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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect about this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitors, professional accountant or other professional advisor.

If you have sold or transferred all your shares in DACHAN FOOD (ASIA) LIMITED, you should at once hand this circular and proxy form enclosed herein to the purchaser or transferee, or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

## RENEWAL OF VARIOUS CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Advisor to the Independent Board Committee  
and the Independent Shareholders**



**Pelican Financial Limited**

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A letter from the Board is set out on pages 5 to 21 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 22 of this circular. A letter from Pelican, the Independent Financial Advisor, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 45 of this circular.

A notice convening the EGM of DaChan Food (Asia) Limited to be held at Xiamen Suites I-II, 3/F., Prince Hotel, Harbour City, Kowloon, Hong Kong on 29 June 2018, Friday at 3:00 p.m. or immediately after the conclusion or adjournment of the annual general meeting of the Company to be held on the same day, is set out on pages 54 to 55 of this circular.

Whether or not you are able to attend the EGM, please complete the accompanying form of proxy in accordance with the instructions printed on the form and return it to the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of the EGM should you so wish.

13 June 2018

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Announcement”	the announcement of the Company dated 18 April 2018 relating to the Transactions;
“Articles”	the articles of association of the Company as amended from time to time;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“associated corporation”	has the meaning ascribed to it under Part XV of the SFO;
“Board”	the board of Directors;
“chief executive”	has the meaning ascribed to it under the Listing Rules;
“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: 03999);
“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;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held at Xiamen Suites I-II, 3/F., Prince Hotel, Harbour City, Kowloon, Hong Kong, on 29 June 2018, Friday at 3:00 p.m. or, immediately after the conclusion or adjournment of the annual general meeting of the Company to be held on the same day, for the purposes of considering and, if thought fit, approving, the Non-Exempt Transactions and their respective proposed annual caps;
“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 Taiwan Stock Exchange Corporation, and the ultimate controlling shareholder of the Company;

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## DEFINITIONS

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“GWE Current Agreements”	the GWE Master Purchase Agreement and the GWE Master Supply Agreement;
“GWE Group”	GWE and its subsidiaries from time to time but excludes the members of the Group for the purpose of the Non-Exempt 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”	a committee of the Board established for reviewing the terms and the respective proposed annual caps of the Non-Exempt Transactions, consisting only of all independent non-executive Directors who do not have any material interest in the Non-Exempt Transactions;
“Independent Financial Advisor” or “Pelican”	Pelican Financial Limited, a licensed corporation to conduct type 6 (advising on corporate finance) regulated activities under the SFO, and an independent financial advisor to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Non-Exempt Transactions and their respective proposed annual caps;
“Independent Shareholders”	any Shareholder who does not have any material interest in the relevant Non-Exempt 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;

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## DEFINITIONS

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“Latest Practicable Date”	6 June 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time;
“Marubeni”	Marubeni Corporation, a company incorporated in Japan with limited liability and whose shares are listed on Tokyo Stock Exchange, Inc.;
“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 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 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;
“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 purposes of this circular;
“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;

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## DEFINITIONS

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“Renewal Agreements”	the GWE Renewal Agreements and Marubeni Renewal Agreements;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.1 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“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 each of the Renewal Agreements;
“underlying shares”	has the meaning ascribed to it under Part XV of the SFO; and
“%”	per cent.

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Han Jia-Hwan (*Chairman*)  
Mr. Han Chia-Yin (*Chief Executive Officer*)

*Non-executive Directors:*

Mr. Han Chia-Yau  
Mr. Harn Jia-Chen  
Mr. Chao Tien-Shin

*Independent Non-executive Directors:*

Mr. Way Yung-Do  
Mr. Chen Chih  
Mr. Wei Anning

*Registered Office:*

Clifton House  
75 Fort Street  
George Town  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

*Principal Place of Business in Hong Kong:*

Suite 1806, Tower 1  
The Gateway  
25 Canton Road  
Tsimshatsui, Kowloon  
Hong Kong

13 June 2018

*To the Shareholders*

Dear Sir or Madam,

**RENEWAL OF VARIOUS CONTINUING CONNECTED TRANSACTIONS**

**INTRODUCTION**

Reference is made to the Announcement in relation to the Renewal Agreements. As disclosed in the Announcement, the Company entered into the following agreements on 18 April 2018:

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.

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## LETTER FROM THE BOARD

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### **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 Latest Practicable Date. Marubeni, the ultimate holding company of Marubeni PRC, 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 hence, each of the Transactions constitutes a continuing connected transaction 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.

As a result, the purposes of this circular are: (i) to provide the Shareholders with further information regarding the details of the Non-Exempt Transactions and their respective proposed annual caps as mentioned in the Announcement; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders in relation to the Non-Exempt Transactions; and (iii) to give the Shareholders the notice of the EGM and other information required under the Listing Rules.

The Independent Board Committee, comprising three independent non-executive Directors namely Mr. Way Yung-Do, Mr. Chen Chih, and Mr. Wei Anning, none of whom has any material interest in the Non-Exempt Transactions, has been established to advise the Independent Shareholders as to (i) whether the terms of the Non-Exempt Transactions and their respective proposed annual caps are fair and reasonable in so far as the Company and the Independent Shareholders are concerned; (ii) whether the Non-Exempt Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the Non-Exempt Transactions are in the interests of the Company and the Shareholders as a whole; and (iv) how to vote on the Non-Exempt Transactions. Pelican has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in this respect.



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## LETTER FROM THE BOARD

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### RENEWAL OF VARIOUS CONTINUING CONNECTED TRANSACTIONS

#### Background

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 the GWE Current Agreements.

As the terms of the GWE Current Agreements will expire on 31 December 2018 and the Company and its subsidiaries intended to carry on transactions of similar nature to those under the GWE Current Agreements with the GWE Group in their ordinary and usual course of business, the Company entered into the GWE Renewal Agreements on 18 April 2018 which will be effective for three years starting from 1 January 2019.

#### GWE Renewal Agreements

##### 1. *GWE Master Purchase (Renewal) Agreement*

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,

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## LETTER FROM THE BOARD

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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.

Details of price determination mechanism for the products purchased under the GWE Master Purchase (Renewal) Agreement are disclosed under the section "**PRICING POLICIES AND INTERNAL CONTROL MEASURES REGARDING PRICE DETERMINATION FOR THE NON-EXEMPT TRANSACTIONS**" below.

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*

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

Date: 18 April 2018

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## LETTER FROM THE BOARD

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- 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.

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## LETTER FROM THE BOARD

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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.

Details of the price determination mechanism for the products supplied under the GWE Master Supply (Renewal) Agreement are disclosed under the section “**PRICING POLICIES AND INTERNAL CONTROL MEASURES REGARDING PRICE DETERMINATION FOR THE NON-EXEMPT TRANSACTIONS**” below.

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.

### **PRICING POLICIES AND INTERNAL CONTROL MEASURES REGARDING PRICE DETERMINATION FOR THE NON-EXEMPT 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).

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## LETTER FROM THE BOARD

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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 of not less than 10% 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

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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### HISTORICAL FIGURES

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

		For the year ended 31 December 2016 (audited) RMB'000	For the year ended 31 December 2017 (audited) RMB'000	For the 3 months ended 31 March 2018 (unaudited) (for actual amount only)/ for the year ending 31 December 2018 (for annual cap only) RMB'000	
<b>Continuing connected transactions under the GWE Current Agreements</b>					
1.	<b><i>GWE Master Purchase Agreement</i></b>	Actual	22,634	14,974	3,345
		Annual Caps	60,000	60,000	60,000
		Utilisation Rates <sup>^</sup>	37.72%	24.96%	22.30%
2.	<b><i>GWE Master Supply Agreement</i></b>	Actual	94,445	28,496	6,025
		Annual Caps	400,000	450,000	500,000
		Utilisation Rates <sup>^</sup>	23.61%	6.33%	4.82%

<sup>^</sup> The utilisation rates for transactions under the GWE Current Agreements 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.

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## LETTER FROM THE BOARD

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### PROPOSED ANNUAL CAPS

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

Continuing connected transactions under the GWE Renewal agreements		For the year	For the year	For the year	
		ending 31 December 2019 <i>RMB'000</i>	ending 31 December 2020 <i>RMB'000</i>	ending 31 December 2021 <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

The actual aggregate amount of transactions under each of the GWE Renewal Agreements will be reported orally or in writing to the finance manager of the Group by the accounting staff of the relevant members of the Group within 10 days after the end of each quarter. If the aggregate transaction amount under any GWE Renewal Agreements during the previous quarters exceeds 70% of the annual cap, the accounting staff of the relevant members of the Group will be required to do monthly or bi-weekly reporting of the transaction amount.

