

The Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**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 Annual Results For 2022**

The board of directors (the “Board”) of DaChan Food (Asia) Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31 December 2022, prepared in conformity with the basis of presentation as stated in note 2 below, together with the comparative figures for the year ended 31 December 2021 as follows:

**Highlights**

	<b>2022</b>	<b>2021</b>	<b>% change</b>
Turnover – continuing operations (RMB’000)	6,195,175	6,530,905	-5.1
Gross profit – continuing operations (RMB’000)	680,906	661,784	2.9
Gross profit margin – continuing operations (%)	11.0	10.1	
Profit attributable to equity shareholders of the Company – continuing operations (RMB’000)	91,852	90,700	1.3
Basic earnings per share – continuing operations (RMB)	0.09	0.09	
Profit attributable to equity shareholders of the Company (RMB’000)	91,852	155,473	-40.9
Basic earnings per share (RMB)	0.09	0.15	
Dividend per share (HK cents)	0	0	

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

(Expressed in thousands of Renminbi unless otherwise stated)

	Note	2022	2021
<b>Continuing operations</b>			
Turnover	3	6,195,175	6,530,905
Cost of sales		<u>(5,514,269)</u>	<u>(5,869,121)</u>
<b>Gross profit</b>		680,906	661,784
Other operating income		46,463	16,708
Other net (loss)/gain		(5,921)	12,059
Distribution costs		(307,598)	(301,704)
Administrative expenses		<u>(264,290)</u>	<u>(240,237)</u>
<b>Profit from operations</b>		149,560	148,610
Finance costs	4(a)	(11,278)	(12,575)
Share of losses of equity-accounted investees		<u>(1,010)</u>	<u>(1,529)</u>
<b>Profit before taxation</b>	4	137,272	134,506
Income tax	5	<u>(14,792)</u>	<u>(9,909)</u>
Profit from continuing operations		122,480	124,597
Profit from discontinued operations		<u>0</u>	<u>75,405</u>
<b>Profit for the year</b>		<u><u>122,480</u></u>	<u><u>200,002</u></u>
<b>Profit for the year attributable to:</b>			
Equity shareholders of the Company		91,852	155,473
Non-controlling interests		<u>30,628</u>	<u>44,529</u>
<b>Profit for the year</b>		<u><u>122,480</u></u>	<u><u>200,002</u></u>
<b>Dividends payable to shareholders of the Company attributable to the year:</b>			
Final dividend proposed after the end of the reporting period	6	<u><u>0</u></u>	<u><u>0</u></u>
<b>Earnings per share</b>	7		
– Basic and diluted (RMB)		<u><u>0.09</u></u>	<u><u>0.15</u></u>
<b>Earnings per share-continuing operations</b>			
– Basic and diluted (RMB)	7	<u><u>0.09</u></u>	<u><u>0.09</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****At 31 December 2022***(Expressed in thousands of Renminbi unless otherwise stated)*

	Note	2022	2021
<b>Non-current assets</b>			
Property, plant and equipment		1,240,947	1,019,618
Land use rights		125,499	139,841
Investment property		53,889	56,381
Interests in equity-accounted investees		68,786	69,796
Other financial assets		1,948	1,948
Deferred tax assets		6,071	4,274
Long-term tax recoverable	9	112,497	139,778
Other non-current assets		<u>59,598</u>	<u>31,734</u>
		<u>1,669,235</u>	<u>1,463,370</u>
<b>Current assets</b>			
Inventories		671,019	608,153
Biological assets		149,077	143,647
Trade receivables	8	239,110	213,087
Other receivables and prepayments	9	310,562	387,945
Cash and cash equivalents		<u>532,274</u>	<u>625,059</u>
		<u>1,902,042</u>	<u>1,977,891</u>
<b>Current liabilities</b>			
Trade payables	10	472,025	397,655
Other payables	11	328,568	293,094
Contract liabilities		20,756	26,195
Interest-bearing borrowings		107,448	133,640
Lease liabilities		2,001	3,387
Income tax payable		<u>9,928</u>	<u>10,215</u>
		<u>940,726</u>	<u>864,186</u>
<b>Net current assets</b>		<u>961,316</u>	<u>1,113,705</u>

	Note	2022	2021
<b>Total assets less current liabilities</b>		<u>2,630,551</u>	<u>2,577,075</u>
<b>Non-current liabilities</b>			
Interest-bearing borrowings		269,792	273,852
Lease liabilities		29,716	30,579
Deferred tax liabilities		<u>7,936</u>	<u>3,097</u>
		<u>307,444</u>	<u>307,528</u>
<b>Net assets</b>		<u>2,323,107</u>	<u>2,269,547</u>
<b>Capital and reserves</b>			
Share capital		97,920	97,920
Reserves		944,706	949,624
Retained profits		<u>1,028,770</u>	<u>950,071</u>
<b>Total equity attributable to equity shareholders of the Company</b>		2,071,396	1,997,615
Non-controlling interests		<u>251,711</u>	<u>271,932</u>
<b>Total equity</b>		<u>2,323,107</u>	<u>2,269,547</u>

# SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in thousands of Renminbi unless otherwise stated)*

## 1 General information

DaChan Food (Asia) Limited was incorporated in the Cayman Islands on 18 May 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries are primarily involved in the manufacturing and trading of livestock feeds, poultry and chilled meat and processed foods.

