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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 2017

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 2017:

Highlights

	Three months ended 31 March		
	2017	2016	% Change
	<i>(unaudited)</i>	<i>(unaudited)</i>	
Turnover (RMB'000)	2,080,565	1,827,315	13.9
Gross profit (RMB'000)	199,411	173,734	14.8
Gross profit margin (%)	9.6	9.5	
Profit attributable to equity shareholders of the Company (RMB'000)	9,202	2,418	280.5
Basic earnings per share (RMB)	0.009	0.002	

CONSOLIDATED INCOME STATEMENT

(Expressed in RMB '000)

	Three months ended 31 March	
	2017	2016
	(unaudited)	(unaudited)
Turnover	2,080,565	1,827,315
Cost of sales	(1,881,154)	(1,653,581)
Gross profit	199,411	173,734
Change in fair value of biological assets less costs to sell	(2,800)	(1,554)
Fair value of agricultural produce on initial recognition	3,524	5,679
Reversal of fair value of agricultural produce due to sales and disposals	(3,581)	(5,248)
Other operating income	701	7,112
Other net loss	(478)	(2,282)
Distribution costs	(97,044)	(92,743)
Administrative expenses	(54,084)	(54,894)
Profit from operations	45,649	29,804
Finance costs	(12,000)	(12,921)
Share of loss of equity-accounted investees	(518)	(376)
Profit before taxation	33,131	16,507
Income tax	(5,783)	(254)
Profit for the period	27,348	16,253
Attributable to:		
Equity shareholders of the Company	9,202	2,418
Non-controlling interests	18,146	13,835
Profit for the period	27,348	16,253
Earnings per share		
– Basic (RMB)	0.009	0.002
– Diluted (RMB)	0.009	0.002

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*(Expressed in RMB '000)*

	At 31 March 2017 (unaudited)	At 31 December 2016 (audited)
Non-current assets		
Fixed assets		
– property, plant and equipment	1,169,848	1,175,531
– lease prepayments	187,849	189,374
Interests in equity-accounted investees	84,625	85,169
Other non-current financial assets	1,948	1,948
Deferred tax assets	29,431	29,551
Long-term tax recoverable	89,172	91,508
Other non-current assets	13,952	13,053
	<hr/> 1,576,825 <hr/>	<hr/> 1,586,134 <hr/>
Current assets		
Inventories	853,826	939,174
Biological assets	3,727	5,797
Trade receivables	385,365	385,222
Other receivables	475,420	416,269
Cash and cash equivalents	359,955	327,539
	<hr/> 2,078,293 <hr/>	<hr/> 2,074,001 <hr/>
Current liabilities		
Trade payables	470,332	601,357
Other payables	408,695	462,926
Provisions	6,167	6,776
Interest-bearing bank borrowings	704,725	560,147
Dividends payable	14,144	14,221
Income tax payable	5,222	9,355
	<hr/> 1,609,285 <hr/>	<hr/> 1,654,782 <hr/>
Net current assets	<hr/> 469,008 <hr/>	<hr/> 419,219 <hr/>
Total assets less current liabilities	<hr/> 2,045,833 <hr/>	<hr/> 2,005,353 <hr/>

	At 31 March 2017 (unaudited)	At 31 December 2016 (audited)
Non-current liabilities		
Interest-bearing bank borrowings	242,457	243,636
Deferred tax liabilities	325	322
	<u>242,782</u>	<u>243,958</u>
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Net assets	<u>1,803,051</u>	<u>1,761,395</u>
Capital and reserves		
Share capital	97,920	97,920
Reserves	903,931	901,466
Retained profits	498,931	489,729
	<u>1,500,782</u>	<u>1,489,115</u>
Total equity attributable to equity shareholders of the Company	1,500,782	1,489,115
Non-controlling interests	302,269	272,280
	<u>1,803,051</u>	<u>1,761,395</u>
Total equity	<u>1,803,051</u>	<u>1,761,395</u>

Results Summary

The turnover of the Group for the first quarter of 2017 amounted to approximately RMB2,080,565 thousand, representing an increase of approximately 13.9% as compared with the same period of last year, and gross profit grew by approximately 14.8% as compared to the same period of last year.

The effects of the operational restructuring of the Group's meat product segment in 2015 continued to manifest in the first quarter of this year. By entering into different kinds of day-old chick contracts, the risk of the dropping price of day-old chick of the meat product segment is avoided to a certain extent; the enhancement of the management ability on rearing and breeding broiler and the continuous improvement on the performance of contracted feeds were conducive to lowering the cost of rearing and breeding; the enhancement of the production efficiency of electric slaughtering further lowered the processing cost; the continuing increase in the ratio of sales through the valued sales channels weakened the impact of the fluctuating meat market on profits. The combined effects of these measures resulted in an increase of approximately RMB25,014 thousand for the gross profit of the meat product segment as compared with the same period of last year.

Intense market competition led to a decline in the gross profit of the Group's feeds segment in mainland China, but the active marketing strategies resulted in a slight increase in its turnover as compared with the same period of last year. The structure of its product sales also continued to improve. Meanwhile, in respect of the feeds segment in Southeast Asia, benefiting from the continuous enhancement of product competitiveness, active expansion of new markets and new clientele, and further solidified market position, the turnover and gross profit in the first quarter increased by approximately 20.8% and approximately 26.4% respectively as compared with the same period of last year. The overall gross profit of the feeds segment grew by approximately 6.6% as compared with the same period of last year.

Food productisation and providing safe and traceable products are the strategies that the Group has been insisting on. Consumers' recognition of the brand and quality of the Group's products contributed to the steady growth of the Group's food product segment. Its turnover in the first quarter grew by approximately 4.2%. In response to the corresponding need to increase production capacity resulted from the continued growth of the product sales volume of the food product segment, the Group has invested in the construction of a new food processing factory in Bengbu, Anhui, which is expected to commence production by the end of the year. Upon the commencement of operation of the Bengbu food processing factory, the layout of the Group's vertically integrated food production chain will be further improved, the ability to resist market risks will be further strengthened and thus the profitability will become more stable as well.

The Group maintained a healthy financial structure. As at 31 March 2017, the net assets of the Group were of approximately RMB1,803,051 thousand. Cash and cash equivalents accounted for about 9.8% of total assets. As at 31 March 2017, the Group's current ratio was approximately 1.29 times, increased slightly as compared to the approximately 1.25 times as at 31 December 2016. Due to the increase in bank borrowings, which were resulting from the need to meet capital expenditures of the Group, the gearing ratio was approximately 53% as at 31 March 2017, increased slightly as compared to the approximately 46% as at 31 December 2016, but was still at a reasonable level.

The purpose of this announcement is to disclose 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.

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 2017.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s consolidated financial statements for the three months ended 31 March 2017 which have not been audited but reviewed by the independent auditor.

By Order of the Board
Han Jia-Hwan
Chairman

Hong Kong, 28 April 2017

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.