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DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

Announcement of Results for the Three Months Ended 31 March 2018

The board of directors (the “Board”) of DaChan Food (Asia) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the three months ended 31 March 2018:

Highlights

	Three months ended 31 March		
	2018 (unaudited)	2017 (unaudited)	% Change
Turnover (RMB'000)	1,603,970	2,080,565	-22.9 <i>(Note)</i>
Gross profit (RMB'000)	179,784	199,411	-9.8
Gross profit margin (%)	11.2	9.6	
Profit attributable to equity shareholders of the Company (RMB'000)	5,227	9,202	-43.2
Basic earnings per share (RMB)	0.005	0.009	

Note: Affected by the IFRS 15 Revenue Recognition Methods on Customer Contracts effective on 1 January 2018, turnover from the meat products segment reduced by approximately RMB285,788 thousand as compared with the same period of last year. For the three months ended 31 March 2018, assuming the original 2017 accounting rules were adopted, turnover would be RMB1,889,758 thousand, representing a decrease of about 9.2% as compared with the same period of last year.

**CONSOLIDATED INCOME STATEMENT
FOR THREE MONTHS ENDED 31 MARCH 2018**

(Expressed in RMB '000)

	Three months ended 31 March	
	2018	2017
	<i>(unaudited)</i>	<i>(unaudited)</i>
Turnover	1,603,970	2,080,565
Cost of sales	(1,424,186)	(1,881,154)
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Gross profit	179,784	199,411
Change in fair value of biological assets less costs to sell	(511)	(2,800)
Fair value of agricultural produce on initial recognition	–	3,524
Reversal of fair value of agricultural produce due to sales and disposals	–	(3,581)
Other operating income	3,102	701
Other net gains/(losses)	510	(478)
Distribution costs	(94,072)	(97,044)
Administrative expenses	(80,457)	(54,084)
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Profit from operations	8,356	45,649
Finance costs	(6,138)	(12,000)
Share of profits/(losses) of equity-accounted investees	17,210	(518)
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Profit before taxation	19,428	33,131
Income tax	(5,842)	(5,783)
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Profit for the period	13,586	27,348
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Attributable to:		
Equity shareholders of the Company	5,227	9,202
Non-controlling interests	8,359	18,146
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Profit for the period	13,586	27,348
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Earnings per share		
– Basic (RMB)	0.005	0.009
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– Diluted (RMB)	0.005	0.009
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AT 31 MARCH 2018***(Expressed in RMB '000)*

	At 31 March 2018 (unaudited)	At 31 December 2017 (audited)
Non-current assets		
Fixed assets		
– property, plant and equipment	1,332,372	1,341,398
– lease prepayments	188,010	191,477
Interests in equity-accounted investees	75,737	58,747
Other non-current financial assets	1,948	1,948
Deferred tax assets	27,210	28,134
Long-term tax recoverable	90,806	90,806
Other non-current assets	18,285	10,111
	<u>1,734,368</u>	<u>1,722,621</u>
Current assets		
Inventories	835,902	892,039
Biological assets	113,677	9,677
Trade receivables	323,682	396,412
Other receivables and prepayments	489,125	451,480
Cash and cash equivalents	336,340	526,568
	<u>2,098,726</u>	<u>2,276,176</u>
Current liabilities		
Trade payables	484,805	701,696
Other payables	464,211	529,459
Provisions	3,243	3,719
Interest-bearing borrowings	394,866	300,740
Income tax payable	4,202	2,209
	<u>1,351,327</u>	<u>1,537,823</u>
Net current assets	<u>747,399</u>	<u>738,353</u>
Total assets less current liabilities	<u>2,481,797</u>	<u>2,460,974</u>
Non-current liabilities		
Interest-bearing borrowings	648,351	600,072
Deferred tax liabilities	472	336
	<u>648,823</u>	<u>600,408</u>
Net assets	<u>1,832,944</u>	<u>1,860,566</u>
Capital and reserves		
Share capital	97,920	97,920
Reserves	934,998	923,857
Retained profits	488,892	519,369
Total equity attributable to equity shareholders of the Company	<u>1,521,810</u>	<u>1,541,146</u>
Non-controlling interests	311,134	319,420
Total equity	<u>1,832,944</u>	<u>1,860,566</u>