The Company publicly offered its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 4 October 2007.

## 2 Basis of preparation

The annual results have been reviewed by the audit committee of the Company.

### *(a) Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and Interpretations issued by the International Accounting Standards Board (“IASB”), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company.

Note 2(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### *(b) Basis of measurement*

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries and the Group’s interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value. Further details will be explained in the accounting policies set out below:

- derivative financial instruments are measured at fair value.

### *(c) Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (“functional currency”). The consolidated financial statements are presented in Renminbi (“RMB”) (“presentation currency”), which is different from the functional currency of the Company. The Company’s functional currency is United States dollars (“USD”). The functional currency of those subsidiaries in People’s Republic of China (“PRC”) and Vietnam is RMB and Vietnamese Dong respectively. As its principal subsidiaries are located in PRC, the directors of the Company consider that it is appropriate to present the consolidated financial statements in RMB. All financial information presented in RMB has been rounded to the nearest thousand except when otherwise indicated.

(d) *Changes in accounting policies*

The Group has applied the following amendments to IFRSs to these financial statements for the current accounting period:

- Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous Contracts – Cost of Fulfilling a Contract*

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 3 **Turnover and segment information**

Turnover mainly represents the sales value of goods sold to customers but excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the chief executive officer of the Company ("CEO") for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Processed foods: The processed foods segment processes meat (mainly chicken meat) into further processed or instant food (half-cooked/fully cooked) products for production and distribution.

Livestock feeds: The livestock feeds segment manufactures and distributes complete feeds, base mix feeds and pre-mix feeds for swine, layer, broiler, duck, and breeder poultry under the brands of "Dr. Nupak", "DaChan" and "Green Knight".

Meat products: The meat products segment carries on business of broiler farming, hatching of broiler breeder eggs, contract farming, processing and marketing of chilled and frozen chicken meat marketed under the brand of "DaChan" and "Sisters' Kitchen".

(a) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources among segments, the CEO monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade creditors and accruals attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segment.

Turnover and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is gross profit.

In addition to receiving segment information concerning gross profit, the CEO is provided with segment information concerning turnover (including inter-segment sales), depreciation and amortisation. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the CEO for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below:

	Processed foods		Livestock feeds			Meat products		Total	
	2022	2021	2022	2021		2022	2021	2022	2021
				Continuing	Discontinued				
Turnover from external customers	2,151,768	2,124,152	2,340,369	2,811,014	2,819,560	1,703,038	1,595,739	6,195,175	9,350,465
Inter-segment turnover	–	–	1,326,020	1,355,930	–	499,434	546,022	1,825,454	1,901,952
<b>Total</b>	<b>2,151,768</b>	<b>2,124,152</b>	<b>3,666,389</b>	<b>4,166,944</b>	<b>2,819,560</b>	<b>2,202,472</b>	<b>2,141,761</b>	<b>8,020,629</b>	<b>11,252,417</b>
Segment result	421,752	388,545	147,817	220,418	157,264	111,337	52,821	680,906	819,048
Unallocated operating income and expenses	–	–	–	–	–	–	–	(531,346)	(574,248)
Profit from operations	–	–	–	–	–	–	–	149,560	244,800
Finance costs	–	–	–	–	–	–	–	(11,278)	(21,684)
Share of losses of equity-accounted investees	–	–	–	–	–	–	–	(1,010)	(2,819)
Income tax	–	–	–	–	–	–	–	(14,792)	(20,295)
Profit for the year	–	–	–	–	–	–	–	<b>122,480</b>	<b>200,002</b>
Depreciation and amortisation for the year	51,781	52,079	20,694	22,327	19,221	62,348	62,929	134,823	156,556
Reportable segment assets	960,817	882,609	574,415	585,571	–	1,248,919	1,115,983	2,784,151	2,584,163
Additions to non-current segment assets during the year	158,016	42,564	21,964	20,110	19,278	172,137	96,063	352,117	178,015
Reportable segment liabilities	304,195	228,312	241,503	268,746	–	328,149	192,680	873,847	689,738

(b) *Reconciliations of reportable segment turnover, profit or loss, assets and liabilities*

