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## DACHAN FOOD (ASIA) LIMITED

大成食品(亞洲)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

### Announcement of Results for the nine months ended 30 September 2019

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 2019:

#### Highlights

	Nine months ended 30 September		
	2019 (unaudited)	2018 (unaudited)	% change
Turnover (RMB'000)	5,809,644	5,263,952	10.4%
Gross profit (RMB'000)	670,681	555,732	20.7%
Gross profit margin (%)	11.5	10.6	
Profit attributable to equity shareholders of the Company (RMB'000)	60,733	17,779	241.6%
Basic earnings per share (RMB)	0.06	0.02	

**CONSOLIDATED INCOME STATEMENT****For the nine months ended 30 September 2019 – not audited by auditors***(Expressed in RMB '000)*

	<b>Nine months ended 30 September</b>	
	<b>2019</b>	<b>2018</b>
<b>Turnover</b>	5,809,644	5,263,952
Cost of sales	<u>(5,138,963)</u>	<u>(4,708,220)</u>
<b>Gross profit</b>	670,681	555,732
Change in fair value of biological assets less cost to sell	–	(5,756)
Other operating income	13,413	7,617
Other net (losses)/gains	(22,963)	17,380
Distribution costs	(282,318)	(284,549)
Administrative expenses	<u>(212,786)</u>	<u>(222,705)</u>
<b>Profit from operations</b>	166,027	67,719
Finance costs	(36,121)	(24,797)
Share of profit of equity accounted investees	<u>597</u>	<u>14,989</u>
<b>Profit before taxation</b>	130,503	57,911
Income tax	<u>(25,559)</u>	<u>(14,841)</u>
<b>Profit for the period</b>	<u><u>104,944</u></u>	<u><u>43,070</u></u>
<b>Attributable to:</b>		
Equity shareholders of the Company	60,733	17,779
Non-controlling interests	<u>44,211</u>	<u>25,291</u>
<b>Profit for the period</b>	<u><u>104,944</u></u>	<u><u>43,070</u></u>
<b>Earnings per share</b>		
– Basic (RMB)	<u><u>0.06</u></u>	<u><u>0.02</u></u>
– Diluted (RMB)	<u><u>0.06</u></u>	<u><u>0.02</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****At 30 September 2019***(Expressed in RMB '000)*

	<b>At 30 September 2019 (unaudited)</b>	<b>At 31 December 2018 (audited)</b>
<b>Non-current assets</b>		
Fixed assets		
– property, plant and equipment	1,323,698	1,354,682
– lease prepayments	187,814	190,468
Interests in equity-accounted investees	79,362	78,457
Other non-current financial assets	1,948	1,948
Deferred tax assets	26,585	27,872
Long-term tax recoverable	84,924	84,924
Right-of-use assets	49,110	–
Other non-current assets	11,347	15,666
	<u>1,764,788</u>	<u>1,754,017</u>
<b>Current assets</b>		
Inventories	843,339	847,131
Biological assets	187,017	129,115
Trade receivables	327,061	307,205
Other receivables and prepayments	477,654	456,849
Cash and cash equivalents	443,055	408,721
	<u>2,278,126</u>	<u>2,149,021</u>
<b>Current liabilities</b>		
Trade payables	546,057	493,192
Other payables	470,580	432,564
Contract liabilities	–	8,052
Provisions	215	1,099
Interest-bearing borrowings	614,643	272,216
Income tax payable	9,591	4,526
	<u>1,641,086</u>	<u>1,211,649</u>
<b>Net current assets</b>	<u>637,040</u>	<u>937,372</u>
<b>Total assets less current liabilities</b>	<u>2,401,828</u>	<u>2,691,389</u>

	<b>At 30 September 2019 (unaudited)</b>	<b>At 31 December 2018 (audited)</b>
<b>Non-current liabilities</b>		
Interest-bearing borrowings	427,640	863,043
Lease liabilities	50,311	–
Deferred tax liabilities	2,109	497
	<u>480,060</u>	<u>863,540</u>
<b>Net assets</b>	<u><u>1,921,768</u></u>	<u><u>1,827,849</u></u>
<b>Capital and reserves</b>		
Share capital	97,920	97,920
Reserves	904,587	895,654
Retained profits	557,533	496,800
<b>Total equity attributable to equity shareholders of the Company</b>	<u>1,560,040</u>	<u>1,490,374</u>
Non-controlling interests	<u>361,728</u>	<u>337,475</u>
<b>Total equity</b>	<u><u>1,921,768</u></u>	<u><u>1,827,849</u></u>

## RESULTS SUMMARY

For the first three quarters of 2019, profit attributable to equity shareholders of the Company was approximately RMB60,733 thousand, representing an increase of approximately RMB42,954 thousand as compared with the same period of last year.

