

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2021

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 2021:

Highlights

	Nine months ended 30 September		
	2021 (unaudited)	2020 (unaudited)	% change
Turnover (RMB'000)	7,781,574	6,667,407	16.7
Gross profit (RMB'000)	657,995	765,615	-14.1
Gross profit margin (%)	8.5	11.5	
Profit attributable to equity shareholders of the Company (RMB'000)	98,305	157,193	-37.5
Basic earnings per share (RMB)	0.10	0.15	

CONSOLIDATED INCOME STATEMENT

For the nine months ended 30 September 2021 – not audited by auditors

(Expressed in RMB'000)

	Nine months ended 30 September	
	2021	2020
Turnover	7,781,574	6,667,407
Cost of sales	<u>(7,123,579)</u>	<u>(5,901,792)</u>
Gross profit	657,995	765,615
Other operating income	19,994	21,079
Other net gains/(losses)	6,807	(5,375)
Distribution costs	(304,355)	(287,184)
Administrative expenses	<u>(210,591)</u>	<u>(196,118)</u>
Profit from operations	169,850	298,017
Finance costs	(18,334)	(25,002)
Share of profit of equity accounted investees	<u>(2,117)</u>	<u>(2,273)</u>
Profit before taxation	149,399	270,742
Income tax	<u>(17,060)</u>	<u>(40,635)</u>
Profit for the period	<u>132,339</u>	<u>230,107</u>
Attributable to:		
Equity shareholders of the Company	98,305	157,193
Non-controlling interests	<u>34,034</u>	<u>72,914</u>
Profit for the period	<u>132,339</u>	<u>230,107</u>
Earnings per share		
– Basic (RMB)	<u>0.10</u>	<u>0.15</u>
– Diluted (RMB)	<u>0.10</u>	<u>0.15</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 30 September 2021***(Expressed in RMB'000)*

	At 30 September 2021	At 31 December 2020
	(unaudited)	(audited)
Non-current assets		
Fixed assets		
– property, plant and equipment	1,024,255	1,380,016
– lease prepayments	140,687	202,627
Interests in equity-accounted investees	72,450	80,727
Other financial assets	–	1,948
Deferred tax assets	8,010	29,327
Long-term tax recoverable	135,865	135,865
Other non-current assets	37,532	6,055
	<u>1,418,799</u>	<u>1,836,565</u>
Current assets		
Inventories	583,388	941,995
Biological assets	191,100	180,073
Trade receivables	230,793	301,522
Other receivables and prepayments	422,260	437,759
Cash and cash equivalents	410,585	631,370
Assets held for sale	1,347,005	–
	<u>3,185,131</u>	<u>2,492,719</u>
Current liabilities		
Trade payables	481,973	541,618
Other payables	330,202	513,503
Contract liabilities	22,327	39,097
Interest-bearing borrowings	184,620	477,264
Lease liabilities	2,282	8,917
Income tax payable	9,276	12,792
Dividend payable	–	2,349
Liabilities directly associated with the assets held for sale	845,513	–
	<u>1,876,193</u>	<u>1,595,540</u>
Net current assets	<u>1,308,938</u>	<u>897,179</u>
Total assets less current liabilities	<u>2,727,737</u>	<u>2,733,744</u>

	At 30 September 2021 (unaudited)	At 31 December 2020 (audited)
Non-current liabilities		
Interest-bearing borrowings	318,970	327,387
Lease liabilities	24,383	130,613
Deferred tax liabilities	5,736	3,441
	<u>349,089</u>	<u>461,441</u>
Net assets	<u><u>2,378,648</u></u>	<u><u>2,272,303</u></u>
Capital and reserves		
Share capital	97,920	97,920
Reserves	953,030	944,446
Retained profits	897,355	799,050
Total equity attributable to equity shareholders of the Company	1,948,305	1,841,416
Non-controlling interests	430,343	430,887
Total equity	<u><u>2,378,648</u></u>	<u><u>2,272,303</u></u>

RESULTS SUMMARY

In the first three quarters of 2021, the Southeast Asian and Japanese markets remained beset by the COVID-19 epidemic and economic growth was sluggish. The domestic market in the PRC, however, was under the strong leadership of the government and the economic situation was stable to positive. In the first three quarters, the Company's operating revenue was approximately RMB7,781,574 thousand, representing an increase of approximately 16.7% over the same period last year. As a result of the economic downturn in the Southeast Asian and Japanese markets and the sluggish domestic livestock and poultry market, the gross profit of the Southeast Asian's feeds segments, the export business of the food segment to Japan and the meat product segment decreased, resulting in a year-on-year decrease of approximately 14.1% in the Company's gross profit and profit attributable to shareholders of approximately RMB98,305 thousand, representing a decrease of approximately 37.5% as compared with the same period of last year.

Although the revenue and gross profit of the export business of the food segment to Japan dropped by approximately 29.7% and 75.3% year-on-year respectively in the first three quarters due to the impact of the outbreak of COVID-19 epidemic in Japan, the overall operating revenue of the segment grew by approximately 11.1% year-on-year and gross profit dropped slightly by approximately 4.2% due to the stable growth of the domestic food market. Due to the impact of the domestic epidemic and widespread flooding, consumption demand for travelling and entertainment was suppressed, especially the recovery of consumption involving personal contact such as accommodation and catering, which was hit harder by the spreading of the epidemic. The Group's food segment actively responded to the complex market situation by accelerating the development of distributors in various channels, while also developing key customers such as convenience store chains through various activities such as continuous product proposals, bakery classroom trainings and promotional seminars. As for product innovation, the Group has also stepped up its efforts in new product research and development in its food segment, making use of distributor conferences and various exhibitions to launch new products and strive to create more hit products. As for retail business, the Group has also focused its resources on increasing the promotion of its family-sized products in e-commerce platform, community group purchase, community convenience stores, farmers' markets and other retail channels to further improve the channel construction and regional network.