	<b>2022</b>	<b>2021</b>
<b>Turnover</b>		
Reportable segment turnover	8,020,629	11,252,417
Elimination of inter-segment turnover	(1,825,454)	(1,901,952)
Elimination of discontinued operations	—	(2,819,560)
	<u>                    </u>	<u>                    </u>
Consolidated turnover	<u>6,195,175</u>	<u>6,530,905</u>
<b>Profit before tax</b>		
Total profit before tax for reportable segment	137,272	178,824
Elimination of discontinued operations	—	(44,318)
	<u>                    </u>	<u>                    </u>
Consolidated profit before tax from continuing operations	<u>137,272</u>	<u>134,506</u>
<b>Assets</b>		
Reportable segment assets	<u>2,784,151</u>	<u>2,584,163</u>
Deferred tax assets	6,071	4,274
Cash and cash equivalents	532,274	625,059
Unallocated head office and corporate assets	<u>248,781</u>	<u>227,765</u>
	<u>                    </u>	<u>                    </u>
Consolidated total assets	<u>3,571,277</u>	<u>3,441,261</u>
<b>Liabilities</b>		
Reportable segment liabilities	<u>873,847</u>	<u>689,738</u>
Income tax payable	9,928	10,215
Deferred tax liabilities	7,936	3,097
Interest-bearing borrowings	352,440	362,527
Unallocated head office and corporate liabilities	<u>4,019</u>	<u>106,137</u>
	<u>                    </u>	<u>                    </u>
Consolidated total liabilities	<u>1,248,170</u>	<u>1,171,714</u>



(c) *Geographical information*

The following table sets out information about the geographical location of the Group's turnover from external customers and the Group's tangible assets and interests in equity-accounted investees ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment and the location of operations in the case of interests in equity-accounted investees.

	Turnover from external customers		Specified non-current assets	
	2022	2021	2022	2021
Mainland China	5,883,960	6,210,328	1,494,830	1,260,989
Vietnam and Malaysia	–	2,819,560	–	–
Japan	248,082	270,756	–	–
Rest of Asia Pacific	63,133	49,821	–	–
	<u>6,195,175</u>	<u>9,350,465</u>	<u>1,494,830</u>	<u>1,260,989</u>

**4 Profit before taxation**

Profit before taxation is arrived at after charging:

	2022	2021
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	9,716	10,718
Interest on lease liabilities	<u>1,562</u>	<u>1,857</u>
	<u>11,278</u>	<u>12,575</u>
(b) Staff costs		
Salaries, wages, bonuses and other benefits	637,853	633,444
Contributions to retirement schemes	<u>34,017</u>	<u>29,738</u>
	<u>671,870</u>	<u>663,182</u>

The Group is required to participate in pension schemes organised by the respective municipal governments of the People's Republic of China (the "PRC") whereby the Group is required to pay annual contributions for PRC based employees at a rate of 16% (2021: 16%) of the standard wages determined by the relevant authorities in the PRC during the year. The Group has no other material obligation for payment of retirement benefits to the PRC based employees beyond the contributions described above.

The Group also operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance of Hong Kong for employees employed under the Employment Ordinance of Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group is required to make contributions to the scheme at 6% (2021: 6%) of the employees’ relevant income and its employees are required to make contributions to the scheme at 5% (2021: 5%) of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest to the employees immediately.

Save for the above schemes, the Group has no other material obligation for payment of retirement benefits beyond the contributions.

(c) Other items

	<b>2022</b>	<b>2021</b>
Auditors’ remuneration		
– audit services	3,700	4,752
– other services	700	790
	<u>4,400</u>	<u>5,542</u>
Depreciation charge		
– owned property, plant and equipment	123,413	117,278
– right-of-use assets	8,688	7,983
– investment property	2,722	2,790
	<u>134,823</u>	<u>128,051</u>
Depreciation of biological assets	12,312	7,476
Impairment loss of trade receivables recognised	2,638	4,742
Net reversal of write-down of inventory	(4,838)	(4,975)
Research and development costs	721	1,361
Cost of inventories	<u>5,446,132</u>	<u>5,139,859</u>

## 5 Income tax in the consolidated income statement

	2022	2021
<b>Current tax</b>		
Provision for the year	11,523	10,518
Under/(over)-provision in respect of prior years	227	(2,014)
	<u>11,750</u>	<u>8,504</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	3,042	1,405
	<u>14,792</u>	<u>9,909</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) In March 2018, Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the “Ordinance”) was enacted to implement a two-tiered profits tax rate regime. Under the two-tiered profits tax rate regime, the first HK\$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The Ordinance is effective from the year of assessment 2018/2019. The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, except for subsidiaries of the group which are qualifying corporations under the two-tiered Profits Tax rate regime. For these subsidiaries, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.
- (iii) Pursuant to the income tax rules and regulations of the PRC, the Group entities incorporated in the PRC are liable to PRC Corporate Income Tax at a rate of 25% (2021: 25%), except for Great Wall Agri (Heilongjiang) Co., Ltd. (“GWAHLJ”) and Great Wall Agri (Yingkou) Co., Ltd. (“GWAYK”). GWAHLJ and GWAYK are subject to a preferential tax rate of 15% (2021: 15%), as they have obtained the new high-tech enterprise qualification from 2020.

