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AUSTASIA

AustAsia Group Ltd.

澳亞集團有限公司*

(Incorporated in the Republic of Singapore with limited liability)

(Stock Code: 2425)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
CONNECTED TRANSACTION – LOAN BY PRC SUBSIDIARY COMPANY**

Reference is made to the Company's announcement dated 27 March 2024 in relation to a loan agreement entered into with the Company's Chief Operating Officer and an Executive Director, Mr. YANG Ku. The Board wishes to supplement and clarify the Previous Announcement.

Before the Company's Listing, the Company granted Mr. Yang various share appreciation rights and share awards under the Company's pre-Listing share incentive schemes, some of which vested on the date of Listing. On 17 January 2023, Dongying AustAsia Modern Dairy Farm Co., Ltd. ("DYAA"), a subsidiary of the Company, paid to the relevant tax authority personal income taxes on behalf of Mr. Yang and other employees to whom the Company issued Shares on Listing pursuant to share appreciation rights and share awards granted to them. The payment of taxes ("**Payment**") that DYAA paid on Mr. Yang's behalf totalled RMB6,441,834.47 ("**Tax Amount**").

On 27 March 2024, DYAA and Mr. Yang entered into the Loan Agreement in relation to the reimbursement by Mr. Yang to DYAA of the Tax Amount and the payment of interest.

As the highest applicable percentage ratio in respect of the Loan Agreement is more than 0.1% but less than 5%, the Loan Agreement constitutes a connected transaction of the Company which is exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Listing Rule 14A.76(2).

As at the time of the Payment the highest applicable percentage ratio in respect of the Payment was more than 0.1% but all applicable percentage ratios were less than 5%, the Payment constituted a connected transaction of the Company which was exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Listing Rule 14A.76(2) but was subject to the announcement requirement under Listing Rule 14A.35.

Reference is made to the Previous Announcement in relation to a loan agreement entered into with the Company's Chief Operating Officer and an Executive Director, Mr. YANG Ku. The Board wishes to supplement and clarify the Previous Announcement.

* *For identification purpose only*

BACKGROUND

Before the Company's Listing, the Company granted Mr. Yang various share appreciation rights and share awards under the Company's pre-Listing share incentive schemes, some of which vested on the date of Listing. Details of those share appreciation rights and share awards were disclosed in the Company's Prospectus. Under the terms of those share incentive plans, Mr. Yang is responsible for all taxes and social security contributions arising from his receipt of share appreciation rights and share awards.

On 17 January 2023, DYAA, a subsidiary of the Company, paid to the relevant tax authority personal income taxes on behalf of Mr. Yang and other employees to whom the Company issued Shares on Listing pursuant to the share appreciation rights and share awards granted to them. The Payment of taxes that DYAA paid on Mr. Yang's behalf totalled RMB6,441,834.47. DYAA asked the relevant employees, including Mr. Yang, to reimburse DYAA for the taxes that it paid on their behalf.

PRINCIPAL TERMS OF THE LOAN AGREEMENT

On 25 March 2024, DYAA and Mr. Yang agreed to a repayment plan for the Tax Amount ("Indicative Terms"). On 27 March 2024, DYAA and Mr. Yang entered into a loan agreement confirming the Indicative Terms and, additionally, the requirement for Mr. Yang to pay to the Company interest on the Company's loan to him. The principal terms of that loan agreement are as follows:

Parties	:	(1) DYAA (2) Mr. Yang
Subject Matter	:	Reimbursement by Mr. Yang to DYAA of RMB6,441,834.47 in taxes paid by DYAA on Mr. Yang's behalf
Interest	:	5 year loan prime rate + 2% per annum, which was determined by reference to the highest interest rate payable under the Group's current 5-year RMB bank loans as of the date of the Loan Agreement
Payment Terms	:	DYAA will deduct up to RMB50,000 per month from Mr. Yang's after-tax salary and up to 50% of Mr. Yang's after-tax annual bonus Mr. Yang may also sell Shares he holds in the Company and apply the proceeds toward reimbursement of the Tax Amount
Duration	:	Approximately five years

The Company has agreed with Mr. Yang that the interest will be charged from 17 January 2023 until the Tax Amount and interest are paid in full.

