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**DACHAN FOOD (ASIA) LIMITED**

**大成食品(亞洲)有限公司**

(the “Company”)

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3999)**

**DISCLOSEABLE TRANSACTION  
CONSTRUCTION AGREEMENT IN RESPECT OF  
RENOVATION, MECHANICAL AND ELECTRICAL INSTALLATION WORKS  
OF THE FOOD PROCESSING PLANT**

**CONSTRUCTION AGREEMENT**

The Board hereby announces that after a tendering process, on 24 January 2024 (after trading hours), Bengbu Dachan (an indirect wholly-owned subsidiary of the Company) entered into the Construction Agreement with the Contractor (the successful bidder), pursuant to which the Contractor will provide Bengbu Dachan with construction services for the renovation, mechanical and electrical installation works of the factory building of the food processing plant in the Bengbu Project at the Consideration of RMB40,980,000 (equivalent to approximately HK\$44,668,200).

**LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Construction Agreement is more than 5% but less than 25%, the transaction contemplated under the 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 24 January 2024 (after trading hours), Bengbu Dachan (an indirect wholly-owned subsidiary of the Company) entered into the Construction Agreement with the Contractor (the successful bidder), pursuant to which the Contractor will provide Bengbu Dachan with construction services for the renovation, mechanical and electrical installation works of the factory building of the food processing plant in the Bengbu Project at the Consideration of RMB40,980,000 (equivalent to approximately HK\$44,668,200).

## CONSTRUCTION AGREEMENT

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

Date:	24 January 2024
Parties:	(i) Bengbu Dachan; and (ii) the Contractor.
Subject matter:	The Contractor shall be responsible for the construction works for the renovation, mechanical and electrical installation works of the factory building of the food processing plant of Bengbu Dachan in the Bengbu Project.
Construction period:	The expected completion date of the Works is the end of May 2024.
Consideration:	The Consideration payable to the Contractor by Bengbu Dachan pursuant to the Construction Agreement shall be RMB40,980,000 (equivalent to approximately HK\$44,668,200).
Performance guarantee:	<p>The Contractor shall issue a guarantee in favour of Bengbu Dachan for the performance of the Contractor's obligations under the Construction Agreement in an amount of RMB2,049,000 (equivalent to approximately HK\$2,233,410) in the following manner:</p> <p>The Contractor shall, within seven business days from the date of entering into the Construction Agreement, provide a letter of guarantee to Bengbu Dachan issued by a bank in an amount of RMB2,049,000 (equivalent to approximately HK\$2,233,410) (the “<b>Guarantee Letter A</b>”) for a period from the date of issuance of the Guarantee Letter A to the date of Comprehensive Completion of the Works.</p>

Quality guarantee: The Contractor shall issue guarantees in favour of Bengbu Dachan in the amount of 5% of the Consideration for the performance of the Contractor's obligations under the Construction Agreement in respect of the quality assurance of the works in the following manner:

- (i) The Contractor shall upon the Comprehensive Completion of the Works, provide Bengbu Dachan with a letter of guarantee issued by a bank in an amount equivalent to 1% of the Consideration (the "**Guarantee Letter B**") for a period of one year from the date of the Guarantee Letter B;
- (ii) The Contractor shall upon the Comprehensive Completion of the Works, provide Bengbu Dachan with a letter of guarantee issued by a bank in an amount equivalent to 1% of the Consideration (the "**Guarantee Letter C**") for a period of two years from the date of the Guarantee Letter C;
- (iii) The Contractor shall upon the Comprehensive Completion of the Works, provide Bengbu Dachan with a letter of guarantee issued by a bank in an amount equivalent to 1% of the Consideration (the "**Guarantee Letter D**") for a period of three years from the date of the Guarantee Letter D;
- (iv) The Contractor shall upon the Comprehensive Completion of the Works, provide Bengbu Dachan with a letter of guarantee issued by a bank in an amount equivalent to 1% of the Consideration (the "**Guarantee Letter E**") for a period of four years from the date of the Guarantee Letter E; and
- (v) The Contractor shall upon the Comprehensive Completion of the Works, provide Bengbu Dachan with a letter of guarantee issued by a bank in an amount equivalent to 1% of the Consideration (the "**Guarantee Letter F**") for a period of five years from the date of the Guarantee Letter F.

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

**First instalment**

Bengbu Dachan shall pay 10% of the Consideration, being RMB4,098,000 (equivalent to approximately HK\$4,466,820), to the Contractor after entering into the Construction Agreement and the receipt of the Guarantee Letter A.

**Second instalment**

Bengbu Dachan shall pay 20% of the Consideration, being RMB8,196,000 (equivalent to approximately HK\$8,933,640), to the Contractor upon the completion of the construction of the concrete floor and ditches, (excluding the cover slabs and the decorative covers) of the workshop and the phased acceptance thereof.

**Third instalment**

Bengbu Dachan shall pay 20% of the Consideration, being RMB8,196,000 (equivalent to approximately HK\$8,933,640), to the Contractor upon the completion of the decoration works of the workshop, office area and auxiliary rooms and the phased acceptance thereof.