The Company will inform the members of the Group conducting transactions with the connected person when the aggregate transaction amount under any of the GWE Renewal Agreements reaches 90% of the annual cap and require the relevant members of the Group to seek approval from the chief financial officer of the Group before the supply or purchase contract is entered into so as to ensure the annual cap is not exceeded.



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## LETTER FROM THE BOARD

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### REASONS FOR THE PROPOSED ANNUAL CAPS

The major basis and assumptions for determining the proposed annual caps of the Non-Exempt Transactions are set out below.

#### 1. Proposed annual caps for transactions contemplated under GWE Master Purchase (Renewal) Agreement

The proposed annual caps for the transactions contemplated under 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 as shown at page 13 above. In 2017, (a) the sales of feeds and processed food products for the segments having transactions with the GWE Group are RMB 85,484 thousand and RMB768,993 thousand, respectively, (b) the total cost of sales of feeds and processed food products for the segments having transactions with the GWE Group are RMB71,481 thousand and RMB618,640 thousand, respectively, (c) the cost of purchases of fermented soybean meal (for feed segment) and flour and coated flour (for processed food segment) from the GWE Group accounted for approximately 9.8% and 1.3%, respectively, of the above related cost in 2017.
- (ii) In respect of the processed food segment of the Group, (a) the total sales of processed food products for the segments having transactions with the GWE Group in 2019 is expected to double those in 2017, amounting to approximately RMB1,500,000 thousand, and (b) the total cost of sales of processed foods products is expected to be around RMB1,200,000 thousand taking into account the gross profit margin of 20% in 2017. In respect of the feed segment of the Group, (a) the total sales of feeds for the segments having transactions with the GWE Group is expected to rise for 2.5% in 2019 compared to 2017, amounting to approximately RMB87,500 thousand and (b) the total cost of sale of feed products is expected to be around RMB73,500 thousand taking into account the gross profit margin of 16% in 2017.
- (iii) Taking into account the percentage of 9.8% and 1.3% as indicated in (i) and the respective expected total cost of sale of feeds and processed foods products for the segments having transactions with the GWE Group in (ii) above, it is expected that the purchase cost of fermented soybean meal and flour and coated flour from the GWE Group in 2019 will amount to approximately RMB7,200 thousand and RMB15,000 thousand, respectively. It is estimated that the annual amount of purchase of fermented soybean meal made by the Group from the GWE Group for each of the two years ending 31 December 2021 will rise by approximately 4 to 5%, compared to the preceding year, amounting to approximately RMB7,500 thousand and RMB7,900 thousand. The annual amount of purchase of flour and coated flour from the GWE Group for each of the two years ending 31 December

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## LETTER FROM THE BOARD

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2021 is expected to rise by approximately 10% compared to the preceding year, amounting to approximately RMB16,500 thousand and RMB18,000 thousand respectively.

- (iv) The Group plans to expand its processed food segment and put greater effort on promoting the sales of its processed food products for the coming years. The expected rise in the total sales of processed food products referred to in (ii) above is due to the expected growth in the newly established factory in Bengbu of the PRC, leading to an expected increase in the processed food sales volume of the Group by an average of approximately 3,700 tons per month for the year ending 31 December 2019. In calculating the expected total sales of processed food products for the segments having transactions with the GWE Group in 2019 shown in (ii) above, the expected processed food sales volume in 2019 of approximately 7,600 tons per month are adopted, compared to the sales volume in 2017 of approximately 3,900 tons per month. In addition, the estimated average price in 2019 of processed food of approximately RMB16,500 per ton is adopted, compared to the average price in 2017 of approximately RMB16,300 per ton.
- (v) In calculating the expected total sales of feeds products for the segments having transactions with the GWE Group in 2019 shown in (ii) above, the expected feeds sales volume in 2019 of approximately 8,200 tons is adopted, compared to the sales volume in 2017 of approximately 8,065 tons. In addition, the estimated average price in 2019 of feeds of approximately RMB10,700 per ton is adopted, compared to the average price in 2017 of approximately RMB10,600 per ton.
- (vi) A flexibility buffer of 26% to 35% on the proposed annual caps above the estimated aggregate amount of purchase of fermented soybean meal and flour and coated flour from the GWE Group for the three years ending 31 December 2021 illustrated in (iii) above to accommodate any unpredictable increase in the prices and demands of the Group in fermented soybean meal and the flour and coated flour, especially taking into account:
  - (a) the expected future price of flour and coated flour taking into account the trend of prevailing market prices published on the website of [www.cofeed.com](http://www.cofeed.com) (with the estimated fluctuation of market prices of approximately from RMB1.1 per half a kilogram to RMB1.5 per half a kilogram for the three years ending 31 December 2021) of the raw materials and the same, similar, or substituting products in the regions in which the relevant members of the Group operate;
  - (b) the expected future price of fermented soybean meal taking into account the trend of prevailing market prices published on the website of [www.cofeed.com](http://www.cofeed.com) (with the estimated fluctuation of market prices of approximately from RMB2,600 per ton to RMB3,600 per ton for the three years ending 31 December 2021) of the raw materials and the same, similar, or substituting products in the regions in which the relevant members of the Group operate; and

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## LETTER FROM THE BOARD

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- (c) the expected inflation rates of approximately 2.5% to 3% per annum for the three years ending 31 December 2021.

### **2. Proposed annual caps for transactions contemplated under GWE Master Supply (Renewal) Agreement**

The proposed annual caps for the transactions contemplated under 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 as set out on page 13 above; as stated on page 11, the Group supplies the aquatic animal feed products and fresh meat products to members of GWE Group under the GWE Master Supply (Renewal) Agreement, and the proportion of these two were 87% and 13% respectively in 2017;
- (ii) in 2017, the change of the transaction model in respect of the sales of aquatic animal feed products in Vietnam to sub-processing without the sale of materials caused a negative impact on the sales revenues recognized from GWE; however, it is possible that the old transaction model would be used for the new categories of aquatic animal feed products so the proposed annual caps have taken into account such possibility, amounting to an increase of RMB100~150 million in the amount of supply of aquatic animal feed products to the GWE Group by the Group compared to the 2017 figure on page 13 above if the above situation occurs;
- (iii) considering the growth of economy and consumptions in Vietnam, there will be an estimated rise in the supply of aquatic animal feed products of 10% to 15% to the GWE Group;
- (iv) due to H7N9 epidemic affecting the Chinese chicken market in 2017, the consumptions and the chicken meat price declined to the lowest in these recent years, but the supply of fresh meat products to GWE is expected to recover to the normal level in 2019, amounting to over RMB6,000 thousand after the ease of the epidemic;
- (v) the expected rise in GWE's demand of the Group's fresh meat products due to business expansion and the growth of consumptions of chicken meat in the PRC; coupled with (vi) above, this would lead to an estimated rise of 3% to 5% in sales revenue of the Group's chicken meat business; and
- (vi) a flexibility buffer of 30% to 50% on the proposed annual caps for the three years ending 31 March 2021 to accommodate any unpredictable increase in the prices and demands of the GWE Group in aquatic animal feed products and fresh meat products, especially taking into account:
  - (a) 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 taking into account the trend of prevailing market prices

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## LETTER FROM THE BOARD

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published on the website of [www.cmegroup.com](http://www.cmegroup.com) (with the estimated fluctuation of market prices of corn futures from 390 to 440 pennies per bushels for the three years ending 31 December 2021) and particularly, the expected escalation of corn price due to the effect of climate change; and

- (b) the expected fluctuation of future price of the fresh meat products from RMB5 per kilogram to RMB10 per kilogram for the three years ending 31 December 2021 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.

### **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Directors (including the independent non-executive Directors) consider that the terms of each of the GWE Renewal Agreements are fair and reasonable in so far as the Company and the Independent Shareholders are concerned, 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 Non-Exempt Transactions for the following reasons:

#### **1. GWE 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.

#### **2. GWE Master Supply (Renewal) Agreement**

The GWE Group is a major client of the Group. It is beneficial to the Group to secure a closer and long-term supplier-customer relationship with the GWE Group by entering into the GWE Master Supply (Renewal) Agreement. It is expected that the entering into of such agreement can generate considerable revenue for the Group.

### **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 Latest Practicable Date. Marubeni, the ultimate holding company of Marubeni PRC, 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 hence, each of the Transactions constitutes a continuing connected transaction 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 to abstain, and did abstain, from voting on the Board resolutions to approve the GWE Renewal

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## LETTER FROM THE BOARD

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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, comprising three independent non-executive Directors namely Mr. Way Yung-Do, Mr. Chen Chih, and Mr. Wei Anning, none of whom has any material interest in the Non-Exempt Transactions, has been established to advise the Independent Shareholders as to (i) whether the terms of the Non-Exempt Transactions and their respective proposed annual caps are fair and reasonable in so far as the Company and the Independent Shareholders are concerned; (ii) whether the Non-Exempt Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the Non-Exempt Transactions are in the interests of the Company and the Shareholders as a whole; and (iv) how to vote on the Non-Exempt Transactions. Pelican has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in this respect.

