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## **DACHAN FOOD (ASIA) LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3999)**

### **Announcement of Results for the Three Months Ended 31 March 2013**

The board of directors (the "Board") of DaChan Food (Asia) Ltd (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the three months ended 31 March 2013:

#### **Highlights**

	<b>Three months ended 31 March</b>		
	<b>2013</b>	<b>2012</b>	<b>% Change</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	
Turnover (RMB'000)	2,718,825	2,681,347	+1.4
Gross Profit (RMB'000)	181,735	191,427	-5.1
Gross profit margin (%)	6.7	7.1	
Profit attributable to equity shareholders of the Company (RMB'000)	10,477	42,168	-75.2
Basic earnings per share (RMB)	0.01	0.04	

## CONSOLIDATED INCOME STATEMENT

(Expressed in RMB '000)

	Three months ended 31 March	
	2013	2012
	(unaudited)	(unaudited)
<b>Turnover</b>	2,718,825	2,681,347
Cost of sales	(2,537,090)	(2,489,920)
<b>Gross profit</b>	181,735	191,427
Change in fair value of biological assets less costs to sell	3,469	1,010
Fair value of agricultural produce on initial recognition	4,180	6,718
Reversal of fair value of agricultural produce due to sales and disposals	(4,231)	(8,249)
Other operating income	7,745	1,891
Other net gains	487	4,948
Distribution costs	(89,063)	(78,210)
Administrative expenses	(78,463)	(48,653)
<b>Profit from operations</b>	25,859	70,882
Finance costs	(4,456)	(4,445)
Share of losses of equity-accounted investees	(2,533)	(823)
<b>Profit before taxation</b>	18,870	65,614
Income tax	(288)	(7,210)
<b>Profit for the year</b>	18,582	58,404
<b>Attributable to:</b>		
Equity shareholders of the Company	10,477	42,168
Non-controlling interests	8,105	16,236
<b>Profit for the year</b>	18,582	58,404
<b>Earnings per share</b>		
– Basic (RMB)	0.01	0.04
– Diluted (RMB)	0.01	0.04

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in RMB '000)

	<b>31 March 2013</b> <i>(unaudited)</i>	<b>31 December 2012</b> <i>(audited)</i>
<b>Non-current assets</b>		
Fixed assets		
– property, plant and equipment	1,126,302	1,122,632
– lease prepayments	166,593	155,617
Interests in equity-accounted investees	54,492	54,635
Deferred tax assets	29,303	29,701
	<u>1,376,690</u>	<u>1,362,585</u>
<b>Current assets</b>		
Inventories	938,209	990,192
Biological assets	10,569	7,154
Trade receivables	380,056	341,003
Other receivables	408,636	384,035
Income tax recoverable	700	183
Cash and cash equivalents	517,836	610,411
	<u>2,256,006</u>	<u>2,332,978</u>
<b>Current liabilities</b>		
Trade payables	551,230	678,244
Other payables	329,242	368,324
Interest-bearing borrowings	183,993	257,921
Income tax payable	20,665	21,541
	<u>1,085,130</u>	<u>1,326,030</u>
<b>Net current assets</b>	<u>1,182,916</u>	<u>1,006,948</u>
<b>Total assets less current liabilities</b>	<u>2,547,566</u>	<u>2,369,533</u>
<b>Non-current liabilities</b>		
Interest-bearing borrowings	542,680	380,892
Deferred tax liabilities	391	563
	<u>543,071</u>	<u>381,455</u>
<b>Net assets</b>	<u>2,004,495</u>	<u>1,988,078</u>
<b>Capital and reserves</b>		
Share capital	97,685	97,685
Reserves	891,919	894,375
Retained profits	728,692	718,215
<b>Total equity attributable to shareholders of the Company</b>	<u>1,718,296</u>	<u>1,710,275</u>
Non-controlling interests	286,199	277,803
<b>Total equity</b>	<u>2,004,495</u>	<u>1,988,078</u>

## Results Summary

In the first quarter of 2013, the Group recorded turnover of RMB2,718,825 thousand, representing an increase of 1.4% over the same period of last year. The increase in turnover was mainly attributable to the growth of the processed foods segment, while the performance of meat and feeds segment remained at the same level of last year which was impacted by the outbreak of “fast-grown chicken incident” and the suppressed pork price. The price of feed raw materials continued to rise which eroded the overall gross profit of the Group by 5.1% from last year. Meanwhile, as the food production and brand building operation strategy was needed to be adjusted and due to the increasing concern about food safety, the Group strengthened the establishment of distribution channels, marketing and branding promotion, the Group also increased investment in research and development and quality control. With the commencement of operation of new factories, overall administration expense of the Group increased. Since the labour cost in China has kept rising, the Group recorded a larger increase in labor cost over the same period of last year. Under the aggregated effects of the above factors, profit attributable to equity shareholders of the Company dropped significantly over the same period of last year.