REASONS FOR, AND BENEFITS OF, THE LOAN AGREEMENT

The primary purpose of the share appreciation rights and share awards was to incentivise the Group's key personnel through equity interests in the Company to: (a) remain with the Group and; (b) work hard towards the Group's future development and expansion. The principal reason for the Loan Agreement was to assist Mr. Yang in reimbursing DYAA for its settlement on Mr. Yang's behalf of Mr. Yang's tax liabilities that arose in connection with his receipt of Shares pursuant to the share appreciation rights and share awards granted to him.

DIRECTORS' CONFIRMATION

The Directors (including the Independent Non-executive Directors) are of the view that (i) the terms of the Loan Agreement are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, and (ii) the payment (subject to reimbursement) of income tax by DYAA on behalf of employees of the Group with respect to shares (which are non-cash benefits) issued pursuant to share appreciation rights and share awards are in the ordinary and usual course of business of the Group.

Save for Mr. Yang, who abstained from voting on the relevant resolution of the Board in respect of the Loan Agreement, none of the other Directors has a material interest in the Loan Agreement and the transactions contemplated thereunder, and therefore no other Director abstained from voting on the relevant resolution of the Board in respect of the Loan Agreement.

LISTING RULE IMPLICATIONS OF THE LOAN AGREEMENT

As Mr. Yang is a Director of the Company, he is a connected person of the Company under Listing Rule 14A.07. As the highest applicable percentage ratio in respect of the Loan Agreement is more than 0.1% but all applicable percentage ratios are less than 5%, the Loan Agreement constitutes a connected transaction of the Company which is exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Listing Rule 14A.76(2).

POTENTIAL NON-COMPLIANCE WITH THE LISTING RULES

As at the time of the Payment the highest applicable percentage ratio in respect of the Payment was more than 0.1% but all applicable percentage ratios were less than 5%, the Payment constituted a connected transaction of the Company which was exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Listing Rule 14A.76(2) but was subject to the announcement requirement under Listing Rule 14A.35.

As the Group's relevant personnel (including certain Directors) were not aware that the Payment constituted a connected transaction which was subject to disclosure under the Listing Rules and the Payment and its potential Listing Rule implications only came to the attention of the Company's other Directors and personnel in the context of finalising the Company's annual results announcement for the year ended 31 December 2023 which was published on 27 March 2024, the Company did not enter into a written agreement for or disclose the Payment in an announcement or submit a size test checklist to the Stock Exchange or consult its compliance adviser for the Payment and the Indicative Terms as required by Listing Rules 3A.23(2), 14A.34, 14A.35 and 14A.66. The Company also supplements the Previous Announcement in this announcement with the content required to be disclosed under Listing Rule 14A.68.

INTERNAL CONTROL PROCEDURES

The Board proposes to take the following remedial actions to prevent similar incidences from reoccurring. 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 of and compliance with internal control procedures and to provide the Board with quarterly updates.

INFORMATION IN RELATION TO THE PARTIES TO THE LOAN AGREEMENT

The Group is a dairy farm operator in the PRC. DYAA is a company established in the PRC with limited liability on 31 July 2009 and an indirect wholly-owned subsidiary of the Company. The principal activities of DYAA are production and sales of raw milk.

Mr. Yang was appointed as an Executive Director of the Company on 5 August 2020 and has been the chief operating officer of the Group since October 2015. Mr. Yang is primarily responsible for the management and operations of dairy farms in the PRC.

DEFINITIONS

“Board”	the Company’s board of directors
“Directors”	the Company’s directors
“DYAA”	Dongying AustAsia Modern Dairy Farm Co., Ltd. (東營澳亞現代牧場有限公司), a company established in the PRC with limited liability on 31 July 2009 and an indirect wholly-owned subsidiary of the Company
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Previous Announcement”	the Company’s announcement dated 27 March 2024 in relation to a loan agreement entered into with the Company’s Executive Director, Mr. YANG Ku
“Prospectus”	the Company’s prospectus dated 16 December 2022
“Shares”	ordinary shares in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

17 April 2024

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