

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



DACHAN FOOD (ASIA) LIMITED

(the “Company”)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

RENEWAL OF VARIOUS CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the Company’s announcement dated 7 May 2015 and the Company’s circular dated 11 June 2015 regarding, among others, various continuing connected transactions contemplated under:

1. GWE Master Purchase Agreement entered into between the Company and GWE;
2. GWE Master Supply Agreement entered into between the Company and GWE;
3. Marubeni Master Purchase Agreement entered into between the Company and Marubeni PRC;
and
4. Marubeni Master Supply Agreement entered into between the Company and Marubeni.

The terms of all Current Agreements shall expire on 31 December 2018.

On 18 April 2018, the Company entered into the following agreements:

1. GWE Master Purchase (Renewal) Agreement with GWE;
2. GWE Master Supply (Renewal) Agreement with GWE;
3. Marubeni Master Purchase (Renewal) Agreement with Marubeni PRC; and
4. Marubeni Master Supply (Renewal) Agreement with Marubeni.

The Renewal Agreements will be effective for three years starting from 1 January 2019. The terms of the Renewal Agreements are substantially the same as those of the Current Agreements.

LISTING RULES IMPLICATIONS

GWE is the ultimate controlling shareholder of the Company which indirectly holds approximately 52.04% of the issued share capital of the Company as at the date of this announcement. Marubeni is the ultimate holding company of Marubeni PRC, and Marubeni is a substantial shareholder of a subsidiary of the Company. Therefore, each of GWE, Marubeni and Marubeni PRC is a connected person of the Company under the Listing Rules and the transactions contemplated under the Renewal Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Marubeni Renewal Agreements are entered into by the Company with connected persons at the subsidiary level on normal commercial terms and have been approved by the Board and the Directors (including independent non-executive Directors) are of the view that the transactions contemplated thereunder are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole, the continuing connected transactions contemplated thereunder, though subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, are exempt from the circular, independent financial advice and Independent Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

As for the GWE Renewal Agreements, as at least one of the applicable percentage ratios (other than the profits ratio) calculated based on the respective proposed annual caps of each of the transactions contemplated thereunder exceed 5%, they are subject to the reporting, announcement, Independent Shareholders' approval, circular and annual review requirements under the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders on the Non-Exempt Transactions. The Company has also appointed independent financial advisers to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Transactions. The Company is expected to despatch to the Shareholders on or before 13 June 2018 a circular containing further details of the GWE Renewal Agreements, letters from the Independent Board Committee and the independent financial advisers, and a notice convening the EGM.

INTRODUCTION

Reference is made to the Company's announcement dated 7 May 2015 and the Company's circular dated 11 June 2015 regarding, among others, various continuing connected transactions contemplated under:

1. GWE Master Purchase Agreement entered into between the Company and GWE;
2. GWE Master Supply Agreement entered into between the Company and GWE;
3. Marubeni Master Purchase Agreement entered into between the Company and Marubeni PRC; and
4. Marubeni Master Supply Agreement entered into between the Company and Marubeni.

The terms of all Current Agreements shall expire on 31 December 2018.

On 18 April 2018, the Company entered into the following agreements:

1. GWE Master Purchase (Renewal) Agreement with GWE;
2. GWE Master Supply (Renewal) Agreement with GWE;
3. Marubeni Master Purchase (Renewal) Agreement with Marubeni PRC, and
4. Marubeni Master Supply (Renewal) Agreement with Marubeni.

The Renewal Agreements will be effective for three years starting from 1 January 2019. The terms of the Renewal Agreements are substantially the same as those of the Current Agreements. Details of the Renewal Agreements are set out below.

RENEWAL OF VARIOUS CONTINUING CONNECTED TRANSACTIONS

1. GWE Master Purchase (Renewal) Agreement

As the GWE Master Purchase Agreement will expire on 31 December 2018 and the Company from time to time needs to purchase raw materials from the GWE Group for its business, the Company entered into the GWE Master Purchase (Renewal) Agreement with GWE.

Set out below are the major terms of the GWE Master Purchase (Renewal) Agreement:

- Date: 18 April 2018
- Parties: (i) the Company – the purchaser (for itself and on behalf of other members of the Group); and
- (ii) GWE – the supplier (for itself and on behalf of other members of the GWE Group).
- Duration: Subject to the approval of the Independent Shareholders at the EGM, 3 years starting from 1 January 2019 to 31 December 2021
- Major terms: GWE shall sell and shall procure any and all members of the GWE Group to sell and the Company shall purchase and shall procure any and all members of the Group to purchase products which include:
- (i) the products of the relevant members of the GWE Group (including any instalment of the products or any parts for them); and
- (ii) the products manufactured by the relevant members of the GWE Group in conformance with the specifications and requirements specified by the relevant members of the Group,

on a non-exclusive basis in accordance with contracts to be entered into between the relevant members of the Group and the relevant members of the GWE Group from time to time.

