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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 Three Months ended 31 March 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 three months ended 31 March 2024:

Highlights

	Three months ended 31 March		
	2024	2023	% change
	(unaudited)	(unaudited)	
Turnover (RMB'000)	1,406,070	1,529,353	-8.1
Gross profit (RMB'000)	190,370	156,469	21.7
Gross profit margin (%)	13.5	10.2	
Profit attributable to equity shareholders of the Company (RMB'000)	26,850	10,244	162.1
Basic earnings per share (RMB)	0.026	0.010	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS**For the three months ended 31 March 2024***(Expressed in RMB'000 unless stated otherwise)*

	three months ended 31 March	
	2024	2023
	(unaudited)	(unaudited)
Turnover	1,406,070	1,529,353
Cost of sales	<u>(1,215,700)</u>	<u>(1,372,884)</u>
Gross profit	190,370	156,469
Other operating income	5,608	4,518
Other net losses	(117)	(480)
Distribution costs	(82,570)	(80,997)
Administrative expenses	<u>(67,441)</u>	<u>(57,317)</u>
Profit from operations	45,850	22,193
Finance costs	(7,319)	(3,319)
Share of profit/(loss) of equity accounted investees	<u>713</u>	<u>90</u>
Profit before taxation	39,244	18,964
Income tax	<u>(4,096)</u>	<u>(1,784)</u>
Profit for the period	<u><u>35,148</u></u>	<u><u>17,180</u></u>
Attributable to:		
Equity shareholders of the Company	26,850	10,244
Non-controlling interests	<u>8,298</u>	<u>6,936</u>
Profit for the period	<u><u>35,148</u></u>	<u><u>17,180</u></u>
Earnings per share		
– Basic and diluted (RMB)	<u><u>0.026</u></u>	<u><u>0.010</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 31 March 2024***(Expressed in RMB'000 unless stated otherwise)*

	At 31 March 2024 (unaudited)	At 31 December 2023 (audited)
Non-current assets		
Property, plant and equipment	1,629,101	1,636,588
Land use rights	118,382	119,451
Investment property	53,566	54,356
Intangible assets	9,667	9,917
Interests in equity-accounted investees	71,619	70,906
Other financial assets	1,948	1,948
Deferred tax assets	5,753	5,608
Long-term tax recoverable	88,149	88,149
Other non-current assets	95,552	58,616
	<u>2,073,737</u>	<u>2,045,539</u>
Current assets		
Inventories	525,313	526,849
Biological assets	113,740	129,957
Trade receivables	246,295	275,569
Other receivables and prepayments	260,535	276,647
Cash and cash equivalents	518,941	526,940
Restricted deposits	2,449	2,449
	<u>1,667,273</u>	<u>1,738,411</u>
Current liabilities		
Trade payables	347,798	506,995
Other payables	306,864	308,744
Contract liabilities	33,448	10,285
Interest-bearing borrowings	301,315	276,269
Lease liabilities	1,687	1,687
Income tax payable	8,431	7,319
	<u>999,543</u>	<u>1,111,299</u>
Net current assets	<u>667,730</u>	<u>627,112</u>

	At 31 March 2024 (unaudited)	At 31 December 2023 (audited)
Total assets less current liabilities	<u>2,741,467</u>	<u>2,672,651</u>
Non-current liabilities		
Interest-bearing borrowings	288,927	253,810
Lease liabilities	28,647	29,338
Deferred tax liabilities	<u>7,933</u>	<u>8,490</u>
	<u>325,507</u>	<u>291,638</u>
Net assets	<u><u>2,415,960</u></u>	<u><u>2,381,013</u></u>
Capital and reserves		
Share capital	97,920	97,920
Reserves	947,024	947,254
Retained profits	<u>1,096,990</u>	<u>1,070,140</u>
Total equity attributable to equity shareholders of the Company	2,141,934	2,115,314
Non-controlling interests	<u>274,026</u>	<u>265,699</u>
Total equity	<u><u>2,415,960</u></u>	<u><u>2,381,013</u></u>

RESULTS SUMMARY

For the first quarter of 2024, the Company's turnover was approximately RMB1,406,070 thousand, representing a decrease of 8.1% compared to the same period last year. Profit attributable to shareholders was approximately RMB26,850 thousand, representing an increase of 162.1% compared to the same period last year. The significant increase of profit was mainly due to the steady growth in domestic sales business of processed foods. In the first quarter, the domestic foods of the Company maintained an excellent growing trend, with operating income and gross profit increasing by 22.8% and 32% respectively year-on-year. As the supply of domestic feather chicken and pig breeding market continues to exceed demand, the price of the chicken meat and pork decreased year-on-year. The Company adjusted the operating structure of meat and feeds segment, and the overall turnover declined as compared to the same period last period.

