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DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

Announcement of Results for the nine months ended 30 September 2017

The board of directors (the "Board") of DaChan Food (Asia) Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the nine months ended 30 September 2017 (the "Period under Review").

FINANCIAL SUMMARY

	Nine months ended 30 September		
	2017	2016	% change
	(unaudited)	(unaudited)	
Turnover (RMB'000)	6,240,619	5,812,556	7.4
Gross Profit (RMB'000)	593,380	565,250	5.0
Gross profit margin (%)	9.5	9.7	
(Loss)/profit attributable to equity shareholders of the Company (RMB'000)	(9,700)	26,426	–
Basic (loss)/earnings per share (RMB)	(0.01)	0.03	

CONSOLIDATED INCOME STATEMENT**For the nine months ended 30 September 2017 – unaudited***(Expressed in thousands of Renminbi)*

	Nine months ended	
	30 September	
	2017	2016
Turnover	6,240,619	5,812,556
Cost of sales	<u>(5,647,239)</u>	<u>(5,247,306)</u>
Gross profit	593,380	565,250
Change in fair value of biological assets less cost to sell	832	(909)
Fair value of agricultural produce on initial recognition	6,660	12,594
Reversal of fair value of agricultural produce due to sales and disposals	(7,279)	(12,808)
Other operating income	3,261	5,507
Other net (losses)/gains	(26,360)	45,436
Distribution costs	(305,074)	(286,326)
Administrative expenses	<u>(188,981)</u>	<u>(205,537)</u>
Profit from operations	76,439	123,207
Finance costs	(36,541)	(34,290)
Share of profits/(losses) of equity-accounted investees	<u>8,487</u>	<u>(1,066)</u>
Profit before taxation	48,385	87,851
Income tax	<u>(14,397)</u>	<u>(13,980)</u>
Profit for the period	<u><u>33,988</u></u>	<u><u>73,871</u></u>
Attributable to:		
Equity shareholders of the Company	(9,700)	26,426
Non-controlling interests	<u>43,688</u>	<u>47,445</u>
Profit for the period	<u><u>33,988</u></u>	<u><u>73,871</u></u>
(Loss)/earnings per share		
– Basic (RMB)	<u>(0.01)</u>	<u>0.03</u>
– Diluted (RMB)	<u>(0.01)</u>	<u>0.03</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

(Expressed in thousands of Renminbi)

	At 30 September 2017 (unaudited)	At 31 December 2016 (audited)
Non-current assets		
Fixed assets		
– property, plant and equipment	1,247,487	1,175,531
– lease prepayments	184,166	189,374
Interests in equity-accounted investees	51,427	85,169
Other non-current financial assets	1,948	1,948
Deferred tax assets	28,317	29,551
Long-term tax recoverable	89,173	91,508
Other non-current assets	56,512	13,053
	1,659,030	1,586,134
Current assets		
Inventories	771,088	939,174
Biological assets	7,354	5,797
Trade receivables	426,543	385,222
Other receivables	362,871	328,709
Other current assets	137,543	87,560
Cash and cash equivalents	337,839	327,539
	2,043,238	2,074,001
Current liabilities		
Trade payables	540,980	601,357
Other payables	442,159	462,926
Provisions	4,985	6,776
Bank loans	538,372	560,147
Dividend payables	–	14,221
Income tax payable	1,569	9,355
	1,528,065	1,654,782
Net current assets	515,173	419,219
Total assets less current liabilities	2,174,203	2,005,353
Non-current liabilities		
Bank loans	375,565	243,636
Deferred tax liabilities	520	322
	376,085	243,958
Net assets	1,798,118	1,761,395
Capital and reserves		
Share capital	97,920	97,920
Reserves	917,967	901,466
Retained profits	480,029	489,729
Total equity attributable to equity shareholders of the Company	1,495,916	1,489,115
Non-controlling interests	302,202	272,280
Total equity	1,798,118	1,761,395

BUSINESS SUMMARY

The loss attributable to equity shareholders of the Company for the first three quarters of 2017 was approximately RMB9,700 thousand while the profit attributable to equity shareholders of the Company for the same period of last year was approximately RMB26,426 thousand. Overall, as the operating results improved, the turnover of the Group for the first three quarters of 2017 amounted to approximately RMB6,240,619 thousand, representing an increase of 7.4% as compared with the same period of last year. The gross profit amounted to approximately RMB593,380 thousand, which increased by 5.0% as compared to the same period of last year, mainly due to the growth of the food segment and meat product segment. However, being affected by the fluctuation in US dollar to Renminbi exchange rate, the exchange losses of the period amounted to approximately RMB35,919 thousand (exchange gain of approximately RMB15,738 thousand for the same period of 2016), which led to the decrease of the profit attributable to equity shareholders of the Company.

