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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 2020

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 2020:

Highlights

	Nine months ended 30 September		
	2020	2019	% change
	(unaudited)	(unaudited)	
Turnover (RMB'000)	6,667,407	5,809,644	14.8%
Gross profit (RMB'000)	765,615	670,681	14.2%
Gross profit margin (%)	11.5	11.5	
Profit attributable to equity shareholders of the Company (RMB'000)	157,193	60,733	158.8%
Basic earnings per share (RMB)	0.15	0.06	

CONSOLIDATED INCOME STATEMENT

For the nine months ended 30 September 2020 – not audited by auditors

(Expressed in RMB'000)

	Nine months ended 30 September	
	2020	2019
Turnover	6,667,407	5,809,644
Cost of sales	<u>(5,901,792)</u>	<u>(5,138,963)</u>
Gross profit	765,615	670,681
Other operating income	21,079	13,413
Other net losses	(5,375)	(22,963)
Distribution costs	(287,184)	(282,318)
Administrative expenses	<u>(196,118)</u>	<u>(212,786)</u>
Profit from operations	298,017	166,027
Finance costs	(25,002)	(36,121)
Share of profit of equity accounted investees	<u>(2,273)</u>	<u>597</u>
Profit before taxation	270,742	130,503
Income tax	<u>(40,635)</u>	<u>(25,559)</u>
Profit for the period	<u><u>230,107</u></u>	<u><u>104,944</u></u>
Attributable to:		
Equity shareholders of the Company	157,193	60,733
Non-controlling interests	<u>72,914</u>	<u>44,211</u>
Profit for the period	<u><u>230,107</u></u>	<u><u>104,944</u></u>
Earnings per share		
– Basic (RMB)	<u><u>0.15</u></u>	<u><u>0.06</u></u>
– Diluted (RMB)	<u><u>0.15</u></u>	<u><u>0.06</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 30 September 2020***(Expressed in RMB'000)*

	At 30 September 2020	At 31 December 2019
	(unaudited)	(audited)
Non-current assets		
Fixed assets		
– property, plant and equipment	1,353,620	1,370,273
– lease prepayments	212,483	215,958
Interests in equity-accounted investees	75,524	78,019
Other financial assets	1,948	1,948
Deferred tax assets	27,715	26,094
Long-term tax recoverable	97,762	97,762
Other non-current assets	8,732	8,430
	<u>1,777,784</u>	<u>1,798,484</u>
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Current assets		
Inventories	929,435	934,682
Biological assets	173,750	169,544
Trade receivables	299,545	295,843
Other receivables and prepayments	500,197	479,282
Cash and cash equivalents	612,411	370,102
	<u>2,515,338</u>	<u>2,249,453</u>
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Current liabilities		
Trade payables	535,631	557,080
Other payables	497,008	470,094
Contract liabilities	39,383	10,435
Interest-bearing borrowings	390,070	531,149
Lease liabilities	6,340	6,340
Income tax payable	23,047	19,417
Dividend payable	2,452	2,511
	<u>1,493,931</u>	<u>1,597,026</u>
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Net current assets	<u>1,021,407</u>	<u>652,427</u>
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Total assets less current liabilities	<u>2,799,191</u>	<u>2,450,911</u>
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	At 30 September 2020 (unaudited)	At 31 December 2019 (audited)
Non-current liabilities		
Interest-bearing borrowings	510,062	351,473
Lease liabilities	80,643	86,506
Deferred tax liabilities	3,234	450
	<u>593,939</u>	<u>438,429</u>
Net assets	<u><u>2,205,252</u></u>	<u><u>2,012,482</u></u>
Capital and reserves		
Share capital	97,920	97,920
Reserves	922,616	920,724
Retained profits	774,096	616,903
Total equity attributable to equity shareholders of the Company	<u>1,794,632</u>	<u>1,635,547</u>
Non-controlling interests	<u>410,620</u>	<u>376,935</u>
Total equity	<u><u>2,205,252</u></u>	<u><u>2,012,482</u></u>

RESULTS SUMMARY

For the first three quarters of 2020, profit attributable to equity shareholders of the Company was approximately RMB157,193 thousand, representing an increase of approximately RMB96,460 thousand representing an increase of approximately 158.8% as compared with the same period of last year. The significant improvement in operating results of the Group was mainly due to the continuous implementation and steady advancement of its food strategy, as well as continuous optimization of structures and management of each segment.

