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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)

DISCLOSEABLE TRANSACTION PURCHASE AGREEMENT IN RELATION TO THE FOOD PROCESSING PLANT

PURCHASE AGREEMENT

The Board hereby announces that after a tendering process, on 14 September 2022 (after trading hours), Bengbu Dachan (an indirect wholly-owned subsidiary of the Company) entered into the Purchase Agreement with the Supplier (the successful bidder), pursuant to which the Supplier will supply to Bengbu Dachan and Bengbu Dachan will purchase from the Supplier the related equipment for refrigeration and air-conditioning system at the Consideration of RMB30,800,000 (equivalent to approximately HK\$34,804,000) for use in the operation of the food processing plant in the Bengbu Project, and the Supplier shall be responsible for all of the installation and construction works setting the Equipment to its working condition as intended by Bengbu Dachan.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Purchase Agreement is more than 5% but less than 25%, the transaction contemplated under the Purchase Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board hereby announces that after a tendering process, on 14 September 2022 (after trading hours), Bengbu Dachan (an indirect wholly-owned subsidiary of the Company) entered into the Purchase Agreement with the Supplier (the successful bidder), pursuant to which the Supplier will supply to Bengbu Dachan and Bengbu Dachan will purchase from the Supplier the related ancillary equipment for refrigeration and air-conditioning system at the Consideration of RMB30,800,000 (equivalent to approximately HK\$34,804,000) for use in the operation of the food processing plant in the Bengbu Project, and the Supplier shall be responsible for all of the installation and construction works setting the Equipment to its working condition as intended by Bengbu Dachan.

PURCHASE AGREEMENT

The principal terms of the Purchase Agreement are set out below:

- Date: 14 September 2022
- Parties: (i) Bengbu Dachan; and
(ii) the Supplier.
- Details of the Equipment: The related ancillary equipment for refrigeration and air-conditioning system for use in the operation of the food processing plant in the Bengbu Project.
- Consideration: The Consideration payable by Bengbu Dachan to the Supplier for the purchase of the Equipment and the Installation Works pursuant to the Purchase Agreement shall be RMB30,800,000 (equivalent to approximately HK\$34,804,000). The amount of the Consideration includes the cost of purchase, transportation, installation and construction, commissioning and after-sales maintenance of the Equipment.
- Installation Works: The Supplier shall complete the delivery, installation and construction and commissioning of the Equipment within 240 days after the entering into of the Purchase Agreement.
- Performance guarantee: The Supplier shall issue a guarantee in favour of Bengbu Dachan for the performance of its obligations under the Purchase Agreement in an amount of RMB1,500,000 (equivalent to approximately HK\$1,695,000) in the following manner:
- The Supplier shall, within 7 days from the entering into of the Purchase Agreement, provide a letter of guarantee to Bengbu Dachan issued by a bank in an amount of RMB1,500,000 (equivalent to approximately HK\$1,695,000) (the “**Guarantee Letter A**”) for a period from the date of issuance of the Guarantee Letter A to the date of completion of all of the Installation Works, acceptance thereof by Bengbu Dachan and the supervisor and handover to Bengbu Dachan.
- Quality guarantee: The Supplier shall issue a guarantee in favour of Bengbu Dachan in the amount of 5% of the Consideration for its obligations under the Purchase Agreement in respect of the quality assurance of the Equipment in the following manner:
- (i) The Supplier shall, after the completion of all of the Installation Works and acceptance thereof by Bengbu Dachan and the supervisor, provide a letter of guarantee to Bengbu Dachan issued by a bank in an amount equivalent to 3% of the Consideration (the “**Guarantee Letter B**”) for a period of one year from the date of issuance of the Guarantee Letter B; and

- (ii) the Supplier shall, after the completion of all of the Installation Works and acceptance thereof by Bengbu Dachan and the supervisor, provide a letter of guarantee to Bengbu Dachan issued by a bank in an amount equivalent to 2% of the Consideration (the “**Guarantee Letter C**”) for a period of two years from the date of issuance of the Guarantee Letter C.