GWE and its associates, which together were interested in approximately 52.04% of the Shares as at the Latest Practicable Date, have material interests in the Non-Exempt Transactions and are required to abstain from voting in the resolutions proposed to approve the Non-Exempt Transactions and their respective proposed annual caps. Save as disclosed above and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholders have a material interest in the Non-Exempt Transactions which requires them to abstain from voting in resolutions proposed to approve the Non-Exempt Transactions and their respective proposed annual caps.

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## LETTER FROM THE BOARD

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### 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.dfa3999.com> (The information that appears in this website does not form part of this circular).

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

### EGM

The Company will hold the EGM at Xiamen Suites I-II, 3/F., Prince Hotel, Harbour City, Kowloon, Hong Kong on 29 June 2019, Friday at 3:00 p.m., or immediately after the conclusion or adjournment of the annual general meeting of the Company to be held on the same day, at which resolutions will be proposed for the purposes of considering and if thought fit, approving the Non-Exempt Transactions and their respective proposed annual caps. The notice of the EGM is set out on pages 54 and 55 of this circular.

A form of proxy for use at the EGM is enclosed in this circular. Whether or not you are able to attend the EGM, please complete the accompanying form of proxy in accordance with the instructions printed on the form and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment of the EGM. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjournment of the EGM should you so desire.

### CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from 25 June 2018, Monday, to 29 June 2018, Friday (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the EGM. No transfer of the Shares may be registered during the said period. In order to qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on 22 June 2018, Friday.

### VOTING BY POLL

In accordance with Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the voting on all resolutions at the EGM will be conducted by way of poll.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 22 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Non-Exempt Transactions and their respective proposed annual caps; (ii) the letter from Pelican the Independent Financial Advisor, set out on pages 23 to 45 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Transactions and their respective proposed annual caps; and (iii) additional information set out in the appendix to this circular.

The Independent Board Committee, having taken into account the advice of Pelican, the Independent Financial Advisor, considers that the terms of the Non-Exempt Transactions and their respective proposed annual caps are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and the Non-Exempt Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the Non-Exempt Transactions and their respective proposed annual caps.

The Board considers that the Non-Exempt Transactions and their respective proposed annual caps are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and therefore recommend you to vote in favour of all the resolutions in respect of the Non-Exempt Transactions and their respective proposed annual caps to be proposed at the EGM.

Yours faithfully,  
By order of the Board  
**Han Jia-Hwan**  
*Chairman*

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



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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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)**

13 June 2018

*To: the Independent Shareholders*

Dear Sir or Madam,

**RENEWAL OF VARIOUS CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 13 June 2018 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider and advise the Independent Shareholders in respect of the terms of the Non-Exempt Transactions and their respective proposed annual caps, details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board and the letter of advice from Pelican set out on pages 5 to 21 and pages 23 to 45 of the Circular respectively.

Having taken into account the advice of Pelican, the Independent Financial Advisor, we consider that (i) the terms of the Non-Exempt Transactions and their respective proposed annual caps are fair and reasonable in so far as the Company and the Independent Shareholders are concerned; (ii) the Non-Exempt Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) the Non-Exempt Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the Non-Exempt Transactions and their respective proposed annual caps.

Yours faithfully,

**Way Yung-Do, Chen Chih and Wei Anning**  
*Independent Board Committee*



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## LETTER FROM PELICAN

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*The following is the text of the letter of advice from Pelican to the Independent Board Committee and the Independent Shareholders in relation to the GWE Renewal Agreements and the proposed annual caps prepared for the purpose of incorporation in this circular.*



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### PELICAN FINANCIAL LIMITED

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14th Floor, Shanghai Industrial Investment Building, 48 Hennessy Road, Wanchai, Hong Kong

13 June 2018

*To the Independent Board Committee and the Independent Shareholders of  
DaChan Food (Asia) Limited*

Dear Sirs,

### RENEWAL OF THE NON-EXEMPT TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Transactions, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 13 June 2018 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 7 May 2015, the Company entered into the GWE Master Purchase Agreement and GWE Master Supply Agreement with GWE. As the GWE Current Agreements will expire on 31 December 2018 and the Group intends to carry on transactions of a similar nature to those under the GWE Current Agreements with the GWE Group in their ordinary and usual course of business, the Company entered into the GWE Renewal Agreements on 18 April 2018 which will be effective for three years starting from 1 January 2019.

As at the Latest Practicable Date, GWE is the ultimate controlling shareholder of the Company and indirectly holds approximately 52.04% of the issued share capital of the Company and is a connected person of the Company. Therefore, the transactions contemplated under the GWE Renewal Agreements constitute continuing connected transactions of the Company under the Listing Rules.

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## LETTER FROM PELICAN

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Further, 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 under the GWE Renewal Agreements exceed 5%, the GWE Renewal Agreements are subject to the reporting, announcement, Independent Shareholders' approval, circular and annual review requirements under the Listing Rules.

The Board currently comprises two executive Directors, three non-executive Directors, and three independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, Mr. Way Yung-Do, Mr. Chen Chih, and Mr. Wei Anning, has been established to advise the Independent Shareholders regarding the Non-Exempt Transactions. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

We are not connected with the Directors, chief executive or substantial shareholders of the Company or any of their respective associates and therefore we are suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. In the last two years, there was no engagement between the Company and us. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Directors, chief executive or substantial shareholders of the Company or any of their respective associates.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the Non-Exempt Transactions are in the ordinary and usual course of business of the Group and on normal commercial terms and whether the terms of the Non-Exempt Transactions and their respective proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Non-Exempt and the proposed respective annual caps at the EGM.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors, the Company and its management.

We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth,

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## LETTER FROM PELICAN

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accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

### **PRINCIPAL FACTORS TAKEN INTO CONSIDERATION**

In formulating our opinion in respect of the Non-Exempt Transactions, we have considered the following principal factors and reasons:

#### **1. Background information of the parties in the Non-Exempt Transactions**

##### ***(a) The Group***

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.

Set out below is the summary financial information of the Group for the two years ended 31 December 2017 as extracted from the Company's annual report for the year ended 31 December 2017 (the "**Annual Report**"):

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## LETTER FROM PELICAN

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### *Summary consolidated statement of profit or loss of the Group*

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Meat product segment	2,382,142	2,172,759
Feed segment	4,498,662	4,672,269
Processed food segment	<u>1,626,673</u>	<u>1,279,025</u>
<b>Turnover</b>	8,507,477	8,124,053
<b>Gross profit</b>	815,942	754,510
<b>Profit for the year attributable to the equity shareholders of the Company</b>	29,120	53,899

### *Summary consolidated statement of financial position of the Group*

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Total assets	3,998,797	3,660,135
Total liabilities	2,138,231	1,898,740
Net assets	1,860,566	1,761,395

As set out in the Annual Report, due to influenza outbreak, the chicken consumption in households and school canteens have declined which caused the domestic chicken consumption market in China to shrink in 2017. Further, with the Chinese government's strengthening of environmental protection inspections in 2017 as well as implementation of strict environmental protection measures (i.e., setting up livestock and poultry banned areas), the broiler industry has been negatively affected. Although the Group has faced challenging business environment in 2017, the Group's turnover was approximately RMB8,507.5 million for the year ended 31 December 2017, representing an increase of approximately 4.7% from approximately RMB8,124.1 million for the year ended 31 December 2016. The increase in the turnover of the Group was mainly due to the sales increase in the Group's meat product segment and processed food segment. However, the Group's profit attributable to the equity shareholders of the Company was approximately RMB29.1 million for the year ended 31 December 2017, representing a decrease of approximately 46.0% from approximately RMB53.9 million for the year ended 31 December 2016. Such decrease in the profit of the Group was mainly due to foreign exchange loss.

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## LETTER FROM PELICAN

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The Group's total assets, total liabilities and net assets are approximately RMB3,998.8 million, RMB2,138.2 million and RMB1,860.6 million respectively.

Looking forward, in response to changes in the challenging industry environment the Group operates in, as set out in the Annual Report, the Group has adhered to the following operating strategies:

- Levering food as a leading factor in the continuous development of the Group, the Group will continue to strengthen its product and market development efforts in the food segment (including processed food segment), making it a leader in the professional catering market.
- Maintaining a proper scale of electrical slaughtering of broilers and strengthening risk management and cost control of day-old chicks, feather chickens and meat products, providing a safe traceable raw meat supply for the food segment.
- Continuously increasing its market shares and profits in the feed market in Vietnam and Malaysia and, at the same time, beginning to prepare for the Cambodia market.
- Focusing on the sales of functional feeds of higher added value in the feed market in the PRC.