The terms and conditions of contracts for sale and purchase of products in accordance with the GWE Master Purchase (Renewal) Agreement shall only comprise (i) the written quotation of the relevant member of the GWE Group accepted by the relevant member of the Group or (ii) the written order of the relevant member of the Group accepted by the relevant member of the GWE Group, subject in either case to the terms and conditions of the GWE Master Purchase (Renewal) Agreement. Any other terms and conditions subject to which any such quotation is accepted or purported to be accepted by the relevant member of the Group or any such order is accepted or purported to be accepted by the relevant member of the GWE Group shall not form part of such contracts.

Price determination: The prices of the products shall be agreed between the parties to the relevant contract of purchase on an arm's length basis and shall be on normal commercial terms or terms no less favourable to the relevant member of the Group than terms available to Independent Third Parties by the relevant member of the GWE Group in respect of the sale of products of such member and shall be within the range of fair price prevailing on the market of the same or similar products in the PRC for the time being.

Payment: The relevant member of the Group shall pay the price of the products within 60 days of the date of the invoice sent from the relevant member of the GWE Group after the delivery of products.

2. GWE Master Supply (Renewal) Agreement

As the GWE Master Supply Agreement will expire on 31 December 2018 and the Company from time to time supplies raw materials to the GWE Group, the Company entered into the GWE Master Supply (Renewal) Agreement with GWE.

Set out below are the major terms of the GWE Master Supply (Renewal) Agreement:

Date: 18 April 2018

Parties:

- (i) the Company – the supplier (for itself and on behalf of other members of the Group); and
- (ii) GWE – the purchaser (for itself and on behalf of other members of the GWE Group).

- Duration:** Subject to the approval of the Independent Shareholders at the EGM, 3 years starting from 1 January 2019 to 31 December 2021
- Major terms:** The Company shall sell and shall procure any and all members of the Group to sell and GWE shall purchase and shall procure any and all members of the GWE Group to purchase products which include:
- (i) the products of the relevant members of the Group (including any instalment of the products or any parts for them); and
 - (ii) the products manufactured by the relevant members of the Group in conformance with the specifications and requirements specified by the relevant members of the GWE Group,
- on a non-exclusive basis in accordance with contracts to be entered into between the relevant members of the Group and the relevant members of the GWE Group from time to time.
- The terms and conditions of contracts for sale and purchase of products in accordance with the GWE Master Supply (Renewal) Agreement shall only comprise (i) the written quotation of the relevant member of the Group accepted by the relevant member of the GWE Group or (ii) written order of the relevant member of the GWE Group accepted by the relevant member of the Group, subject in either case to the terms and conditions of the GWE Master Supply (Renewal) Agreement. Any other terms and conditions subject to which any such quotation is accepted or purported to be accepted by the relevant member of the GWE Group or any such order is accepted or purported to be accepted by the relevant member of the Group shall not form part of such contracts.
- Price determination:** The price of the products shall be agreed between the relevant member of the Group and the relevant member of the GWE Group by reference to the cost of production for the products involved and using the same price determination basis as that adopted by the relevant member of the Group from time to time for sale of the same or similar products to its other customers who are Independent Third Parties.
- Payment:** The relevant member of the GWE Group shall pay the price of the products within 60 days of the date of the invoice sent from the relevant member of the Group after the delivery of products.

3. Marubeni Master Purchase (Renewal) Agreement

As the Marubeni Master Purchase Agreement will expire on 31 December 2018 and the Company and Marubeni PRC intended to carry out transactions of similar nature to those under the Marubeni Master Purchase Agreement, they entered into the Marubeni Master Purchase (Renewal) Agreement on substantially the same terms as those of the Marubeni Master Purchase Agreement.

