manufacturers and brands such as Mengniu, Bright Dairy, Meiji, Chi Forest, Honest Dairy and ClassyKiss. By the end of 2024, we had 30 active raw milk customers. For the Reporting Year, sales to the 5 largest raw milk customers accounted for 74.1% of our revenue.

FINANCIAL REVIEW

Revenue

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Types of goods		
Raw milk	2,888,940	3,341,602
Beef cattle	497,946	361,992
Ancillary	296,955	220,766
	<u>3,683,841</u>	<u>3,924,360</u>

During the Reporting Year, the Group's revenue decreased by 6.1% YoY to RMB3,683.8 million (2023: RMB3,924.4 million). The total raw milk sales volume increased by 4.2% and the total beef cattle sales volume increased by 64.5%. However, the raw milk selling price dropped by 17.0% and beef cattle selling price dropped by 16.4%.

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

	2024			2023		
	Sales Revenue <i>RMB'000</i>	Sales Volume <i>tons</i>	ASP <i>RMB/ton</i>	Sales Revenue <i>RMB'000</i>	Sales Volume <i>tons</i>	ASP <i>RMB/ton</i>
Raw milk	<u>2,888,940</u>	<u>815,937</u>	<u>3,541</u>	<u>3,341,602</u>	<u>783,028</u>	<u>4,268</u>

The Group's total revenue of the sales of raw milk decreased by 13.5% YoY to RMB2,888.9 million during the Reporting Year (2023: RMB3,341.6 million). The decrease was mainly due to the raw milk selling price dropped by 17.0% despite the total raw milk sales volume increased by 4.2% during the Reporting Year.

Average selling price of raw milk decreased by 17.0% YoY to RMB3,541/ton during the Reporting Year (2023: RMB4,268/ton).

Total sales volume of raw milk increased by 4.2% YoY to approximately 815,937 tons during the Reporting Year (2023: 783,028 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 years indicated:

	2024			2023		
	Sales Revenue <i>RMB'000</i>	Sales Volume <i>tons</i>	ASP <i>RMB/ton</i>	Sales Revenue <i>RMB'000</i>	Sales Volume <i>tons</i>	ASP <i>RMB/ton</i>
Beef cattle	<u>497,946</u>	<u>19,415</u>	<u>25,648</u>	<u>361,992</u>	<u>11,803</u>	<u>30,670</u>

The Group's total revenue from sales of beef cattle increased by 37.6% YoY to RMB497.9 million during the Reporting Year (2023: RMB362.0 million). The increase was mainly due to the increase in sales volume of beef cattle, and partially offset by the decrease in average selling price of beef cattle.

Total sales volume of beef cattle increased by 64.5% YoY to approximately 19,415 tons during the Reporting Year (2023: 11,803 tons).

Average selling price of beef cattle dropped by 16.4% YoY to RMB25,648/ton during the Reporting Year (2023: RMB30,670/ton).

Cost of Sales

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Costs of sales of raw milk	2,888,940	3,341,602
Costs of sales of beef cattle	497,946	361,992
Costs of sales of ancillary	<u>279,956</u>	<u>202,724</u>
Cost of sales	<u>3,666,842</u>	<u>3,906,318</u>

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 years indicated:

	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Direct Materials	1,673,947	72.0%	1,996,813	75.4%
Labor Costs	143,675	6.2%	141,027	5.3%
Overhead costs	273,906	11.7%	283,228	10.7%
Depreciation of property, plant and equipment	122,476	5.3%	116,928	4.4%
Transportation fees	110,852	4.8%	109,562	4.2%
Total	<u>2,324,856</u>	<u>100.0%</u>	<u>2,647,558</u>	<u>100.0%</u>

During the Reporting Year, direct materials (mainly from silage, forage grass, corn and soy – bean products) costs of raw milk business amounted to RMB1,673.9 million (2023: RMB1,996.8 million), representing a YoY decrease of 16.2%, mainly due to the decrease in the number of milkable cows and the decrease in the feeding cost.