**(b) GWE**

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

### **2. Reasons for and benefits of the Non-Exempt Transactions**

Due to the expiry of the GWE Current Agreements on 31 December 2018, the entering into the GWE Renewal Agreements is to facilitate the conduct of transactions of similar nature to those under the GWE Current Agreements and to renew the terms of the transactions, including the proposed annual caps contemplating thereunder, for further three years from 1 January 2019 to 31 December 2021. The Non-Exempt Transactions are to be carried out as part of the principal business of the Group and in particular that:

- the Group and the GWE Group have maintained a long-term positive business relationship with each other, which includes (i) the Group supplying meat and feeds products, such as chicken meat products, raw materials for manufacturing animal feeds and aquafeed products to the GWE Group for over 10 years; and (ii) the Group purchasing raw materials, which are mainly for the production of processed food from the GWE Group for over 10 years;

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## LETTER FROM PELICAN

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- the GWE Group has been a reliable supplier of quality raw materials to the Group and the entering into of the GWE Master Purchase (Renewal) Agreement will continue to secure a longer term of supply of high quality raw materials and products which will be beneficial to the growth of the Group's business; and
- the GWE Group has been a major customer of the Group and the entering into of the GWE Master Supply (Renewal) Agreement will continue to secure the long-term customer relationship with the GWE Group which is expected to continue to generate a good source of revenue for the Group's business.

In light of the above and in particular (i) the principal business activities of the Company; and (ii) the reasons for and benefits of entering into the Non-Exempt Transactions as set out above, we are of the view that the Non-Exempt Transactions are in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

### **3. Principal terms of the GWE Renewal Agreements**

#### ***(a) GWE Master Purchase (Renewal) Agreement***

Set out below are principal terms of the GWE Master Purchase (Renewal) Agreement. Details of which are set out in the section headed "Renewal of various Continuing Connected Transactions" in the Letter from the Board.

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.

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## LETTER FROM PELICAN

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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.

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## LETTER FROM PELICAN

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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.

***(b) 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.



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## LETTER FROM PELICAN

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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.

#### **4. Pricing policies and internal control measures regarding price determination for the Non-Exempt Transactions**

We understand that in addition to the pricing terms under the respective GWE Renewal Agreements, the Group has adopted the following pricing policies and internal control measures (the “**Pricing Policies and Internal Control Measures**”) and applies the same when determining the price of products in respect of the Non-Exempt Transactions:

##### ***(a) 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

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## LETTER FROM PELICAN

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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.

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## LETTER FROM PELICAN

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*(b) 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.

- (i) 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 of not less than 10% 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.
- (ii) 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.

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## LETTER FROM PELICAN

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### 5. Our analysis on the terms of the GWE Renewal Agreements

#### *(a) GWE Master Purchase (Renewal) Agreement*

As set out above, the products purchased under the GWE Master Purchase (Renewal) Agreement consist of primarily (i) primarily flour and coated flour for manufacturing processed food products of the Group, the majority of which are products with specification and requirements specified by the relevant member of the Group; and (ii) fermented soybean meal.

In respect of the purchases of flour and coated flour products by the Group, we noted that the prices of flour and coated flour products purchased from the GWE Group may not all have direct comparable prices. However, the Group is required by the internal purchase policies of the Group to enter into annual purchase contracts with at least two suppliers in respect of flour and coated flour it purchases from time to time. The Group has entered into annual purchase contracts of flour and coated flour with a number of suppliers (the “**Designated Suppliers**”), which include the GWE Group as well as Independent Third Parties and it may purchase flour and coated flour from any of the Designated Suppliers. Furthermore, whilst the actual volume of such purchases is not specified in the annual purchase contracts, the purchase prices of various types of flour and coated flour are fixed in the annual purchase contracts, which have been deemed reasonable and approved by the Purchase Supervisor, after taking into account (i) the selling prices of substituting products from other suppliers; (ii) the prevailing price trend of wheat for production of flour or coated flour in the PRC; and (iii) the costs of components and ingredients of the products to be purchased. We also understand from our discussions with the management of the Company that such price determination mechanism is applied to all annual contracts entered into with all Designated Suppliers, including the GWE Group and Independent Third Parties.

Furthermore, we understand that the Group will purchase flour and coated flour from the GWE Group only when the GWE Group (i) is the sole preferred supplier for the flour or coated flour by the clients of food products of the Group (the “**Relevant Clients**”) or meets all the specifications required by the Relevant Clients or the research and development team of the Group; or (ii) offers the best terms (including the price) to the Group as compared to other Designated Suppliers (if there is more than one Designated Suppliers) which meet all the specifications required by the Relevant Clients or the research and development team of the Group.

In respect of the purchase of fermented soybean meal, we noted that the type of fermented soybean meal purchased by the Group is a rather standard and common product in the market, it is available from a number of suppliers (including the GWE Group). In making purchases of fermented soybean meal, the Group obtains and compares price quotation from the GWE Group and at least two Independent Third Party suppliers, and makes the purchase from the supplier that offers the most favourable price to the Group. We noted that the GWE Group has been the main supplier of fermented soybean meal to the Group as the price quotation from the GWE

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## LETTER FROM PELICAN

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Group is no less favourable than those offered by Independent Third Parties and its supply is more stable compared to other Independent Third Party suppliers because they often involves brokers of fermented soybean meal traders.

*(b) GWE Master Supply (Renewal) Agreement*

We understand that the products supplied under the GWE Master Supply (Renewal) Agreement mainly consist of fresh meat products and aquatic animal feed products. The majority of fresh meat products supplied to the GWE Group under the GWE Master Supply (Renewal) Agreement are rather standard, as such, there is an open and transparent market price to which suppliers and buyers can refer. We understand from our discussions with the Company that such prices are available from various publicly available websites which provide fresh meat prices in different regions in the PRC. For ease of internal reference, the Group has operated and applied an information system (the “**Information System**”) that provides, among others, (i) the prevailing market price of the relevant fresh meat products (such as chicken) in the local agricultural market (農貿市場) which is updated on a regular basis; and (ii) the pricing information of various products (such as fresh meat, aquatic animal feed and semi-processed and processed food) manufactured and sold by the Group. As such, when considering the prices for fresh meat and aquatic animal feeds, the Company can refer to the prices of the products in the Information System.

The price of the fresh meat products quoted for transactions entered into with the GWE Group as well as Independent Third Parties is made with reference to the prevailing market price of the relevant products (such as chicken) from the Information System in the relevant region (i.e. the local market price reported by the regional managers of the Group in various regions each Monday, Wednesday and Friday), taking into account of a number of factors (such as transportation costs, purchasing volume and specific needs by the GWE Group).

In respect of the aquatic animal feeds products, we further understand from the Company that (i) the aquatic animal feed products supplied to the GWE Group are made from raw materials such as corn and soybeans, and have no directly comparable products supplied to other third parties; (ii) the supply of such aquatic animal feed products is a relatively new business of the Group and only available in Vietnam; and (iii) the price of such aquatic animal feed products for the transactions entered into with the GWE Group is determined with reference to the costs of production plus a margin of not less than 10% acceptable by the Group, taking into account factors such as the purchase price of the relevant raw material products (such as corn and soybeans), overhead production costs and salaries expenses incurred by the Group.

In addition, we understand that the Relevant Sales Department Head will review and approve the terms (including the quotation price and the overall purchasing volume) proposed to the GWE Group before making the offer (and counter-offer as the case may be) to and/or entering into the definitive contracts with the GWE Group to ensure such are in accordance with the Pricing Policies and Internal Control Measures and is no more favourable than that offered to Independent Third Parties.

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## LETTER FROM PELICAN

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*(c) Our review*

Given the non-exclusive basis of the GWE Renewal Agreements, in the event that the terms (including the price) of the Non-Exempt Transactions are less favourable to that available to or from (as appropriate) Independent Third Parties, the Group has the flexibility of not entering into a definitive contract with the GWE Group and to purchase the items from or supply them to Independent Third Parties instead.

In considering the pricing policies and internal control measures which the Group adopts in determining the price of products to ensure that the pricing policies and selection of suppliers are fair and reasonable, the Group will apply the Pricing Policies and Internal Control Measures to govern the pricing determination of the Non-Exempt Transactions (including the monitoring of the new annual caps). We have reviewed the relevant supporting materials, including the manual in respect of the Pricing Policies and Internal Control Measures, the internal purchase policies of the Group and the sample price information from the Information System which the Group will make reference to in the process of determining whether to enter into the Non-Exempt Transactions with the GWE Group.