Impacted by the COVID-19 pandemic, the consumer market was once in a downturn, and the sales of domestic food segment and export food segments were affected in different extents. Following gradual control of the pandemic in the PRC, the food segment seized the opportunity brought by factory work resumption, restaurant customer returning, and school reopening, devised promotion plans for different types of customers, and arranged various promotional activities in advance, in order to retrieve losses incurred during the pandemic to a maximum extent. Meanwhile, the segment continued to develop small-package products suitable for households consumption, and made more efforts in the promotion of consumer channels such as new retail, community group purchase, live broadcasting online, etc. Although operating income of the food segment for the first three quarters slightly decreased by approximately 2.6% as compared with the same period of last year, the gross profit margin increased by RMB66,846 thousand as compared with the same period of last year due to the decrease in the cost of raw materials, as well as timely adjustment of channel and product structures.

The significant improvement in the operating results of the Group was also attributed to the good performance of the domestic feed segment. Facing the dual challenges of COVID-19 and African swine fever, the domestic feed segment fully seized the opportunity of pig breeding resumption encouraged by the government, actively responded to the challenge of the new antibiotic-free feed regulations implemented as from 1 July, continuously improved product performance, and strengthened animal health services for the development of quality customer resources. Sales volume of feeds for the first three quarters increased by approximately 48% as compared with the same period of last year, representing an increase in gross profit of RMB61,830 thousand.

The feed segment in Southeast Asia maintained its consistent and stable performance in Vietnam market, under the impact of COVID-19 and African swine fever. Although the sales volume of feeds grew by only 3% as compared with the same period of last year, its product structure became more diversified. Aquatic feed also started to unleash its potential and was expected to become a new growth point for the segment in the future. Moreover, the gross profit of the segment for the first three quarters increased by approximately RMB8,983 thousand as compared with the same period of last year due to the continuous advancement of industry chain vertical integration, as well as the growth of the pig breeding segment.

Last year, the update quantity of domestic grandfather generation breeder chickens exceeded 1,300,000, being the second high in record. Under such impact, domestic slaughter rate of white feather broilers for the first three quarters of this year increased by approximately 7%, and it is expected that chicken meat supply will continue to grow. Although pork price at a high level to a certain extent has triggered the substitution effect of chicken meat and driven the consumption growth of chicken meat, it has failed to fundamentally reverse the market pattern of oversupply of white feather broilers. The market conditions of day-old chicks, feather chickens, and the price of chicken meat products for the first three quarters decreased by approximately 60%, 21%, and 13% respectively as compared with the same period of last year. Gross profit of the meat segment decreased by approximately RMB42,724 thousand as compared with the same period of last year. Although the industry situation is relatively unfavorable to the meat segment, the segment has strengthened internal management, lowered production costs, controlled breeding costs, and improved operating efficiency, for continuous improvement of its ability to withstand market risks in the sluggish external environment.

Although the domestic COVID-19 pandemic has been under control, there are still risks of foreign imports. The Group will continue to exercise stringent pandemic prevention and ensure safe production to provide its consumers with safe food. Meanwhile, the Group will continue to adhere to its food strategy to stabilize the impact of market fluctuations on the Group's overall profitability, thereby creating sustainable and stable value growth for shareholders.

The Group maintained a healthy financial structure. As at 30 September 2020, net assets of the Group amounted to approximately RMB2,205,252 thousand; cash and cash equivalents represented 14.3% of total assets. As at 30 September 2020, current ratio of the Group was 1.68, representing a slight increase over the relevant ratio (1.41 as at 31 December 2019). Due to the increase in net assets of the Group, the interest-bearing borrowings to equity ratio was approximately 40.8%, representing a slight decrease over the relevant ratio (approximately 43.9%) as at 31 December 2019.

OTHERS

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 2020, the Company and any of its subsidiaries have not purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's consolidated financial statements for the nine months ended 30 September 2020 which have not been audited by the independent auditor.

On behalf of the Board
Wei Anning
Chairman

Hong Kong, 4 November 2020

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