Payment terms:

The Consideration shall be paid by Bengbu Dachan to the Supplier in the following manner:

First instalment

Bengbu Dachan shall pay 10% of the Consideration, being RMB3,080,000 (equivalent to approximately HK\$3,480,400), to the Supplier after the entering into of the Purchase Agreement and receipt of the Guarantee Letter A by Bengbu Dachan.

Second instalment

Bengbu Dachan shall pay 30% of the Consideration, being RMB9,240,000 (equivalent to approximately HK\$10,441,200), to the Supplier after the receipt of shipment proof of the Equipment.

Third instalment

Bengbu Dachan shall pay 20% of the Consideration, being RMB6,160,000 (equivalent to approximately HK\$6,960,800), to the Supplier after the arrival of the Equipment at the construction site and Bengbu Dachan’s acceptance of the Equipment.

Fourth instalment

Bengbu Dachan shall pay 20% of the Consideration, being RMB6,160,000 (equivalent to approximately HK\$6,960,800), to the Supplier after the completion of the installation of the refrigeration plant equipment and piping and acceptance thereof by Bengbu Dachan.

Fifth instalment

Bengbu Dachan shall pay 10% of the Consideration, being RMB3,080,000 (equivalent to approximately HK\$3,480,400), to the Supplier after the completion of all of the Installation Works and acceptance of the pressure piping and pressure vessels thereof by the relevant quality supervision department.

Sixth instalment

Bengbu Dachan shall pay 5% of the Consideration, being RMB1,540,000 (equivalent to approximately HK\$1,740,200), to the Supplier after the completion of all of the Installation Works, continuous, uninterrupted and normal trial operation of the Equipment for three months without any problems, and acceptance of the Installation Works by Bengbu Dachan and the supervisor.

Seventh instalment

Bengbu Dachan shall pay 5% of the Consideration, being RMB1,540,000 (equivalent to approximately HK\$1,740,200), to the Supplier after the completion of all of the Installation Works, acceptance thereof by Bengbu Dachan and the supervisor, and receipt of the Guarantee Letter B and the Guarantee Letter C by Bengbu Dachan.

Warranty period: 2 years from the completion of all of the Installation Works, acceptance thereof by Bengbu Dachan and the supervisor, and transfer to Bengbu Dachan all the materials regarding the relevant works and its completion.

BASIS OF CONSIDERATION

The Consideration was determined based on the tender price provided by the Supplier, and the Purchase Agreement was awarded to the Supplier by Bengbu Dachan after the tendering process. Bengbu Dachan has considered the prevailing market prices of equipment similar to the Equipment and relevant installation and construction works. The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable.

The Consideration will be financed by the Group's internal resources and/or banking facilities or a combination of both.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PURCHASE AGREEMENT

As set out in the Company's announcement of the discloseable transaction (construction agreement) dated 13 January 2022, in order to establish a stable and efficient supply chain system for the long-term development of the Group's food business and further strengthen the Group's market position in the Yangtze River Delta region of the PRC, the Group intends to construct a new plant in Bengbu, Anhui Province. This Bengbu Project is an important part for the expansion of the Group's one-stop food production chain.

As set out in the Company's announcement dated 6 April 2022 and the circular dated 22 April 2022, the Group would construct a plant and cold storage facilities of the food processing plant in the Bengbu Project. The Group has now commenced the construction of the food processing plant in the Bengbu Project. The relevant equipment under the Purchase Agreement as disclosed in this announcement will be used in the operation of the food processing plant in the Bengbu Project, which is in line with the Group's long-term development strategy.

