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DACHAN FOOD (ASIA) LIMITED
大成食品(亞洲)有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3999)

Announcement of Results for the nine months ended 30 September 2022

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 2022:

Highlights

	Nine months ended 30 September		
	2022	2021	% change
	(unaudited)	Restated* (unaudited)	
Turnover – Continuing operations (RMB’000)	4,512,433	4,957,866	-9.0
Gross profit – Continuing operations (RMB’000)	504,235	500,465	0.8
Gross profit margin – Continuing operations (%)	11.2	10.1	
Profit attributable to equity shareholders of the Company – Continuing operations (RMB’000)	65,830	74,885	-12.1
Basic earnings per share – Continuing operations (RMB)	0.065	0.074	
Profit attributable to shareholders of the Company (RMB’000)	65,830	98,305	-33.0
Basic earnings per share (RMB’000)	0.065	0.097	

Restated*: During the fourth quarter of 2021, the Group disposed of its subsidiaries operating in Vietnam and Malaysia to focus on the development of its business in Mainland China. Accordingly, the financial results of these disposed subsidiaries prior to disposal are presented as “discontinued operations” in the consolidated financial statements in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. Comparative information for the nine months ended 30 September 2021 has been restated in this regard.

CONSOLIDATED INCOME STATEMENT
For the nine months ended 30 September 2022
(Expressed in RMB'000 unless otherwise stated)

	Nine months ended 30 September	
	2022	2021
	(unaudited)	Restated* (unaudited)
Continuing Operations		
Turnover	4,512,433	4,957,866
Cost of sales	<u>(4,008,198)</u>	<u>(4,457,401)</u>
Gross profit	504,235	500,465
Other operating income	33,673	12,271
Other net (losses)/gains	(3,762)	6,471
Distribution costs	(230,859)	(227,020)
Administrative expenses	<u>(187,141)</u>	<u>(177,258)</u>
Profit from operations	116,146	114,929
Finance costs	(7,886)	(9,215)
Share of loss of equity accounted investees	<u>(1,408)</u>	<u>(823)</u>
Profit before taxation	106,852	104,891
Income tax	<u>(12,663)</u>	<u>(6,657)</u>
Profit from continuing operations	94,189	98,234
Profit from discontinued operation	<u>–</u>	<u>34,105</u>
Profit for the period	<u><u>94,189</u></u>	<u><u>132,339</u></u>
Attributable to:		
Equity shareholders of the Company	65,830	98,305
Non-controlling interests	<u>28,359</u>	<u>34,034</u>
Profit for the period	<u><u>94,189</u></u>	<u><u>132,339</u></u>
Earnings per share		
– Basic and diluted (RMB)	<u><u>0.065</u></u>	<u><u>0.097</u></u>
Earnings per share – continuing operations		
– Basic and diluted (RMB)	<u><u>0.065</u></u>	<u><u>0.074</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 30 September 2022***(Expressed in RMB'000 unless otherwise stated)*

	At 30 September 2022	At 31 December 2021
	(unaudited)	(audited)
Non-current assets		
Fixed assets		
– Property, plant and equipment	1,148,298	1,019,618
– Land use rights	126,673	139,841
– Investment property	54,289	56,381
Interests in equity-accounted investees	68,388	69,796
Other financial assets	1,948	1,948
Deferred tax assets	6,497	4,274
Long-term tax recoverable	118,230	139,778
Other non-current assets	39,527	31,734
	<u>1,563,850</u>	<u>1,463,370</u>
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Current assets		
Inventories	636,630	608,153
Biological assets	171,434	143,647
Trade receivables	243,149	213,087
Other receivables and prepayments	302,823	387,945
Cash and cash equivalents	660,567	625,059
	<u>2,014,603</u>	<u>1,977,891</u>
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Current liabilities		
Trade payables	441,219	397,655
Other payables	338,549	293,094
Contract liabilities	27,291	26,195
Interest-bearing borrowings	128,753	133,640
Lease liabilities	3,387	3,387
Income tax payable	12,780	10,215
	<u>951,979</u>	<u>864,186</u>
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Net current assets	<u>1,062,624</u>	<u>1,113,705</u>
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	At 30 September 2022 (unaudited)	At 31 December 2021 (audited)
Total assets less current liabilities	<u>2,626,474</u>	<u>2,577,075</u>
Non-current liabilities		
Interest-bearing borrowings	261,070	273,852
Lease liabilities	26,162	30,579
Deferred tax liabilities	<u>7,936</u>	<u>3,097</u>
	<u>295,168</u>	<u>307,528</u>
Net assets	<u><u>2,331,306</u></u>	<u><u>2,269,547</u></u>
Capital and reserves		
Share capital	97,920	97,920
Reserves	926,003	949,624
Retained profits	<u>1,015,901</u>	<u>950,071</u>
Total equity attributable to equity shareholders of the Company	<u>2,039,824</u>	<u>1,997,615</u>
Non-controlling interests	<u>291,482</u>	<u>271,932</u>
Total equity	<u><u>2,331,306</u></u>	<u><u>2,269,547</u></u>