**Fourth instalment**

Bengbu Dachan shall pay 15% of the Consideration, being RMB6,147,000 (equivalent to approximately HK\$6,700,230), to the Contractor upon the completion of the installation of electrical and mechanical works and the phased acceptance thereof.

**Fifth instalment**

Bengbu Dachan shall pay 20% of the Consideration, being RMB8,196,000 (equivalent to approximately HK\$8,933,640), to the Contractor upon the Comprehensive Completion of the Works.

**Sixth instalment**

Bengbu Dachan shall pay 10% of the Consideration, being RMB4,098,000 (equivalent to approximately HK\$4,466,820), to the Contractor after completion of the full handover of the Works.

**Seventh instalment**

Bengbu Dachan shall pay 5% of the Consideration, being RMB2,049,000 (equivalent to approximately HK\$2,233,410), to the Contractor upon the Comprehensive Completion of the Works and the receipt of the Guarantee Letter B, the Guarantee Letter C, the Guarantee Letter D, the Guarantee Letter E and the Guarantee Letter F.

### **Proper invoice**

Prior to the payment of each of the aforesaid instalments, the Contractor shall issue to Bengbu Dachan a legal and proper invoice for the corresponding amount.

Warranty period:

During the warranty period, the Contractor shall be responsible for handling quality issues of the Works in a timely manner in accordance with the Construction Agreement:

- (1) Unless otherwise specified, the warranty period shall be two years from the date of the Comprehensive Completion of the Works.
- (2) The warranty period for foundation works and main structural works shall be the reasonable tenure of use as stipulated in the relevant design documents.
- (3) The warranty period for roof waterproofing works shall be five years from the date of the Comprehensive Completion of the Works.
- (4) The warranty period for heating and air-conditioning works shall be two heating seasons.

### **BASIS OF CONSIDERATION**

The Consideration was determined based on the tender price provided by the Contractor, and the Construction Agreement was awarded to the Contractor by Bengbu Dachan after the tendering process. Bengbu Dachan has assessed the experience and capability of the Contractor, the expected scope, complexity and expected costs of the Works, and the prevailing market price of construction works with similar scale and complexity. 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, banking facilities or a combination of both.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENT**

As set out in the Company's announcement on 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 intended 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 announcement dated 6 April 2022, the circular dated 22 April 2022 and the announcement dated 14 September 2022, the Group would construct a food processing plant (including factory building and cold storage facilities) for the Bengbu Project and would purchase and install related equipment for refrigeration and air-conditioning system for its operation. The above construction works and the installation of related equipment have been completed. The construction works disclosed in this announcement are part of the Bengbu Project. The Group will carry out renovation, mechanical and electrical installation works of the factory building of the above food processing plant through the Construction Agreement. The Bengbu Project is an important part for the expansion of the Group's one-stop food production chain and is in line with the Group's long-term development strategy. The completion of the Bengbu Project will help 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.

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

## **INFORMATION ON THE GROUP AND THE CONTRACTOR**

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](http://www.dfa3999.com) (any information contained on the website does not form part of this announcement).

The Contractor is principally engaged in, among others, general contracting, professional contracting, design, construction, consultation and installation (repair and testing) of power facilities for construction works. According to the information available to the Company, the Contractor is indirectly held by Shenzhen Sed Industry Co., Ltd. (whose A shares are listed on the main board of the Shenzhen Stock Exchange, stock code: 000032.SZ) and Wuxi Taiji Industry Corporation Limited (whose A shares are listed on the main board of the Shanghai Stock Exchange, stock code: 600667.SH), being intermediaries of the Contractor, as to approximately 51% and 20% of the interests in the Contractor, respectively. The remaining approximately 29% of the interests in the Contractor are directly or indirectly held by certain intermediaries with over 60 individual ultimate beneficial owners, among which, Wan Tongliang\*, Liu Qianhui\*, Chen Jinggang\* and Cui Yuling\*, being individuals with highest shareholdings, ultimately held as to approximately 6.57%, 4.15%, 2.69% and 2.56% of the interests in the Contractor.

To the best of the Directors' knowledge and belief and having made all reasonable enquiries, the Contractor 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 respect of the transaction contemplated under the Construction Agreement is more than 5% but less than 25%, the transaction contemplated under the 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 of the PRC, which consists of 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 Saturdays, Sundays (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 (大成食品(亞洲)有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3999.HK);
“Comprehensive Completion of the Works”	the completion of the Works, the comprehensive acceptance of the Works by Bengbu Dachan and the relevant government departments, and the filing with the relevant government departments for record;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the total consideration to be paid by Bengbu Dachan to the Contractor pursuant to the Construction Agreement, being RMB40,980,000 (equivalent to approximately HK\$44,668,200);

“Construction Agreement”	the agreement dated 24 January 2024 entered into between Bengbu Dachan and the Contractor for the construction of the Works;
“Contractor”	The Fourth Construction Co., Ltd. of China Electronics System Engineering* (中國電子系統工程第四建設有限公司), a company established under the laws of the PRC with limited liability;
“Director(s)”	the director(s) of the Company;
“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;
“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);
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meanings ascribed to it under the Listing Rules;
“Works”	the construction works for the renovation, mechanical and electrical installation works of the factory building of the food processing plant in the Bengbu Project; and
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 =HK\$1.09 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 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, 24 January 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.*