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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 Annual Results For 2024

The board of directors (the “Board”) of DaChan Food (Asia) Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31 December 2024, prepared in conformity with the basis of presentation as stated in note 2 below, together with the comparative figures for the year ended 31 December 2023 as follows:

Highlights

	2024	2023	% change
Turnover (RMB'000)	5,834,604	6,418,966	-9.1
Gross profit (RMB'000)	733,407	662,690	10.7
Gross profit margin (%)	12.6	10.3	
Profit attributable to equity shareholders of the Company (RMB'000)	58,831	47,024	25.1
Basic earnings per share (RMB)	0.058	0.046	

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2024

(Expressed in thousands of Renminbi unless otherwise stated)

	Note	2024	2023
Turnover	3	5,834,604	6,418,966
Cost of sales		<u>(5,101,197)</u>	<u>(5,756,276)</u>
Gross profit		733,407	662,690
Other operating income		24,930	25,192
Other net (loss)/gain		(1,833)	317
Distribution costs		(356,405)	(337,792)
Administrative expenses		<u>(283,620)</u>	<u>(248,739)</u>
Profit from operations		116,479	101,668
Finance costs	4(a)	(23,168)	(17,738)
Share of profits of equity-accounted investees		<u>5,167</u>	<u>2,120</u>
Profit before taxation	4	98,478	86,050
Income tax	5	<u>(14,166)</u>	<u>(10,670)</u>
Profit for the year		<u><u>84,312</u></u>	<u><u>75,380</u></u>
Attributable to:			
Equity shareholders of the Company		58,831	47,024
Non-controlling interests		<u>25,481</u>	<u>28,356</u>
Profit for the year		<u><u>84,312</u></u>	<u><u>75,380</u></u>
Dividends payable to shareholders of the Company attributable to the year:			
Final dividend proposed after the end of the reporting period	6	<u><u>0</u></u>	<u><u>0</u></u>
Earnings per share	7		
– Basic and diluted (RMB)		<u><u>0.058</u></u>	<u><u>0.046</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 31 December 2024***(Expressed in thousands of Renminbi unless otherwise stated)*

	Note	2024	2023
Non-current assets			
Property, plant and equipment		1,785,595	1,636,588
Land use rights		115,167	119,451
Investment property		51,346	54,356
Intangible assets		8,917	9,917
Interests in equity-accounted investees		76,073	70,906
Other financial assets		1,948	1,948
Deferred tax assets		6,048	5,608
Long-term tax recoverable	9	98,179	88,149
Other non-current assets		66,062	58,616
		<u>2,209,335</u>	<u>2,045,539</u>
Current assets			
Inventories		587,915	526,849
Biological assets		110,990	129,957
Trade receivables	8	261,085	275,569
Other receivables and prepayments	9	238,158	276,647
Cash and cash equivalents		469,747	526,940
Restricted deposits		2,460	2,449
		<u>1,670,355</u>	<u>1,738,411</u>
Current liabilities			
Trade payables	10	445,873	506,995
Other payables	11	376,365	308,744
Contract liabilities		11,290	10,285
Interest-bearing borrowings		235,629	276,269
Lease liabilities		2,159	1,687
Income tax payable		8,048	7,319
		<u>1,079,364</u>	<u>1,111,299</u>
Net current assets		<u>590,991</u>	<u>627,112</u>
Total assets less current liabilities		<u>2,800,326</u>	<u>2,672,651</u>

	Note	2024	2023
Non-current liabilities			
Interest-bearing borrowings		331,608	253,810
Lease liabilities		28,484	29,338
Deferred tax liabilities		10,543	8,490
		<u>370,635</u>	<u>291,638</u>
Net assets		<u><u>2,429,691</u></u>	<u><u>2,381,013</u></u>
Capital and reserves			
Share capital		97,920	97,920
Reserves		954,798	947,254
Retained profits		1,117,994	1,070,140
		<u>2,170,712</u>	<u>2,115,314</u>
Total equity attributable to equity shareholders of the Company		<u>2,170,712</u>	<u>2,115,314</u>
Non-controlling interests		258,979	265,699
		<u>2,429,691</u>	<u>2,381,013</u>
Total equity		<u><u>2,429,691</u></u>	<u><u>2,381,013</u></u>

SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi unless otherwise stated)

1 General information

DaChan Food (Asia) Limited was incorporated in the Cayman Islands on 18 May 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries primarily is involved in the manufacturing and trading of livestock feeds, poultry and chilled meat and processed foods.