Set out below are the major terms of the Marubeni Master Purchase (Renewal) Agreement:

- Date: 18 April 2018
- Parties: (i) the Company-the purchaser (for itself and on behalf of other members of the Group); and
- (ii) Marubeni PRC-the supplier (for itself and on behalf of other members of the Marubeni PRC Group).
- Duration: 3 years starting from 1 January 2019 to 31 December 2021
- Major terms: The Company agrees to purchase and procure members of the Group to purchase and Marubeni PRC agrees to sell and procure members of the Marubeni PRC Group to sell products processed, manufactured, produced, sold and/or distributed by the members of the Marubeni PRC Group including but not limited to soybean powder, mixed powder, oil, and condiment on a non-exclusive basis pursuant to contracts to be entered into between the relevant members of the Group and the relevant members of the Marubeni PRC Group from time to time in accordance with the terms of the Marubeni Master Purchase (Renewal) Agreement. The terms of such contracts shall not contradict the Marubeni Master Purchase (Renewal) Agreement (except for terms in relation to general matters such as notice clause).
- Price determination: The prices of the products shall be agreed between the parties to the relevant contract of purchase on an arm's length basis and shall be on normal commercial terms or terms no less favourable to the relevant member of the Group than terms available to Independent Third Parties by the relevant member of the Marubeni PRC Group in respect of the sale of products of that member and shall be within the range of fair price prevailing on the market of the same or similar products in the PRC for the time being.

Payment: The Company shall procure the members of the Group to pay the price of the products in accordance with the contract entered into between the relevant member of the Group and the relevant member of the Marubeni PRC Group from time to time after the relevant member of the Marubeni PRC Group has supplied products in accordance with the said contract.

4. Marubeni Master Supply (Renewal) Agreement

As the Marubeni Master Supply Agreement will expire on 31 December 2018 and the Company and Marubeni intended to carry out transactions of similar nature to those under the Marubeni Master Supply Agreement, they entered into the Marubeni Master Supply (Renewal) Agreement on substantially the same terms as those of the Marubeni Master Supply Agreement.

Set out below are the major terms of the Marubeni Master Supply (Renewal) Agreement:

Date: 18 April 2018

Parties: (i) the Company – the supplier (for itself and on behalf of other members of the Group); and
(ii) Marubeni – the purchaser.

Duration: 3 years starting from 1 January 2019 to 31 December 2021

Major terms: Marubeni agrees to purchase and the Company (for itself and on behalf of other members of the Group) agrees to sell the meat related products of the relevant member of the Group as set out against the relevant member of the Group (including any instalment of the goods or any parts for them) under the written purchase order placed by Marubeni in accordance with the terms and conditions of the Marubeni Master Supply (Renewal) Agreement.

Price determination: The price of the products shall be agreed between the relevant member of the Group and Marubeni by reference to the cost of production for the products involved and using the same price determination basis as that adopted by the relevant member of the Group from time to time for sale of the same or similar products to its other customers who are Independent Third Parties.

Payment: Marubeni will, upon acceptance of the products tendered in conformity with the purchase order placed by Marubeni, pay the purchase price of the products within the period and manner as laid down in the said purchase order.

PRICING POLICIES AND INTERNAL CONTROL MEASURES REGARDING PRICE DETERMINATION FOR THE TRANSACTIONS

1. Purchase of products under the GWE Master Purchase (Renewal) Agreement

The Group purchases (i) flour and coated flour and (ii) fermented soybean meal from the GWE Group from time to time.

The internal purchase policies of the Group require the Group to enter into annual purchase contracts with at least 2 suppliers in respect of items which it makes routine purchases. Therefore, the Group enters into annual purchase contracts with at least 2 suppliers (including GWE Group) in respect of flour and coated flour. The purchase prices of various types of flour and coated flour are determined in the annual purchase contracts and may be subject to adjustments to be agreed by both parties after a certain period of time. Given there is no public reference price in the market for the particular type of flour or coated flour whose composition and ingredients are identical to those sourced by the Group, in determining whether the purchase prices or the suggested adjusted price are reasonable, the Group considers (i) the selling prices of substituting products from other suppliers which include Marubeni PRC Group and/or Independent Third Parties; (ii) the prevailing price trend of wheat for production of flour or coated flour in the PRC as shown in “China JCI”, a professional China block transaction website, independent online sources and relevant news; and (iii) the cost of the components and ingredients of the products to be purchased. The Purchase Supervisor, who has over 10 years of experience in the relevant industry and has led the purchase department of the Company for 5 years, reviews the purchase price or suggested adjusted price with reference to the factors above. If the Purchase Supervisor is satisfied that the purchase prices stipulated in the annual purchase contract or the suggested adjusted price (as the case may be) are reasonable, he/she will approve the contract or the price adjustment (as the case may be).