In the first quarter of 2024, processed foods business, feeds business and meat business accounted for 44.7%, 30.6% and 24.7% of the total operating income of the Company, and 73.8%, 20.0% and 6.2% of the total gross profit of the Group, respectively. Food processing was the Group's largest source of revenue and profit. Taking the food processing segment as the lead to drive the continuous growth of the performance of the Group had been effective.

In the first quarter of 2024, the operating income and gross profit of food business increased by 20% and 31.9 year-on-year, respectively. Among them, the income and gross profit of domestic food increased by 22.8% and 32% year-on-year, respectively. The domestic food sales team persistently invested more resources in direct sales customers and worked closely with strategic customers (such as large membership stores 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 on supermarket chains, community convenience stores, e-commerce platforms and other consumer retail channels to increase customer stickiness through consumer-side brand exposure. The Group 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 hit products. The Group also leveraged the steady progression of digital transformation to improve supply chain efficiency and better serve the needs of customers.

For the export business, despite the depreciation of Japanese Yen and the impact of low-price competition from the domestic exports to Japan which squeezed revenue from exported processed food products basically the same, the gross profit from exports increased by 30.1% year-on-year as a result of benefiting from continuous research and development, product mix optimization, production efficiency enhancement and the depreciation of Renminbi. The export sales team will leverage the advantages of 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, they will also increase efforts in developing export markets outside of Japan to diversify the risks of over-concentration in export markets.

In the future, the Group will continue to actively expand its food production capacity and accelerate the scale of food products to smooth out the risk of abnormal fluctuations in the meat market with stable profits from the food business.

In the first quarter of 2024, the operating income of the feeds segment decreased by 23.7% and gross profit increased by 26% compared to the same period last year. The situation of supply exceeding demand in the pig breeding market has not been fundamentally reversed, the price of pig remained low and small and medium scale farms, like free-range farmers and family farms suffered heavy losses, faced difficulties in cash flow, they were forced to reduce their stocks or even cease to breed, causing the sales of pig feeds decreased as compared to same period last year. In the face of a shrinking target customer base, the feeds team continued to increase efforts in the research and development of ruminant feeds and small-category feed products, as well as channel development, actively expanded markets beyond pig feeds for diversification of product categories to mitigate market risks. On the other hand, the feeds team has strengthened co-operation with medium and large scale farms to secure market share through the OEM model. At the same time, the Company accelerated the pace of integration of middle office functions, strengthened cross-functional collaboration in product research and development, raw material procurement, production processes, quality control and technical services, and promoted the use of diversified raw materials to reduce feeds costs and increase the relative competitiveness of its products and services.

For the first quarter of 2024, the operating income and gross profit of the meat segment increased by 21.4% and 40.4% over the same period of last year. The recovery of domestic consumption was limited, and the year-on-year increase in the production of feather chickens resulted in an oversupply in the market and a decline in the market for both feather chickens and chicken meat, resulting in a loss in the breeding industry, which weighed on the overall performance of the meat segment. In response to the unfavorable market situation, the meat team accelerated the pace of business model transformation, restructured the supply chain with the customer in mind, and endeavored to enhance its relative competitiveness. In the upstream of the industry chain, the team adjusted the cooperation mode with contract farmers, so that the costs of feather chicken of the Company are as close to the market as possible, and constructed a good ecosystem in which the contract farmers and the Company share benefits and risks. In the downstream of the industry chain, the team focused on the development of processed and differentiated products, and continued to enhance the added value of products. By joining forces with the food business, the team are actively developing member stores and supermarket chains that value product quality, fading out price-sensitive customers, and continuing to increase brand value through sales channel optimization.

Looking ahead to 2024, the Russian-Ukrainian war and the situation in the Middle East will be the major uncertainties affecting the global economy, meanwhile, the uncertainty of the interest rate movement of the US dollar will continue to have an impact on the global financial system and economic growth for a certain period of time, and the structural overcapacity and insufficient demand in the domestic economic operation have not been basically resolved, further consolidation is needed for building a solid foundation for economic recovery. At the same time, competition in the agriculture, livestock and food industry is to become more and more intense. The Company will continue taking the foods segment as the lead to drive its performance development and keep looking for new sources of growth, taking the feeds segment as the foundation to enhance the sales volume and at the same time diversify its market risks by product diversification, and optimizing the operating business of meat products, focusing on the development of valued customers, increasing the output value of meat products and strengthening the cash flow management. With the synergy of increasing economy of 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 31 March 2024, net assets of the Group amounted to RMB2,415,960 thousand; cash and cash equivalents represented 13.9% of total assets. As at 31 March 2024, current ratio of the Group was 1.67, representing a slight increase over the ratio of 1.56 as at 31 December 2023. The interest-bearing borrowings to equity ratio as at 31 March 2024 was 24.4%, representing an 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 57.19% 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 three months ended 31 March 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 three months ended 31 March 2024 which have not been audited by the independent auditor.

On behalf of the Board
James Chun-Hsien Wei
Chairman

Hong Kong, 8 May 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.