The Company publicly offered its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 4 October 2007.

2 Basis of preparation

The annual results have been reviewed by the audit committee of the Company.

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company.

Note 2(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of measurement

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries and the Group’s interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value. Further details will be explained in the accounting policies set out below:

- derivative financial instruments are measured at fair value.

(c) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (“functional currency”). The consolidated financial statements are presented in Renminbi (“RMB”) (“presentation currency”), which is different from the functional currency of the Company. The Company’s functional currency is United States dollars (“USD”). The functional currency of those subsidiaries in People’s Republic of China (“PRC”) is RMB. As its principal subsidiaries are located in PRC, the directors of the Company consider that it is appropriate to present the consolidated financial statements in RMB. All financial information presented in RMB has been rounded to the nearest thousand except when otherwise indicated.

(d) *Changes in accounting policies*

The Group has applied the following amendments to IFRSs to these financial statements for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* (“2020 amendments”), and amendments to IAS 1, *Presentation of financial statements – Non-current liabilities with covenants* (“2022 amendments”)
- Amendments to IFRS 16, *Leases – Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Turnover and segment information

Turnover mainly represents the sales value of goods sold to customers but excludes value added tax (“VAT”) or other sales taxes and is after deduction of any trade discounts.

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the chief executive officer of the Company (“CEO”) for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Processed foods: The processed foods segment processes meat (mainly chicken meat) into further processed or instant food (half-cooked/fully cooked) products for production and distribution.
- Livestock feeds: The livestock feeds segment manufactures and distributes complete feeds, base mix feeds and pre-mix feeds for swine, layer, broiler, duck, and breeder poultry under the brands of “Dr. Nupak”, “DaChan” and “Green Knight”.
- Meat products: The meat products segment carries on business of broiler farming, hatching of broiler breeder eggs, contract farming, processing and marketing of chilled and frozen chicken meat marketed under the brand of “DaChan” and “Sisters’ Kitchen”.

(a) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources among segments, the CEO monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade creditors and accruals attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segment.

Turnover and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is gross profit.

In addition to receiving segment information concerning gross profit, the CEO is provided with segment information concerning turnover (including inter-segment sales), depreciation and amortisation. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the CEO for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 2023 is set out below:

	Processed foods		Livestock feeds		Meat products		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Turnover from external customers	2,571,851	2,322,970	1,720,637	2,263,279	1,542,116	1,832,717	5,834,604	6,418,966
Inter-segment turnover	-	-	851,997	1,275,751	530,625	459,754	1,382,622	1,735,505
Total	<u>2,571,851</u>	<u>2,322,970</u>	<u>2,572,634</u>	<u>3,539,030</u>	<u>2,072,741</u>	<u>2,292,471</u>	<u>7,217,226</u>	<u>8,154,471</u>
Segment result	522,021	477,886	143,933	153,597	67,453	31,207	733,407	662,690
Unallocated operating income and expenses	-	-	-	-	-	-	(616,928)	(561,022)
Profit from operations	-	-	-	-	-	-	116,479	101,668
Finance costs	-	-	-	-	-	-	(23,168)	(17,738)
Share of profit of equity-accounted investees	-	-	-	-	-	-	5,167	2,120
Income tax	-	-	-	-	-	-	(14,166)	(10,670)
Profit for the year	-	-	-	-	-	-	<u>84,312</u>	<u>75,380</u>
Depreciation and amortisation for the year	67,127	48,904	18,611	19,258	85,958	62,098	171,696	130,260
Reportable segment assets	1,408,487	1,017,323	399,655	457,458	1,395,845	1,579,173	3,203,987	3,053,954
Additions to non-current segment assets during the year	260,287	225,864	12,983	23,394	64,067	280,900	337,337	530,158
Reportable segment liabilities	553,835	322,018	145,910	167,726	359,994	470,518	1,059,739	960,262

(b) *Reconciliations of reportable segment turnover, profit or loss, assets and liabilities*