The actual volume of purchase from a particular supplier is not specified in the annual purchase contracts. The Group may buy flour or coated flour from any supplier with which it has entered into an annual purchase contract. When the Group has to purchase flour or coated flour, it will first consider (i) whether the clients of the Group have any preference or specific requirements on the ingredient or source of production of flour or coated flour and (ii) whether the research and development team of the Group has any specific requirements on the flour or coated flour to be used. If so, the Relevant Purchase Department will only select the supplier meeting all the required specifications. Where more than one supplier meet the required specifications, the Relevant Purchase Department will make purchases from the one which offers the best terms. If there is no required specification, the Relevant Purchase Department will make purchases from the supplier which offers the best price for the Group.

In respect of the purchase of fermented soybean meal, the Group did not enter into any annual purchase contracts with any entity. Whenever the Group needs to purchase fermented soybean meal, it informs the potential suppliers (including GWE Group) of the amount of intended purchase and asks for quotations from them. Unlike flour or coated flour, the type of soybean meal sourced by the Group is common in the market. The Relevant Purchase Department therefore obtains quotations from at least 2 Independent Third Parties and compares their quoted prices directly. In determining

from which supplier the Group purchases soybean meal, the Relevant Purchase Department takes into account (i) the quotations from various potential suppliers and (ii) the quality of soybean meal of various potential suppliers. Quotation is the primary consideration of the Relevant Purchase Department when they source fermented soybean meal. The relevant member of the Group only enters into purchase contract with GWE when GWE offers products with the same quality and price or favourable prices compared with other potential suppliers.

2. Supply of products under the GWE Master Supply (Renewal) Agreement

The Group supplies the aquatic animal feed products and fresh meat products to members of GWE Group.

After receiving the GWE Group's request for the aquatic animal feed products and fresh meat products, the Group will give a written quotation to the GWE Group.

- (a) In relation to the aquatic animal feed products, the Group will determine the quoted price with reference to the costs of production plus a margin acceptable by the Group given no other customers purchase this particular type of products from the Group. The Group will then form the internal reference price on that basis and the internal reference price will be entered into the information system maintained by the Group.
- (b) In relation to the fresh meat products, the Group obtains the fair price prevailing on the market for the products concerned normally from local agricultural market as reported by the regional managers of the Group in various regions each Monday, Wednesday and Friday. After obtaining the fair price information, the Group will normally form the internal reference price of the products taking account of the fair price and the cost of production of the products. The internal reference price will be entered into the information system maintained by the Group.

Apart from the price, the Relevant Sales Department will also consider factors such as the payment terms, credit limit and validity period of credit, the specific needs and overall purchasing volume of the relevant member of the GWE Group. If the quotation price is below the internal reference price in the information system, the Relevant Sales Department Head has to review the terms proposed by the Relevant Sales Department and ensure the terms offered to GWE Group are no more favourable than those offered to Independent Third Parties.

Where it is the GWE Group which makes the offer or counter-offer for purchase of the Group's products, the Relevant Sales Department will first compare (i) the terms of the offer or counter-offer against the terms of supply agreed between the Group and other purchasers, especially those in respect of price of goods, credit terms for payment and goods delivery arrangement and (ii) the terms of payment, credit limit and validity period of credit, the business reputation, specific needs and overall purchasing volume of the independent purchasers and those of the relevant member of the GWE Group. The Relevant Sales Department Head will then review the terms again. It is only

when the Relevant Sales Department Head confirms that the terms offered or counter-offered by the GWE Group are no less favourable than those terms available to the Group by the Independent Third Parties will the relevant member of the Group enter into supply contracts with the relevant member of the GWE Group.

In determining the terms of supply, the Group treats the GWE Group equally as other purchasers (if any) save and except that the long-established business relationship between the Group and the GWE Group is taken into account.

3. Purchase of products under the Marubeni Master Purchase (Renewal) Agreement

The Group purchases coated flour for food processing from the members of the Marubeni PRC Group from time to time.

The internal purchase policies of the Group require the Group to enter into annual purchase contracts with at least 2 suppliers in respect of items which it makes routine purchases. Therefore, the Group enters into annual purchase contracts with at least 2 suppliers (including the Marubeni PRC Group) in respect of coated flour. The purchase prices of various types of coated flour are determined in the annual purchase contracts and may be subject to adjustments to be agreed by both parties after a certain period of time.