The Group decided to convert the nature of part of the investment funds remitted by the overseas holding company to domestic subsidiaries in previous years into borrowings during the reporting period and remit such funds in batches for repayment of foreign banks' US dollar loans when the domestic subsidiaries have sufficient funds in order to reduce exchange rate risks and control interest expenses. This arrangement resulted in an exchange loss of approximately RMB19,328 thousand in the first three quarters of 2019, which was not incurred in the same period last year. Excluding such non-operating loss, for the first three quarters of the year, profit attributable to shareholders of the Group was approximately RMB80,061 thousand, representing an increase of approximately RMB62,282 thousand as compared to the corresponding period of last year.

Throughout this year, the external environment and competitive landscape of the domestic white feather broilers industry experienced significant changes as compared to last year. Under the impacts of African swine fever, the sharp increase in prices of domestic live pigs and pork contributed to the switch of meat products consumption from pork products to poultry products, thus led to the continuous rise in the prices of feather chickens and chicken meat. With the stimulation of favourable market condition for chicken meat, various industry counterparts have expanded their existing farms and slaughterhouses or built new ones. In addition, after adjustment for nearly a year, the grandparent and parent breeder stocks of white feather broilers rebounded steadily to the normal level of two years ago. However, as the increase in supply of day-old chicks cannot meet the growing demand for chicken meat in the market, price of day-old chicks broke through RMB11 to a new record high in September. Such price surge made the chickens breeders companies more important in the entire broilers production chain. Limited by the current relatively small-scale breeding chickens rearing, the meat product segment was unable to obtain more profit from the thriving market of day-old chicks. However, with continuous improvement in quality of day-old chicks and feeds and optimization of farmers management, the breeding scale and breeding performance of broilers made remarkable progress as compared to the corresponding period of last year. For the first three quarters, turnover of the meat product segment increased by approximately 38.3% as compared with the same period of last year and gross profit increased by approximately 65.2%.

Turnover of the domestic feed segment decreased by approximately 9.1% as compared with the same period of last year under the effects of African swine fever. However, in response to the changes in the structure of the feed market, the focus of research and development was promptly adjusted, the immune function of pig feeds was improved, egg-laying performance of layers was further stabilized and manufacturing costs of broiler feeds were continuously reduced, so gross profit of such segment for the first three quarters increased by approximately 13.3% as compared with the same period of last year. In August, various favourable policies that encouraged pig farming were implemented by the Chinese government. The domestic feed segment seized this market opportunity to explore new pig feeds customers. Sales volume of pig feeds in the third quarter grew by approximately 40.9% quarter-on-quarter. The Southeast Asian feed segment maintained a steady growth with turnover and gross profit increased by approximately 9.2% and 27.3% respectively as compared with the same period of last year. In summary, overall gross profit of the feed segment grew by approximately 22.7% as compared with the same period of last year.

Although the gross profit margin of the food segment for the first three quarters decreased by approximately 1.5% as compared with the same period of last year due to the high demand in the domestic raw material meat market, turnover and gross profit of the food segment for the first three quarters achieved a growth of approximately 12.5% and 2.7% respectively as the regions, channels and product layout of such segment in the domestic catering market were further optimised and the gradual establishment of import channels of raw material meat. The food segment has always been the focus of the Group's strategic development. The continuous optimisation of operation and management of the meat product segment provided secured and source-traceable raw material supply for the long-term stable development of the food segment, while the gradual establishment of research and development advantages provided the momentum of sustainable growth for the food segment.

In the face of the fluctuating market in recent years, the Group adjusted operational strategies in a timely manner and seized opportunities for development. On the other hand, the Group has also been continuously optimizing the management structure, streamlining the operation process, eliminating obsolete production capacity, promoting automation transformation, increasing research and development investment to ensure product advantages, and shifting from extensive development to intensive development, continuously enhancing core competitiveness and ability of resisting market risks.

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 affecting the timing of the expense recognition in the statement of profit and 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 elected 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 at 30 September 2019, the net assets of the Group were of approximately RMB1,921,768 thousand. Cash and cash equivalents accounted for about 11.0% of the total assets. As at 30 September 2019, the Group's current ratio was approximately 1.39 times, decreasing as compared with the approximately 1.77 times as at 31 December 2018. Due to the decrease in bank borrowings of the Group, the interest-bearing borrowing to equity ratio was approximately 54.2% as at 30 September 2019, decreasing as compared with that of approximately 62.1% as at 31 December 2018.

## **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**

For the nine months ended 30 September 2019, the Company and any of its subsidiaries have not purchased, redeemed or sold any of the Company's listed securities. 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 nine months ended 30 September 2019, 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

**Harn Jia-Chen**

*Chairman*

Hong Kong, 6 November 2019

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