	2024	2023
Turnover		
Total turnover for segments	7,217,226	8,154,471
Elimination of inter-segment turnover	<u>(1,382,622)</u>	<u>(1,735,505)</u>
Consolidated turnover	<u><u>5,834,604</u></u>	<u><u>6,418,966</u></u>
Profit before tax		
Total profit before tax for reportable segment	<u>98,478</u>	<u>86,050</u>
Consolidated profit before tax	<u><u>98,478</u></u>	<u><u>86,050</u></u>
Assets		
Reportable segment assets	<u>3,203,987</u>	<u>3,053,954</u>
Deferred tax assets	6,048	5,608
Cash and cash equivalents and restricted deposits	472,207	529,389
Unallocated head office and corporate assets	<u>197,448</u>	<u>194,999</u>
Consolidated total assets	<u><u>3,879,690</u></u>	<u><u>3,783,950</u></u>
Liabilities		
Reportable segment liabilities	<u>1,059,739</u>	<u>960,262</u>
Income tax payable	8,048	7,319
Deferred tax liabilities	10,543	8,490
Interest-bearing borrowings	232,163	240,308
Unallocated head office and corporate liabilities	<u>139,506</u>	<u>186,558</u>
Consolidated total liabilities	<u><u>1,449,999</u></u>	<u><u>1,402,937</u></u>

(c) *Geographical information*

The following table sets out information about the geographical location of the Group's turnover from external customers and the Group's tangible assets and interests in equity-accounted investees ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment and the location of operations in the case of interests in equity-accounted investees.

	Turnover from external customers		Specified non-current assets	
	2024	2023	2024	2023
The PRC	5,519,176	6,157,786	2,042,897	1,885,561
Japan	259,289	217,388	–	–
Other countries	56,139	43,792	–	–
	<u>5,834,604</u>	<u>6,418,966</u>	<u>2,042,897</u>	<u>1,885,561</u>

4 Profit before taxation

Profit before taxation is arrived at after charging:

	2024	2023
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	21,705	16,234
Interest on lease liabilities	<u>1,463</u>	<u>1,504</u>
	<u>23,168</u>	<u>17,738</u>
(b) Staff costs		
Salaries, wages, bonuses and other benefits	699,873	666,861
Contributions to retirement schemes	<u>36,879</u>	<u>34,763</u>
	<u>736,752</u>	<u>701,624</u>

The Group is required to participate in pension schemes organised by the respective municipal governments of the People's Republic of China (the "PRC") whereby the Group is required to pay annual contributions for PRC based employees at a rate of 16% (2023: 16%) of the standard wages determined by the relevant authorities in the PRC during the year. The Group has no other material obligation for payment of retirement benefits to the PRC based employees beyond the contributions described above.

The Group also operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group is required to make contributions to the scheme at 6% (2023: 6%) of the employees’ relevant income and its employees are required to make contributions to the scheme at 5% (2023: 5%) of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest to the employees immediately.

Save for the above schemes, the Group has no other material obligation for payment of retirement benefits beyond the contributions.

(c) Other items

	2024	2023
Auditors’ remuneration		
– annual audit services	3,700	3,700
– other services	120	120
	<u>3,820</u>	<u>3,820</u>
Depreciation charge		
– owned property, plant and equipment	162,633	121,635
– right-of-use assets	6,063	5,877
– investment property	3,000	2,748
	<u>171,696</u>	<u>130,260</u>
Depreciation of biological assets	8,113	8,192
Recognised/(reversal) of impairment losses on trade receivables	2,343	(1,252)
(Reversal)/recognised write-down of inventory	(6,627)	8,057
Research and development costs	1,008	798
Cost of inventories	<u>5,093,433</u>	<u>5,743,386</u>

5 Income tax in the consolidated income statement

	2024	2023
Current tax		
Provision for the year	16,010	9,912
Over-provision in respect of prior years	<u>(3,457)</u>	<u>(259)</u>
	<u>12,553</u>	<u>9,653</u>
Deferred tax		
Origination and reversal of temporary differences	<u>1,613</u>	<u>1,017</u>
Tax expense	<u><u>14,166</u></u>	<u><u>10,670</u></u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) The provision for Hong Kong Profits Tax for 2024 is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is the qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2023.

The provision for Hong Kong Profits Tax for 2024 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2023/24 subject to a maximum reduction of HK\$3,000 for each business (2023: a maximum reduction of HK\$6,000 was granted for the year of assessment 2022/23 and was taken into account in calculating the provision for 2023).

