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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

CONSTRUCTION AGREEMENT IN RESPECT OF THE CONSTRUCTION OF THE ANCILLARY FACILITIES OF THE BROILER ELECTRICAL SLAUGHTERHOUSE

CONSTRUCTION AGREEMENT

The Board hereby announces that after a tendering process, on 22 June 2022 (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 construction services to Bengbu Dachan at the Consideration of RMB27,420,000 (equivalent to approximately HK\$32,081,400) for the construction of the ancillary facilities including the restaurant and dormitory buildings of the broiler electrical slaughterhouse for the Bengbu Project.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in relation to the transaction contemplated under the Construction Agreement exceeds 5% but is 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 22 June 2022 (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 construction services to Bengbu Dachan at the Consideration of RMB27,420,000 (equivalent to approximately HK\$32,081,400) for the construction of the ancillary facilities including the restaurant and dormitory buildings of the broiler electrical slaughterhouse for the Bengbu Project.

CONSTRUCTION AGREEMENT

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

- Date: 22 June 2022
- Parties: (i) Bengbu Dachan; and
(ii) the Contractor.
- Subject matter: The Contractor shall be responsible for the construction of the ancillary facilities including the restaurant and dormitory buildings of the broiler electrical slaughterhouse of Bengbu Dachan located in Guzhen County, Bengbu City, Anhui Province, the PRC, with a planned construction scale of approximately 10,403 m².
- Construction period: The Works are expected to be completed within 300 days after the commencement. The commencement date is the relevant date as stated in the commencement order signed by the supervisor.
- Consideration: The Consideration payable to the Contractor pursuant to the Construction Agreement shall be RMB27,420,000 (equivalent to approximately HK\$32,081,400).
- Performance guarantee: The Contractor shall pay to Bengbu Dachan a performance security deposit in the amount of RMB2,000,000 (equivalent to approximately HK\$2,340,000) (the “**Performance Security Deposit**”) within seven business days from the date of signing of the Construction Agreement to guarantee the proper performance of the Contractor’s obligations under the Construction Agreement. Up to the date of the Comprehensive Completion of the Works, if the Contractor does not breach the Construction Agreement and does not cause any loss to Bengbu Dachan, Bengbu Dachan shall return the Performance Security Deposit to the Contractor in full, without interest, upon the Comprehensive Completion of the Works.
- Payment terms: The Consideration shall be paid by Bengbu Dachan in the following manner:
- First instalment
Bengbu Dachan shall pay 15% of the Consideration, being RMB4,113,000 (equivalent to approximately HK\$4,812,210), to the Contractor after the signing of the Construction Agreement and Bengbu Dachan’s receipt of the Performance Security Deposit.

Second instalment

Bengbu Dachan shall pay 6% of the Consideration, being RMB1,645,200 (equivalent to approximately HK\$1,924,884), to the Contractor after the completion and acceptance of the foundation works of the restaurant, the dormitory, the marketing centre and the slaughter shed.

Third instalment

Bengbu Dachan shall pay 10% of the Consideration, being RMB2,742,000 (equivalent to approximately HK\$3,208,140), to the Contractor after the completion and acceptance of the foundation works of the AO system integration room of the wastewater treatment plant, the pre-treatment system room of the wastewater treatment plant, the auxiliary rooms and its underground pond pump house.

Fourth instalment

Bengbu Dachan shall pay 10% of the consideration, being RMB2,742,000 (equivalent to approximately HK\$3,208,140), to the Contractor after the completion and acceptance of the foundation works of the janitorial rooms, the operation and management centre, the scrap store and the disinfection shed, and the delivery of the materials for the main structural works of the restaurant, the dormitory, the marketing centre and the slaughter shed.

Fifth instalment

Bengbu Dachan shall pay 10% of the consideration, being RMB2,742,000 (equivalent to approximately HK\$3,208,140), to the Contractor after the completion and acceptance of the main structural works of the restaurant, the dormitory building, the marketing centre and the slaughter shed,

Sixth instalment

Bengbu Dachan shall pay 12% of the Consideration, being RMB3,290,400 (equivalent to approximately HK\$3,849,768), to the Contractor after the completion and acceptance of the main structural works of the AO system integration room of the wastewater treatment plant, the pre-treatment system room of the wastewater treatment plant, the auxiliary rooms and its underground pond pump house.

Seventh instalment

Bengbu Dachan shall pay 12% of the Consideration, being RMB3,290,400 (equivalent to approximately HK\$3,849,768), to the Contractor after the completion and acceptance of the main structural works of the janitorial rooms, the operation and management centre, the scrap store and the disinfection shed.

Eighth instalment

Bengbu Dachan shall pay 10% of the Consideration, being RMB2,742,000 (equivalent to approximately HK\$3,208,140), to the Contractor after the completion and acceptance of the works of the external walls of all single structural buildings.