**Reconciliation between tax expense and accounting profit at applicable tax rates:**

	<b>2022</b>	<b>2021</b>
Profit before taxation	<u>137,272</u>	<u>134,506</u>
Income tax calculated at PRC's Corporate Income Tax rate of 25% (2021: 25%) (note)	34,318	33,627
Effect of different tax rates of subsidiaries operating in different tax jurisdiction	2,357	(4,426)
Tax effect of non-deductible expenses	537	400
Tax effect of non-taxable income	(25,172)	(6,247)
Tax effect of the movement of tax losses and temporary difference not recognised	2,525	(11,431)
Under/(over)-provision in respect of prior years	<u>227</u>	<u>(2,014)</u>
Actual tax expense	<u>14,792</u>	<u>9,909</u>

*Note:* The income tax rate of 25% (2021: 25%) represents the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

**6 Dividends**

	<b>2022</b>	<b>2021</b>
Final dividend proposed after the end of the reporting period	<u>0</u>	<u>0</u>

On 10 March 2023, the Board decides not to distribute any final dividend in respect of the year ended 31 December 2022 (2021: No distribution).

**7 Earning per share**

The calculation of basic earnings per share for the year ended 31 December 2022 is based on the profit attributable to ordinary equity shareholders of the Company of approximately RMB91,852 thousand (2021: approximately RMB155,473 thousand) and the weighted average of 1,016,189,000 ordinary shares (2021: 1,016,189,000) in issue during the year.

The Group has no dilutive ordinary shares outstanding for the years ended 31 December 2022 and 2021. Therefore, there was no difference between basic and diluted earnings per share.

## 8 Trade receivables

The ageing analysis as of the end of the reporting period is as follows:

	<b>2022</b>	<b>2021</b>
Current	<u>228,312</u>	<u>187,740</u>
1-180 days past due	11,767	25,953
181-365 days past due	2,841	386
More than 365 days past due	<u>5,582</u>	<u>6,316</u>
Amounts past due	20,190	32,655
Less: Provision for bad debt	<u>(9,392)</u>	<u>(7,308)</u>
	<u><u>239,110</u></u>	<u><u>213,087</u></u>

The Group normally allows a credit period ranging from 30 days to 60 days to its customers.

## 9 Other receivables and prepayments

	<b>2022</b>	<b>2021</b>
VAT recoverable	269,948	346,096
Deposits and prepayments	140,830	168,964
Advances to staff	5,327	3,885
Others	<u>6,954</u>	<u>8,778</u>
	423,059	527,723
Less: non-current VAT recoverable	<u>112,497</u>	<u>139,778</u>
	<u><u>310,562</u></u>	<u><u>387,945</u></u>

Except for non-current VAT recoverable, all other receivables are expected to be recovered within one year.

## 10 Trade payables

An ageing analysis of the trade payables is as follows:

	<b>2022</b>	<b>2021</b>
Current	<u>275,325</u>	<u>221,812</u>
Less than 30 days past due	146,867	119,659
31-60 days past due	28,525	36,002
61-90 days past due	8,700	5,651
More than 90 days past due	<u>12,608</u>	<u>14,531</u>
Amounts past due	<u>196,700</u>	<u>175,843</u>
	<u><u>472,025</u></u>	<u><u>397,655</u></u>

## 11 Other payables

	<b>2022</b>	<b>2021</b>
Sales rebate	23,353	32,839
Salaries, wages, bonuses and other benefits payable	108,912	99,669
Accrued expenses	61,174	50,688
Contract performance deposits	53,110	39,622
Payables for purchase of property, plant and equipment	14,535	11,291
Amounts due to related parties	43,500	42,600
Others	<u>23,984</u>	<u>16,385</u>
	<u><u>328,568</u></u>	<u><u>293,094</u></u>

All other payables are expected to be settled within one year.

## MANAGEMENT DISCUSSION AND ANALYSIS

	2022	2021	% change
Turnover – continuing operations (RMB'000)	6,195,175	6,530,905	-5.1
Gross profit – continuing operations (RMB'000)	680,906	661,784	2.9
Gross profit margin – continuing operations (%)	11.0	10.1	
Profit attributable to equity shareholders of the Company – continuing operations (RMB'000)	91,852	90,700	1.3
Profit attributable to equity shareholders of the Company (RMB'000)	91,852	155,473	-40.9

### Economic Environment and Strategy Direction

In 2022, the critical and complex international situation intertwined with the epidemic of the century, coupled with the volatile geopolitical situation, the downside risks to the global economy have increased. The domestic economy was repeatedly impacted by multiple factors, such as the spreading of COVID-19 and extremely high-temperature weather, and the threefold pressure of shrinking demand, supply shock and weakening expectations continued to evolve. The economy grew at a slower rate of 3% for the year, but still maintained a relatively fast growth rate compared to major international economies. Due to frequent outbreaks of the epidemic in China, the consumer market encountered great impact, particularly in terms of the restriction of consumption based on gatherings and direct contact. The food and beverage industry was particularly hard hit by the stringent epidemic management and control measures implemented in various regions, with national food and beverage revenue of RMB4,394.1 billion in 2022, recording a 6.3% decrease from 2021.