- (iii) Pursuant to the income tax rules and regulations of the PRC, the Group entities incorporated in the PRC are liable to PRC Corporate Income Tax at a rate of 25% during the year (2023: 25%), except for Dongbei Agri (Changchun) Co., Ltd. (“DBC-CC”). DBC-CC is subject to a preferential tax rate of 15% (2023: 15%), as it has obtained the new high-tech enterprise qualification since 2022.

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2024	2023
Profit before taxation	<u>98,478</u>	<u>86,050</u>
Income tax calculated at PRC's Corporate Income Tax rate of 25% (2023: 25%) (note)	24,620	21,513
Effect of different tax rates of subsidiaries operating in different tax jurisdiction	937	1,021
Tax effect of non-deductible expenses	1,466	1,213
Tax effect of non-taxable income	(8,718)	(25,832)
Tax effect of the movement of tax losses and temporary difference not recognized	(682)	13,014
Over-provision in respect of prior years	<u>(3,457)</u>	<u>(259)</u>
Actual tax expense	<u>14,166</u>	<u>10,670</u>

Note: The income tax rate of 25% (2023: 25%) represents the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

6 Dividends

	2024	2023
Final dividend proposed after the end of the reporting period	<u>0</u>	<u>0</u>

On 7 March 2025, the Board decides not to distribute any final dividend in respect of the year ended 31 December 2024 (2023: No distribution).

7 Earning per share

The calculation of basic earnings per share for the year ended 31 December 2024 is based on the profit attributable to ordinary equity shareholders of the Company of RMB58,831 thousand (2023: RMB47,024 thousand) and the weighted average of 1,016,189,000 ordinary shares (2023: 1,016,189,000) in issue during the year.

The Group has no dilutive ordinary shares outstanding for the years ended 31 December 2024 and 2023. Therefore, there was no difference between basic and diluted earnings per share.

8 Trade receivables

As of the end of the reporting period, the ageing analysis of trade receivables is as follows:

	2024	2023
Current	<u>243,896</u>	<u>263,074</u>
1-180 days past due	19,292	14,598
181-365 days past due	2,437	306
More than 365 days past due	<u>4,509</u>	<u>4,838</u>
Amounts past due	26,238	19,742
Less: allowance of doubtful debts	<u>(9,049)</u>	<u>(7,247)</u>
	<u><u>261,085</u></u>	<u><u>275,569</u></u>

The Group normally allows a credit period ranging from 30 days to 60 days to its customers.

9 Other receivables and prepayments

	2024	2023
VAT recoverable	245,785	259,039
Deposits and prepayments	77,964	94,318
Advances to staff	3,262	4,174
Others	<u>9,326</u>	<u>7,265</u>
	336,337	364,796
Less: non-current VAT recoverable	<u>98,179</u>	<u>88,149</u>
Balance at the end of the period	<u><u>238,158</u></u>	<u><u>276,647</u></u>

Except for non-current VAT recoverable, all other receivables are expected to be recovered within one year.

10 Trade payables

As of the end of the reporting period, the ageing analysis of the trade payables is as follows:

	2024	2023
Current	<u>234,542</u>	<u>221,009</u>
Less than 30 days past due	182,338	169,074
31-60 days past due	18,961	46,042
61-90 days past due	4,056	34,738
More than 90 days past due	<u>5,976</u>	<u>36,132</u>
Amounts past due	<u>211,331</u>	<u>285,986</u>
	<u><u>445,873</u></u>	<u><u>506,995</u></u>

11 Other payables and amounts due to related parties

	2024	2023
Sales rebate	23,859	22,554
Salaries, wages, bonuses and other benefits payable	67,375	102,689
Accrued expenses	100,458	60,810
Contract performance deposits	64,168	57,450
Payables for purchase of property, plant and equipment	66,270	5,276
Amounts due to related parties	42,600	42,600
Others	<u>11,635</u>	<u>17,365</u>
	<u><u>376,365</u></u>	<u><u>308,744</u></u>

All of other payables and amount due to related parties are expected to be settled within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

	2024	2023	% change
Turnover (RMB'000)	5,834,604	6,418,966	-9.1
Gross profit (RMB'000)	733,407	662,690	10.7
Gross profit margin (%)	12.6	10.3	
Profit attributable to equity shareholders of the Company (RMB'000)	58,831	47,024	25.1

Economic Environment and Strategic Direction

In 2024, the international political, economic, technological, cultural and security landscape continued to undergo profound changes with the ongoing Russo-Ukrainian conflict, instability in the Middle East and the shift of developed countries' policies towards trade protectionism, which overlapped with uncertainties in the monetary policy of the US Federal Reserve, leading to rising global systemic risks. While the Chinese economy maintained its recovery momentum, it still faced challenges such as insufficient domestic effective demand, overcapacity in certain industries as well as weak social expectation.

