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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 2019**

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 2019:

#### **Highlights**

	<b>Three months ended 31 March</b>		
	<b>2019</b> <i>(unaudited)</i>	<b>2018</b> <i>(unaudited)</i>	<b>% Change</b>
Turnover (RMB'000)	1,805,263	1,603,970	12.5
Gross profit (RMB'000)	185,152	179,784	3.0
Gross profit margin (%)	10.3	11.2	
Profit attributable to equity shareholders of the Company (RMB'000)	790	5,227	-84.9
Basic earnings per share (RMB)	0.001	0.005	

**CONSOLIDATED INCOME STATEMENT  
FOR THREE MONTHS ENDED 31 MARCH 2019**

*(Expressed in RMB '000)*

	<b>Three months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Turnover</b>	1,805,263	1,603,970
Cost of sales	<u>(1,620,111)</u>	<u>(1,424,186)</u>
<b>Gross profit</b>	185,152	179,784
Change in fair value of biological assets less costs to sell	–	(511)
Other operating income	3,114	3,102
Other net (losses)/gains	(2,113)	510
Distribution costs	(87,510)	(94,072)
Administrative expenses	<u>(72,078)</u>	<u>(80,457)</u>
<b>Profit from operations</b>	26,565	8,356
Finance costs	(11,558)	(6,138)
Share of (losses)/profits of equity-accounted investees	<u>(1,095)</u>	<u>17,210</u>
<b>Profit before taxation</b>	13,912	19,428
Income tax	<u>(7,403)</u>	<u>(5,842)</u>
<b>Profit for the period</b>	<u><u>6,509</u></u>	<u><u>13,586</u></u>
<b>Attributable to:</b>		
Equity shareholders of the Company	790	5,227
Non-controlling interests	<u>5,719</u>	<u>8,359</u>
<b>Profit for the period</b>	<u><u>6,509</u></u>	<u><u>13,586</u></u>
<b>Earnings per share</b>		
– Basic (RMB)	<u><u>0.001</u></u>	<u><u>0.005</u></u>
– Diluted (RMB)	<u><u>0.001</u></u>	<u><u>0.005</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AT 31 MARCH 2019***(Expressed in RMB '000)*

	<b>At 31 March 2019 (unaudited)</b>	<b>At 31 December 2018 (audited)</b>
<b>Non-current assets</b>		
Fixed assets		
– property, plant and equipment	1,355,479	1,354,682
– lease prepayments	187,502	190,468
Interests in equity-accounted investees	77,144	78,457
Other non-current financial assets	1,948	1,948
Deferred tax assets	27,474	27,872
Long-term tax recoverable	84,924	84,924
Right-of-use assets	51,268	–
Other non-current assets	13,189	15,666
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	1,798,928	1,754,017
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<b>Current assets</b>		
Inventories	730,392	847,131
Biological assets	158,247	129,115
Trade receivables	288,246	307,205
Other receivables and prepayments	473,765	456,849
Cash and cash equivalents	454,001	408,721
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	2,104,651	2,149,021
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<b>Current liabilities</b>		
Trade payables	472,969	493,192
Other payables	390,513	432,564
Contract liabilities	–	8,052
Provisions	805	1,099
Interest-bearing borrowings	305,292	272,216
Income tax payable	6,904	4,526
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	1,176,483	1,211,649
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	<b>At 31 March 2019 <i>(unaudited)</i></b>	<b>At 31 December 2018 <i>(audited)</i></b>
<b>Net current assets</b>	<u>928,168</u>	<u>937,372</u>
<b>Total assets less current liabilities</b>	<u>2,727,096</u>	<u>2,691,389</u>
<b>Non-current liabilities</b>		
Interest-bearing borrowings	836,627	863,043
Lease liabilities	51,669	–
Deferred tax liabilities	<u>493</u>	<u>497</u>
	<u>888,789</u>	<u>863,540</u>
<b>Net assets</b>	<u><u>1,838,307</u></u>	<u><u>1,827,849</u></u>
<b>Capital and reserves</b>		
Share capital	97,920	97,920
Reserves	903,153	895,654
Retained profits	<u>497,590</u>	<u>496,800</u>
<b>Total equity attributable to equity shareholders of the Company</b>	<u>1,498,663</u>	<u>1,490,374</u>
Non-controlling interests	<u>339,644</u>	<u>337,475</u>
<b>Total equity</b>	<u><u>1,838,307</u></u>	<u><u>1,827,849</u></u>

## Results Summary

For the first quarter of 2019, turnover and gross profit of the Group increased by 12.5% and 3.0% respectively as compared to the same period of last year. However, profit attributable to shareholders of the Company amounted to approximately RMB790 thousand, representing a decrease of approximately RMB4,437 thousand as compared to the same period of last year. It was primarily due to the real estate project invested by the Group in Tianjin which generated profit income of RMB17,841 thousand in the first quarter of last year while the Group recorded loss of RMB164 thousand in the same period of this year.

