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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 three months ended 31 March 2023

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 three months ended 31 March 2023:

Highlights

	Three months ended 31 March		
	2023	2022	% change
	(unaudited)	(unaudited)	
Turnover (RMB'000)	1,529,353	1,336,395	14.4
Gross profit (RMB'000)	156,469	143,311	9.2
Gross profit margin (%)	10.2	10.7	
Profit attributable to equity shareholders of the Company (RMB'000)	10,244	5,599	83.0
Basic earnings per share (RMB)	0.010	0.006	

CONSOLIDATED INCOME STATEMENT
For the three months ended 31 March 2023
(Expressed in RMB'000 unless stated otherwise)

	Three months ended 31 March	
	2023	2022
	(unaudited)	(unaudited)
Turnover	1,529,353	1,336,395
Cost of sales	<u>(1,372,884)</u>	<u>(1,193,084)</u>
Gross profit	156,469	143,311
Other operating income	4,518	5,750
Other net losses	(480)	(1,574)
Distribution costs	(80,997)	(69,727)
Administrative expenses	<u>(57,317)</u>	<u>(60,562)</u>
Profit from operations	22,193	17,198
Finance costs	(3,319)	(2,447)
Share of profit/(loss) of equity accounted investees	<u>90</u>	<u>(450)</u>
Profit before taxation	18,964	14,301
Income tax	<u>(1,784)</u>	<u>(4,163)</u>
Profit for the period	<u><u>17,180</u></u>	<u><u>10,138</u></u>
Attributable to:		
Equity shareholders of the Company	10,244	5,599
Non-controlling interests	<u>6,936</u>	<u>4,539</u>
Profit for the period	<u><u>17,180</u></u>	<u><u>10,138</u></u>
Earnings per share		
– Basic and diluted (RMB)	<u><u>0.010</u></u>	<u><u>0.006</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 31 March 2023***(Expressed in RMB'000 unless stated otherwise)*

	At 31 March 2023 (unaudited)	At 31 December 2022 (audited)
Non-current assets		
Property, plant and equipment	1,302,632	1,240,947
Land use rights	124,416	125,499
Investment property	53,208	53,889
Interests in equity-accounted investees	68,876	68,786
Other financial assets	1,948	1,948
Deferred tax assets	5,962	6,071
Long-term tax recoverable	112,497	112,497
Other non-current assets	89,532	59,598
	<u>1,759,071</u>	<u>1,669,235</u>
Current assets		
Inventories	576,046	671,019
Biological assets	186,657	149,077
Trade receivables	248,788	239,110
Other receivables and prepayments	290,535	310,562
Cash and cash equivalents	454,002	532,274
	<u>1,756,028</u>	<u>1,902,042</u>
Current liabilities		
Trade payables	395,976	472,025
Other payables	296,682	328,568
Contract liabilities	21,893	20,756
Interest-bearing borrowings	128,508	107,448
Lease liabilities	2,001	2,001
Income tax payable	5,577	9,928
	<u>850,637</u>	<u>940,726</u>
Net current assets	<u>905,391</u>	<u>961,316</u>

	At 31 March 2023 (unaudited)	At 31 December 2022 (audited)
Total assets less current liabilities	<u>2,664,462</u>	<u>2,630,551</u>
Non-current liabilities		
Interest-bearing borrowings	283,949	269,792
Lease liabilities	28,740	29,716
Deferred tax liabilities	<u>8,490</u>	<u>7,936</u>
	<u>321,179</u>	<u>307,444</u>
Net assets	<u><u>2,343,283</u></u>	<u><u>2,323,107</u></u>
Capital and reserves		
Share capital	97,920	97,920
Reserves	948,586	944,706
Retained profits	<u>1,038,297</u>	<u>1,028,770</u>
Total equity attributable to equity shareholders of the Company	2,084,803	2,071,396
Non-controlling interests	<u>258,480</u>	<u>251,711</u>
Total equity	<u><u>2,343,283</u></u>	<u><u>2,323,107</u></u>

RESULTS SUMMARY

For the first quarter of 2023, the Company's operating revenue was approximately RMB1,529,353 thousand, representing an increase of approximately 14.4% compared to the same period last year. Profit attributable to shareholders was approximately RMB10,244 thousand, representing an increase of approximately 83% compared to the same period last year. The significant improvement in revenue and profit was mainly due to the following factors. The meat segment's operating model transformation has been effective with the development of major customers and the continuous advancement of fine processing business, together with the benefits from the rising price for chicken meat, the profitability of the meat segment has improved significantly. The foods segment has a clear and well-executed strategy, and the rapid growth of major customers and retail channels has led to steady growth in profitability.