RESULTS SUMMARY

In the third quarter of 2022, the international situation was more severe and complicated than ever. Apart from the continuous expansion of the impact of the geopolitical conflicts and the Covid-19 epidemic on the global supply chain, the soaring prices of food and energy, as well as the increasing risk of global economic stagflation, the domestic economic development of the PRC was also facing greater challenges. The average national consumer price index of the PRC from January to September 2022 increased by approximately 2.0% as compared to the same period last year. Excluding the price factor of live pigs, in addition to the structural imported inflationary pressures brought on by higher prices of oil and natural gas due to the geopolitical conflicts, there was structural deflation in certain industrial goods and core consumer price index areas, reflecting an overall lack of consumption in the PRC domestic market.

Under such severe situation, the Group has not blindly pursued an expansion of scale, instead, it has been adhering to the principle of “strengthening its fundamentals, retaining customers and keeping sufficient cash” to restructure its supply chain in a customer-centric way to enhance its competitiveness. In the third quarter of the year, the operating revenue was approximately RMB1,715,549 thousand, representing an increase of approximately 17.5% from the second quarter, and an increase of approximately 1.8% as compared to the restated figure for the same period last year. Profit attributable to shareholders was approximately RMB32,028 thousand, representing an increase of approximately 13.6% from the second quarter, and an increase of approximately 42.5% as compared to the same period last year (exclusive of the profit from the feeds segment in Southeast Asia).

In the first three quarters of 2022, the Group’s operating revenue was approximately RMB4,512,433 thousand, representing a decrease of approximately 9% as compared to the restated figure for the same period last year. Profit attributable to shareholders was approximately RMB65,830 thousand. When, excluding the profit from the feeds business in Southeast Asia for the same period last year, the profit attributable to shareholders of various domestic business segments in the PRC decreased by approximately 12% as compared to the same period last year. The year-on-year decline in revenue and profit was mainly due to the fact that customers of the feeds business were mostly small and medium-sized farms, and the prolonged downturn in the price of live pigs had created difficulty in their cash flow, thereby causing them to reduce their stocking or stop the breeding of live pigs, which in turn resulted in the falling of feeds sales volume and year-on-year profit of the Group.

In the first three quarters of 2022, the revenue and gross profit of the foods segment grew by approximately 3.2% and 7.7% year-on-year, respectively. Despite the severe domestic inflation in Japan and the fact that Thailand lowered its export price to Japan for market competition, which led to a year-on-year decrease of approximately 9.4% in the revenue of the export business of the foods segment in the first three quarters, the Group has successfully turned the year-on-year growth rate of export sales and revenue into positive in the third quarter through continuous R&D innovation, product optimization and customer network development. At the same time, benefited from the appreciation of the US dollar and optimisation in product structure, gross profit of the food export business increased by approximately 118.2% year-on-year in the first three quarters. As for domestic food sales, due to the spreading of the epidemic across the PRC and sluggish consumer demand, the operating revenue growth slowed in the first three quarters and increased by approximately 5.6% year-on-year. To cope

with the challenges posed by the epidemic, the foods team actively sought business opportunities amid the epidemic from potential customers who were less affected by the epidemic to minimize the negative impact of the epidemic on our business performance. The foods team also continued to increase its efforts in developing direct sales customers network, and identified more strategic customers through joint R&D of customized products and comprehensive supply chain services. Focus was put on key regions and key channels, helping distributors to carry out various publicity and promotion activities so as to increase products' coverage rate. As for product innovation, the foods team kept abreast of market demand, explored new production technologies and expanded its product variety, striving to create more hit products. As for retail business, the foods team has focused its resources on enhancing the continued promotion of family-sized products in e-commerce platforms, community group purchase, chain supermarkets, farmers' markets and other retail channels to further improve the channel construction and regional strategy. By reason of the aforesaid, in the third quarter, gross profit of the foods segment grew by approximately 6.0% as compared to the second quarter.