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 years indicated:

	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Direct Materials	456,172	81.0%	283,897	80.3%
Labor Costs and Overhead costs	75,635	13.5%	48,747	13.8%
Depreciation of property, plant and equipment	31,046	5.5%	20,936	5.9%
Total	<u>562,853</u>	<u>100.0%</u>	<u>353,580</u>	<u>100.0%</u>

During the Reporting Year, costs of direct materials (mainly silage, forage grass, corn and soy-bean products) of the beef cattle business amounted to RMB456.2 million (2023: RMB283.9 million), representing a YoY increase of 60.7%, mainly due to the increase of beef cattle sales volume and partially offset by the decrease in the feeding cost.

Gross Profit

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

	2024		2023	
	Gross profit <i>RMB'000</i>	Gross profit margin	Gross profit <i>RMB'000</i>	Gross profit margin
Raw milk	564,084	19.5%	694,044	20.8%
Beef cattle	(90,047)	(18.1%)	(3,624)	(1.0%)
Ancillary	16,999	5.7%	18,042	8.2%
Total	<u>491,036</u>	<u>13.3%</u>	<u>708,462</u>	<u>18.1%</u>

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 RMB564.1 million (2023: RMB694.0 million), representing a decrease of 18.7% YoY, which was mainly due to the decrease in sales price of raw milk. Gross profit margin of the Group's raw milk business decreased to 19.5% (2023: 20.8%) which was mainly due to lower average selling price of raw milk in 2024.

During the Reporting Year, gross loss of the Group's beef cattle business amounted to RMB90.0 million (2023: gross loss of RMB3.6 million), representing an increase of 2,384.7% YoY, which was mainly due to the decrease in selling price of beef cattle by 16.4%.

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

As at 31 December 2024, the biological assets of the Group were valued at RMB2,905.0 million (as at 31 December 2023: RMB3,541.0 million) by an independent qualified professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, representing a decrease of 18.0% YoY, mainly due to the decrease in cattle value.

Losses arising from changes in the fair value less costs to sell of other biological assets were RMB1,260.6 million (2023: loss 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.

The estimated feed costs per kg of raw milk used in the valuation process ranged from RMB2.35 to RMB2.90 and RMB1.98 to RMB2.18 as at 31 December 2023 and 31 December 2024, respectively. Estimated average prices of raw milk per kg ranged from RMB4.17 to RMB4.83 and RMB3.56 to RMB3.93 as at 31 December 2023 and 31 December 2024, respectively.

The estimated local market selling price of 14 months old heifers was RMB21,800 per head and RMB20,700 per head as at 31 December 2023 and 31 December 2024, respectively.

The estimated culling price of milkable cows was RMB16,000 per head and RMB13,700 per head as at 31 December 2023 and 31 December 2024, respectively.

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.

The estimated local market selling price of 14 months old heifers was RMB21,800 per head and RMB21,800 per head as at 31 December 2022 and 31 December 2023, respectively.

The estimated culling price of milkable cows was RMB16,000 per head and RMB16,000 per head as at 31 December 2022 and 31 December 2023, respectively.

During the year ended 31 December 2024, a lower average selling price of raw milk, a lower estimated local market selling price of 14 months old heifers and coupled with a lower estimated culling price of milkable cows, contributed to the higher amount of fair value losses recorded for the Reporting Year.

Other Income and Gains

During the Reporting Year, other income amounted to RMB67.0 million (2023: RMB94.7 million) which mainly consisted of government grants, insurance claims, material sales, technical service fees and gain on modification of leases. The lower amount recorded in 2024 was mainly due to the decreases in gain from modification of lease term by RMB21.1 million and the technical service fee by RMB13.5 million, while the insurance claims increased by RMB10.2 million.

Other Expenses

During the Reporting Year, other expenses amounted to RMB15.6 million (2023: RMB10.8 million), representing an increase of 44.2% YoY mainly due to the increase in loss on disposal of property, plant and equipment in the Reporting Year by RMB3.7 million.

