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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 2014

The board of directors (the “Board”) of DaChan Food (Asia) Ltd (the “Company”) 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 2014:

Highlights

	Three months ended 31 March		
	2014	2013	% Change
	<i>(unaudited)</i>	<i>(unaudited)</i>	
Turnover (RMB'000)	2,675,130	2,718,825	-1.6
Gross profit (RMB'000)	163,696	181,735	-9.9
Gross profit margin (%)	6.1	6.7	
(Loss)/profit attributable to equity shareholders of the Company (RMB'000)	(7,158)	10,477	-168.3
Basic (loss)/earnings per share (RMB)	(0.01)	0.01	

CONSOLIDATED INCOME STATEMENT*(Expressed in RMB '000)*

	Three months ended 31 March	
	2014	2013
	<i>(unaudited)</i>	<i>(unaudited)</i>
Turnover	2,675,130	2,718,825
Cost of sales	(2,511,434)	(2,537,090)
Gross profit	163,696	181,735
Change in fair value of biological assets less costs to sell	3,227	3,469
Fair value of agricultural produce on initial recognition	3,026	4,180
Reversal of fair value of agricultural produce due to sales and disposals	(1,986)	(4,231)
Other operating income	2,433	7,745
Other net (loss)/gains	(5,898)	487
Distribution costs	(83,562)	(89,063)
Administrative expenses	(70,423)	(78,463)
Profit from operations	10,513	25,859
Finance costs	(6,084)	(4,456)
Share of loss of equity-accounted investees	(1,009)	(2,533)
Profit before taxation	3,420	18,870
Income tax	(4,817)	(288)
(Loss)/profit for the period	<u>(1,397)</u>	<u>18,582</u>
Attributable to:		
Equity shareholders of the Company	(7,158)	10,477
Non-controlling interests	5,761	8,105
(Loss)/profit for the period	<u>(1,397)</u>	<u>18,582</u>
(Loss)/earnings per share		
– Basic (RMB)	<u>(0.01)</u>	<u>0.01</u>
– Diluted (RMB)	<u>(0.01)</u>	<u>0.01</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in RMB '000)

	At 31 March 2014 (unaudited)	At 31 December 2013 (audited)
Non-current assets		
Fixed assets		
– property, plant and equipment	1,172,564	1,171,853
– lease prepayments	173,956	174,888
Interests in equity-accounted investees	117,358	118,356
Deferred tax assets	38,565	36,857
Other non-current assets	10,565	–
	<u>1,513,008</u>	<u>1,501,954</u>
Current assets		
Inventories	969,343	1,073,219
Biological assets	14,102	11,608
Trade receivables	339,545	364,251
Other receivables	413,568	405,976
Income tax recoverable	558	558
Cash and cash equivalents	521,023	590,126
	<u>2,258,139</u>	<u>2,445,738</u>
Current liabilities		
Trade payables	521,360	740,321
Other payables	328,649	382,364
Interest-bearing bank borrowings	284,369	212,398
Income tax payable	10,451	19,975
	<u>1,144,829</u>	<u>1,355,058</u>
Net current assets	<u>1,113,310</u>	<u>1,090,680</u>
Total assets less current liabilities	<u>2,626,318</u>	<u>2,592,634</u>
Non-current liabilities		
Interest-bearing bank borrowings	638,305	607,980
Deferred tax liabilities	394	359
	<u>638,699</u>	<u>608,339</u>
Net assets	<u>1,987,619</u>	<u>1,984,295</u>
Capital and reserves		
Share capital	97,349	97,349
Reserves	914,910	910,523
Retained profits	686,080	693,238
Total equity attributable to equity shareholders of the Company	<u>1,698,339</u>	<u>1,701,110</u>
Non-controlling interests	289,280	283,185
Total equity	<u>1,987,619</u>	<u>1,984,295</u>

Results Summary

In the first quarter of 2014, the Group recorded turnover of RMB2,675,130 thousand, representing a slight decrease of 1.6% over the same period of last year. Domestic hog price in the PRC continued to decrease during the quarter, and the aggregate demand for meat products had a structural adjustment due to the conservation requirement of government. Besides, although the effect of H7N9 gradually subsided, the price of meat products still remained low. Therefore, both unit price and sales volume of related products of broiler breeding, including broiler feeds for external sales, chicken meat and chicken processed food, declined compared with the same period of last year. In such a period with no sign of significant recovery, sales volume of professional catering market of the Group still maintained at its previous level; the meat product business utilized the excellent breeding and rearing platform and professional services to proactively expand the breeding business and sale of contract feed and day-old chicks increased; a double-digit growth was even recorded in the feed business in Southeast Asia. All these factors enabled the Group's overall turnover to remain at a similar level with that of the same period last year.

Gross profit margin of the Group decreased by 0.6 percent, mainly due to the decline in chicken meat price as the demand for chicken meat continued to decrease. Although the purchase prices of day-old chicks were determined with reference to market price and the rising feed efficiency effectively lowered the breeding and rearing costs, such efforts in cost control still could not offset the decrease in selling price, therefore the gross profit margin of meat product decreased. Feed for external sales benefited from decrease in raw material costs, more effective improvement of product structure and increased proportion of pig feed and premix, gross profit and gross profit margin increased steadily compared with the corresponding period of last year. The expenses of the Group were well controlled during the quarter compared with the corresponding period of last year as the Group was committed to reduce various one-off and scattered channel building expenses. As a result, overall expenses decreased compared with the same period of last year. In conclusion, the Group recorded a loss of RMB7,158 thousand during the first quarter. Domestic breeding and rearing industry of pig and chicken in the PRC was in poor condition during the first quarter, the selling prices of pig and chicken products were obviously lower than international prices, but are expected to rebound. With the recent elimination of redundant production capacity of the broiler industry, the supply and demand in the chicken industry gradually resumed balance, and the consumption of fast food chains also had a significant recovery compared with last year. Lastly, the newly formed White-Feather Broiler Alliance in the PRC also assumed a significant role of communicating with the consumers, the Group is therefore positive towards the condition of the industry during the year.

The Group maintained a healthy financial structure. As at 31 March 2014, net assets of the Group were approximately RMB1,987,619 thousand. Cash and cash equivalents accounted for 13.82% of total assets, and both the current ratio and gearing ratio were maintained at healthy levels of 1.97 times and 46% respectively. The rise in gearing ratio compared to that as at 31 December 2013 was mainly due to the increase in bank borrowings, which were made to meet 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 in 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.

PURCHASES, SALE OR REDEMPTION OF SHARES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the first quarter of 2014.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s unaudited consolidated financial statements for the three months ended 31 March 2014.

By Order of the Board
Han Jia-Hwan
Chairman

Hong Kong, 25 April 2014

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.