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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

PURCHASE AGREEMENT

The Board hereby announces that after a tendering process, on 25 February 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 equipment from the Supplier at the Consideration of RMB64,300,000 (equivalent to approximately HK\$79,089,000).

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 25 February 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 feed production equipment and other equipment from the Supplier at the Consideration of RMB64,300,000 (equivalent to approximately HK\$79,089,000) for use in the production of Bengbu Dachan's proposed new plant.

PURCHASE AGREEMENT

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

Date: 25 February 2022

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

Details of the Equipment: Production equipment for use in the production of Bengbu Dachan's proposed new plant, which includes feed production equipment and other equipment.

Consideration: The Consideration payable by Bengbu Dachan to the Supplier pursuant to the Purchase Agreement shall be RMB64,300,000 (equivalent to approximately HK\$79,089,000). The amount of the Consideration includes the cost of purchase, design, manufacture, transportation, installation and after-sales service of the Equipment.

Delivery: The Supplier shall complete the design, manufacture, delivery, installation and commissioning of the Equipment within 305 days of the commencement 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 equivalent to 5% of the Consideration in the following manner: the Supplier shall, within 7 business days after the entering into of the Purchase Agreement, provide a letter of guarantee to Bengbu Dachan issued by a bank in an amount equivalent to 5% of the Consideration ("**Guarantee Letter A**") for a period from the date of issuance of the Guarantee Letter A to the date of completion of the commissioning and acceptance of the Equipment.

If the Supplier fails to provide the Guarantee Letter A to Bengbu Dachan on time, Bengbu Dachan shall be entitled to deduct 5% of the Consideration from the second instalment (i.e. the second instalment shall be changed to RMB3,215,000 (equivalent to approximately HK\$3,954,450), such deducted amount shall be treated as a performance security deposit payable by the Supplier to Bengbu Dachan, and shall be paid by Bengbu Dachan to the Supplier without interest after the completion of the commissioning and acceptance of the Equipment.

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: the Supplier shall, after the completion of the commissioning and acceptance of the Equipment, provide a letter of guarantee to Bengbu Dachan issued by a bank in an amount equivalent to 5% of the Consideration (“**Guarantee Letter B**”) for a period of one year from the date of issuance of the Guarantee Letter B.

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

First instalment

Bengbu Dachan shall pay 20% of the Consideration, being RMB12,860,000 (equivalent to approximately HK\$15,817,800), to the Supplier within 7 business days after the entering into of the Purchase Agreement.

Second instalment

Bengbu Dachan shall pay 10% of the Consideration, being RMB6,430,000 (equivalent to approximately HK\$7,908,900), to the Supplier within 7 business days after the civil construction of the main workshop of its proposed new plant has entered the stage of constructing underground structure or the ground floor, as well as the production and manufacturing plan of the relevant equipment provided by the Supplier has been confirmed by Bengbu Dachan.

Third instalment

Bengbu Dachan shall pay 10% of the Consideration, being RMB6,430,000 (equivalent to approximately HK\$7,908,900), to the Supplier within 7 business days prior to the shipment of the batch bins.

Fourth instalment

Bengbu Dachan shall pay 10% of the Consideration, being RMB6,430,000 (equivalent to approximately HK\$7,908,900), to the Supplier within 7 business days after the installation of the batch bins.

Fifth instalment

Bengbu Dachan shall pay 20% of the Consideration, being RMB12,860,000 (equivalent to approximately HK\$15,817,800), to the Supplier within 7 business days after the receipt of main equipment and silo.

Sixth instalment

Bengbu Dachan shall pay 5% of the Consideration, being RMB3,215,000 (equivalent to approximately HK\$3,954,450), to the Supplier within 7 business days after the commencement of the installation of electrical equipment.

Seventh instalment

Bengbu Dachan shall pay 15% of the Consideration, being RMB9,645,000 (equivalent to approximately HK\$11,863,350), to the Supplier within 7 business days after the completion of the installation of the Equipment.

Eighth instalment

Bengbu Dachan shall pay 5% of the Consideration, being RMB3,215,000 (equivalent to approximately HK\$3,954,450), to the Supplier within 7 business days after the completion of the commissioning and acceptance of the Equipment.

Ninth instalment

Bengbu Dachan shall pay 5% of the Consideration, being RMB3,215,000 (equivalent to approximately HK\$3,954,450), to the Supplier within 7 business days after the completion of the commissioning and acceptance of the Equipment, and receipt of the Guarantee Letter B.

Quality assurance period: 1 year from the acceptance of the Equipment.

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 and machinery similar to the Equipment. 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 (the 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 proposes to construct a new plant in Bengbu, Anhui Province. The completion of the construction of the plant is an important part for the expansion of the Group's one-stop food production chain. The Equipment will be used for the production of Bengbu Dachan's proposed new plant, which will be 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 business of, among others, the manufacture and engineering installation of feed machinery, grain machinery and electrical control equipment, and the manufacture of pre-packing equipment. Based on the information available to the Company, the Supplier is ultimately owned as to approximately 43.28%, 20%, 19.69%, 16.99% and 0.04% by Fan Tianming, Li Hua, Liu Guangdao, Zhu Jianjun and Guo Zuliang 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

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;
“Board”	the board of Directors;
“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;
“Consideration”	the total consideration to be paid by Bengbu Dachan to the Supplier pursuant to the Purchase Agreement, being RMB64,300,000 (equivalent to approximately HK\$79,089,000);
“Director(s)”	the director(s) of the Company;
“Equipment”	the feed production equipment and other equipment proposed to be provided by the Supplier to Bengbu Dachan for use in the production of Bengbu Dachan’s proposed new plant;
“Group”	the Company and its subsidiaries;
“HK\$”	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);
“Purchase Agreement”	the processing and contracting contract entered into between Bengbu Dachan and the Supplier on 25 February 2022;
“RMB”	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”	Famsun Co., Ltd.* (江蘇豐尚智能科技有限公司), 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\$1.23 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, 25 February 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.