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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 2024

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 2024:

Highlights

	Nine months ended 30 September		
	2024	2023	% change
	(unaudited)	(unaudited)	
Turnover (RMB'000)	4,316,818	4,834,221	-10.7
Gross profit (RMB'000)	543,513	520,850	4.4
Gross profit margin (%)	12.6	10.8	
Profit attributable to shareholders of the Company (RMB'000)	36,910	66,604	-44.6
Basic earnings per share (RMB)	0.036	0.066	

CONSOLIDATED INCOME STATEMENT
For the nine months ended 30 September 2024
(Expressed in RMB'000 unless stated otherwise)

	Nine months ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
Turnover	4,316,818	4,834,221
Cost of sales	<u>(3,773,305)</u>	<u>(4,313,371)</u>
Gross profit	543,513	520,850
Other operating income	16,635	20,759
Other net (losses)/gains	(2,081)	(2,853)
Distribution costs	(263,207)	(249,012)
Administrative expenses	<u>(211,779)</u>	<u>(177,073)</u>
Profit from operations	83,081	112,671
Finance costs	(16,289)	(10,963)
Share of gains/(losses) of equity-accounted investees	<u>2,817</u>	<u>458</u>
Profit before taxation	69,609	102,166
Income tax	<u>(12,606)</u>	<u>(10,077)</u>
Profit for the period	<u><u>57,003</u></u>	<u><u>92,089</u></u>
Attributable to:		
Shareholders of the Company	36,910	66,604
Non-controlling interests	<u>20,093</u>	<u>25,485</u>
Profit for the period	<u><u>57,003</u></u>	<u><u>92,089</u></u>
Earnings per share		
– Basic and diluted (RMB)	<u><u>0.036</u></u>	<u><u>0.066</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 30 September 2024***(Expressed in RMB'000 unless stated otherwise)*

	At 30 September 2024	At 31 December 2023
	(unaudited)	(audited)
Non-current assets		
Property, plant and equipment	1,676,235	1,636,588
Land use rights	116,230	119,451
Investment property	52,088	54,356
Intangible assets	9,167	9,917
Interests in equity-accounted investees	73,723	70,906
Other financial assets	1,948	1,948
Deferred tax assets	5,441	5,608
Long-term tax recoverable	88,149	88,149
Other non-current assets	120,905	58,616
	<u>2,143,886</u>	<u>2,045,539</u>
Current assets		
Inventories	506,596	526,849
Biological assets	106,307	129,957
Trade receivables	261,500	275,569
Other receivables and prepayments	253,710	276,647
Cash and cash equivalents	523,825	526,940
Restricted deposits	2,449	2,449
	<u>1,654,387</u>	<u>1,738,411</u>
Current liabilities		
Trade payables	415,454	506,995
Other payables	335,684	308,744
Contract liabilities	13,938	10,285
Interest-bearing borrowings	252,287	276,269
Lease liabilities	1,687	1,687
Income tax payable	10,010	7,319
	<u>1,029,060</u>	<u>1,111,299</u>
Net current assets	<u>625,327</u>	<u>627,112</u>

	At 30 September 2024 (unaudited)	At 31 December 2023 (audited)
Total assets less current liabilities	<u>2,769,213</u>	<u>2,672,651</u>
Non-current liabilities		
Interest-bearing borrowings	317,180	253,810
Lease liabilities	27,265	29,338
Deferred tax liabilities	<u>10,543</u>	<u>8,490</u>
	<u>354,988</u>	<u>291,638</u>
Net assets	<u><u>2,414,225</u></u>	<u><u>2,381,013</u></u>
Capital and reserves		
Share capital	97,920	97,920
Reserves	948,591	947,254
Retained profits	<u>1,107,050</u>	<u>1,070,140</u>
Total equity attributable to shareholders of the Company	2,153,561	2,115,314
Non-controlling interests	<u>260,664</u>	<u>265,699</u>
Total equity	<u><u>2,414,225</u></u>	<u><u>2,381,013</u></u>

RESULTS SUMMARY

For the first three quarters of 2024, the turnover of the Company amounted to RMB4,316,818 thousand, representing a decrease of 10.7% over the corresponding period of last year. The profit attributable to shareholders amounted to RMB36,910 thousand, representing a decrease of 44.6% over the corresponding period of last year. Benefiting from proper cash flow management measures, the net cash inflow from operating activities of the Company in the first three quarters was RMB270 million, which provided financial support for the continued expansion of processed food production capacity. The main reason for the results in year-on-year decline is: the rapid expansion of the white feather broiler industry in recent years which has led to a significant increase in the domestic supply of chicken meat, but the growth rate of consumer demand was weak, resulting in an oversupply in the market and the prices of chicken meat fell year-on-year. At the same time, the overcapacity of domestic feeds industry coupled with a decline in bulk raw material prices, leading to an intense competition within the industry and a year-on-year decrease in feeds prices. However, the Company's processed food business maintained a steady growth momentum in an unfavorable market environment, with the operating income and gross profit for the first three quarters increasing 11.4% and 10.6% year-on-year, respectively.

For the first three quarters of 2024, the processed food business, feeds business, and meat business accounted for 45.2%, 29.5%, and 25.3% of the Group's total operating income, and 71.7%, 19.8%, and 8.5% of the Group's total gross profit, respectively. Processed food remains the largest source of revenue and profit for the Group. Taking the processed food segment as the lead to drive the continuous growth of the Group's performance has been effective.