Administrative Expenses

During the Reporting Year, administrative expenses amounted to RMB231.5 million (2023: RMB225.6 million), representing a YoY increase of 2.6%.

Research and Development Expenses

During the Reporting Year, research and development expenses amounted to RMB13.6 million (2023: Nil), it's generated by the feed mill. The research and development expense mainly included the direct labor cost, direct input cost including raw materials and energy-related expenses, depreciation and amortization expenses, and other related expenses.

Finance Costs

During the Reporting Year, the Group recorded a higher finance cost which amounted to RMB282.3 million, representing a YoY increase of 5.0%. The increase in overall finance cost was mainly due to higher amount of average bank borrowings for the Reporting Year as a result of additional drawdown in working capital loans.

Loss before Tax and Loss Attributable to Owners of the Company

Loss before tax was RMB1,250.5 million in the Reporting Year (2023: RMB470.0 million). Loss attributable to owners of the Company amounted to RMB1,269.3 million during the Reporting Year (2023: RMB488.8 million). This was mainly due to:

- a) A decrease in gross profit of the Group's business to RMB491.0 million (2023: RMB708.5 million), representing a decrease of 30.7% or RMB217.5 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 17.0% YoY to RMB3,541/ton during the Reporting Year (2023: RMB4,268/ton). Average selling price of beef cattle decreased by 16.4% YoY to RMB25,648/ton during the Reporting Year (2023: RMB30,670/ton).

During the Reporting Year, the average feed cost per kilogram of raw milk decreased to RMB1.96 (2023: RMB2.42), representing a decrease of 19.0%.

- b) Higher losses arising from changes in fair value less costs to sell of other biological assets. The Group recorded a loss of RMB1,260.6 million (2023: loss of RMB667.9 million), representing an increase of RMB592.7 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 per share of the Company (the "Share") was RMB1.81 (2023: RMB0.70 loss per Share).

Cash EBITDA (Non-IFRS Financial Measure)

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

During the Reporting Year, Cash EBITDA has decreased to RMB513.3 million (2023: RMB761.1 million) which represents a drop of 32.6%. The drop in Cash EBITDA during the Reporting Year is mainly attributable to decrease in overall gross profit by 30.7% 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 years indicated:

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from operating activities	813,551	183,960
Net cash flows used in investing activities	(561,032)	(1,220,102)
Net cash flows (used in)/from financing activities	(244,700)	910,754
Net increase/(decrease) in cash and cash equivalents	7,819	(125,388)
Effects of foreign exchange rate changes, net	103	1,441
Cash and cash equivalents at the beginning of the year	273,999	397,946
Cash and cash equivalents at the end of the year	281,921	273,999

Net Cash Flows from Operating Activities

During the Reporting Year, net cash flows from operating activities was RMB813.6 million, which was mainly attributable to loss before tax for the year of RMB1,250.5 million, adjusted for (i) depreciation of property, plant and equipment of RMB184.1 million, which was a non-cash item; (ii) net loss from changes in fair value of biological assets of RMB1,350.7 million, which was a non-cash item; (iii) finance costs of RMB282.3 million that was accounted for as cash used in financing activities; (iv) decrease in trade payables and other payables and accruals of RMB55.3 million.

For the year ended 31 December 2023, 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.

Net Cash Flows Used in Investing Activities

During the Reporting Year, net cash flows used in investing activities was RMB561.0 million, which was mainly attributable to (i) payments for biological assets of RMB803.5 million and (ii) payments for purchases of property, plant and equipment of RMB139.7 million, partially offset by the proceeds from the disposal of biological assets of RMB377.2 million.

For the year ended 31 December 2023, 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.

Net Cash Flows (Used in)/Generated from Financing Activities

During the Reporting Year, net cash flows used in financing activities was RMB244.7 million which was mainly attributable to (i) repayment of interest-bearing bank borrowings of RMB3,125.2 million, (ii) principal portion of lease payments of RMB121.9 million, and (iii) interest paid of RMB202.7 million, partially offset by the new interest-bearing bank borrowings of RMB3,206.2 million.