Affected by the stock and laying productivity of grandparent and parent breeders, the domestic white feather broilers market for day-old chicks, feather chickens and meat in the first quarter continue to be high-priced as the end of 2018. At the same time, due to the continuous improvements in the quality of day-old chicks, quality of feed and management of farmers in the meat division, the volume of day-old chicks, number of contracts and volume of chicken slaughtering increased significantly as compared to the same period of last year, leading to a growth of 67.6% in turnover year-on-year and a growth of 20.5% in the gross profit of meat product segment.

Affected by a spread of diseases between hog, the gross profit of the domestic feed industry in China decreased by approximately 19.4% as compared to the same period of last year. However, since the fourth quarter of last year, the industry's active adjustment of its research and development focus, product strategy and customer structure, and the use of the increase of poultry feed to make up for the pig production and the gross profit gap strategy have achieved initial results. In order to optimize resource allocation, the domestic feed industry in China is also phasing out surplus and backward production capacity, focusing its advantageous resources on relatively competitive factories and regions, and rebuilding the core competitiveness of the domestic feed industry. The Vietnamese feed segment continued its strong momentum in the fourth quarter of last year, with turnover and gross profit growing by 17.8% and 18.2% respectively. In summary, the overall gross profit of the feed industry increased by 6.2% year-on-year.

The continuous rising cost of raw meat in the first quarter poses a serious challenge to the profitability of the food segment. Affected by this, the gross profit of the food segment decreased by 6.9% year-on-year. However, as the segment in the domestic catering market area, channel and product layout improved day by day, the turnover of the segment in the first quarter still maintained a growth of 15.3%. At the same time, the segment has also started to branch out import channels actively in order to reduce the cost pressure brought by the increase in domestic meat prices. The food segment is still the top priority of the Group's strategic development. The continuous improvement of the operation and management of the meat division has provided a safe and traceable raw material guarantee for the long-term development of the food segment, and the gradual establishment of the food product research and development advantage has provided the food segment with a continuous growth momentum.

The Group maintained a healthy financial structure. IFRS 16 became effective on 1 January 2019, which affected the Group's accounting treatment as a lessee of leases for properties, plant and equipment which were previously classified as operating leases, leading to an increase in both assets and liabilities and to an impact on the timing of the expense recognition in the statement of profit or loss over the term of the lease. However, it had no impact on the Group's cash flow and profitability throughout the lease

term. The Group selected to use the modified retrospective approach for the adoption of IFRS 16. The opening balances of lease liabilities and the corresponding right-of-use assets as at 1 January 2019 were both adjusted to approximately RMB52,347 thousand. As of 31 March 2019, the net assets of the Group were approximately RMB1,838,307 thousand. Cash and cash equivalents accounted for about 11.6% of total assets. As at 31 March 2019, the Group's current ratio was approximately 1.79 times, increasing slightly as compared to the approximately 1.77 times as at 31 December 2018. Due to the increase in bank borrowings resulting from the need to meet capital expenditures of the Group, the interest-bearing borrowings to equity ratio was approximately 62.1% as at 31 March 2019, which remained stable with the relevant ratio as at 31 December 2018 (approximately 62.1%).

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 ("Taiwan Stock Exchange")), 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. According to the Securities and Exchange Act of Taiwan and the listing rules of Taiwan Stock Exchange, Great Wall Enterprise is required to prepare consolidated quarterly financial report and publish its quarterly operating results on its website.

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.

## **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 2019; however, the trustees of the Restricted Share Award Scheme of the Company (the "Scheme"), which was expired on 22 December 2018, sold 698,500 returned shares of the Company to the market in the first quarter of 2019 in accordance with the provisions of the Scheme, and returned the sale price of HK\$288,285 (after deducting the relevant handling fee) to the Company.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the Group's consolidated financial statements for the three months ended 31 March 2019 which have not been audited by the independent auditor.

By Order of the Board  
**Harn Jia-Chen**  
Chairman

Hong Kong, 19 April 2019

*As at the date of this announcement, the Board comprises Mr. Harn Jia-Chen (Chairman) and Mr. Han Chia-Yin as executive directors, Mr. Han Chia-Yau, Mr. Han Jia-Hwan 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.*