In 2022, the national market supply of live pigs was 699 million heads, representing an increase of 4.3% over the previous year and already above the 2018 level. Pork production for the year was 55.41 million tonnes, representing an increase of 4.6% over the previous year. After four years of adjustment, the live pig industry has largely recovered from the trauma caused by the African swine fever and has begun to move into a phase of balanced supply and demand and stable production capacity. However, despite the steady recovery in overall live pig production, there have been significant changes in the industry structure. Small and medium-sized farms, such as free-range farmers and family farms, suffered heavy losses and cash flow problems due to the impact of African swine fever in the beginning and later the low pig prices, and had to reduce their stocking or withdraw from the market completely. Vertically integrated large-scale breeding enterprises with strong capital strength have taken such an opportunity to expand against the trend and continue to increase their market share in the live pig industry.

In 2022, the spread of avian influenza abroad and the spread of COVID-19 in China led to restrictions on international flights, resulting in a hindrance to the importation of foreign ancestral chicken breeds. At the same time, the domestic market of grandparent breeding chicken entered a stage of rapid development, with three new breeds of white feather meat chicken, including “Sheng Ze 901”, “Guang Ming No. 2” and “Wo De 188”, passing the national certification. The total number of grandparent breeding chickens in China for the year was approximately 910,000 sets, recording a 32% decrease year-on-year. Due to the downturn in the market for commercial day-old chicks in the first half of the year, parent breeding farms suffered severe losses and the culling of chickens accelerated, resulting in a shocking decline in the stock of parent breeding chickens in production. The total number of white feather meat chicken produced for the Year fell by 3.59% year-on-year, while the concentration of the industry increased further.

In response to the repeated impact of COVID-19 on the consumer market and supply chain, as well as the severe challenge of rising domestic food prices, the Group has not blindly pursued the expansion of scale, instead it tended to maintain stability by reconstructing our customer-centric supply chain and optimising our business model continuously to enhance our relative competitiveness, striving to counter the uncertainties of the economic environment with the certainty of quality development. In 2022, the operating income for the year was RMB6,195,175 thousand, representing a decrease of approximately 5.1% as compared to the restated figure for the corresponding period of last year. Profit attributable to shareholders was approximately RMB91,852 thousand, representing an increase of approximately 1.3% as compared to that excluding the profit from the feeds business in Southeast Asia for the same period of last year. The year-on-year decline in operating income was mainly because the customers of the feeds business were mostly small and medium-sized farms, the prolonged downturn in pig prices had created cash flow problems, and small and medium-sized pig farms have to reduce the number of inventories or cease to breed, resulting in a year-on-year decline in feeds sales. On the other hand, the foods and meat segments benefited from the continued optimisation and restructuring of operations and showed steady growth.

Looking forward to 2023, the Russia-Ukraine war will continue to be the major uncertainty affecting the global economy, and the impact of COVID-19 on the domestic economy may be difficult to be eliminated in the short term. The Group will continue to look for new sources of growth led by its foods segment; to maintain stable sales volume with its feeds segment as a foundation, and at the same time diversify its market risks by product diversification. The Group will improve the operational structure of the meat segment, appropriately adjusting the proportion of its upstream business, focusing on end-market development and strengthening its cash flow management. With the synergy of foods scaling, feeds diversification and meat value-adding working in tandem, the Group has been progressing steadily on its digital transformation and supply chain management optimisation to improve operational efficiency and enhance the Group’s overall industrial competitiveness and anti-cyclicality.



## **Business Review**

In 2022, the operating income of the Group was approximately RMB6,195,175 thousand, representing a decrease of approximately 5.1% as compared to the restated figure for the corresponding period of last year, of which, the foods segment, feeds segment and meat segment accounted for 34.7%, 37.8% and 27.5% of the total operating income of the Group, respectively. The Group's gross profit amounted to approximately RMB680,906 thousand, representing an increase of approximately 2.9% as compared to the restated figure for the corresponding period of last year, of which, the foods segment, feeds segment and meat segment accounted for 61.9%, 21.7% and 16.4% of the total gross profit of the Group. The food segment has become the Group's largest source of profit.

## Processed Foods

	2022	2021	% change
Turnover (RMB'000)			
– Mainland China	1,861,742	1,814,716	2.6
– Export	<u>290,026</u>	<u>309,436</u>	-6.3
Total	<u><u>2,151,768</u></u>	<u><u>2,124,152</u></u>	1.3
Gross profit (RMB'000)			
– Mainland China	371,158	354,613	4.7
– Export	<u>50,594</u>	<u>33,932</u>	49.1
Total	<u><u>421,752</u></u>	<u><u>388,545</u></u>	8.5
Gross profit margin (%)			
– Mainland China	19.9	19.5	
– Export	<u>17.4</u>	<u>11.0</u>	
Total	<u><u>19.6</u></u>	<u><u>18.3</u></u>	

The processed foods segment includes the production and sales of prepared foods under the “DaChan” and “Sisters’ Kitchen” brands, as well as centrifuged and marinated, stewed, pre-fried, steamed and grilled food items. Customer groups include customers at end-consumer markets and professional markets. The sales channels of the processed foods segment are mainly group catering, bakery, casual catering, feast, international customers, major chain customers as well as the retail consumer market. The sales areas of the processed foods segment cover Northeastern, Northern, Eastern, Southern, Central, Northwestern and Southwestern of Mainland China as well as export markets such as Hong Kong China, Japan and Singapore.