In 2024, the domestic volume of white feather broiler reached a new historical high, but the growth has narrowed greatly when compared with that of the previous year. The whole industry may enter a low growth cycle, and the industrial competition has changed from the competition in new markets to the more intense competition in existing markets. At the same time, the problems of insufficient market demand and the relative overcapacity on the supply side have become increasingly prominent as oversupply caused prices of feather chickens and chicken meat to fall by more than 10% year-on-year, leading to severe losses in the white feather broiler breeding and slaughtering segments. Small-scale enterprises faltered in the intense market competition and were successively eliminated, while leading enterprises accelerated their resource integration and scale-up through their overall strength, the industry entered a stage of deep adjustments.

Under the complex and dynamic external environment as well as the industry landscape of oversupply, the Group maintained its strategic focus and did not blindly pursue the scale-up of the upstream of industrial chain but focused on the field of downstream food processing instead, and insisted on taking the processed food segment as the lead to drive the synergistic development of the whole industrial chain. In 2024, domestic catering revenue in China grew by 5.3% year-on-year, and the trend towards chain operation in catering has become more pronounced. By virtue of the experiences accumulated from years of in-depth development in the catering market, as well as an leading edge on channel layout, product research and development, services for major customers, etc., the Group kept abreast of the market development trend towards chain operation in catering, spared no efforts in the development of chain catering customers, and achieved significant results. In 2024, the Group's food sales income from major chain catering customers realized a rapid growth of 43% year-on-year, becoming an important driver for the growth of the processed food business.

Looking ahead to 2025, geopolitical conflicts and uncertainties in the economic policies of the United States will still be the major factors affecting the global economy. As for the domestic economy, while the conflict between structural overcapacity and insufficient demand have not been fundamentally resolved and the pressure of industrial restructuring remains relatively high, with the gradual implementation of government policies and measures to boost domestic demands and promote the development of private economy, the economic fundamentals will rebound and the long-term positive momentum will not change. The Company will continue to take the foods segment as the lead to drive the growth in Group's results and keep looking for new sources of growth; the Company will also take the feeds segment as the foundation to increase the sales volume and simultaneously diversify its market risks by the diversification of products and channels, while optimizing the operating model of meat products, focusing on the development of valued customers, raising the value of each chicken and strengthening the cash flow management. With the synergy of scale-up of food production, diversification of feeds and meat product value-adding working in tandem, the Company has been progressing steadily on digital and smart transformation as well as optimization of supply chain management to improve its operational efficiency and enhance its overall industrial competitiveness and risk resistance.

Business Review

In 2024, the operating income of the Group amounted to RMB5,834,604 thousand, representing a decrease of 9.1% over the corresponding period of last year. Profit attributable to shareholders amounted to RMB58,831 thousand, representing an increase of 25.1% over the corresponding period of last year. The main reasons for the year-on-year decline in operating income were a 24.0% year-on-year decrease in the operating income of the feeds business for external sales and a 15.9% year-on-year decrease in the operating income of the meat product business. However, the food products business sustained a momentum of robust growth, with the operating income and the gross profit increasing by 10.7% and 9.2% year-on-year, respectively.

In the fourth quarter, the operating income of the Group amounted to RMB1,517,786 thousand, representing a decrease of 4.2% over the corresponding period of last year. Profit attributable to shareholders amounted to RMB21,921 thousand, achieving a turnaround over the corresponding period of last year and increasing by 212.0%.

In 2024, the processed foods business, feeds business and meat product business accounted for 44.1%, 29.5% and 26.4% of the Group's total operating income, and 71.2%, 19.6% and 9.2% of its total gross profit, respectively. Processed foods were the Group's largest source of operating income and profit. Taking the processed foods segment as the lead to drive the continuous growth of the Group's results had been effective.