In the first three quarters of 2022, following a double-click attack from the rise in raw material costs and a decrease in the breeding volume of customers, the operating revenue and gross profit of the feeds segment decreased by approximately 22.6% and 36.9% year-on-year, respectively. As affected by the international situation, there had been an increase in the prices of bulk raw materials in the PRC and the cost of the feeds for live pigs' farming has increased. At the same time, the domestic consumer market was constrained by the epidemic, and the price of live pigs continued to remain sluggish, resulting in losses in the breeding industry of live pigs for an extended period of time. Compared to large-scale pigs' breeding enterprises with relatively more vertical integration, our feed segment clients, being mostly small and medium-sized farms, are relatively more vulnerable to risk. They started to reduce the amount of stocks or even cease to breed under prolonged losses, resulting in a decrease in feeds sales of the Group. With the rebound in domestic price of live pigs in August, there was an increase in motivation of the live pigs' farming industry and an increase in the number of the withholding sales of salable pigs, resulting in a gradual narrowing of the year-on-year decline in sales volume of the feeds segment. To mitigate the impact of cyclical fluctuations in pig price on our business performance, the feeds team put more resources into the R&D of and the customer network development for niche products such as poultry feeds and ruminant feeds, actively expanded markets beyond pig feeds, increased products diversity, so as to diversify market risks. At the same time, in response to the rising price of soybean meal, the R&D team of the feeds segment actively developed a formula to reduce and replace the use of soybean meal, which effectively controlled the cost inflation. By reason of the aforesaid, in the third quarter, gross profit of the feeds segment grew by approximately 65.2% as compared to the second quarter.

In the first three quarters of 2022, the operating income of the meat segment was basically the same as the same period last year, with a year-on-year increase in gross profit of approximately 105.3%. As affected by the international market, the prices of corn and soybean meal continued to stand at high level, the year-on-year increase in the cost of feeds for breeding meat chickens outstripped the increase in the prices of chicken meat. To cope with such unfavorable situation, the meat team speeded up the pace of transformation and re-structured its supply chain. On one hand, it strategically eliminated the cooperative breeding farms and chicken farmers for parental broods who have not performed well and cut the scale of breeding and electrical slaughtering in a planned way; on the other hand, it has also actively developed chains of fresh food shops and members' shops to attract customers who value product quality, dispensed with price-sensitive customers, and enhanced our brand value through optimization of sales channels. By reason of the aforesaid, in the third quarter, gross profit of the meat segment grew by approximately 34.8% as compared to the second quarter.

Looking forward into the fourth quarter of 2022, the food and energy crises caused by the Russia-Ukraine war, the financial problems caused by the US dollar interest rate hike to the rest of the world, as well as the uncertainty brought by the epidemic to the global and domestic economies will continue to exist. The Group will continue to look for new sources of growth led by its foods segment, with feeds as foundation to increase its investment in R&D and process optimization, maintain stable sales volume, and at the same time diversify its market risks by product diversification. The Group will improve the operational structure of the meat business, appropriately adjusting the proportion of its upstream business, focusing on end-market development and strengthening its cash flow management. With the synergy of foods team, feeds team and meat team, the Group's overall industrial competitiveness and counter-cyclical ability would be enhanced through increasing investment in talents and teams, continuously implementing digital transformation, optimizing supply chain management, restructuring sales channels and increasing operational efficiency.

The Group maintains a healthy financial structure. As at 30 September 2022, net assets of the Group amounted to approximately RMB2,331,306 thousand; cash and cash equivalents represented approximately 18.5% of total assets. As at 30 September 2022, current ratio of the Group was approximately 2.12, representing a slight decrease over the ratio of approximately 2.29 as at 31 December 2021. The interest-bearing borrowings to equity ratio was approximately 16.7%, representing a decrease over the relevant ratio (approximately 18.0%) as at 31 December 2021.

OTHERS

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 (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 financial reports 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

For the nine months ended 30 September 2022, the Company and any of its subsidiaries have not purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's consolidated financial statements for the nine months ended 30 September 2022 which have not been audited by the independent auditor.

On behalf of the Board
James Chun-Hsien Wei
Chairman

Hong Kong, 3 November 2022

As at the date of this announcement, Mr. James Chun-Hsien Wei (Chairman) and Mr. Han Chia-Yin are the executive directors of the Company, Mr. Han Chia-Yau, Mr. Harn Jia-Chen, Mr. Han Jia-Hwan, Mr. Chao Tien-Shin and Mr. Wei Anning are the non-executive directors of the Company, and Mr. Way Yung-Do, Mr. Chen Chih, Mr. Ting Yu-Shan and Mr. Hsia, Li-Yan are the independent non-executive directors of the Company.