For the first three quarters of 2024, the operating income and gross profit of the processed food business increased by 11.4% and 10.6% year-on-year, respectively. The domestic food and beverage revenue in China grew by 6.2% year-on-year in the first three quarters, indicating a slow recovery in the food and beverage market with a noticeable trend of consumption downgrade, which has put some pressure on the rapid growth of the food business. The domestic food sales team continuously invested more resources in major customers and worked closely with strategic customers (such as large membership stores and large restaurant chains) in the aspects of product research and development and supply chain. At the same time, the Company has also focused its resources on increasing the promotion of supermarkets chains, community convenience stores, e-commerce platforms and other consumer retail channels to increase customer stickiness through consumer-side brand exposure. The Company has been increasing its investment in research and development and keeping abreast of market demand so as to explore new production technologies and expand its product range, striving to create more successful products. The Company also leveraged the steady progression of digital transformation to improve supply chain efficiency and better serve the needs of customers. For the export business, the export food sales team continued to leverage its advantage in new product development to continuously expand into new product categories, new channels, and new customers for further cultivation of the Japanese market. At the same time, the team will also increase efforts in developing export markets outside of Japan to mitigate the risks of over-concentration in export markets. With consumers' increasing awareness of healthy diet and the ever-stricter food safety standards, the Company believes the market demand for high-quality processed food will continue to grow. In the future, the Company will further expand its food production capacity, adopt advanced production technologies and equipments, develop differentiated high-quality, cost-effective products, accelerate the scale of food production, and further consolidate market competitiveness of the Company in the food business.

For the first three quarters of 2024, the operating income of the feeds segment decreased by 25.5%, and the gross profit decreased by 2.9% compared to the same period of last year. Since last year until May this year, the continuous losses incurred from the breeding operation for more than a year accelerated the reduction of excess production capacity of the domestic pig industry and the industry consolidation. Small and medium scale farms, such as free-range farmers and family farms suffered heavy losses. Facing difficulties in cash flow, they were forced to reduce their stocks or even ceased to breed, resulting in a year-on-year decline in the Company's pig feeds sales. In the face of a shrinking customer base, the feeds team continued to increase efforts in the research and development of ruminant feeds and small-category feeds products, as well as channel development, actively expanded markets and customers beyond pig feeds and diversified product categories to mitigate market risks. On the other hand, the Company has strengthened cooperation with medium and large scale farms to secure market share through the OEM model. At the same time, the Company speeded up the pace of integration of the middle office functions, strengthened product research and development, raw material procurement, production technology, quality control, technical services and other cross-functional collaborations, promoted the diversification of raw material use, and implemented multiple measures to reduce costs and increase efficiency, thereby enhancing the relative competitiveness of products and services.

For the first three quarters of 2024, the operating income and gross profit of meat segment decreased by 20.4% and 19.6%, respectively compared to the same period of last year. Given the limited recovery of the domestic market consumption, the white feather broiler industry remained in an oversupply situation. In the first three quarters, except for the breeders in the breeding end which could still make a profit, the broiler breeding and slaughtering businesses were suffering from losses. In response to the unfavorable market situation, the meat team accelerated the pace of business model transformation, from production and supply oriented to customer demand-driven live poultry supply and slaughter business model, increasing supply chain flexibility and enhancing relative competitiveness. In the upstream of the industry chain, the meat team adjusted the cooperation mode with contract farmers, so that the cost of the Company's feather chicken can be as close to the market as possible, and established a good ecosystem of benefit and risk sharing between the contract farmers and the Company. In the downstream of the industry, the meat team focused on the fine processing of differentiated products and enhancing the value of each chicken. By working together with the food business, actively developing customers such as membership stores and supermarket chains who value product quality, eliminating price-sensitive customers, and optimizing its sales channels, the Company has continuously enhanced its brand value.

Looking ahead to the fourth quarter, the domestic and international economic situation remains complex and volatile, with significant pressure from the structural adjustments of the domestic economy. At the same time, the competition in the agricultural, livestock and food industry will become increasingly fierce. The Company will continue with the food business as the lead to drive the Group's overall development and keep looking for new sources of growth; with the feeds segment as the foundation to increase the sales volume and simultaneously mitigate the market risks by product diversification and channel diversification; optimizing the operating business of meat products, focusing on the development of valued customers, enhancing the value of each chicken and strengthening the cash flow management. With the synergy of increasing scale of food production, diversification of feeds and meat value adding working in tandem, the Company has been progressing steadily on digital transformation and supply chain management optimization to improve operational efficiency and enhance its overall industrial competitiveness and anti-cyclicality.

The Group maintains a healthy financial structure. As at 30 September 2024, net assets of the Group amounted to RMB2,414,225 thousand; cash and cash equivalents represented 13.8% of total assets. As at 30 September 2024, current ratio of the Group was 1.61, representing a slight increase over the ratio of 1.56 as at 31 December 2023. The interest-bearing borrowings to equity ratio as at 30 September 2024 was 23.6%, representing a slight increase over the relevant ratio (22.3%) as at 31 December 2023.

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 60.77% of the 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 2024, 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 2024 which have not been audited by the independent auditor.

On behalf of the Board
James Chun-Hsien Wei
Chairman

Hong Kong, 1 November 2024

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. Ting Yu-Shan, Mr. Hsia, Li-Yan, Ms. Lee Tsai, Yu-Ling and Mr. Kao Koong-Lian are the independent non-executive directors of the Company.