Ninth instalment

Bengbu Dachan shall pay 5% of the Consideration, being RMB1,371,000 (equivalent to approximately HK\$1,604,070), to the Contractor after the completion and acceptance of all the installation, decoration and fitting-out works.

Tenth instalment

Bengbu Dachan shall pay 4% of the Consideration, being RMB1,096,800 (equivalent to approximately HK\$1,283,256), to the Contractor after the completion of the Works and upon the comprehensive acceptance by Bengbu Dachan and the relevant government departments.

Eleventh instalment

Bengbu Dachan shall pay 3% of the consideration, being RMB822,600 (equivalent to approximately HK\$962,442), to the Contractor after the Comprehensive Completion of the Works. In the event that the Works fails to be filed with the relevant government departments for record, which is not caused by the Contractor, payment of the eleventh instalment shall not be made more than six months after the date of completion of the Works and upon the comprehensive acceptance by Bengbu Dachan and the relevant government departments.

Twelfth instalment and quality guarantee

3% of the Consideration, being RMB822,600 (equivalent to approximately HK\$962,442), shall be withheld as a quality assurance deposit (“**Quality Assurance Deposit**”) payable by the Contractor to Bengbu Dachan in respect of the works quality assurance obligations under the Construction Agreement. In respect of the Quality Assurance Deposit, Bengbu Dachan shall be entitled to withhold RMB274,200 (equivalent to approximately HK\$320,814) until the expiry of one year from the date of the Comprehensive Completion of the Works (without interest); Bengbu Dachan shall be entitled to withhold RMB411,300 (equivalent to approximately HK\$481,221) until the expiry of two years from the date of the Comprehensive Completion of the Works (without interest); and Bengbu Dachan shall be entitled to withhold the remaining RMB137,100 (equivalent to approximately HK\$160,407) until the expiry of five years from the date of Comprehensive Completion of the Works (without interest).

During the warranty period, the Contractor shall complete the maintenance works in accordance with the Construction Agreement, failing which Bengbu Dachan shall be entitled to carry out the maintenance works and deduct the relevant expenses from the Quality Assurance Deposit.

Proper invoice

Prior to the payment of each of the aforesaid instalment, 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 problems of the Works in a timely manner and in accordance with the Construction Agreement:

- (1) Unless otherwise specified, the warranty period shall be three 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 service life as stipulated in the relevant design documents.
- (3) The warranty period for roofing waterproof works shall be six years from the date of the Comprehensive Completion of the Works.
- (4) The warranty period for heating and air-conditioning works shall be three 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 to be undertaken, 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 circular headed "Major and Connected Transaction – Disposal of Equity Interests in Certain Subsidiaries and Notice of EGM" dated 24 September 2021 and announcement of results dated 5 November 2021 of the Company, the Bengbu Project (including the construction of a feeds processing plant, a food processing plant and a broiler electrical slaughterhouse) is in progress. The Group has

commenced the construction of and purchase of equipment for the feeds processing plant, and has also commenced the construction of the food processing plant and the preparation of the construction of the major facilities of the broiler electrical slaughterhouse, details of which are set out in the Company's announcement dated 13 January 2022, supplementary announcement dated 14 January 2022, announcement dated 25 February 2022, announcement dated 6 April 2022, circular dated 22 April 2022 and announcement dated 31 May 2022. The construction works disclosed in this announcement are part of the Bengbu Project. The Group will construct ancillary facilities such as the restaurant and dormitory buildings for the broiler electrical slaughterhouse pursuant to 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 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 the 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 (any information contained on the website does not form part of this announcement).

The Contractor is principally engaged in building construction works, municipal and public works, building decoration and renovation works, electrical and mechanical works and fire fighting works, etc. According to the information available to the Company, the Contractor is ultimately owned as to 50% by Ke Shanlang and 50% by Ke Yihe.

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 relation to the transactions contemplated under the Construction Agreement exceeds 5% but is 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, 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.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 meanings 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 RMB27,420,000 (equivalent to approximately HK\$32,081,400);
“Construction Agreement”	the agreement dated 22 June 2022 entered into between Bengbu Dachan and the Contractor for the construction of the Works;
“Contractor”	Hubei Zhongyu Construction Engineering Co., Ltd.* (湖北中宇建築工程有限公司), 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” or “subsidiaries”	has the meanings ascribed to it under the Listing Rules;
“Works”	the construction of the ancillary facilities including the restaurant and dormitory buildings of the broiler electrical slaughterhouse of Bengbu Dachan located in Guzhen County, Bengbu City, Anhui Province, the PRC, with a planned construction scale of approximately 10,403 m ² ; and
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 =HK\$1.17 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, 22 June 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.