For the year ended 31 December 2023, 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.

Interest-Bearing Bank Borrowings

	31 December 2024			31 December 2023		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000 (Restated)
Current						
Bank loans – secured	3.90-4.80	2025	2,031,410	4.00-4.80	2024	1,560,212
Current portion of long-term bank loans – secured	3.30-9.56	2025	431,085	3.40-8.86	2024	456,201
			<u>2,462,495</u>			<u>2,016,413</u>
Non-current						
Bank loans – secured	3.30-9.56	2026-2028	1,035,897	3.40-8.86	2025-2028	1,383,910
			<u>3,498,392</u>			<u>3,400,323</u>
				31 December 2024	31 December 2023	
				RMB'000	RMB'000	
Analysed into:						
Bank loans:						
Within one year or on demand				2,462,495		2,016,413
In the second year				461,863		523,680
In the third to fifth years, inclusive				574,034		860,230
				<u>3,498,392</u>		<u>3,400,323</u>

Contingent Liabilities and Pledge of Assets

As at 31 December 2024, some of the Group's bank loans and other borrowings had been secured by the pledge of the Group's assets.

- (i) As at 31 December 2024, deposits of RMB15,000 were pledged to banks to secure bank borrowings granted to the Group (31 December 2023: RMB4,000);
- (ii) As at 31 December 2024, trade receivables of RMB277,019,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2023: RMB310,033,000);
- (iii) As at 31 December 2024, inventories of RMB1,026,713,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2023: RMB1,045,701,000);
- (iv) As at 31 December 2024, property, plant and equipment of RMB509,805,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2023: RMB659,456,000);
- (v) As at 31 December 2024, biological assets of RMB3,324,174,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2023: RMB3,684,156,000);
- (vi) As at 31 December 2024, right-of-use assets of RMB12,858,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2023: RMB13,134,000);
- (vii) As at 31 December 2024, shares of a subsidiary of RMB562,000,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2023: RMB562,000,000);
- (viii) As at 31 December 2024, investments in certain subsidiaries of RMB1,517,996,000 were pledged to banks to secure certain bank borrowings granted to the Group (31 December 2023: RMB1,517,996,000); and
- (ix) As at 31 December 2024, certain of the Group's bank loans amounting to RMB3,476,940,000 were guaranteed by the Company and certain subsidiaries of the Group (31 December 2023: RMB3,236,561,000).

Saved as disclosed in this announcement, the Group did not have any significant contingent liabilities as at 31 December 2024 and 31 December 2023.

The bank borrowings are denominated in following currencies:

	31 December 2024 RMB'000	31 December 2023 RMB'000
USD	206,004	256,925
RMB	3,292,388	3,143,398
	<u>3,498,392</u>	<u>3,400,323</u>

Loan agreements with covenants relating to specific performance of the controlling shareholder

Reference is made to the announcement of the Company dated 20 September 2024, on 18 September 2024, the Company's wholly-owned subsidiary, Pure Source Dairy Farm Co., Ltd., entered into a RMB440 million facility agreement with certain financial institutions for the purpose of (i) refinancing an existing facility of RMB170 million; and (ii) providing an additional working capital facility of RMB270 million. The term of the facilities provided under this facility agreement is two years from the date of the facility agreement with an option to extend for a further two years, which is subject to financial institutions' sole discretion.

Reference is made to the announcement of the Company dated 24 February 2025, on 24 February 2025, the Company entered into a USD25 million facility agreement with a financial institution for the purpose of providing working capital for the Group. The term of the facility provided under this facility agreement is six months from the date of the first drawdown of the facility agreement with an option to extend for a further three months, which is subject to the financial institution's sole discretion.