As the coated flour purchased from the Marubeni PRC Group is of specific components and ingredients, there is no public price for reference. Therefore, the Group considers (i) the selling prices of substituting products of other suppliers which include the Marubeni PRC Group and/or Independent Third Parties and (ii) the cost of the components and ingredients of the products to be purchased when assessing whether the purchase price or proposed adjusted price is reasonable. The Purchase Supervisor reviews the purchase price or suggested adjusted price with reference to the factors above. If the Purchase Supervisor is satisfied that the purchase prices stipulated in the annual purchase contract or the suggested adjusted price (as the case may be) are reasonable, he/she will approve the contract or the price adjustment (as the case may be).

The actual volume of purchase from a particular supplier is not specified in the annual purchase contracts. The Group may buy coated flour from any supplier with which the Group has entered into an annual purchase contract. When the Group has to purchase coated flour, it will first consider (i) whether the clients of the Group have any preference or specific requirements on the ingredient or source of production of coated flour and (ii) whether the research and development team of the Group has any specific requirements on the coated flour to be used. If so, the Relevant Purchase Department will only select the supplier meeting all the required specifications. Where more than one supplier meet the required specifications, the Relevant Purchase Department will make purchases from the one which offers the best terms. If there is no required specification, the Relevant Purchase Department will make purchases from the supplier which offers the best price for the Group.

4. Supply of products under Marubeni Master Supply (Renewal) Agreement

The Group supplies processed meat products to Marubeni.

After receiving Marubeni's request for the processed meat products, the Group will give a written quotation to Marubeni and deliver the products after agreements of both parties on the price.

As the processed meat products supplied to Marubeni are customized and no other customers would purchase such specific types of products from the Group, the Group will determine the quotation with reference to the production cost plus an acceptable margin. The Group will subsequently form an internal price for reference on such basis and enter the internal price for reference to the information system maintained by the Group.

Apart from the price, the Relevant Sales Department will also consider factors such as the payment terms, credit limit and validity period of credit, the specific needs and overall purchasing volume of Marubeni. If the quotation price is below the internal reference price in the information system, the Relevant Sales Department Head has to review the terms proposed by the Relevant Sales Department and ensure the terms offered to Marubeni are no more favourable than those offered to Independent Third Parties.

Where it is Marubeni which makes the offer or counter-offer for purchase of the Group's products, the Relevant Sales Department will first compare (i) the terms of offer or counter-offer against the terms of supply agreed between the Group and other purchasers, especially those in respect of price of goods, credit terms for payment and goods delivery arrangement and (ii) the terms of payment, credit limit and validity period of credit, the business reputation, specific needs and overall purchasing volume of the independent purchasers and those of Marubeni. The Relevant Sales Department Head will then review the terms again. It is only when the Relevant Sales Department Head confirms that the terms offered or counter-offered by Marubeni are no less favourable than those terms available to the Group by the Independent Third Parties will the relevant member of the Group enter into supply contracts with Marubeni.

In determining the terms of supply, the Group treats Marubeni equally as other purchasers (if any) save and except that the long-established business relationship between the Group and Marubeni is taken into account.

Having considered the Group's pricing policies and internal control measures regarding price determination for the Transactions, the Directors are of the view that the Transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

HISTORICAL FIGURES

The following table sets out the respective aggregate value of products sold and purchased under the continuing connected transactions entered into pursuant to each of the Current Agreements for the two years ended 31 December 2017 and the 3 months ended 31 March 2018, the respective annual caps under the Current Agreements for the three years ending 31 December 2018, and the corresponding utilisation rates of the existing annual caps:

| Continuing connected transactions under the Current Agreements | | | For the | For the | For the 3 months |
|--|---|--------------------------------|-------------|-------------|--------------------|
| | | | year ended | year ended | ended 31 March |
| | | | 31 December | 31 December | 2018 (unaudited) |
| | | | 2016 | 2017 | (for actual amount |
| | | | (audited) | (audited) | only)/for the |
| | | | RMB'000 | RMB'000 | year ending |
| | | | | | 31 December 2018 |
| | | | | | (for annual |
| | | | | | cap only) |
| | | | | | RMB'000 |
| 1. | GWE Master Purchase Agreement | Actual | 22,634 | 14,974 | 3,345 |
| | | Annual Caps | 60,000 | 60,000 | 60,000 |
| | | Utilisation Rates [^] | 37.72% | 24.96% | 22.30% |
| 2. | GWE Master Supply Agreement | Actual | 94,445 | 28,496 | 6,025 |
| | | Annual Caps | 400,000 | 450,000 | 500,000 |
| | | Utilisation Rates [^] | 23.61% | 6.33% | 4.82% |
| 3. | Marubeni Master Purchase Agreement | Actual | 1,505 | 2,736 | 949 |
| | | Annual Caps | 50,000 | 50,000 | 50,000 |
| | | Utilisation Rates [^] | 3.01% | 5.47% | 7.59% |
| 4. | Marubeni Master Supply Agreement | Actual | 154,387 | 197,032 | 40,070 |
| | | Annual Caps | 450,000 | 450,000 | 450,000 |
| | | Utilisation Rates [^] | 34.31% | 43.78% | 35.62% |

[^] The utilisation rates for transactions under the Current Agreement for the 3 months ended 31 March 2018 was calculated based on one-fourth of the annual cap set for the year ended 31 December 2018.

