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## DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

### Announcement of Results for the nine months ended 30 September 2018

The board of directors (the “Board”) of DaChan Food (Asia) Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the nine months ended 30 September 2018:

#### Highlights

|   | Nine months ended 30 September |                     |                         |
|---|--------------------------------|---------------------|-------------------------|
|   | 2018<br>(unaudited)            | 2017<br>(unaudited) | % change                |
| Turnover (RMB'000)  | 5,263,952                      | 6,240,619           | -15.7 <sup>(Note)</sup> |
| Gross profit (RMB'000)  | 555,732                        | 593,380             | -6.3                    |
| Gross profit margin (%)   | 10.6                           | 9.5                 |                         |
| Profit/(loss) attributable to equity shareholders<br>of the Company (RMB'000) | 17,779                         | (9,700)             | 283.3                   |
| Basic earnings/(loss) per share (RMB)   | 0.02                           | (0.01)              |                         |

*Note:* Affected by the IFRS 15 Revenue from Contracts with Customers being effective on 1 January 2018, turnover of the meat product segment decreased by approximately RMB874,273 thousand. For the nine months ended 30 September 2018, assuming that the original accounting policies in 2017 were adopted, turnover would amount to approximately RMB6,138,225 thousand, representing a decrease of approximately 1.6% as compared with the same period of last year.

**CONSOLIDATED INCOME STATEMENT****For the nine months ended 30 September 2018 – not audited by auditors***(Expressed in RMB '000)*

|   | <b>Nine months ended 30 September</b> |                      |
|---|---------------------------------------|----------------------|
|   | <b>2018</b>                           | <b>2017</b>          |
| <b>Turnover</b>   | 5,263,952                             | 6,240,619            |
| Cost of sales   | <u>(4,708,220)</u>                    | <u>(5,647,239)</u>   |
| <b>Gross profit</b>   | 555,732                               | 593,380              |
| Change in fair value of biological assets less cost to sell               | (5,756)                               | 832                  |
| Fair value of agricultural produce on initial recognition                 | -                                     | 6,660                |
| Reversal of fair value of agricultural produce due to sales and disposals | -                                     | (7,279)              |
| Other operating income  | 7,617                                 | 3,261                |
| Other net gains/(losses)  | 17,380                                | (26,360)             |
| Distribution costs  | (284,549)                             | (305,074)            |
| Administrative expenses   | <u>(222,705)</u>                      | <u>(188,981)</u>     |
| <b>Profit from operations</b>   | 67,719                                | 76,439               |
| Finance costs   | (24,797)                              | (36,541)             |
| Share of profit of equity accounted investees                             | <u>14,989</u>                         | <u>8,487</u>         |
| <b>Profit before taxation</b>   | 57,911                                | 48,385               |
| Income tax  | <u>(14,841)</u>                       | <u>(14,397)</u>      |
| <b>Profit for the period</b>  | <u><u>43,070</u></u>                  | <u><u>33,988</u></u> |
| <b>Attributable to:</b>   |                                       |                      |
| Equity shareholders of the Company  | 17,779                                | (9,700)              |
| Non-controlling interests   | <u>25,291</u>                         | <u>43,688</u>        |
| <b>Profit for the period</b>  | <u><u>43,070</u></u>                  | <u><u>33,988</u></u> |
| <b>Earnings/(loss) per share</b>  |                                       |                      |
| – Basic (RMB)   | <u><u>0.02</u></u>                    | <u><u>(0.01)</u></u> |
| – Diluted (RMB)   | <u><u>0.02</u></u>                    | <u><u>(0.01)</u></u> |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****At 30 September 2018***(Expressed in RMB '000)*