The above-mentioned facility agreements include, among others, as events of default the following change of control relating to the Controlling Shareholders of the Company:

The Controlling Shareholders of the Company and certain other persons (taken as a group) ceasing to:

- (1) own at least 30 percent (whether owned directly or indirectly) of the issued share capital in the Company and/or be the single largest shareholder of the Company; or
- (2) have (a) the de facto ability to direct the affairs of the Company and (b) the de facto right to determine the composition of the Board, in each case, except with prior written consent of the facility agents (acting on the instructions of the financial institutions and such consent not to be unreasonably withheld).

As at the date of this announcement, the aggregate amount of loan facilities of the Group that may be affected by a breach of covenants tied to the Controlling Shareholders of the Company is approximately USD511 million (equivalent to approximately RMB3,676 million).

As set out in the Company's interim report for the six months ended 30 June 2024 published on 26 September 2024, the Controlling Shareholders of the Company refers to Mr. Renaldo Santosa, Ms. Gabriella Santosa, the Scuderia Trust, Highvern Trustees Limited (as trustee of the Scuderia Trust), Magnus Nominees Limited, Fidelis Nominees Limited, Fusion Investment Holdings Limited, Rangi Management Limited, Tasburgh Limited and Tallowe Services Inc.

Save as disclosed above, none of the Directors or Controlling Shareholders of the Company has an interest, directly or indirectly, in the above transaction, save through their shareholdings (if any) in the Company.

Capital Management

The Group monitors capital using a gearing ratio, which is debt divided by capital. Debt includes interest-bearing bank borrowings and lease liabilities. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of each reporting year were as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000
Interest-bearing bank borrowings	3,498,392	3,400,323
Lease liabilities	1,441,039	1,505,227
Debt	4,939,431	4,905,550
Equity attributable to owners of the parent	3,807,512	5,075,666
Gearing ratio	130%	97%

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 milk products 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 8 December 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.

Save as disclosed above, the Company was not involved in other material litigation or arbitration during the Reporting Year. The Directors are not aware of other material litigation or claims that are pending or threatened against the Group for the Reporting Year.

Material Acquisitions and Disposals

The Company did not conduct any material acquisitions and disposals of subsidiaries, associates and joint ventures in 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 USD10.0 million working capital loan and USD19.0 million term loan outstanding as at 31 December 2024.

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 needs 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 guidance 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.

As at 31 December 2024, the total number of employees of the Group was 2,671 (as at 31 December 2023: 2,620). The total employee remuneration expenses (including Directors and chief executive's remuneration, pension scheme contributions and share-based payments expenses) for the Reporting Year were approximately RMB380.49 million (2023: RMB386.29 million), representing a decrease of 1.5% YoY.

STRATEGIES AND PROSPECTS

Both the Chinese economy and the dairy industry in China continue to face great difficulties. However, we are confident that the long-term prospects of both consumer markets and dairy products are promising. We believe we are close to the end of this major economic downturn.

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 achieve our vision, we intend to pursue a comprehensive strategy focusing on the following:

Continue to improve our operating efficiency and diversify our customer base

We expect that there will be a significant number of small to mid-size and less efficient dairy farms made redundant because of this round of supply side consolidation. Large-scale, highly efficient farm operators like us will come through and hold better competitive positions afterwards. We anticipate that the raw milk market will restore its supply and demand equilibrium in the second half of 2025. In view of the current unfavorable situation, instead of making immediate investment, we have reserved a land site for the future development of Pure Source Farm 4 in our portfolio to prepare for longer-term capacity growth. On the other hand, we will also extend our reach to potential new customers who are located near our farms and further diversify our customer base and increase the number of our raw milk customers.

Upgrade our beef cattle business to premium markets

Though China has become the second largest nation in beef consumption, on per capital basis, it is significantly lower than all developed countries and some of the developing countries. We believe there is great potential for consumption growth in China as consumer appetite continues to evolve and consumption catches up with other developed and developing countries.