## **Business Review**

In 2022, the operating income and gross profit of domestic sales of food increased by approximately 2.6% and 4.7%, respectively. Despite the growth falling short of expectations due to the impact of COVID-19 and sluggish consumer demand in China, the food team persistently invested more resources in direct sales customers and worked closely with strategic customers (such as large member shops and large restaurant chains) in product research and development and supply chain to enhance the stickiness of major customers to achieve win-win cooperation. At the same time, the Group has also focused its resources on increasing the promotion of its family-sized products in e-commerce platforms, community group purchases, supermarket chains, community convenience stores, farmers' markets and other consumer retail channels to further improve the channel construction and regional network.

Despite the depreciation of the Japanese Yen, severe domestic inflation in Japan, and the impact of low-price competition for Thailand's exports to Japan, revenue from exported food products fell by approximately 6.3% year-on-year in 2022. However, through continuous research and development, product mix optimization and production efficiency enhancement, the foods segment increased its export gross profit by approximately 49.1% year-on-year.

The strengthening of the above fundamentals and the steady progress of the sales and operating planning project have laid a solid foundation for the accelerated growth of the Group's foods segment in the post-epidemic era and have also provided a strong support for the release of production capacity of the new Bengbu food factory, which is expected to commence production in July 2023.

## **Future Strategies**

The core values of the Group's branding are assurance and traceability. Seizing the opportunities arising from consumers' concerns over the food safety, the Group has developed a unique edge for its brand. The processed foods segment will continue to execute the following strategies:

We will (i) continue to increase its efforts in developing direct sales customers, and identify more strategic customers through joint research and development of customized products and comprehensive supply chain services; (ii) continue to increase its investment in retail channel resources so as to increase customer loyalty through consumer brand awareness; (iii) continue to increase its investment in applied research and development and keep abreast of market demand so as to explore new production technologies and expand its product range, striving to create more hit products; (iv) continue to increase its investment in capacity expansion, product research and development and business teams; (v) to leverage digital transformation to improve supply chain efficiency and better serve the future growth needs of major customers; and (vi) continue to reduce labour costs through automation.

## Livestock Feeds (From External Customers)

	2022	2021	% change
Turnover (RMB'000)	2,340,369	2,811,014	-16.7
Gross profit (RMB'000)	147,817	220,418	-32.9
Gross profit margin (%)	6.3	7.8	

The operating income of the feeds segment was primarily derived from, among others, the sales of pig feeds, broiler feeds and egg chicken feeds to external customers in Mainland China. Corn and soybean are the primary raw materials of feeds segment. The main product brands of this segment are “Dr. Nupak” and “Green Knight”. The production and sales region of this segment covered the Northeastern, Northern, Central and Southwestern China.

### Business Review

Under the dual impact of rising raw material costs and lower customer farming volumes, the operating income and gross profit of the feeds segment decreased by approximately 16.7% and 32.9% year-on-year, respectively. As affected by the international market, the domestic market for bulk raw materials rose and the cost of feeds for live pig farming increased. At the same time, the consumer market was hampered by COVID-19 and the price of pigs remained low in the first half of 2022, resulting in heavy losses in live pig farming. Compared to large-scale regulatory and modular-type pig breeding enterprises with relatively more vertical integration, our feeds segment clients, mostly free-range and family farms, are relatively more vulnerable to risk. They have started to reduce the number of inventories or even cease to breed under prolonged losses. As domestic pig prices rebounded in August 2022, the enthusiasm of free-range farmers and family farms increased, and the decline in feeds sales gradually narrowed year-on-year.

In order to mitigate the impact of cyclical fluctuations in the pig price on our results, the feeds segment put more resources into research and development as well as market development of poultry feeds and niche products such as ruminant feeds, actively expanded markets beyond pig feeds, increased products categories, so as to diversify market risks, leading to an approximately 21% year-on-year increase in external sales of broiler feeds. At the same time, in response to rising raw material prices, the feeds research and development team actively developed alternative raw material formulations, effectively controlling cost inflation.

## **Future Strategies**

The feeds segment will continue to pursue the following strategies: (i) to take advantage of the fermentation technology for intestinal pre-digestion in biotechnology and to enhance marketing activities for sow and piglet functional feeds products; (ii) to intensify the product research and development of poultry feeds, ruminant feeds and niche market products such as donkey feeds and meat goose feeds and build up our core competitiveness in niche products so as to diversify market risk through diversification; (iii) to select key value customers and offer them products, technical and service support so as to enhance their loyalty and contribution to the Group; (iv) to strengthen the middle office functions of product research and development, production techniques, quality control and technical services so as to empower the front office; and (v) to optimize production technology and lower processing cost so as to enhance the contract production scale of feeds.

