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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 AND INSTALLATION
AND CONSTRUCTION AGREEMENT
IN RESPECT OF
THE BROILER ELECTRICAL SLAUGHTERHOUSE**

PURCHASE AGREEMENT AND INSTALLATION AND CONSTRUCTION AGREEMENT

The Board hereby announces that after a tendering process, on 26 October 2022 (after trading hours), Bengbu Dachan (an indirect wholly-owned subsidiary of the Company) entered into the Purchase Agreement and the Installation and Construction 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 RMB24,000,000 (equivalent to approximately HK\$25,680,000), and the Supplier will undertake all of the installation and construction works setting the Equipment to its working condition as intended by Bengbu Dachan for use in the operation of the broiler electrical slaughterhouse in the Bengbu Project at the consideration of RMB10,000,000 (equivalent to approximately HK\$10,700,000).

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in relation to the transaction contemplated under the Purchase Agreement exceeds 5% but is 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. Notwithstanding all applicable percentage ratios in relation to the transaction contemplated under the Installation and Construction Agreement are less than 5%, both the Purchase Agreement and the Installation and Construction Agreement were entered into between Bengbu Dachan and the Supplier on the same date and the Purchase Agreement and the Installation and Construction Agreement are deemed to be aggregated as one transaction under Rules 14.22 and 14.23 of the Listing Rules. As one or more of the applicable percentage ratios under the Purchase Agreement and the Installation and Construction Agreement taken together is more than 5% but less than 25%, the transaction contemplated under the Purchase Agreement and the Installation and Construction 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 26 October 2022 (after trading hours), Bengbu Dachan (an indirect wholly-owned subsidiary of the Company) entered into the Purchase Agreement and the Installation and Construction 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 RMB24,000,000 (equivalent to approximately HK\$25,680,000), and the Supplier will undertake all of the installation and construction works setting the Equipment to its working condition as intended by Bengbu Dachan for use in the operation of the broiler electrical slaughterhouse in the Bengbu Project at the consideration of RMB10,000,000 (equivalent to approximately HK\$10,700,000).

PURCHASE AGREEMENT

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

Date:	26 October 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 broiler electrical slaughterhouse in the Bengbu Project.
Consideration:	The consideration payable by Bengbu Dachan to the Supplier for the purchase of the Equipment pursuant to the Purchase Agreement shall be RMB24,000,000 (equivalent to approximately HK\$25,680,000) (the “ Purchase Consideration ”).
Delivery:	The Supplier shall complete all deliveries of the Equipment within 130 days from the date of execution of the Purchase Agreement.
Payment terms:	The Purchase Consideration shall be paid by Bengbu Dachan to the Supplier in the following manner: <u>First instalment</u> Bengbu Dachan shall pay 30% of the Purchase Consideration, being RMB7,200,000 (equivalent to approximately HK\$7,704,000), to the Supplier within 10 business days after the entering into of the Purchase Agreement and receipt of the full Performance Security Deposit (as defined below) by Bengbu Dachan.

Second instalment

Bengbu Dachan shall pay the total amount of not exceeding RMB14,400,000 (equivalent to approximately HK\$15,408,000) to the Supplier in instalments in the following manner: Bengbu Dachan shall pay RMB1,800,000 (equivalent to approximately HK\$1,926,000) to the Supplier every time the value of Equipment arrived on site reaches RMB3,000,000 (equivalent to approximately HK\$3,210,000), and upon initial acceptance by Bengbu Dachan that the brand, quantity, specifications and model, and manufacturer of such Equipment are in compliance with the Purchase Agreement and that the appearance is undamaged.

Third instalment

Bengbu Dachan shall pay the relevant amount up to 95% of the Purchase Consideration in aggregate, being RMB22,800,000 (equivalent to approximately HK\$24,396,000), to the Supplier after completion of all of the Installation Works, acceptance thereof by Bengbu Dachan and the supervisor.

Final instalment

5% of the Purchase Consideration, being RMB1,200,000 (equivalent to approximately HK\$1,284,000), shall be withheld and paid in accordance with the terms of the quality guarantee set out in the section headed “Performance Guarantee, Quality Guarantee and Warranty Period of the Purchase Agreement and the Installation and Construction Agreement” below.

INSTALLATION AND CONSTRUCTION AGREEMENT

The principal terms of the Installation and Construction Agreement are set out below:

Date: 26 October 2022

Parties: (i) Bengbu Dachan; and
(ii) the Supplier.

Consideration: The consideration payable by Bengbu Dachan to the Supplier for the Installation Works pursuant to the Installation and Construction Agreement shall be RMB10,000,000 (equivalent to approximately HK\$10,700,000) (the “**Installation Consideration**”).