In the first three quarters of the year, the domestic feed segment reported an approximate increase of 26.6% in operating revenue and an approximate increase of 10.8% in gross profit as compared with the same period of last year. At the end of the third quarter, there were 437.64 million live pigs in stock in the PRC, an increase of 18.2% year-on-year; of which, 44.59 million breeding sows were in stock, an increase of 16.7%. The domestic feed segment of the Group firmly grasped the opportunity of the accelerated recovery of the hog breeding market, actively developed new distribution customers and directly operated pig farms, striving to provide customers with feed products with stronger immunity and better value for money, and helping customers to enhance their ability to resist epidemics through the promotion of the use of functional products and comprehensive animal protection services. At the same time, in response to the rising cost of bulk raw materials and the persistent downturn in the live pig market, the segment has been adjusting feed prices in a timely manner and actively developing and promoting alternative feed ingredients to reduce feed costs.

In the first three quarters, the operating revenue and gross profit of the domestic meat product segment decreased by approximately 4.6% and 51.4% respectively as compared with the same period of last year. In the first three quarters, domestic pork, beef, mutton and poultry meat production increased by 22.4% year-on-year, with pork, mutton, beef and poultry meat production increased by 38.0%, 5.3%, 3.9% and 3.8%, respectively. Pork prices fell by an average of 28.0% and chicken prices also fell by 6.5%, driven by the decline in pork prices. The decline in the chicken market and the increase in feed costs have significantly reduced the profitability of the meat product segment. In the face of the unfavourable market situation, the meat product segment has been actively developing the fresh food chain and membership shops to attract customers who value product quality, eliminate price-sensitive customers and enhance brand value through sales channel optimisation, while continuing to promote equipment automation to reduce costs and increase efficiency.

As the bulk raw materials used for feed processing in the Southeast Asian's feeds segment mainly rely on imports, the challenges posed to the segment by rising prices of bulk raw materials in the international market are more severe than those in the domestic market. On the other hand, the segment has to face the dual challenges of COVID-19 and African Swine Fever at the same time. On the one hand, the Southeast Asian's feeds segment raised the selling price of its products in a timely manner, while continuing to optimise its product mix and develop new customers on the other hand. In the first three quarters of 2021, gross profit declined by approximately 29.7% year-on-year in a tough market environment, despite a year-on-year increase in turnover of approximately 24.8% in the Southeast Asian's feeds segment. The gross profit of the Southeast Asian's feeds segment accounts for 23.9% of the Group's overall gross profit, decreased from 29.3% in the same period last year.

In order to allocate more resources on the development of the food, feeds and meat segments in the PRC, the Company announced the disposal of equity interests in certain subsidiaries at a consideration of RMB370,000 thousand on 26 August 2021. The equity interest disposal agreement for the aforesaid disposal was approved by the independent shareholders of the Company at the extraordinary general meeting which was held on 15 October 2021. As at 30 September 2021, the total assets, total liabilities, net assets and total equity attributable to the shareholders of the Company of the relevant subsidiaries was approximately RMB1,347,005 thousand, approximately RMB845,513 thousand, approximately RMB501,492 thousand and approximately RMB338,668 thousand, respectively. The proceeds from the equity interest disposal will be used to invest in a new plant in Bengbu, Anhui Province, the first phase of which is expected to be completed by the end of 2022. The construction of the new plant in Bengbu is now progressing in an orderly manner and on schedule, and the Group believes that the completion and commissioning of the project will bring the Group's food strategy to a higher level.

In September 2021, the government of various localities in the PRC implemented policy to restrict electricity consumption, which affected certain factories of the Group. To cope with the situation, such factories of the Group flexibly adjusted their production hours, at the same time, the Group actively communicated with those government authorities and applied to shorten the duration of power outages. As of the end of September, the impact of the electricity restriction policy on the Group's overall operations was manageable.

Looking forward into the fourth quarter of 2021, COVID-19 will continue to be the major uncertainty affecting both domestic and global economies, while electricity restrictions in various parts of the PRC will continue. Epidemic prevention, safe production and stable supply will continue to be the Group's top priorities. The Group will also continue to improve operational efficiency and enhance its overall risk resistance through various measures such as sales channel restructures, supply chain management optimisation and team motivation.

The Group maintains a healthy financial structure. As at 30 September 2021, net assets of the Group amounted to approximately RMB2,378,648 thousand; cash and cash equivalents represented approximately 8.9% of total assets. As at 30 September 2021, current ratio of the Group was approximately 1.70, representing a slight increase over the ratio of approximately 1.56 as at 31 December 2020. The interest-bearing borrowings to equity ratio was approximately 21.2%, representing a decrease over the relevant ratio (approximately 35.4%) as at 31 December 2020.

OTHERS

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 (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 2021, 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 2021 which have not been audited by the independent auditor.

On behalf of the Board
James Chun-Hsien Wei
Chairman

Hong Kong, 5 November 2021

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