In respect of the aquatic animal feeds products, as set out above, the price of such aquatic animal feed products for the transactions entered into with the GWE Group is determined with reference to the costs of production plus a margin of not less than 10%. In our review of the financial information for the supply of aquatic animal feed products to the GWE Group in 2016 and 2017, we noted that the Group has been charging the costs of production with a margin of not less than 10% in each of the year 2016 and 2017. Also, we have reviewed other continuing connected transactions conducted by listed companies on the Stock Exchange and noted that there are many incidents where a listed group will supply products to its connected persons on a cost plus margin basis. In view of the above, we are of the view that the cost plus margin basis and an applicable margin of not less than 10% are fair and reasonable.

In light of the above, we are satisfied that the Pricing Policies and Internal Control Measures adopted by the Group will ensure that such pricing terms and selection of suppliers are fair and reasonable. As such, we are of the view that the pricing policies and internal control measures taken by the Group to ensure that the pricing terms and selection of suppliers are arrived at a fair and reasonable manner.

Furthermore, we have also reviewed and compared five sample records, including the contracts, receipts and pricing terms, of historical transactions entered into between the Group and the GWE Group against the quotations/prevaling market prices as offered by Independent Third Parties for comparable products purchased or supplied by the Group. The five sample transactions are recorded in five different months from 2016 to 2017 (i.e., two transactions in 2016 and three transactions in 2017 for the purchase of coated flour and fermented soybean meal and the supply of fresh meat products). The sample transactions reviewed include the unit price of the coated flour and fermented soybean meal purchased and the fresh meat products supplied by the Group and the quotations/prevaling market prices (i.e., the unit price) of similar products to be purchased or supplied by the Group under the five sample transactions.

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## LETTER FROM PELICAN

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After having reviewed of the documents and checked the prices of the terms of the transactions between the Group and the GWE Group, we noted the transactions with the GWE Group were in line with the Pricing Policies and Internal Control Measures, and also that the prices offered to the Group were comparable to, or no less favourable than, the prices offered by Independent Third Parties. Further, given that the samples we have obtained include products purchased or supplied by the Group in different periods between 2016 and 2017, we are of the view that the samples are representative and sufficient.

In addition, we noted from the Annual Report that annual review of the continuing connected transactions contemplated under the GWE Current Agreements have been conducted according to Chapter 14A of the Listing Rules, and that the independent non-executive Directors have reviewed and confirmed that the continuing connected transactions under the GWE Current Agreements were entered into, among other things, on normal commercial terms or if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than those available from Independent Third Parties. The Annual Report also confirmed that the Company's auditors has issued the relevant letters to the Company pursuant to Chapter 14A of the Listing Rules that the continuing connected transactions were conducted in accordance with its terms and that the proposed annual caps are not being exceeded. Further, the GWE Renewal Agreements will, pursuant to the Listing Rules, continue to be subject to the annual review by the independent non-executive Directors, details of which must be included in the Company's subsequent published annual reports and annual confirmation by the auditors of the Company.

In light of the above, we are of the view that the terms (including the pricing policy) of the GWE Renewal Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.



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**LETTER FROM PELICAN**

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**6. Proposed annual caps under the GWE Renewal Agreements**

*(a) Historical figures*

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

Continuing connected transactions under the GWE Current Agreements		For the year ended 31 December 2016 (audited) <i>RMB'000</i>	For the year ended 31 December 2017 (audited) <i>RMB'000</i>	For the 3 months ended 31 March 2018 (unaudited) (for actual amount only)/for the year ending 31 December 2018 (for annual cap only) <i>RMB'000</i>	
1.	<i><b>GWE Master Purchase Agreement</b></i>	Actual	22,634	14,974	3,345
		Annual Caps	60,000	60,000	60,000
		Utilisation Rates <sup>^</sup>	37.72%	24.96%	22.30%
2.	<i><b>GWE Master Supply Agreement</b></i>	Actual	94,445	28,496	6,025
		Annual Caps	400,000	450,000	500,000
		Utilisation Rates <sup>^</sup>	23.61%	6.33%	4.82%

<sup>^</sup> The utilisation rates for transactions under the GWE Current Agreements 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.

*(b) Proposed annual caps*

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

Continuing connected transactions under the GWE Renewal Agreements			For the year ending 31 December		
			2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	December 2021 <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



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## LETTER FROM PELICAN

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The actual aggregate amount of transactions under each of the GWE Renewal Agreements will be reported orally or in writing to the finance manager of the Group by the accounting staff of the relevant members of the Group within 10 days after the end of each quarter. If the aggregate transaction amount under any GWE Renewal Agreements during the previous quarters exceeds 70% of the annual cap, the accounting staff of the relevant members of the Group will be required to do monthly or bi-weekly reporting of the transaction amount.

The Company will inform the members of the Group conducting transactions with the connected person when the aggregate transaction amount under any of the GWE Renewal Agreements reaches 90% of the annual cap and require the relevant members of the Group to seek approval from the chief financial officer of the Group before the supply or purchase contract is entered into so as to ensure the annual cap is not exceeded.

We have reviewed the actual aggregate amount of transactions under each of the GWE Current Agreements maintained by the Group and also given that the finance department will continue to be responsible to monitor the transaction amount contemplated under the GWE Renewal Agreements from time to time on a quarterly basis and has implemented procedure and review mechanism when the actual amount approaches to the limit as set by the relevant proposed annual caps, we are of the view that the internal control measures adopted by the Company to ensure that the proposed annual caps under each of the GWE Renewal Agreements are adequate and effective.

### ***Proposed annual caps under the GWE Master Purchase (Renewal) Agreement***

We noted that the proposed annual cap under the GWE Master Purchase (Renewal) Agreement for the year ending 31 December 2019 of RMB30 million represents a decrease of 50% from the annual cap of RMB60 million for the year ending 31 December 2018 and the proposed annual caps for the two years ending 31 December 2021 of RMB35 million and RMB40 million respectively represent an approximately 14% to 17% increase from the prior year annual cap.

### ***Historical value of products purchased by the Group from the GWE Group***

In determining the proposed annual caps under the GWE Master Purchase (Renewal) Agreement, we noted they were made with reference to the actual amount of approximately RMB15 million to RMB23 million for the two years ended 31 December 2017 under the GWE Master Purchase Agreement. We have reviewed the financial information of the Group and noted the following for the year ended 31 December 2017:

- Sales of feeds products and processed food products for the segments having transactions with the GWE Group was approximately RMB85.5 million and RMB769 million respectively and the corresponding cost of sales of feeds products and processed food products was approximately RMB71.5 million and RMB618.6 million respectively and therefore the gross profit margin for feeds products and processed food products was approximately 16% and 20% respectively.

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## LETTER FROM PELICAN

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- Cost of purchases of fermented soybean meal (for feeds products segment) and flour and coated flour (for processed food segment) from the GWE Group was approximately RMB7 million and RMB8 million respectively, which represented approximately 9.8% and 1.3%, respectively, of the cost of sales of feeds products and processed food products of approximately RMB71.5 million and RMB618.6 million as set out above.

### *Estimated amount of purchase of flour and coated flour from the GWE Group*

The Group estimates that the annual amount of purchase of flour and coated flour to be supplied by the GWE Group for each of the three years ending 31 December 2021 will increase to RMB15 million, RMB16.5 million and RMB18 million respectively as compared with approximately RMB8 million for the year ended 31 December 2017. The RMB15 million for the year ending 31 December 2019 is determined based on the total sales of processed food products for the segment having transactions with the GWE Group to increase to approximately RMB1,500 million as compared with approximately RMB769 million in 2017. As discussed with the Group, such increase was due to the operation of the Group's newly incorporated companies in Cambodia and the newly established factory in Bengbu of the PRC as well as the Group's plan to expand its processed food segment. Having reviewed the Annual Report, we noted that the Group's factory in Bengbu of the PRC has commenced operation in around October 2017 and which has already almost reached full capacity. The construction of factories in Cambodia were also already well underway and which we understand are expected to be in operation by the second half of 2018. Also, after having reviewed the business plan of the Group, it is expected that the newly established factory in Bengbu of the PRC is expected to increase the sales volume of the processed food of the Group by an average of approximately 3,700 tons per month for the year ending 31 December 2019. Further, the Group estimates that the average price in 2019 of processed food products is approximately RMB16,500 per ton. In this regard, we noted that such average price in 2019 is similar to the average price in 2017 of processed food products of approximately RMB16,300 per ton. In view of the above, we are of the view that it is reasonable to expect that the total sales of processed food products for the segments having transactions with the GWE Group to increase to approximately RMB1,500 million for the year ending 31 December 2019.