## Meat Product

	2022	2021	% change
Turnover (RMB'000)	1,703,038	1,595,739	6.7
Gross profit (RMB'000)	111,337	52,821	110.8
Gross profit margin (%)	6.5	3.3	

The Group mainly sells chilled and frozen chicken meat and lightly processed tender chicken meat under the brand of “DaChan” and “Sisters’ Kitchen”, and it sells chicken meat to large member stores, fast food chains, supermarkets, and food processors and supplies feeds and day-old chicks to contract farmers, and takes up the grown chickens. The production region of the segment covers Northeastern, Northern and Eastern China regions while its sales network covers the entire nation.

## Business Review

In 2022, the operating income and gross profit of the meat segment increased by approximately 6.7% and 110.8%, respectively. The meat segment accelerated the pace of business model transformation, focusing on the research and development of differentiated products and sales to major customers to restructure the supply chain. In the upper reaches of the industry chain, on the one hand, the Group strategically eliminated poorly performing parent broods farms and broiler farmers, and on the other hand, provided comprehensive breeding services to long-term contract farmers to enhance breeding performance, establishing a win-win ecosphere for both the Group and the farmers. By joining hands with the foods segment, the meat segment actively developed fresh produce chains and member stores that value quality products and eliminated price-sensitive customers. Leveraging sales channel optimisation to enhance product value and brand equity, the gross profit margin of the meat segment improved by approximately 3.2% compared to 2021.

## Future Strategies

The meat segment maintains and will continue to implement its operating strategy of “eliminating risk” in the future, particular measures of which include: (i) to focus on fine processing of meat products and differentiated meat products and increase production value through close collaboration with major customers; (ii) to persistently improve the performance of contract feeds, strengthen animal protection immunization and epidemic prevention services, assist farmers to strengthen the rearing and breeding management, and improve the productivity and reduce the costs of rearing and breeding; (iii) to control the scale of captive breeder and contract broiler farming to build a flexible supply chain; (iv) to continue promoting projects for equipment automation in the electrical slaughterhouse; (v) to continue increasing the proportion of converting the Group’s chicken meat to prepared foods and deep processed foods products and eliminate the market risk when the meat market is on the decline.

## **Financial Review:**

### **1) Other Operating Income and Operating Expenses**

In 2022, the Group recorded other operating income of approximately RMB46,463 thousand (2021: approximately RMB16,708 thousand) which mainly comprised of interest income and government subsidies. The increase in other operating income was mainly due to the increase in government subsidies.

In 2022, other net loss of the Group amounted to approximately RMB5,921 thousand (2021: net gains of approximately RMB12,059 thousand). Other net loss mainly includes net loss on the disposal of assets and impairment reverse of fixed assets.

Distribution costs accounted for approximately 4.97% of total turnover (2021: approximately 4.62%).

Administrative expenses accounted for approximately 4.27% of turnover (2021: approximately 3.68%).

### **2) Liquidity, Financial Resources and Capital Structure**

As at 31 December 2022, the Group's cash and bank deposit balances amounted to approximately RMB532,274 thousand, representing a decrease of approximately RMB92,785 thousand from 2021. The Group's interest-bearing borrowings decreased by approximately RMB30,252 thousand to approximately RMB377,240 thousand (2021: approximately RMB407,492 thousand). As at 31 December 2022, the interest-bearing borrowings to equity ratio was approximately 16.2% (2021: approximately 18.0%). Current ratio was maintained at a healthy level of approximately 2.02 times (2021: approximately 2.29 times).

### **3) Capital Expenditure**

In 2022, the Group's capital expenditure on the acquisition of properties, machinery and equipment amounted to approximately RMB352,152 thousand which was primarily paid from internal resources and bank borrowings.

### **4) Exchange Rate**

The Group's business transactions are mainly denominated in RMB and USD. During the year under review, RMB against USD depreciated by approximately 8.46%.

## **5) Interest**

In 2022, the Group's interest expense amounted to approximately RMB11,278 thousand (2021: approximately RMB12,575 thousand), representing a decrease of approximately 10.3% from 2021. The decrease in interest expenses was mainly due to the average borrowing balances fall.

## **6) Dividends**

To reserve the resources for the Group's business development, the Board decides not to distribute any dividend for the year 2022 (2021: no distribution).

## **7) Charge on Assets**

As at 31 December 2022, the Group had no security against bank facilities.

## **8) Capital Commitment**

As at 31 December 2022, the capital expenditure of the Group contracted for but not provided in the financial statements was approximately RMB531,809 thousand (2021: approximately RMB36,668 thousand) and the capital expenditure authorised but not contracted for was approximately RMB98,555 thousand (2021: approximately RMB471,566 thousand).