|  | <b>At 30 September<br/>2018<br/>(unaudited)</b> | <b>At 31 December<br/>2017<br/>(audited)</b> |
|--|---|--|
| <b>Non-current assets</b>  |   |  |
| Fixed assets   |   |  |
| – property, plant and equipment  | 1,342,574                                       | 1,341,398                                    |
| – lease prepayments  | 187,290   | 191,477                                      |
| Interests in equity-accounted investees                                    | 72,698  | 58,747                                       |
| Other non-current financial assets   | 1,948   | 1,948  |
| Deferred tax assets  | 31,100  | 28,134                                       |
| Long-term tax recoverable  | 90,806  | 90,806                                       |
| Other non-current assets   | 21,242  | 10,111                                       |
|  | <u>1,747,658</u>                                | <u>1,722,621</u>                             |
| <b>Current assets</b>  |   |  |
| Inventories  | 802,870   | 892,039                                      |
| Biological assets  | 112,204   | 9,677  |
| Trade receivables  | 346,092   | 396,412                                      |
| Other receivables and prepayments  | 471,690   | 451,480                                      |
| Cash and cash equivalents  | 402,106   | 526,568                                      |
|  | <u>2,134,962</u>                                | <u>2,276,176</u>                             |
| <b>Current liabilities</b>   |   |  |
| Trade payables   | 489,101   | 701,696                                      |
| Other payables   | 453,302   | 529,459                                      |
| Provisions   | 2,091   | 3,719  |
| Interest-bearing borrowings  | 332,730   | 300,740                                      |
| Income tax payable   | 5,391   | 2,209  |
|  | <u>1,282,615</u>                                | <u>1,537,823</u>                             |
| <b>Net current assets</b>  | <u>852,347</u>                                  | <u>738,353</u>                               |
| <b>Total assets less current liabilities</b>                               | <u>2,600,005</u>                                | <u>2,460,974</u>                             |
| <b>Non-current liabilities</b>   |   |  |
| Interest-bearing borrowings  | 793,363   | 600,072                                      |
| Deferred tax liabilities   | 482   | 336  |
|  | <u>793,845</u>                                  | <u>600,408</u>                               |
| <b>Net assets</b>  | <u>1,806,160</u>                                | <u>1,860,566</u>                             |
| <b>Capital and reserves</b>  |   |  |
| Share capital  | 97,920  | 97,920                                       |
| Reserves   | 893,162   | 923,857                                      |
| Retained profits   | 501,444   | 519,369                                      |
| <b>Total equity attributable to equity<br/>shareholders of the Company</b> | <u>1,492,526</u>                                | <u>1,541,146</u>                             |
| Non-controlling interests  | 313,634   | 319,420                                      |
| <b>Total equity</b>  | <u>1,806,160</u>                                | <u>1,860,566</u>                             |

## RESULTS SUMMARY

For the first three quarters of 2018, profit attributable to equity shareholders of the Company was approximately RMB17,779 thousand, representing an increase of RMB27,479 thousand as compared with the same period of last year.

After a series of operative optimization in various aspects ranging from chicks quality, feeds quality, breeding management to electric stunning technique, the operational performance of meat product segment continued to improve. Meanwhile, benefiting from the continuous growth of the domestic chicken consumption market in the first three quarters, gross profit of the segment increased by approximately RMB19,203 thousand as compared with the same period of last year, representing an increase of approximately 32%.

Due to the continuous downturn in the domestic pig market, gross profit of the domestic feeds segment in the first three quarters decreased by approximately RMB21,301 thousand as compared with the same period of last year, but the segment experienced a significant growth in profit for the third quarter compared with the previous two quarters through measures such as effective consolidation of production capacity of factories, continuous optimization of production techniques and timely adjustment of product formulas. Meanwhile, sales of special feeds increased significantly and sales structure continued to improve.

Affected by the continued low level of pig stocks, the competition in the feeds industry in Southeast Asia has become even more intense. Coupled with the rising cost of raw materials, there was a decline of approximately RMB40,886 thousand in the profit of the feeds segment in Southeast Asia as compared with the same period of last year. The segment continued to enhance the marketing effort of poultry feeds, weaken the dependence on the pig feeds market and diversify the market risk of excessive concentration of products.

The food segment remained as the top priority of the Group's strategic development. In the third quarter, the segment further expanded the channels and product line layout, and the product development and marketing of the hot pot channels were newly added on top of continuous intensive cultivation of the original channels. Although the increase in chicken price has increased the cost of food production and the commencement of operation of the Bengbu new plant led to an increase in the fixed cost of the food segment, the increase in sales volume and sales revenue have resulted in an increase of approximately RMB5,336 thousand in the gross profit of the food segment as compared with the same period of last year.

In the first three quarters of 2018, the Group continued to improve its overall profitability by strengthening internal management, improving operational efficiency, streamlining and consolidating organization and effectively reducing various costs.

The Group maintained a healthy financial structure. The Group chooses 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 retained profits and non-controlling interests 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 30 September 2018, the net assets of the Group were of approximately RMB1,806,160 thousand. Cash and cash equivalents accounted for about 10.4% of total assets. As at 30 September 2018, the Group's current ratio was approximately 1.66 times, increasing slightly as compared with 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 interest-bearing borrowing to equity ratio (gearing ratio), was approximately 62% as at 30 September 2018, increasing as compared with the gearing ratio of approximately 48% as at 31 December 2017.

## **OTHER**

As of 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 (the "Taiwan Stock Exchange")), which indirectly holds approximately 52.04% of the entire issued shares of the Company; therefore, the operating results of the Group will be consolidated into the financial statements of Great Wall Enterprise. In accordance with the Taiwan Securities and Exchange Act and the listing rules of the Taiwan Stock Exchange, Great Wall Enterprise is required to prepare its own consolidated quarterly financial reports and publish its quarterly operating results on its website.

This announcement is made for the purpose of disclosing 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.

## **PURCHASES, SALE OR REDEMPTION OF SECURITIES**

The Group has not purchased, sold or redeemed any of the Company's listed securities during the period under review.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the Group's consolidated financial statements for the nine months ended 30 September 2018, which have not been audited by the independent auditor, including the accounting principles adopted by the Group, with which it has no disagreement.

On behalf of the Board  
**Han Jia-Hwan**  
Chairman

Hong Kong, 5 November 2018

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