Based on the above, the Directors (including the independent non-executive Directors) consider that the transaction contemplated under the Purchase Agreement is on normal commercial terms, that the terms of the Purchase Agreement are fair and reasonable and that the entering into of the Purchase Agreement is in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE GROUP AND THE SUPPLIER

The Group is a leading fully integrated animal protein product provider whose products range from feeds, poultry and advanced nutritional formulae for aquatic animals, to processed foods. For more information on the Group, please visit the Group's official website at www.dfa3999.com (any information contained on the website does not form part of this announcement).

The Supplier is mainly engaged in the general contracting of building construction and municipal infrastructure projects, various engineering and construction activities, manufacturing of specialised equipment (excluding the manufacturing of licensed professional equipment), manufacturing of general equipment (excluding the manufacturing of special equipment), sale of machinery and equipment and installation services of general machinery and equipment. To the best of the Company's knowledge, information and belief, having made all reasonable enquiries, the Supplier is directly held by Qingdao Runan Investment Co., Ltd.* ("**Qingdao Runan**"), Labour Union Committee of Qingdao Installation & Construction Co., Ltd.* ("**Labour Union of Qingdao Installation**"), Qingjian Group Co., Ltd* and Wang Naipeng as to 51.54%, 36.87%, 11.41% and 0.18% respectively. Based on the information available to the Company, in respect of Qingdao Runan and Labour Union of Qingdao Installation, there is no natural person who control, directly or indirectly, one-third or more of the Supplier's shareholding. Qingdao Runan, being the largest shareholder of the Supplier, has a total of 20 shareholders, all of whom are natural persons. Among them, five shareholders with the highest shareholding are Wang Dong, Wang Naipeng, Zhang Zhenqi, Yao Jianwei and Sun Baoyou, who ultimately own as to approximately 5.87%, 6.05% (including the interests directly held by Wang Naipeng), 5.33%, 4.13% and 2.93% interests in the Supplier.

To the best of the Directors' knowledge and belief and having made all reasonable enquiries, the Supplier and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

LISTING RULES IMPLICATION

Pursuant to Chapter 14 of the Listing Rules, the transaction contemplated under the Purchase Agreement constitutes a discloseable transaction of the Company. As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Purchase Agreement is more than 5% but less than 25%, the transaction contemplated under the Purchase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Bengbu Dachan”	Bengbu Dachan Food Co., Ltd.* (蚌埠大成食品有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“Bengbu Project”	the Group’s construction project of a new plant in Guzhen County, Bengbu City, Anhui Province, the PRC, which comprises a feeds processing plant, a food processing plant and a broiler electrical slaughterhouse;
“Board”	the board of Directors of the Company;
“Company”	Dachan Food (Asia) Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the main board of the Stock Exchange (Stock Code: 3999);
“connected person(s)”	has the meanings ascribed to it under the Listing Rules;
“Consideration”	the total consideration to be paid by Bengbu Dachan to the Supplier pursuant to the Purchase Agreement, being RMB30,800,000 (equivalent to approximately HK\$34,804,000);
“Director(s)”	the director(s) of the Company;
“Equipment”	the related equipment for refrigeration and air-conditioning system proposed to be purchased by Bengbu Dachan from the Supplier for use in the operation of the food processing plant in the Bengbu Project;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

“Installation Works”	all of the installation and construction works to set the Equipment to its working condition as intended by Bengbu Dachan, which said works shall be responsible for by the Supplier under the Purchase Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this announcement);
“Purchase Agreement”	the contract in relation to purchase and installation and setting up of the equipment of the food processing plant entered into between Bengbu Dachan and the Supplier on 14 September 2022;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary” or “subsidiaries”	has the meanings ascribed to it under the Listing Rules;
“Supplier”	Qingdao Installation & Construction Co., Ltd.* (青島安裝建設股份有限公司), a company established under the laws of the PRC with limited liability; and
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.13 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

The English translation of Chinese names or words in this announcement, where indicated by “*”, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

On behalf of the Board
James Chun-Hsien Wei
Chairman

Hong Kong, 14 September 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.