During the reporting period, although the performance of the breeding and rearing industry remained in its trough, the recovery of chicken price as compared to the same period of last year brought a significant growth of 86.2% in gross profit of the meat segment. The gross profit of the feed segment decreased by 22.6% as product prices did not keep up with rising raw material prices and market competition was increasingly fierce. Processed food continued to maintain steady growth with increase in both selling price and sales volume, recording a substantial increase in sales volume through each distribution channel with a 10.3% increase in gross profit in the first quarter.

The Group maintained a healthy financial structure. As at 31 March 2013, net assets of the Group were approximately RMB2,004,495 thousand. Cash and cash equivalents accounted for 14.25% of total assets, and both the current ratio and gearing ratio were maintained at healthy levels of 2.08 times and 36%, respectively. The increase in gearing ratio compared to that as at 31 December 2012 was mainly due to the growth in long-term borrowings to well prepared for the demand on capital expense and working capital of the Group.

The purpose of this announcement is to disclose the financial information of the Company to its shareholders and prospective investors in Hong Kong for compliance with the requirements of Rule 13.09 of the Listing Rules for information disclosure in a timely manner.

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), which indirectly holds an approximate 52.04% equity interest in the Company; therefore, the operating results of the Group will be consolidated into the financial statements of Great Wall Enterprise.

## **Special Statement on Material Matters**

The Company is positioned as a “supplier of animal protein” and has three major business segments including feed segment, meat product segment and food segment. Business of feed segment mainly concentrates in sales of pig feeds and health supplements, markets cover China, Vietnam and Malaysia. Business of food segment mainly includes sales to domestic customers engaged in group meal, fast food and catering business as well as export of cooked food to Japanese market. Business of meat product segment focuses on vertically integrated chicken meat business, supplying raw chicken meat for catering and fast food industry.

As a supplier of basic and essential animal protein, the Company is experienced in risk management of bio-safety and has established a mature handling system. For the past few years, avian flu, SARS and H5N1 were reported several times in China. Generally, during the epidemic period, the market fluctuated widely. Such incidents would only last for 2-3 months at most and the market would resume normal in the subsequent quarter.

Since the outbreak of H7N9 was firstly reported on 1 April in China, thanks to the proper measures taken by the government and transparent information disclosure, end consumers have not panicked, although chicken consumption has been affected to a greater extent in the short term. “Safe and Traceable” is the principle we uphold. The Company has initiated its “Enhanced Bio-safety Measures” across the Company, which provides the greatest support to “Sister’s Kitchen”, our safe food brand. Since we have a popular brand name and numerous operation bases extend from Northeast China to Eastern China, our products can be delivered to markets at a faster pace. Furthermore, given we have a balanced customer structure comprising middle and large chain fast food restaurants, food processing factories and retailers, therefore the impact of the incident is mitigated. Currently, there has been no impact to the sales of pig feed, the sales of meat products have slowed down but within normal range while price of meat was at low level and the business of food segment has been affected. Based on our past market experience and the regular pattern of bio-safety, we anticipate that the greatest impact is to be seen in the second quarter and the market would gradually recover in the second half of the year.

## **PURCHASES, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the Group's unaudited consolidated financial statements for the three months ended 31 March 2013.

By Order of the Board

**Han Jia-Hwan**

*Chairman*

Hong Kong, 26 April 2013

*As at the date of this announcement, Mr. Han Jia-Hwan (Chairman) and Mr. Han Chia-Yin are the executive Directors, Mr. Han Chia-Yau, Mr. Harn Jia-Chen, Mr. Nicholas William Rosa and Mr. Chao Tien-Shin are the non-executive Directors, and Mr. Liu Fuchun, Dr. Chen Chih and Mr. Way Yung-Do are the independent non-executive Directors.*