Processed Foods

	2024	2023	% change
Turnover (RMB'000)			
– Mainland China	2,256,289	2,063,168	9.4
– Export	<u>315,562</u>	<u>259,802</u>	21.5
Total	<u><u>2,571,851</u></u>	<u><u>2,322,970</u></u>	10.7
Gross profit (RMB'000)			
– Mainland China	466,351	423,389	10.1
– Export	<u>55,670</u>	<u>54,497</u>	2.2
Total	<u><u>522,021</u></u>	<u><u>477,886</u></u>	9.2
Gross profit margin (%)			
– Mainland China	20.7	20.5	
– Export	<u>17.6</u>	<u>21.0</u>	
Total	<u><u>20.3</u></u>	<u><u>20.6</u></u>	

In 2024, the operating income and gross profit of processed foods increased by 10.7% and 9.2% respectively year-on-year. The operating income and gross profit of processed foods in the fourth quarter increased by 8.7% and 5.5% respectively over the corresponding period of last year.

The domestic catering market in China has been recovering relatively slow with a significant trend of consumption downgrade, which has put some pressure on the rapid growth of the foods business. The domestic food sales team continuously invested more resources in major chain catering customers and worked closely with strategic customers in product research and development as well as supply chain. At the same time, the Group has also focused its resources on continuously increasing the promotion of membership stores, supermarket chains, community convenience stores, e-commerce platforms and other retail channels to increase customer stickiness through consumer-side brand exposure. The Group has been increasing its investment in research and development and deeply discovering customer demands so as to explore new production technologies and expand its product range, striving to create more successful products. The Group also leveraged the steady progression of digital transformation to improve supply chain efficiency and to better serve the needs of customers. In 2024, the operating income and gross profit of the domestic food business increased by 9.4% and 10.1% respectively year-on-year.

For the export market, the food export sales team continued to further cultivate the Japanese market, continuously expanded into new product categories, new channels and new customers. At the same time, it also increased its efforts in developing export markets in addition to Japan to mitigate the risks of over-concentration in export markets. The food export sales team leveraged the advantages of new product development, strived to develop products that better meet the demands of international markets, and improved product quality and safety to satisfy the needs of consumers in different countries and regions. In 2024, the operating income and gross profit of the food exports increased by 21.5% and 2.2% respectively year-on-year.

As consumer awareness towards healthy diet increases and food safety standards become more stringent, the market demand for high-quality processed foods will continue to grow. In the future, the Company will further expand its food production capacity, adopt more advanced production technology and equipment, develop differentiated, high-quality and cost-effective products, accelerate the progress on the scale-up of food production, so as to further strengthen its market competitiveness in the food industry.

Livestock Feeds (From External Customers)

	2024	2023	% change
Turnover (RMB'000)	1,720,637	2,263,279	-24.0
Gross profit (RMB'000)	143,933	153,597	-6.3
Gross profit margin (%)	8.4	6.8	

In 2024, the operating income of the feeds business decreased by 24% year-on-year and the gross profit decreased by 6.3% year-on-year. In the fourth quarter, the operating income of the feeds business decreased by 19.2% over the corresponding period of last year and the gross profit decreased by 15.1% over the corresponding period of last year.

From 2023 to the first half of 2024, continuous losses incurred from the breeding operation for more than a year accelerated the reduction of excess production capacity and the industry integration of the domestic pig breeding. Small-scale farms such as free-range farmers and family farms suffered heavy losses. Facing difficulties in cash flow, they were forced to reduce their stocks or even cease to breed, resulting in a year-on-year decline in the Company's pig feeds sales. In the face of a shrinking existing customer base, the feeds team actively adjusted its operation strategy, strengthened cooperation with medium and large-scale hog breeding farms to maintain its market share through the OEM model. Moreover, it also continued to increase efforts in the research and development of ruminant feeds and small-category feeds products as well as channel development, actively expanded markets and customers beyond pig feeds and diversified product categories to mitigate market risks through diversification. At the same time, the Group speeded up the pace of integration of the middle office functions, strengthened product research and development, raw material procurement, production technology, quality control, technical services and other cross-functional collaborations, promoted the diversification of the use of raw materials, took multiple measures simultaneously for cost reduction and efficiency improvement and increased the relative competitiveness of products and services.

Meat Products

	2024	2023	% change
Turnover (RMB'000)	1,542,116	1,832,717	-15.9
Gross profit (RMB'000)	67,453	31,207	116.1
Gross profit margin (%)	4.4	1.7	

In 2024, the operating income of the meat product business decreased by 15.9% year-on-year while the gross profit increased by 116.1% year-on-year. In the fourth quarter, the operating income of the meat product business decreased by 2.3% over the corresponding period of last year, while the gross profit achieved a turnaround over the corresponding period of last year and increased by 178.1%.