In deriving for the amount of purchase of flour and coated flour to be supplied by the GWE Group to the Group for the year ending 31 December 2019, the Group has adopted the total sales of processed food products for the segments having transactions with the GWE Group of approximately RMB1,500 million and applied that to the historical gross profit margin of 20% for processed food products as set out above (i.e., therefore the corresponding cost of sales so calculated is approximately RMB1,200 million). Also, given that the historical percentage of 1.3% of the total cost of purchases in the processed food products were from flour and coated flour supplied by the GWE Group as set out above, the amount of purchase of flour and coated flour to be supplied by the GWE Group for the year ending 31 December 2019 is estimated to be approximately RMB15 million, which we considered to be reasonably estimated.

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## LETTER FROM PELICAN

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In deriving for the amount of purchase of flour and coated flour to be supplied by the GWE Group for the two years ending 31 December 2021, the Group estimates that the annual amount of purchase of flour and coated flour from the GWE Group for each of the two years ending 31 December 2021 is expected to increase by approximately 10% as compared to the preceding year, amounting to approximately RMB16.5 million and RMB18 million respectively. We are of the view that the 10% increase is reasonable after having considered that the Group is expected to continue to strengthen its product and market development efforts in the food segment (including processed food segment). In this regard, we noted that the revenue of the Group generated from the processed food segment has increased approximately 27.2% in 2017 as compared with the prior year, increasing from approximately RMB1,279.0 million in 2016 to approximately RMB1,626.7 million in 2017. In view of the above, we are of the view that the amount of purchase of flour and coated flour to be supplied by the GWE Group for the two years ending 31 December 2021 are reasonably estimated.

### *The estimated annual amount of purchase of fermented soybean meal*

The Group estimates that the annual amount of purchase of fermented soybean meal to be made by the Group for each of the three years ending 31 December 2021 to be approximately RMB7.2 million, RMB7.5 million and RMB7.9 million respectively. We noted that the estimated amount of purchase of fermented soybean meal of RMB7.2 million for the year ending 31 December 2019 is determined based on the sales of feeds products for the segment having transactions with the GWE Group of approximately RMB87.5 million (representing an increase of approximately 2.5% as compared with approximately RMB85.5 million in 2017) as well as the historical gross profit margin of 16% for feeds products as set out above (i.e., therefore the corresponding cost of sales so calculated is approximately RMB73.5 million) and the historical percentage of 9.8% of the total cost of purchases in feeds products are from fermented soybean meal supplied by the GWE Group as set out above. Further, we noted that for the year ended 31 December 2017, the amount of purchase of fermented soybean meal made by the Group from the GWE Group was approximately RMB7 million. Given that the Group's cost of sales has increased approximately 4.4% for the year ended 31 December 2017, it reasonable to expect that the annual increase in the amount of purchase of fermented soybean meal to be made by the Group to be in the region of approximately 3% to 5% for the three years ending 31 December 2021.

### *Buffer on the proposed annual caps for the three years ending 31 December 2021*

The total amount of purchase of fermented soybean meal and flour and coated flour from the GWE Group for the three years ending 31 December 2021 as calculated above is approximately RMB22.2 million, RMB24 million and RMB26 million respectively. We noted that a buffer of approximately RMB8 million to RMB15 million of the value of products purchased by the Group from the GWE Group is included in the proposed annuals for the three years ending 31 December 2021. We are of the view that such buffer is reasonable given that it provides rooms for fluctuation in the purchase volume and prices of flour and coated flour and fermented soybean meal and to allow the Group to maintain steady supply of flour and coated flour and fermented soybean meal. Further, from our review of other

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## LETTER FROM PELICAN

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continuing connected transactions by other companies listed on the Stock Exchange, we noted buffer similar to size applied by the Group has also been adopted previously. As such, we are of the view that the buffer applied by the Group is reasonable.

### *Expected future price of fermented soybean meal and flour and coated flour*

We noted the Group expects that the future price of fermented soybean meal and flour and coated flour to be in line with their historical prices in the region of approximately RMB2,600 per ton to RMB3,600 per ton and approximately RMB1.1 per half a kilogram to RMB1.5 per half a kilogram respectively. We have reviewed the statistics as published by on the website of [www.cofeed.com](http://www.cofeed.com), a website in the PRC that tracks industry statistics and data on the prices of edible oil, feeds etc. (the website is recognised by the National Development Reform Commission, Ministry of Industry and Information Technology of the PRC and Ministry of Commerce of the PRC), and noted that such price ranges are in-line with their historical market prices. As such, we are of the view that the future price of fermented soybean meal and flour and coated flour as estimated by the Group is reasonable.

In light of the above, we are of the view that the basis and assumptions in formulating the proposed annual caps under the GWE Master Purchase (Renewal) Agreement and also that the proposed annual caps for the three years ending 31 December 2021 of RMB30 million, RMB35 million and RMB40 million respectively are fair and reasonable.

### *Proposed annual caps under the GWE Master Supply (Renewal) Agreement*

We noted that the proposed annual cap under the GWE Master Supply (Renewal) Agreement for the year ending 31 December 2019 of RMB200 million represents a decrease of 60% from the annual cap of RMB500 million for the year ending 31 December 2018 and the proposed annual caps for the two years ending 31 December 2021 of RMB250 million and RMB300 million respectively represent an approximately 20% to 25% increase from the prior year annual cap.

### *Historical value of products supplied by the Group to the GWF Group*

In determining the proposed annual caps under the GWE Master Supply (Renewal) Agreement, we noted they were made with reference to the actual amount of approximately RMB30 million to RMB95 million for the two years ended 31 December 2017 under the GWE Master Supply Agreement. Our review of the financial information of the Group shows that the aquatic animal feed products and fresh meat products supplied to members of the GWE Group in 2017 was in the proportion of approximately 87% and 13% respectively. We noted that the decrease in the actual amount under the GWE Master Supply Agreement in the year 2017 as compared with the prior year was due to, among others, the change of the transaction model in respect of the sales of aquatic animal feed products in Vietnam to sub-processing without the sale of materials, which took place during 2016 and therefore caused a decrease in the sales revenues recognized from GWE in 2017 and the influenza outbreak in the PRC in 2017, which caused a negative impact to the broiler industry in the PRC. However, as discussed with the Company, it expects that the price and consumption of fresh chicken meat (as well as the PRC's broiler industry as a whole) will return to the level prior to the influenza outbreak. In this regard, in our review of an industry report by United

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## LETTER FROM PELICAN

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States Department of Agriculture (USDA) published in March 2018, we noted that the PRC's broiler meat production is forecasted to increase by 700,000 metric tons to 11.7 million metric tons in 2018, an increase of approximately 6.4%, due to the return of consumer demand in the PRC following the influenza outbreak in 2017. As such, we concurred with the Company that the price and consumption of fresh chicken meat (as well as the PRC's broiler industry as a whole) will increase as compared with 2017. In view of the above, we occurred that the supply of fresh meat products to GWE is expected to be over RMB6 million as compared with approximately RMB4.7 million in 2017.

### *Increase in supply of aquatic animal feed products in Vietnam*

The Group estimates that there will be a rise in the supply of aquatic animal feed products of 10% to 15% to the GWE Group for the three years ending 31 December 2021 in view of the growth in Vietnam. Given the continual economic growth in Vietnam (i.e., its gross domestic product is forecasted by the Vietnam government and the Asian Development Bank to grow in the region of 6.5% to 7% in 2018) and the continual urbanisation and lowering poverty rate in Vietnam, we are of the view that the supply of aquatic animal feed products to the GWE Group in Vietnam for the three years ending 31 December 2021 will continue to grow and that the rise in the supply of aquatic animal feed products as estimated by the Company is reasonable. Further, as discussed above, the change of the transaction model in respect of the sales of aquatic animal feed products in Vietnam to sub-processing without the sale of materials caused a negative impact on the sales revenues recognized from GWE. However, having discussed with the Company, we understand that it is possible that the old transaction model would be used for the new categories of aquatic animal feed products and therefore the proposed annual caps have taken into account such possibility, amounting to an increase of RMB100 to RMB150 million in the amount of supply of aquatic animal feed products to the GWE Group.

### *Demand from the GWE Group of the Group's fresh meat products*

The Group estimates that the demand from the GWE Group of the Group's fresh meat products will lead to an increase of approximately 3% to 5% in sales revenue of the Group's chicken meat business. Such increase was due to the price and consumption of fresh chicken meat returning to a level prior to the influenza outbreak as set out above as well as the business expansion of the GWE Group. We noted that the various renowned restaurant chains under the GWE Group such as Din Tai Fung (鼎泰豐), Du Hsiao Yueh Restaurant (度小月), etc have continued to open new restaurants in the PRC and other regions in Asia during 2017 and the first half of 2018. These new openings and expansions of the GWE Group is expected increase the demand of the Group's fresh meat products and therefore it is reasonable to estimate that the demand from the GWE Group of the Group's fresh meat products will lead to an increase of approximately 3% to 5% in sales revenue of the Group's chicken meat business.