## **EMPLOYEE COMPENSATION AND TRAINING**

As at 31 December 2022, the Group had a total of 7,936 employees (31 December 2021: 8,099). The Group has paid remuneration to its staff with reference to the industry practice, the financial performance of the Group and the employee's work performance in order to form a team of professional staff and management to fulfil the development needs of the Company. The Group places great emphasis on the training and development of employees and regards excellent employees as the Group's core competitiveness. With a view to constantly enhancing their job skills and industry knowledge, the Group has offered various training programs to its members of management and other employees. The Group implemented these programs not only to enhance the quality of its staff, but also to give best chances for development of their personal career. The Group regularly reviews compensation and benefit policies according to industry benchmarks, financial results as well as the individual performance of employees so as to offer fair and competitive compensation packages to the employees. Other fringe benefits including insurance, medical benefits and provident fund are also provided to retain loyal employees.

## **OTHER INFORMATION**

### **Annual General Meeting ("AGM")**

The 2023 AGM of the Company will be held on 29 June 2023 (Thursday) and the notice of AGM will be published and dispatched to shareholders in the manner as required by the Listing Rules.



## **Closing of Register of Members**

The Company will close its register of members from 23 June 2023 (Friday) to 29 June 2023 (Thursday), both dates inclusive, for the purposes of determining the entitlements of the shareholders to attend and vote at the AGM. No transfer of the shares may be registered during the said period. In order to qualify to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4:30 p.m. on 22 June 2023 (Thursday) (Hong Kong time).

## **Purchase, Redemption or Sale of Listed Securities of the Company**

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## **Compliance with the Corporate Governance Code**

The Company is committed to achieving good corporate governance standard including having a quality Board, sound internal control and risk management, high transparency and accountability to its shareholders. Except for the following two immaterial deviations, it has complied with the Code provisions set out in Part 2 of Appendix 14 to the Listing Rules throughout the year ended 31 December 2022:

Under Code Provision C.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

In year 2022, during the period from 1 January 2022 to 31 August 2022, the position of chief executive officer of the Company (the "Chief Executive Officer") was held by Mr. Sun Teh Hong and the position of chairman of the Board (the "Chairman") was held by Mr. James Chun-Hsien Wei. With effect from 1 September 2022, Mr. Sun Teh Hong has resigned from the position of Chief Executive Officer due to retirement, and Mr. James Chun-Hsien Wei (who has been an executive Director and the Chairman) has assumed an additional position of Chief Executive Officer.

Upon the appointment of Mr. James Chun-Hsien Wei as the Chief Executive Officer, Mr. James Chun-Hsien Wei performs both of the roles as the Chairman and the Chief Executive Officer. The Board considers that this structure would not impair the balance of power and authority between the Board and the management of the Company. The Board comprises two executive Directors (including Mr. James Chun-Hsien Wei), five non-executive Directors and four independent non-executive Directors and therefore has a fairly strong independence in its composition and they meet regularly to discuss issues relating to the operation of the Company in order to provide adequate safeguards and protect the interests of the Company and its shareholders. In addition, after taking into account the past experience of Mr. James Chun-Hsien Wei, the Board is of the opinion that vesting the roles of the Chairman and the Chief Executive Officer in Mr. James Chun-Hsien Wei could facilitate the execution of the Group's business strategies and enhance the effectiveness of its operation. Hence, the aforesaid deviation is appropriate and in the best interest of the Company at the present stage.

In addition, under Code Provision C.6.1, the company secretary should be an employee of the Company and have the day-to-day knowledge of the Company's affairs.

Ms. Cho Yi Ping ("Ms. Cho"), a partner of the Company's legal advisers, Wong & Tang Solicitors, has been appointed as the company secretary of the Company (the "Company Secretary") with effect from 8 August 2016.

The Company has assigned a member of the senior management, Ms. Feng Yuxia, the head of legal department of the Company as the contact person with Ms. Cho. Ms. Cho is a practicing solicitor of Hong Kong with understanding of the Listing Rules, her qualifications meet the requirements of the Listing Rules in terms of a company secretary of a listed issuer. Further, whenever necessary, the contact person assigned will promptly deliver information regarding the performance, financial positions and other major development and affairs of the Group to Ms. Cho. Having in place a mechanism that enables Ms. Cho to get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. Cho as the Company Secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

### **Audit Committee**

The audit committee of the Company (the "Audit Committee") was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The Audit Committee is authorised by the Board to assess matters relating to the financial statements and to provide recommendations and advice on matters including review of relationships with external auditors, the Company's financial reporting (including the review of the annual results for the year ended 31 December 2022), the internal control and risk management system. There was no disagreement between the Audit Committee and the external auditors on the accounting policies adopted by the Company.

The Audit Committee comprises Mr. Way Yung-Do (chairman of the Audit Committee), Mr. Chen Chih, Mr. Ting Yu-Shan and Mr. Hsia, Li-Yan, who are all independent non-executive directors of the Company.

On behalf of the Board  
**James Chun-Hsien Wei**  
*Chairman*

Hong Kong, 10 March 2023

*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. Harn Jia-Chen, Mr. Han Chia-Yau, 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.*