We expect that the demand for high quality beef, especially premium beef products, such as Wagyu beef, will grow significantly. Going forward, we plan to upgrade our beef cattle herd structure from the current Holstein breed to Wagyu and Angus. We will continue to ramp up our in-house Wagyu heifer selection program and to reach scalable operation. We will also continue to perform Wagyu IVF embryo production and transplantation. We will further diversify our customer base and start our own down-stream beef brands to solidify our position as a quality and premium beef cattle supplier to make this business more resilient and profitable.

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

Animal breeding and genetics provide an essential foundation for our dairy farming and beef farming operations to be efficient. 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 will continue to implement genomic testing and in vitro embryo production technology to rapidly build a core herd of cattle with desired genes and genetic traits, thereby increasing our production capacity and accelerating the genetic improvement of our existing dairy cows and beef cattle. With the support of these new technologies, we expect that our farms will achieve higher operational efficiency, larger production capacity and better product quality.

Our in-house pre-mix feed mill will continue to improve feed quality and help us control feed costs.

Build a sustainable business

Sustainable development has never been an option, but a necessary pathway towards our future development. Through years of learning and training, we have successfully embedded ESG concepts into daily operations, ways of thinking and long-term planning.

Guided by our vision, we have established an effective governance structure to ensure sustainability in our business. Our ESG Committee, ESG Management Committee and Sustainability Department have been working closely and effectively in managing daily and long-term ESG matters.

Followings are our ESG progress up-to-date:

- We are able to manage the calculation of GHG emissions and drafting of ESG report with internal resources only. Furthermore, we have developed an in-house system with over 90 worksheets to consolidate, monitor and analyse ESG related information on a regular basis;

- With in-depth knowledge on the impact of different farming operations on GHG emissions, we have set ambitious emissions reduction targets. We are committed to reduce the GHG emissions (scope 1 & 2) per ton of fat and protein corrected milk (“FPCM”) produced by 10%, 28% and 40% by 2025, 2030 and 2035 respectively. In 2024, we met the reduction targets successfully and decreased the emissions to 0.81 tCO₂e/t FPCM, representing a drop by approximately 9.00% as compared to the 2022 baseline;
- In 2024, as one of the pioneers, we used an automated system to monitor enteric methane emission from cattle. The on-site measurement can significantly improve the accuracy of emission data. Meanwhile, the analysis of measured data can assist us in identifying emission patterns of cattle under different growing stages and feeding conditions, which allows us to design more accurate emission reduction program.
- We are going to disclosure scope 3 from 2024 ESG report onwards to reflect a more comprehensive GHG emissions from value chain activities associated with our business;
- 4 of our farms are equipped with biogas or photovoltaic power generation facilities and around 33 million kWh green electricity was generated in 2024;
- All of our 11 dairy farms are certified with the Safe Quality Food (“SQF”); and
- We actively work with financial institutions and have signed sustainability-linked loans totalling CNY2.09 billion with ESG targets set to reduce environmental impacts and to improve animal welfare.

Actions for 2025

Though we look forward to a positive shift in the consumer markets in the second half year, we will still focus on taking actions to further improve milk yield and to enhance efficiency. On one hand, we will make relentless efforts to develop new customers and expand our customer base. On the other hand, we will continue to take effective measures to lower our feed costs like what we have been doing since 2023. To enhance our advanced position in genetics and breeding, we will continue to strengthen the operation of IVF laboratory and Wagyu heifer selection, as well as Wagyu IVF productions and transplantations.

For 2025, we target to reach a higher level of milk yield than 2024, which will continue to keep us in the unchallenged leading position in China. We will also complete the upgrade of beef cattle herd structure from Holstein to Wagyu and Angus. Moreover, our feed mill will significantly increase its sales volume to 3rd party farms.

We believe 2025 is an important year for our longer-term growth, and we will become stronger once this industrial downturn comes to an end.

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 1,060,000 shares at a total consideration of HKD1,295,699 (RMB1,176,118 equivalent) during the Reporting Year and up to the date of this announcement.