Operating revenue and gross profit of the foods segment in the first quarter increased by approximately 8.7% and 14.4% respectively compared to the same period last year. The domestic food team persistently invested more resources in direct sales customers and worked closely with strategic customers (such as large member stores, convenience store chains, and large restaurant chains) in product research and development and supply chain to enhance the stickiness of major customers to achieve win-win cooperation. At the same time, the Group has also focused on increasing the promotion of family-sized products via consumer-side channels such as e-commerce platforms, community group purchases, supermarket chains, community convenience stores and farmers' markets, to further enhance channel construction and regional network. In terms of export business, the foods segment overcame the impacts of severe domestic inflation in Japan and low-price competition for Thailand's exports to Japan, revenue from exported food products increased by approximately 19.8% compared to the same period last year, together with the benefits from the depreciation of Renminbi, and through continuous research and development, product mix optimization and production efficiency enhancement, the export gross profit increased by approximately 60.8% compared to the same period last year.

Operating revenue of the feeds segment in the first quarter increased by approximately 9.5% compared to the same period last year; however, as the domestic prices for bulk raw materials raised, the gross profit decreased by approximately 21.9% compared to the same period last year. As the market supply of domestic live pigs exceeded the demand in the first quarter, resulting in a downturn for pork and live pigs, yet the cost of feeds for live pigs' farming remained high, and therefore live pigs' farming continued to suffer losses. In contrast to the large-scale pig farming enterprises with a higher degree of vertical integration, free-range farmers and family farms are relatively less risk averse. As a result of continuous losses, they had to reduce their stocking or even stopped raising pigs. In response to this severe market situation, the feeds business accelerated the pace of functional integration of the middle office to strengthen cross-functional collaboration in product research and development, raw material procurement, production technology, quality control and technical services, to promote the use of diversified raw materials, reduce feeds costs and increase the relative competitiveness of products and services. At the same time, it has also continued to invest in research and development and market development for poultry and ruminant feeds and actively explored markets other than pig feeds to enrich its product range so as to diversify its market risk.

Operating revenue and profit of the meat segment in the first quarter increased by approximately 30.2% and 72.2% respectively compared to the same period last year. Due to the downturn in the market for day-old chicks at the end of last year, some parent breeding farms conducted forced moulting, resulting in a reduced supply of day-old chicks and feather chickens in the first quarter of the year, and the prices of day-old chicks and feather chickens have been on the rise since the beginning of the year. Despite limited increase in end-consumer demand, the chicken market rose by approximately 15% compared to the same period last year driven by higher costs on the supply side. On the other hand, the meat segment continued to adjust its operating model to focus on fine processing and differentiated products, increasing product value through close collaboration with major customers. It has also actively developed customers, such as chains of fresh food shops and members' shops, who value product quality, dispensed with price-sensitive customers, and enhanced our brand value through the optimization of sales channels. Continuous improvement in contractual feed's performance has reduced breeder and broiler breeding risks and enhanced the relative competitiveness of the production chain.

Looking ahead to the second quarter, the Russia-Ukraine war will continue to be the major uncertainty affecting the global economy, and the impact of the U.S. dollar interest rate hike on the global financial system may persist for a certain period. The Group will continue to look for new sources of growth being led by its foods segment as the drive of integration; to maintain stable sales volume with its feeds segment as a foundation, and at the same time diversify its market risks by product diversification. The Group will improve the operational structure of the meat segment, focusing on end-market development to increase meat production value and strengthen its cash flow management. With the synergy of foods scaling, feeds diversification and meat value-adding working in tandem, the Group has been progressing steadily on its digital transformation, supply chain management optimisation and operational efficiency improvement, to enhance the Group's overall industrial competitiveness and anti-cyclicality.

The construction of food processing plant, broiler electrical slaughterhouse and feeds processing plant of the Group in Bengbu, Anhui Province are progressing well and it is expected that they will gradually commence production in the second half of the year. The completion of the project and its operation will help strengthen and expand the Group's market position in the Yangtze River Delta region, as well as taking the Group's foods segment strategy to the next level.

The Group maintains a healthy financial structure. As at 31 March 2023, net assets of the Group amounted to approximately RMB2,343,283 thousand; cash and cash equivalents represented approximately 12.9% of total assets. As at 31 March 2023, current ratio of the Group was approximately 2.06, representing a slight increase over the ratio of approximately 2.02 as at 31 December 2022. The interest-bearing borrowings to equity ratio as at 31 March 2023 was approximately 17.6%, representing an increase over the relevant ratio (approximately 16.2%) as at 31 December 2022.

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 three months ended 31 March 2023, 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 three months ended 31 March 2023 which have not been audited by the independent auditor.

On behalf of the Board
James Chun-Hsien Wei
Chairman

Hong Kong, 28 April 2023

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.