Due to the limited recovery of the domestic market consumption, the white feather broiler industry as a whole was in an oversupply in 2024. Among the segments in the industrial chain, apart from breeders which could still make a profit, both of broiler breeding and slaughtering business suffered from losses. In response to the unfavorable market situation, the meat product team accelerated the pace of business model transformation from production and supply oriented to terminal customer demand-driven breeding and slaughtering model, increasing the flexibility of its supply chain and enhancing relative competitiveness. In the upstream of the industrial chain, the meat product team adjusted the cooperation mode with contract farmers, so that the cost of the Company's feather chickens can be as close to the market as possible, establishing a good ecosystem of benefit and risk sharing between the contract farmers and the Company. In the midstream of the industrial chain, the meat product team reduced production and processing fees as well as indirect fees by automated production and lean management, and continued to promote cost reduction and efficiency improvement. In the downstream of the industrial chain, the meat product team focused on the development of fine processing and differentiated products and continuously increased the value of each chicken. By working together with the foods business, actively developing customers such as membership stores and supermarket chains which value product quality, eliminating price-sensitive customers, and optimizing its sales channels, the Company has continuously enhanced its brand value. Through the aforementioned comprehensive adjustment and transformation, the performance of the meat products business improved significantly in 2024.

Financial Review:

1) Other Operating Income and Operating Expenses

In 2024, the Group recorded other operating income of RMB24,930 thousand (2023: RMB25,192 thousand) which mainly comprised of interest income and government subsidies. The decrease in other operating income was mainly due to the decrease in interest income.

In 2024, other net losses of the Group amounted to RMB1,833 thousand (2023: net gain of RMB317 thousand). Other net losses mainly includes net loss on the disposal of assets.

Distribution costs accounted for 6.11% of total turnover (2023: 5.26%).

Administrative expenses accounted for 4.86% of turnover (2023: 3.88%).

2) Liquidity, Financial Resources and Capital Structure

As at 31 December 2024, the Group's cash and bank deposit balances amounted to RMB469,747 thousand, representing a decrease of RMB57,193 thousand from 2023. In 2024, the Group's net cash generated from operations amounted to RMB306,153 thousand, representing a decrease of RMB101,099 thousand from 2023. The Group's interest-bearing borrowings increased by RMB37,158 thousand to RMB567,237 thousand (2023: RMB530,079 thousand). As at 31 December 2024, the interest-bearing borrowings to equity ratio was 23.3% (2023: 22.3%). Current ratio was maintained at a healthy level of 1.55 times (2023: 1.56 times).

3) Capital Expenditure

In 2024, the Group's capital expenditure on the acquisition of properties, machinery and equipment amounted to RMB335,465 thousand which was primarily paid from internal resources and bank borrowings.

4) Exchange Rate

The Group's business transactions are mainly denominated in RMB and USD. During the year under review, RMB against USD depreciated by 1.47%.

5) Interest

In 2024, the Group's interest expense amounted to RMB23,168 thousand (2023: RMB17,738 thousand), representing an increase of 30.6% from 2023. The increase in interest expenses was mainly due to the increase in the average outstanding borrowings and that part of the interest was capitalized during the corresponding period of last year.

6) Dividends

To reserve the resources for the Group's business development, the Board decides not to distribute any dividend for the year 2024 (2023: no distribution).

7) Charge on Assets

As at 31 December 2024, the Group had no security against bank facilities.

8) Capital Commitment

As at 31 December 2024, the capital expenditure of the Group contracted for but not provided in the financial statements was RMB45,114 thousand (2023: RMB70,827 thousand) and the capital expenditure authorised but not contracted for was RMB93,814 thousand (2023: RMB227,107 thousand).

EMPLOYEE COMPENSATION AND TRAINING

As at 31 December 2024, the Group had a total of 8,324 employees (31 December 2023: 7,972). The Group has paid remuneration to its staff with reference to the industry practice, the financial performance of the Group and the employee's work performance in order to form a team of professional staff and management to fulfil the development needs of the Company. The Group places great emphasis on the training and development of employees and regards excellent employees as the Group's core competitiveness. With a view to constantly enhancing their job skills and industry knowledge, the Group has offered various training programs to its members of management and other employees. The Group implemented these programs not only to enhance the quality of its staff, but also to give best chances for development of their personal career. The Group regularly reviews compensation and benefit policies according to industry benchmarks, financial results as well as the individual performance of employees so as to offer fair and competitive compensation packages to the employees. Other fringe benefits including insurance, medical benefits and provident fund are also provided to retain loyal employees.