Since the third quarter, with the growth of demand driven by peak seasons, the influence of environmentally friendly policies as well as the gradual exit of players in the industry who have experienced long-term loss, the oversupply in the market has been relieved. The Group captured market opportunities, expanded the volume of breeding and electrical slaughtering and increased productivity to enhance the rate of production capacity utilization, while improving its output value through adjusting sales structure. Accordingly, operating income of the meat product segment grew by 16% as compared with the same period of last year, with profitability significantly improved.

The overall operating income of the Group's feed segment for the first three quarters of 2017 was maintained at a level similar with the same period of last year, while the gross profit decreased by 9% as compared with the same period of last year. The operating income of the domestic feed segment has decreased by 6% as compared with the same period of last year as a result of being affected by keen competition in the market. The Group will continue to put greater effort in caring for and nurturing major customers and improve operating income and room for profit. Although the Vietnam's market was adversely affected by the low price of pigs, through the Group's continuing consolidation of its market share in Southeast Asia, sales of the feed segment of Southeast Asia has achieved a growth of 6% as compared with the same period of last year.

Operating income of the food segment for the first three quarters of 2017 increased by 23% as compared with the same period of last year, achieving a growth of 18% in gross profit as compared with the same period of last year. Through optimizing the product sales mix, expanding sales channels, and maintaining the market share of major products while continuously launching new products, the operating income and gross profit of the domestic food segment increased by 13% and 23% as compared with the same period of last year respectively. For the export food segment, by exploring new overseas customers on an ongoing basis and consolidating and strengthening the effort put in the export business in the Japanese market, the operating income increased by 50% as compared with the same period of last year. The gross profit margin of the export food segment slightly decreased due to the adjustment to the export product mix of the Group in response to customer needs. Being the core of the development strategies of the Company, expansion of the food segment was conducive to withstanding the risks from price fluctuation of poultry and livestock, enhancement of synergistic effects among each segment and improvement of the Company's profitability.

In order to further mitigate the risks from the meat product segment, the Group reorganized its operation in the meat product and food segments within the supply chain, re-positioned the meat product segment as the raw material supply chain of the food segment, continued to reduce the sales business of the meat product segment in the low-value sales channels and strived to ensure the supply on raw materials required in food production and the sales demand on the branded meat product market. The Group believed that under such strategy adjustment, the operational risks of the meat product segment would be controlled more effectively. In the meantime, the integration of the food segment and the meat product segment as well as the going into operation of the new Bengbu food factory will accelerate the Group's progress of food processing development.

The Group maintained a stable amount of assets and liabilities. As of 30 September 2017, the net assets of the Group were approximately RMB1,798,118 thousand, which was substantially the same as that as of 31 December 2016, which amounted to approximately RMB1,761,395 thousand. As of 30 September 2017, the cash and cash equivalents of the Group accounted for approximately 9.13% of the total assets of the Group, and the current ratio and gearing ratio were maintained at approximately 1.34 times and 51.4% respectively.

OTHER

As of 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 (the “Taiwan Stock Exchange”)), which indirectly holds approximately 52.04% of the entire issued shares of the Company; therefore, the operating results of the Group will be consolidated into the financial statements of Great Wall Enterprise. In accordance with the Taiwan Securities and Exchange Act and the listing rules of the Taiwan Stock Exchange, Great Wall Enterprise is required to prepare its own consolidated quarterly report and publish its quarterly operating results on its website.

This announcement is made for the purpose of disclosing 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.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

The Group has not 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 consolidated financial statements for the nine months ended 30 September 2017, which have not been audited by the independent auditor, including the accounting principles adopted by the Group, with which it has no disagreement.

On behalf of the Board
Han Jia-Hwan
Chairman

Hong Kong, 27 October 2017

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