Results Summary

The turnover of the Group for the first quarter of 2018 amounted to approximately RMB1,603,970 thousand, representing a decrease of approximately 22.9% as compared with the same period of last year, and gross profit decreased by approximately 9.8% as compared with the same period of last year. Affected by the IFRS 15 Revenue Recognition Methods on Customer Contracts effective on 1 January 2018, since the new revenue criterion uses transfer of control as the timing of revenue recognition, the Group's turnover from sales of day-old chicks and feeds to contract farmers, according to the transfer of control method, will no longer be recognized, resulting in reduction in turnover from the meat product segment by approximately RMB285,788 thousand as compared with the same period of last year. Although the above change in criterion will affect the amount of revenue recognition, it has no impact on the Group's cash flow and profitability throughout the contract period.

On the other hand, with the acceleration of the Group's food productization process, the safe traceable raw meat supplied by the meat product segment to the food segment gradually increased. The Group has strategically reduced the sales of low-value goods channels in the meat product segment, and such will be reflected as a reduction in turnover from external sale of such segment. Driven by both export and domestic sales, turnover from the food segment increased by approximately 20.7% as compared with the same period of last year, and gross profit increased by approximately 14.4%. Although the appreciation of the Renminbi reduced the gross profit of exports, the gross profit from domestic sales of food increased by approximately 22.4% as compared with the same period of last year.

Affected by the price of pigs remaining at a level below cost for a long time, the pig stocks in Vietnam decreased, the pig feeds market shrank, and the turnover from the feeds segment in Vietnam decreased by approximately 22.7%. The feeds segment in Vietnam actively responded to the unfavorable market environment, adjusted product structures and customer structures in a timely manner, and the gross profit margin still maintained at the same level as the same period of last year and has not decreased. At the same time, after the domestic feeds segment in China adjusted the customer development strategy, its sales volume and turnover grew by 8% and 2% respectively, as compared with the same period of last year. However, the fierce market competition in the feeds industry in Vietnam and China affected the profitability of the Group's feeds segment, resulting in the overall gross profit of the feeds segment of the Group decreasing by approximately 20.1% in the first quarter of 2018 as compared with the same period of last year.

The Group maintained a healthy financial structure. The Group elects to use the cumulative effect transition method for the application of IFRS 15 and recognizes the cumulative effect of initial application as an adjustment to the opening balance of equity as at 1 January 2018. Change in accounting method of customer contracts led to retained profits and non-controlling interests as at 1 January 2018 decreasing by RMB35,704 thousand and RMB11,674 thousand respectively. As at 31 March 2018, the net assets of the Group were of approximately RMB1,832,944 thousand. Cash and cash equivalents accounted for about 8.8% of total assets. As at 31 March 2018, the Group's current ratio was approximately 1.55 times, increasing slightly as compared to the approximately 1.48 times as at 31 December 2017. Due to the increase in bank borrowings resulting from the need to meet capital expenditures of the Group, the gearing ratio was approximately 57% as at 31 March 2018, increasing as compared to the approximately 48% as at 31 December 2017, but was still at a reasonable level.

The purpose of this announcement is to disclose the financial information of the Company to its shareholders and potential investors in a timely manner in compliance with the requirements of Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at the date of this announcement, the Company is a subsidiary of Great Wall Enterprise Co. Ltd. ("Great Wall Enterprise", the shares of which are listed on Taiwan Stock Exchange Corporation), which indirectly holds approximately 52.04% of the issued shares in the Company; therefore, the operating results of the Group will be consolidated into the financial statements of Great Wall Enterprise.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the first quarter of 2018.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's consolidated financial statements for the three months ended 31 March 2018 which have not been audited by the independent auditor.

By Order of the Board
Han Jia-Hwan
Chairman

Hong Kong, 8 May 2018

As at the date of this announcement, the Board comprises Mr. Han Jia-Hwan (Chairman) and Mr. Han Chia-Yin as executive directors, Mr. Han Chia-Yau, Mr. Harn Jia-Chen and Mr. Chao Tien-Shin as non-executive directors, and Mr. Way Yung-Do, Mr. Chen Chih and Mr. Wei Anning as independent non-executive directors.