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## LETTER FROM PELICAN

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### *The expected price of raw materials required for the production of processed feeds and fresh meat products*

The Group estimates that the price of raw materials (i.e., corn) required for the production of processed feeds to be 390 to 440 pennies per bush for the three years ending 31 December 2021. We have reviewed the prevailing market prices published on the website of [www.cmegroup.com](http://www.cmegroup.com), an electronic trading platform which provides a range of derivative products across major assets including agricultural commodities, and noted that the market prices of corn futures has been trading approximately 390 to 440 pennies per bush during the first four months of 2018 and therefore the estimation by the Company is reasonable.

The Group estimates that the price of fresh meat products to be approximately RMB10 per kilogram for the three years ending 31 December 2021. We have reviewed the financial information of the Group and noted the RMB10 per kilogram was made with reference to the price of the fresh meat products from RMB5 per kilogram to RMB10 per kilogram sold in 2017. Given that the consumption and price of fresh chicken meat is expected to recover in 2018 as set out above, we are of the view that it is reasonable to that a higher price range of fresh meat products (i.e., RMB10 per kilogram) as estimated by the Company is used.

### *Buffer on the proposed annual caps for the three years ending 31 December 2021*

We noted that a buffer of approximately 30% to 50% of the value of products supplied by the Group to the GWE Group is included in the proposed annuals for the three years ending 31 December 2021. We are of the view that such buffer is reasonable given that transactions under the GWE Master Supply (Renewal) Agreement is a source of revenue for the Group and thus a higher proposed annual cap under the GWE Master Supply (Renewal) Agreement will provide the flexibility for the Group to generate higher sales from the GWE Group. In addition, the buffer will accommodate any unpredictable increase in the prices and demands of the GWE Group in aquatic animal feed products and fresh meat products. Further, from our review of other continuing connected transactions by other companies listed on the Stock Exchange, we noted buffer similar to size applied by the Group has also been adopted previously. As such, we are of the view that the buffer applied by the Group is reasonable.

In light of the above, we are of the view that the basis and assumptions in formulating the proposed annual caps under the GWE Master Supply (Renewal) Agreement and also that the proposed annual caps for the three years ending 31 December 2021 of RMB200 million, RMB250 million and RMB300 million respectively are fair and reasonable.

Taking into account of the factors as set out above, we are of the view that the proposed annual caps of the Non-Exempt Transactions are reasonably estimated and therefore we are of the view that the proposed annual caps for the Non-Exempt Transactions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM PELICAN

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### RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the Non-Exempt Transactions are in the ordinary and usual course of business of the Group and on normal commercial terms and the terms of the Non-Exempt Transactions and their respective proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions approving the Non-Exempt Transactions and the respective proposed annual caps at the EGM. We also recommend the Independent Shareholders to vote in favour of the resolution relating to the Non-Exempt Transactions and the proposed respective annual caps at the EGM.

Yours faithfully,  
For and on behalf of  
**Pelican Financial Limited**  
**Charles Li**  
*Director*

## 1. RESPONSIBILITY OF THE DIRECTORS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (as defined under the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### (a) Interest in shares of the Company

Name of Directors	Type of Interest	No. of Shares held	Approximate percentage of issued share capital of the Company (Note 1)
Han Jia-Hwan	Beneficial owner	344,000	0.03%
Han Chia-Yin (Note 2)	Beneficial owner/ Interests of spouse	582,000	0.06%
Chao Tien-Shin (Note 3)	Interests of a controlled corporation/Interests jointly held with spouse	3,834,000	0.38%
Chen Chih	Beneficial owner	300,000	0.03%
Way Yung-Do	Beneficial owner	300,000	0.03%

*Notes:*

- As at the Latest Practicable Date, the total number of the issued Shares was 1,016,189,000.
- Mr. Han Chia-Yin held 382,000 Shares and was also deemed to be interested in 200,000 Shares held by his spouse by virtue of section 344 of the SFO.
- Mr. Chao Tien-Shin was deemed to be interested in (i) 3,534,000 Shares held by Hannibal International Limited, a subsidiary of CTS Capital Group Limited which is controlled by Mr. Chao and his spouse and (ii) 300,000 shares jointly held by Mr. Chao and his spouse.



## (b) Long positions in shares of associated corporations of the Company

Name of Directors	Name of associated corporation	Type of Interest	No. of shares held	Approximate percentage of issued share capital of associated corporation (Note 1)
Han Chia-Yau	GWE	Beneficial owner	55,499	0.01%
Harn Jia-Chen	GWE	Beneficial owner	59,612	0.01%
Chao Tien-Shin (Note 2)	GWE	Interests of a corporation jointly controlled with spouse	10,242,123	1.39%

*Notes:*

- As at the Latest Practicable Date, the total number of the issued shares of GWE was 736,394,380.
- Mr. Chao Tien-Shin was deemed to be interested in the 10,242,123 shares of GWE held by Qiao Tai Xing Investment Co. Ltd which is controlled by Mr. Chao and his spouse.

Save as disclosed in this paragraph 2, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

**3. SUBSTANTIAL SHAREHOLDERS' INTEREST**

As at the Latest Practicable Date, so far as was known to any Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

## (a) Long Positions in shares of the Company

Name of Shareholder (Note 1)	Type of Interest	No. of shares held	Approximate percentage of issued share capital of the Company (Note 2)
Waverley Star Limited	Beneficial owner	375,899,946	36.99%
Asia Nutrition Technologies Corporation	Beneficial owner	152,924,906	15.05%
GWE (Note 1)	Interests of a controlled corporation	528,824,852 (Note 3)	52.04%
Great Wall International (Holdings) Ltd.	Interests of a controlled corporation	528,824,852 (Note 3)	52.04%
Continental Capital Limited (Note 4)	Beneficial owner	59,700,029 (Note 5)	5.87%
Contigroup Companies Inc.	Interests of a controlled corporation	59,700,029 (Note 5)	5.87%
Fribourg Grandchildren Family L.P.	Interests of a controlled corporation	59,700,029 (Note 5)	5.87%
Fribourg Enterprises, LLC	Interests of a controlled corporation	59,700,029 (Note 5)	5.87%
Declaration of Trust dated May 31, 1957, for the benefit of Robert Fribourg	Interests of a controlled corporation	59,700,029 (Note 5)	5.87%
Declaration of Trust dated May 31, 1957, for the benefit of Paul Jules Fribourg	Interests of a controlled corporation	59,700,029 (Note 5)	5.87%
Declaration of Trust dated May 31, 1957, for the benefit of Nadine Louise Fribourg	Interests of a controlled corporation	59,700,029 (Note 5)	5.87%
Declaration of Trust dated May 31, 1957, for the benefit of Charles Arthur Fribourg	Interests of a controlled corporation	59,700,029 (Note 5)	5.87%
Trust Agreement Dated September 16, 1963, for the benefit of Caroline Renee Fribourg	Interests of a controlled corporation	59,700,029 (Note 5)	5.87%
Fribourg Charles Arthur	Trustee	59,700,029 (Note 5)	5.87%
Sosland Morton Irvin	Trustee	59,700,029 (Note 5)	5.87%

Name of Shareholder (Note 1)	Type of Interest	No. of shares held	Approximate percentage of issued share capital of the Company (Note 2)
Fribourg Paul Jules	Trustee	59,700,029 (Note 5)	5.87%
Sun Hui Ying	Beneficial owner	50,978,000	5.02%

*Notes:*

1. The following Directors are directors/employees of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:
  - (a) Mr. Han Chia-Yin is a director of GWE;
  - (b) Mr. Han Chia-Yau is a director of GWE and the chairman of the board of the directors of GWE;
  - (c) Mr. Harn Jia-Chen is a director of GWE;
  - (d) Mr. Chao Tien-Shin is a director of GWE.
2. As at the Latest Practicable Date, the total number of the issued Shares was 1,016,189,000.
3. The shares were registered in the name of Waverley Star Limited and Asia Nutrition Technologies Corporation, each of which was a wholly-owned subsidiary of Great Wall International (Holdings) Ltd, which, in turn, was a wholly-owned subsidiary of Great Wall Enterprise Co., Ltd. Under the SFO, both Great Wall International (Holdings) Ltd and Great Wall Enterprise Co., Ltd were deemed to be interested in all the shares held by Waverley Star Limited and Asia Nutrition Technologies Corporation.
4. The Company was informed by Continental Enterprises Ltd. that it changed its name to "Continental Capital Limited" on 2 November 2011, and that the number of shares in the Company held by it has increased from 59,700,029 to 60,000,029 since it acquired 300,000 shares in the Company in 2012 through the exercise of share option(s).
5. Fribourg Charles Arthur, Sosland Morton Irvin and Fribourg Paul Jules had control of 3.39%, 3.21% and 6.23% interests in Contigroup Companies Inc. respectively. They were also the trustees of and had control of 100% interests in the Declaration of Trust dated 31 May 1957 for the benefit of Robert Fribourg (the "Robert's Declaration"), the Declaration of Trust dated 31 May 1957 for the benefit of Paul Jules Fribourg (the "Paul's Declaration"), the Declaration of Trust dated 31 May 1957 for the benefit of Nadine Louise Fribourg (the "Nadine's Declaration"), Declaration of Trust dated 31 May 1957 for the benefit of Charles Arthur Fribourg (the "Charles' Declaration"), and the Trust Agreement Dated 16 September 1963 for the benefit of Caroline Renee Fribourg (the "Caroline's Agreement") (hereinafter collectively referred to as the "Trusts"). Under the SFO, Fribourg Charles Arthur, Sosland Morton Irvin and Fribourg Paul Jules were deemed to be interested in all the interests held by the Trusts.