PROPOSED ANNUAL CAPS

The following table sets out the respective proposed annual caps of the Transactions under each of the Renewal Agreements:

| Continuing connected transactions under the Renewal agreements | | For the | For the | For the |
|---|---------------------|--------------------|--------------------|--------------------|
| | | year ending | year ending | year ending |
| | | 31 December | 31 December | 31 December |
| | | 2019 | 2020 | 2021 |
| | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| 1. GWE Master Purchase (Renewal) Agreement | Proposed annual cap | 30,000 | 35,000 | 40,000 |
| 2. GWE Master Supply (Renewal) Agreement | Proposed annual cap | 200,000 | 250,000 | 300,000 |
| 3. Marubeni Master Purchase (Renewal) Agreement | Proposed annual cap | 20,000 | 25,000 | 30,000 |
| 4. Marubeni Master Supply (Renewal) Agreement | Proposed annual cap | 450,000 | 450,000 | 450,000 |

REASONS FOR THE PROPOSED ANNUAL CAPS

The major basis and assumptions for determining the proposed annual caps for the various continuing connected transactions are set out below.

1. Proposed annual caps for GWE Master Purchase (Renewal) Agreement

The proposed annual caps for the transactions contemplated under the GWE Master Purchase (Renewal) Agreement are determined after taking into account the following factors:

- (i) the historical value of products purchased by the Group from the GWE Group;
- (ii) the anticipated rise of future demands of the Group in the flour and coated flour supplied by the GWE Group with reference to the production capacity of the Group and the production needs of the Group in view of the Group's plan to expand its processed food segment and put greater effort on promoting the sales of processed food products of the Group;

- (iii) the expected future price of the products taking into account the trend of prevailing market prices of raw materials and the same, similar, or substituting products traded in the regions in which the relevant subsidiaries of the Group operate and the expected inflation rates; and
- (iv) the expected growth in the operation of the Group's newly incorporated companies in Cambodia and the newly established factory in Bengbu.

2. Proposed annual caps for GWE Master Supply (Renewal) Agreement

The proposed annual caps for the transactions contemplated under the GWE Master Supply (Renewal) Agreement are determined after taking into account the following factors:

- (i) the historical value of products supplied by the Group to the GWE Group;
- (ii) the expected effect of future price fluctuation of the raw materials (such as corns and soybean) required for the production of processed feeds on the costs of production and particularly, the expected escalation of corn price due to the effect of climate change;
- (iii) the expected increase of future price of the fresh meat products taking into account the expected resumption of price of fresh chicken meat to a normal level after the significant oversupply of fresh meat products in the PRC; and
- (iv) the change of the transaction model in respect of the sales of aquatic animal feed products in Vietnam to sub-processing.

3. Proposed annual caps for Marubeni Master Purchase (Renewal) Agreement

The proposed annual caps for the transactions contemplated under the Marubeni Master Purchase (Renewal) Agreement are determined after taking into account the following factors:

- (i) the historical value of products purchased by the Group from Marubeni PRC;
- (ii) the anticipated rise of future demands of the Group in the coated flour supplied by Marubeni PRC with reference to the production capacity of the Group and the production needs of the Group in view of the Group's plan to expand its processed food segment and put greater effort on promoting the sales of processed food products of the Group; and
- (iii) the expected future price of the products taking into account the trend of prevailing market prices of the raw materials and the same, similar, or substituting products traded in the regions in which the relevant subsidiaries of the Group operate and the expected inflation rates.