OTHER INFORMATION

Annual General Meeting (“AGM”)

The 2024 AGM of the Company will be held on 27 June 2025 (Friday) and the notice of AGM will be published and, if necessary, dispatched to shareholders in the manner as required by the Listing Rules.

Closing of Register of Members

The Hong Kong branch register of members of the Company will be closed from 23 June 2025 (Monday) to 27 June 2025 (Friday) (both dates inclusive), for the purposes of determining the entitlements of the shareholders to attend and vote at the AGM. No transfer of the shares may be registered during the said period. In order to qualify to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4:30 p.m. (Hong Kong time) on 20 June 2025 (Friday).

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities.

Compliance with the Corporate Governance Code

The Company is committed to achieving good corporate governance standard including having a quality Board, sound internal control and risk management, high transparency and accountability to its shareholders. Except for the following two immaterial deviations, the Company has complied with the Code provisions (the “Code Provisions”) set out in Part II of Appendix C1 of the Listing Rules throughout the year ended 31 December 2024:

Under Code Provision C.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

In 2024, Mr. James Chun-Hsien Wei performed both of the roles as the Chairman and the Chief Executive Officer. The Board considers that this structure would not impair the balance of power and authority between the Board and the management of the Company. The Board comprises two executive Directors (including Mr. James Chun-Hsien Wei), five non-executive Directors and four independent non-executive Directors and therefore has a fairly strong independence in its composition and they meet regularly to discuss issues relating to the operation of the Company in order to provide adequate safeguards and protect the interests of the Company and its shareholders. In addition, after taking into account the past experience of Mr. James Chun-Hsien Wei, the Board is of the opinion that vesting the roles of the Chairman and the Chief Executive Officer in Mr. James Chun-Hsien Wei could facilitate the execution of the Group’s business strategies and enhance the effectiveness of its operation. Hence, the aforesaid deviation is appropriate and in the best interest of the Company at the present stage.

In addition, under Code Provision C.6.1, the company secretary should be an employee of the Company and have the day-to-day knowledge of the Company's affairs.

Since 8 August 2016, Ms. Cho Yi Ping ("Ms. Cho"), a partner of the Company's legal advisers, Wong & Tang Solicitors, has been appointed as the company secretary of the Company (the "Company Secretary").

The Company has assigned a member of the senior management, Ms. Feng Yuxia, the head of legal department of the Company as the contact person with Ms. Cho. Ms. Cho is a practicing solicitor of Hong Kong with understanding of the Listing Rules, her qualifications meet the requirements of the Listing Rules in terms of a company secretary of a listed issuer. Further, whenever necessary, the contact person assigned will promptly deliver information regarding the performance, financial positions and other major development and affairs of the Group to Ms. Cho. Having in place a mechanism that enables Ms. Cho to get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. Cho as the Company Secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

Audit Committee

The audit committee of the Company (the "Audit Committee") was established with written terms of reference in accordance with the Listing Rules. The Audit Committee is authorized by the Board to assess matters relating to the financial statements and to provide recommendations and advice on matters including review of relationships with external auditors, the Company's financial reporting (including the review of the annual results for the year ended 31 December 2024), the internal control and risk management system. There was no disagreement between the Audit Committee and the external auditors on the accounting policies adopted by the Company.

The Audit Committee comprises Mr. Ting Yu-Shan (chairman of the Audit Committee), Mr. Hsia Li-Yan, Ms. Lee Tsai, Yu-Ling and Mr. Kao Koong-Lian, who are all independent non-executive directors of the Company.

On behalf of the Board
James Chun-Hsien Wei
Chairman

Hong Kong, 7 March 2025

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. Harn Jia-Chen, Mr. Han Chia-Yau, Mr. Han Jia-Hwan, Mr. Chao Tien-Shin and Mr. Wei Anning are the non-executive directors of the Company, and Mr. Ting Yu-Shan, Mr. Hsia Li-Yan, Ms. Lee Tsai, Yu-Ling and Mr. Kao Koong-Lian are the independent non-executive directors of the Company.