The Trusts controlled 100% interests in Fribourg Enterprises, LLC. Under the SFO, the Trusts were deemed to be interested in all the interests held by Fribourg Enterprises, LLC. Fribourg Enterprises, LLC controlled 2.44% of Contigroup Companies Inc and wholly controlled Fribourg Grandchildren Family L.P, which directly controlled 49.33% interests of Contigroup Companies Inc. Under the SFO, Fribourg Enterprises, LLC was deemed to be interested in all

the interests held by Fribourg Grandchildren Family L.P, which was deemed to be interested in all the interests held by Contigroup Companies Inc. The Robert's Declaration, Paul's Declaration, Nadine's Declaration, Charles' Declaration and Caroline's Agreement owned 3.93%, 5.84%, 5.23%, 4.97%, and 4.92% of the interests in Contigroup Companies Inc.

Contigroup Companies Inc. wholly controlled Continental Enterprises Ltd, which was interested in 5.90% shares of the Company. Under the SFO, Contigroup Companies Inc. was deemed to be interested in all the shares held by Continental Enterprises Ltd.

The Trusts jointly held their interests in the Company. Fribourg Charles Arthur, Sosland Morton Irvin and Fribourg Paul Jules also jointly held their interests in the Company.

### (b) Interests in subsidiaries of the Company

As at the Latest Practicable Date, so far as was known to any Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the issued voting shares of the following subsidiaries of the Company:

<b>Name of subsidiary of the Company</b>	<b>Name of substantial shareholder</b>	<b>Approximate percentage of shareholding</b>
Dacheng Dalian Investment Co., Ltd.* (大成大連投資有限公司)	Marubeni	40%
Beijing Long Xian Ju Catering Management Co., Ltd.* (北京龍涎居餐飲管理有限公司)	Gao Huangqi	30%
DaChan Livestock Development Co., Ltd.* (孟村回族自治縣大成畜牧開發有限公司)	Mengcun Hui Autonomous County Construction Investment Co., Ltd.* (孟村回族自治縣城市建設投資有限公司)	60%
Shenzhen Green Pac Bio Co* (深圳綠倍生態科技有限公司)	Shenzhen Huada Gene Technology Co., Ltd.* (深圳華大基因科技有限公司)	28%
Taixu & DaChan Foods Holdings Co., Limited (台畜大成食品控股有限公司)	Taiwan Farm Holding Co., Ltd.	38.46%
Taixu & Dachan Foods Co., Limited (台畜大成食品有限公司)	CAI Cathy Ltd.	15%

Save as disclosed in this paragraph 3, there is no person (not being a Director or chief executive of the Company) known to the Directors and chief executive of the Company, who, as at the Latest Practicable Date, had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, were, directly or indirectly, interested in 10% or more of the issued voting shares of any subsidiary of the Company.

**4. MATERIAL ADVERSE CHANGES**

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017 being the date up to which the latest published audited accounts of the Company were made.

**5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

**6. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS**

As at the Latest Practicable Date, none of the Directors (i) had any interest in any assets which have been, since 31 December 2017 (being the date up to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group and (ii) was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting and significant in relation to the business of the Group.

**7. COMPETING INTERESTS**

As at the Latest Practicable Date, the Directors were not aware that any of them had interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

**8. EXPERT AND CONSENT**

The following is the qualifications of the expert who has given opinion or advice, which are contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Pelican Financial Limited	A licensed corporation to conduct type 6 (advising on corporation finance) regulated activities under the SFO.

Pelican has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 13 June 2018 and references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, Pelican did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any direct or indirect interest in any assets which have, since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by, of leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

**9. MISCELLANEOUS**

- (a) The registered office of the Company is situated at Clifton House, 75 Fort Street, George Town, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business in Hong Kong is at Suite 1806, Tower 1, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
- (b) The Company's branch share registrar in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The secretary of the Company is Ms. Cho Yi Ping, a practising solicitor of Hong Kong.
- (d) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Suite 1806, Tower 1, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong, for a period of 14 days from the date of this circular:

- (a) this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from Pelican, the text of which is set out in this circular;
- (d) the written consent from Pelican referred to in the section headed “Expert and Consent” in this appendix;
- (e) the GWE Master Purchase Agreement;
- (f) the GWE Master Purchase (Renewal) Agreement;
- (g) the GWE Master Supply Agreement; and
- (h) the GWE Master Supply (Renewal) Agreement.

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## NOTICE OF EGM

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of DaChan Food (Asia) Limited (the “**Company**”) will be held at Xiamen Suites I-II, 3/F., Prince Hotel, Harbour City, Kowloon, Hong Kong, on 29 June 2018, Friday, at 3:00 p.m., or immediately after the conclusion or adjournment of the annual general meeting of the Company to be held on the same day, to consider and, if thought fit, pass the following ordinary resolutions (with or without modifications):

#### **ORDINARY RESOLUTIONS**

1. **“THAT**

- (a) the GWE Master Purchase (Renewal) Agreement (as defined in the circular of the Company dated 13 June 2018 (the “**Circular**”), a copy of which is produced to the meeting and marked “A” and initialled by the chairman of the EGM for the purpose of identification), the terms and the transactions contemplated thereunder together with the relevant proposed annual caps in relation to such transactions for three years ending 31 December 2021 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorised to take any step and execute such other documents as they consider necessary, desirable or expedient that are of administrative nature and ancillary to and for the purposes of carrying out or giving effect to the GWE Master Purchase (Renewal) Agreement or the transactions contemplated thereunder.”

2. **“THAT**

- (a) the GWE Master Supply (Renewal) Agreement (as defined in the Circular, a copy of which is produced to the meeting and marked “B” and initialled by the chairman of the EGM for the purpose of identification), the terms and the transactions contemplated thereunder together with the relevant proposed annual caps in relation to such transactions for three years ending 31 December 2021 as set out in the Circular be and are hereby approved, confirmed and ratified; and



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## NOTICE OF EGM

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- (b) any director of the Company be and is hereby authorised to take any step and execute such other documents as they consider necessary, desirable or expedient that are of administrative nature and ancillary to and for the purposes of carrying out or giving effect to or otherwise in connection with the GWE Master Supply (Renewal) Agreement or the transactions contemplated thereunder.”

By order of the Board  
**Han Jia-Hwan**  
*Chairman*

Hong Kong, 13 June 2018

*Notes:*

1. A member of the Company who is holder of two or more shares, and who is entitled to attend and vote at the EGM, is entitled to appoint more than one proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM or any adjournment of the EGM. In such event, his/her form of proxy will be deemed to have been revoked.
2. A form of proxy for the EGM is enclosed to the notice of the EGM. In order to be valid, the form of proxy together with the power of attorney, if any, under which it is signed, or a notarially certified copy of such power or authority must be lodged at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the EGM or any adjournment of the EGM.
3. The register of members of the Company will be closed from 25 June 2018, Monday to 29 June 2018, Friday (both dates inclusive) for the purposes of determining the entitlements of the members of the Company to attend and vote at the EGM. No transfer of the shares of the Company may be registered during the said period. In order to qualify for the aforesaid entitlements, all transfers must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on 22 June 2018, Friday.
4. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the above resolutions will be voted by way of poll; shareholders of the Company who have material interests (within the meaning of the Listing Rules) in the transactions to be approved by the above resolutions, including but not limited to Great Wall Enterprise Co., Ltd. and its associates (within the meaning of the Listing Rules), are required to abstain from voting in the relevant resolutions.

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