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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 2016

The board of directors (the “Board”) of DaChan Food (Asia) Limited (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 2016:

Highlights

	Three months ended 31 March		
	2016	2015	% Change
	<i>(unaudited)</i>	<i>(unaudited)</i>	
Turnover (RMB'000)	1,827,315	2,314,343	-21.0
Gross profit (RMB'000)	173,734	120,291	44.4
Gross profit margin (%)	9.5	5.2	
Profit/(loss) attributable to equity shareholders of the Company (RMB'000)	2,418	(39,434)	—
Basic earnings/(loss) per share (RMB)	0.002	(0.04)	

CONSOLIDATED INCOME STATEMENT

(Expressed in RMB '000)

	Three months ended 31 March	
	2016	2015
	(unaudited)	(unaudited)
Turnover	1,827,315	2,314,343
Cost of sales	(1,653,581)	(2,194,052)
Gross profit	173,734	120,291
Change in fair value of biological assets less costs to sell	(1,554)	(852)
Fair value of agricultural produce on initial recognition	5,679	25,047
Reversal of fair value of agricultural produce due to sales and disposals	(5,248)	(21,941)
Other operating income	7,112	1,242
Other net loss	(2,282)	(3,845)
Distribution costs	(92,743)	(88,472)
Administrative expenses	(54,894)	(53,664)
Profit/(loss) from operations	29,804	(22,194)
Finance costs	(12,921)	(5,406)
Share of loss of equity-accounted investees	(376)	(1,094)
Profit/(loss) before taxation	16,507	(28,694)
Income tax	(254)	(6,452)
Profit/(loss) for the period	16,253	(35,146)
Attributable to:		
Equity shareholders of the Company	2,418	(39,434)
Non-controlling interests	13,835	4,288
Profit/(loss) for the period	16,253	(35,146)
Earnings/(loss) per share		
– Basic (RMB)	0.002	(0.04)
– Diluted (RMB)	0.002	(0.04)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in RMB '000)

	At 31 March 2016 <i>(unaudited)</i>	At 31 December 2015 <i>(audited)</i>
Non-current assets		
Fixed assets		
– property, plant and equipment	1,203,935	1,221,483
– lease prepayments	179,857	171,095
Interests in equity-accounted investees	115,580	116,018
Deferred tax assets	29,820	24,251
Long-term tax recoverable	73,391	73,391
Other non-current assets	5,728	12,666
	1,608,311	1,618,904
Current assets		
Inventories	631,183	825,963
Biological assets	2,652	4,241
Trade receivables	299,399	322,296
Other receivables	437,766	423,021
Cash and cash equivalents	520,263	530,151
	1,891,263	2,105,672
Current liabilities		
Trade payables	410,511	516,427
Other payables	361,477	452,581
Provisions	11,382	12,452
Interest-bearing bank borrowings	431,210	319,947
Income tax payable	6,290	10,402
	1,220,870	1,311,809
Net current assets	670,393	793,863
Total assets less current liabilities	2,278,704	2,412,767
Non-current liabilities		
Interest-bearing bank borrowings	552,956	707,932
Deferred tax liabilities	346	314
	553,302	708,246
Net assets	1,725,402	1,704,521
Capital and reserves		
Share capital	97,502	97,502
Reserves	934,973	929,096
Retained profits	431,372	428,933
Total equity attributable to equity shareholders of the Company	1,463,847	1,455,531
Non-controlling interests	261,555	248,990
Total equity	1,725,402	1,704,521

Results Summary

The turnover of the Group for the first quarter of 2016 amounted to approximately RMB1,827,315 thousand, representing a decrease of approximately 21.0% as compared with the same period last year, and gross profit grew by approximately 44.4% as compared to same period of last year.

The significant decrease in turnover was mainly due to the change in relation to the meat product segment. Since the Group closed down some of the electric slaughtering plants in 2015, and the Group proportionately reduced the volume of day-old chicks reared and the sales volume of contracted feeds at the upper stream of the electric slaughtering, the turnover of the meat product segment decreased by approximately 49% as compared to the same period last year

Affected by the supply and demand imbalance of domestic day-old chicks, prices of day-old chicks increased continuously during the first quarter of 2016, which drove up the chicken meat market conditions in the end. At the same time, due to the decrease in production and sales scale, the meat product segment concentrated more of its effort on the development of valued brand distribution channels, and turned around the long term loss in gross profit of such segment, and enabled the gross profit to increase by approximately RMB48,937 thousand.

The turnover and gross profit of the feed segment in domestic China decreased significantly as compared to the same period of last year as limited by the continuing decrease in the domestic sow inventories and intense competition among the industry players; however, due to the advantage in terms of production layout, product strategy and sales channel establishment in the South East Asia region, both the turnover and gross profit of the entire feed segment increased as compared with the same period of last year.

During the first quarter of 2016, the food product segment continued its growth trend of last year, and driven by the key products and key market, the turnover and gross profit increased by approximately 13% and 41%, respectively, as compared with the same period of last year.

During the first quarter of 2016, the Group continuously enhanced its operating efficiency by adjusting the operating strategies and strengthening its internal management, so as to lower the operating risk while enhancing the overall profitability of the Group.

The Group maintained a healthy financial structure. As at 31 March 2016, the net assets of the Group were of approximately RMB1,725,402 thousand. Cash and cash equivalents accounted for about 14.87% of total assets. Both the current ratio and gearing ratio maintained at healthy levels of about 1.55 times and 57% (31 December 2015: 1.61 times and 60%) respectively. The current ratio of the Group as at 31 March 2016 decreased slightly compared to that as at 31 December 2015, but was still at a reasonable level. Due to the decrease in bank borrowings, which were made to meet the demand on capital expense and working capital of the Group, the count ratio and the gearing ratio continued to be optimized.

The purpose of this announcement is to disclose the financial information of the Company to its shareholders and prospective investors in Hong Kong 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.

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), which indirectly holds approximately 52.04% of the issued shares 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 SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the first quarter of 2016.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s consolidated financial statements for the three months ended 31 March 2016 which have not been audited by the auditors.

By Order of the Board
Han Jia-Hwan
Chairman

Hong Kong, 28 April 2016

As at the date of this announcement, the Board comprises Mr. Han Jia-Hwan (Chairman) and Mr. Han Chia-Yin as executive directors, Mr. Han Chia-Yau, Mr. Harn Jia-Chen and Mr. Chao Tien-Shin as non-executive directors, and Mr. Way Yung-Do, Mr. Chen Chih and Mr. Wei Anning as independent non-executive directors.