Saved as disclosed, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined under Listing Rules)) during the Reporting Year and up to the date of this announcement. The Company did not hold any treasury shares as at 31 December 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining good corporate governance so as to deliver long-term and sustained value for the shareholders of the Company. The Board reviews its corporate governance practices from time to time in order to provide an effective Board, prudent risk management and internal control system, transparency and quality disclosure, and accountability towards shareholders and other stakeholders of the Company.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the basis of corporate governance practices, and the CG Code has been applicable to the Company with effect from 30 December 2022 (the "**Listing Date**").

The Board recognises certain internal control weaknesses. As announced on 17 April 2024, the Board will (i) engage an external and independent internal controls consultant to conduct a review of the Group's internal control procedures, (ii) address any deficiencies identified in that internal controls review and implement appropriate remediation steps, taking into consideration the recommendations of the internal controls consultant, and (iii) implement additional procedures to strengthen the Group's internal controls to identify, monitor transactions and arrangements which may constitute connected transactions and ensure that such arrangements and transactions are identified and the applicable Listing Rules are complied with in a timely manner in the future, including promptly making the necessary disclosure and, if needed, obtaining independent shareholders' approval. In addition, the Company will:

- (a) engage a compliance adviser for an additional year;
- (b) procure appropriate external service providers to conduct refresher training on the Listing Rules and compliance for Directors and the heads and deputy heads of the Group's key business and compliance functions (human resources, finance, legal and compliance, internal controls and administration and procurement); and
- (c) convene regular meetings amongst senior management and the heads of the Group's key business and compliance functions to discuss and monitor the sufficiency.

Updates to the date of this announcement:

- (a) the Company has engaged a compliance adviser up till 30 April 2025 and has recently extended such engagement till 30 April 2026;
- (b) refresher trainings on the connected transactions were provided by our Hong Kong legal adviser in May 2024 for some of our Directors and the heads and deputy heads of the Group's key business and compliance functions (human resources, finance, legal and compliance, internal controls and administration and procurement). Subsequently, the Company arranged more Listing Rules related trainings with external service providers in September 2024 for Directors and heads of key business and compliance functions;
- (c) a review of the Group's internal controls in relation to the compliance with Listing Rules has been conducted by an external and independent risk advisory service provider. The review findings, together with remedy actions by the management, have been reported to the audit committee of the Company (the "**Audit Committee**") and the Board in August 2024. A follow-up review has been conducted by the service provider with the follow-up report issued in September 2024. The remedy actions agreed by the management have been implemented; and
- (d) the Company has convened bi-weekly meeting since April 2024 amongst senior management and the heads of the Group's key business and compliance functions to discuss and monitor the compliance with Listing Rules.

The Company will continue the regular review and consistent monitoring of its corporate governance practices to ensure compliance with the CG Code. To the best knowledge of the Directors, the Company has complied with the CG Code during the Reporting Year and up to the date of this announcement.

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 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.

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.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2024 (2023: Nil).

ANNUAL GENERAL MEETING

The annual general meeting will be scheduled on Wednesday, 21 May 2025 (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 record date will be Wednesday, 21 May 2025 and the register of members of the Company will be closed from Friday, 16 May 2025 to Wednesday, 21 May 2025, 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, 15 May 2025.

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 2024 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 Reporting 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.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report on the Group’s consolidated financial statements for the year ended 31 December 2024:

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements, which indicates that as at 31 December 2024, the Group had net current liabilities of approximately RMB1,252 million and the Group’s total bank borrowings amounted to RMB3,498 million, of which RMB2,462 million will be due for repayment within one year from 31 December 2024, while its cash and cash equivalents amounted to RMB282 million. The Group incurred a net loss of RMB1,269 million for the year ended 31 December 2024. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions (if any) and provide advices and comments to the Board. The Audit Committee consists of one non-executive Director, namely Mr. Tamotsu MATSUI, 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 2024 and the accounting principles and policies adopted by the Group.

PUBLICATION OF THE FINAL RESULTS ANNOUNCEMENT 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 2024 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
Executive Director and CEO

Hong Kong, 31 March 2025

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