Installation Works: The Supplier shall complete all installation and construction and commissioning of the Equipment within 150 days from the date of commencement of work as determined by Bengbu Dachan.

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

First instalment

Bengbu Dachan shall pay 20% of the Installation Consideration, being RMB2,000,000 (equivalent to approximately HK\$2,140,000), to the Supplier within 10 business days after the entering into of the Installation and Construction Agreement and receipt of the full Performance Security Deposit (as defined below) by Bengbu Dachan.

Second instalment

Bengbu Dachan shall pay 30% of the Installation Consideration, being RMB3,000,000 (equivalent to approximately HK\$3,210,000), to the Supplier after completion of the installation of equipment and pipework valves in the plant and on the roof.

Third instalment

Bengbu Dachan shall pay 20% of the Installation Consideration, being RMB2,000,000 (equivalent to approximately HK\$2,140,000), to the Supplier after completion of the pressurisation of all systems (including but not limited to the ammonia system, carbon dioxide system and air-conditioning system) under the Installation Works and completion of all constructions except for the insulation and electrical installation.

Fourth instalment

Bengbu Dachan shall pay 20% of the Installation Consideration, being RMB2,000,000 (equivalent to approximately HK\$2,140,000), to the Supplier after completion of all of the Installation Works, acceptance of the pressure piping and pressure vessels thereof by the relevant quality supervision department, and the Installation Works have met the requirements for the use of Bengbu Dachan and has put into trial operation.

Fifth instalment

Bengbu Dachan shall pay 5% of the Installation Consideration, being RMB500,000 (equivalent to approximately HK\$535,000), to the Supplier after 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.

Final instalment

5% of the Installation Consideration, being RMB500,000 (equivalent to approximately HK\$535,000), shall be withheld and paid in accordance with the terms of the quality guarantee set out in the section headed “Performance Guarantee, Quality Guarantee and Warranty Period of the Purchase agreement and the Installation and Construction Agreement” below.

PERFORMANCE GUARANTEE, QUALITY GUARANTEE AND WARRANTY PERIOD OF THE PURCHASE AGREEMENT AND THE INSTALLATION AND CONSTRUCTION AGREEMENT

Pursuant to the related terms of the Purchase Agreement and the Installation and Construction Agreement, the Supplier shall provide a performance guarantee, quality guarantee and warranty period to Bengbu Dachan in the following manner:

- Performance guarantee: The Supplier shall provide a performance guarantee for the performance of its obligations under the Purchase Agreement and the Installation and Construction Agreement to Bengbu Dachan in the following manner:
- (i) The Supplier shall pay a performance security deposit in an amount of RMB2,000,000 (equivalent to approximately HK\$2,140,000) (the “**Performance Security Deposit**”) to Bengbu Dachan within 7 days from the date of execution of the Purchase Agreement or the Installation and Construction Agreement (whichever is earlier);
 - (ii) The Performance Security Deposit shall apply to both the Purchase Agreement and the Installation and Construction Agreement. In the event that the Supplier fails to perform any of its obligations under the Purchase Agreement and/or the Installation and Construction Agreement, Bengbu Dachan shall be entitled to set off against or forfeit the Performance Security Deposit for any liquidated damages, compensation or any other sums due to Bengbu Dachan for the breach of obligations of the Supplier; and

(iii) Until the date of completion of the Installation Works and acceptance thereof by Bengbu Dachan, if the Supplier is not in breach of the Purchase Agreement and/or the Installation and Construction Agreement and has not caused any loss to Bengbu Dachan, Bengbu Dachan shall return the Performance Security Deposit in full without interest to the Supplier within 15 business days from the date of completion of the Installation Works and acceptance thereof by Bengbu Dachan.

Quality guarantee:

The Supplier shall provide a quality guarantee to Bengbu Dachan for its obligations for quality guarantee of the Equipment supplied and the Installation Works carried out under the Purchase Agreement and the Installation and Construction Agreement for a total amount of RMB1,700,000 (equivalent to approximately HK\$1,819,000) (the “**Quality Security Deposit**”) in the following manner:

- (i) The retention by Bengbu Dachan of the final instalments of RMB1,200,000 (equivalent to approximately HK\$1,284,000) and RMB500,000 (equivalent to approximately HK\$535,000) payable to the Supplier under the Purchase Agreement and the Installation and Construction Agreement, respectively, as the Quality Security Deposit;
- (ii) The Quality Security Deposit shall apply to both the Purchase Agreement and the Installation and Construction Agreement. In the event that the Supplier fails to perform the warranty obligations under the Purchase Agreement and/or the Installation and Construction Agreement, Bengbu Dachan shall be entitled to set off against or forfeit the Quality Security Deposit for any warranty expenses, liquidated damages, compensation or any other sums due to Bengbu Dachan for the breach of obligations of the Supplier; and
- (iii) During the warranty period, if the Supplier is not in breach of the warranty obligation under the Purchase Agreement and/or the Installation and Construction Agreement, and there are no quality problems with the Equipment and the Installation Works, Bengbu Dachan shall return the Quality Security Deposit to the Supplier in the following manner:
 - a) Bengbu Dachan shall return RMB1,020,000 (equivalent to approximately HK\$1,091,400) thereof without interest after one year from the date of completion of the Installation Works and acceptance thereof by Bengbu Dachan; and

- b) Bengbu Dachan shall return RMB680,000 (equivalent to approximately HK\$727,600) thereof without interest after two years from the date of completion of the Installation Works and acceptance thereof by Bengbu Dachan.

Warranty period: 2 years from 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 considerations under the Purchase Agreement and the Installation and Construction Agreement were determined based on the tender price provided by the Supplier, and the Purchase Agreement and the Installation and Construction Agreement were 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 considerations under the Purchase Agreement and the Installation and Construction Agreement are fair and reasonable.

The Purchase Consideration and the Installation 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 AND THE INSTALLATION AND CONSTRUCTION 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. The 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 announcements dated 31 May 2022 and 22 June 2022 and the circular dated 22 June 2022, the Group would construct major facilities (including the production workshops, office buildings and fire extranet) and ancillary facilities (including the restaurant and dormitory buildings) of the broiler electrical slaughterhouse in the Bengbu Project. The Group has commenced the construction of the major facilities and the ancillary facilities of the broiler electrical slaughterhouse in the Bengbu Project. The Equipment and the Installation Works as disclosed in this announcement will be used in the operation of the broiler electrical slaughterhouse 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 and the Installation and Construction Agreement are on normal commercial terms, that the terms of the Purchase Agreement and the Installation and Construction Agreement are fair and reasonable and that the entering into of the Purchase Agreement and the Installation and Construction 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 formulas 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 business of installation of refrigeration, ventilation, air-conditioning equipment and indoor and outdoor wiring installation, installation of general machinery and equipment and sale of machinery and equipment. Based on the information available to the Company, the Supplier is ultimately owned as to 72%, 9%, 4%, 4%, 4%, 3%, 2% and 2% interests by Lu Nianhai, Zuo Yinde, Wang Liuqing, Liu Haili, Liu Guangxiang, Wang Xialan, Yao Daojiang and Yu Qinghua, respectively.

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

As one or more of the applicable percentage ratios in relation to the transaction contemplated under the Purchase Agreement exceeds 5% but is 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. Notwithstanding all applicable percentage ratios in relation to the transaction contemplated under the Installation and Construction Agreement are less than 5%, both the Purchase Agreement and the Installation and Construction Agreement were entered into between Bengbu Dachan and the Supplier on the same date and the Purchase Agreement and the Installation and Construction Agreement are deemed to be aggregated as one transaction under Rules 14.22 and 14.23 of the Listing Rules. As one or more of the applicable percentage ratios under the Purchase Agreement and the Installation and Construction Agreement taken together is more than 5% but less than 25%, the transaction contemplated under the Purchase Agreement and the Installation and Construction Agreement constitutes a discloseable transaction of the Company 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;
“business day(s)”	days on which the commercial banks in the PRC are generally open for business, other than Saturday, Sunday (except days on which they are open for business due to adjustment of PRC holidays) or any other statutory holidays in the PRC;
“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;
“Director(s)”	the director(s) of the Company;
“Equipment”	the related ancillary equipment for refrigeration and air-conditioning system to be purchased by Bengbu Dachan from the Supplier pursuant to the Purchase Agreement for use in the operation of the broiler electrical slaughterhouse 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 and Construction Agreement”	the contract in relation to installation and setting up of the equipment of the broiler electrical slaughterhouse entered into between Bengbu Dachan and the Supplier on 26 October 2022;

“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 Installation and Construction 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 of the equipment of the broiler electrical slaughterhouse entered into between Bengbu Dachan and the Supplier on 26 October 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”	Shandong Kaixin Refrigeration Engineering Co., Ltd.* (山東凱新製冷工程有限公司), 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\$1.07 has been used, where applicable, for the purpose of illustration only and does not constitute any 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.

By order of the Board
James Chun-Hsien Wei
Chairman

Hong Kong, 26 October 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.