4. Proposed annual caps for Marubeni Master Supply (Renewal) Agreement

The proposed annual caps for the transactions contemplated under the Marubeni Master Supply (Renewal) Agreement are determined after taking into account the following factors:

- (i) the historical value of the meat related products supplied by the Group to Marubeni;
- (ii) the anticipated future sales volume of the meat related products supplied by the Group to Marubeni; and
- (iii) the level of growth of the import volume of PRC chicken meat products in the Japanese market.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Directors (other than, in respect of the Non-Exempt Transactions, the independent non-executive Directors whose view will be set out in the circular to be dispatched by the Company) consider that the terms of each of the Renewal Agreements are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and it is in the interests of the Company and the Shareholders as a whole to enter into the Transactions for the following reasons:

1. GWE Master Purchase (Renewal) Agreement and Marubeni Master Purchase (Renewal) Agreement

The GWE Group has been a very reliable supplier of high quality raw materials to the Group. By entering into the GWE Master Purchase (Renewal) Agreement, the Group has secured a longer term of supply of high quality raw materials and products which will be beneficial to the growth of the Group's business.

In respect of the Marubeni Master Purchase (Renewal) Agreement, the transactions thereunder will continue to facilitate the smooth operation of the Group's business by securing a stable and reliable source of high quality raw materials necessary for the Group's operation. Furthermore, purchasing goods from the Marubeni PRC Group will strengthen the already close business relationship with Marubeni PRC, which is one of the main customers of the Group.

2. GWE Master Supply (Renewal) Agreement and Marubeni Master Supply (Renewal) Agreement

The GWE Group and the Marubeni Group are major clients of the Group. It is beneficial to the Group to secure a closer and long term supplier-customer relationship with the GWE Group and Marubeni by entering into the GWE Master Supply (Renewal) Agreement and Marubeni Master Supply (Renewal) Agreement respectively. It is expected that the entering into of such agreements can generate considerable revenue for the Group. Besides, by maintaining a good co-operation relationship with Marubeni, the Group may facilitate Marubeni to assist the Group to expand domestic and overseas market.

LISTING RULES IMPLICATIONS

GWE is the ultimate controlling shareholder of the Company which indirectly holds approximately 52.04% of the issued share capital of the Company as at the date of this announcement. Marubeni is the ultimate holding company of Marubeni PRC, which is a substantial shareholder of a subsidiary of the Company. Therefore, each of GWE, Marubeni and Marubeni PRC is a connected person of the Company under the Listing Rules and the transactions contemplated under the Renewal Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Mr. Han Chia-Yin, Mr. Han Chia-Yau, Mr. Harn Jia-Chen and Mr. Chao Tien-Shin are common directors of the Company and GWE and were required under the articles of association of the Company to abstain, and did abstain, from voting on the Board resolutions to approve the GWE Renewal Agreements and their respective proposed annual caps. Save as disclosed above, none of the Directors has a material interest in the Transactions which required them to abstain from voting on the Board resolution to approve the same.

As the Marubeni Renewal Agreements are entered into by the Company with connected persons at the subsidiary level on normal commercial terms and have been approved by the Board and the Directors (including independent non-executive Directors) are of the view that the transactions contemplated thereunder are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole, the continuing connected transactions contemplated thereunder, though subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, are exempt from the circular, independent financial advice and Independent Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

As for the GWE Renewal Agreements, as at least one of the applicable percentage ratios (other than the profits ratio) calculated based on the respective proposed annual caps of each of the transactions contemplated thereunder exceed 5%, they are subject to the reporting, announcement, Independent Shareholders' approval, circular and annual review requirements under the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders on the Non-Exempt Transactions. The Company has also appointed independent financial advisers to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Transactions. The Company is expected to despatch to the Shareholders on or before 13 June 2018 a circular containing further details of the GWE Renewal Agreements, letters from the Independent Board Committee and the independent financial advisers, and a notice convening the EGM.

GENERAL INFORMATION OF THE PARTIES

The Group is a leading fully integrated animal protein 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 its official website at <http://www.dachanfoodasia.com> (The information that appears in this website does not form part of this announcement).

The principal business activities of GWE are production and processing of soybean products, feeds and chicken meat.

The principal business activities of Marubeni and Marubeni PRC are trading of commodities including but not limited to agri-marine products, metal and mineral, and energy products.

DEFINITIONS

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

| | |
|---------------------------|--|
| “Board” | the board of Directors; |
| “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; |
| “controlling shareholder” | has the meanings ascribed to it under the Listing Rules; |
| “Current Agreements” | the GWE Master Purchase Agreement, the GWE Master Supply Agreement, the Marubeni Master Purchase Agreement and the Marubeni Master Supply Agreement; |
| “Director(s)” | the director(s) of the Company; |
| “EGM” | the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, approve the Non-Exempt Transactions; |
| “Group” | the Company and its subsidiaries from time to time; |

| | |
|---|---|
| “GWE” | Great Wall Enterprise Co. Ltd., a joint stock company established under the laws of the Republic of China, whose shares are listed on the Taiwan Stock Exchange Corporation, and the ultimate controlling shareholder of the Company; |
| “GWE Group” | GWE and its subsidiaries from time to time but excludes the members of the Group for the purpose of the Transactions; |
| “GWE Master Purchase Agreement” | the master purchase (renewal) agreement entered into between the Company and GWE dated 7 May 2015; |
| “GWE Master Purchase (Renewal) Agreement” | the master purchase (renewal) agreement entered into between the Company and GWE dated 18 April 2018; |
| “GWE Master Supply Agreement” | the master supply (renewal) agreement entered into between the Company and GWE dated 7 May 2015; |
| “GWE Master Supply (Renewal) Agreement” | the master supply (renewal) agreement entered into between the Company and GWE dated 18 April 2018; |
| “GWE Renewal Agreements” | the GWE Master Purchase (Renewal) Agreement and the GWE Master Supply (Renewal) Agreement; |
| “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; |
| “Independent Board Committee” | an committee of the Board to be established for reviewing the terms of the Transactions, consisting only of all independent non-executive Directors who do not have any material interest in the Transactions; |
| “Independent Shareholders” | Shareholders who do not have any material interest in the Transactions; |
| “Independent Third Party” | any third party that is not a connected person of the Company and the term “Independent Third Parties” shall be construed accordingly; |

| | |
|--|--|
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as amended from time to time; |
| “Marubeni” | Marubeni Corporation, a company incorporated in Japan with limited liability and whose shares are listed on the Tokyo Stock Exchange, Inc.; |
| “Marubeni Group” | Marubeni and its subsidiaries from time to time but excludes the members of the Group for the purpose of the Transactions; |
| “Marubeni PRC” | Marubeni (PRC) Limited* (丸紅(中國)有限公司), a company established in the PRC and a subsidiary of Marubeni; |
| “Marubeni PRC Group” | Marubeni PRC and its subsidiaries from time to time; |
| “Marubeni Master Purchase Agreement” | the master purchase (renewal 2015) agreement* (主購買(2015年續期)協議) entered into between the Company and Marubeni PRC dated 7 May 2015; |
| “Marubeni Master Supply Agreement” | the master supply (renewal 2015) agreement entered into between the Company and Marubeni dated 7 May 2015; |
| “Marubeni Master Purchase (Renewal) Agreement” | the master purchase (renewal 2018) agreement* (主購買(2018年續期)協議) entered into between the Company and Marubeni PRC dated 18 April 2018; |
| “Marubeni Master Supply (Renewal) Agreement” | the master supply (renewal 2018) agreement entered into between the Company and Marubeni dated 18 April 2018; |
| “Marubeni Renewal Agreements” | the Marubeni Master Purchase (Renewal) Agreement and the Marubeni Master Supply (Renewal) Agreement |
| “Non-Exempt Transactions” | the transactions contemplated under the GWE Renewal Agreements; |
| “Partially Exempt Transactions” | the transactions contemplated under the Marubeni Renewal Agreements; |
| “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 Supervisor” | the supervisor of the purchase centre of the Group; |
| “Relevant Purchase Department” | the purchase department of the relevant member of the Group involved in the purchase of products; |
| “Relevant Sales Department” | the sales department of the relevant member of the Group involved in the supply of products; |
| “Relevant Sales Department Head” | the head of the sales department of the relevant member of the Group involved in the supply of products; |
| “Renewal Agreements” | the GWE Renewal Agreements and the Marubeni Renewal Agreements; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “Shareholder(s)” | holder(s) of share(s) of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “subsidiary” | has the meaning ascribed to it under the Listing Rules and the term “subsidiaries” shall be construed accordingly; |
| “Transactions” | the transactions contemplated under the Renewal Agreements; |
| “%” | per cent. |

By order of the Board
Han Jia-Hwan
Chairman

Hong Kong, 18 April 2018

As at the date of this announcement, the Board comprises Mr. Han Jia-Hwan (Chairman) and Mr. Han Chia-Yin as executive Directors, Mr. Han Chia-Yau, Mr. Harn Jia-Chen, and Mr. Chao Tien-Shin as non-executive Directors and Mr. Way Yung-Do, Mr. Chen Chih and Mr. Wei Anning as independent non-executive Directors.

*The English transliteration of the Chinese name(s) in this announcement, where indicated with *, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*